CHAPTER 59A
Insurance Code

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ARTICLE 1
Insurance Code

Section
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Chapter 59A NMSA 1978 [except for 59A-30A-1 to 59A-30A-18 NMSA 1978, and 59A-42A-1 to 59A-42A-9 NMSA 1978] shall be known and may be cited as the New Mexico Insurance Code and, in this chapter, may also be referred to as the "Insurance Code".


Repeals and reenactments. — Laws 1993, ch. 320, § 1 repeals former 59A-1-1 NMSA 1978, as enacted by Laws 1984, ch. 127, § 1, and enacts the above section, effective June 18, 1993. For provisions of former section, see 1992 Replacement Pamphlet.

Applicability. — Laws 1984, ch. 127, § 994, provides that any laws of New Mexico remaining in force after the effective date of the act (January 1, 1985) and which refer to provisions repealed in section 997 of the act (primarily provisions in Chapter 59 NMSA 1978 are repealed) shall be deemed to refer to those provisions of the act which are substantially the same as the repealed provisions. For provisions in Chapter 59A NMSA 1978 comparable to former provisions in Chapter 59 NMSA 1978, see Table of Corresponding Sections in Appendix A following Chapter 59.

Descriptive catchlines and headings. — Laws 1984, ch. 127, § 996, provides that the various article numbers and titles, the descriptive headings, subheadings and catchlines immediately preceding texts of or in individual sections do not constitute part of the act and are included only for purpose of convenient reference.


ANNOTATION

Am. Jur. 2d, A.L.R. and C.J.S. references. — Scope of provision in liability policy issued to municipal corporation or similar governmental body limiting coverage to injuries arising out of construction, maintenance or repair work, 30 A.L.R.5th 699.

Construction and application of pre-emption exemption, under Employee Retirement Income Security Act (29 USCS § 1001 et seq.), for state laws regulating insurance, banking, or securities (29 USCS § 1144(b)(2)), 87 A.L.R. Fed. 797.

Exemption or immunity from federal antitrust liability under McCarran-Ferguson Act (15 USCS §§ 1011-1013) and state action and Noerr-Pennington doctrines for business of insurance and persons engaged in it, 116 A.L.R. Fed. 163.


Unless context otherwise requires, words and terms defined in this article and elsewhere in the Insurance Code shall for the purposes of the Insurance Code have the meaning there ascribed.


"Insurance Code" means the New Mexico Insurance Code.

History: Laws 1984, ch. 127, § 3.


"Corporation commission" or "commission" means the public regulation commission.


Cross references. — For constitutional provisions relating to public regulation, see N.M. Const., art. XI, § 1 et seq.

The 1998 amendment, effective January 1, 1999, substituted the present provisions for " 'Corporation commission' means the state corporation commission of New Mexico."

59A-1-5. "Insurance".

"Insurance" is a contract whereby one undertakes to pay or indemnify another as to loss from certain specified contingencies or perils, or to pay or grant a specified amount or determinable benefit in connection with ascertainable risk contingencies, or to act as surety.

Compiler's notes. — The annotations appearing below were abstracted from attorney general opinions decided under former 59-1-1 NMSA 1978 which defined "insurance" as "any form of insurance, bond or indemnity contract, the issuance of which is legal in the state of New Mexico."

ANNOTATION

Indemnification contract. — Where an insured sued the insured’s insurer and the insurer’s attorney for claims that arose out of the handling of the insured’s uninsured motorist claim and the insurer agreed to defend and indemnify the attorney in the insured’s suit, the contract was not a contract of insurance, because the contract to defend and indemnify the attorney shifted the risk of litigation to the insurer and did not involve distribution, or sharing, of the risk among others. Guest v. Allstate Insurance Co., 2009-NMCA-037, ____ N.M. ____, 205 P.3d 844, cert. granted, 2009-NMCERT-____.


Test for insurance. — Test as to whether certain business constitutes insurance is whether the certificate of membership or other contract issued constitutes a contract of insurance or indemnity. 1933-34 Op. Att'y Gen. No. 33-569.

Contract of insurance must be for security against risk of loss, which risk, originally resting with the insured, be shifted and assumed by the insurer, and the risk must be covered by a general fund consisting of deposits made by persons having similar contractual arrangements with the insurer. 1971 Op. Att'y Gen. No. 71-82.

Indemnification required for insurance. — If a contract is for services and not indemnification, then it is not an insurance transaction. 1971 Op. Att'y Gen. No. 71-82.

Third-party indemnification. — Indemnification under an insurance contract does not necessarily have to be made directly to the insured. 1971 Op. Att'y Gen. No. 71-82.


Variable annuities not insurance. — Variable annuities are subject to regulation by the commissioner of securities rather than by the superintendent of insurance, inasmuch as they are not "insurance" within the meaning of this section, but rather are "securities." 1959-60 Op. Att'y Gen. No. 60-137.

Prepaid medical fees. — Agreement between individual and physician for personal services in return for certain monthly payments involved prepayment of medical fees and not insurance. 1957-58 Op. Att'y Gen. No. 57-29. See Articles 46 to 48 of this chapter.

Furnishing of ambulance service not insurance. — Furnishing of ambulance service by association which sells memberships to the public entitling members to free ambulance service from any contract operator in event of sickness or injury does not amount to the doing of an insurance business, as it does not assume as its primary purpose a risk, hazard or peril but merely constitutes a contract to furnish services. 1959-60 Op. Att'y Gen. No. 60-58. But see 1953-54 Op. Att'y Gen. No. 54-5990, to the effect that setting up of contract to indemnify the public for loss suffered by reason of necessity to utilize ambulance services was insurance.
Where a person operating an ambulance proposes to offer ambulance service to the general public pursuant to an agreement which in substance recites that in consideration of $15.00 the ambulance service will be provided to and from a named hospital within a 25 mile radius for a period of one year to the subscribers of such agreement, such an arrangement is not insurance so as to be amenable to regulation under the insurance laws of New Mexico. 1961-62 Op. Att'y Gen. No. 61-30.

Automobile club services as insurance. — Various services furnished members by an automobile club, including furnishing of bond, attorney fees for defense or collection of damages, reward for return of stolen vehicle, protection against lost credit cards, emergency road service and reimbursement for expenses due to automobile disability, constituted practice of insurance. 1971 Op. Att'y Gen. No. 71-82.


Undertaking to defend suit or furnish legal services in certain future contingencies as insurance, 71 A.L.R. 695.

What constitutes insurance, 119 A.L.R. 1241.

Doctrine of unconscionability as applied to insurance contracts, 86 A.L.R. 695.

Prepaid legal services plans, 93 A.L.R. 695.

44 C.J.S. Insurance § 1 et seq.


"Insurance department", "insurance division" or "division" means the insurance division of the commission.


The 1998 amendment, effective January 1, 1999, rewrote this section, which read: "'Insurance department' means the department of insurance of the corporation division."

59A-1-8. "Insurer"; "authorized insurer".

A. "Insurer" includes every person engaged as principal and as indemnitor, surety or contractor in the business of entering into contracts of insurance.

B. An "authorized insurer" is a [an] insurer holding a valid and subsisting certificate of authority, issued by the superintendent, to transact insurance in this state.


"Multiple employer welfare arrangement" means a plan for providing welfare benefits for employees of more than one employer as defined by 29 U.S.C. Section 1002.


59A-1-9. "New Mexico".

"New Mexico" means the state of New Mexico.


59A-1-10. "Person"; "individual".

A. "Person" includes an individual, association, organization, reciprocal or Lloyds plan insurer, partnership, firm, syndicate, trust, corporation and every legal entity.

B. An "individual" is a natural person, a human being.


59A-1-11. "State".

When used in context indicating a jurisdiction other than New Mexico, "state" means any state, district, commonwealth, territory or possession of the United States of America.


"Superintendent" means the superintendent of insurance or the superintendent's duly authorized representative acting in official capacity.


The 1998 amendment, effective January 1, 1999, substituted "superintendent of insurance" for "superintendent of the insurance department, as designated as such by the corporation commission," near the middle of the section.


In addition to other aspects of insurance operations to which the Insurance Code by its terms applies, "transacting insurance" with respect to an insurance contract or a business of insurance includes any of the following, by mail or otherwise or whether or not for profit:
A. solicitation or inducement;
B. negotiation;
C. effectuation of an insurance contract;
D. transaction of matters subsequent to effectuation and arising out of such a contract;
E. maintenance in this state of an office or personnel performing any function in furtherance of an insurer's business of insurance; or
F. maintenance by an insurer of assets in trust in this state for the benefit, security or protection of its policyholders or its policyholders and creditors.


The 1991 amendment, effective April 3, 1991, inserted “an insurance contract or” in the introductory paragraph; added Subsections E and F; and made a related stylistic change.


ANNOTATION

Self-insured employer. — An employer who was self-insured for workers' compensation and who maintained a self-funded health indemnity plan for employees was not engaged in the business of insurance. Kitchell v. Public Serv. Co., 1998-NMSC-051, 126 N.M. 525, 972 P.2d 344.


No person shall transact a business of insurance in New Mexico, or relative to a subject of insurance resident, located or to be performed in New Mexico or elsewhere, without complying with the applicable provisions of the Insurance Code.


59A-1-15. Application of the code as to particular types of insurers, organization or subjects.

No provision of the Insurance Code shall apply to:

A. fraternal benefit societies, as identified in Chapter 59A, Article 44 NMSA 1978, except as stated in that article;
B. nonprofit health care plans, as identified in Chapter 59A, Article 47 NMSA 1978, except as stated in that article;
C. health maintenance organizations, as identified in Chapter 59A, Article 46 NMSA
1978, except as stated in that article;

D. prepaid dental plans, as identified in Chapter 59A, Article 48 NMSA 1978, except as stated in that article;

E. motor clubs, as identified in Chapter 59A, Article 50 NMSA 1978, except as stated in that article;

F. bail bondsmen, as identified in Chapter 59A, Article 51 NMSA 1978, except as stated in that article;

G. insurance premium finance companies, as identified in Chapter 59A, Article 45 NMSA 1978, except as stated in that article; and

H. title insurers and title insurance agents, as identified in Chapter 59A, Article 30 NMSA 1978, except as stated in that article.


ANNOTATION

Fraternal benefit society. — Where statute exempted fraternal benefit societies from all taxes other than those on real estate and office equipment, plaintiff society, which complied with every element in the statutory definition, was a fraternal benefit society, notwithstanding large amount of insurance on its books, alleged discrimination among members, alleged excessive compensation to its officers and agents or purported writing of unauthorized policies. Modern Woodmen of Am. v. Casados, 17 F. Supp. 763 (D.N.M. 1937). See Article 44 of this chapter.

Prepaid medical fees. — Agreement between individual and physician for personal services in return for certain monthly payments involved prepayment of medical fees and not insurance. 1957-58 Op. Att'y Gen. No. 57-29. See Articles 46 to 48 of this chapter.

Automobile club services as insurance. — Various services furnished members by an automobile club, including furnishing of bond, attorney fees for defense or collection of damages, reward for return of stolen vehicle, protection against lost credit cards, emergency road service and reimbursement for expenses due to automobile disability, constituted practice of insurance. 1971 Op. Att'y Gen. No. 71-82. See Article 50 of this chapter.

Furnishing of ambulance service not insurance. — Furnishing of ambulance service by association which sells memberships to the public entitling members to free ambulance service from any contract operator in event of sickness or injury does not amount to the doing of an insurance business, as it does not assume as its primary purpose a risk, hazard or peril but merely constitutes a contract to furnish services. 1959-60 Op. Att'y Gen. No. 60-58. But see 1953-54 Op. Att'y Gen. No. 54-5990, to the effect that setting up of contract to indemnify the public for loss suffered by reason of necessity to utilize ambulance services was insurance.

Where a person operating an ambulance proposes to offer ambulance service to the general public pursuant to an agreement which in substance recites that in consideration of $15.00 the ambulance service will be provided to and from a named hospital within a 25 mile radius for a period of one year to the subscribers of such agreement, such an arrangement is not insurance so as to be amenable to

**Bail bond business insurance.** — An individual who advertises himself as a bail bondsman and places cash deposits in lieu of bail for accused persons, charging the accused a fee of 10% of the amount of the cash deposit, is a recognizor for the accused and is transacting an insurance business. 1969 Op. Att'y Gen. No. 69-93. But see Article 51 of this chapter.


In addition to organizations and businesses otherwise exempt, the Insurance Code [59A-1-1 NMSA 1978] shall not apply to:

A. a labor organization that, incidental only to operations as a labor organization, issues benefit certificates to members or maintains funds to assist members and their families in times of illness, injury or need, and is not for profit;

B. the credit union share insurance corporation, as identified in Chapter 58, Article 12 NMSA 1978, and similar corporations and funds for protection of depositors, shareholders or creditors of financial institutions and businesses other than insurers; or

C. the risk management division of the general services department, the public school insurance authority, the retiree health care authority and any public school district or to insurance of public property or public risks by any agency of government not otherwise engaged in the business of insurance, except the provisions of the Patient Protection Act [59A-57-1 NMSA 1978] and Sections 59A-2-9.2 and 59A-23E-18 NMSA 1978 shall apply to any entity required or authorized to purchase health care benefits pursuant to the Health Care Purchasing Act [13-7-1 NMSA 1978].


The 1998 amendment, effective July 1, 1998, deleted "as" following "apply" in the introductory language; substituted "that" for "which" near the beginning of Subsection A; in Subsection B, substituted "Chapter 58, Article 12" for "Article 58-12"; in Subsection C, inserted "general services" following "division of the", deleted "of finance and administration of New Mexico" following "department" and "as" following "or", and added the exception to the end of the subsection.

The 2001 amendment, effective June 15, 2001, in Subsection C, inserted "the public school insurance authority, the retiree health care authority and any public school district", inserted "and Sections 59A-2-9.2 and 59A-23E-18 NMSA 1978" and substituted "any entity required or authorized to purchase health care benefits pursuant to the Health Care Purchasing Act for "the risk management division and any managed health care plan it offers".


59A-1-16.1. Charitable gift annuities; exempt from regulation as insurance company.
A. As used in this section:

(1) "charitable gift annuity" means a transfer of cash or other property by a donor to a charitable organization in return for an annuity payable over one or two lives, under which the actuarial value of the annuity is less than the value of the cash or other property transferred and the difference in value constitutes a charitable deduction for federal tax purposes;

(2) "charitable organization" means an entity described in:
   (a) Section 501(c)(3) of the Internal Revenue Code of 1986; or
   (b) Section 170(c) of that act; and

(3) "qualified charitable gift annuity means a charitable gift annuity described in Section 501(m)(5) and Section 514(c)(5) of that act that is issued by a charitable organization that on the date of the annuity agreement:
   (a) has either an unrestricted fund balance consisting of assets in excess of liabilities of not less than three hundred thousand dollars ($300,000) or unencumbered assets in its gift annuity fund of not less than three hundred thousand dollars ($300,000); and
   (b) has been in continuous operation for at least three years or is a successor or affiliate of a charitable organization that has been in continuous operation for at least three years.

B. The issuance of a qualified charitable gift annuity does not constitute engaging in the business of insurance in this state.

C. A charitable gift annuity issued prior to July 1, 1999 is a qualified charitable gift annuity for purposes of this section, and the issuance of that charitable gift annuity does not constitute engaging in the business of insurance in this state.

D. When entering into an agreement for a qualified charitable gift annuity, the charitable organization shall disclose to the donor in writing in the annuity agreement that a qualified charitable gift annuity is not insurance under the laws of this state and is not subject to regulation by the insurance division or protected by a guaranty association affiliated with the division. The disclosure shall be in a separate paragraph in a print size no smaller than that employed generally in the annuity agreement.

E. A charitable organization that issues qualified charitable gift annuities shall notify the insurance division in writing by the later of October 1, 1999 or the date on which it enters into the organization's first qualified charitable gift annuity agreement. The notice shall:
   (1) be signed by an officer or director of the charitable organization;
   (2) identify the charitable organization; and
   (3) certify that the organization is a charitable organization and the annuities issued by the organization are qualified charitable gift annuities. The charitable organization shall not be required to provide additional information to the division except as provided in Subsection F of this section.

F. The failure of a charitable organization to comply with the notice requirements provided
in Subsections D and E of this section does not prevent a charitable gift annuity that otherwise meets the requirements of this section from constituting a qualified charitable gift annuity; provided, however, that the superintendent may enforce performance of those requirements by sending a letter by certified mail, return receipt requested, demanding that the charitable organization comply with the notice requirements provided in Subsections D and E of this section.

G. The issuance of a qualified charitable gift annuity does not constitute a violation of the Unfair Practices Act [Chapter 57, Article 12 NMSA 1978].

History: Laws 1999, ch. 34, § 1.

Effective dates. — Laws 1999, ch. 34, § 2 makes the act effective on July 1, 1999.

Internal Revenue Code of 1986. — Sections 170(c), 501(c) and (m), and 514(c) of the Internal Revenue Code of 1986, referred to in this section, are codified at 26 U.S.C. §§ 170(c), 501(c) and (m), and 514(c), respectively.

59A-1-17. Particular provisions prevail.

Provisions of the Insurance Code relative to a particular kind of insurance or type of insurer or particular matter shall prevail over provisions relating to insurance in general or insurers in general or to such matter in general.

History: Laws 1984, ch. 127, § 17.


A. Unless the same is defined as a felony under any other law of this state or punishment therefor classifies it otherwise, every violation of the Insurance Code is a petty misdemeanor punishable by a fine not to exceed five hundred dollars ($500).

B. Where other monetary penalty is not expressly provided for, an administrative penalty may be assessed for violations of the Insurance Code. The administrative penalty shall be not over five thousand dollars ($5,000) for each violation, except that if the violation is to be found willful and intentional, the penalty may be up to ten thousand dollars ($10,000) for each violation. Every administrative penalty shall be imposed by written order of the superintendent made after hearing held as provided in Chapter 59A, Article 4 NMSA 1978.

C. A monetary penalty imposed may be additional to any applicable suspension, revocation or denial of a license or certificate of authority.

D. In addition to the authority of the insurance department to bring an action to recover statutory fines and assessments, the insurance department may bring civil actions for penalties in sums not to exceed the criminal fine for each violation of the Insurance Code, in lieu of criminal
prosecution.

E. The penalties contained in Subsections A through D of this section shall be in addition to any other penalty provided by law.

**History:** Laws 1984, ch. 127, § 18; 1987, ch. 259, § 1; 1989, ch. 145, § 1.

**Insurance Code.** — See 59A-1-1 NMSA 1978 and notes thereto.

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**ARTICLE 2**

**Insurance Division**

**Section**

59A-2-1 Insurance division created.
59A-2-2 Superintendent; appointment; removal.
59A-2-3 Superintendent, qualifications and bond.
59A-2-4 Staff.
59A-2-7 Delegation of powers.
59A-2-8 General powers, duties of superintendent.
59A-2-8.1 Producer licensing; national producer registry; fees collected.
59A-2-9 Rules and regulations; promulgation; violation.
59A-2-9.1 Regulations; leased employees.
59A-2-9.2 Recompiled.
59A-2-9.3 Superintendent authorized and directed to promulgate privacy rules.
59A-2-9.4 Superintendent of insurance; additional powers.
59A-2-9.5 Superintendent of insurance; duties.
59A-2-10 Orders, notices in general.
59A-2-11 Enforcement.
59A-2-12 Records; inspection; destruction.
59A-2-13 Seal; as evidence.
59A-2-14 Publications; preparation and sale.
59A-2-15 Interstate cooperation.
59A-2-16 Nonpreemption.

**59A-2-1. Insurance division created.**

A. The insurance division is created within the commission.

B. All powers relating to state supervision of insurance, insurance rates and rate practices, together with collection of insurance licenses, taxes or fees, and all records pertaining to such supervision are under control of the commission through the division.

**History:** Laws 1984, ch. 127, § 19; 1998, ch. 108, § 34.

**The 1998 amendment,** effective January 1, 1999, substituted "Division Created" for "Department continued division of powers" in the section heading; in Subsection A, deleted "department of" preceding
"insurance" near the beginning, substituted "division is created" for "is continued" near the middle and deleted "corporation" preceding "commission" at the end; and in Subsection B, inserted "insurance rates and rate practices" preceding "supervision of insurance," near the beginning, substituted "are" for "shall continue to be and remain" near the middle, deleted "corporation" following "commission through" near the middle, and substituted "the division" for "its insurance department; except, that all powers relating to state control and supervision of insurance rates and rate practices, as provided for in Article 17 of the Insurance Code, and all records pertaining thereto shall continue to be and remain under exclusive control of the state insurance board" at the end.

Tenure preserved. — Laws 1984, ch. 127, § 989, provides that the continuation by the act of the insurance department preserves the department and provides that after the effective date of the act (January 1, 1985) the department shall be subject to the act (i.e. Chapter 59A NMSA 1978).


44 C.J.S. Insurance § 15 et seq.

59A-2-2. Superintendent; appointment; removal.

The superintendent of insurance shall be chief officer of the insurance division. The superintendent shall be appointed and may be removed for cause at any time by the commission.


The 1998 amendment, effective January 1, 1999, substituted "division" for "department" in the first sentence, and deleted "corporation" preceding "commission" in the second sentence.


The superintendent shall have been a resident of New Mexico at least three (3) years before appointment. The superintendent shall be bonded as provided in the Surety Bond Act, Sections 10-2-13 through 10-2-16 NMSA 1978.


Am. Jur. 2d, A.L.R. and C.J.S. references. — Personal liability of public officials or their bonds for permitting insurance companies to engage or continue in business without complying with statutory requirements, 131 A.L.R. 275.

59A-2-4. Staff.

With the chief of staff's approval, the superintendent may designate an employee of the insurance division as chief deputy superintendent who shall be acting superintendent when the office of superintendent is vacant or the superintendent is unable to perform the duties of that office because of mental or physical disability.


The 1993 amendment, effective June 18, 1993, added Subsection D.
The 1998 amendment, effective January 1, 1999, deleted the Subsection A designation, substituted "chief of staff's" for "corporation commission's" near the beginning and deleted Subsections B through D.


A. The superintendent may delegate to his deputy, assistant or examiner the exercise or discharge in the superintendent's name of any power, duty or function, whether ministerial, discretionary or of whatever character, vested in or imposed upon or to be performed by the superintendent.

B. The official act of any such individual acting in the superintendent's name and by his authority shall be deemed an official act of the superintendent.


The superintendent shall:

A. organize and manage the insurance department and direct and supervise all its activities;

B. execute the duties imposed upon him by the Insurance Code;

C. enforce those provisions of the Insurance Code which are administered by him;

D. have the powers and authority expressly conferred by or reasonably implied from the provisions of the Insurance Code;

E. conduct such examinations and investigations of insurance matters, in addition to those expressly authorized, as he may deem proper upon reasonable and probable cause to determine whether any person has violated any provision of the Insurance Code or to secure information useful in the lawful enforcement or administration of any such provision; and

F. have such additional powers and duties as may be provided by other laws of this state.


Am. Jur. 2d, A.L.R. and C.J.S. references. — Approval of form of policy, limits of powers of
59A-2-8.1. Producer licensing; national producer registry; fees collected.

The division may contract with a nongovernmental entity, including the national association of insurance commissioners or its affiliates or subsidiaries, to perform ministerial functions related to licensure of producers. Fees collected shall be remitted to the division on a schedule approved by the superintendent. The division may adopt by rule any uniform standards and procedures necessary to participate in a national producer registry.

**History:** Laws 2001, ch. 297, § 9.

**Effective dates.** — Laws 2001, ch. 297 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective June 15, 2001, 90 days after adjournment of the legislature.

59A-2-9. Rules and regulations; promulgation; violation.

A. The superintendent, after a hearing thereon, may make reasonable rules and regulations necessary for or as an aid to administration or effectuation of any provision of the Insurance Code administered by the superintendent, and from time to time withdraw, modify or amend any such rule or regulation.

B. No such rule or regulation shall extend, modify or conflict with any such provision or other laws of New Mexico.

C. The superintendent shall file all new rules, amendments of rules or repeals of rules in accordance with the State Rules Act [Chapter 14, Article 4 NMSA 1978] not later than the submittal deadline for publication in the New Mexico register on or before the effective date of any such rule, amendment or repeal.

D. Willful violation of any such rule or regulation shall subject the violator to such penalty as may be applicable under the Insurance Code for violation of the provision to which the rule or regulation relates; but no penalty shall apply to any act done or omitted in good faith in conformity with any such rule or regulation, notwithstanding that the rule or regulation may, after such act or omission, be amended or rescinded or determined by judicial or other authority to be invalid for any reason.

**History:** Laws 1984, ch. 127, § 27; 1997, ch. 121, § 1.

The 1997 amendment, rewrote Subsection C and made a stylistic change in Subsection D. Laws 1997, ch. 121 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective June 20, 1997, 90 days after adjournment of the legislature.

**Insurance Code.** — See 59A-1-1 NMSA 1978 and notes thereto.

59A-2-9.1. Regulations; leased employees.

The superintendent shall adopt and promulgate regulations:

A. for defining temporary and leased employees;
B. for rating temporary and leased employees;
C. to ensure that employers utilize accurate employee classifications;
D. to prevent employers from reducing their experience modifiers through various employee-leasing schemes;
E. to establish and enforce penalties for any violations of these regulations; and
F. which shall be reported to the first session of the fortieth legislature.


59A-2-9.3. Superintendent authorized and directed to promulgate privacy rules.

The superintendent is authorized to and shall promulgate rules to reasonably protect the privacy of insurance consumers' nonpublic personal information, including personal health and financial information. Rules promulgated pursuant to this section shall meet any applicable federal requirements for protecting nonpublic personal information of insured persons from improper access or disclosure.


Effective dates. — Laws 2001, ch. 202 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective June 15, 2001, 90 days after adjournment of the legislature.

59A-2-9.4. Superintendent of insurance; additional powers.

The superintendent of insurance shall promulgate rules to define minimum coverage for smoking cessation treatment.


Effective dates. — Laws 2003, ch. 337 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective June 20, 2003, 90 days after adjournment of the legislature.

59A-2-9.5. Superintendent of insurance; duties.

The superintendent of insurance shall adopt rules pursuant to the health care providers licensing and credentialing task force recommendations to ensure that third-party payer credentialing requirements facilitate New Mexico providers' ability to satisfy all credentialing requirements, including those by a national committee on quality assurance, as efficiently as possible. Rules adopted shall require primary credential verification no more frequently than every three years and shall be scheduled to coincide with national accrediting organizations and hospital and managed care organizations' credentialing requirements.


Temporary provisions. — Laws 2003, ch. 235 § 1, effective June 30, 2003, provides that: The legislature finds that licensed professionals in New Mexico, particularly those in the health care field are severely burdened by multiple layers of mandatory credentialing obligations, costing them, their patients and third-party payers needless expense and wasted time. Further, the legislature notes that New Mexico's health care licensure provisions may be contributing to harmful delays in access to health care throughout the state, particularly in areas with acute professional shortages. The legislature believes that efforts begun pursuant to House Joint Memorial 61 of the second session of the forty-fifth legislature and the continued cooperation among respective licensing boards, the regulation and licensing department, various statewide professional associations and societies, insurers and national accrediting and standard setting organizations will produce a system satisfactory to all concerned while maintaining the primary goal of ensuring the health and safety of New Mexico residents.


A. Orders and notices of the superintendent shall be effective only when in writing signed by him or by his authority.

B. Every order of the superintendent shall state its effective date and shall concisely state:

(1) what is ordered;
(2) the grounds on which the order is based; and
(3) the provisions of the Insurance Code pursuant to which action is taken or proposed to be taken; but failure to so designate a particular provision shall not deprive the superintendent of the right to rely thereon.

C. Except as provided as to particular procedures, an order or notice may be given by delivery to the person to be ordered or notified, or by mailing it, postage prepaid, addressed to such person at [his] principal place of business or residence last of record with the insurance
department. If so mailed, the order or notice shall be deemed given when deposited in a mail
depository of the United States post office; and as to which the affidavit of the individual who so
mailed it shall be prima facie evidence that the order or notice was given.


Bracketed material. — The bracketed word "his" in Subsection C was inserted by the compiler. It
was not enacted by the legislature, and it is not a part of the law.


A. The superintendent may invoke the aid of any court of competent jurisdiction through
injunction, mandamus or other appropriate process to enjoin any existing or threatening violation
of any provision of the Insurance Code or to enforce any order made or action taken by him in
pursuance of law.

B. If the superintendent has reason to believe that any person has violated any provision of
the Insurance Code or other law applicable to insurance operations, for which criminal
prosecution in his opinion would be in order, he shall give the information relative thereto to the
attorney general or other appropriate public law enforcement officials. The attorney general or
such other law enforcement official shall promptly institute or cause to be instituted such action
or proceeding against such person as in his opinion the information may require or justify.

C. The superintendent may enforce civil penalties provided under the Insurance Code, and
for the purpose use services of attorneys of the insurance department.


Cross references. — For statutory provisions relating to mandamus, see 44-2-1 NMSA 1978 et seq.
For injunctions under Rules of Civil Procedure for the District Court, see Rule 1-066 NMRA.


59A-2-12. Records; inspection; destruction.

A. The superintendent shall preserve in the insurance department and in permanent form
copies of all notices and orders given or made and of all other papers and records relating to the
business and transactions of the department, and shall hand the same over to his successor in
office.

B. Except as otherwise provided by the Insurance Code or by order of court, the papers and
records shall be open to public inspection. The superintendent may classify as confidential
certain records and information obtained from another governmental agency or other source
upon the express condition that they remain confidential or are deemed confidential by the
superintendent, and such records and information shall not be subject to public inspection while
confidentiality exists; except that no filing required to be made with the superintendent under the Insurance Code shall be deemed confidential unless expressly so provided by law.

C. The superintendent may destroy unneeded or obsolete records and filings in the insurance department in accordance with provisions and procedures applicable in general to records and filings of the corporation commission [public regulation commission].


Bracketed material. — The bracketed material in this section was inserted by the compiler. It was not enacted by the legislature, and it is not part of the law. For references to state corporation commission being construed as references to the public regulation commission, see 8-8-21 NMSA 1978.


The corporation commission [public regulation commission] shall provide the superintendent with an official seal. Every instrument executed by the superintendent in pursuance with law and sealed with such seal shall be received as evidence. Copies of books, records and papers kept or filed in the insurance department pursuant to law, certified by the superintendent and authenticated by the seal, shall be received in evidence in like manner as the originals.


Bracketed material. — The bracketed material in this section was inserted by the compiler. It was not enacted by the legislature, and it is not part of the law. For references to state corporation commission being construed as references to the public regulation commission, see 8-8-21 NMSA 1978.


A. The superintendent may authorize preparation and sale of bound pamphlet copies of the insurance laws of this state, of rules and regulations adopted pursuant to such laws, and of any other publication which the superintendent, in administration of the insurance laws, deems to be of interest sufficiently widespread to so warrant.

B. The superintendent shall offer, or cause to be offered, the publications for sale at a price adequate to cover costs of printing and handling.

C. The superintendent shall promptly deposit in the state treasury all revenues derived from any such sale. The state treasurer shall credit the deposits to the insurance department suspense fund.

History: Laws 1984, ch. 127, § 33.

ANNOTATION
Expenditures for publication of documents authorized. — Superintendent of insurance could properly expend money from the "Insurance Fund" and from the "Fire Protection Fund" for the purposes of publication of documents which fall within either the scope of former 59-2-10 NMSA 1978 (comparable provisions in this section) or Laws 1959, ch. 297 (the Fire Protection Fund Act, former 59-15-1 NMSA 1978, et seq. (comparable provisions in 59A-53-1 NMSA 1978 et seq.)) and the nature of the publication will determine from which fund the expenses of such publications will be taken. 1959-60 Op. Att'y Gen. No. 59-111.


