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## FISCAL IMPACT REPORT

<b>SPONSOR</b>	House Transportation, Public Works and Capital Improvements Committee	<b>LAST UPDATED</b>	3/12/2025
		<b>ORIGINAL DATE</b>	2/25/2025
<b>SHORT TITLE</b>	Insurance against Uninsured Motorists	<b>BILL</b>	CS/House Bill
		<b>NUMBER</b>	97/HTPWCS
		<b>ANALYST</b>	Rodriguez

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT\*

(dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
	No fiscal impact	No fiscal impact	No fiscal impact	No fiscal impact		

Parentheses ( ) indicate expenditure decreases.

\*Amounts reflect most recent analysis of this legislation.

Duplicate to Senate Bill 319

### Sources of Information

LFC Files

Agency Analysis was Solicited but Not Received From

Taxation and Revenue Department (TRD)

Department of Transportation (DOT)

Office of Superintendent of Insurance (OSI)

## SUMMARY

### Synopsis of HTPWC Substitute of House Bill 97

The House Transportation, Public Works and Capital Improvements Committee substitute for House Bill 97 (HB97) modifies Section 66-5-301 NMSA 1978 to require that all motor vehicle owners and drivers operating or allowing the operation of a vehicle in New Mexico carry uninsured and underinsured motorist insurance for that vehicle. The bill also prevents the offset of a driver's underinsured motorist coverage based on the liability limits paid by the underinsured legally responsible individual.

The bill's effective date is January 1, 2026.

## FISCAL IMPLICATIONS

There is no appropriation in HB97. No fiscal impact to the state or state agencies is anticipated.

## SIGNIFICANT ISSUES

**Insurance Rate Increases.** HB97 will lead to insurance industry adjustments and premium increases for two main reasons. First, uninsured and underinsured motorist (UM/UIM) coverage is expensive. Based on a recent rate filing data, the Office of Superintendent of Insurance (OSI) estimates the additional cost of UM/UIM coverage could result in a 16 percent rate increase for a full coverage policyholder and a 43 percent rate increase for policyholders with only state minimum required coverages. Insurers may respond by increasing base premium rates to cover increased claims, increasing deductibles to offset potential financial losses, or by tightening eligibility criteria for policies, which would make it harder for high-risk drivers to obtain insurance. The increase in costs could have a regressive impact on lower-income drivers with insurance as increased insurance costs may consume a larger percentage of their income compared to higher-income individuals.

Second, the bill includes language preventing the offset of a driver's underinsured motorist coverage based on the liability limits paid by the underinsured individual. In simple terms, when an individual makes a claim under their underinsured motorist coverage, the individual's insurance coverage cannot reduce, or offset, the amount payable by the amount of liability coverage paid by the at-fault driver. By not allowing a company to offset coverage based on the other driver's coverage, the insurance company will have to pay out higher claims. While higher claims may benefit the insured party, in the long run, increases in claim size could lead to higher premium rates to offset increased claims and potential financial losses. Insurance companies may also be inclined to fight larger payouts, which could lead to more legal disputes. Increased settlement amounts and prolonged legal disputes may benefit personal injury attorneys, whether they receive compensation through a contingency fee based on a percentage of the final settlement or bill for their services on an hourly basis.

**Uninsured and Underinsured Motorist Coverage.** Uninsured (UM) and underinsured motorist coverage (UMI) are insurance policies that help cover expenses and damage caused by either an at-fault uninsured driver or by a driver whose insurance limits are too low to fully cover costs. HB97 requires insured drivers to have UM/UMI coverage. Current statutes allow drivers to reject such coverage.

In New Mexico, there are few options to attempt to recover costs for a driver involved in a car accident where an at-fault driver does not have insurance or is underinsured and the driver's insurance does not cover the full amount of damages and expenses. If the driver does not have UM/UMI coverage, the driver could attempt to sue the at-fault driver, but if at-fault driver does not have sufficient assets, collecting compensation may be difficult. UM/UMI coverage may also protect insured drivers and ensure appropriate compensation after vehicle accidents with underinsured or uninsured drivers.

For Senate Bill 319, a duplicate of HB97, the Department of Public Safety (DPS) and the Tax and Revenue Department (TRD) argue that this legislation is necessary to ensure the rights of victims of motor vehicle accidents to appropriate compensation. DPS states that UM/UMI coverage would protect both the injured party in an accident caused by an at-fault driver and the state, which is left to pay the cost of emergency care and treatment.

***Uninsured Drivers in New Mexico.*** Like most states, New Mexico requires all drivers to have motor vehicle liability insurance. Without insurance coverage, drivers are at risk of being liable for the total costs of damages that they may never be able to pay. New Mexico has the 4th highest rate of uninsured motorists in the nation. According to the Federal Highway Administration, there are 1.5 million drivers in New Mexico. Of those drivers, the Insurance Research Council estimates that 21.8 percent, or 322 thousand drivers, are uninsured. New Mexico's uninsured rate is significantly higher than the national average of 12.6 percent.

## **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

HB97 is a duplicate to Senate Bill 319.

JR/hj/SL2/rl