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FISCAL IMPACT REPORT

SPONSOR: Boitano DATE TYPED: 03/13/01 HB _____
 SHORT TITLE: Real Estate Broker's License Requirements SB 805/SF1 #1
 ANALYST: Valdes

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
			NFI		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

Real Estate Commission, Regulation and Licensing Department

SUMMARY

Synopsis of SF1 #1 Amendment

This amendment adds salesperson to authorizing the requirement of professional liability insurance as a condition of license issuance or renewal. Additionally, only "active" licenses would be subject to a commission rule requiring professional liability insurance.

Synopsis of Original Bill

Senate Bill 805 would authorize the New Mexico Real Estate Commission to adopt rules requiring active real estate salespersons and brokers to have professional liability (errors and omissions) insurance upon activation and renewal of their real estate license, provided that such insurance program meets the following conditions:

- c The maximum annual premium shall not exceed \$150.
- c The minimum coverage shall not be less than \$100,000 for an individual claim and not less than a \$500,000 aggregate limit per policy.
- c The deductible shall not be greater than \$1,000.

Significant Issues

Senate Bill 805/aSFI #1 -- Page 2

The purpose of Senate Bill 805 is to make errors and omissions insurance coverage more affordable to real estate licensees, and to protect licensees and the public. Twelve states and two Canadian provinces presently require errors and omissions insurance for active real estate licensees.

Senate Bill 805 says that rules adopted by the commission shall not require professional liability insurance coverage during a period of time when the aforementioned conditions cannot be met by an insurance carrier. Senate Bill 805 would authorize the commission to solicit sealed, competitive proposals from insurance carriers to provide a group policy that complies with the aforementioned conditions. The bill would also permit a licensee to satisfy the requirement for insurance coverage by purchasing an individual policy.

FISCAL IMPLICATIONS

There is no appropriation in the bill and there is no fiscal impact anticipated in the initial, rulemaking phase. If an insurance program is implemented, there could be additional FTE requirements and budget implications in future fiscal years as Commission staff assumes responsibilities related to the administration and management of a contract with an insurance carrier.

ADMINISTRATIVE IMPLICATIONS

Minimal administrative impact in FY02. If an insurance program is developed, additional staffing might be required to administer the program.

TECHNICAL ISSUES

The Real Estate Commission recommended the following amendments to the bill
The intent of Senate Bill 805 is to apply to active real estate salespersons and brokers, and not just brokers, and would not apply to licensees who maintain their licenses in inactive status, the short title should be amended to read, "Relating to Licensing; Authorizing the Requirement of Professional Liability Insurance as a Condition of Issuance and Renewal of Active Real Estate Salespersons and Brokers Licenses; Enacting a New Section of the NMSA 1978.

In addition, the following amendments are necessary to fulfill the intent of Senate Bill 805:

On Page 2, line 4, after the first word "for", strike the word "a" and insert in lieu thereof the words "an active" before the word "license".

On Page 2, Line 5, after the word "of", strike the word "a", and insert in lieu thereof the words "an active" before the word "license".

On Page 2, Line 21, strike the word "a" at the end of the line, and insert in lieu thereof the words "an active".

MV/njw:ar