A. On request of the insurance supervisory official of any other state, province or country or of the national association of insurance commissioners or similar association of insurance regulatory officials, the superintendent shall communicate to such official or association any information that it is his duty by law to ascertain respecting any insurer or other person transacting insurance in this state or otherwise subject to the superintendent's supervision.

B. The superintendent may be a member of the national association of insurance commissioners or any successor organization and may participate in and support cooperative activities of public agencies having supervision of the insurance business.


The 1991 amendment, effective April 3, 1991, rewrote Subsection A which read "On request of the insurance supervisory official of any other state, province or country, the superintendent shall communicate to such official any information which it is his duty by law to ascertain respecting authorized insurers."


Nothing contained in the Interstate Insurance Product Regulation Compact [11-19-1 NMSA 1978], nor any decision or action by the interstate insurance product regulation commission, shall preempt, alter or modify any claims or remedies against insurance companies, agents or other persons or entities regulated under the Insurance Code [59A-1-1 NMSA 1978] that are or may become available under the common law, the Insurance Code or other statutes of this state.

History: Laws 2009, ch. 188, § 1.

Effective dates. — Laws 2009, ch. 188 contained no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, was effective June 19, 2009, 90 days after the adjournment of the legislature.
(Repealed by Laws 1998, ch. 108, § 81.)

59A-3-1 to 59A-3-9. Repealed.


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**ARTICLE 4**

Examinations, Hearings and Appeals

Section

- **59A-4-1** Scope of article.
- **59A-4-2** Investigations; confidentiality of information pending completion.
- **59A-4-3** Inquiries by superintendent.
- **59A-4-4** Power of examination; in general.
- **59A-4-5** Examination of insurers.
- **59A-4-6** Examiners and specialists.
- **59A-4-7** Conduct of examination; access to information; correction of records; penalties.
- **59A-4-8** Appraisal of assets.
- **59A-4-9** Examination report; contents.
- **59A-4-10** Examination report; distribution; conference and hearing; adopting.
- **59A-4-11** Examination report; filing for public inspection; confidentiality.
- **59A-4-12** Examination report; information to management of domestic entities.
- **59A-4-13** Examination report as evidence; proceedings during examination.
- **59A-4-14** Examination expense; payment.
- **59A-4-15** Hearings; in general.
- **59A-4-16** Notice of hearing.
- **59A-4-17** Hearing procedure.
- **59A-4-18** Informal hearings.
- **59A-4-19** Testimony compelled; immunity.
- **59A-4-20** Appeal to court.
- **59A-4-21** Immunity from civil liability.

**59A-4-1. Scope of article.**

Except as otherwise expressly provided as to particular matters in the Insurance Code, the provisions of Chapter 59A, Article 4 NMSA 1978 as to investigations and hearings by the superintendent shall apply as to all persons and operations subject to licensing or supervision under the Insurance Code.


**The 1998 amendment,** effective January 1, 1999, substituted "Chapter 59A, Article 4 NMSA 1978"
for "this article" near the beginning of the section, and deleted the former last sentence, which read: "When the matter concerned in this article is within the jurisdiction of the insurance department, the superintendent is acting as superintendent of that department; when the matter concerned is within the jurisdiction of the insurance board, the superintendent is acting in the capacity of secretary of that board."


44 C.J.S. Insurance § 15 et seq.

59A-4-2. Investigations; confidentiality of information pending completion.

A. Evidence relative to the subject of an investigation being conducted by the superintendent shall not be open to public inspection for so long as the superintendent deems reasonably necessary to complete the investigation, to protect the person investigated from unwarranted injury, or to be in the public interest.

B. Evidence relative to the subject of such an investigation shall not be subject to subpoena until opened for public inspection by the superintendent, unless the superintendent consents to such subpoena or until, after notice to the superintendent and hearing, the court determines that conduct of the superintendent's investigation or the subject thereof would not be unreasonably injured by the subpoena.

C. Except as otherwise expressly provided, the superintendent or insurance department investigators shall not be subject to subpoena in civil actions by any court of this state to testify concerning any information secured by them during their uncompleted investigation or examination.

History: Laws 1984, ch. 127, § 46.

59A-4-3. Inquiries by superintendent.

The superintendent may direct an inquiry to any person subject to supervision under the Insurance Code with respect to any transaction or matter within the scope of such supervision. Upon receipt of the request, the person shall promptly furnish to the superintendent requested information in possession or control of such person. If so specified by the superintendent, the requested information shall be furnished under oath.

History: Laws 1984, ch. 127, § 47.


59A-4-4. Power of examination; in general.

A. In addition to examinations otherwise expressly authorized for purpose of ascertaining financial condition where applicable, compliance with law, relationships and transactions
between any such persons and others and treatment accorded its contract holders, subscribers and others served by it, the superintendent as often as he deems advisable may examine the accounts, records, documents, transactions and affairs of the following persons subject to the superintendent's supervision under the Insurance Code or other laws and within the lawful scope of such supervision:

(1) any person engaged or purporting or proposing to engage in this state in the business of provision of services on a prepaid basis for health care, dental care, funerals or burial or in premium financing, together with the managers, parent organization and affiliates of any such person;

(2) any person having a contract under which he enjoys in fact the exclusive or dominant right to manage or control an insurer or to produce substantially all of its business;

(3) any insurance holding company and its affiliates and any person holding the shares of voting stock or the policyholder proxies of a domestic insurer for the purpose of controlling management thereof as voting trustee or otherwise;

(4) any subsidiary of an insurer;

(5) any person engaged or proposing or purporting to be engaged in this state in, or in this state assisting in, promotion, formation or financing of an insurer or insurance holding corporation, or corporation or other group to finance an insurer or its business;

(6) any self-insureds;

(7) any insurer that insures or administers a multiple employer welfare arrangement covering risks in this state; and

(8) any person transacting insurance in this state.

B. In lieu of making the examination of a foreign or alien person authorized to do business in this state or applying for such authority and subject to examination under the above provisions, the superintendent may accept a full report of a recent examination of such person by the appropriate examining official of another state, certified by such official.


The 1991 amendment, effective April 3, 1991, in Subsection A, added Paragraphs (7) and (8) and made a related stylistic change.


59A-4-5. Examination of insurers.

A. For the purpose of determining financial condition, fulfillment of contractual obligations, methods of doing business, treatment accorded policyholders, and compliance with law, the superintendent shall, as often as he deems advisable, examine or investigate the affairs, transactions, accounts, records and assets of each authorized insurer, and of any other person as to any matter which the superintendent in his sole discretion has determined to be relevant to the
financial affairs of the insurer or to the examination. Except as expressly otherwise provided, the superintendent shall so examine each domestic insurer not less frequently than every five years. In scheduling and determining the nature, scope and frequency of the examinations, the superintendent may consider such matters as the results of financial statement analyses and ratios, changes in management or ownership, actuarial opinions, reports of independent certified public accountants, evidence of market practices, policyholder complaints and other criteria as set forth in the handbooks for financial or market conduct examiners adopted by the national association of insurance commissioners in effect when the superintendent exercises discretion under this section.

B. For like purposes, the superintendent shall examine each insurer, or proposed insurer, applying for an initial certificate of authority to transact insurance in this state.

C. Whenever the superintendent examines the affairs of any domestic insurer he may invite the representative of the insurance supervisory agency of at least one other state, if any, in which the insurer is an authorized insurer, to participate in the examination.

D. Until January 1, 1994, in lieu of making his own examination of a foreign or alien insurer the superintendent may accept a full report of an examination of the insurer made by competent examiners as of a date not more than one year prior and participated in by at least two states in which the insurer was authorized to transact insurance. The report shall be certified by the insurance supervisory official of the state under whose jurisdiction the examination was conducted. The superintendent may, at discretion, so accept such report of examination so made as of a date more than one year but not more than three years prior; and with respect to an alien insurer, the superintendent may at discretion so accept such a report of recent examination made by the insurance supervisory official of the port of entry state of the insurer into the United States without participation therein of another state.

E. After January 1, 1994, examination reports prepared by examiners employed by other state insurance departments may be accepted only if:

1. made as of a date not more than five years prior to acceptance and the examiner in charge was employed by and under the direction of the insurance commissioners of the insurer's state of domicile or port of entry, which insurance department was at the time of the examination accredited under the financial regulation standards and accreditation program of the national association of insurance commissioners; or

2. made as of a date not more than three years prior to acceptance and the examination was performed under the supervision of an accredited insurance department or with the participation of one or more examiners who were employed by an accredited state insurance department and who, after a review of the examination work papers and report, state under oath that the examination was performed in a manner consistent with the standards and procedures required by their insurance department.

F. As far as practical the superintendent shall conduct examination of a foreign or alien insurer in cooperation with the insurance supervisory officials of other states in which the insurer is authorized to transact business.
59A-4-6. Examiners and specialists.

A. The superintendent may appoint one or more competent individuals, sufficiently knowledgeable in applicable accounting and operations, as examiners to represent the superintendent in an examination, and shall fix the reasonable compensation of the examiners.

B. The superintendent may also employ and fix reasonable compensation of independently contracting accountants knowledgeable of insurance accounting principles and practices, actuaries, attorneys, appraisers and other specialists not otherwise part of the insurance department staff, as the superintendent deems necessary for the examination, the cost of which shall be borne by the company which is the subject of the examination. All specialists shall be under the direction and control of the superintendent.

C. All examiners and specialists shall be subject to Sections 59A-2-5 and 59A-2-6 NMSA 1978.


Bracketed material.— The bracketed material in Subsection C was inserted by the compiler. It was not enacted by the legislature, and it is not part of the law. Sections 59A-2-5 and 59A-2-6 NMSA 1978 were repealed by Laws 1998, ch. 108, § 81, effective January 1, 1999.

The 1993 amendment, effective June 18, 1993, made a stylistic change in Subsection A; in Subsection B, in the first sentence, inserted "attorneys", added the language beginning "the cost of which", and made a stylistic change; and rewrote Subsection C.

59A-4-7. Conduct of examination; access to information; correction of records; penalties.

A. Upon determining that an examination should be conducted, the superintendent or the superintendent's designee shall issue an order appointing one or more examiners to perform the examination and instructing them as to the scope of the examination. In conducting the examination, the examiner shall observe those guidelines and procedures set forth in the examiners' handbook adopted by the national association of insurance commissioners. The superintendent may also employ such other guidelines or procedures as the superintendent may deem appropriate.
B. Every company or person from whom information is sought, its officers, directors and agents must provide to the examiners appointed under Subsection A of this section timely, convenient and free access at all reasonable hours at its offices to all books, records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the company being examined. The officers, directors, employees and agents of the company or person shall facilitate the examination and aid in the examination so far as it is in their power to do so. The refusal of any company, by its officers, directors, employees or agents, to submit to examination or to comply with any reasonable written request of the examiners shall be grounds for suspension or refusal of, or nonrenewal of, any license or authority held by the company to engage in an insurance or other business subject to the superintendent's jurisdiction.

C. The superintendent or any of his examiners shall have the power to issue subpoenas, to administer oaths and to examine under oath any person as to any matter pertinent to the examination. Upon the failure or refusal of any person to obey a subpoena, the superintendent may petition a court of competent jurisdiction, and upon proper showing, the court may enter an order compelling the witness to appear and testify or produce documentary evidence. Failure to obey the court order shall be punishable as contempt of court.

D. If the superintendent or examiner finds any accounts or records to be inadequate or inadequately or improperly kept or posted, the superintendent may employ experts to reconstruct, rewrite, post or balance them at the expense of the person being examined if such person has failed to maintain, complete or correct such records or accounting after the superintendent or examiner has given written notice and reasonable opportunity to do so.

E. Any individual giving false testimony or information as to any matter material to the examination with knowledge of such falsity, shall upon conviction thereof be guilty of a fourth degree felony and shall be punished by a fine not to exceed twenty thousand dollars ($20,000). Any individual who willfully refuses or fails to attend at the examination, or to produce books, records, accounts or files requested, or to give the superintendent or the examiner full and truthful information in writing in response to any written inquiry of the superintendent or examiner in regard to matters under examination, or to appear and testify under oath before the superintendent or examiner when so requested and given reasonable opportunity to do so, or who willfully obstructs or interferes with the superintendent or examiner in the conduct of the examination, shall upon conviction thereof be guilty of a misdemeanor punishable by a fine of not more than one thousand dollars ($1,000) for each such offense.

F. Nothing contained in Chapter 59A, Article 4 NMSA 1978 shall be construed to limit the superintendent's authority to terminate or suspend any examination in order to pursue other legal or regulatory action pursuant to the insurance laws of this state. Findings and conclusions made pursuant to any examination shall be prima facie evidence in any legal or regulatory action.

G. Nothing contained in Chapter 59A, Article 4 NMSA 1978 shall be construed to limit the superintendent's authority to use and, if appropriate, to make public any final or preliminary examination report, any examiner or company workpapers or other documents or any other
information discovered or developed during the course of any examination in the furtherance of any legal or regulatory action which the superintendent may, in his sole discretion, deem appropriate.

**History:** 1978 Comp., § 59A-4-7, enacted by Laws 1993, ch. 320, § 5.

**Repeals and reenactments.** — Laws 1993, ch. 320, § 5 repeals former 59A-4-7 NMSA 1978, as amended by Laws 1987, ch. 259, § 2, and enacts the above section, effective June 18, 1993. For provisions of former section, see 1992 Replacement Pamphlet.

### 59A-4-8. Appraisal of assets.

A. If the superintendent deems it necessary to value any asset involved in an examination, he shall request in writing the person being examined to appoint one or more impartial appraisers who through education, experience or training are competent to appraise the asset. The appraiser so selected shall be subject to the superintendent's approval; and if an appraiser is not so selected within ten (10) days after the superintendent's request was delivered to the examinee, the superintendent may appoint the appraiser or appraisers.

B. The appraisal shall be expeditiously made, and a copy thereof furnished to the superintendent and to the examinee.

C. The reasonable expense of the appraisal shall be borne by the examinee.

**History:** Laws 1984, ch. 127, § 52.

### 59A-4-9. Examination report; contents.

Upon completion of an examination, the examiner in charge shall make a true report thereof comprising only facts appearing upon the books, records or other documents of the person examined, or from information provided to the examiner during the course of the examination by the examinee's officers or agents and other individuals examined concerning its affairs, together with such conclusions and recommendations of the examiners as may reasonably be warranted from such facts. The report of examination shall be verified by the oath of the examiner in charge of the examination.

**History:** Laws 1984, ch. 127, § 53; 1991, ch. 125, § 5.

The 1991 amendment, effective April 3, 1991, in the first sentence, substituted "information provided to the examiner during the course of the examination by" for "sworn testimony of" and made a minor stylistic change.

### 59A-4-10. Examination report; distribution; conference and hearing; adopting.

A. Upon completion of the examination and receipt of the examination report, the superintendent shall furnish two copies thereof to the person examined and shall allow the person a reasonable period, but not to exceed twenty days, within which to review the report and
to file with the superintendent in writing requested corrections or modifications, with the reasons therefor. For good cause shown, the superintendent may grant reasonable extension of the review period.

B. As soon as reasonably possible after the superintendent's receipt of such request, the person examined shall confer with the superintendent and examiner relative to requested corrections and modification. If through such conference the report is acceptable to the person examined with such changes as the superintendent approves, the superintendent shall adopt the report as so changed. If the report is not acceptable, the superintendent shall hold a hearing with respect to the report and adopt the report with such changes as result with the superintendent's approval from the conference and hearing.

C. If no changes are requested, upon expiration of the period allowed by the superintendent for review of the report, the superintendent may adopt the report.

D. At any point prior to adoption of the examination report, the superintendent may reject the report with directions to the examiners to reopen the examination for purposes of obtaining additional data, documentation or information, and the examiner in charge shall subsequently report in accordance with Section 59A-4-9 NMSA 1978.


The 1991 amendment, effective April 3, 1991, in Subsection B, deleted "if requested by the examinee" following "superintendent" in the first sentence and added the second sentence; in Subsection C, deleted "or if hearing is not so requested following conferences, the superintendent may adopt the report" at the end of the former first sentence and deleted a second sentence which read "The superintendent may order reexamination of the examinee as to any respect in which the proposed examination report is in question"; and made minor stylistic changes throughout the section.

The 1993 amendment, effective June 18, 1993, in Subsection B, deleted the former last sentence, which read: "The superintendent may order reexamination of the examinee as to any respect in which the proposed examination report is in question", and made a stylistic change; and added Subsection D.

59A-4-11. Examination report; filing for public inspection; confidentiality.

A. When the superintendent has adopted a report of examination he shall so notify the examinee in writing and file the report for public inspection in the insurance department. If deemed advisable the superintendent may, after adoption of the report, cause the results of the examination to be published in one or more newspapers of general circulation in the state. The superintendent shall expedite review and adoption of the report and cause it to be filed for public inspection as soon as reasonably possible.

B. Except as expressly otherwise provided, pending, during or after examination of any insurer or other person, the superintendent shall not make public, or permit to be made public, any financial statement, report or finding affecting the status, standing or rights of the insurer or person until after the report of examination has been adopted by the superintendent, and all working papers, recorded information, documents and copies thereof produced by, obtained by
or disclosed to the superintendent or any other person in the course of an examination shall remain confidential, are not subject to subpoena and may not be made public by the superintendent or any other person, except to the extent permitted by Sections 59A-4-7 and 59A-4-13 NMSA 1978. The superintendent may grant access to the national association of insurance commissioners on condition that it agree in writing prior to receiving the information to accord it the same confidential treatment as required by this section, unless the prior written consent of the insurer or person to which it pertains has been obtained.

**History:** Laws 1984, ch. 127, § 55; 1993, ch. 320, § 7.

The 1993 amendment, effective June 18, 1993, added the language beginning "and all working papers, recorded information" at the end of the first sentence in Subsection B.

### 59A-4-12. Examination report; information to management of domestic entities.

If the examination is of a domestic insurer or other person domiciled in New Mexico, when the examination report has been filed for public inspection the chief executive officer of the insurer or person shall cause to be delivered to each member of the examinee's board of directors or other similar governing body, a copy of the report, or summary thereof and of its recommendations approved by the superintendent; and the officer's certificate to the effect that the report or summary has been so delivered shall be deemed to constitute proof that the contents of the report or summary are known to each such member.

**History:** Laws 1984, ch. 127, § 56.

### 59A-4-13. Examination report as evidence; proceedings during examination.

A. In any proceeding by or against the examinee or any officer or agent thereof the examination report as adopted by the superintendent shall be admissible as evidence of the facts stated therein, and shall constitute prima facie evidence of such facts.

B. Nothing contained in the Insurance Code shall prevent or be construed as prohibiting the superintendent from disclosing the content of an examination report, preliminary examination report or results, or any matter relating thereto, to the insurance department of this or any other state or country, or to law enforcement officials of this or any other state or agency of the federal government at any time, so long as such agency or office receiving the report or matters relating thereto agrees in writing to hold it confidential and in a manner consistent with Chapter 59A, Article 4 NMSA 1978.

C. In the event the superintendent determines that regulatory action is appropriate as a result of any examination, whether completed, adopted or not, he may initiate any proceedings or actions as provided by law, and the superintendent or examiners may testify and give evidence, including any evidence received by them during the course of the examination.

**History:** Laws 1984, ch. 127, § 57; 1993, ch. 320, § 8.
The 1993 amendment, effective June 18, 1993, substituted Subsection B for former provisions, relating to insurers found to be in unsound financial condition; and added Subsection C.


59A-4-14. Examination expense; payment.

A. The person examined shall pay all reasonable costs and expenses of the examination upon presentation by the superintendent, upon completion of the examination, of a detailed statement of accrued costs and expenses. Remuneration and expenses of salaried personnel of the insurance department serving in the examination shall be paid to the superintendent, and upon receipt thereof, the superintendent shall deposit the payment with the state treasurer to the credit of the "insurance examination fund" which is hereby created in the state treasury. Money in the fund is appropriated to the superintendent to be used by the superintendent exclusively for expenses for examinations. All money in excess of twenty thousand dollars ($20,000) remaining in the fund and unencumbered at the end of any fiscal year shall revert to the general fund. The examinee, upon the superintendent's written request and approval of the amount thereof, shall pay direct to the examiners or specialists remuneration and expenses of independently contracting examiners and specialists used by the superintendent in the examination, which remuneration shall be based on but not limited to the suggested compensation amounts of a national association of insurance commissioners.

B. If another state in examination of a person domiciled in this state charges per diem and other allowances in excess of those generally charged by this state in a similar examination, the superintendent in examination of a person domiciled in that state shall charge per diem and allowances at the same rate charged by the other state.


Cross references. — For the general fund, see 6-4-2 NMSA 1978.

59A-4-15. Hearings; in general.

A. The superintendent may hold a hearing, without request by others, for any purpose within the scope of the Insurance Code.

B. The superintendent shall hold a hearing:
   (1) if required by any other provision of the Insurance Code; or
   (2) upon written request for a hearing by a person aggrieved by any act, threatened act or failure of the superintendent to act or by any report, rule, regulation or order of the superintendent, other than an order for the holding of a hearing or order on hearing or pursuant to such an order on a hearing of which such person had notice.

C. The request for a hearing shall briefly state the respects in which the applicant is so aggrieved, the relief to be sought and the grounds to be relied upon as basis for relief.
D. If the superintendent finds that the request is made in good faith, that the applicant would be so aggrieved if the stated grounds are established and that such grounds otherwise justify the hearing, the superintendent shall commence the hearing within ninety days after filing of the request, unless postponed by mutual consent.

E. Pending the hearing and decision thereon, the superintendent may suspend or postpone the effective date of the action as to which the hearing is requested. If upon request the superintendent refuses to grant such suspension or postponement, the person requesting the hearing may apply to the district court of Santa Fe county for a stay of the superintendent's action or proposed action pendine the hearing and the superintendent's order thereon.

F. Except as otherwise expressly provided, this section does not apply to hearings relative to matters arising under Chapter 59A, Article 17 NMSA 1978.


The 1991 amendment, effective April 3, 1991, in Subsection D, substituted "commence the hearing" for "hold the hearing" and substituted "ninety days" for "thirty (30) days" and, in Subsection F, substituted "Chapter 59A, Article 17 NMSA 1978" for "Article 17 (insurance rates & rating) of the Insurance Code".

F. The superintendent shall specify in the notice of hearing whether the hearing is to be an administrative hearing pursuant to Section 59A-4-17 NMSA 1978 or an informal hearing pursuant to Section 59A-4-18 NMSA 1978.


The 1997 amendment, deleted the last sentence in Subsection A, which read: "If the persons to be given notice are not specified in the provision pursuant to which the hearing is held, the superintendent shall give the notice to all persons whose pecuniary interests, to the superintendent's knowledge or belief, are to be directly and immediately affected by the hearing"; rewrote Subsection C; added Subsection D and redesignated the remaining subsections accordingly; substituted "59A-2-10 NMSA 1978" for "Subsection G of Section 28 of the Insurance Code" in Subsection E; in Subsection F, substituted "59A-4-17 NMSA 1978" for "61 of the Insurance Code" and substituted "Section 59A-4-18 NMSA 1978" for "Section 62 of that act"; and made stylistic changes in Subsections A and F. Laws 1997, ch. 121 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective June 20, 1997, 90 days after adjournment of the legislature.


59A-4-17. Hearing procedure.

Administration hearings shall be held in accordance with the applicable provisions of Sections 12-8-10 through 12-8-13 and Section 12-8-15 NMSA 1978.


59A-4-18. Informal hearings.

Informal hearings shall be held in accordance with the rules and regulations for such hearings promulgated by the superintendent in accordance with Section 27 [59A-2-9 NMSA 1978] of the Insurance Code.


59A-4-19. Testimony compelled; immunity.

A. If any individual refuses to attend or testify or to produce any books, papers, records, contracts, correspondence or other documents in connection with any examination, hearing or investigation on the ground that the testimony or evidence required of him may tend to incriminate him or subject him to penalty or forfeiture, and is nonetheless, upon written application by a prosecuting attorney, directed by a court of competent jurisdiction in a written order finding that the testimony, or the record, document or other object may be necessary to the public interest and that the person has refused or is likely to refuse to testify or to produce the record, document or other subject on the basis of his privilege against self-incrimination, to give such testimony or produce such evidence, he must comply with such direction; but no testimony so given or evidence produced shall be used against him upon any criminal action, investigation
or proceedings. However, no such individual so testifying or producing evidence shall be exempt from:

(1) prosecution or punishment for any perjury committed by him in such testimony, and the testimony or evidence so given or produced shall be admissible against him upon any criminal action, investigation or proceeding concerning such perjury; or

(2) refusal, suspension or revocation of any license, permission or authority conferred pursuant to the Insurance Code.

B. Any such individual may execute, acknowledge and file in the offices of the superintendent and attorney general a statement expressly waiving such immunity or privilege in respect to any transaction, matter or thing specified in such statement, and thereupon the testimony of such individual or such evidence in relation to such transaction, matter or thing may be received or produced before any judge or court, tribunal, grand jury or otherwise; and if such testimony or evidence is so received or produced the individual shall not be entitled to any immunity or privileges on account of the testimony or evidence given or produced.


The 1993 amendment, effective June 18, 1993, rewrote Subsection A.


59A-4-20. Appeal to court.

A. A party may appeal from an order of the superintendent made after an informal hearing or an administrative hearing. The appeal shall be taken to the district court pursuant to the provisions of Section 39-3-1.1 NMSA 1978.

B. This section shall not apply as to matters arising pursuant to Chapter 59A, Article 17 NMSA 1978.


Cross references. — For procedures governing administrative appeals to the district court, see Rule 1-074 NMRA.

The 1998 amendment, effective September 1, 1998, rewrote this section to the extent that a detailed comparison is impracticable.

The 1999 amendment, effective July 1, 1999, substituted "Section 39-3-1.1" for "Section 12-8A-1" in Subsection A.


ANNOTATION
Direct appeal of superintendent's order not authorized. — While this section allows a licensee to appeal to the district court after a hearing by either the corporation commission (now public regulation commission) or the insurance board, a direct appeal to the court is not authorized from an order of the superintendent. Madrid v. Department of Ins., 102 N.M. 442, 697 P.2d 125 (1985).

Appeal of rate determination. — An appeal of a rate determination by the insurance board should not proceed under this section, but under 59A-17-35 NMSA 1978, "in the same manner as provided for taking appeals in other civil actions." National Council on Comp. Ins. v. New Mexico SCC, 103 N.M. 707, 712 P.2d 1369 (1986).

59A-4-21. Immunity from civil liability.

A. No cause of action shall arise nor shall any liability be imposed against the superintendent, the superintendent's authorized representatives or any examiner appointed by the superintendent for any statements made or conduct performed in good faith while carrying out the provisions of Chapter 59A, Article 4 NMSA 1978.

B. No cause of action shall arise nor shall any liability be imposed against any person for the act of communicating or delivering information or data to the superintendent or the superintendent's authorized representative or examiner pursuant to an examination made under Chapter 59A, Article 4 NMSA 1978, if such act of communication or delivery was performed in good faith and without fraudulent intent or the intent to deceive.

C. This section does not abrogate or modify in any way any common law or statutory privilege or immunity heretofore enjoyed by any person identified in Subsection A of this section.

D. A person identified in Subsection A of this section shall be entitled to an award of attorneys' fees and costs if he is the prevailing party in a civil cause of action for libel, slander or any other relevant tort arising out of activities in carrying out the provisions of Chapter 59A, Article 4 NMSA 1978 and the party bringing the action was not substantially justified in doing so. For purposes of this section a proceeding is "substantially justified" if it had a reasonable basis in law or fact at the time that it was initiated.

59A-5-1. Definitions, in general.

In the Insurance Code words defined in Sections 69 through 76 [59A-5-2 to 59A-5-9 NMSA 1978], inclusive, of this article have the meaning ascribed in the respective such sections.

History: Laws 1984, ch. 127,  § 68.


Liability of insurer or agent of insurer for failure to advise insured as to coverage needs, 88 A.L.R.4th 249.


An "alien" insurer is one formed under the laws of a country other than the United States.


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"Charter" means certificate of incorporation, articles of incorporation, articles of agreement, articles of association, charter granted by legislative act, or other basic constituent document of a corporation, or the subscribers' agreement and power of attorney of the attorney-in-fact of a reciprocal insurer or constituent documents of a Lloyds insurer.

History: Laws 1984, ch. 127, § 70.


A "domestic" insurer is one formed under the laws of New Mexico.


A "foreign" insurer is generally one organized under the laws of a state other than New Mexico. Except where distinguished by context, "foreign" insurer includes also an "alien" insurer.


A "Lloyds" insurer is an unincorporated but formally associated group of separate persons ("underwriters" or "underwriting syndicates") by whom an insurance risk is assumed in whole or part by one or more of such persons.

History: Laws 1984, ch. 127, § 73.


A "mutual" insurer is an incorporated insurer without capital stock, the governing body of which is elected by its policyholders. This definition shall not be deemed to exclude as "mutual" insurers certain foreign insurers found by the superintendent to be organized on the mutual plan under the laws of the state of domicile, but having temporary share capital or providing for election of the governing body on other reasonable basis.

History: Laws 1984, ch. 127, § 74.


44 C.J.S. Insurance § 114 et seq.

A "reciprocal" insurer is an unincorporated aggregation of subscribers operating individually and collectively through an attorney-in-fact common to all such persons to provide insurance on basis of reciprocity among themselves.

**History:** Laws 1984, ch. 127, § 75.


46A C.J.S. Insurance § 1709 et seq.


A "stock" insurer is an incorporated insurer with capital divided into shares, and owned by its shareholders.

**History:** Laws 1984, ch. 127, § 76.


44 C.J.S. Insurance § 104 et seq.


A. No person shall act as an insurer, and no insurer shall transact insurance in this state by direct solicitation or solicitation through the mails or otherwise, unless so authorized by a subsisting certificate of authority issued by the superintendent, except as to such transactions as are expressly otherwise provided for in the Insurance Code.

B. No insurer from offices or by personnel or facilities located in this state shall solicit insurance applications or otherwise transact insurance in another state or country unless it holds a subsisting certificate of authority granted by the superintendent authorizing it to transact the same kind or kinds of insurance in this state. As to domestic insurers, this provision is further subject to Section 579 [59A-34-33 NMSA 1978] (unauthorized business in other states) of the Insurance Code.

C. Any officer, director, agent, representative or employee of any insurer who wilfully authorizes, negotiates, makes or issues any insurance contract in violation of this section commits a misdemeanor, subject on conviction to a fine of not over one thousand dollars ($1,000).

**History:** Laws 1984, ch. 127, § 77.

59A-5-11. Exemptions from authority requirement.

