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FISCAL IMPACT REPORT

SPONSOR: Martinez DATE TYPED: 03/10/03 HB 107/aHBIC

SHORT TITLE: No Charge for New Auto Insurance SB _____

ANALYST: Hayes

APPROPRIATION

| Appropriation Contained | | Estimated Additional Impact | | Recurring or Non-Rec | Fund Affected |
|-------------------------|------|-----------------------------|------|----------------------|---------------|
| FY03 | FY04 | FY03 | FY04 | | |
| | NFI | | | | |
| | | | | | |

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB 590

SOURCES OF INFORMATION

Responses Received From
Public Regulation Commission (PRC)

SUMMARY

Synopsis of HBIC Amendments

The House Business and Industry Committee amended the effective date of HB 107 to January 1, 2004 instead of ~~July 1, 2003~~.

In addition, the NEW MATERIAL now reads: *“An insurer shall not charge an additional assessment, surcharge or fee solely because the insured is a first-time purchaser of automobile insurance or has not been insured for a period of time immediately prior to the purchase of automobile insurance.”* It leaves the door open for insurance companies to assess a “fee” to drivers who have a history of non-payment of premiums, for example, or a history of DWI’s or frequent accidents.

Synopsis of Original Bill

House Bill 107 adds a new section to the New Mexico Insurance Code, Chapter 59A, Article 32 NMSA 1978, which prohibits automobile insurance companies from charging a higher premium, fee or surcharge to customers who are first-time purchasers of liability insurance or to those who

have not been insured for a period of time immediately prior to purchasing automobile insurance.

The effective date of the provisions of this bill is July 1, 2003.

Significant Issues

1. The removal of the fee/surcharge will make it somewhat more affordable for currently uninsured motorists to afford liability coverage.
2. The category of drivers who have purchased liability insurance in the past includes: a) those who once drove, stopped driving and now want to drive again; b) those who have always driven but chose to become uninsured; c) those who were canceled by their insurers due to non-payment of insurance premiums; and d) those who could not obtain affordable insurance due to DWIs and/or past claim experience.

For those customers who are currently without insurance due to reasons such as non-payment of premium or a history of DWIs, the bill as currently written would leave insurers with the choice of either losing money on these customers, increasing the premiums of other drivers to offset these losses, or declining to provide insurance to these customers.

ADMINISTRATIVE IMPLICATIONS

This bill would require insurers who are currently charging such a fee/surcharge to file their revised rates with the Public Regulation Commission's Insurance Division.

RELATIONSHIP

HB 590 addresses insurance limits for low-income drivers.

TECHNICAL ISSUES

As currently drafted, the bill pertains to both commercial and personal auto insurance. If HB 107 is intended for personal automobile insurance only, then that needs to be clarified.

CMH/njw