FISCAL IMPACT REPORT

		LAST UPDATED	
SPONSOR	Padilla	**ORIGINAL DATE**	2/25/2025
SHORT TITLE	Insurance Holding Company Law Changes	**BILL NUMBER**	Senate Bill 277
		ANALYST	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			

Parentheses ( ) indicate expenditure decreases.
*Amounts reflect most recent analysis of this legislation.

Sources of Information
LFC Files

Agency Analysis Received From
Office of Superintendent of Insurance (OSI)
New Mexico Attorney General (NMAG)

SUMMARY

Synopsis of Senate Bill 277

Senate Bill 277 (SB277) amends the Insurance Holding Company Law (Chapter 59A, Article 37 NMSA 1978) to implement group capital calculations and liquidity stress tests. SB277 gives the superintendent the authority to oversee and coordinate supervision of internationally active insurance groups and work with other state, federal, and international regulatory agencies to improve oversight capabilities. SB277 requires the ultimate controlling person of an insurer to file an annual group capital calculation report and large life insurance companies to file the results of a specific year's liquidity stress test as directed by the superintendent.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns if enacted, or June 20, 2025.

FISCAL IMPLICATIONS

SB277 has no appropriation and no known fiscal impact to the state.

SIGNIFICANT ISSUES

Group Capital Calculation and Liquidity Stress Test. In 2020, the National Association of Insurance Commissioners (NAIC) adopted the group capital calculation template and liquidity stress test and provided the framework and legislative language to states to adopt the group capital calculation. SB277 is incorporating standardized NAIC language into New Mexico's Insurance Code. As of February 2025, 35 states have adopted NAIC's language. As noted by the Office of Superintendent of Insurance (OSI), 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.

The group capital calculation was developed by NAIC and is a tool to assess the financial health and stability of insurance holding companies and their subsidiaries. The tool quantifies risk across the insurance group, including non-insurance entities, and supports transparency into how capital is allocated in the group. The tool aids in understanding whether and to what degree insurance companies may be supporting the operations of non-insurance entities and how that support could potentially jeopardize the insurance company's financial stability and, therefore, impact on policyholders.

The liquidity stress test was developed to provide state insurance regulators with insights into a key macroprudential risk monitored by the federal Financial Stability Oversight Council and other jurisdictions internationally.

TECHNICAL ISSUES

As noted by the New Mexico Attorney General, the following provision is in the bill twice (in Section 5 B and G). SB277 should be amended to only include the provision once.

> A change to the association's liquidity stress test framework or to the data year for which the scope criteria are to be measured shall be effective on January 1 of the year following the calendar year when the change was adopted.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

As noted in "Significant Issues," NAIC will review OSI's accreditation in 2026 and will review if the agency has group capital calculation and liquidity stress test provisions in statute. States that fail to adopt the provisions may risk losing their accreditation. Loss of accreditation can result in loss of reciprocity, meaning that other state's regulatory agencies may no longer recognize OSI's regulatory authority, and create market uncertainty.

JR/hj/hg/sgs