A certificate of authority shall not be required of an insurer with respect to any of the following:

A. investigation, settlement or litigation of claims under its policies lawfully written in this state, or liquidation of assets and liabilities of the insurer (other than collection of new premiums), all as resulting from its former authorized operations in this state;

B. collection of premiums on and servicing policies remaining in force by an insurer which has withdrawn from this state, and lawfully written in this state while the insurer held a certificate of authority issued by the superintendent, is transacting insurance in New Mexico for purpose of premium tax requirements only;

C. transactions thereunder subsequent to issuance of a policy covering only subjects of insurance not resident, located or expressly to be performed in this state at time of issuance, and lawfully solicited, written and delivered outside this state;

D. prosecution or defense of suits at law; but no insurer unlawfully transacting insurance in this state without certificate of authority shall be permitted to institute or maintain (other than defend) any action at law or in equity in any court of this state, either directly or through an assignee or successor in interest, to enforce any right, claim or demand arising out of such an insurance transaction until such insurer or assignee or successor has obtained a certificate of authority in this state. This provision does not apply to any suit or action by the duly constituted receiver, rehabilitator or liquidator of the insurer, assignee or successor under laws similar to those contained in Article 41 [Chapter 59A, Article 41 NMSA 1978] (conservation, rehabilitation, liquidation) of the Insurance Code;

E. transactions pursuant to surplus line coverages lawfully written under Article 14 [Chapter 59A, Article 14 NMSA 1978] (surplus line) of the Insurance Code;

F. suit, action or proceeding by the insurer for enforcement or defense of its rights relative to an investment in this state;

G. reinsurance, except as to a domestic reinsurer; or

H. transactions in this state involving group life insurance, group health or blanket health insurance, or group annuities, where the master policy or contract of such group was lawfully solicited, issued and delivered pursuant to the laws of a state in which the insurer was authorized to transact such insurance, to a group organized for purposes other than procurement of insurance, and where the policyholder is domiciled or otherwise has a bona fide business situs. Except, that such an insurer is subject to Section 261 [59A-15-6 NMSA 1978] (superintendent is attorney of unauthorized insurer for service of process) and related sections of the Insurance Code with respect to contracts and certificates of insurance under any such master policy or contract, issued for delivery and delivered in this state to residents thereof.

History: Laws 1984, ch. 127, § 78.
**Insurance Code.** — See 59A-1-1 NMSA 1978 and notes thereto.


A certificate of authority shall not be required of a provider service network, except as provided in the Provider Service Network Act [59A-42A-1 to 59A-42A-9 NMSA 1978].


To qualify for and hold authority to transact insurance in this state, an insurer must have accepted in writing all of the laws of New Mexico, be otherwise in compliance with the Insurance Code and with its charter powers, and must be an incorporated stock or mutual insurer, or a reciprocal insurer, or Lloyds insurer; except that:

A. no foreign insurer shall be authorized in this state which does not maintain reserves as required by Sections 121 through 129 [59A-8-4 to 59A-8-12 NMSA 1978], inclusive, of Article 8 [Chapter 59A, Article 8 NMSA 1978] (assets and liabilities) of the Insurance Code, as applicable to the insurance transacted by the insurer in the United States, or which transacts business anywhere in the United States on the assessment plan, or stipulated premium plan, or any similar plan;

B. no insurer shall be authorized to transact a kind of insurance in this state unless duly authorized or qualified to transact such insurance in the state or country of its domicile;

C. no insurer shall be authorized to transact in this state any kind of insurance not within the definitions set forth in Article 7 [Chapter 59A, Article 7 NMSA 1978] (kinds of insurance) of the Insurance Code; and

D. no such authority shall be granted or continued to any insurer while in arrears to this state for fees, licenses, taxes, assessments, fines or penalties accrued on business previously transacted.

**History:** Laws 1984, ch. 127, § 79.

**Insurance Code.** — See 59A-1-1 NMSA 1978 and notes thereto.


A. No foreign insurer which is owned or controlled in whole or substantial part by any government or governmental agency shall be authorized to transact insurance in New Mexico. Membership in a mutual insurer or subscribership in a reciprocal insurer, or ownership of stock in an insurer by the alien property custodian or similar officer of the United States or ownership of stock or other security without voting rights as to the insurer management, or supervision of an insurer by public authority, shall not be deemed to be an ownership or control of the insurer
under this subsection.

B. The superintendent shall not grant or continue authority to transact insurance to any insurer or proposed insurer:

(1) of which any director, officer or other individual materially part of its management is found by him after investigation or upon reliable information to be incompetent, or dishonest, or untrustworthy, or of unfavorable business repute; or

(2) of which the managers are so lacking in insurer managerial experience in operations as existing or proposed in this state as to make such operations currently or prospectively hazardous to or contrary to the best interests of the insurance-buying or investing public of this state; or

(3) which he has reason to believe is affiliated directly or indirectly through ownership, control, management, reinsurance or other business relations with any person or persons of unfavorable business repute; or

(4) the business operations of whose director, officer, manager or controlling owner are or have been marked, to the injury of insurers, stockholders, policyholders, creditors or the public, by illegality, or by manipulation of assets, or of accounts, or of reinsurance, or by bad faith; or

(5) as to which the superintendent is not satisfied that its business policies and methods would be in the best interests of the people of New Mexico.


A. No insurer shall be formed or authorized to transact insurance in this state which has or uses a name:

(1) the same as or deceptively similar to that of another insurer already so authorized; or

(2) deceptively similar to that of another insurer, other than a predecessor in interest, authorized to transact insurance in this state within the preceding ten (10) years if policies originally issued by such other insurer are still outstanding in this state; or

(3) the same as or deceptively similar to that of any insurer, or proposed insurer, not so authorized if such insurer has within the next preceding twelve (12) months signified its intention to secure an incorporation in this state under such name, or to do business as a foreign insurer in this state under such name, by filing notice of such intention with the superintendent, unless written consent to use of such name or deceptively similar name has been given by such insurer.

B. No insurer shall be so authorized which has or uses a name tending to mislead as to its type of organization.
C. In case of conflict of names between two insurers, or a conflict otherwise prohibited under this section, the superintendent may permit (or shall require as condition to issuance of an original certificate of authority to an applicant insurer) the insurer to use in this state such supplementation or modification of its name or such business name as may reasonably be necessary to avoid the conflict.

D. Except as provided in Subsection C, above, an insurer shall conduct its business in its own corporate or proper name.

E. Subsections A and C of this section shall not apply as to a corporation or insurer formed under [a] plan approved by the superintendent and court for rehabilitation of a domestic insurer pursuant to Article 41 [Chapter 59A, Article 41 NMSA 1978] (conservation, rehabilitation and liquidation) of the Insurance Code, or as to a corporation or insurer resulting from consolidation or merger, or acquisition of substantially all the assets and assumption of liabilities of another insurer through bulk reinsurance or otherwise, so long as the name used is [the] same as or similar to that of the predecessor corporation or insurer and is not in conflict with or deceptively similar to that of any other insurer then authorized or proposed (as provided in Subsection A(3) above) to transact insurance in this state. Subsections A and C shall not apply as to an insurer which is [a] subsidiary or affiliate of an authorized insurer and using name factors similar to those of the parent or insurer with which affiliated.

History: Laws 1984, ch. 127, § 81.

Bracketed material. — The bracketed material in Subsection E was inserted by the compiler. It was not enacted by the legislature, and it is not part of the law.


An insurer which otherwise qualifies therefor shall be authorized to transact any one kind or combination of kinds of insurance as defined in Sections 107 through 115 [59A-7-1 to 59A-7-9 NMSA 1978] (kinds of insurance) of the Insurance Code, except:

A. a life insurer may grant annuities and may be authorized to transact in addition only health insurance;
B. a reciprocal insurer or Lloyds insurer shall not transact life insurance; and
C. a title insurer shall be a stock or mutual corporation, and shall not transact any additional kind of insurance.

History: Laws 1984, ch. 127, § 82.


A. To qualify for certificate of authority to transact any one kind or combination of kinds of insurance in this state, an insurer shall possess:

(1) if a stock insurer, paid-in capital stock and, when first so authorized, surplus all as
shown in Schedule I of this section; or

(2) if a mutual, reciprocal or Lloyds insurer, basic capital surplus, including guaranty funds, if any, and additional unassigned surplus when first so authorized, as required under Schedule I of this section.

B. Except that an insurer that on January 1, 1985, having applied for a certificate on or before February 15, 1984, held a valid and subsisting certificate of authority to transact insurance in this state may, if a domestic insurer, continue to be so authorized until December 31, 1995, so long as otherwise qualified therefor and possessing paid-in capital stock, if a stock insurer, or basic capital surplus, if a mutual, reciprocal or Lloyds insurer, not less than that required of the insurer by the laws of this state in force on January 1, 1986; and if a foreign insurer, may so continue to be so authorized, if otherwise qualified therefor, while possessing such capital funds (paid-in capital stock and surplus if a stock insurer, and surplus if a mutual or reciprocal insurer) until December 31, 1990. At the expiration of such period, as applicable, the insurer shall meet the basic capital requirements of this section as set forth in Schedule I of this section in order to maintain its certificate of authority. Upon a change in the control of either a domestic insurer or foreign insurer, the insurer shall, within one year from effective date of such change of control, meet the capital funds requirements of Schedule I of this section as though a newly authorized insurer, but this sentence shall not act to extend the otherwise applicable time period. For the purposes of this subsection, "control" shall have the meaning ascribed in Section 59A-37-2 NMSA 1978.

C. The capital funds required for authority to transact insurance in this state shall be based upon all the kinds of insurance the insurer transacts, wherever transacted or to be transacted.

D. This section shall not apply as to domestic Lloyds plan insurers as identified in Chapter 59A, Article 38 NMSA 1978 except as stated in that article.

E. The capital requirements of this section are set forth in the following schedule:

Schedule I

NEW MEXICO
Minimum Capital, Surplus and Deposit Requirements

<table>
<thead>
<tr>
<th>Property/Casualty Insurer</th>
<th>Premium Volume:</th>
<th>Under $5 Million</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of Kinds of Insurance</td>
<td>1</td>
</tr>
<tr>
<td>Basic Capital</td>
<td>500,000</td>
<td>600,000</td>
</tr>
<tr>
<td>Additional Surplus</td>
<td>500,000</td>
<td>600,000</td>
</tr>
<tr>
<td>General Deposit</td>
<td>100,000</td>
<td>200,000</td>
</tr>
</tbody>
</table>
Life/Health Insurer

<table>
<thead>
<tr>
<th>Premium Volume:</th>
<th>Under $5 Million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Capital</td>
<td>600,000</td>
</tr>
<tr>
<td>Additional Surplus</td>
<td>400,000</td>
</tr>
<tr>
<td>General Deposit</td>
<td>100,000</td>
</tr>
<tr>
<td>Special Deposit</td>
<td>100,000</td>
</tr>
</tbody>
</table>

Notes:

Premium Volume means the insurer's worldwide direct premiums earned (if Property the previous calendar year. Kinds of insurance pertains to the general kinds of insurance that property/casualty in groups or single kinds of insurance shall be counted as one kind of insurance when c Additional Surplus, General Deposit and Special Deposit:

- Casualty and/or Surety;
- Property and/or Marine & Transportation;
- Vehicle; and
- Title.

When determining Basic Capital and Additional Surplus amounts, the kinds of Insurance shall be based on the insurer's actual or requested transaction authority Worldwide.

When determining General Deposit and Special Deposit amounts, the kinds of Insuranc shall be based on the insurer's actual or requested transaction authority in New Mexico.

"Basic Capital" means paid-in capital stock (if a stock insurer) or basic capital surplus (if mutual, reciprocal or Lloyds insurer).

General Deposit or Special Deposit funds are included within, and are not additional to
required Basic Capital and Additional Surplus.

General Deposit amounts shown above are not applicable to alien insurers.


Compiler's notes. — In Schedule I, the table heading "Additional and Cumulative Requirements for Kinds of Insurance Added to Primary Authority" was centered over columns 3 through 6 in the Senate Corporations Committee Substitute for SB569, which became Laws 1987, Chapter 262. Following enrollment, the heading was centered over columns 2 through 5.

Repeal and reenactments. — Laws 2007, ch. 282, § 1, effective June 15, 2007, repeals Section 59A-5-16 NMSA 1978 as enacted by Laws 1984, ch. 127, § 83, as amended, and enacts the section set forth above. Other than a minor grammar change, Subsections A through D were not changed. Schedule I has been revised.

59A-5-17. Insuring powers without added basic capital.

An insurer while authorized to transact property insurance may include in "homeowners" and similar package policies insuring property against loss, reasonable amounts of supplemental liability and medical benefits coverage without being authorized to transact casualty or health insurances; and such supplemental coverages shall not be deemed otherwise to be subject to provisions of the Insurance Code relating to casualty or health insurance contracts.

History: Laws 1984, ch. 127, § 84.


A. For certificate of authority to transact insurance in this state the insurer shall make and thereafter maintain while so authorized a general deposit in trust for the benefit of all its policyholders and creditors. The deposit shall consist of assets eligible therefor under Section 59A-10-3 NMSA 1978, and shall be deposited with or through the superintendent or in a commercial depository located in the state of New Mexico approved by the superintendent subject to rules and regulations issued by the superintendent. As to foreign insurers, in lieu of such deposit or part thereof in this state, the superintendent shall accept the certificate in proper form of the public official having supervision over insurers in another state to the effect that a like deposit or part thereof by such insurer is being maintained in public custody therein in trust.
for the purpose (among other reasonable purposes of protection of policyholders and/or creditors) of the protection of all its policyholders and creditors in New Mexico.

B. Whenever because of volume of business being transacted by the insurer, or methods of doing business, or for other good cause the superintendent deems advisable for protection of policyholders and creditors, the superintendent may require an insurer to make and maintain a general deposit in reasonable amount greater than required under Schedule I of Section 59A-5-16 NMSA 1978.

C. All such deposits made in this state shall be subject to the applicable provisions of Chapter 59A, Article 10 NMSA 1978.

D. This section does not apply as to a domestic Lloyds plan motor vehicle insurer, as identified in Chapter 59A, Article 38 NMSA 1978.


Existing deposits and bonds. — Laws 1984, ch. 127, § 993, provides that any deposit or surety bond filed in lieu thereof with or through the superintendent or state treasurer by any insurer in conjunction with authority to transact business in the state immediately prior to the effective date of the act (January 1, 1985) shall be given effect to the extent it complies with similar bonds required by the act after that date.

59A-5-19. Special deposit or bond.

A. To qualify for and continue to hold a certificate of authority to transact insurance in this state, the insurer shall also make a special deposit in trust for the benefit only of all its policyholders and creditors in this state in applicable amount as shown in Schedule I of Section 59A-5-16 NMSA 1978. The deposit shall consist of assets eligible therefor under Section 59A-10-3 NMSA 1978 and shall be deposited with or through the superintendent or in a commercial depository located in the state of New Mexico approved by the superintendent subject to rules and regulations issued by the superintendent.

B. In lieu of such deposit, the insurer may file with the state treasurer of New Mexico through the superintendent a surety bond issued by a surety insurer authorized to transact such insurance in this state, in penal sum not less than the aggregate special deposits required by this section. The bond shall be in such form as may be prescribed by the attorney general of New Mexico. The bond shall not be subject to cancellation except upon not less than sixty days advance written notice to the superintendent by the insurer or surety; and the insurer shall promptly replace, not later than fifteen days prior to expiration of the bond, with another like bond, any bond so canceled or otherwise terminated. The bond shall expressly provide that failure of the insurance company to replace a canceled or terminated bond as provided in this section shall constitute a breach of the condition upon which the bond is given, upon which occurrence the superintendent may immediately recover from the surety the penal sum of the bond to be held as a special deposit in the manner described in Subsection A of this section.

C. The special deposit, or bond in lieu thereof, shall remain on deposit or on file and in force
for so long as there may arise in this state any claim under any policy issued by the insurer covering a subject located or a service to be performed in this state or claim arising out of the insurer's operations in this state.

D. Whenever because of volume of business being transacted by the insurer, methods of doing business, regulatory practices of the domiciliary state or for other good cause the superintendent deems advisable for protection of policyholders and creditors, the superintendent may require an insurer to make and maintain a special deposit in reasonable amount greater than required under Schedule I of Section 59A-5-16 NMSA 1978, but no greater than one hundred fifteen percent of its direct unpaid losses in New Mexico.

E. The special deposit shall be subject to the applicable provisions of Chapter 59A, Article 10 NMSA 1978.

F. This section shall not apply as to domestic Lloyds plan automobile insurers as identified in Chapter 59A, Article 38 NMSA 1978.


The 2003 amendment, effective June 20, 2003, in Subsection B, substituted "canceled" for "cancelled" in the third and fourth sentences, substituted "in this section" for "herein" preceding "shall constitute a breach"; deleted former Subsection D which read: "For reasons stated in Subsection B of Section 59A-5-18 NMSA 1978, the superintendent may also require an insurer to increase its special deposit, or bond in lieu thereof, by an amount not in excess of one hundred percent of the special deposit otherwise required of the insurer under Schedule I of Section 59A-5-16 NMSA 1978."; and added present Subsection D.


A. The superintendent shall not issue or permit to exist a certificate of authority to transact insurance in this state as to an alien insurer unless and while the insurer has made and maintains out of its surplus over its United States' liabilities a general deposit of assets acceptable to the superintendent with or through the insurance supervisory officer of a state in which the insurer is authorized to transact insurance, in trust for the benefit of all the insurer's policyholders and creditors in the United States.

B. The deposit shall at all times have a value of not less than the capital and surplus required under Schedule I of Section 59A-5-16 NMSA 1978, of a foreign insurer transacting like kinds of insurance in this state. The amount of the deposit shall to like amount offset the amount of general deposit otherwise required of the insurer under Schedule I of Section 59A-5-16 NMSA 1978.


The 1991 amendment, effective April 3, 1991, in Subsection B, substituted "capital and surplus" for "capital funds" and substituted "Section 59A-5-16 NMSA 1978" for "Section 83 of this article" in the first
sentence and "Schedule I of Section 59A-5-16 NMSA 1978" for "such Schedule I" at the end of the second sentence.

**Existing deposits and bonds.** — See notes following 59A-5-18 NMSA 1978.

**ANNOTATION**

**Construction.** — Former 59-5-3 NMSA 1978 required a foreign insurance company organized under the laws of any country other than the United States, desirous of becoming licensed to transact business in this state, to deposit with the department of insurance of either this state, or some other state in the United States, a sum not less than the minimum capital and surplus required of domestic and foreign companies licensed in this state. 1957-58 Op. Att'y Gen. No. 57-257.


44 C.J.S. Insurance § 81.


A. To apply for an original certificate of authority in this state the insurer shall file with the superintendent its written application therefor on forms as prescribed and furnished by the superintendent, accompanied by the applicable fees as specified or referred to in Section 59A-6-1 NMSA 1978, stating under the oath of the president or vice president or other chief officer and the secretary of the insurer, or of the attorney-in-fact (if a reciprocal insurer or Lloyds insurer), the insurer's name, location of its home office, or principal office, in the United States (if an alien insurer), the kinds of insurance to be transacted, date of organization or incorporation, form of organization, state or country of domicile, and such additional or other information as the superintendent may reasonably require, together with the following documents:

1. if a corporation, a copy of its charter or certificate or articles of incorporation, together with all amendments thereto, or as restated and amended under the laws of its state or country of domicile, currently certified by the public officer with whom the originals are on file in such state or country;

2. if a domestic incorporated insurer of a mutual insurer, a copy of its bylaws, certified by its corporate secretary;

3. if a reciprocal insurer or Lloyds insurer, a copy of the power of attorney of its attorney-in-fact, certified by the attorney-in-fact, and if a domestic reciprocal insurer or a Lloyds insurer, additional documentation showing that it has been properly formed and is lawfully existing under applicable laws;

4. a complete copy of its financial statement as of not earlier than the December 31 next preceding, in form as customarily used in the United States by like insurers, sworn to by at least two executive officers of the insurer or certified by the public insurance supervisory officer of the insurer's state of domicile, or of entry into the United States if an alien insurer;
(5) a copy of the report of last examination made of the insurer certified by the public
insurance supervisory officer of its state of domicile, or of entry into the United States if an alien
insurer;

(6) appointment of the superintendent pursuant to Section 59A-5-31 NMSA 1978 as
its attorney to receive service of legal process;

(7) if a foreign or alien insurer, a certificate of the public insurance supervisory
officer of its state or country of domicile showing that it is authorized or qualified for authority
to transact in such state or country the kinds of insurance proposed to be transacted in this state;

(8) if a foreign insurer, a certificate as to a deposit elsewhere if to be tendered
pursuant to Section 59A-5-18 or 59A-5-20 NMSA 1978;

(9) if an alien insurer, a copy of the appointment and authority of its United States
manager, certified by its officer having custody of its records; and

(10) designation by the insurer of its officer or representative authorized to appoint and
remove its agents in this state.

B. If the superintendent so requests, the applicant insurer shall supplement the documents
and information above required with true biographical information concerning the members of
the insurer's board of directors or other governing body and its principal operating officers,
together with proof of identity of each such individual.


The 1999 amendment, effective June 18, 1999, in Subsection A, updated the statutory references in
the introductory language and in Paragraphs (6) and (8), deleted former Paragraph (9) relating to life or
health insurers, and redesignated Paragraphs (10) and (11) as Paragraphs (9) and (10).

Existing forms and filings. — Laws 1984, ch. 127, § 992, provides that every form of insurance
document and filing lawfully in use immediately prior to the effective date of the act (January 1, 1985) may
be continued to be used and is effective until the superintendent otherwise prescribes pursuant to the act
and bars for one year after such date either the act or superintendent from prohibiting use of any existing
form of insurance document and filing because of a provision of the act which did not exist under the prior
law (Chapter 59 NMSA 1978) immediately prior to the effective date of the act.


A. Upon completion of application of an insurer or proposed insurer for certificate of
authority to transact insurance in this state, the superintendent, upon such examination or
investigation of the applicant as deemed advisable, shall promptly determine whether the
applicant meets financial and other applicable requirements and qualifications for the authority
as set forth in Sections 79 through 87 [59A-5-12 to 59A-5-20 NMSA 1978] of this article. If
found to be qualified and in compliance, the superintendent shall promptly issue a certificate of
authority to the applicant covering the kind or kinds of insurance so applied and qualified for;
otherwise, the superintendent shall issue order to the applicant refusing the certificate of
authority and stating therein the reasons for refusal.

B. The certificate, if issued, shall state the insurer's name, home office address, state or country of domicile, and the kind or kinds of insurance it is authorized to transact in this state. At the insurer's request the superintendent may issue a certificate limited to particular types of insurance or coverages within a kind of insurance as defined in Article 7 [Chapter 59A, Article 7 NMSA 1978] (kinds of insurance) of the Insurance Code.

C. Although issued and delivered to the applicant, the certificate of authority at all times shall be the property of the state of New Mexico. Upon any expiration, suspension or termination thereof the insurer shall promptly deliver the certificate to the superintendent.

History: Laws 1984, ch. 127, § 89.


A. A certificate of authority shall continue in force as long as the insurer is entitled thereto under the Insurance Code, and until suspended or revoked by the superintendent or terminated at the insurer's request, subject, however, to continuance of the certificate by the insurer each year by:

(1) payment on or before March 1 of the continuation fee referred to in Section 101 [59A-6-1 NMSA 1978] (fee schedule) of the Insurance Code;

(2) due filing by the insurer of its annual statement for the next preceding calendar year as required by Section 96 [59A-5-29 NMSA 1978] of this article; and

(3) payment by the insurer when due of premium taxes with respect to the preceding calendar year.

B. If not so continued by the insurer its certificate of authority shall expire at midnight on the date of failure of the insurer to continue it in force, unless earlier revoked as provided in Sections 91 through 93 [59A-5-24 to 59A-5-26 NMSA 1978] of this article.

C. Upon the insurer's request made within three (3) months after expiration, the superintendent may reinstate a certificate of authority which the insurer inadvertently permitted to expire, after the insurer has fully cured all its failures which resulted in the expiration, and upon payment by the insurer of the fee for reinstatement specified in Section 101 (fee schedule) of the Insurance Code. Otherwise the superintendent shall grant the insurer another certificate of authority only after filing an application therefor and meeting all other requirements as for an original certificate of authority in this state.

History: Laws 1984, ch. 127, § 90.


59A-5-24. Suspension or revocation of certificate of authority; mandatory grounds.
A. The superintendent shall suspend or revoke an insurer's certificate of authority:

1. if such action is required by any provision of the Insurance Code; or
2. if a foreign insurer and it no longer meets the qualifications and requirements for a certificate of authority, on account of deficiency of capital or surplus or otherwise, subject to Section 92 [59A-5-25 NMSA 1978] of this article relative to impairment; or
3. if a domestic insurer and it has failed to cure an impairment of capital or surplus within the time allowed therefor by the superintendent under the Insurance Code or is otherwise no longer qualified for the certificate of authority; or
4. if the insurer's certificate of authority to transact insurance therein is suspended or revoked by its state of domicile, or state of entry into the United States if an alien insurer.

B. Except in case of insolvency or impairment of required capital or surplus, or suspension or revocation by another state as referred to in Paragraph (4) of Subsection A, the superintendent shall give the insurer at least twenty (20) days written notice in advance of suspension or revocation under this section, and the reasons therefor.


59A-5-25. Impairment as grounds for suspension or revocation of certificate of authority.

A. For the purposes of Section 91 [59A-5-24 NMSA 1978] (suspension or revocation of certificate of authority - mandatory grounds) of this article, an insurer shall be deemed impaired when the superintendent at any time finds that the excess of the insurer's admitted assets over its liabilities is less than the minimum basic capital required to be maintained by the insurer under this article, and the insurer has failed to make good the deficiency within the period provided for below.

B. The superintendent shall give the insurer written notice of the deficiency stating the amount thereof, and require the insurer to eliminate the deficiency within sixty (60) days after notice was so given. If the insurer fails to cure the deficiency within the sixty-day period the superintendent shall immediately suspend or revoke its certificate of authority. This provision shall not be deemed to prevent the superintendent, within such sixty-day period or at any other time, from taking other action as to the insurer as authorized under any provision of Article 41 [Chapter 59A, Article 41 NMSA 1978] (conservation, rehabilitation, liquidation) of the Insurance Code.


59A-5-26. Suspension, limitation or revocation of authority; discretionary and special grounds.

A. The superintendent may, at his discretion, suspend, limit or revoke an insurer's certificate of authority if he finds after a hearing thereon, or upon waiver of hearing by the insurer, that the insurer has:

(1) violated or failed to comply with any lawful order of the superintendent;
(2) willfully violated or willfully failed to comply with any lawful regulation of the superintendent;
(3) violated any provision of the Insurance Code other than those for violation of which suspension or revocation is mandatory; or
(4) reinsured all or substantially all of its risks, or all or substantially all of its risks in a particular kind of insurance, in another insurer.

B. In lieu of suspension or revocation of certificate of authority as provided in Subsection A of this section, the superintendent may, at his discretion, levy upon the insurer and the insurer shall forthwith pay to the superintendent, an administrative fine of not more than five thousand dollars ($5,000). The superintendent shall promptly deposit with the state treasurer to the credit of the general fund all money received under this subsection.

C. The superintendent shall suspend or revoke an insurer's certificate of authority on any of the following grounds, if found after a hearing thereon that the insurer:

(1) is in unsound condition, or being fraudulently conducted, or in such condition or using such methods and practices in conduct of its business as to render its further transaction of insurance in this state currently or prospectively hazardous or injurious to policyholders or the public;
(2) with such frequency as to indicate its general business practice in this state:
   (a) has without just cause failed to pay, or delayed payment of, claims arising under its policies, whether the claim is in favor of an insured or in favor of a third person with respect to the liability of an insured to such third person; or
   (b) without just cause compels insureds or claimants to accept less than amount due them or to employ attorney or to bring suit against the insurer or such an insured to secure full payment or settlement of a claim;
(3) refuses to be examined, or if its directors, officers, employees or representatives refuse to submit to examination relative to its affairs, or to produce books, papers, records, contracts, correspondence or other documents for examination by the superintendent when required, or refuses or fails to pay expenses of the examination or to perform any other legal obligation relative to the examination; or
(4) has failed to pay any final judgment rendered against it in this state upon any
policy, bond, recognizance or undertaking as issued or guaranteed by it, within thirty days after the judgment becomes final.

D. The superintendent may, at his discretion and without advance notice or hearing thereon, immediately suspend the certificate of authority of an insurer as to which proceedings for receivership, conservation, rehabilitation or other delinquency proceedings have been commenced in any state by the public insurance supervisory officer of that state.


The 1997 amendment added Paragraph A(4) and made stylistic changes throughout the section. Laws 1997, ch. 121 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective June 20, 1997, 90 days after adjournment of the legislature.


59A-5-27. Duration of suspension; insurer's obligations during suspension; reinstatement.

A. Suspension of an insurer's certificate of authority shall be for a fixed period of time not to exceed two years or until the occurrence of a specific event necessary for remedying the reasons for suspension. During the suspension period the superintendent may modify or rescind the suspension by further order.

B. During the suspension period the insurer shall not solicit or write any new business in this state, but shall file its annual statement, pay fees, licenses and taxes as required under the Insurance Code, and may service its business already in force in this state, as if the certificate of authority had continued in full force. Upon failure of the insurer to continue its certificate of authority in accordance with this subsection, the insurer's certificate of authority shall be revoked.

C. If the suspension of the certificate of authority is for a fixed period of time and the certificate of authority has not been otherwise terminated, upon expiration of the suspension period, the insurer's certificate of authority shall automatically reinstate unless the superintendent finds that the insurer is not in compliance with the requirements of the Insurance Code.

D. If the suspension of the certificate of authority was until the occurrence of a specific event and the certificate of authority has not been otherwise terminated, upon the presentation of evidence satisfactory to the superintendent that the specific event has occurred, the insurer's certificate of authority shall be reinstated unless the superintendent finds that the insurer is otherwise not in compliance with the requirements of the Insurance Code. The superintendent shall promptly notify the insurer of such reinstatement, and the insurer shall not consider its certificate of authority reinstated until so notified by the superintendent. If satisfactory evidence as to the occurrence of the specific event has not been presented to the superintendent within two years of the date of the suspension, the certificate of authority shall be revoked.

E. Nothing contained in this section shall prevent the superintendent from revoking a certificate of authority at any time upon any ground specified in the Insurance Code.

The 1993 amendment, effective June 18, 1993, rewrote Subsections A and C, added the last sentence in Subsection B and added Subsections D and E.


The general corporation statutes of New Mexico shall not apply to foreign insurers holding certificate of authority to transact insurance in this state.

History: Laws 1984, ch. 127, § 95.


A. Each authorized insurer shall annually on or before March 1, or within any reasonable extension of time that the superintendent for good cause may have granted on or before such date, file with the superintendent and with the national association of insurance commissioners a full and true statement of its financial condition and of its transactions and affairs as of the December 31 next preceding. The statement shall be prepared in the form of the annual statement blank prescribed by the national association of insurance commissioners for use in the United States for the type of insurer and kinds of insurance to be reported upon, in accordance with the annual statement instructions and the accounting practices and procedures manual published by the national association of insurance commissioners, or such other form and instructions as the superintendent may prescribe, and supplemented by additional information reasonably required by the superintendent; the superintendent may require that the annual statement data be filed in electronically readable format or in lieu of filing, may accept a statement or supplemental information filed in electronic format with the national association of insurance commissioners that is readily available to the superintendent and that the superintendent can reproduce or otherwise make available to the public for a period of at least five years from the date that the filing is due. The statement shall be verified by the oath of the insurer's president or vice president and secretary or actuary, as applicable; or, in absence of the foregoing, by two other principal officers; or if a reciprocal insurer or Lloyds insurer, the oath of the attorney-in-fact or its like officers if a corporation.

B. The statement of an alien insurer shall be verified by its United States manager or other officer duly authorized and shall relate only to the insurer's transactions and affairs in the United States unless the superintendent requires otherwise. If the superintendent requires a statement as to the alien insurer's affairs throughout the world, the insurer shall file such statement with the superintendent as soon as reasonably possible.

C. If the insurer's statement is in any language other than English or in monetary amounts other than United States dollars, the statement shall be accompanied by an English-language translation and monetary amounts shall be shown in United States dollars with statement of the
basis upon and date as of which the monetary conversion was made.

