

LFC Requester:

RubyAnn Esquibel

**AGENCY BILL ANALYSIS
2025 SESSION**

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO:

AgencyAnalysis.nmlegis.gov and email to billanalysis@dfa.nm.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:

Date Prepared: 03-13-2025

Original **Amendment**

Bill No: H398

Correction **Substitute** X

Sponsor: Duncan,Armstrong,Dow,Maestas

Agency Name

and Code

Number:

Office of the Superintendent of Insurance - 440

Person Writing

Analysis:

Alma Tapia

Short Title: HMO & CONTRACT PROVIDER EXAM TIMELINES

Phone: 505-487-6612 **Email:** Almae.Tapiatosi.nm.gov

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
\$0	\$0	N/A	N/A

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
\$0	\$0	\$0	N/A	N/A

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	\$0	\$0	\$)	\$0	N/A	N/A

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE**BILL SUMMARY**

Committee Substitute for House Bill 398 (HB398CS) makes changes to the New Mexico Insurance Code to implement group capital calculations and liquidity stress tests, in addition to modifying the timeline for examinations of Health Maintenance Organizations.

Title – adds references to the Insurance Holding Company Law, definitions, group capital calculation report and liquidity stress tests.

Section 1. Adds definitions for association, commissioner, group-wide supervisor, internationally active insurance group, large life insurance company, liquidity stress test framework and scope criteria.

Section 2. Amends the Enterprise Risk Fling Section of the Insurance Code to align the verbiage with updated definitions (ultimate controlling person and association).

Section 3. Amends the Supervisory Colleges Section of the Insurance Code to add language for group-wide supervisory and international activity. The new language clarifies that the Superintendent of Insurance has the authority to oversee group-wide internationally active insurance groups and work with insurance commissioners to improve oversight capabilities. The amended language aligns the Insurance Code with uniformly acceptable NAIC regulations and best practices for groupwide internationally active insurance companies.

Section 4. Adds the Group Capital Calculation Section to the Insurance Code. This new language addresses consumer protections by requiring the ultimate controlling person of an insurer to file an annual group capital calculation report in accordance with the group calculation instructions in the financial analysis handbook adopted by the association as directed by the Superintended of Insurance.

Section 5. Adds the Liquidity Stress Test Section to the Insurance Code. This new language requires large life insurance companies to file specific year liquidity stress test in accordance with the financial analysis handbook adopted by the association as directed by the Superintendent of Insurance.

Section 6. Remains the same as in the original HB398, modifying the timeline for examinations of the Health Maintenance organizations and contract providers from a frequency of not less than three years to five years.

FISCAL IMPLICATIONS

None

SIGNIFICANT ISSUES

scores.

PERFORMANCE IMPLICATIONS

None

ADMINISTRATIVE IMPLICATIONS

None

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

None

TECHNICAL ISSUES

None

OTHER SUBSTANTIVE ISSUES

As of December 2020, and August 2021, the National Association of Insurance Commissioners (NAIC) adopted revisions to the NAIC Holding Company Act (#440) and Model Regulation (#450). The 2020 revisions create a Group Capital Calculation (GCC) and Liquidity Stress Test (LST) to provide U.S. solvency regulators with additional tools for conducting group-wide supervision for solvency. Additional revisions were also made to Model #440's Section 8 on "Confidential Treatment." The 2021 revisions create receivership provisions that will ensure the continuity of essential services and functions to an insurer in receivership by affiliated entities and further clarify ownership of data and records of the insurer. The 2020 revisions will become a National Accreditation Requirement, effective January 1, 2026 and this language will allow New Mexico to meet national standards.

In accordance with NAIC accreditation requirements, New Mexico OSI must incorporate these changes into the N.M. Insurance Code before the year 2026. According to the NAIC "The Group Capital Calculation (GCC) provides U.S. solvency regulators with an additional analytical tool for conducting group-wide supervision and will assist regulators in holistically understanding the financial condition of non-insurance entities. It provides key financial information on the insurance group; quantifies risk across the insurance group and supports transparency into how capital is allocated; and aids in understanding whether and to what degree insurance companies may be supporting the operations of non-insurance entities. The GCC is intended to satisfy the group capital assessment requirements of the Covered Agreements with the EU and UK. Without the GCC, any supervisor in the EU or UK could impose its own group capital calculation (e.g., Solvency II capital requirements) on a U.S. group operating in the EU or UK and all of the U.S. insurers within that group.

The Liquidity Stress Test (LST) was developed to provide state insurance regulators with insight into a key macroprudential risk monitored by the Financial Stability Oversight Council (FSOC) and other jurisdictions internationally, but it also enhances group supervision. The LST requires insurers to file the results of a specific year's Liquidity Stress Test with the lead state insurance commissioner. States with groups impacted by the LST are required to adopt the relevant revisions before January 1, 2026. As of February 21, 2025, there are thirty-five* states that have adopted the

Model Law #440 “GCC and LST”, and ten states that are pending adoption.

* <https://statics.teams.cdn.office.net/evergreen-assets/safelinks/1/atp-safelinks.html>

ALTERNATIVES

None

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

New Mexico and the OSI will not be in compliance with the NAIC accreditation standards and practices.

The NAIC will be performing an accreditation standards review of the OSI in 2026 and will look at whether the group capital calculation and the liquidity stress test have been incorporated into New Mexico statutes. New Mexico wants to stay accredited and not risk **non-accreditation**. Remaining accredited with the NAIC allows non-domestic states to rely on the accredited domestic regulator to fulfill baseline levels of effective regulatory oversight.

Not enacting these modifications to the New Mexico Insurance Code potentially jeopardizes New Mexico’s Accreditation Status and no other accredited state will be allowed to rely upon New Mexico’s generated financial analysis or examination reports of companies operating in the State of New Mexico. This could potentially impact New Mexico consumers by leaving them vulnerable and unprotected without needed insurance coverage.

AMENDMENTS

None