

LFC Requester:

Julisa Rodriguez

**AGENCY BILL ANALYSIS - 2025 REGULAR SESSION**

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

[AgencyAnalysis.nmlegis.gov](http://AgencyAnalysis.nmlegis.gov) and email to [billanalysis@dfa.nm.gov](mailto: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}*

**Date** February 5, *Check all that apply:*  
**Bill** SB 277 Original  Correction   
 Amendm  Substitute   
**Agency Name and Code** Office of Superintendent of Insurance - 440  
**Spons or:** Senator Michael Padilla  
**Short Title:** Insurance Holding Company Law **Person Writing** Don Gilbert  
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**SECTION II: FISCAL IMPACT****APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
Not applicable	Not applicable	Not applicable	Not applicable

(Parenthesis ( ) indicate expenditure decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

(Parenthesis ( ) indicate revenue decreases)

**ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)**

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to: None at this time.

Duplicates/Relates to Appropriation in the General Appropriation Act: None at this time

**SECTION III: NARRATIVE**

## **BILL SUMMARY**

### Synopsis:

Senate Bill 277 (SB277) amends the New Mexico Insurance Code to implement group capital calculations and liquidity stress tests. The National Association of Insurance Commissioners (NAIC) requires states to have group capital calculation and liquidity stress test provisions in statute **by January 1, 2026** in order to be accredited. Without inclusion of these provisions in statute, New Mexico runs the risk of losing NAIC accreditation.

NMSA 1978, Section 59A-37-2 (D) (1)(2)(3) amends the Insurance Code with clarification of the Superintendent of Insurance authority to oversee group-wide internationally active insurance groups and work with insurance commissioners to improve oversight capabilities. NMSA 1978, 59A-37-2 includes uniformly acceptable NAIC regulations adopted and best practices for groupwide internationally active insurance companies.

SB 277 adds a new statutory Section 4 that 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 Superintendent of Insurance.

SB 277 adds a new language to require a large life insurance company to file a specific year liquidity stress test in accordance with the financial analysis handbook adopted by the association as directed by the Superintendent of Insurance.

## **FISCAL IMPLICATIONS**

None

## **SIGNIFICANT ISSUES**

None

## **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.

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 to the lead state insurance commissioner. States with groups impacted by the LST should adopt the relevant revisions as soon as possible. As of November 2023, twenty-seven states have adopted the Model Law #440 “GCC and LST”.

## **ALTERNATIVES**

None

## **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

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