D. The superintendent may suspend or revoke the certificate of authority of any insurer failing to file its annual statement when due.

E. At time of filing, the insurer shall pay the fee for filing its annual statement with the superintendent as prescribed by Section 59A-6-1 NMSA 1978, and pay to the national association of insurance commissioners the fee established for filing, review or processing of the information, unless such fee has been disapproved by the superintendent.

F. In the absence of actual malice, members of national association of insurance commissioners, their duly authorized committees, subcommittees and task forces, their delegates, employees and all others charged by the superintendent or the national association of insurance commissioners with the responsibility of collecting, reviewing, analyzing and disseminating the information developed from the filing of the annual statement blanks shall be acting as agents of the superintendent under the authority of the Insurance Code [59A-1-1 NMSA 1978] and shall not be subject to civil liability for libel, slander or any other cause of action by virtue of their collection, review and analysis or dissemination of the data and information collected from the filings required hereunder.

G. As to publication of nonstatutory financial statements, refer to Section 59A-16-9 NMSA 1978.


Cross references. — For electronic authentication and substitution for signature, see 14-3-15.2 NMSA 1978.

The 1993 amendment, effective June 18, 1993, in Subsection A, made a stylistic change in the first sentence and rewrote the second sentence; added the language beginning "and pay to the national" in Subsection E; added Subsection F; and redesignated former Subsection F as Subsection G.

The 2007 amendment, effective June 15, 2007, amends Subsection A to provide for the electronic filing of information filed with the national association of insurance commissioners.

Existing forms and filings. — See notes following 59A-5-21 NMSA 1978.


59A-5-29.1. Quarterly reports.

The superintendent may, in his sole discretion at any time and for any reason, including those set forth in Sections 59A-41-24 through 59A-41-26 NMSA 1978, require any authorized insurer to file quarterly financial statements with the superintendent and with the national association of insurance commissioners in accordance with the provisions of Section 59A-5-29 NMSA 1978.


Repeals and reenactments. — Laws 1993, ch. 320, § 13 repeals former 59A-5-29.1 NMSA 1978, as
enacted by Laws 1986, ch. 78, § 2, and enacts the above section, effective June 18, 1993. For provisions of former section, see 1992 Replacement Pamphlet.

59A-5-30. Penalties for late, false annual statements.

A. Any insurer failing without just cause reasonably beyond control of the insurer, to file its annual statement as required in Section 96 [59A-5-29 NMSA 1978] of this article, shall be required to pay a penalty of one hundred dollars ($100) for each day's delay, but not to exceed five thousand dollars ($5,000) in aggregate amount, to be recovered in a civil action brought against the insurer in the name of the state of New Mexico by the attorney general. Such penalty may be in addition to any refusal to continue, or suspension or revocation of, the insurer's certificate of authority for such failure.

B. Any director, officer, agent or employee of any insurer who subscribes to, makes or concurs in making or publishing, any annual or other statement of the insurer required by law, knowing the same to contain any material statement which is false, shall upon conviction thereof be guilty of a misdemeanor and upon conviction shall be sentenced to a fine of not more than one thousand dollars ($1,000), unless by its extent and nature the offense is punishable under other statutes as a felony.


A. Before the superintendent authorizes it to transact insurance in this state, each insurer shall appoint the superintendent and [his] successors in office as its attorney to receive service of legal process issued against the insurer in this state. The appointment shall be on form as designated and furnished by the superintendent, accompanied by copy of resolution of the board of directors or like governing body of the insurer, or other appropriate instrument acceptable to the superintendent, showing that those who executed the appointment were duly authorized to do so on behalf of the insurer.

B. The appointment shall be irrevocable, shall bind the insurer and any successor in interest to the assets or liabilities of the insurer, and shall remain in effect as long as there exists any contract of the insurer in this state or any obligation of the insurer arising out of its transactions in this state.

C. The insurer shall file the appointment with the superintendent as part of its application for certificate of authority, together with a designation of the person to whom the superintendent shall forward process against the insurer served upon the superintendent. The insurer may change such designation by a new filing.

History: Laws 1984, ch. 127, § 98.

Bracketed material. — The bracketed word "his" in Subsection A was inserted by the compiler. It was not enacted by the legislature, and it is not a part of the law.
59A-5-32. Serving process; time to plead.

A. Service of process against an insurer for whom the superintendent is attorney shall be made by delivering to and leaving with the superintendent, his deputy or a person in apparent charge of the office during the superintendent's absence, two (2) copies of the process together with the fee therefor specified in Section 101 [59A-6-1 NMSA 1978] (fee schedule) of the Insurance Code, taxable as costs in the action.

B. Upon such service the superintendent shall forthwith forward by prepaid registered or certified mail return receipt requested one of the copies of such process showing date and time of service on the superintendent, to the person currently designated by the insurer to receive the copy as provided in Section 98 [59A-5-31 NMSA 1978] (appointment of superintendent as process agent) of this article. Service of process on the insurer shall be complete upon receipt, or, in the event of refusal to accept, the date of such refusal.

C. Process served as provided in this section shall for all purposes constitute valid and binding personal service within this state upon the insurer. If summons is served under this section, the time within which the insurer is required to appear shall be extended an additional ten (10) days beyond that otherwise allowed by New Mexico Rules of Civil Procedure.

D. The superintendent shall keep record of the day and time of service of legal process under this section.


Cross references. — For New Mexico Rules of Civil Procedure, see Rule 1-001 NMRA et seq.

ANNOTATION

No service fee for state. — Fee required in connection with service of process cannot be taxed and assessed against the state. 1933-34 Op. Att'y Gen. No. 33-704.


44 C.J.S. Insurance §§ 82 et seq.


A. When by or pursuant to the laws of any other state or foreign country or province, any taxes, licenses and other fees, in the aggregate, and any fines, penalties, deposit requirements or other material requirements, obligations, prohibitions or restrictions are or would be imposed upon New Mexico insurers doing business or that might seek to do business in such state,
country or province, or upon the agents or representatives of such insurers or upon brokers or adjusters, which are in excess of such taxes, licenses and other fees, in the aggregate, or which are in excess of the fines, penalties, deposit or other requirements, obligations, prohibitions or restrictions directly imposed upon similar insurers, or upon the agents or representatives of such insurers, or upon brokers, or upon adjusters, of such other state, country or province under the statutes of this state, so long as such laws of such other state, country or province continue in force or are so applied, the same taxes, licenses and other fees, in the aggregate, or fines, penalties or deposit requirements or other material requirements, obligations, prohibitions or restrictions of whatever kind may be imposed by the superintendent upon the insurers, or upon the agents or representatives of such insurers, or upon brokers of such other state, country or province, doing business or seeking to do business in New Mexico. Any tax, license or other fee or obligation imposed by any city, county or other political subdivision or agency of such other state, country or province on New Mexico insurers or their agents, representatives, brokers or adjusters shall be deemed to be imposed by such state, country or province within the meaning of this section.

B. This section does not apply as to:

(1) personal income taxes; or

(2) ad valorem taxes on real or personal property; or

(3) special purpose obligations or assessments, or assessments under insurance guaranty fund laws, imposed by another state in connection with particular kinds of insurance, except that assessment of insurers for financing of public safety, health and protection purposes is not exempt under this subsection. Except, that deductions from premium taxes or other taxes otherwise payable, allowed on account of real or personal property taxes paid, shall be taken into consideration by the superintendent in determining propriety and extent of reciprocity action under this section.

C. For purposes of this section domicile of an alien insurer, other than Canadian insurer, shall be that state designated by the insurer in writing filed with the superintendent at time of authorization in this state or within six (6) months after the effective date of the Insurance Code, whichever date is the later, and may be any one of the following states:

(1) that in which the insurer was first authorized to transact insurance; or

(2) that in which is located the insurer's principal place of business in the United States; or

(3) that in which is held the largest deposit of trusteed assets of the insurer for protection of its policyholders in the United States.

If the insurer makes no such designation, its domicile shall be deemed to be that state in which is located its principal place of business in the United States.

D. The domicile of a Canadian insurer shall be Canada and the province of Canada in which its head office is located.
ARTICLE 5A
Risk-Based Capital

Section
59A-5A-1  Short title.
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59A-5A-3  Risk-based capital reports.
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59A-5A-10 Supplemental provisions; rules; exemption.
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Chapter 59A, Article 5A NMSA 1978 may be cited as the "Risk-Based Capital Act".


As used in the Risk-Based Capital Act [Chapter 59A, Article 5A NMSA 1978]:

A.  "adjusted risk-based capital report" means a risk-based capital report adjusted in accordance with Subsection E of Section 59A-5A-3 NMSA 1978;

B.  "authorized control level risk-based capital" means the number determined under the risk-based capital formula in accordance with the risk-based capital instructions bearing the same designation;
C. "company action level risk-based capital" means an amount equal to two hundred percent of an insurer's authorized control level risk-based capital;

D. "corrective order" means an order issued by the superintendent specifying required corrective actions;

E. "life or health insurer" means any authorized life insurer, health insurer, casualty insurer writing only health insurance or nonprofit health care plan;

F. "mandatory control level risk-based capital" means an amount equal to seventy percent of an insurer's authorized control level risk-based capital;

G. "property or casualty insurer" means any insurer authorized to write property, marine and transportation, casualty, vehicle or surety insurance, but does not include any insurer writing only one of the following:
   (1) mortgage guaranty insurance;
   (2) financial guaranty insurance;
   (3) title insurance; or
   (4) health insurance;

H. "negative trend" means, with respect to a life or health insurer, negative trend over a period of time, as determined in accordance with the trend test calculation included in the risk-based capital instructions;

I. "regulatory action level risk-based capital" means an amount equal to one hundred fifty percent of an insurer's authorized control level risk-based capital;

J. "revised risk-based capital plan" means a risk-based capital plan that has been rejected by the superintendent and revised by the insurer, with or without the superintendent's recommendation;

K. "risk-based capital instructions" means the risk-based capital report, including risk-based capital instructions, adopted by the national association of insurance commissioners, as they may be amended by the national association of insurance commissioners from time to time, and not disapproved by the superintendent;

L. "risk-based capital level" means an insurer's company action level risk-based capital, regulatory action level risk-based capital, authorized control level risk-based capital or mandatory control level risk-based capital;

M. "risk-based capital plan" means a comprehensive financial plan as specified in Subsection B of Section 59A-5A-4 NMSA 1978;

N. "risk-based capital report" means the report specified in Section 59A-5A-3 NMSA 1978; and

O. "total adjusted capital" means the sum of:
   (1) an insurer's capital and surplus as determined in accordance with statutory
accounting principles applicable to annual financial statements required to be filed under Section 59A-5-29 NMSA 1978; and

(2) such other items, if any, as the risk-based capital instructions may provide.


A. On or before March 1 each year, every domestic insurer shall prepare and submit to the superintendent a report of its risk-based capital levels as of December 31 of the immediately preceding calendar year, in a form and containing such information as is required by the risk-based capital instructions. In addition, every domestic insurer shall file its risk-based capital report with:

(1) the national association of insurance commissioners in accordance with the risk-based capital instructions; and

(2) the insurance commissioner of each state in which the insurer is authorized to do business, if the insurance commissioner for that state has notified the insurer of his request in writing. The insurer shall file a copy of its risk-based capital report with each such commissioner not later than March 1 each year or fifteen days from receipt of the notice, whichever is later.

B. A life or health insurer's risk-based capital shall be determined in accordance with the formula in the risk-based capital instructions. The formula shall take into account and may adjust for the covariance among the following factors:

(1) asset risk;
(2) the risk of adverse insurance experience with respect to the insurer's liabilities and obligations;
(3) the interest rate risk with respect to the insurer's business; and
(4) all other business risks and other relevant risks set forth in the risk-based capital instructions.

C. A property or casualty insurer's risk-based capital shall be determined in accordance with the formula in the risk-based capital instructions. The formula shall take into account and may adjust for the covariance among the following factors:

(1) asset risk;
(2) credit risk;
(3) underwriting risk; and
(4) all other business risks and other relevant risks set forth in the risk-based capital instructions.

D. An excess of capital over the amount calculated by the formulas, schedules and
instructions referenced in the Risk-Based Capital Act [Chapter 59A, Article 5A NMSA 1978] is desirable in the business of insurance. Additional capital is used and useful in the insurance business and helps to secure an insurer against various risks inherent in, or affecting, the business of insurance and not accounted for or only partially measured by the risk-based capital requirements contained in the Risk-Based Capital Act. Accordingly, insurers should seek to maintain capital above the risk-based capital levels required by that act.

E. If a domestic insurer files a risk-based capital report which in the superintendent's judgment is inaccurate, then the superintendent shall adjust the risk-based capital report to correct the inaccuracy and shall notify the insurer of the adjustment. The notice shall contain a statement of the reason for the adjustment.


A. As used in the Risk-Based Capital Act [Chapter 59A, Article 5A NMSA 1978], a "company action level event" means any one or more of the following events:

   (1) the filing of a risk-based capital report by an insurer which indicates that:

       (a) the insurer has total adjusted capital greater than or equal to its regulatory action level risk-based capital but less than its company action level risk-based capital; or

       (b) a life or health insurer has total adjusted capital greater than or equal to its company action level risk-based capital but less than two hundred fifty percent of its authorized control level risk-based capital and has a negative trend;

   (2) the superintendent's notification to an insurer that its adjusted risk-based capital report indicates the existence of an event described in Paragraph (1) of this subsection, unless the insurer challenges the adjusted report pursuant to Section 59A-5A-8 NMSA 1978; or

   (3) if an insurer challenges the adjusted report, notification to the insurer that the superintendent has, after hearing, rejected the challenge.

B. In the event of a company action level event, the insurer shall prepare and submit to the superintendent a risk-based capital plan, which shall:

   (1) identify the conditions which contribute to the company action level event;

   (2) contain proposals of corrective actions which the insurer intends to take to eliminate the company action level event;

   (3) provide projections of the insurer's expected financial results in the current year and at least the four succeeding years, both in the absence of and giving effect to the proposed corrective actions, including projections of statutory operating income, net income, capital and surplus. Projections for new and renewal business may, if appropriate, include separate projections for each major line of business and separately identify each significant income, expense and benefit component;
(4) identify the key assumptions impacting the insurer's projections and the sensitivity of the projections to the assumptions; and

(5) identify the quality of, and problems associated with, the insurer's business, including but not limited to its assets, anticipated business growth and associated surplus strain, extraordinary exposure to risk, mix of business and use of reinsurance, if any, in each case.

C. The risk-based capital plan shall be submitted on or before the later of the following dates:

(1) forty-five days after the company action level event; or

(2) if the insurer challenges the adjusted risk-based capital report pursuant to Section 59A-5A-8 NMSA 1978, forty-five days after the date of the notification to the insurer that the superintendent has, after hearing, rejected the insurer's challenge.

D. Within sixty days after the submission of an insurer's risk-based capital plan, the superintendent shall notify the insurer whether the plan shall be implemented or is, in the superintendent's judgment, unsatisfactory. If the superintendent determines the risk-based capital plan is unsatisfactory, the notification to the insurer shall set forth the reasons for the determination, and may set forth proposed revisions that will render the plan satisfactory. Upon notification, the insurer shall prepare a revised risk-based capital plan, which may incorporate by reference any revisions proposed by the superintendent, and shall submit the revised plan to the superintendent. The revised plan shall be submitted on or before the last of the following dates:

(1) forty-five days after the date of the superintendent's notification; or

(2) if the insurer challenges the notification pursuant to Section 59A-5A-8 NMSA 1978, forty-five days after the date of the notification to the insurer that the superintendent has, after hearing, rejected the insurer's challenge.

E. A notification that the insurer's risk-based capital plan or revised risk-based capital plan is unsatisfactory may include a statement that the notification constitutes a regulatory action level event, subject to the insurer's right to a hearing pursuant to Section 59A-5A-8 NMSA 1978.

F. Every domestic insurer which files a risk-based capital plan or revised risk-based capital plan with the superintendent shall file a copy of the risk-based capital plan and any revised risk-based capital plan with the insurance commissioner of each state in which the insurer is authorized to do business if:

(1) the state has confidentiality provisions substantially similar to those in Subsection A of Section 59A-5A-9 NMSA 1978; and

(2) the insurance commissioner for that state has notified the insurer of his request in writing. The insurer shall file a copy of the risk-based capital plan or revised risk-based capital plan with each such commissioner on or before the later of the following dates:

(a) fifteen days after the receipt of notice to file a copy of its risk-based capital plan or revised risk-based capital plan with the state; or

(b) the date the risk-based capital plan or revised risk-based capital plan is filed under
Subsections C and D of this section.


**59A-5A-5. Regulatory action level event.**

A. For purposes of the Risk-Based Capital Act [Chapter 59A, Article 5A NMSA 1978], "regulatory action level event" means any of the following events:

1. the filing of a risk-based capital report by an insurer which indicates that the insurer's total adjusted capital is greater than or equal to its authorized control level risk-based capital but less than its regulatory action level risk-based capital;

2. the superintendent's notification to an insurer that its adjusted risk-based capital report indicates the existence of an event described in Paragraph (1) of this subsection, unless the insurer challenges the adjusted report pursuant to Section 59A-5A-8 NMSA 1978;

3. if an insurer challenges the adjusted report, notification to the insurer that the superintendent has, after hearing, rejected the challenge;

4. an insurer's failure to file a risk-based capital report by the filing date, unless the insurer has provided an explanation satisfactory to the superintendent and has cured the failure within ten days after the filing date;

5. an insurer's failure to submit a risk-based capital plan to the superintendent by the date specified in Subsection C of Section 59A-5A-4 NMSA 1978;

6. the superintendent's notification to an insurer that:
   a. the risk-based capital plan or revised risk-based capital plan submitted by the insurer is, in the superintendent's judgment, unsatisfactory; and
   b. the notification constitutes a regulatory action level event with respect to the insurer, unless the insurer has challenged the determination pursuant to Section 59A-5A-8 NMSA 1978;

7. if an insurer challenges the superintendent's determination made pursuant to Paragraph (6) of this subsection, notification to the insurer that the superintendent has, after hearing, rejected the challenge;

8. the superintendent's notification to an insurer that the insurer has failed to adhere to its risk-based capital plan or revised risk-based capital plan and that the failure has had or will have a substantial adverse effect on the ability of the insurer to eliminate the company action level event, unless the insurer has challenged the determination pursuant to Section 59A-5A-8 NMSA 1978; or

9. if an insurer challenges the superintendent's determination made pursuant to Paragraph (8) of this subsection, notification to the insurer that the superintendent has, after hearing, rejected the challenge.

B. In the event of a regulatory action level event the superintendent shall:
(1) require the insurer to prepare and submit a risk-based capital plan or, if applicable, a revised risk-based capital plan;

(2) perform such examination or analysis as the superintendent deems necessary of the assets, liabilities and operations of the insurer, including a review of its risk-based capital plan or revised risk-based capital plan; and

(3) subsequent to the examination or analysis, issue an order specifying such corrective actions as the superintendent determines are required.

C. In determining corrective actions, the superintendent may take into account such factors as are deemed relevant based upon the superintendent's examination or analysis of the assets, liabilities and operations of the insurer, including but not limited to the results of any sensitivity tests undertaken pursuant to the risk-based capital instructions. The risk-based capital plan or revised risk-based capital plan shall be submitted on or before the later of the following dates:

(1) forty-five days after the occurrence of the regulatory action level event; or

(2) if the insurer challenges an adjusted risk-based capital report or plan pursuant to Section 59A-5A-8 NMSA 1978 and the challenge is not frivolous in the superintendent's judgment, forty-five days after notification to the insurer that the superintendent has, after hearing, rejected the insurer's challenge.

D. The superintendent may retain actuaries and investment experts and other consultants as he may deem necessary to review the insurer's risk-based capital plan or revised risk-based capital plan, examine or analyze the assets, liabilities and operations of the insurer and formulate the corrective order with respect to the insurer. The fees, costs and expenses incurred by consultants shall be paid by the affected insurer or such other party as the superintendent directs.


59A-5A-6. Authorized control level event.

A. As used in the Risk-Based Capital Act [Chapter 59A, Article 5A NMSA 1978], "authorized control level event" means any of the following events:

(1) the filing of a risk-based capital report by an insurer which indicates that the insurer's total adjusted capital is greater than or equal to its mandatory control level risk-based capital but less than its authorized control level risk-based capital;

(2) the superintendent's notification to an insurer that its adjusted risk-based capital report indicates the existence of an event described in Paragraph (1) of this subsection, unless the insurer challenges the adjusted report pursuant to Section 59A-5A-8 NMSA 1978;

(3) if an insurer challenges the adjusted capital report, notification to the insurer that the superintendent has, after hearing, rejected the challenge;

(4) an insurer's failure to respond, in a manner satisfactory to the superintendent, to a corrective order unless the insurer has challenged the order pursuant to Section 59A-5A-8
NMSA 1978; or

(5) if an insurer has challenged a corrective order and the superintendent has, after hearing, rejected the challenge or modified the corrective order, the failure of the insurer to respond, in a manner satisfactory to the superintendent, to the corrective order subsequent to rejection or modification.

B. In the event of an authorized control level event with respect to an insurer, the superintendent shall:

(1) take such actions as are required pursuant to Section 59A-5A-5 NMSA 1978 regarding an insurer with respect to which a regulatory action level event has occurred; or

(2) if the superintendent deems it to be in the best interests of the insurer's policyholders and creditors and of the public, take such actions as are necessary to cause the insurer to be placed under regulatory control pursuant to Chapter 59A, Article 41 NMSA 1978. The authorized control level event shall constitute sufficient grounds for the superintendent to take action pursuant to Chapter 59A, Article 41 NMSA 1978, and the superintendent shall have the rights, powers and duties with respect to the insurer set forth in Chapter 59A, Article 41 NMSA 1978.


A. As used in the Risk-Based Capital Act [Chapter 59A, Article 5A NMSA 1978], "mandatory control level event" means any of the following events:

(1) the filing of a risk-based capital report which indicates that an insurer's total adjusted capital is less than its mandatory control level risk-based capital;

(2) the superintendent's notification to an insurer that its adjusted risk-based capital report indicates the existence of an event described in Paragraph (1) of this subsection, unless the insurer challenges the adjusted report pursuant to Section 59A-5A-8 NMSA 1978; or

(3) if the insurer challenges the adjusted report, notification to the insurer that the superintendent has, after hearing, rejected the insurer's challenge.

B. In the event of a mandatory control level event, the superintendent shall:

(1) with respect to a life insurer, take such actions as are necessary to place the insurer under regulatory control pursuant to Chapter 59A, Article 41 NMSA 1978. In that event, the mandatory control level event shall constitute sufficient grounds for the superintendent to take action pursuant to Chapter 59A, Article 41 NMSA 1978, and the superintendent shall have the rights, powers and duties with respect to the insurer set forth in Chapter 59A, Article 41 NMSA 1978. Notwithstanding the foregoing provisions of this paragraph, the superintendent may forego action for up to ninety days after the mandatory control level event if the superintendent finds there is a reasonable expectation that the mandatory control level event can be eliminated within the ninety-day period; or
(2) with respect to a property or casualty insurer, take such actions as are necessary to place the insurer under regulatory control pursuant to Chapter 59A, Article 41 NMSA 1978, or, in the case of an insurer that is writing no business and that is running off its existing business, may allow the insurer to continue its run off under the superintendent's supervision. In either event, the mandatory control level event shall constitute sufficient grounds for the superintendent to take action pursuant to Chapter 59A, Article 41 NMSA 1978, and the superintendent shall have the rights, powers and duties with respect to the insurer as are set forth in Chapter 59A, Article 41 NMSA 1978. Notwithstanding the foregoing provisions of this paragraph, the superintendent may forego action for up to ninety days after the mandatory control level event if the superintendent finds there is a reasonable expectation that the mandatory control level event can be eliminated within the ninety-day period.


Any insurer has the right to a confidential administrative hearing of record in accordance with Chapter 59A, Article 4 NMSA 1978 at which the insurer may challenge any determination or action by the superintendent pursuant to the Risk-Based Capital Act [Chapter 59A, Article 5A NMSA 1978].

A. The insurer shall file and serve on the superintendent its request for hearing within five days after any of the following events:

(1) the superintendent's notification to the insurer of an adjusted risk-based capital report;

(2) the superintendent's notification to the insurer that:

(a) the insurer's risk-based capital plan or revised risk-based capital plan is unsatisfactory; and

(b) such notification constitutes a regulatory action level event with respect to such insurer;

(3) the superintendent's notification to the insurer that the insurer has failed to adhere to its risk-based capital plan or revised risk-based capital plan and that such failure has had or will have a substantial adverse effect on the ability of the insurer to eliminate the company action level event; or

(4) the superintendent's notification to an insurer of a corrective order with respect to the insurer.

B. Upon receipt of the insurer's request for hearing, the superintendent shall set a hearing date, which shall be not less than ten nor more than thirty days after the date of the insurer's request.


A. To the extent not set forth in any other form accessible to the public, all information in risk-based capital reports, risk-based capital plans, results or reports of any examination or analysis of an insurer performed pursuant to the Risk-Based Capital Act [this article] and all corrective orders issued by the superintendent pursuant to such examination or analysis, is and shall be kept confidential by the superintendent. This information shall not be made public or be subject to subpoena, other than by the superintendent and then only for the purpose of enforcement actions taken by the superintendent pursuant to the Insurance Code.

B. The comparison of an insurer's total adjusted capital to any of its risk-based capital levels is a regulatory tool that may indicate the need for possible corrective action by the superintendent with respect to the insurer, and is not intended as a means to rank insurers generally or to compare insurers for marketing purposes. Use of such comparisons for such purposes is inherently misleading and deceptive. Except as otherwise required under the provisions of the Risk-Based Capital Act or applicable law, no insurer, agent, broker or other person engaged in any manner in the business of insurance shall make, publish, disseminate, circulate or place before the public, or cause, directly or indirectly, to be made, published, disseminated, circulated or placed before the public in a newspaper, magazine or other publication, or in the form of a notice, circular, pamphlet, letter or poster, or over any radio or television station, or in any other way, an advertisement, announcement or statement containing an assertion, representation or statement with regard to the risk-based capital levels of any insurer, or of any component derived in their calculation; provided, however, that if any materially false statement with respect to the comparison regarding an insurer's total adjusted capital to its risk-based capital levels or an inappropriate comparison of any other amount to the insurer's risk-based capital levels is published in any written publication and the insurer is able to demonstrate to the superintendent's satisfaction the falsity or inappropriateness of the statement, then the insurer may publish an announcement approved in advance by the superintendent in a written publication whose sole purpose is to rebut the materially false statement.

C. The risk-based capital instructions, risk-based capital reports, adjusted risk-based capital reports, risk-based capital plans and revised risk-based capital plans are intended solely for use by the superintendent in monitoring the solvency of insurers and the need for possible corrective action with respect to insurers. They shall not be used by the superintendent for ratemaking, considered or introduced as evidence in any rate proceeding or used to calculate or derive any elements of an appropriate premium level or rate of return for any line of insurance which an insurer or any affiliate is authorized to write.


59A-5A-10. Supplemental provisions; rules; exemption.

A. The provisions of the Risk-Based Capital Act [Chapter 59A, Article 5A NMSA 1978] are supplemental to any other provisions of law, and shall not supersede, preclude the exercise of or limit any other powers or duties of the superintendent under such laws, including but not limited to Chapter 59A, Article 41 NMSA 1978.

B. The superintendent may adopt reasonable rules and regulations for the implementation of the Risk-Based Capital Act.

C. The superintendent may exempt from the application of the Risk-Based Capital Act any domestic insurer which:
   (1) writes direct business only in this state;
   (2) writes direct annual premiums of two million dollars ($2,000,000) or less; and
   (3) assumes no reinsurance in excess of five percent of direct premium written.


A. Any foreign insurer shall, upon the superintendent's written request, submit to the superintendent a risk-based capital report as of the end of the most recent calendar year the same date risk-based capital reports are required to be filed by domestic insurers under the Risk-Based Capital Act [Chapter 59A, Article 5A NMSA 1978], or fifteen days after the request is received by the foreign insurer, whichever is later. Any foreign insurer shall, upon the superintendent's written request, promptly submit to the superintendent a copy of any risk-based capital plan filed with the insurance commissioner of any other state.

B. In the event of a company action level event, regulatory action level event or authorized control level event with respect to any foreign insurer as determined pursuant to the risk-based capital statute applicable in an insurer's state of domicile, or, if no risk-based capital requirements are in force in that state, under the provisions of the Risk-Based Capital Act, the superintendent may require the foreign insurer to file a risk-based capital plan with the superintendent unless the insurance commissioner of the insurer's state of domicile has previously so required. The failure of the foreign insurer to timely file a risk-based capital plan with the superintendent shall be grounds to order the insurer to cease and desist from writing new insurance business in this state or to suspend or revoke its certificate of authority.

C. In the event of a mandatory control level event with respect to any foreign insurer, the superintendent may proceed in accordance with Subsection B of Section 59A-5A-7 NMSA 1978.


There shall be no civil liability on the part of, and no civil cause of action shall arise against the superintendent, the insurance department or its employees or agents for any action taken by them in the performance of their powers and duties under the Risk-Based Capital Act [Chapter 59A, Article 5A NMSA 1978].


The superintendent's notices to an insurer pursuant to the Risk-Based Capital Act [this article] shall be effective upon mailing by certified mail or, in the case of any other mode of transmission, shall be effective upon the insurer's receipt.


**Severability clauses.** — Laws 1995, ch. 149, § 19 provides for the severability of the act if any part or application thereof is held invalid.

## ARTICLE 6

### Fees and Taxes

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### 59A-6-1. Fee schedule.

The superintendent shall collect the following fees:

A. insurer's certificate of authority —
(1) filing application for certificate of authority, and issuance of certificate
of authority, if issued, including filing of all charter documents, financial statements,
service of process, power of attorney, examination reports and other documents
included with and part of the application ........................................... $1,000.

(2) annual continuation of certificate of authority, per kind of insurance,
each year continued ................................................................. 200.

(3) reinstatement of certificate of authority (Section 59A-5-23 NMSA
1978) ............................................................... 150.

(4) amendment to certificate of authority ................................. 200.

B. charter documents - filing amendment to any charter document (as
defined in Section 59A-5-3 NMSA 1978)................................. 10.

