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FISCAL IMPACT REPORT

ORIGINAL DATE 02/20/13

SPONSOR Trujillo, CH LAST UPDATED _____ HB 548

SHORT TITLE Car Insurance Mile-Based Rating Plans SB _____

ANALYST Clark

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY13	FY14		
NFI	NFI		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Regulation Commission (PRC)

Attorney General's Office (AGO)

SUMMARY

Synopsis of Bill

House Bill 548 enacts a new section of the New Mexico Insurance Code to require motor vehicle insurers to offer insurance plans based on the number of miles travelled.

Section 1A defines "mile-based rating plan."

Section 1B requires an insurer of motor vehicle insurance to offer all consumers of motor vehicle insurance a mile-based rating plan policy.

Section 1C allows for a mile-based rating plan policy to be offered in a defined set of miles, which may be prepaid by the insured.

Section 1D provides that a mile-based rating plan shall expire when the number of miles specified in the policy have elapsed, even if notice of policy expiration is not provided to the Motor Vehicle Division of the Taxation and Revenue Department, the insured, or any other entity.

Section 1E allows the superintendent of insurance to adopt rules as necessary to implement and administer mile-based rating plans.

Section 2 sets the effective date as July 1, 2013.

FISCAL IMPLICATIONS

There is no fiscal impact.

SIGNIFICANT ISSUES

Current statute provides for insurance coverage that lasts for a specified amount of time; this bill expands the possible options to include coverage under a mile-based rating plan that would expire when the amount of insured miles have been driven.

The Attorney General’s Office reports this law may conflict with some of the municipal and/or state laws requiring insurance and notification of cancellation of a policy to the insured or other entities.

The Public Regulation Commission analysis shows that under the current time-based system, insurers routinely notify their insureds as to when it is time to renew their policies. Under a mileage-based system, the insurer would not know when the policyholder is about to exhaust an allotment of insured miles, hence the burden would be on the policyholder to monitor the odometer of the insured vehicle in order to know when the coverage is about to lapse. It is likely that many drivers would fail to perform such odometer monitoring, which would increase the amount of uninsured driving in New Mexico.

POSSIBLE QUESTIONS

Do problems exist with the current time-based rating plan policies that would necessitate and be resolved by the addition of a mile-based rating plan system?

JC/blm