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FISCAL IMPACT REPORT

SPONSOR Gentry ORIGINAL DATE 1/27/17
LAST UPDATED 2/15/17 HB 127/a HBIC/aHJC
SHORT TITLE Electronic Insurance Claims Payment SB _____
ANALYST Martinez

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY17	FY18	FY19	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	NFI	NFI	NFI	NFI	NFI	NFI

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Office of the Superintendent of Insurance
Department of Finance and Administration

SUMMARY

Synopsis of Judiciary Committee Amendment

The committee amendment inserts “promptly” in the following sentence found on page 1, line 19. An insurer shall pay “promptly” claims arising under its policies with checks or drafts [which] or, if a claimant requests, by electronic transfers that are promptly paid.

Synopsis of Business and Industry Committee Amendment

The committee amendment inserts “may pay” in the following sentence found on page 1, line 21. An insurer shall pay claims arising under its policies with checks or drafts [which] or, if a claimant requests, “may pay” by electronic transfers that are promptly paid.

Synopsis of Bill

House Bill 127 adds electronic funds transfer as means of settling reimbursable claims under the New Mexico Insurance Code.

FISCAL IMPLICATIONS

No fiscal impact.

SIGNIFICANT ISSUES

The Insurance Code currently allows insurers to make claim payments by check or draft. This bill modernizes these claim payment methods to include electronic payments. Banking technology has improved dramatically in recent decades and electronic funds transfer (EFT) is a key aspect of this technology. EFT funds delivery is cheaper, quicker and safer than cash or paper checks and it removes inefficient steps that often are subject to fees.

According to the Department of Finance and Administration, over 50 percent of the state's vendor payment transactions, accounting for 85 percent of the dollar value settled, use EFT transfer.

Insurers, like the Veterans Health Administration, already offer their clients the option to receive payments using electronic transfers. Insurers have been reimbursing vendors remediating damage covered under client's insurance policies using the ETF option also. While minor claims continue to be paid via check, the proposed legislation aligns statute with current preferred payment practice.

RELATIONSHIP

This bill is identical to Section 15 of SB 104.

JM/jle/sb/al/jle