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FISCAL IMPACT REPORT

ORIGINAL DATE 2/7/07

SPONSOR Leavell LAST UPDATED _____ HB _____

SHORT TITLE Property and Casualty Insurance Rate Forms SB 483

ANALYST Earnest

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
NFI	NFI		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Regulation Commission (PRC)

SUMMARY

Synopsis of Bill

Senate Bill 438 makes significant changes to the regulation of property of casualty insurance. This bill intends to eliminate rate regulation of property and casualty insurance and rely on market forces for rate setting. The Superintendent of Insurance would no longer be required to approve rate changes. The bill would require the Superintendent to promulgate automobile and homeowners insurance premium comparison guides for consumers. It would require insurance companies to alert consumers of their right to obtain a detailed description of the reasons why their automobile or homeowners insurance premiums have changed upon policy renewal. It would give the superintendent the authority to require automobile and homeowners insurers to file their underwriting guidelines and to cease underwriting practices that are vague or unfairly discriminatory. The bill increases the fines levied against insurance companies that violate the Insurance Rate Regulation Law.

FISCAL IMPLICATIONS

The PRC did not identify any fiscal impact from this legislation. However, the bill increases maximum penalties for not complying with the act from \$50 to \$10,000 and for willful violation from \$500 to \$25,000.

SIGNIFICANT ISSUES

The bill alters the Insurance Division role in regulation of the property and casualty insurance. Instead of rate setting, Insurance Division would be required to provide information on insurance rates to consumers. Property and casualty insurers would be required file rates with the division but the rates would not be subject to regulation. However, the bill maintains prior approval requirements for rates in insurance markets that the Superintendent determines are not adequately competitive as well as for key ingredients of workers compensation insurance rates.

ADMINISTRATIVE IMPLICATIONS

PRC finds that this bill would free up the Insurance Division's limited actuarial resources to focus on regulating rates for those types of insurance where adequate competition does not exist, on creating and maintaining premium comparison guides for consumers, and on monitoring levels of competition in the New Mexico insurance marketplace.

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