

LFC Requester:	Joseph Simon
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**AGENCY BILL ANALYSIS
2024 REGULAR SESSION**

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO:

AgencyAnalysis.nmlegis.gov

{Analysis must be uploaded as a PDF}

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Check all that apply:
Original **Amendment**
Correction **Substitute**

Date 1/20/2024
Bill No: SB 115

Sponsor: Sen. Tallman
Short Title: Risk Management Insurance Coverage Limits

Agency Name and Code University of New Mexico-952
Number: _____
Person Writing Lenaya Montoya
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY24	FY25		
	N/A	N/A	N/A

(Parenthesis () Indicate Expenditure Decreases)

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: SB 115 created coverage limits on insurance coverage offered by the Risk Management Division of the General Services Department. The new limits on insurance coverage shall not exceed:

- Five hundred thousand dollars (\$500,000) for insurance for property damages.
- One million fifty thousand dollars (\$1,050,000) for general liability insurance.
- The limits established in Section 41-4A-6 NMSA 1978 for civil rights liability.

Additionally, the bill requires approval from the secretary of the Department of Finance and Administration for settlements of claims in excess of two hundred fifty thousand dollars (\$250,000) for a payment from the public property reserve fund and five hundred thousand dollars (\$500,000) for a payment from the public liability fund. Further, once

the secretary of the department of finance and administration has made an approval, a notification is required to go to the legislative finance committee for approval.

FISCAL IMPLICATIONS

Section 1 of SB 115 which seeks to amend NMSA 1978, Section 15-7-3A(2)(a) to put limits on the nature and amount of insurance or reinsurance coverage that the Risk Management Division (RMD) can procure, is very vaguely written. Read literally, subsection (a) of Section 15-7-3A(2) on the property liability line of coverage to buy \$500K of coverage, period, for all properties in New Mexico. Read literally, subsection (a) of Section 15-7-3A(2) on the general liability line of coverage to buy \$1,050,000 of coverage, period, for all general liability claims in New Mexico.

The University of New Mexico (UNM) would suggest that the language take into account that coverage limits should be stated in terms of “per occurrence.” Section 15-7-3A(2) is intended to empower RMD to procure insurance, reinsurance or employee group benefit, but subsection (a) seems to address the issuance of insurance coverage, which is something different.

SIGNIFICANT ISSUES

RMD procures excess coverage for property claims of \$500,000,000. So, this bill seems to prohibit this. Additionally, the coverage level for property losses is already insufficient inasmuch as just the New Tower and related Parking Structure on the UNM campus has a replacement cost value in excess of \$620,000,000.

Perhaps it would be even better that subsection (a) be revised to state as follows:

- (a) coverage shall not exceed: 1) an actuarially sound level of coverage for excess and/or reinsurance based upon a replacement cost assessment of properties covered by the Public Property Fund; 2) an actuarially sound level of coverage in the aggregate for general liability insurance coverage based upon a per occurrence limit of one million fifty thousand dollars (\$1,050,000); and 3) an actuarially sound level of coverage in the aggregate for coverage based upon per occurrence limits established in Section 41-4A-6 NMSA 1978 for civil rights liability;

Section 15-7-3A(4)(b) would require DFA to sign off on and approve settlements. UNM understands the desire to have greater transparency and controls relative to expenditures of the corpus of the Public Liability Fund. Often, however, timing is of the essence in coming to a settlement. UNM knows that with respect to many of the claims where liability may be fairly clear, settling and resolving those claims early and expeditiously will likely save fairly significant amounts of money both in terms of indemnity paid and in the costs of defense. UNM also knows that the closer a claim gets to a trial, the settlement value of the case increases. Layering in an additional level of review for approval may hamper the ability to settle claims early and thereby increase the exposure level to the Public Liability Fund.