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FISCAL IMPACT REPORT

SPONSOR Leavell DATE TYPED 3/18/05 HB _____

SHORT TITLE Amend New Mexico Insurance Code SB 983/aHBIC

ANALYST Wilson

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
	NFI				

(Parenthesis () Indicate Expenditure Decreases)

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
		(\$0.1)	Recurring	General Fund

SOURCES OF INFORMATION

LFC Files

Responses Received From

Attorney General's Office (AGO)

Public Regulation Commission (PRC)

SUMMARY

Synopsis of HBIC Amendment

The House Business and Industry Committee amendment clarifies that each taxpayer transacting health insurance in New Mexico shall pay a health insurance premium surtax of one percent of the gross health insurance premiums and membership and policy fees received by it on hospital and medical expense incurred insurance or contracts; nonprofit health care service plan contracts, excluding dental or vision only contracts; and health maintenance organization subscriber contracts covering health risks within this state during the preceding calendar year, less all return health insurance premiums, including dividends paid or credited to policyholders or contract holders and health insurance premiums received for reinsurance on New Mexico risks. Except as provided in this section, all references in the Insurance Code to the premium tax shall include

both the premium tax and the health insurance premium surtax.

Synopsis of Original Bill

Senate Bill 983 is a cleanup bill addressing various issues in the insurance code. The changes to current law in the bill are as follows:

- Permits the superintendent of insurance to rely on electronic versions of filings maintained by the National Association of Insurance Commissioners (NAIC) in lieu of paper filings made with the superintendent as long as they can readily be made available for public inspection;
- Clarifies that premium tax is calculated using the numbers reported in the insurance company's audited annual statement rather than a separately calculated and unaudited value for premium received;
- Provides for refund or credit of over payments of fees or taxes, and limits the look back period for all refunds or credits to three years;
- Permits a new agent to be paid a commission for any initial policies submitted to an insurance company prior to being appointed by the company;
- Simplifies the procedure for limited licensing of vendors of telecommunication devices who sell insurance on the equipment;
- Clarifies that staff adjusters can adjust claims for all insurance companies within a group of insurance companies under common ownership commonly known as affiliated companies;
- Eliminates the requirement that an adjuster maintain an office in this state. This does not affect the specific requirement for in-state adjusters for workers compensation claims;
- Applies the Insurance Holding Company Law to prepaid dental plans; and
- Removes cash from the list of acceptable deposits for service contract providers.

Significant Issues

The PRC states that the removal of ambiguous or unnecessary provisions of the insurance code will ease administration of the insurance code. They also believe the bill clarifies existing law and makes it easier to administer the insurance code without compromising consumer protections. In fact, the PRC indicates this bill will strengthen consumer protection.

The bill allows a new agent to be paid a commission for any initial policies submitted to an insurance company prior to being appointed by the company. This fixes a problem arising from recent changes in the law that allowed agents to submit applications to a company within 15 days prior to being appointed by the company.

The bill will enable improved monitoring of the financial condition of prepaid dental plans.

FISCAL IMPLICATIONS

There will be a \$25 penalty for dishonored checks or electronic payments. The revenues received will be insignificant.

ADMINISTRATIVE IMPLICATIONS

The PRC states that the provisions of this bill will improve the efficiency of the insurance division.

TECHNICAL ISSUES

The AGO suggests that the amendments to Section 59A-6-2B on page 5, lines 17 and 18, be rewritten to clarify their intent. They also suggest that the reference to "Schedule T" be omitted and that the reference to Section 59A-11-10 in section 5 of the bill be clarified as to its intent.

DW/lg:yr