

NOTE: As provided in LFC policy, this report is intended only for use by the standing finance committees of the legislature. The Legislative Finance Committee does not assume responsibility for the accuracy of the information in this report when used for other purposes.

The most recent FIR version (in HTML & Adobe PDF formats) is available on the Legislative Website. The Adobe PDF version includes all attachments, whereas the HTML version does not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR: HTC DATE TYPED: 02/25/03 HB 108/HTCS

SHORT TITLE: Mandatory Coverage for Permissive Drivers SB _____

ANALYST: Wilson

APPROPRIATION

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

SOURCES OF INFORMATION

Responses Received From
 Taxation and Revenue Department (TRD)
 Public Regulation Commission (PRC)

SUMMARY

Synopsis of Bill

The House Transportation Committee Substitute for House Bill 108 imposes several new requirements on motor vehicle insurance policies under the Mandatory Financial Responsibility Act.

- Motor vehicle insurance policies must designate by explicit description or by appropriate reference all vehicles given coverage.
- Policies must insure the person named in the policy and a person who uses a covered vehicle the express or implied permission of the named insured.
- Policies must cover losses on vehicles used but not owned by the insured person. Exceptions to this requirement are provided for automobile businesses, for vehicles furnished for regular use and for vehicles rented for business use.
- Policies must state the name and address of the insured, the coverage afforded, the premium charged, the policy period and the limits of liability.
- Policies must contain an agreement or endorsement declaring its conformity with the

Mandatory Financial Responsibility Act.

- Policies may not be canceled or annulled by an agreement between the insurance carrier and the insured after the occurrence of an injury or damage.
- The carrier has the right to settle a claim covered by the policy and the amount of the settlement is deductible from the liability limits if the settlement is made in good faith.

Significant Issues

The provision requiring automobile policies to cover not only the named insured but also anyone else driving the insured vehicle with the explicit or implied permission of the named insured is already in all personal auto policies, but is usually not included in commercial auto policies.

The property & casualty actuary for the Insurance Division of the PRC notes mandatory permissive driver coverage is already common practice for personal auto policies. HB 108/HTCS does not require commercial auto policies to cover permissive driver coverage which also coincides with existing practice in the insurance industry in New Mexico.

TECHNICAL ISSUES

Section 1, Subsection A-2, as currently written, may require insurers to provide insureds and their permissive drivers with unlimited liability coverage even if the insured only purchases the minimum limits of coverage required by the Mandatory Financial Responsibility Act. PRC staff would like the following to be added in this section: “up to limits of policy”.

DW/sb/njw