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FISCAL IMPACT REPORT

SPONSOR: Hobbs DATE TYPED: 2/12/03 HB HJR 9

SHORT TITLE: Remove Insurance Companies from PRC, CA SB _____

ANALYST: Chavez

APPROPRIATION

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

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

Public Regulation Commission (PRC)
LFC Files

SUMMARY

Synopsis of Bill

House Joint Resolution 9 would submit to the voters a proposal to amend Article 11, Section 2 of the Constitution of New Mexico. The amendment would remove the Constitution's express delegation of general authority to the Public Regulation Commission (PRC) to regulate "insurance companies and others engaged in risk assumption."

Significant Issues

In 2001, the legislature passed Senate Joint Memorial 41 requesting that the New Mexico Legislative Council designate an interim committee to examine the organization, financing and performance of the PRC. The Legislative Council appointed the Public Regulation Commission Subcommittee to meet during the 2001 and 2002 interims to address these issues.

The subcommittee report to the Legislative Council makes recommendations in four areas, including insurance regulation. It was suggested by the subcommittee that the PRC authority be restructured to focus on utility and telecommunications regulation. Currently, the responsibilities of the PRC consists of regulating public utilities, including electric, natural gas and water companies; transportation companies, including common and contract carriers; transmission and

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pipeline companies, including telephone, telegraph and information transmission companies; insurance companies and others engaged in risk assumption; and other public service companies in such manner as the legislature shall provide.

The subcommittee examined the possibility of regulatory consolidation with the financial institutions division of the regulation and licensing department along with the possibility of the insurance division becoming a stand-alone agency. After engaging in debate and hearing comments by representatives from the insurance companies, New Mexico Bankers Association, the Health Insurance Association of America, Superintendent Serna and others, the legislative subcommittee recommended the regulation of insurance be elevated from its current status as a division of the PRC to an independent department of insurance.

As an independent department, the subcommittee suggests the superintendent of insurance be appointed by the governor with the consent of the senate. Presently, the PRC appoints the Superintendent of Insurance. Currently, the subcommittee feels the superintendent is essentially autonomous. If a decision of the Superintendent is appealed, the appeal goes to district court and bypasses the commission. As an independent department, there would be an increase of accountability in New Mexico's insurance regulation.

If the regulation of insurance is removed from the PRC, the subcommittee stated the legislature should debate the appropriate organizational structure for an insurance department.

FISCAL IMPLICATIONS

An estimated non-recurring cost to the general fund of \$32.0 is expected because of the cost to the Secretary of State for advertising and printing to place an item on the ballot. This non-recurring cost will be realized in FY05 (the next general election is November 2004) unless a special election is called.

Upon the removal of insurance regulation from the PRC, additional administrative costs and FTE may be needed since the insurance division currently shares administrative costs with the PRC.

FC/yr