C. annual statement of insurer, filing ........................................... 200.00

D. service of process, acceptance by superintendent and issuance of
certificate of service, where issued ............................................. 10.00

E. agents' licenses and appointments —

(1) filing application for original agent license and issuance of license, if
issued ................................................................. 30.00

(2) appointment of agent —.................................
(a) filing appointment, per kind of insurance, each insurer
.................................................. 20.00
(b) continuation of appointment, each insurer, each year continued
.................................................. 20.00

(3) variable annuity agent's license —
(a) filing application for license and issuance of license, if issued
.................................................. 30.00
(b) continuation of appointment each year ......................... 20.00

(4) temporary license as to life and health insurance or both
.................................................. 30.00
(a) as to property insurance ................................. 30.00
(b) as to casualty/surety insurance ......................... 30.00
(c) as to vehicle insurance ................................. 30.00
F. solicitor license —
   (1) filing application for original license and issuance of license, if issued
       ........................................... 30.00
   (2) continuation of appointment, per kind of insurance, each year
       ........................................... 20.00

G. broker license —
   (1) filing application for license and issuance of original license, if issued
       ........................................... 30.00
   (2) annual continuation of license .................... 30.00

H. insurance vending machine license —
   (1) filing application for original license and issuance of license, if issued,
       each machine .................................. 25.00
   (2) annual continuation of license, each machine ............... 25.00

I. examination for license, application for examination conducted directly
   by superintendent, each grouping of kinds of insurance to be covered by the
   examination as provided by the superintendent's rules, and payable as to each instance
   of examination ................................. 50.00

J. surplus line insurer — filing application for qualification as eligible
   surplus lines insurer ........................... 1,000.00

K. surplus line broker license —
   (1) filing application for original license and issuance of license, if issued
       ........................................... 100.00
   (2) annual continuation of license .................... 100.00

L. adjuster license —
   (1) filing application for original license and issuance of license, if issued
       ........................................... 30.00
   (2) annual continuation of license .................... 30.00

M. rating organization or rating advisory organization license —
   (1) filing application for license and issuance of license, if issued
       ........................................... 100.00
   (2) annual continuation of license .................... 100.00
N. nonprofit health care plans —

(1) filing application for preliminary permit and issuance of permit, if issued ........................................ 100.00

(2) certificate of authority, application, issuance, continuation, reinstatement, charter documents — same as for insurers

(3) annual statement, filing ....................................... 200.00

(4) agents and solicitors —

(a) filing application for original license and issuance of license, if issued ........................................ 30.00

(b) examination for license conducted directly by superintendent, each instance of examination ........................................ 50.00

(c) annual continuation of appointment .............................. 20.00

O. prepaid dental plans —

(1) certificate of authority, application, issuance, continuation, reinstatement, charter documents — same as for insurers

(2) annual report, filing ........................................... 200.00

(3) agents and solicitors —

(a) filing application for original license and issuance of license, if issued ........................................ 30.00

(b) examination for license conducted directly by superintendent, each instance of examination ........................................ 50.00

(c) continuation of license, each year .............................. 20.00

P. prearranged funeral insurance — application for certificate of authority, issuance, continuation, reinstatement, charter documents, filing annual statement, licensing of sales representatives — same as for insurers

Q. premium finance companies —

(1) filing application for original license and issuance of license, if issued ........................................... 100.00

(2) annual renewal of license ........................................ 100.00

R. motor clubs —

(1) certificate of authority —
(a) **filing application for original certificate of authority and issuance of certificate of authority, if issued** ........................................ 200.00

(b) **annual continuation of certificate of authority** .......................... 100.00

(2) sales representatives —

(a) **filing application for registration or license and issuance of registration or license, if issued, each representative** ......................... 20.00

(b) **annual continuation of registration or license, each representative** .................................................. 20.00

S. **bail bondsmen —**

(1) **filing application for original license as bail bondsman or solicitor, and issuance of license, if issued** ................................. 30.00

(2) **examination for license conducted directly by superintendent, each instance of examination** ........................................... 50.00

(3) **continuation of appointment, each year** ................................. 20.00

T. **securities salesperson license —**

(1) **filing application for license and issuance of license, if issued** ................................................................. 25.00

(2) **renewal of license, each year** ............................................ 25.00

U. **for each signature and seal of the superintendent affixed to any instrument** ....................................................... 10.00

V. **required filing of forms or rates — by all lines of business other than property or casualty**

(1) **rates** ................................................................. 50.00

(2) **major form — each new policy and each package submission, which can include multiple policy forms, application forms, rider forms, endorsement forms or amendment forms** ........................................... 30.00

(3) **incidental forms and rates - forms filed for informational purposes; riders, applications, endorsements and amendments filed individually; rate service organization reference filings; rates filed for informational purposes** ........................................ 15.00

W. **health maintenance organizations —**

(1) **filing an application for a certificate of authority** ...................... 1,000.00
(2) annual continuation of certificate of authority, each year continued .................................................. 200.00 

(3) filing each annual report .................................................. 200.00 

(4) filing an amendment to organizational documents requiring approval .................................................. 200.00 

(5) filing informational amendments .................................................. 50.00 

(6) agents and solicitors —
    (a) filing application for original license and issuance of license, if issued .................................................. 30.00 
    (b) examination for license, each instance of examination .................................................. 50.00 
    (c) annual continuation of appointment .................................................. 20.00 

X. purchasing groups and foreign risk retention groups —

(1) original registration .................................................. 500.00 

(2) annual continuation of registration .................................................. 200.00 

(3) agent or broker fees same as for authorized insurers 

Y. third party administrators —

(1) filing application for original individual insurance administrator license .................................................. 30.00 

(2) filing application for original officer, manager or partner insurance administrator license .................................................. 30.00 

(3) continuation or renewal of annual license .................................................. 30.00 

(4) examination for license conducted directly by the superintendent, each examination .................................................. 75.00 

(5) each request for a duplicate license or for each name change .................................................. 30.00 

(6) filing of annual report .................................................. 50.00.

An insurer shall be subject to additional fees or charges, termed retaliatory or reciprocal requirements, whenever form or rate-filing fees in excess of those imposed by state law are charged to insurers in New Mexico doing business in another state or whenever a condition
precedent to the right to issue policies in another state is imposed by the laws of that state over and above the conditions imposed upon insurers by the laws of New Mexico; in those cases, the same form or rate-filing fees may be imposed upon an insurer from another state transacting or applying to transact business in New Mexico so long as the higher fees remain in force in the other state. If an insurer does not comply with the additional retaliatory or reciprocal requirement charges imposed under this subsection, the superintendent may refuse to grant or may withdraw approval of the tendered form or rate filing.

All fees are earned when paid and are not refundable.


The 2001 amendment, effective July 1, 2001, added current Subsection J, redesignated the subsequent subsections and added "by all lines of business other than property or casualty" to current Subsection V.

The 2003 amendment, effective June 20, 2003 substituted "the following fees" for "and receipt for, and persons so served shall pay to the superintendent, fees, licenses and miscellaneous charges as follows" at the end of the first paragraph; added Subsection Y; in the next-to-last paragraph of the section, deleted "Notwithstanding the fees required in this subsection" at the beginning and substituted "may" for "shall" following "rate-filing fees" in the first sentence and twice in the last sentence of the paragraph; and deleted "Except as to certain appointment fees as specified in Section 59A-11-8 NMSA 1978" at the beginning of the last paragraph of the section.

59A-6-1.1. Surcharge imposed; appropriation.

A three-dollar ($3.00) surcharge shall be assessed for the period beginning March 1, 1996 and ending June 30, 2009 on the annual continuation of appointment fees imposed in Subsections E, F, N, S, W and X of Section 59A-6-1 NMSA 1978. The surcharge collected shall be distributed monthly to the New Mexico finance authority to be pledged irrevocably for the payment of principal, interest and any other expenses or obligations related to the bonds issued by the authority to finance information and communication equipment, including computer hardware and software, for the insurance division.

**History:** 1978 Comp., § 59A-6-1.1, enacted by Laws 1996, ch. 6, § 1; 2005, ch. 278, § 1.

**Appropriations.** — Laws 1996, ch. 6, § 3, as amended by Laws 2003, ch. 306, § 8, authorizes the New Mexico finance authority to issue revenue bonds in an amount not exceeding $1,000,000 for the purpose of financing information and communication equipment, including computer hardware and software, for the department of insurance.

Laws 2003, ch. 306 § 8, effective June 20, 2003, provides that the New Mexico finance authority may issue and sell revenue bonds in compliance with the New Mexico Finance Authority Act in an amount not exceeding one million dollars ($1,000,000) for the purpose of financing information and communication equipment, including computer hardware and software, for the insurance division of the public regulation commission.

Laws 2005, ch. 278, § 2, effective June 17, 2005, amends Laws 1996, ch. 6, § 3, as amended by
Laws 2003, ch. 306, § 8, adds Subsection B to provide that the New Mexico finance authority may issue and sell revenue bonds in addition to the bonds issued pursuant to Subsection A of this section in an amount not exceeding $1,000,000 to finance information and communication, including computer hardware and software, for the insurance division of the public regulation commission.

The 2005 amendment, effective June 17, 2005, changes the ending date of the assessment period from March 1, 2006 to June 30, 2009 and changes the statutory reference from Subsections M, R, V and W to N, S, W, and X.

59A-6-1.2. Property and casualty annual rates and forms filing fees.

The annual filing fee for rates and forms due in advance on July 1 for each company in the following groupings shall be equal to the product produced by multiplying three thousandths by the company's previous calendar year's direct written premium as shown on its annual financial statement, but not to exceed an amount of one thousand five hundred dollars ($1,500) and not to be less than an amount of one hundred dollars ($100):

A. private passenger automobile - liability and physical damage;
B. homeowner's and farm owners';
C. workers' compensation;
D. other casualty, including surety and fidelity; and
E. other property.


59A-6-1.3. Dishonored checks and other forms of payment; penalty.

When a check or an electronic payment transaction for payment of fees is dishonored or reversed by the payer's financial institution, the payer shall pay to the insurance division a civil penalty in the amount of twenty-five dollars ($25.00). Neither the division nor the fiscal agent of New Mexico is obligated to resubmit the transaction or check for payment. The superintendent shall treat the transaction as though payment has not been made and cancel, suspend, rescind or revoke the transaction for failure to make payment. Any other penalty, reinstatement fee or other cost associated with failure to make the payment shall be in addition to the penalty set forth in this section. In this section, "electronic payment transaction" means credit card payments, electronic fund transfers, automated clearinghouse transactions and other similar forms of payment.


Effective dates. — Laws 2007, ch. 282 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective June 15, 2007, 90 days after the adjournment of the legislature.
59A-6-2. Premium tax; health insurance premium surtax.

A. The premium tax provided for in this section shall apply as to the following taxpayers:

(1) each insurer authorized to transact insurance in New Mexico;

(2) each insurer formerly authorized to transact insurance in New Mexico and receiving premiums on policies remaining in force in New Mexico, except that this provision shall not apply as to an insurer that withdrew from New Mexico prior to March 26, 1955;

(3) each plan operating under provisions of Chapter 59A, Articles 46 through 49 NMSA 1978;

(4) each property bondsman, as that person is defined in Section 59A-51-2 NMSA 1978, as to any consideration received as security or surety for a bail bond in connection with a judicial proceeding, which consideration shall be considered "gross premiums" for the purposes of this section; and

(5) each unauthorized insurer that has assumed a contract or policy of insurance directly or indirectly from an authorized or formerly authorized insurer and is receiving premiums on such policies remaining in force in New Mexico, except that this provision shall not apply if a ceding insurer continues to pay the tax provided in this section as to such policy or contract.

B. Each such taxpayer shall pay in accordance with this subsection a premium tax of three and three-thousandths percent of the gross premiums and membership and policy fees received or written by it, as reported in Schedule T and supporting schedules of its annual financial statement on insurance or contracts covering risks within this state during the preceding calendar year, less all return premiums, including dividends paid or credited to policyholders or contract holders and premiums received for reinsurance on New Mexico risks.

C. In addition to the premium tax imposed pursuant to Subsection B of this section, each taxpayer described in Subsection A of this section that transacts health insurance in New Mexico or is a plan described in Chapter 59A, Article 46 or 47 NMSA 1978 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 [59A-1-1 NMSA 1978] to the premium tax shall include both the premium tax and the health insurance premium surtax.

D. For each calendar quarter, an estimated payment of the premium tax and the health insurance premium surtax shall be made on April 15, July 15, October 15 and the following
January 15. The estimated payments shall be equal to at least one-fourth of either the payment made during the previous calendar year or eighty percent of the actual payment due for the current calendar year, whichever is greater. The final adjustment for payments due for the prior year shall be made with the return, which shall be filed on April 15 of each year, at which time all taxes for that year are due. Dividends paid or credited to policyholders or contract holders and refunds, savings, savings coupons and similar returns or credits applied or credited to payment of premiums for existing, new or additional insurance shall, in the amount so used, constitute premiums subject to tax under this section for the year in which so applied or credited.

E. Exempted from the taxes imposed by this section are:

(1) premiums attributable to insurance or contracts purchased by the state or a political subdivision for the state's or political subdivision's active or retired employees; and

(2) payments received by a health maintenance organization from the federal secretary of health and human services pursuant to a contract issued under the provisions of 42 U.S.C. Section 1395 mm(g).


Temporary provisions. — Laws 1988, ch. 75, § 3, effective July 1, 1988, provides: "Each taxpayer who relied upon bonds or obligations of the government of the United States or any subdivisions thereof, when purchased with New Mexico, for the purpose of qualifying for the reduced premium tax rate for the calendar year 1987, under Subsection B of Section 59A-6-2 NMSA 1978 or Subsection B of Section 59A-46-22 NMSA 1978 shall be allowed to continue to use such bonds or obligations for the calendar years 1988 through 1990, but to represent no more than two-thirds of his qualifying investment for the calendar year 1989 and no more than one-third of his qualifying investment for the calendar year 1990. Thereafter, such bonds or obligations shall not qualify as New Mexico investments for the purpose of this section."

Laws 1988, ch. 76, § 7, effective March 8, 1988, provides that a one-time surcharge of five hundredths of one percent in the tax year beginning January 1, 1988 shall be assessed, to assist the state in defraying the cost of litigation in challenging the validity of 59A-6-2, 59A-46-22 and 59A-48-11 NMSA 1978, on the premiums of every person subject to the provisions of 1) 59A-6-2 or 59A-46-22 NMSA 1978 who invests at least 40% of its admitted assets in New Mexico investments and pays the lower premium tax rate of nine-tenths of one percent, or 2) Subsection B of Section 59A-48-11 NMSA 1978.

Laws 1988, ch. 76, § 8 provides that if 59A-6-2 NMSA 1978 is declared unconstitutional, any insurer, nonprofit health care plan, health maintenance organization, prepaid dental plan and prearranged funeral plan that receives a reduction in premium tax rate, as a result of that section becoming effective, shall immediately reduce its premium rate to a point that effectively passes on to the premium rate payer the amount realized as a tax reduction. The superintendent shall adopt regulations to carry into effect the provisions of this section.

Laws 1988, ch. 76, § 6 makes the provisions in the above paragraph effective only if 59A-6-2 and 59A-46-22 NMSA 1978 as those sections existed on January 1, 1988, are declared unconstitutional and such judgment becomes final and nonappealable.
Repeals. — Laws 1991, ch. 9, § 45B repeals 59A-6-2 NMSA 1978, as amended by Laws 1988, ch. 76, § 1, effective July 1, 1993. That 1988 amendment was to take effect only if 59A-6-2 and 59A-46-22 NMSA 1978, as those provisions existed on January 1, 1988, were declared unconstitutional and such judgment became final and nonappealable.

The 1991 amendment, effective January 1, 1992, in Subsection A, made stylistic changes in Paragraph (2), substituted "Articles 46 through 49" for "Article 47" in Paragraph (3), and added Paragraph (4); added the proviso at the end in Subsection B; and added the language beginning "and payments received" at the end in Subsection E.

The 1993 amendment, effective June 18, 1993, in Subsection A, deleted "and" at the end in Paragraph (3), added "and" at the end in Paragraph (4), and added Paragraph (5).

2003 amendments. — Laws 2003, ch. 14, § 18, effective July 1, 2003, inserted "and three-thousandths" in the first sentence and in the last sentence of Subsection B. Laws 2003, ch. 58, § 1, effective March 20, 2003, substituted "except" for "Provided" near the end of Subsection B; added designations for Paragraphs B(1), B(2), E(1) and E(2); in Paragraph B(1), deleted "of one" following "be nine-tenths", substituted "and" for "provided further that" at the end; substituted "a political subdivision for the state's or political subdivision's active or retired employees" for "any political subdivision" near the end of Paragraph E(1).

Laws 2003, ch. 58, § 3 makes the provisions of this act apply to premiums received in the 2003 and subsequent calendar years.

Laws 2003, ch. 58, § 2, effective March 20, 2003, provides that a taxpayer that makes an estimated payment for the first quarter of 2003 on April 15, 2003 pursuant to Section 59A-6-2 NMSA 1978 as in this act and payment is required to include premiums that would have been exempt prior to January 1, 2003 shall not be subject to interest and penalty charges for late payment or underpayment.

The 2004 amendment, effective July 1, 2004, added "health insurance premium surtax" to the catchline, amended Subsection B to increase the three percent premium tax to premium tax of three and three-thousandths percent, added Subsection C, redesignated after the first sentence of Subsection B the remainder of Subsection B as new Subsection D, deleted former Paragraphs (1) and (2) of Subsection B and deleted all of former Subsections C and D.

Laws 2004, ch. 122, § 11 amends Laws 2003, ch. 58, § 3 which provided that the 2003 amendments to Section 59A-6-2 NMSA applied to premiums received in the 2003 and subsequent and subsequent calendar years. As amended by Laws 2004, ch. 122, § 11, Laws 2003, ch. 58, § 3 now provides:

The 2005 amendment, effective June 17, 2005, provides in Subsection C that the health insurance premium surtax is imposed on premiums and fees received on hospital and medical expense incurred insurance or contracts and nonprofit health care service plan contracts, excluding dental or vision only contracts, and health maintenance organization subscriber contracts.

The 2007 amendment, effective June 15, 2007, imposes the premium tax on premiums and fees reported on Schedule T and supporting schedules of the taxpayer's annual financial statement.

ANNOTATIONS

Fraternal benefit society was not subject to tax on gross premiums. Modern Woodmen of Am. v. Casados, 15 F. Supp. 483 (D.N.M. 1936). See also, Modern Woodmen of Am. v. Casados, 17 F. Supp.
Self-insured employer under Workmen's Compensation Act is not insurance company transacting insurance business and therefore is not subject to the premium tax. 1979 Op. Att'y Gen. No. 79-38.

"Return premiums". — If an insurance company issues policies upon what is called the "level premium" plan, and returns to policyholders a portion of their premiums as so-called dividends, they should be considered as "return premiums." 1935-36 Op. Att'y Gen. No. 36-1265.

All moneys returned or allowed in abatement of future premiums to policyholders in a mutual company arising because of overcharge or overestimation of death rate and administration expense and underestimation of earnings were "returned premiums" within the meaning of Code 1915, § 2810 (since repealed) and exempt from taxation. New York Life Ins. Co. v. Chaves, 21 N.M. 264, 153 P. 303 (1915).

Membership fees as premiums. — When membership fees are in the nature of consideration paid for issuance of insurance contracts they are taxable as premiums, but when they are paid to defray expenses apart from insurance business as such, they are not taxable. 1941-42 Op. Att'y Gen. No. 42-4166.

Payments for annuities. — Proceeds received by life insurance companies for annuity contracts were not subject to the two percent premium tax imposed on such companies. 1937-38 Op. Att'y Gen. No. 37-1538.


44 C.J.S. Insurance § 3, 6, 17, 18, 1647.

59A-6-2.1. Repealed.


59A-6-3. Insurer must pay tax on withdrawal from state.

Any insurer holding certificate of authority to transact insurance in New Mexico which ceases to do business in the state shall thereupon file with the superintendent report of its premiums collected to date of such cessation of business which are subject to premium tax as provided by Section 102 [59A-6-2 NMSA 1978] of this article and not theretofore reported, and forthwith pay to the superintendent the tax thereon and surrender its certificate of authority to the superintendent.

History: Laws 1984, ch. 127, § 103.

59A-6-4. Penalty for failure to report or pay tax or fees.

Every insurer, nonprofit health care plan, health maintenance organization, prepaid dental plan or prearranged funeral plan transacting business in New Mexico that fails to file when due
any report for taxation, regardless of whether tax is due, or to pay when due any tax or fees as required in this article shall be liable to the state for the amount thereof and for penalty of one thousand dollars ($1,000) for each month or part thereof it has failed to file the report or pay the tax or fees after demand therefor. Services of process in any action against a person to recover the tax, fee or penalty may be upon the superintendent as attorney for service of process as provided in Section 59A-5-32 NMSA 1978.

**History:** Laws 1984, ch. 127, § 104; 1987, ch. 259, § 6; 1988, ch. 76, § 2; 1993, ch. 320, § 16.

The 1993 amendment, effective June 18, 1993, in the first sentence, inserted "regardless of whether tax is due" and deleted "of New Mexico" following "state".


**59A-6-5. Distribution of division collections.**

A. All money received by the division for fees, licenses, penalties and taxes shall be paid daily by the superintendent to the state treasurer and credited to the "insurance department suspense fund" except as provided by:

1. the Law Enforcement Protection Fund Act [29-13-1 NMSA 1978];
2. Section 59A-6-1.1 NMSA 1978; and

B. The superintendent may authorize refund of money erroneously paid as fees, licenses, penalties or taxes from the insurance department suspense fund under request for refund made within three years after the erroneous payment. In the case of premium taxes erroneously paid or overpaid in accordance with law, refund may also be requested as a credit against premium taxes due in any annual or quarterly premium tax return filed within three years of the erroneous or excess payment.

C. The "insurance operations fund" is created in the state treasury. The fund shall consist of the distributions made to it pursuant to Subsection D of this section. The legislature shall annually appropriate from the fund to the division those amounts necessary for the division to carry out its responsibilities pursuant to the Insurance Code [59A-1-1 NMSA 1978] and other laws. Any balance in the fund at the end of a fiscal year greater than one-half of that fiscal year's appropriation shall revert to the general fund.

D. At the end of every month, after applicable refunds are made pursuant to Subsection B of this section, the treasurer shall make the following transfers from the balance remaining in the insurance department suspense fund:

1. to the "fire protection fund", that part of the balance derived from property and vehicle insurance business;
2. to the insurance operations fund, that part of the balance derived from the fees imposed pursuant to Subsections A and E of Section 59A-6-1 NMSA 1978 other than fees
derived from property and vehicle insurance business; and

(3) to the general fund, the balance remaining in the insurance department suspense fund derived from all other kinds of insurance business.


Cross references. — For the general fund, see 6-4-2 NMSA 1978.

The 1996 amendment, effective February 28, 1996, in Subsection A, deleted "except as provided by the Law Enforcement Protection Fund Act" following "penalties and taxes", added "except as provided by:" at the end of the introductory language, and added Paragraphs (1) and (2).

The 1999 amendment, effective June 18, 1999, deleted "or insurance board" preceding "for fees, licenses" and deleted "heretofore created and now existing" preceding "except as provided by" in the introductory language of Subsection A and deleted "with approval of the corporation commission or insurance board, as the case may be related to the money involved" following "The superintendent" in Subsection B.

The 2003 amendment, effective July 1, 2003, added Paragraph (3) of Subsection A and made minor stylistic changes.

The 2004 amendment, effective May 19, 2004, added a new Subsection C creating the insurance operations fund, redesignated former Subsection C as Subsection D and added a new Paragraph (2) to Subsection D to provide for the source of revenues to the insurance operations fund.

The 2007 amendment, effective June 15, 2007, adds the second sentence to Subsection B to permit refunds to be credited against premium taxes due.


44 C.J.S. Insurance § 20.

59A-6-6. Preemption and in lieu provision.

The state government of New Mexico preempts the field of taxation of insurers, nonprofit health care plans, health maintenance organizations, prepaid dental plans, prearranged funeral plans and insurance agents and solicitors as such; and payment of the taxes, licenses and fees provided for in the Insurance Code shall be in lieu of all other taxes, licenses and fees of every kind now or hereafter imposed by this state or any political subdivision thereof on any of the foregoing specified entities, excepting the regular state, county and city taxes on property located in New Mexico excepting the income tax on agents and solicitors. As used in this section, "agent" does not include insurance adjusters. No provision of law enacted after January 1, 1985 shall be deemed to modify this provision except by express reference to this section.


59A-6-7. Repealed.


ARTICLE 7
Kinds of Insurance; Limits of Risk; Reinsurance

Section
59A-7-1 Definitions not mutually exclusive; insuring powers; classification of insurers.
59A-7-2 "Life" insurance defined.
59A-7-3 "Health" insurance defined.
59A-7-4 "Property" insurance defined.
59A-7-5 "Marine and transportation," "wet marine" insurance defined.
59A-7-6 "Casualty" insurance defined.
59A-7-7 "Vehicle" insurance defined.
59A-7-8 "Surety" insurance defined.
59A-7-9 "Title" insurance defined.
59A-7-10 Limit of risk.
59A-7-11 Reinsurance.

59A-7-1. Definitions not mutually exclusive; insuring powers; classification of insurers.

A. It is intended that certain insurance coverages may come within more than one "kind" of insurance as defined in this article, and inclusion of such coverage within one definition shall not exclude it as to any other kind of insurance within the definition of which the coverage is likewise reasonably includable.

B. No insurer shall be authorized to transact any kind or kinds of insurance other than those defined in this article. Insurers shall be classified as to insuring powers according to kind or kinds of insurance for which so authorized.


59A-7-2. "Life" insurance defined.

"Life" insurance is insurance of human lives and every insurance appertaining thereto, and the granting, purchasing or disposing of annuities as defined in Section 59A-20-2 NMSA 1978. The transaction of life insurance includes health insurance, as defined in Section 59A-7-3 NMSA 1978, the granting of endowment benefits, additional incidental benefits in event of death or
dismemberment by accident or accidental means, additional incidental benefits in event of the insured's or annuitant's disability, optional modes of settlement of proceeds, and provisions operating to safeguard life insurance and annuity contracts against lapse.


**The 1995 amendment,** effective June 16, 1995, added "as defined in Section 59A-20-2 NMSA 1978" at the end of the first sentence and inserted "health insurance, as defined in Section 59A-7-3 NMSA 1978" in the second sentence.


Accident or life insurance: death by autoerotic asphyxiation as accidental, 62 A.L.R.4th 823.

44 C.J.S. Insurance § 8 et seq.

**59A-7-3. "Health" insurance defined.**

"Health" insurance is:

A. insurance of human beings against bodily injury, disablement or death by accident or accidental means, or the expense thereof;

B. insurance of human beings against disablement or expense resulting from sickness, old age or accident; and

C. insurance appertaining to insurance described in Subsections A and B of this section, including:

(1) provisions operating to safeguard contracts of health insurance against lapse in event of strike or layoff due to labor disputes; and

(2) insurance that reimburses or pays on behalf of an employer or health care plan sponsor all or part of the employer's, sponsor's or health care plan's expenses or obligations arising pursuant to a health care plan.

**History:** Laws 1984, ch. 127, § 109; 2000, ch. 61, § 1.

**The 2000 amendment,** effective March 6, 2000, rewrote the section, assigning the subsection designations and adding Subsection C(2).


Accident insurance: what is "loss" of body member, 51 A.L.R.4th 156.

Accident or life insurance: death by autoerotic asphyxiation as accidental, 62 A.L.R.4th 823.

What services, equipment, or supplies are "medically necessary" for purposes of coverage under medical insurance, 75 A.L.R.4th 763.

Death or injury from taking illegal drugs or narcotics as accidental or result of accidental means within insurance coverage, 32 A.L.R.5th 629.
59A-7-4. "Property" insurance defined.

A. "Property" insurance is insurance of real or personal property of every kind and of every interest therein against loss or damage from any and all hazards or causes, and against loss consequential upon such loss or damage.

B. "Property" insurance includes also insurance against the liability of the insured for loss or damage to the property or property interests of another from any cause for which the insured's property involved in such loss or damage is insured by the same insurer.

C. Property insurance does not include title insurance, as defined in Section 115 [59A-7-9 NMSA 1978] of this article.


Liability insurance: when is vehicle in "dead storage," 48 A.L.R.4th 591.

Theft and vandalism insurance: co-insured's misconduct as barring innocent co-insured's right to recover on policy, 64 A.L.R.4th 714.

Property damage insurance: what constitutes "contamination" within policy clause excluding coverage, 72 A.L.R.4th 633.

What is "flood" within exclusionary clause of property damage policy, 78 A.L.R.4th 817.

Construction and effect of provisional or monthly reporting inventory insurance, 81 A.L.R.4th 9.

Construction and effect of property insurance provision permitting recovery of replacement cost of property, 1 A.L.R.5th 817.

Requirement under property insurance policy that insured submit to examination under oath as to loss, 16 A.L.R.5th 412.

What constitutes "vacant land" within meaning of liability of property insurance policy provisions, 47 A.L.R.5th 535.

What constitutes "suit" triggering insurer's duty to defend environmental claims-state cases, 48 A.L.R.5th 355.

59A-7-5. "Marine and transportation," "wet marine" insurance defined.

A. "Marine and transportation" insurance includes:

(1) insurance against any kinds of loss or damage to:

(a) vessels, craft, aircraft, cars, automobiles and vehicles of every kind, as well as all goods, freights, cargoes, merchandise, effects, disbursements, profits, moneys, bullion, precious stones, securities, choses in actions, evidences of debt, valuable papers, bottomry and respondentia interests and all other kinds of property and interest therein, in connection with any
and all risks or perils of navigation, transit or transportation, including war risks, on or under any seas or other waters, on land or in the air, or while being assembled, packed, crated, baled, compressed or similarly prepared for shipment or while awaiting the same or during any delays, storage, transshipment or reshipment incidental thereto, including marine builder's risks and all personal property floater risks; and

(b) person or property in conjunction with a marine, inland marine, transit or transportation insurance, including liability for loss of or damage to either, arising out of or in connection with the construction, repair, operation, maintenance or use of the subject matter of such insurance (but not including life insurance or surety bonds or insurance against loss by reason of bodily injury to the person arising out of the ownership, maintenance or use of automobiles); and

(c) precious stones, jewels, jewelry, gold, silver and other precious metal, whether used in business or trade or otherwise and whether the same is in the course of transportation or otherwise; and

(d) bridges, tunnels and other instrumentalities of transportation and communication (including buildings, their furniture and furnishings, fixed contents and supplies held in storage) unless fire, tornado, sprinkler leakage, hail, explosion, earthquake, riot or civil commotion are the only hazards to be covered; piers, wharves, docks and slips, excluding the risks of fire, tornado, sprinkler leakage, hail, explosion, earthquake, riot or civil commotion; other aids to navigation and transportation, including dry docks and marine railways, against all risks; and

(2) "marine protection and indemnity insurance," meaning insurance against legal liability of the insured for, loss, damage or expense arising out of, or incidental to, the ownership, operation, chartering, maintenance, use, repair or construction of any vessel, craft or instrumentality in use in ocean or inland waterways, including liability of the insured for personal injury, illness or death or for loss of or damage to the property of another person.

B. For the purposes of the Insurance Code "wet marine and transportation" insurance is that part of marine and transportation insurance which includes only:

(1) insurance upon vessels, crafts, hulls and of interests therein or with relation thereto;

(2) insurance of marine builders' risks, marine war risks and contracts of marine protection and indemnity insurance;

(3) insurance of freights and disbursements pertaining to a subject of insurance coming within this definition; and

(4) insurance of personal property and interests therein, in course of exportation from or importation into any country, or in course of transportation coastwise or on inland waters, including transportation by land, water or air from point of origin to final destination, in connection with any and all risks or perils of navigation, transit or transportation, and while being prepared for and while awaiting shipment, and during any delays, storage, transshipment or reshipment incident thereto.
History: Laws 1984, ch. 127, § 111.


Acts in self-defense as within provision of liability insurance policy expressly excluding coverage for damage or injury intended or expected by insured, 34 A.L.R.4th 761.

59A-7-6. "Casualty" insurance defined.

