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FISCAL IMPACT REPORT

SPONSOR <u>Duhigg</u>	LAST UPDATED <u>02/28/2025</u> ORIGINAL DATE <u>02/18/2025</u>
SHORT TITLE <u>Minimum Car Insurance Amounts</u>	BILL NUMBER <u>Senate Bill 319</u>
ANALYST <u>Chilton/Rodriguez</u>	

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
	No fiscal impact	No fiscal impact	No fiscal impact	No fiscal impact		

Parentheses () indicate expenditure decreases.
 *Amounts reflect most recent analysis of this legislation.

Relates to House Bill 97

Sources of Information

LFC Files

Agency Analysis Received From
 Taxation and Revenue Department (TRD)
 Office of the Superintendent of Insurance (OSI)
 Department of Public Safety (DPS)

Agency Declined to Respond
 Department of Transportation (DOT)

SUMMARY

Synopsis of Senate Bill 319

Senate Bill 319 (SB319) modifies Section 66-5-301 NMSA 1978 to require that all motor vehicle owners and drivers operating or allowing the operation of a vehicle in New Mexico carry uninsured and underinsured motorist insurance for that vehicle. The bill also prevents the offset of a driver’s underinsured motorist coverage based on the liability limits paid by the underinsured legally responsible individual.

The effective date of this bill is January 1, 2026.

FISCAL IMPLICATIONS

There is no appropriation in Senate Bill 319. No fiscal impact to the state or state agencies is anticipated, except a possible reduction in state expenditures (through Medicaid and state

insurance programs) on emergency care and treatment for those injured in an accident with an underinsured person at fault for an accident.

SIGNIFICANT ISSUES

Insurance Rate Increases. SB319 will lead to insurance industry adjustments and premium increases for two main reasons. First, uninsured and underinsured motorist (UM/UIM) coverage is expensive. Based on a recent rate filing data, the Office of Superintendent of Insurance (OSI) estimates the additional cost of UM/UIM coverage could result in a 16 percent rate increase for a full coverage policyholder and a 43 percent rate increase for policyholders with only state minimum required coverages. Insurers may respond by increasing base premium rates to cover increased claims, increasing deductibles to offset potential financial losses, or by tightening eligibility criteria for policies, which would make it harder for high-risk drivers to obtain insurance.

Second, the bill includes language preventing the offset of a driver's underinsured motorist coverage based on the liability limits paid by the underinsured individual. In simple terms, when an individual makes a claim under their underinsured motorist coverage, the individual's insurance coverage cannot reduce, or offset, the amount payable by the amount of liability coverage paid by the at-fault driver. By not allowing a company to offset coverage based on the other driver's coverage, the insurance company will have to pay out higher claims. While higher claims may benefit the insured party, in the long run, increases in claim size could lead to higher premium rates to offset increased claims and potential financial losses. Insurance companies may also be inclined to fight larger payouts, which could lead to more legal disputes. Increased settlement amounts and prolonged legal disputes may benefit personal injury attorneys, whether they receive compensation through a contingency fee based on a percentage of the final settlement or bill for their services on an hourly basis.

Uninsured and Underinsured Motorist Coverage. Uninsured (UM) and underinsured motorist coverage (UMI) are insurance policies that help cover expenses and damage caused by either an at-fault uninsured driver or by a driver whose insurance limits are too low to fully cover costs. HB97 requires insured drivers to have UM/UMI coverage. Current statutes allow drivers to reject such coverage.

The Department of Public Safety (DPS) and the Tax and Revenue Department (TRD) argue that this legislation is necessary to ensure the rights of victims of motor vehicle accidents to appropriate compensation. DPS states that UM/UMI coverage would protect both the injured party in an accident caused by an at-fault driver and the state, which is left to pay the cost of emergency care and treatment.

Uninsured Drivers in New Mexico. Like most states, New Mexico requires all drivers to have motor vehicle liability insurance. Without insurance coverage, drivers are at risk of being liable for the total costs of damages that they may never be able to pay. New Mexico has the 4th highest rate of uninsured motorists in the nation. According to the Federal Highway Administration, there are 1.5 million drivers in New Mexico. Of those drivers, the Insurance Research Council estimates that 21.8 percent, or 322 thousand drivers, are uninsured. New Mexico's uninsured rate is significantly higher than the national average of 12.6 percent.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB319 relates to House Bill 97 (HB97), which modifies Section 66-5-208 NMSA 1978 to require that all motor vehicle insurance policies include uninsured and underinsured motorist coverage at the minimum limits required for bodily injury and property damage liability under Section 66-5-215 NMSA 1978. While both bills have the same intent (requiring UM/UMI coverage for drivers in New Mexico), the bills modify Section 66-5-301 NMSA 1978 differently. For example, HB97 removes the mention of optional higher limits and the ability of the insured to choose coverage above the minimum and eliminates language specifying that coverage must comply with rules and regulations set by OSI and be filed with the superintendent.

HB97 amends the Section 66-5-208 NMSA 1978, which SB319 does not, and amends “evidence of financial responsibility” to include “evidence for the protection of persons insured who are legally entitled to recover damages from owners or operators of uninsured or underinsured motor vehicles.”

TECHNICAL ISSUES

The bill appears to make these requirements mandatory for all persons driving any vehicle on New Mexico roads. There is no mention in the bill of requirements for out-of-state drivers, potentially not exempting them from this requirement.

ALTERNATIVES

To address issues addressed in “Significant Issues”, the bill could be amended to strike the following sentence from Section 1 (A).

No offset of underinsured motorist coverage shall be taken based on the liability coverage limits paid by an underinsured tortfeasor.

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