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## FISCAL IMPACT REPORT

SPONSOR: Larranaga DATE TYPED: 03/07/03 HB 590/aHTC

SHORT TITLE: Insurance Limits for Low Income Drivers SB \_\_\_\_\_

ANALYST: Hayes

### APPROPRIATION

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

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

Responses Received From  
Public Regulation Commission (PRC)

### SUMMARY

#### Synopsis of HTC Amendments

The House Transportation Committee amendment inserts new language, subsection B on page 3:  
*B. An insurance agent, insurance broker or insurer who accepts as part of the eligibility of an insured to receive insurance pursuant to Paragraph (2) of Subsection A of this section shall not be liable for any claim regarding the adequacy of the reduced or limited insurance coverage.*

#### Synopsis of Original Bill

Section 1 of House Bill 590 amends Section 66-5-208 NMSA 1978 regarding the Mandatory Financial Responsibility Act to reduce the amount of automobile liability coverage required for vehicle owners with incomes less than or equal to 150 percent of the federal poverty guidelines.

“Federal poverty guidelines” means the level of income defining poverty by family size developed annually by the United States Department of Health and Human Services and published in the *Federal Register*.

Section 2 of HB 590 adds a new section of the Mandatory Financial Responsibility Act that requires all insurance policies, regardless of income level, to automatically match another state’s financial responsibility limits when the insured vehicle is driving through another state, U.S. ter-

ritory or Canada.

Section 3 of HB 590 also adds a new section which directs the superintendent of PRC’s Insurance Division to adopt rules regarding forms that the insurance companies require from motor vehicle owners certifying to their low income status/eligibility for reduced liability coverage pursuant to the provisions of this bill.

Significant Issues

1. Approximately 33 percent of New Mexico motorists do not have liability insurance on their vehicles as required by state law. It is unknown what percent of those people qualify as low income pursuant to federal poverty guidelines.
2. Lower insurance rates may compel individuals to obtain the required insurance. Over time, automobile insurance rates for all New Mexicans may decrease as a result.
3. The reduction in liability coverage for low-income people is approximately 50 percent as noted below:

	<u>Income Greater than 150% of poverty</u>	<u>Income Less than 150% of poverty</u>
Bodily Injury or Death to 1	\$25,000	\$10,000
Bodily Injury or Death to 2 or more	\$50,000	\$20,000
Destruction of Property of others	\$10,000	\$ 5,000

For all motorists, regardless of income level, if evidence is in the form of a surety bond or a cash deposit, then the total amount shall be \$60,000.

4. Virtually all automobile policies currently offer automatic coverage to match another state’s financial responsibility limits when the insured vehicle is traveling out-of-state. It is unknown whether this legislation can effectuate reciprocity with Canada

**ADMINISTRATIVE IMPLICATIONS**

Passage of this bill will require approximately 300 insurance companies providing automobile insurance in New Mexico to file revised rate manuals with PRC’s Insurance Division to include the new lower limits.

In addition, PRC’s Insurance Division will need to devise and promulgate the forms that insurance companies must provide to applicants and policyholders to certify their low income status.

**RELATIONSHIP**

- HB 107, No charge for new auto insurance
- HB 108, Mandatory coverage for permissive drivers
- HB 532, Mile-based auto insurance coverage
- HB 697, Uninsured motorist punitive damages