A. "Casualty" insurance includes:

(1) health insurance, as defined in Section 109 [59A-7-3 NMSA 1978] of this article;

(2) Liability Insurance. Insurance against legal liability for the death, injury or disability of any human being, or for damage to property; and provision of medical, hospital, surgical, [or] disability benefits to injured persons and funeral and death benefits to dependents, beneficiaries of [or] personal representatives of persons killed, irrespective of legal liability of the insured, when issued as an incidental coverage with or supplemental to liability insurance. Liability insurance as a "casualty" coverage does not include insurance of vehicles as defined as "vehicle" insurance under Section 113 [59A-7-7 NMSA 1978] of this article;

(3) Workmen's Compensation and Employer's Liability. Insurance of the obligations accepted by, imposed upon or assumed by employers under law for death, disablement or injury of employees;

(4) Burglary and Theft. Insurance against loss or damage by larceny, robbery, forgery, fraud, vandalism, malicious mischief, confiscation or wrongful conversion, disposal or concealment, or from any attempt at any of the foregoing, including supplemental coverage for medical, hospital, surgical and funeral expense incurred by the named insured or any other person as a result of bodily injury during the commission of a burglary, robbery or theft by another, and insurance against loss of or damage to moneys, coins, bullion, securities, notes, drafts, acceptances or any other valuable papers and documents, resulting from any cause;

(5) Personal Property Floater. Insurance upon personal effects against loss or damage from any cause;

(6) Glass. Insurance against loss or damage to glass, including its lettering, ornamentation and fittings;

(7) Boiler and Machinery. Insurance against any liability and loss or damage to property or interest resulting from accidents to or explosions of boilers, pipes, pressure containers, machinery or apparatus, and to make inspection of and issue certificates of inspection upon boilers, machinery and apparatus of any kind, whether or not insured;

(8) Leakage and Fire-Extinguishing Equipment. Insurance against loss or damage to any property or interest caused by the breakage or leakage of sprinklers, hoses, pumps and other fire-extinguishing equipment or apparatus, water pipes or containers, or by water entering
through leaks or openings in buildings, and insurance against loss or damage to such sprinklers, hoses, pumps and other fire-extinguishing equipment or apparatus;

(9) Credit and Mortgage Guaranty. Insurance against loss or damage resulting from failure of debtors to pay their obligations to the insured, and insurance of real property mortgage lenders against loss by reason of nonpayment of the mortgage indebtedness;

(10) Malpractice. Insurance against legal liability of the insured, and against loss, damage or expense incidental to a claim for such liability, and including medical, hospital, surgical and funeral benefits to injured persons irrespective of legal liability of the insured, arising out of the death, injury or disablement of any person, or arising out of damage to the economic interest of any person, as the result of negligence in rendering expert, fiduciary or professional service;

(11) Elevator. Insurance against loss of or damage to any property of the insured resulting from ownership, maintenance or use of elevators or escalators, except loss or damage by fire, and to make inspection of and issue certificates of inspection upon, elevators or escalators;

(12) Congenital Defects. Insurance against congenital defects in human beings;

(13) Livestock. Insurance against loss or damage to livestock, and services of veterinary for such animals;

(14) Entertainments. Insurance indemnifying the producer of any motion picture, television, radio, theatrical, sport, spectacle, entertainment or similar production, event or exhibition against loss from interruption, postponement or cancellation thereof due to death, accidental injury or sickness of performers, participants, directors or other principals;

(15) Mechanical Breakdown. Insurance of motor vehicles against mechanical failure or breakdown of engine parts, drive train or equipment;

(16) Failure to File Instrument. Insurance against loss resulting from failure to file certain instruments affecting title of or creating lien upon personal property;

(17) Kidnap. Insurance against kidnap and ransom of human beings;

(18) Miscellaneous. Insurance against any other kind of loss, damage or liability properly a subject of insurance and not within any other kind of insurance as defined in this article, if such insurance is not disapproved by the superintendent as being contrary to law or public policy.

B. Provision of medical, hospital, surgical and funeral benefits and of other insurance as stated under Subparagraphs (2) (liability), (4) (burglary), and (10) (malpractice), of Subsection A, above, shall for all purposes be deemed to be the same kind of insurance to which it is so incidental, and shall not be subject to provisions of the Insurance Code applicable to life and health insurance.

History: Laws 1984, ch. 127, § 112.
Bracketed material. — The bracketed word "or" in Paragraph A(2) was inserted by the compiler. It was not enacted by the legislature, and it is not a part of the law.


ANNOTATION

Intent to harm can be inferred. — With regard to whether sexual assault is the kind of intentional act to which liability insurance does not apply, the insured's intent to harm can be inferred as a matter of law. Sena v. Travelers Ins. Co., 801 F. Supp. 471 (D.N.M. 1992).


Coverage and exclusions of liability or indemnity policy on physicians, surgeons, and other healers, 33 A.L.R.4th 14, 14 A.L.R.5th 695.

Self-insurance against liability as other insurance within meaning of liability insurance policy, 46 A.L.R.4th 707.

Livestock or animal insurance: risks and losses, 47 A.L.R.4th 772.

Liability insurance: when is vehicle in "dead storage," 48 A.L.R.4th 591.

Aviation insurance: causal link between breach of policy provisions and accident as requisite to avoid insurer's liability, 48 A.L.R.4th 778.

Liability insurance: excess carrier's right of action against primary carrier for improper or inadequate defense of claim, 49 A.L.R.4th 304.

Boiler and machinery insurance: risks and losses covered by policy or provision expressly covering boilers and machinery, 49 A.L.R.4th 336.

Partnership or joint venture exclusion in contractor's or other similar comprehensive general liability insurance policy, 57 A.L.R.4th 1155.

Liability insurance: what is "claim" under deductibility-per-claim clause, 60 A.L.R.4th 983.

What constitutes single accident or occurrence within liability policy limiting insurer's liability to a specified amount per accident or occurrence, 64 A.L.R.4th 668.

Theft and vandalism insurance: coinsured's misconduct as barring innocent coinsured's right to recover on policy, 64 A.L.R.4th 714.

What constitutes theft within automobile theft insurance policy - modern cases, 67 A.L.R.4th 82.

Construction and effect of "rain insurance" policies insuring against rainfall on the date of concert, exhibition, game, or the like, 70 A.L.R.4th 1010.

Liability of tortfeasor's insurance agent or broker to injured party for failure to procure or maintain liability insurance, 72 A.L.R.4th 1095.

Construction and effect of provisional or monthly reporting inventory insurance, 81 A.L.R.4th 9.
Liability insurance coverage for violations of antipollution laws, 87 A.L.R.4th 444.

Who is an "executive officer" of insured within meaning of liability insurance policy, 1 A.L.R.5th 132.

Event triggering liability insurance coverage as occurring within period of time covered by liability insurance policy where injury or damage is delayed - modern cases, 14 A.L.R.5th 695.

Validity, construction, and effect of assault and battery exclusion in liability insurance policy at issue, 44 A.L.R.5th 91.

What constitutes "vacant land" within meaning of liability of property insurance policy provisions, 47 A.L.R.5th 535.

What constitutes "suit" triggering insurer's duty to defend environmental claims-state cases, 48 A.L.R.5th 355.

Duty of liability insurer to initiate settlement negotiations, 51 A.L.R.5th 701.

What constitutes "vandalism" or "malicious mischief" within meaning of insurance policy specifically extending coverage to losses from such causes, 56 A.L.R.5th 407.

Liability of insurance agent or broker on ground of inadequacy of liability-insurance coverage procured, 60 A.L.R.5th 165.

When is medical expense "incurred" under policy providing for payment of medical expenses incurred within fixed period of time from date of injury, 65 A.L.R.5th 649.

44 C.J.S. Insurance § 5 et seq.

59A-7-7. "Vehicle" insurance defined.

"Vehicle" insurance is insurance covering:

A. Physical Damage. Insurance against loss of or damage to any land vehicle or aircraft or any draft or riding animal resulting from or incident to ownership, maintenance or use of any such vehicle, aircraft or animal;

B. Public Liability and Property Damage. Insurance against any hazard or cause, and against any loss, liability or expense resulting from or incident to ownership, maintenance or use of any such vehicle, aircraft or animal;

C. Cargo. Insurance against loss of or damage to property contained in a vehicle or being loaded or unloaded therein or therefrom or incident to the ownership, maintenance or use of any such vehicle, aircraft or animal; and

D. Medical Payments. Insurance for payment on behalf of the injured party or for reimbursement of the insured for payment, irrespective of legal liability of the insured, of medical, hospital, surgical and disability benefits, to persons injured and funeral and death benefits to dependents, beneficiaries or personal representatives of persons killed as the result of an accident, resulting from or incident to ownership, maintenance or use of any such vehicle, aircraft or animal. Such coverage shall not be deemed to be "health" insurance for purposes of

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the Insurance Code.


ANNOTATIONS


Coverage for domestic partners. — Because there is no express statutory language or indication of legislative intent in New Mexico that domestic partners must be included in the definition of family member for purposes of automobile insurance coverage, excluding domestic partners from the definition family member is not invalid as contrary to the public policy of the state of New Mexico. Hartford Ins. Co. v. Cline, 2006-NMSC-033, 140 N.M. 16, 139 P.3d 176.


Consortium claim of spouse, parent or child of accident victim as within extended "per accident" coverage rather than "per person" coverage of automobile liability policy, 46 A.L.R.4th 735.

Uninsured motorist coverage: injuries to motorcyclists as within affirmative or exclusionary terms of automobile insurance policy, 46 A.L.R.4th 771.

Automobile liability insurance policy flight from police exclusion: validity and effect, 49 A.L.R.4th 325.

Validity, under insurance statutes, of coverage exclusion for injury to or death of insured's family or household members, 52 A.L.R.4th 18.

What constitutes use of vehicle "in the automobile business" within exclusionary clause of liability policy, 56 A.L.R.4th 300.

What constitutes "entering" or "alighting from" vehicle within meaning of insurance policy, or statute mandating insurance coverage, 59 A.L.R.4th 149.

What constitutes single accident or occurrence within liability policy limiting insurer's liability to a specified amount per accident or occurrence, 64 A.L.R.4th 668.

Automobile insurance: umbrella or catastrophe policy automobile liability coverage as affected by primary policy "other insurance" clause, 67 A.L.R.4th 14.

What constitutes theft within automobile theft insurance policy - modern cases, 67 A.L.R.4th 82.

"Excess" or "umbrella" insurance policy as providing coverage for accidents with uninsured or underinsured motorists, 2 A.L.R.5th 922.

Event triggering liability insurance coverage as occurring within period of time covered by liability insurance policy where injury or damage is delayed - modern cases, 14 A.L.R.5th 695.
Uninsured or underinsured motorist insurance: validity and construction of policy provision purporting to reduce recovery by amount of social security disability benefits or payments under similar disability benefits law, 24 A.L.R.5th 766.

Uninsured and underinsured motorist coverage: validity, construction and effect of policy provision purporting to reduce coverage by amount paid or payable under workers' compensation law, 31 A.L.R.5th 116.

Automobile insurance coverage for drive-by shootings and other incidents involving the intentional discharge of firearms from moving motor vehicles, 41 A.L.R.5th 91.

No-fault insurance coverage for injury or death of insured occurring during carjacking or attempted carjacking, 42 A.L.R.5th 727.

Duty of liability insurer to initiate settlement negotiations, 51 A.L.R.5th 701.

Requirement that multicoverage umbrella insurance policy offer uninsured or underinsured motorist coverage equal to liability limits under umbrella provisions, 52 A.L.R. 5th 451.

What constitutes use of automobile 'to carry persons or property for fee' within exclusion of automobile insurance policy, 57 A.L.R.5th 591.

44 C.J.S. Insurance § 8.


"Surety" insurance includes:

A. fidelity insurance, which is insurance guaranteeing the fidelity of persons holding positions of public or private trust;

B. insurance guaranteeing the performance of contracts, other than insurance policies, and guaranteeing and executing bonds, undertakings and contracts of suretyship; and

C. insurance indemnifying banks, bankers, brokers, financial or moneyed corporations or associations against loss, resulting from any cause, of bills of exchange, notes, bond [bonds], securities, evidence of debt, deeds, mortgages, warehouse receipts or other valuable papers, documents, money, precious metals and articles made therefrom, jewelry, watches, gems, precious and semiprecious stones, including any loss while the same are being transported in armored motor vehicles, or by messenger, but not including any other risks of transportation or navigation; and also insurance against loss or damage to such an insured's premises or to furnishings, fixtures, equipment, safes and vaults therein, caused by burglary, robbery, theft, vandalism or malicious mischief, or any attempt thereat.


Construction and effect of clause in fidelity bond or insurance policy excluding from coverage losses proved by "inventory computation" or "profit and loss computation," 45 A.L.R.4th 1049.
Construction and effect of "jeweler's block" policies or provisions contained therein, 22 A.L.R.5th 579.

What constitutes "vandalism" or "malicious mischief" within meaning of insurance policy specifically extending overage to losses from such causes, 56 A.L.R.5th 407.

44 C.J.S. Insurance § 16.

59A-7-9. "Title" insurance defined.

"Title" insurance is insurance of owners of real or personal property or others having an interest therein or liens or encumbrances thereon, against loss by encumbrance, or defective titles, or invalidity, or adverse claim to title.


59A-7-10. Limit of risk.

A. No insurer shall, other than as stated in this section, retain any risk on any one subject of insurance, whether located or to be performed in this state or elsewhere, in an amount exceeding ten percent of its surplus to policyholders.

B. No domestic Lloyds plan insurer shall retain any risk on any one subject of insurance in an amount in excess of ten percent of the sum of its surplus as to policyholders plus additional liability assumed by individual underwriters in the articles of agreement and policies or contracts of insurance.

C. No insurer shall retain as to title insurance risk on any one subject of insurance in an amount exceeding fifty percent of its surplus as to policyholders. If the insurer also transacts other kinds of insurance, its "surplus as to policyholders" for the purposes of this subsection shall be such reasonable proportion of the insurer's general surplus as to policyholders as may be allocated to title insurance in relation to premium income or other reasonable basis approved by the superintendent.

D. A "subject of insurance" for the purposes of this section means the following:

(1) as to insurance covering damage or loss of real or personal property, all real or personal property insured by an insurer which could reasonably be subject to loss or damage from the same occurrence of an insured hazard; and

(2) as to all other types of insurance, all policies issued by the same insurer applicable to a single insured exposure or occurrence.

E. Reinsurance ceded as authorized by Section 59A-7-11 NMSA 1978 shall be deducted in determining risk retained; but as to surety risks reinsurance shall be allowed as a deduction only if such reinsurance is with an insurer authorized to transact such insurance in this state, and is in such form as to enable the obligee or beneficiary to maintain an action thereon against the reinsured jointly with the reinsurer, and upon recovering judgment against the reinsured to have recovery against the reinsurer for payment to the extent in which it may be liable under such
reinsurance and in discharge thereof. As to surety risks, deduction shall also be made of the amount assumed by any authorized cosurety and the value of any security deposited, pledged or held subject to the surety's consent and for the surety's protection.

F. As to alien insurers, this section relates only to risks and surplus to policyholders of the insurer's United States branch.

G. "Surplus as to policyholders" for the purposes of this section, in addition to the insurer's paid-in capital stock, if any, and surplus, includes also any voluntary reserves which are not required by law, and shall be determined from the last sworn financial statement of the insurer on file with the insurance department, or by the last report of examination of the insurer, whichever is the more recent at time of assumption of risk.

H. This section does not apply to life or health insurance, annuities, insurance of wet marine and transportation risks, workers' compensation insurance, or employers' liability coverages.


The 1993 amendment, effective June 18, 1993, substituted "No insurer shall, other than as stated in this section" for "No stock, mutual, or reciprocal insurer shall, other than as to title insurance" in Subsection A; substituted Subsection D for former provisions, relating to "a subject of insurance"; substituted "Section 59A-7-11 NMSA 1978" for "Section 117 of this article" in Subsection E; and substituted "workers' compensation insurance, or employers' liability coverages" for "workmen's compensation insurance, employers' liability coverages or to any policy or type of coverage as to which the maximum possible loss to the insurer is not readily ascertainable on issuance of the policy" in Subsection H.


Right of reinsurer to question the insurable interest or eligibility of beneficiary, 18 A.L.R. 1163.


Admissibility of polygraph or similar lie detector test results, or willingness to submit to test, on issues of coverage under insurance policy, or insurer's good-faith belief that claim was not covered, 7 A.L.R.5th 143.

44 C.J.S. Insurance § 15 et seq.


A. An insurer may reinsure all or any part of a particular risk or of a particular class of risks in another insurer, or accept such reinsurance from another insurer. No domestic insurer shall so reinsurance with an insurer not authorized to transact insurance in this state unless the unauthorized insurer is authorized to transact insurance in another state and conforms to the same standards of solvency as would be required if at the time such reinsurance is effected the reinsurer was so authorized in this state; or unless, in the case of a group that includes incorporated and individual, unincorporated alien insurers, it has assets held in trust for the benefit of its United States policyholders in an amount not less than one hundred million dollars ($100,000,000), and
is authorized to transact insurance in at least one state; or unless with the superintendent's approval in advance. With the superintendent's approval, a domestic insurer may reinsure all or substantially all of its risks in another insurer, or similarly reinsure the risks of another insurer, as provided in Section 59A-34-40 NMSA 1978.

B. Credit for reinsurance shall be allowed as an asset or as a deduction from liability to any ceding insurer for reinsurance lawfully ceded only when the reinsurance is payable by the assuming insurer on the basis of the liability of the ceding insurer under the contracts reinsured without diminution because of the insolvency of the ceding insurer directly to the ceding insurer or to its domiciliaryliquidator or receiver, except where the assuming insurer with the consent of the direct insured or insureds has assumed such policy obligations of the ceding insurer as direct obligations of the assuming insurer to the payees under such policies and in substitution for the obligations of the ceding insurer to such payees, and the reinsurer meets the requirements of Paragraph (1), (2), (3) or (4) of this subsection. If meeting the requirements of Paragraph (3) of this subsection, the requirements of Paragraph (5) of this subsection must also be met.

(1) Credit shall be allowed when the reinsurance is ceded to an assuming insurer which is authorized to transact insurance or reinsurance in this state.

(2) Credit shall be allowed when the reinsurance is ceded to an assuming insurer which is accredited as a reinsurer in this state. An accredited reinsurer is one which:

(a) files with the superintendent evidence of its submission to this state's jurisdiction;

(b) submits to this state's authority to examine its books and records;

(c) is licensed to transact insurance or reinsurance in at least one state, or in the case of a United States branch of an alien assuming insurer is entered through and licensed to transact insurance or reinsurance in at least one state;

(d) files annually with the superintendent a copy of its annual statement filed with the insurance department of its state of domicile and a copy of its most recent audited financial statement; and either 1) maintains a surplus as regards policyholders in an amount which is not less than twenty million dollars ($20,000,000) and whose accreditation has not been denied by the superintendent within ninety days of its submission; or 2) maintains a surplus as regards policyholders in an amount less than twenty million dollars ($20,000,000) and whose accreditation has been approved by the superintendent.

(e) No credit shall be allowed a ceding insurer, if the assuming insurer's accreditation has been revoked by the superintendent after notice and hearing.

(3) Credit shall be allowed when the following requirements are met:

(a) the reinsurance is ceded to an assuming insurer which maintains a trust fund in a qualified United States financial institution, as defined in Paragraph (2) of Subsection D of this section, for the payment of the valid claims of its United States policyholders and ceding insurers, their assigns and successors in interest. The assuming insurer shall report annually to the superintendent information substantially the same as that required to be reported on the national association of insurance commissioners annual statement form by licensed insurers to
enable the superintendent to determine the sufficiency of the trust fund. In the case of a single assuming insurer, the trust shall consist of a trustee account representing the assuming insurer's liabilities attributable to business written in the United States, and, in addition, the assuming insurer shall maintain a trustee surplus of not less than twenty million dollars ($20,000,000). In the case of a group that includes incorporated and individual unincorporated underwriters, the trust shall consist of a trustee account representing the group's liabilities attributable to business written in the United States and, in addition, the group shall maintain a trustee surplus of which one hundred million dollars ($100,000,000) shall be held jointly for the benefit of United States ceding insurers of any member of the group; provided, the group shall make available to the superintendent an annual certification of the solvency of each underwriter by the group's domiciliary regulator and its independent public accounts; and provided further, the incorporated members of the group shall not engage in any business other than underwriting as a member of the group and shall be subject to the same level of solvency regulation and control by the group's domiciliary regulator as are the unincorporated members;

(b) in the case of a group of incorporated insurers under common administration which complies with the filing requirements contained in Subparagraph (a) of this paragraph, and which has continuously transacted an insurance business outside the United States for at least three years immediately prior to making application for accreditation, and submits to this state's authority to examine its books and records and bears the expense of the examination, and which has aggregate policyholders' surplus of ten billion dollars ($10,000,000,000); the trust shall be in an amount equal to the group's several liabilities attributable to business ceded by United States ceding insurers to any member of the group pursuant to reinsurance contracts issued in the name of such group; plus the group shall maintain a joint trustee surplus of which one hundred million dollars ($100,000,000) shall be held jointly and exclusively for the benefit of the United States ceding insurers of any member of the group as additional security for any such liabilities, and each member of the group shall make available to the superintendent an annual certification of the member's solvency by the member's domiciliary regulator and its independent public accountant;

(c) such trust shall be established in a form approved by the superintendent. The trust instrument shall provide that contested claims shall be valid and enforceable upon the final order of any court of competent jurisdiction in the United States. The trust shall vest legal title to its assets in the trustees of the trust for its United States policyholders and ceding insurers, their assigns and successors in interest. The trust and the assuming insurer shall be subject to examination as determined by the superintendent. The trust described herein must remain in effect for as long as the assuming insurer shall have outstanding obligations due under the reinsurance agreements subject to the trust; and

(d) no later than February 28 of each year the trustees of the trust shall report to the superintendent in writing setting forth the balance of the trust and listing the trust's investments at the preceding year end and shall certify the date of termination of the trust, if so planned, or certify that the trust shall not expire prior to the next following December 31.

(4) Credit shall be allowed when the reinsurance is ceded to an assuming insurer not...
meeting the requirements of Paragraph (1), (2) or (3) of this subsection but only with respect to the insurance of risks located in jurisdictions where such reinsurance is required by applicable law or regulation of that jurisdiction.

(5) If the assuming insurer is not licensed or accredited to transact insurance or reinsurance in this state, the credit permitted by Paragraph (3) of this subsection shall not be allowed unless the assuming insurer agrees in the reinsurance agreements:

(a) that in the event of the failure of the assuming insurer to perform its obligations under the terms of the reinsurance agreement, the assuming insurer, at the request of the ceding insurer, shall submit to the jurisdiction of any court of competent jurisdiction in any state of the United States, will comply with all requirements necessary to give such court jurisdiction and will abide by the final decision of such court or of any appellate court in the event of an appeal; and

(b) to designate the superintendent or a designated attorney as its true and lawful attorney upon whom may be served any lawful process in any action, suit or proceeding instituted by or on behalf of the ceding company. This provision is not intended to conflict with or override the obligation of the parties to a reinsurance agreement to arbitrate their disputes, if such an obligation is created in the agreement.

C. A reduction from liability for the reinsurance ceded by an insurer to an assuming insurer not meeting the requirements of Subsection B of this section shall be allowed in an amount not exceeding the liabilities carried by the ceding insurer and such reduction shall be in the amount of funds held by or on behalf of the ceding insurer, including funds held in trust for the ceding insurer, under a reinsurance contract with such assuming insurer as security for the payment of obligations thereunder, if such security is held in the United States subject to withdrawal solely by, and under the exclusive control of, the ceding insurer; or, in the case of a trust, held in a qualified United States financial institution, as defined in Paragraph (2) of Subsection D. This security may be in the form of:

(1) cash;

(2) securities listed by the securities valuation office of the national association of insurance commissioners and qualifying as admitted assets;

(3) clean, irrevocable, unconditional letters of credit, issued or confirmed by a qualified United States financial institution, as defined in Paragraph (1) of Subsection D, no later than December 31 in respect of the year for which filing is being made, and in the possession of the ceding company on or before the filing date of its annual statement. Letters of credit meeting applicable standards of issuer acceptability as of the dates of their issuance or confirmation shall, notwithstanding the issuing or confirming institution's subsequent failure to meet applicable standards of issuer acceptability, continue to be acceptable as security until their expiration, extension, renewal, modification or amendment, whichever first occurs; or

(4) any other form of security acceptable to the superintendent.

D. A "qualified United States financial institution" means:
for purposes of Paragraph (3) of Subsection C, an institution that:

(a) is organized or, in the case of a United States office of a foreign banking organization, licensed, under the laws of the United States or any state thereof;

(b) is regulated, supervised and examined by United States federal or state authorities having regulatory authority over banks and trust companies; and

(c) has been determined by either the superintendent or the securities valuation office of the national association of insurance commissioners to meet such standards of financial condition and standing as are considered necessary and appropriate to regulate the quality of financial institutions whose letters of credit are acceptable to the superintendent; and

(2) for purposes of those provisions of this section specifying those institutions that are eligible to act as a fiduciary of a trust, an institution that:

(a) is organized or, in the case of a United States branch or agency office of a foreign banking organization, licensed, under the laws of the United States or any state thereof and has been granted authority to operate with fiduciary powers; and

(b) is regulated, supervised and examined by federal or state authorities having regulatory authority over banks and trust companies.

E. No insurer shall accept reinsurance of risk of any kind of insurance it is not authorized to transact directly in this state, if an authorized insurer, or in another state if the insurer does not hold a certificate of authority in this state.

F. Upon the superintendent's request an insurer shall furnish the superintendent with copies of its reinsurance treaties then in effect, and promptly inform the superintendent in writing of cancellation or other material change in its reinsurance treaties or arrangements.

G. No person shall have any rights against the reinsurer which are not expressly stated in the reinsurance contract or in a written agreement between such person and the reinsurer.

H. This section does not apply to wet marine and transportation insurance.


The 1993 amendment, effective June 18, 1993, substituted "Section 59A-34-40 NMSA 1978" for "Section 586 (bulk reinsurance) of the Insurance Code" in the last sentence in Subsection A; rewrote Subsection B; added Subsections C and D; and redesignated former Subsections C through F as present Subsections E through H.

The 1994 amendment, effective February 15, 1994, in the last sentence in Subparagraph B(3)(b), substituted "that includes incorporated and" for "of" near the beginning and "provided, the group" for "and, the group" near the middle, and added the proviso clause at the end; and inserted "financial" in the first sentence in Paragraph C(3).

ANNOTATION

Effect of Property and Casualty Insurance Guaranty Law. — Excess workers' compensation


ARTICLE 8
Assets and Liabilities

Section
59A-8-1 "Assets" defined.
59A-8-2 Assets not allowed.
59A-8-3 Disallowance of "wash" transactions.
59A-8-4 Liabilities, in general.
59A-8-5 Standard valuation law, life insurance and annuities.
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59A-8-8 Loss reserves.
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59A-8-10 Unearned premium reserve, marine and transportation insurance.
59A-8-11 Title insurance reserves.
59A-8-12 Mortgage guaranty contingency reserve.
59A-8-13 Valuation of bonds.
59A-8-14 Valuation of other securities.
59A-8-15 Valuation of property.
59A-8-16 Valuation of purchase money mortgages.

59A-8-1. "Assets" defined.

In determination of the financial condition of any insurer or fraternal benefit society or United States branch of an alien insurer there shall be allowed as assets only such assets as are owned by the insurer or society and which consist of:

A. cash, including legal tender or equivalent thereof, in the principal or any branch office of the insurer or society or in transit under its control, and including the true balance of any deposit in a solvent bank or trust company;

B. investments, securities, properties and loans acquired or held in accordance with the Insurance Code, and in connection therewith the following items:

(1) interest due or accrued on any bond or evidence of indebtedness which is not in default and which is not valued on a basis including accrued interest;

(2) declared and unpaid dividends on stock and shares, unless such amount has otherwise been allowed as an asset;
(3) interest due or accrued upon a collateral loan in an amount not to exceed one year's interest thereon;

(4) interest due or accrued on deposits in solvent banks and trust companies, and interest due or accrued on other assets, if such interest is, in the superintendent's judgment, a collectible asset;

(5) interest due or accrued on a mortgage or deed of trust loan, in an amount not exceeding in any event the amount, if any, of the excess of the value of the property less delinquent taxes thereon over the unpaid principal; but in no event shall interest accrued for a period in excess of eighteen months be allowed as an asset;

(6) rent due or accrued on real property if such rent is not in arrears for more than three months, and rent more than three months in arrears if the payment of such rent is adequately secured by property held in the name of the tenant and conveyed to the insurer or society as collateral; and

(7) the unaccrued portion of taxes paid prior to the due date on real property;

C. premium notes, policy loans and other policy assets and liens on policies and certificates of life insurance and annuity contracts and accrued interest thereon, in amount not exceeding the legal reserve and other policy liabilities carried on each individual policy or contract;

D. the net amount of uncollected and deferred premiums and annuity considerations in the case of a life insurer or fraternal benefit society which carries the full mean tabular reserve liability; and in case of a fraternal benefit society which does not carry the full mean tabular reserve liability, premiums or assessments actually collected by subordinate branches of the society and not yet received by its home office;

E. premiums in course of collection, other than for life insurance, not more than ninety days past due, less commissions payable thereon. This limitation as to ninety days shall not apply as to premiums payable directly or indirectly by the United States government or by any of its instrumentalities; nor shall it apply to reinsurance premiums receivable by an assuming insurer to the extent offset by amounts carried by the assuming insurer as liabilities for amounts due to the ceding insurer for unpaid losses or other mutual debts, but in no event shall reinsurance premiums more than ninety days past due be allowed in excess of ten percent of the assuming insurer's admitted assets as shown by its most recent annual statement on file with the superintendent;

F. installment premiums other than life insurance or annuity premiums, to the extent of the unearned premium reserves carried on the policy or contract to which the premium applies;

G. notes and like written obligations not past due, taken for premiums other than life insurance or annuity premiums, on policies and contracts permitted to be issued on such basis, to the extent of the unearned premium reserves carried thereon, except as otherwise prescribed by regulations of the superintendent;
H. reinsurance recoverable by a ceding insurer to the extent credit is allowed under Section 59A-7-11 of the Insurance Code;

I. amounts receivable by an assuming insurer for funds withheld by a solvent ceding insurer under a reinsurance treaty, but not exceeding the amounts carried by the assuming insurer as liabilities for unpaid losses and reserves under such contracts;

J. deposits or equities recoverable from underwriting associations, syndicates and reinsurance funds, or from suspended banking and other financial institutions, to the extent deemed by the superintendent available for payment of losses and claims and at values determined by the superintendent;

K. all such assets, whether or not consistent with the other provisions of this section, as may be allowed pursuant to the annual statement form approved by the superintendent for the kinds of insurance to be reported upon therein;

L. electronic and mechanical machines and related programs and equipment constituting a data processing, record keeping, accounting, word processing (excluding typewriters) or other electronic computer system in actual use, the cost of which shall be amortized in full over a period of not more than ten years. The aggregate amount invested in all such systems shall not exceed five percent of the insurer's or society's assets;

M. as to title insurance, the title plant and equipment necessary for conduct of the abstract and title insurance business, at not to exceed the original cost thereof. The superintendent may also allow as assets as to title insurance, premiums and fees for title examination and title insurance not more than twelve months past due, less commissions payable thereon; and

N. other assets, not inconsistent with the other provisions of this section, deemed by the superintendent to be available for payment of losses and claims, at values to be determined by the superintendent.


The 1993 amendment, effective June 18, 1993, rewrote Subsection H, and made stylistic changes throughout the section.


59A-8-2. Assets not allowed.

