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# FISCAL IMPACT REPORT

SPONSOR: Larranaga DATE TYPED: 2/4/01 HB 197

SHORT TITLE: Amend Mandatory Financial Responsibility Act SB

ANALYST: Rael

## REVENUE

| Estimated Revenue | | Subsequent Years Impact | Recurring or Non-Rec | Fund Affected |
|---|---|---|---|---|
| FY01 | FY02 | | | |
| No Fiscal Impact | | | | |

(Parenthesis ( ) Indicate Revenue Decreases)

## SOURCES OF INFORMATION

Public Regulation Commission (PRC)
Taxation and Revenue Department (TRD)

## SUMMARY

Synopsis of Bill

Current law provides minimum limits for vehicle liability insurance (and alternative methods of providing financial responsibility) of $25.0 because of bodily injury to or death of one person in any one accident, $50.0 because of bodily injury to or death of two or more persons in any one accident and $10.0 because of injury to or destruction of property of others in any one accident. This bill provides a lower vehicle liability insurance limit for vehicle owners with income less than 150% of federal poverty level. The lower limits are $10.0 because of bodily injury to or death of one person in any one accident, $20.0 because of bodily injury to or death of two or more persons in any one accident and $5.0 because of injury to or destruction of property of others in any one accident. These low income policies may be restricted to only the owner or designated driver and must be adjusted to be valid in other jurisdictions. The Superintendent of Insurance is required to regulate proof of income.

## FISCAL IMPLICATIONS

In past years the Taxation and Revenue Department has attempted to model the fiscal (revenue) impact of these types of adjustments, and the attempts have been largely speculative. This bill is unlikely to have much impact on court fines or any other revenue. Although the low income policies are 40% and 50% of the level of coverage, the premiums (price) of these policies will likely be substantially greater than 40% of a conventional minimum limit policy. This would apply disproportionately to first-time purchasers for which virtually all insurers charge a premium.

## ADMINISTRATIVE IMPLICATIONS

The limits of a valid policy are not of any particular concern to the Division. The presence or absence of a valid policy at whatever limits is of concern. If the tax side of the Department is expected to verify income prior to a low-income person purchasing a vehicle insurance policy, the work load could be excessive. Assuming 50% of the 35% of current drivers who are without insurance coverage were to request confirmation of income, the Department would need 30 new clerks to service these requests. (15 minutes per request, 1.2 million licensees, 210,000 requests, 1,750 working hours per year). Since the cost of insurance under the new lower limits would be, perhaps 80% (after the initial year), it would be surprising if even 1,000 additional policies would be sold. Therefore, the realistic determination is that even income verification requests would not be much of a burden.

**TECHNICAL ISSUES**

This approach to increasing the proportion of drivers in New Mexico with insurance or other financial responsibility has not been tried. The Taxation and Revenue Department suggests that if the bill is passed, it should have a sunset date, to review if the proposal is of value in increasing the proportion of insured drivers.

FAR/njw