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FISCAL IMPACT REPORT

SPONSOR: Rawson DATE TYPED: 2/23/03 HB _____

SHORT TITLE: Subcontractor Workers' Comp Insurance Choice SB 723

ANALYST: Collard

APPROPRIATION

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

(Parenthesis () Indicate Expenditure Decreases)

Conflicts with Substitute HB 281

SOURCES OF INFORMATION

Responses Received From
Workers' Compensation Administration

SUMMARY

Synopsis of Bill

Senate Bill 723 enacts a new section of the Workers' Compensation Act to prohibit a contractor from requiring a subcontractor, who has filed a certificate with the director of the Workers' Compensation Administration and is an independent contractor, to obtain workers' compensation insurance coverage from a specific insurer. These policies are known as "wrap-up" policies.

The bill makes exceptions if:

- The contractor's project is worth at least \$100,000,000,
- The subcontractor's employees would be working solely for the contractor for 90 days or more,
- The subcontractor's employees are covered by the policy working hours regardless of where an injury might occur,
- The contractor notifies the subcontractor and employees, in writing, where to get medical attention in the event of an injury, or
- The contractor has a formal written safety program including a full-time supervisor and scheduled weekly safety meetings.

ADMINISTRATIVE IMPLICATIONS

The Workers' Compensation Administration (WCA) anticipates reduced adjudication responsibilities due to those cases where the wrap-up carrier currently does not cover any injuries that occur off the construction site.

CONFLICT

Senate Bill 723 conflicts with the substitute version of House Bill 281 that prohibits rolling wrap-ups.

OTHER SUBSTANTIVE ISSUES

The Workers' Compensation Advisory Council has had a process in place for several years for the review of proposed legislation affecting the workers' compensation system, pursuant to its statutory mandate. The prior council had a series of public meetings during the summer of 2002 where legislative proposals for this session were discussed. At the council's request, proposals involving changes to workers' compensation benefits were analyzed for their costs by the Workers' Compensation Administration research staff, the National Council on Compensation Insurance and New Mexico Mutual Casualty Company. This proposal has never been submitted to or reviewed by either the former or current Workers' Compensation Advisory Council. It is the position of the current Workers' Compensation Advisory Council that, at the present time, it opposes this bill. This position may be modified upon review by the advisory council, currently scheduled for February 26, 2003.

KBC/yr