A. In addition to assets impliedly excluded by provisions of Section 118 [59A-8-1 NMSA 1978] of this article, the following expressly shall not be allowed as assets in any determination of the financial condition of any insurer or fraternal benefit society:

(1) goodwill, trade names and other like intangible assets;

(2) advances to directors, officers, employees and agents (other than policy loans) whether secured or not, and advances to other persons on personal security only;
(3) stock of such insurer, owned by it, or any equity therein or loans secured thereby, or any proportionate interest in such stock acquired or held through ownership by the insurer of an interest in another corporation or business unit;

(4) furniture, fixtures, furnishings, safes, vehicles, libraries, stationery, literature and supplies (other than data processing, recordkeeping, accounting, word processing and electronic computer systems authorized under Subsection L of Section 118 [59A-8-1 NMSA 1978] of this article) except:

(a) in the case of title insurers such materials and plants as the insurer is expressly authorized to carry as an asset under Subsection M of Section 118 [59A-8-1 NMSA 1978] of this article; and

(b) in the case of any insurer or fraternal benefit society, such personal property as it is permitted to hold pursuant to Article 9 (investments) [Chapter 59A, Article 9 NMSA 1978] of the Insurance Code, or which is reasonably necessary for the maintenance or operation of real property lawfully acquired and held, other than real property used for home office, branch office and similar purposes;

(5) the amount, if any, by which the aggregate book value of investments as carried in ledger assets exceeds the aggregate value thereof as determined under the Insurance Code.

B. All nonadmitted assets and all other assets of doubtful value or character included as ledger or nonledger assets in any statement by an insurer or fraternal benefit society to the superintendent, or in any examiner's report to the superintendent, shall be reported, to the extent of the value disallowed, as deductions from gross assets except where the superintendent permits a reserve to be carried among liabilities in lieu of any such deductions.


59A-8-3. Disallowance of "wash" transactions.

A. The superintendent shall disallow as an asset or as a credit against liabilities of an insurer, any sale or transfer of property or accounts or any reinsurance found by him after a hearing thereon to have been arranged for the purpose principally of an apparent but temporary betterment as to the transferor, vendor or ceding insurer's financial condition as of the date of any financial statement of the insurer. Without limiting the general purport of the foregoing provision, transfer, sale or reinsurance contracted for in fact within six (6) months prior to the date of any such financial statement and reversed or cancelled in fact within six (6) months after the date of such statement, or reinsurance under which the reinsurer bears no substantial insurance risk or chance of net loss to itself, shall prime [prima] facie be deemed to have been arranged principally for the purpose of such apparent betterment.

B. The superintendent shall disallow as an asset any deposit, funds or other property of the insurer found by him after a hearing thereon:
(1) not to be in good faith the property of the insurer; and
(2) if other than a deposit required to be made and held under or pursuant to statute, not freely subject to withdrawal or liquidation by the insurer at any time for payment or discharge of claims or other obligations arising under its policies; and
(3) to be resulting from arrangements made principally for the purpose of such apparent betterment as to the insurer's financial condition as at the date of any financial statement of the insurer.

C. The superintendent may suspend or revoke the certificate of authority of any insurer which has knowingly been party to any such transaction or attempt thereat.

History: Laws 1984, ch. 127, § 120.

59A-8-4. Liabilities, in general.

In any determination of the financial condition of an insurer, capital stock and liabilities to be charged against its assets shall include:

A. the amount of its capital stock outstanding, if any;
B. the amount, estimated to be consistent with the provisions of the Insurance Code, necessary to pay all of its unpaid losses and claims incurred on or prior to date of the statement whether reported or unreported, together with the expense of adjustment or settlement thereof;
C. as to life insurance policies and annuity contracts, and disability and accidental death benefits in or supplemental thereto:
   (1) the amount of reserves on life insurance policies and annuity contracts in force, valued according to the tables of mortality, rates of interest and methods adopted pursuant to the Insurance Code which are applicable thereto;
   (2) reserves for disability benefits, for both active and disabled lives;
   (3) reserves for accidental death benefits; and
   (4) any additional reserves which may be required by the superintendent consistent with applicable customary and general practice in insurance accounting;
D. as to health insurance policies, the reserves required under Section 59A-8-7 NMSA 1978;
E. as to insurance other than referred to in Subsections C and D of this section, and other than title insurance, the amount of unearned premium reserves computed in accordance with Sections 59A-8-9 and 59A-8-10 NMSA 1978;
F. taxes, expenses and other obligations due or accrued at date of the statement; and
G. liability to agents for commissions contingent on collection of premium shall not be construed as a liability.

59A-8-5. Standard valuation law, life insurance and annuities.

A. This subsection shall apply to only those policies and contracts issued prior to the operative date of Section 59A-20-31 NMSA 1978.

The legal minimum standard for valuation of life insurance contracts issued before the first day of January, 1926, shall be the method and basis of valuation heretofore applied by the insurer in the valuation of such contracts, and for life insurance contracts issued on or after this date shall be the American experience table of mortality, with interest at the rate of three and one-half percent a year; or any other basis not producing a lower net value; provided, however, that the insurer may provide for not more than one-year preliminary term insurance by incorporating in the contracts a clause plainly showing that the first year's insurance under such policies is term insurance.

Except as otherwise provided in Paragraphs (2), (3), (4) and (5) of this subsection and in Subsections C, D, and E of this section and in Subsections C, D, and E of this section and in Subsections C, D, and E of this section for group annuity and pure endowment contracts, the legal minimum standard for the valuation of annuities shall be the American experience table of mortality, with interest at the rate of five percent a year for group annuity and pure endowment contracts and four percent a year for other annuities.

B. Subsections B, C, D and E of this section shall apply to only those policies and contracts issued on and after the operative date of Section 59A-20-31 NMSA 1978, except as otherwise provided in Paragraphs (2), (3), (4) and (5) of this subsection and in Subsections C, D and E of this section for group annuity and pure endowment contracts issued prior to such operative date.

(1) Except as otherwise provided in Paragraphs (2), (3), (4) and (5) of this subsection and Subsections C, D, and E of this section, the minimum standard for the valuation of all such policies and contracts shall be the commissioners reserve valuation methods defined in Paragraphs (1) and (2) of Subsection E of this section, five percent interest for group annuity and pure endowment contracts and three and one-half percent interest for all other such policies and contracts, or in the case of life insurance policies and contracts, other than annuity and pure endowment contracts, issued on or after July 1, 1973, four percent interest for such policies issued prior to July 1, 1977, five and one-half percent interest for single premium life insurance policies and four and one-half percent interest for all other such policies issued on or after July 1, 1977, and the following tables:

(a) for all ordinary policies of life insurance issued on the standard basis, excluding any disability and accidental death benefits in such policies - the commissioners 1941 standard ordinary mortality table for such policies issued prior to the operative date of Paragraph (1) of Subsection D of Section 59A-20-31 NMSA 1978 and the commissioners 1958 standard ordinary mortality table for such policies issued on or after the operative date of Paragraph (1) of Subsection D of Section 59A-20-31 NMSA 1978 and prior to the operative date of Subsection F of Section 59A-20-31 NMSA 1978, provided that for any category of such policies issued on
female risks, all modified net premiums and present values referred to in Subsections B, C, D and E of this section may be calculated according to an age not more than six years younger than the actual age of the insured; and for such policies issued on or after the operative date of Subsection F of Section 59A-20-31 NMSA 1978: 1) the commissioners 1980 standard ordinary mortality table; or 2) at the election of the insurer for any one or more specified plans of life insurance, the commissioners 1980 standard ordinary mortality table with ten-year select mortality factors; or 3) any ordinary mortality table, adopted after 1980 by the national association of insurance commissioners, that is approved by regulation promulgated by the superintendent for use in determining the minimum standard of valuation for such policies;

(b) for all industrial life insurance policies issued on the standard basis, excluding any disability and accidental death benefits in such policies - the 1941 standard industrial mortality table for such policies issued prior to the operative date of Subsection E of Section 59A-20-31 NMSA 1978, and for such policies issued on or after such operative date, the commissioners 1961 standard industrial mortality table or any industrial mortality table, adopted after 1980 by the national association of insurance commissioners, that is approved by regulation promulgated by the superintendent for use in determining the minimum standard of valuation for such policies;

(c) for individual annuity and pure endowment contracts, excluding any disability and accidental death benefits in such policies - the 1937 standard annuity mortality table or, at the option of the insurer, the annuity mortality table for 1949, ultimate, or any modification of either of these tables approved by the superintendent;

(d) for group annuity and pure endowment contracts, excluding any disability and accidental death benefits in such policies - the group annuity mortality table for 1951, any modification of such table approved by the superintendent, or, at the option of the insurer, any of the tables or modifications of tables specified for individual annuity and pure endowment contracts;

(e) for total and permanent disability benefits in or supplementary to ordinary policies or contracts: 1) for policies or contracts issued on or after January 1, 1966 the tables of period 2 disablement rates and the 1930 to 1950 termination rates of the 1952 disability study of the society of actuaries, with due regard to the type of benefit or any tables of disablement rates and termination rates, adopted after 1980 by the national association of insurance commissioners, that are approved by regulation promulgated by the superintendent for use in determining the minimum standard of valuation for such policies; 2) for policies or contracts issued on or after January 1, 1961 and prior to January 1, 1966 either such tables or, at the option of the insurer, the class (3) disability table (1926); and 3) for policies issued prior to January 1, 1961 the class (3) disability table (1926). Any such table shall, for active lives, be combined with a mortality table permitted for calculating the reserves for life insurance policies;

(f) for accidental death benefits in or supplementary to policies: 1) for policies issued on or after January 1, 1966, the 1959 accidental death benefits table or any accidental death benefits table, adopted after 1980 by the national association of insurance commissioners,
that is approved by regulation promulgated by the superintendent for use in determining the minimum standard of valuation for such policies; 2) for policies issued on or after January 1, 1961 and prior to January 1, 1966, either such table or, at the option of the insurer, the intercompany double indemnity mortality table; and 3) for policies issued prior to January 1, 1961, the intercompany double indemnity mortality table. 4) Either table shall be combined with a mortality table permitted for calculating the reserves for life insurance policies; and

(g) for group life insurance, life insurance issued on the substandard basis and other special benefits - such tables as may be approved by the superintendent.

(2) Except as provided in Paragraphs (3), (4) and (5) of this subsection and in Subsections C, D and E of this section, the minimum standard for the valuation of all individual annuity and pure endowment contracts issued on or after the operative date of this paragraph, as defined herein, and for all annuities and pure endowments purchased on or after such operative date under group annuity and pure endowment contracts, shall be the commissioners reserve valuation methods defined in Paragraphs (1) and (2) of Subsection E of this section and the following tables and interest rates:

(a) for individual annuity and pure endowment contracts issued prior to July 1, 1977, excluding any disability and accidental death benefits in such contracts, the 1971 individual annuity mortality table, or any modification of this table approved by the superintendent, and six percent interest for single premium immediate annuity contracts, and four percent interest for all other individual annuity and pure endowment contracts;

(b) for individual single premium immediate annuity contracts issued on or after July 1, 1977, excluding any disability and accidental death benefits in such contracts - the 1971 individual annuity mortality table, or any individual annuity mortality table, adopted after 1980 by the national association of insurance commissioners, that is approved by regulation promulgated by the superintendent for use in determining the minimum standard of valuation for such contracts, or any modification of these tables approved by the superintendent, and seven and one-half percent interest;

(c) for individual annuity and pure endowment contracts issued on or after July 1, 1977, other than single premium immediate annuity contracts, excluding any disability and accidental death benefits in such contracts - the 1971 individual annuity mortality table, or any individual annuity mortality table, adopted after 1980 by the national association of insurance commissioners, that is approved by regulation promulgated by the superintendent for use in determining the minimum standard of valuation for such contracts, or any modification of these tables approved by the superintendent, and five and one-half percent interest for single premium deferred annuity and pure endowment contracts and four and one-half percent interest for all other such individual annuity and pure endowment contracts;

(d) for all annuities and pure endowments purchased prior to July 1, 1977, under group annuity and pure endowment contracts, excluding any disability and accidental death benefits purchased under such contracts - the 1971 group annuity mortality table, or any modification of this table approved by the superintendent, and six percent interest; and
(e) for all annuities and pure endowments purchased on or after July 1, 1977, under group annuity and pure endowment contracts, excluding any disability and accidental death benefits purchased under such contracts - the 1971 group annuity mortality table, or any group annuity mortality table, adopted after 1980 by the national association of insurance commissioners, that is approved by regulation promulgated by the superintendent for use in determining the minimum standard of valuation for such annuities and pure endowments, or any modification of this table approved by the superintendent, and seven and one-half percent interest.

(f) After July 1, 1973, any insurer may file with the superintendent a written notice of its election to comply with the provisions of this paragraph after a specified date before January 1, 1979, which shall be the operative date of this paragraph for such insurer, provided that an insurer may elect a different operative date for individual annuity and pure endowment contracts from that elected for group annuity and pure endowment contracts. If an insurer makes no such election, the operative date of this paragraph for such insurer shall be January 1, 1979.

(3) The interest rates used in determining the minimum standard for the valuation of:

(a) all life insurance policies issued in a particular calendar year, on or after the operative date of Subsection F of Section 59A-20-31 NMSA 1978;

(b) all individual annuity and pure endowment contracts issued in a particular calendar year on or after January 1, 1982;

(c) all annuities and pure endowments purchased in a particular calendar year on or after January 1, 1982 under group annuity and pure endowment contracts; and

(d) the net increase, if any, in a particular calendar year after January 1, 1982, in amounts held under guaranteed interest contracts shall be the calendar year statutory valuation interest rates as defined in Paragraph (4) of this subsection.

(4) The calendar year statutory valuation interest rates shall be determined as follows and the results rounded to the nearest one-quarter of one percent:

(a) for life insurance,

\[ I = .03 + W (R1 - .03) + W/2 (R2 - .09); \]

(b) for single premium immediate annuities and for annuity benefits involving life contingencies arising from other annuities with cash settlement options and for guaranteed interest contracts with cash settlement options,

\[ I = .03 + W (R - .03) \]

where \( R1 \) is the lesser of \( R \) and .09, \( R2 \) is the greater of \( R \) and .09, \( R \) is the reference interest rate defined in Subsection D of this section, and \( W \) is the weighting factor defined in Subsection C of this section;

(c) for other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on an issue year basis, except as stated in Subparagraph (b) of this paragraph, the formula for life

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insurance stated in Subparagraph (a) of this paragraph shall apply to annuities and guaranteed interest contracts with guarantee durations in excess of ten years and the formula for single premium immediate annuities stated in Subparagraph (b) of this paragraph shall apply to annuities and guaranteed interest contracts with guarantee duration of ten years or less;

(d) for other annuities with no cash settlement options and for guaranteed interest contracts with no cash settlement options, the formula for single premium immediate annuities stated in Subparagraph (b) of this paragraph shall apply; and

(e) for other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on a change in fund basis, the formula for single premium immediate annuities stated in Subparagraph (b) of this paragraph shall apply.

(5) However, if the calendar year statutory valuation interest rate for any life insurance policies issued in any calendar year determined without reference to this sentence differs from the corresponding actual rate for similar policies issued in the immediately preceding calendar year by less than one-half of one percent, the calendar year statutory valuation interest rate for such life insurance policies shall be equal to the corresponding actual rate for the immediately preceding calendar year. For purposes of applying the immediately preceding sentence, the calendar year statutory valuation interest rate for life insurance policies issued in a calendar year shall be determined for 1980 (using the reference interest rate defined for 1979) and shall be determined for each subsequent calendar year regardless of when Subsection F of Section 59A-20-31 NMSA 1978 becomes operative.

C. The weighting factors referred to in the formulas stated above are given in the following tables:

(1) Weighting Factors for Life Insurance:

<table>
<thead>
<tr>
<th>Guarantee Duration (Years)</th>
<th>Weighting Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 or less</td>
<td>.50</td>
</tr>
<tr>
<td>More than 10, but not more than 20</td>
<td>.45</td>
</tr>
<tr>
<td>More than 20</td>
<td>.35</td>
</tr>
</tbody>
</table>

For life insurance, the guarantee duration is the maximum number of years the life insurance can remain in force on a basis guaranteed in the policy or under options to convert to plans of life insurance with premium rates or nonforfeiture values or both which are guaranteed in the original policy;

(2) Weighting factor for single premium immediate annuities and for annuity benefits involving life contingencies arising from other annuities with cash settlement options and guaranteed interest contracts with cash settlement options:

.80

(3) Weighting factors for other annuities and for guaranteed interest contracts, except as stated in Paragraph (2) of this subsection, shall be as specified in the tables set forth in Subparagraphs (a), (b) and (c) of this paragraph,
according to the rules and definitions set forth in Subparagraphs (d), (e) and (f) of this paragraph:

(a) For annuities and guaranteed interest contracts valued on an issue year basis:

<table>
<thead>
<tr>
<th>Guarantee Duration</th>
<th>Weighting Factor for Plan Type A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 or less:</td>
<td>.80</td>
<td>.60</td>
<td>.50</td>
</tr>
<tr>
<td>More than 5, but not more than 10:</td>
<td>.75</td>
<td>.60</td>
<td>.50</td>
</tr>
<tr>
<td>More than 10, but not more than 20:</td>
<td>.65</td>
<td>.50</td>
<td>.45</td>
</tr>
<tr>
<td>More than 20:</td>
<td>.45</td>
<td>.35</td>
<td>.35</td>
</tr>
</tbody>
</table>

(b) For annuities and guaranteed interest contracts valued on a change in fund basis, the factors shown in the table set forth in Subparagraph (a) of this paragraph increased by:

<table>
<thead>
<tr>
<th>Plan Type</th>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>.15</td>
<td>.25</td>
<td>.05</td>
</tr>
</tbody>
</table>

(c) For annuities and guaranteed interest contracts valued on an issue year basis (other than those with no cash settlement options) which do not guarantee interest on considerations received more than one year after issue or purchase and for annuities and guaranteed interest contracts valued on a change in fund basis which do not guarantee interest rates on considerations received more than twelve months beyond the valuation date, the factors shown in the table set forth in Subparagraph (a) of this paragraph or derived as required in the table set forth in Subparagraph (b) of this paragraph increased by:

<table>
<thead>
<tr>
<th>Plan Type</th>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>.05</td>
<td>.05</td>
<td>.05</td>
</tr>
</tbody>
</table>

(d) For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, the guarantee duration is the number of years for which the contract guarantees interest rates in excess of the calendar year statutory valuation interest rate for life insurance policies with guarantee duration in excess of twenty years. For other annuities with no cash settlement options and for guaranteed interest contracts with no cash settlement options, the guarantee duration is the number of years from the date of issue or date of purchase to the date annuity benefits are scheduled to commence.

(e) Plan type as used in the above tables is defined as follows:

Plan Type A: At any time policyholder may withdraw funds only: with an adjustment to reflect changes in interest rates or asset values since receipt of the funds by the insurer; or without such adjustment but in installments over five years or more; or as an immediate life annuity; or no withdrawal permitted.

Plan Type B: Before expiration of the interest rate guarantee, policyholder may withdraw funds only: with an adjustment to reflect changes in interest rates or asset values since receipt of
the funds by the insurer; or without such adjustment but in installments over five years or more; or no withdrawal permitted. At the end of interest rate guarantee, funds may be withdrawn without such adjustment in a single sum or installments over less than five years.

Plan Type C: Policyholder may withdraw funds before expiration of interest rate guarantee in a single sum or installments over less than five years either: without adjustment to reflect changes in interest rates or asset values since receipt of the funds by the insurer; or subject only to a fixed surrender charge stipulated in the contract as a percentage of the fund.

(f) An insurer may elect to value guaranteed interest contracts with cash settlement options and annuities with cash settlement options on either an issue year basis or on a change in fund basis. Guaranteed interest contracts with no cash settlement options and other annuities with no cash settlement options must be valued on an issue year basis. As used in Subsections B, C and D of this section, an issue year basis of valuation refers to a valuation basis under which the interest rate used to determine the minimum valuation standard for the entire duration of the annuity or guaranteed interest contract is the calendar year valuation interest rate for the year of issue or year of purchase of the annuity or guaranteed interest contract, and the change in fund basis of valuation refers to a valuation basis under which the interest rate used to determine the minimum valuation standard applicable to each change in the fund held under the annuity or guaranteed interest contract is the calendar year valuation interest rate for the year of the change in the fund.

D. The reference interest rate referred to in Paragraph (4) of Subsection B of this section shall be defined as follows:

1. for all life insurance, the lesser of the average over a period of thirty-six months and the average over a period of twelve months, ending on June 30 of the calendar year next preceding the year of issue, of the monthly average of the composite yield on seasoned corporate bonds, as published by Moody's investors service, incorporated;

2. for single premium immediate annuities and for annuity benefits involving life contingencies arising from other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, the average over a period of twelve months, ending on June 30 of the calendar year of issue or year of purchase, of the monthly average of the composite yield on seasoned corporate bonds, as published by Moody's investors service, incorporated;

3. for other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on a year of issue basis, except as stated in Paragraph (2) of this subsection, with guarantee duration in excess of ten years, the lesser of the average over a period of thirty-six months and the average over a period of twelve months, ending on June 30 of the calendar year of issue or purchase, of the monthly average of the composite yield on seasoned corporate bonds, as published by Moody's investors service, incorporated;

4. for other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on a year of issue basis, except as stated in Paragraph (2) of this subsection, with guarantee duration of ten years or less, the average over a period of twelve
months, ending on June 30 of the calendar year of issue or purchase, of the monthly average of the composite yield on seasoned corporate bonds, as published by Moody's investors service, incorporated;

(5) for other annuities with no cash settlement options and for guaranteed interest contracts with no cash settlement options, the average over a period of twelve months, ending on June 30 of the calendar year of issue or purchase, of the monthly average of the composite yield on seasoned corporate bonds, as published by Moody's investors service, incorporated;

(6) For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on a change in fund basis, except as stated in Paragraph (2) of this subsection, the average over a period of twelve months, ending on June 30 of the calendar year of the change in the fund, of the monthly average of the composite yield on seasoned corporate bonds, as published by Moody's investors service, incorporated; and

(7) in the event that the national association of insurance commissioners determines that the monthly average of the composite yield on seasoned corporate bonds, as published by Moody's investors service, incorporated is no longer appropriate for the determination of the reference interest rate, then an alternative method for determination of the reference interest rate, which is adopted by the national association of insurance commissioners and approved by regulation promulgated by the superintendent may be substituted.

E. The reserve valuation method shall be defined as follows:

(1) Except as otherwise provided in this paragraph and Paragraph (2) of this subsection, reserves according to the national association of insurance commissioners reserve valuation method, for the life insurance and endowment benefits of policies providing for a uniform amount of insurance and requiring the payment of uniform premiums, shall be the excess, if any, of the present value, at the date of valuation, of such future guaranteed benefits provided for by such policies, over the then present value of any future modified net premiums therefor. The modified net premiums for any such policy shall be such uniform percentage of the respective contract premiums for such benefits that the present value, at the date of issue of the policy, of all such modified net premiums shall be equal to the sum of the then present value of such benefits provided for by the policy and the excess of Subparagraph (a) over Subparagraph (b) of this paragraph, as follows:

(a) a net level annual premium equal to the present value, at the date of issue, of such benefits provided for after the first policy year, divided by the present value, at the date of issue, of an annuity of one per annum payable on the first and each subsequent anniversary of such policy on which a premium falls due; provided, however, that such net level annual premium shall not exceed the net level annual premium on the nineteen-year premium whole life plan for insurance of the same amount at an age of one year higher than the age at issue of such policy; and

(b) a net one-year term premium for such benefits provided for in the first policy year.
Provided that for any life insurance policy issued on or after January 1, 1985 for which the contract premium in the first policy year exceeds that of the second year and for which no comparable additional benefit is provided in the first year for such excess and which provides an endowment benefit or a cash surrender value or a combination thereof in an amount greater than such excess premium, the reserve according to the commissioners reserve valuation method as of any policy anniversary occurring on or before the assumed ending date defined herein as the first policy anniversary on which the sum of any endowment benefit and any cash surrender value then available is greater than such excess premium shall, except as otherwise provided in Subparagraph (e) of this paragraph, be the greater of the reserve as of such policy anniversary calculated as described previously in this paragraph and the reserve as of such policy anniversary calculated as previously described in this paragraph, but with: the value defined in Subparagraph (a) of this paragraph being reduced by fifteen percent of the amount of such excess first year premium; all present values of benefits and premiums being determined without reference to premiums or benefits provided for by the policy after the assumed ending date; the policy being assumed to mature on such date as an endowment; and the cash surrender value provided on such date being considered as an endowment benefit. In making the above comparison the mortality and interest bases stated in Paragraphs (1), (3), (4) and (5) of Subsection B of this section and in Subsections C and D of this section shall be used.

Reserves according to the commissioners reserve valuation method for: 1) life insurance policies providing for a varying amount of insurance or requiring the payment of varying premiums; 2) group annuity and pure endowment contracts purchased under a retirement plan or plan of deferred compensation, established or maintained by an employer (including a partnership or sole proprietorship) or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under Section 408 of the Internal Revenue Code, as now or hereafter amended; 3) disability and accidental death benefits in all policies and contracts; and 4) all other benefits, except life insurance and endowment benefits in life insurance policies and benefits provided by all other annuity and pure endowment contracts, shall be calculated by a method consistent with the principles of this paragraph, except that any extra premiums charged because of impairments or special hazards shall be disregarded in the determination of modified net premiums;

(c) in no event shall an insurer's aggregate reserves for all life insurance policies excluding disability and accidental death benefits, be less than the aggregate reserves calculated in accordance with the methods set forth in this paragraph and Paragraph (2) of this subsection and the mortality table or tables and rate or rates of interest used in calculating nonforfeiture benefits for such policies;

(d) reserves for any category of policies, contracts or benefits as established by the superintendent, may be calculated, at the option of the insurer, according to any standards which produce greater aggregate reserves for such category than those calculated according to the minimum standard herein provided, but the rate or rates of interest used for policies and contracts, other than annuity and pure endowment contracts, shall not be higher than the corresponding rate or rates of interest used in calculating any nonforfeiture benefits provided for
therein.

Any such insurer which at any time shall have adopted any standard of valuation producing greater aggregate reserves than those calculated according to the minimum standard herein provided may, with the approval of the superintendent, adopt any lower standard of valuation, but not lower than the minimum herein provided; but, for the purpose of this section, the holding of additional reserves previously determined by a qualified actuary to be necessary to render the opinion required by Section 59A-8-7 NMSA 1978 shall not be deemed to be the adoption of a higher standard of valuation;

(e) if in any contract year the gross premium charged by any insurer on any policy or contract is less than the valuation net premium for the policy or contract calculated by the method used in calculating the reserve thereon but using the minimum valuation standards of mortality and rate of interest, the minimum reserve required for such policy or contract shall be the greater of either the reserve calculated according to the mortality table, rate of interest, and method actually used for such policy or contract, or the reserve calculated by the method actually used for such policy or contract but using the minimum standards of mortality and rate of interest and replacing the valuation net premium by the actual gross premium in each contract year for which the valuation net premium exceeds the actual gross premium. The minimum valuation standards of mortality and rate of interest referred to in this paragraph are those standards stated in Paragraphs (1), (3), (4) and (5) of Subsection B of this section.

Provided that for any life insurance policy issued on or after January 1, 1985 for which the gross premium in the first policy year exceeds that of the second year and for which no comparable additional benefit is provided in the first year for such excess and which provides an endowment benefit or a cash surrender value or a combination thereof in an amount greater than such excess premium, the foregoing provisions of Subparagraph (e) of this paragraph shall be applied as if the method actually used in calculating the reserve for such policy were the method previously described in this paragraph ignoring the unnumbered paragraph immediately following Subparagraph (b) of this paragraph. The minimum reserve at each policy anniversary of such a policy shall be the greater of the minimum reserve calculated in accordance with the method previously described in this paragraph, including the unnumbered paragraph immediately following Subparagraph (b), and the minimum reserve calculated in accordance with Subparagraph (e), of this paragraph; and

(f) in the case of any plan of life insurance which provides for future premium determination, the amounts of which are to be determined by the insurer based on then estimates of future experience, or in the case of any plan of life insurance or annuity which is of such a nature that the minimum reserves cannot be determined by the methods described in Paragraphs (1) and (2) of this subsection, the reserves which are held under any such plan must: 1) be appropriate in relation to the benefits and the pattern of premiums for that plan; and 2) be computed by a method which is consistent with the principles of this standard valuation law, as determined by regulations promulgated by the superintendent.

(2) This paragraph shall apply to all annuity and pure endowment contracts other than
group annuity and pure endowment contracts purchased under a retirement plan or plan of deferred compensation, established or maintained by an employer (including a partnership or sole proprietorship) or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under Section 408 of the Internal Revenue Code, as now or hereafter amended.

Reserves according to the commissioners annuity reserve method for benefits under annuity or pure endowment contracts, excluding any disability and accidental death benefits in such contracts, shall be the greatest of the respective excesses of the present values, at the date of valuation, of the future guaranteed benefits, including guaranteed nonforfeiture benefits, provided for by such contracts at the end of each respective contract year, over the present value, at the date of valuation, of any future valuation considerations derived from future gross considerations, required by the terms of such contract, that become payable prior to the end of such respective contract year. The future guaranteed benefits shall be determined by using the mortality table, if any, and the interest rate or rates, specified in such contracts for determining guaranteed benefits. The valuation considerations are the portions of the respective gross considerations applied under the terms of such contracts to determine nonforfeiture values.


The 1993 amendment, effective June 18, 1993, substituted "Section 59A-20-31 NMSA 1978" for "Section 396 (standard nonforfeiture law) of the Insurance Code" in Subsection A; in Subsection B, in the first sentence, substituted "Section 59A-20-31 NMSA 1978" for "Section 396 (standard nonforfeiture law) of the Insurance Code", in Paragraph (1), substituted "the commissioners" for "the national association of insurance commissioners" and inserted "life insurance" following "or in the case of", rewrote Paragraph (1)(a), substituted "Section 59A-20-31 NMSA 1978" for "Section 396 of the Insurance Code" in Paragraph (1)(b), substituted "the commissioners" for "the national association of insurance commissioners" in the first sentence of Paragraph (2), designated the formerly undesignated last paragraph of Paragraph (2) as Paragraph (2)(f), substituted "Section 59A-20-31 NMSA 1978" for "Section 396 of the Insurance Code" in Paragraph (3)(a) and in Paragraph (5); rewrote the introductory language in Paragraph (3) in Subsection C; substituted "the monthly average of the composite yield on seasoned corporate bonds" for "Moody's corporate bond yield average - monthly average corporates" throughout Subsection D; redesignated former Subsection E as Subsection D(7); inserted the introductory language in Subsection E; substituted "the commissioners" for "the national association of insurance commissioners" in the first sentence of the fourth and fifth paragraphs in Subsection E(1)(b), added the language beginning "but, for the purpose of this section" at the end in Subsection E(1)(d); and made stylistic changes throughout the section.

Compiler's notes. — For operative date of Section 396 of the Insurance Code, the Standard Nonforfeiture Law, see 59A-20-31K NMSA 1978.


59A-8-6. Annual valuation; reserves.

A. The superintendent shall annually value, or cause to be valued, the reserve liabilities (hereinafter called reserves) for all outstanding life insurance policies and annuity and pure
endowment contracts of every life insurer authorized to do business in this state, except that as to an alien insurer the valuation shall be limited to its United States business. The superintendent may certify the amount of any such reserves, specifying the mortality table or tables, rate or rates of interest and methods (net level premium method or other) used in calculation of such reserves.

B. In calculating such reserves the superintendent may use group methods and approximate averages for fractions of a year or otherwise. In lieu of valuation of reserves herein required of a foreign or alien insurer, the superintendent may accept any valuation made, or caused to be made, by the insurance supervisory official of any state or other jurisdiction when such valuation complies with the minimum standard herein provided and if the official of such state or jurisdiction accepts as sufficient and valid for all legal purposes the certificate of valuation of the superintendent when such certificate states the valuation to have been made in a specified manner according to which the aggregate reserves would be at least as large as if they had been computed in the manner prescribed by the law of that state or jurisdiction.

