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FISCAL IMPACT REPORT

ORIGINAL DATE 1/20/06

SPONSOR Rawson LAST UPDATED _____ HB _____

SHORT TITLE Permit Certain Insurance Code Investments SB 11

ANALYST Earnest

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
	NFI		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Regulation Commission (PRC)

SUMMARY

Synopsis of Bill

Senate Bill 11, “An Act Relating to Insurance; Amending the New Mexico Insurance Code to Expressly Permit Investment in Asset-backed Securities,” would create a new section of the NM Insurance Code (Chapter 59A, Article 9 NMSA 1978) to define the amount an insurer may invest in asset-backed securities.

FISCAL IMPLICATIONS

None

SIGNIFICANT ISSUES

According to the PRC, this bill would restrict the amount of assets that an insurance company may hold in asset-backed securities to 20 percent of the insurance company’s total assets.

The current Article 9 of the Insurance Code, which regulates insurance company investments, is based directly on a model act of the National Association of Insurance Commissioners. Adoption of this bill would put New Mexico at variance with almost all other states in the handling of asset-backed securities in insurer portfolios.

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Under Article 9 of the Insurance Code, insurers already have the implicit right to invest in asset-backed securities. If the intent of this bill is to allow entities that self-insure their workers compensation exposures to be allowed to hold asset-backed securities within their portfolios, then they already have this right through section 52-6-16 of the Workers Compensation Act, which reads “Funds not needed for current obligations may be invested by the board of trustees in accordance with the provisions of Article 9 of the Insurance Code applicable to investments.

BE/mt