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## FISCAL IMPACT REPORT

SPONSOR: Leavell DATE TYPED: 02/26/01 HB \_\_\_\_\_  
 SHORT TITLE: Amend NM Insurance Code SB 274/aSPAC  
 ANALYST: Wilson

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
		NFI			

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files  
 Public Regulation Commission ( PRC)

### SUMMARY

#### Synopsis of SPAC Amendment

SB 274/aSPAC restores existing law regarding notice requirements since the intent of SB 274 is to change prior approval requirements.

#### Synopsis of Original Bill

SB 274 allows domestic in-state insurers to invest an additional 5 percent of their assets in subsidiaries without obtaining prior approval of the Superintendent of Insurance.

#### Significant Issues

Current law allows insurers to invest the lesser of 5 percent of assets or 50 percent of surplus in subsidiaries without obtaining the prior approval of the Superintendent of Insurance. SB 274 would change the five percent of assets restriction to ten percent of assets.

Out-of-state companies do not have this restriction. SB 274 allows in-state companies to compete under the same set of rules.

### TECHNICAL ISSUES

## Senate Bill 274/aSPAC -- Page 2

The PRC has written that in the interests of consistency the following should not be deleted:

1. “The lesser of ten percent of insurer’s assets or”, page 9, lines 2 and 3.
2. “The lesser of three percent of the insurer’s admitted assets or”, page 13, lines 7,8,22 and 23.

The above sections are notice requirement as opposed to prior approval requirements. The industry agrees with the PRC and would support the above suggestions.

### **OTHER SUBSTANTIVE ISSUES**

Since much of an insurer’s assets secure obligations of the insurer to policy holders and claimants, the assets must be invested to provide a high level of security and proper liquidity. Investments in subsidiaries provide less liquidity.

On the other hand, increasing the possible level of investments in subsidiaries possible without prior approval provides additional flexibility to insurance company management and allows the subsidiaries to compete equally with out-of-state companies and grow to their full potential.

SB274 increases the approval amount but still requires reporting to the Superintendent of Insurance of all transactions.

DW/ar