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FISCAL IMPACT REPORT

SPONSOR Larranga DATE TYPED 2/5/05 HB 528

SHORT TITLE Reduce Low-Income Insurance Limits SB _____

ANALYST Wilson

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
			See Narrative		

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Regulatory Commission (PRC)

Department of Public Safety (DPS)

SUMMARY

Synopsis of Bill

House Bill 528 reduces the amount of auto insurance coverage that low-income vehicle owners will be legally required to buy. It also requires that all insurance policies regardless of the policyholder's income level automatically match another state's financial responsibility limits when the insured vehicle is driving through another state.

Significant Issues

The PRC supplied the following:

- The roughly 50% reduction in the financial responsibility limits contained in the bill will, for actuarial reasons, produce approximately a 20% reduction in policy premium.
- Losses and premiums for underinsured motorist coverages purchased by non-low-income drivers will increase.
- Virtually all automobile insurance policies already offer automatic coverage to match another state's financial responsibility limits when the insured vehicle is traveling out-of-state.

The DPS provided the following:

- House Bill 528 will create a classification of eligibility for lower insurance limits based on income. The effect would be to penalize vehicle owners who earn above 150% of the federal poverty guidelines. Recovery by the victims of a motor vehicle accident will depend on which classification was involved.
- House Bill 528 provides no mechanism for monitoring a change in income.

FISCAL IMPLICATIONS

This bill will require the approximately 300 insurance companies writing auto insurance in New Mexico to file with the Insurance Division revised rate manuals that include the new low limits.

ADMINISTRATIVE IMPLICATIONS

This bill requires the Insurance Division to promulgate the forms that insurance companies must provide to applicants and policyholders to certify their low-income status

TECHNICAL ISSUES

DPS notes this bill makes no accommodation for joint ownership income of a vehicle or aggregate family income. The bill also fails to include a severability clause to protect the remainder of the statute from parts that are constitutionally questionable.

OTHER SUBSTANTIVE ISSUES

DPS believes this bill conflicts with the legislative purpose of the Mandatory Financial Responsibility Act which was to protect the public from “catastrophic financial hardship” as the result of a motor vehicle accident. Equal protection requires that citizens be treated fairly when compared to each other. While there is no requirement that a fundamental constitutional right be applicable, to survive a constitutional challenge, House Bill 528 will have to show its proposed classification based on income serves an important governmental objective and is substantially related to the achievement of that objective. San Antonio Independent School Distr., v. Rodriguez, 411 U.S. 1 (1973).

DW/yr