C. The insurer may increase the standards of mortality in particular cases of invalid lives and other extra hazards.

D. For all health insurance policies the insurer shall maintain an active life reserve which shall place a sound value on its liabilities under such policies and be not less than the reserve according to appropriate standards set forth in regulations issued by the superintendent and in no event less in the aggregate than the pro rata gross unearned premiums for such policies.

E. In no event shall the aggregate reserves for all policies, contracts and benefits be less than the aggregate reserves determined by the qualified actuary to be necessary to render the opinion required by Section 59A-8-7 NMSA 1978.


The 1993 amendment, effective June 18, 1993, substituted "reserves" for "life policies" in the section heading, and added Subsections D and E.


44 C.J.S. Insurance §§ 15 et seq., 112.

59A-8-7. Actuarial opinion of reserves.

A. This section shall become operative on January 1, 1995 for calendar years 1994 and thereafter.

B. Every life insurer doing business in this state shall annually submit the opinion of a qualified actuary as to whether the reserves and related actuarial items held in support of the policies and contracts specified by the superintendent by regulation are computed appropriately, are based on assumptions which satisfy contractual provisions, are consistent with prior reported amounts and comply with applicable laws of this state. The superintendent by regulation shall define the specifics of this opinion and add any other items deemed to be necessary to its scope.
C. Every life insurer, except as exempted by or pursuant to regulation, shall also annually include in the opinion required by Subsection B of this section, an opinion of the same qualified actuary as to whether the reserves and related actuarial items held in support of the policies and contracts specified by the superintendent by regulation, when considered in light of the assets held by the insurer with respect to the reserves and related actuarial items, including but not limited to the investment earnings on the assets and the considerations anticipated to be received and retained under the policies and contracts, make adequate provision for the insurer's obligations under the policies and contracts, including but not limited to the benefits under and expenses associated with the policies and contracts. The superintendent may provide by regulation for a transition period for establishing any higher reserves which the qualified actuary may deem necessary in order to render the opinion required by this section.

D. Every opinion required by Subsection C of this section shall be governed by the following provisions:

(1) a memorandum, in form and substance acceptable to the superintendent as specified by regulation, shall be prepared to support each actuarial opinion; and

(2) if the insurer fails to provide a supporting memorandum at the request of the superintendent determines that the supporting memorandum provided by the insurer fails to meet the standards prescribed by the regulations or is otherwise unacceptable to the superintendent, the superintendent may engage a qualified actuary at the expense of the insurer to review the opinion and the basis for the opinion and prepare such supporting memorandum as is required by the superintendent.

E. Every opinion required by this section shall be governed by the following provisions:

(1) the opinion shall be submitted with the annual statement reflecting the valuation of such reserve liabilities for each year ending on or after December 31, 1994;

(2) the opinion shall apply to all business in force, including individual and group health insurance plans in form and substance acceptable to the superintendent as specified by regulation;

(3) the opinion shall be based on standards adopted from time to time by the actuarial standards board and on such additional standards as the superintendent may by regulation prescribe;

(4) in the case of an opinion required to be submitted by a foreign or alien insurer, the superintendent may accept the opinion filed by that insurer with the insurance supervisory official of another state if the superintendent determines that the opinion reasonably meets the requirements applicable to an insurer domiciled in this state;

(5) for the purposes of this section, "qualified actuary" means a member in good standing of the American academy of actuaries who meets the requirements set forth in such regulations;

(6) except in cases of fraud or willful misconduct, the qualified actuary shall not be
liable for damages to any person, other than the insurer and the superintendent, for any act, error, omission, decision or conduct with respect to the actuary's opinion;

(7) disciplinary action by the superintendent against the insurer or the qualified actuary shall be defined in regulations by the superintendent; and

(8) any memorandum in support of the opinion, and any other material provided by the insurer to the superintendent in connection therewith, shall be kept confidential by the superintendent and shall not be made public and shall not be subject to subpoena, other than for the purpose of defending an action seeking damages from any person by reason of any action required by this section or by regulations promulgated hereunder; provided, however, that the memorandum or other material may otherwise be released by the superintendent, with the written consent of the insurer, or to the American academy of actuaries upon request stating that the memorandum or other material is required for the purpose of professional disciplinary proceedings and setting forth procedures satisfactory to the superintendent for preserving the confidentiality of the memorandum or other material. Once any portion of the confidential memorandum is cited by the insurer in its marketing or is cited before any governmental agency other than a state insurance department or is released by the insurer to the news media, all portions of the confidential memorandum shall be no longer confidential.


Repeals and reenactments. — Laws 1993, ch. 320, § 22 repeals former 59A-8-7 NMSA 1978 relating to health insurance reserves, as enacted by Laws 1984, ch. 127, § 124, and enacts the above section, effective June 18, 1993. For provisions of former section, see 1992 Replacement Pamphlet.

Bracketed material. — The bracketed word "sic" in Paragraph (2) of Subsection D was inserted by the compiler. The bracketed material was not enacted by the legislature, and it is not part of the law.

59A-8-7.1. Continued liability after assumption reinsurance transactions.

A ceding insurer shall remain jointly and severally liable with an unauthorized assuming insurer on ceded contracts or policies for which assumption certificates have been issued covering risks resident in this state until such time as:

A. the assuming insurer obtains a certificate of authority to transact the applicable kind of insurance in this state; or

B. the assuming insurer deposits with the superintendent a special deposit in an amount equal to the greater of:

   (1) one hundred thousand dollars ($100,000); or

   (2) twenty thousand dollars ($20,000) plus the statutory reserves required of an authorized insurer for the contracts assumed.

59A-8-8. Loss reserves.

A. Each authorized insurer shall maintain reserves in such amount as is requisite to cover losses and claims incurred and unpaid, together with related adjustment and settlement expense, whether reported or unreported as at financial statement date. In computing or approving such reserves the superintendent may estimate any portion which it is not practicable to compute accurately for [due to] failure to receive notice or otherwise.

B. Whenever the loss and loss expense experience of an insurer shows that its loss reserves, however calculated, are inadequate, the superintendent may require the insurer to maintain additional reserves.

History: Laws 1984, ch. 127, § 125.

59A-8-9. Unearned premium reserve, casualty, vehicle, property, marine and surety insurances.

As to property, casualty, vehicle and surety insurance, and marine and transportation insurance other than as provided in Section 59A-8-10 NMSA 1978, the insurer shall maintain as a liability an unearned premium reserve on policies in force computed as follows: fifty percent of the gross premium in force on policies having one year or less to run and pro rata on those for longer periods, or pro rata for all premiums in force.


The 1997 amendment substituted "Section 59A-8-10 NMSA 1978" for "Section 127 of this article" and deleted the second sentence, which read: "As to surety risks the minimum unearned premium reserve shall be the aggregate of the net premiums for the entire term instead of the unexpired portion thereof". Laws 1997, ch. 121 contains no effective date provision, but pursuant to N.M. Const. art. IV, § 23, is effective June 20, 1997, 90 days after adjournment of the legislature.

59A-8-10. Unearned premium reserve, marine and transportation insurance.

As to marine and transportation insurance, the entire amount of premiums on trip risks not terminated shall be deemed unearned; and the superintendent may require the insurer to carry a reserve equal to one hundred percent of premiums on trip risks written during the month ended as of the date of statement.


59A-8-11. Title insurance reserves.

A. As to title insurance the insurer shall set up and maintain unearned premium reserves as follows:

1) as to guaranties and policies on property in this state issued prior to January 1,
1957, the insurer shall reserve initially a sum equal to ten percent of gross premiums therefor. The sum so accumulated may be reduced by five percent thereof at the end of each calendar year thereafter;

(2) as to guaranties and policies on property in this state issued on and after January 1, 1957, the insurer shall reserve initially a sum equal to ten percent of the gross risk premium therefor. At end of each calendar year following the year in which the guaranty or policy was issued the insurer may reduce the sum so reserved by five percent thereof.

B. The sums so reserved initially, or maintained thereafter, in accordance with the above provisions shall be considered unearned portions of the gross risk premiums on such guaranties or policies and shall be shown as a liability of the insurer in determining its financial condition.

C. If a title insurer on withdrawing from the title insurance business in this state desires to reinsure with another title insurer all its title guaranties or policies in this state, the superintendent may require the reinsurer to increase its unearned premium reserve by an amount not greater than the unearned premium reserve required of the withdrawing insurer as to the guaranties and policies so reinsured.

D. The term "gross risk premium" as used in this action [section] shall not include charges for abstracting, record searching, escrow and closing services and other related services which may be provided by the insurer, or costs and expenses of examinations of title, or premiums paid for reinsurance.


Bracketed material. — The bracketed word in Subsection D was inserted by the compiler to correct an apparent misspelling. The bracketed material was not enacted by the legislature, and it is not part of the law.


44 C.J.S. Insurance § 112.

59A-8-12. Mortgage guaranty contingency reserve.

A. Casualty or surety insurers insuring real property mortgage or deed of trust lenders against loss by nonpayment of the indebtedness shall maintain a contingency reserve for protection of policyholders against the effects of adverse economic cycles.

B. The insurer shall contribute to such contingency reserve fifty percent of net premiums (gross premiums less premiums returned to policyholders) written on such insurance remaining after establishment of the unearned premium reserve.

C. Subject to the superintendent's approval, the contingency reserve shall be available for payment of losses only when the insurer's incurred losses in any one (1) calendar year exceed the rate formula expected losses by ten percent of the related earned premiums.

History: Laws 1984, ch. 127, § 129.

A. Subject to the provisions of Subsections B, C and D of this section, all bonds or other evidences of debt having a fixed term and rate of interest held by an insurer may, if amply secured and not in default as to principal or interest, be valued as follows:

   (1) if purchased at par, at the par value; and

   (2) if purchased above or below par, on the basis of the purchase price adjusted so as to bring the value to par at maturity and so as to yield in the meantime the effective rate of interest at which the purchase was made.

B. The purchase price shall in no event be taken at a higher figure than actual market value at time of purchase, plus incidental costs of acquisition of the securities.

C. No such security shall be carried at above the call price for the entire issue during any period within which the security may be so called, and premiums paid at purchase shall be amortized by the scientific method to the first call date at which the entire issue may be redeemed.

D. Obligations subject to amortization under the published findings of the national association of insurance commissioners shall be carried at their amortized values. Obligations which do not qualify for amortization shall be reported at their market value or book value based upon an amortized computation, whichever is lower.


The 1993 amendment, effective June 18, 1993, in Subsection A, added "Subject to the provisions of Subsections B, C, and D of this section" at the beginning of the subsection and deleted "or, in lieu of such method, according to such accepted method of valuation as the superintendent approves" at the end of Paragraph (2); and rewrote Subsections C and D.

59A-8-14. Valuation of other securities.

A. Common stocks shall be valued at their market value, as determined by customary method, or, at the option of the company, they may be carried at cost if cost is less than market value. If no publicly traded market quotation is available, the value of the stocks shall be based on the pro rata share of the issuing company's net worth as shown by its audited financial statements or, in the case of an insurance company, the pro rata share of its statutory net worth.

B. Preferred stocks shall be valued in accordance with procedures promulgated periodically by the securities valuation office of the national association of insurance commissioners.

C. Stock of an insurer's subsidiary shall be valued only on the basis of value of the assets of the subsidiary that would constitute lawful investments of the insurer if acquired or held directly by the insurer.


A. Real property held by a company may be valued at not more than: its cost plus the cost of capitalized additions and permanent improvements, less depreciation, or its fair market value as determined by appraisal within the most recent three years, whichever is less. Depreciation shall be computed under the straight line method or, at the option of the company, under any other method resulting in larger accumulated depreciation at any given time. Depreciation of any buildings shall be based upon an estimated useful life of not more than fifty years.

B. Property acquired in satisfaction of a debt shall be valued at its fair market value or the amount of the debt, including capitalized taxes and expenses, whichever amount is less.


59A-8-16. Valuation of purchase money mortgages.

Purchase money mortgages or deeds of trust on real property referred to in Subsection A of Section 132 [59A-8-15 NMSA 1978] of this article shall be valued in an amount not exceeding acquisition cost of the real property covered thereby or ninety percent of the fair value of the real property, whichever is less.

History: Laws 1984, ch. 127, § 133.

This article [Chapter 59A, Article 9 NMSA 1978], with exception of Section 160 [59A-9-27 NMSA 1978], applies only to domestic insurers.


A. Insurers shall invest in or lend their funds on security of, and shall hold as invested assets, only eligible investments as prescribed in this article.

B. Any particular investment held by an insurer on effective date of the Insurance Code, which was a legal investment at time made and which the insurer was legally entitled to possess immediately prior to such effective date, shall be deemed an eligible investment.

C. Eligibility of an investment shall otherwise be determined as of date of making or acquisition.

D. Any investment limitation based upon the amount of the insurer's assets or particular funds shall relate to such assets or funds as shown by the insurer's annual statement as of December 31 next preceding date of acquisition of the investment, or as shown by a more recent financial statement resulting from merger of another insurer, bulk reinsurance or change of capitalization.

E. No insurer shall pay any commission or brokerage for purchase or sale of property in excess of that usual and customary at the time and in the locality where the purchase or sale is made.


A. No security or investment (other than real and personal property acquired under Section 59A-9-21 NMSA 1978) shall be eligible for acquisition by an insurer unless it is interest bearing or interest accruing or by its character entitled to dividends when declared and paid, or has other income-earning entitlement, is not then in default in any respect, and the insurer is entitled to receive for its exclusive account and benefit the interest or income accruing thereon.

B. No security or investment shall be eligible for purchase at a price above its fair market value.

C. No provision of Chapter 59A, Article 9 NMSA 1978 shall prohibit acquisition by an insurer of other or additional securities or property if received as a dividend or lawful distribution of assets, or upon a debt or judgment, or under a lawful and bona fide agreement of bulk reinsurance, merger, or consolidation. Any security or property so acquired which is not otherwise an eligible investment under this article shall be disposed of by the insurer pursuant to Section 59A-9-23 NMSA 1978 if real property, or pursuant to Section 59A-9-24 NMSA 1978 if personal property or securities.

D. Notwithstanding any other provision of law, a domestic insurance company may deposit or arrange for the deposit of securities held in or purchased for its general account and its separate accounts in a clearing corporation or the federal reserve book-entry system. When securities are deposited with a clearing corporation, certificates representing securities of the same class of the same issuer may be merged and held in bulk in the name of the nominee of such clearing corporation with any other securities deposited with such clearing corporation by any person, regardless of the ownership of such securities, and certificates representing securities of small denominations may be merged into one or more certificates of larger denominations. The records of any member bank through which an insurance company holds securities in the federal reserve book-entry system, and the records of any custodian banks through which an insurance company holds securities in a clearing corporation, shall at all times show that such securities are held for such insurance company and for which accounts thereof. Ownership of, and other interests in, such securities may be transferred by bookkeeping entry on the books of such clearing corporation or in the federal reserve book-entry system without, in either case, physical delivery of certificates representing such securities. The superintendent of insurance is authorized to promulgate rules and regulations governing the deposit by insurance companies of securities with clearing corporations and in the federal reserve book-entry system.

(1) "Clearing corporation" means a corporation as defined in Section 55-8-102 NMSA 1978, except that with respect to securities issued by institutions organized or existing under the laws of any foreign country or securities used to meet the deposit requirements
pursuant to the laws of a foreign country as a condition of doing business therein, "clearing corporation" may include a corporation which is organized or existing under the laws of any foreign country and is legally qualified under such laws to effect transactions in securities by computerized book-entry.

(2) "Direct participant" means a bank or trust company or other institution which maintains an account in its name in a clearing corporation and through which an insurance company participates in a clearing corporation.

(3) "Federal Reserve book-entry system" means the computerized systems sponsored by the United States department of the treasury and certain agencies and instrumentalities of the United States government and such agencies and instrumentalities, respectively, in federal reserve banks through banks which are members of the federal reserve system or which otherwise have access to such computerized systems.

(4) "Member bank" means a national bank, state bank or trust company which is a member of the federal reserve system and through which an insurance company participates in the federal reserve book-entry system.

(5) "Securities" means instruments as defined in Section 55-8-102 NMSA 1978.


A. An insurer shall not make any particular investment or loan (other than policy loans or annuity contract loans of a life insurer) unless the same is authorized or ratified by the insurer's board of directors, or other appropriate governing body if a reciprocal or Lloyd's insurer, or by a committee thereof charged with supervision of investments and loans. The minutes of any such committee shall be recorded and a report submitted to the board of directors or such other appropriate governing body, at the next meeting thereof.

B. The insurer shall maintain a full record of each investment showing, among other pertinent information, the name of any officer, director or principal stockholder or security holder of the insurer having any direct, indirect or contingent interest in the securities, loan or property constituting the investment, or in the person in whose behalf the investment is made, and the nature of such interest.

History: Laws 1984, ch. 127, § 137.


An insurer shall invest in or hold as assets categories of investments only within applicable limits as follows:

A. one person: an insurer shall not at any one time have any combination of investments in or loans upon the security of obligations, property or securities of any one person
(other than its lawful subsidiary) aggregating over ten percent of the insurer's assets. This shall not apply as to general obligations of the United States or of any state or of Canada or province thereof, or include policy loans made under Section 148 [59A-9-15 NMSA 1978] of this article, or bank deposits or certificates of deposit issued by banks. For purposes of this provision a corporation or other lawful entity together with its subsidiaries and affiliates shall constitute one person;

B. voting stock: an insurer shall not invest in or hold at any one time more than ten percent of the outstanding voting stock of any corporation, except as to voting rights of preferred stock during default of dividends. This subsection does not apply to stock of the insurer's subsidiary acquired under Section 145 [59A-9-12 NMSA 1978] of this article;

C. minimum capital: an insurer shall invest and maintain invested funds not less in amount than the minimum paid-in capital stock required under the Insurance Code of a domestic stock insurer transacting like kinds of insurance, only in cash and the securities provided for under the following sections of this article: Sections 139 [59A-9-6 NMSA 1978] (public obligations), 140 [59A-9-7 NMSA 1978] (obligations, stock of certain federal and international agencies), 141 [59A-9-8 NMSA 1978] (corporate obligations), and 147 [59A-9-14 NMSA 1978] (equipment trust certificates);

D. revenue bonds: an insurer shall not have invested at any time more than twenty percent of its assets in revenue bonds described in Sections 139 and 141 [59A-9-6 and 59A-9-8 NMSA 1978] of this article;

E. equipment trust certificates: an insurer shall not have invested at any time more than fifteen percent of its assets in equipment trust certificates described in Section 147 [59A-9-14 NMSA 1978] of this article;

F. real property encumbrances: an insurer shall not at any one time have more than thirty-five percent of its assets invested in obligations secured by real property mortgages, trust deeds, contracts of purchase or other similar encumbrances of real property; and

G. other specific limits: limits as to investments in real property shall be as provided in Section 154 [59A-9-21 NMSA 1978] of this article; and other specific limits shall apply as stated in this article dealing with other respective kinds of investments.


A. Subject to Subsection B, below, an insurer may invest in bonds or other evidences of indebtedness, not in default as to principal or interest, which are valid and legally authorized obligations issued, assumed or guaranteed by the United States government or by any state thereof, or by Canada or any of the provinces thereof; or by any county, city, town, village, municipality or district therein or political subdivision thereof, or public instrumentality of one
or more of the foregoing, if by statutory or other legal requirements applicable thereto such obligations are payable as to both principal and interest, from:

(1) taxes levied or required to be levied upon all taxable property or all taxable income within the jurisdiction of such governmental unit; or

(2) adequate special revenues pledged or otherwise appropriated or by law required to be provided for the purpose of such payment; but not including any obligation payable solely out of special assessments on properties benefited by local improvements unless adequate security is evidenced by the ratio of assessment to value of the property or the obligation is additionally secured by an adequate guaranty fund or adequate source of revenue required by law.

B. No such investment shall be made in any bond or evidence of indebtedness rated lower than BAA by Moody's Investment Service, Inc. or BBB by Standard & Poors, Inc.

C. Bonds and similar obligations issued by any such governmental unit payable solely from revenues from special projects undertaken for air pollution control, exploitation of energy and other resources, transportation by pipeline or other means, and other similar projects, to be operated under lease or otherwise by one or more nongovernmental business entities, and such bonds or obligations guaranteed as to payment of principal and interest by such entities, are not deemed public obligations for purposes of this section. They shall be treated as obligations of the guarantors, and as to eligibility for investment of insurer funds are governed by Section 141 [59A-9-8 NMSA 1978] of this article.

History: Laws 1984, ch. 127, § 139.

59A-9-7. Obligations, stock of certain federal and international agencies.

An insurer may invest in the obligations, and stock where stated, issued, assumed or guaranteed by the following agencies of the United States government, or in which such government is a participant, whether or not the obligations are guaranteed by it:

A. farm loan bank;
B. commodity credit corporation;
C. federal intermediate credit banks;
D. federal land banks;
E. central bank for cooperatives;
F. federal home loan banks, and stock thereof;
G. federal national mortgage association, and stock thereof when acquired in connection with sale of mortgage loans to such association;
H. international bank for reconstruction and development;
I. inter-American development bank;
J. Asian development bank;
K. African development bank; and
L. any other similar agency of, or participated in by, the United States government and of similar financial quality.


A. An insurer may invest in the bonds, debentures or secured obligations of any solvent corporation organized and existing under the laws of any state, or of Canada or province thereof, which has been in existence and active business operation for not less than five (5) years, and which has not defaulted in payment of interest or principal of any of its obligations during the five (5) years prior to investment.

B. No insurer shall invest in any such bonds or evidences of indebtedness in excess of ten percent of any issue and related issues thereof or one hundred thousand dollars ($100,000), whichever is the larger, subject to Paragraph A of Section 138 [59A-9-5 NMSA 1978] (diversification) of this article.

History: Laws 1984, ch. 127, § 141.


A. An insurer may invest in preferred or guaranteed stocks or shares of any solvent institution existing under the laws of the United States or Canada, or any state or province thereof.

B. No insurer shall invest in any such preferred or guaranteed stock in an amount in excess of ten percent of any issue and related issues thereof, subject to Paragraph A of Section 138 [59A-9-5 NMSA 1978] (diversification) of this article, and subject to the limit of the insurer's investments in preferred, guaranteed and common stocks as stated in Subsection B of Section 143 [59A-9-10 NMSA 1978] (common stocks) of this article.

History: Laws 1984, ch. 127, § 142.


A. An insurer may invest in nonassessable (except as to bank or trust company stocks, and except for taxes) common stocks, other than insurance stocks, of any solvent corporation organized and existing under the laws of the United States or Canada, or of any state or province thereof, which has been in existence and active business operation for at least five (5) years prior to the investment; and if such corporation has had net earnings available for dividends on such stock in each of such five (5) years. If the issuing corporation has not been in legal existence for the whole of such five (5) years but was formed as a consolidation or merger of two or more
businesses of which at least one was in operation on a date five (5) years prior to the investment, the test of eligibility of the common stock under this section shall be based upon consolidated pro forma statements of the predecessor or constituent [constituent] institutions.

B. An insurer shall not at any time have invested in preferred or guaranteed stocks or common stocks an aggregate of more than ten percent of its assets if a life insurer, or thirty-five percent of its assets if transacting kinds of insurance other than life insurance.

History: Laws 1984, ch. 127, § 143.


A. An insurer may invest in the stocks of other solvent insurers formed under the laws of this or another state, which stocks meet the applicable requirements of Section 142 [59A-9-9 NMSA 1978] (preferred or guaranteed stocks) or 143 [59A-9-10 NMSA 1978] (common stocks) of this article.

B. With the superintendent's advance written consent an insurer may acquire and hold controlling interest in or all outstanding voting stock of another such insurer. The superintendent shall not consent to any such acquisition if he finds it not in the best interests of the insurers involved, or of their respective policyholders or stockholders, or that the acquisition would materially tend to lessen competition or to result in any monopoly in the insurance business in this state.

C. Stock so acquired shall be included with other stock investments for the purpose of the limit of aggregate investments stated in Subsection B of Section 143 of this article.

History: Laws 1984, ch. 127, § 144.


A. An insurer either by itself or in cooperation with one or more other business entities, may organize or acquire one or more subsidiaries engaged or to be engaged in any of the following businesses:

(1) an insurance business authorized by the jurisdiction in which the subsidiary is incorporated;

(2) acting as insurance broker or insurance agent for its parent or for any of its parent's insurer subsidiaries;

(3) investing, reinvesting or trading in securities for its own account, that of its parent, any subsidiary of its parent or any affiliate or subsidiary;

(4) management of any investment company registered pursuant to the federal Investment Company Act of 1940, as amended, including related sales and services;

(5) acting as a broker-dealer registered pursuant to the federal Securities Exchange Act of 1934, as amended;
(6) rendering investment advice to governments, government agencies, corporations or other organizations or groups;

(7) rendering other services related to operations of an insurance business;

(8) owning and managing assets that the parent corporation could itself own or manage;

(9) acting as administrative agent for a government instrumentality that is performing an insurance function; or

(10) financing insurance premiums, agents and other forms of consumer financing; and

(11) any other business activity determined by the superintendent to be reasonably ancillary to an insurance business.

B. In addition to investments in common stock, preferred stock, debt obligations and other securities permitted under all other sections of Chapter 59A, Article 9 NMSA 1978 an insurer may also:

(1) invest, in common stock, preferred stock, debt obligations and other securities of one or more subsidiaries, amounts which unless otherwise approved by the superintendent do not exceed the lesser of ten percent of the insurer's assets or fifty percent of the insurer's surplus as regards policyholders, if, after the investments, the insurer's surplus as regards policyholders will be reasonable in relation to the insurer's outstanding liabilities and adequate to its financial needs. In calculating the amount of the investments, there shall be included:

(a) total net money or other consideration expended and obligations assumed in the acquisition or formation of a subsidiary, including all organizational expenses and contributions to capital and surplus of the subsidiary, whether or not represented by the purchase of capital stock or the issuance of other securities; and

(b) all amounts expended in acquiring additional common stock, preferred stock, debt obligations and other securities and all contributions to the capital and surplus of a subsidiary subsequent to its acquisition or formation;

(2) if the insurer's total liabilities, as calculated for annual statement purposes, are less than ten percent of assets, invest any amount in common stock, preferred stock, debt obligations and other securities of one or more subsidiaries, if, after the investment, the insurer's surplus as regards policyholders, considering the investment as if it were a disallowed asset, will be reasonable in relation to the insurer's outstanding liabilities and adequate to its financial needs;

(3) invest any amount in common stock, preferred stock, debt obligations and other securities of one or more subsidiaries, if each subsidiary agrees to limit its investments in any asset so that the investments will not cause the amount of the total investment of the insurer to exceed any of the investment limitations specified in Paragraph (1) of this subsection or in Chapter 59A, Article 9 NMSA 1978, applicable to the insurer. For the purpose of this paragraph "the total investment of the insurer" includes:
(a) any direct investment by the insurer in an asset; and
(b) the insurer's proportionate share of any investment in an asset by any subsidiary of the insurer, which shall be calculated by multiplying the amount of the subsidiary's investment by the percentage of the insurer's ownership of the subsidiary;

(4) with the approval of the superintendent, invest any amount in common stock, preferred stock, debt obligations or other securities of one or more subsidiaries, if, after the investment, the insurer's surplus as regards policyholders will be reasonable in relation to the insurer's outstanding liabilities and adequate to its financial needs; and

(5) invest any amount in the common stock, preferred stock, debt obligations or other securities of any subsidiary exclusively engaged in holding title to, or holding title to and managing or developing, real or personal property, if, after considering as a disallowed asset so much of the investment as is represented by subsidiary assets which if held directly by the insurer would be considered as a disallowed asset, the insurer's surplus as regards policyholders will be reasonable in relation to the insurer's outstanding liabilities and adequate to its financial needs, and if, following such investment, all voting securities of such subsidiary would be owned by the insurer.

C. Investments in common stock, preferred stock, debt obligations or other securities of subsidiaries made pursuant to Subsection B of this section shall not be subject to any of the otherwise applicable restrictions or prohibitions contained in this article applicable to the investments of the insurer.

D. Whether any investment made pursuant to Subsection B of this section meets the applicable requirements thereof is to be determined immediately after the investment is made, taking into account the then outstanding balance on all previous investments in debt obligations and the value of all previous equity securities as of the date they were made.

E. If an insurer ceases to control a subsidiary, it shall dispose of any investment made in it pursuant to this section within three years from time of the cessation of control or within such further time as the superintendent may prescribe, unless at any time after the investment is made, the investments meet the requirements for investment under any other section of the Insurance Code [59A-1-1 NMSA 1978], and the insurer has so notified the superintendent.


The 2001 amendment, effective July 1, 2001, deleted "including, but not limited to, actuarial, loss prevention, safety engineering, data processing, accounting, claims, appraisal and collection services" from the end of Paragraph A(7); and substituted "Chapter 59A, Article 9 NMSA 1978" for "this article" in the introductory language of Subsection B and in Paragraph B(3).


**59A-9-13. Common trust funds, mutual funds.**

A. An insurer may invest in:

(1) a bank's common trust fund as defined in Section 584 of the United States Internal Revenue Code of 1954; and

(2) the securities of any open-end or closed-end management type investment company or investment trust registered under the federal Investment Company Act of 1940, as from time to time amended, if such investment company or trust has assets of not less than ten million dollars ($10,000,000) at date of the investment.

B. All such investments shall be considered as investment in common stocks for the purpose of the limit on aggregate investments imposed by Subsection B of Section 143 [59A-9-10 NMSA 1978] of this article.

**History:** Laws 1984, ch. 127, § 146.


The federal Investment Company Act of 1940, referred to in Paragraph A(2), is compiled as 15 U.S.C. § 80a-1 et seq.

**59A-9-14. Equipment trust certificates.**

An insurer may invest in equipment trust obligations or certificates adequately secured and evidencing an interest in transportation equipment, wholly or in part within or principally based within, the United States or Canada, which obligations or certificates carry the right to receive determined portions of rental, purchase or other fixed obligatory payments to be made for use or purchase of such transportation equipment.

**History:** Laws 1984, ch. 127, § 147.

**59A-9-15. Policy loans.**

A life insurer may lend to its policyholder or annuity contract holder, upon pledge of the policy or contract as collateral security, any sum not exceeding the cash surrender value of the policy or contract, or may lend against pledge or assignment of any of its supplementary contracts or other contracts or obligations, so long as the loan is adequately secured by such pledge or assignment.

**History:** Laws 1984, ch. 127, § 148.

**59A-9-16. Collateral loans.**
An insurer may invest in loans secured by deposits of collateral consisting of securities in which the insurer may otherwise invest under this article, if the current market value of such collateral is not less than twenty percent in excess of the amount of the loan. The amount so loaned shall be included pro rata in determining the maximum of funds permitted under this article to be invested in the respective categories of securities so pledged. The superintendent may by rule or regulation place reasonable limit upon such loans to a parent corporation, subsidiary or affiliate of the insurer.

History: Laws 1984, ch. 127, § 149.

59A-9-17. Savings and share accounts, time certificates.

An insurer may invest in share or savings accounts of state or federal savings and loan or building and loan associations, or in time certificates issued by any such association, and in any one such institution only to the extent that the investment is insured by the Federal Savings and Loan Insurance Corporation or similar federal agency.

History: Laws 1984, ch. 127, § 150.


A. An insurer may make loans or investments not otherwise expressly permitted under this article, in an aggregate amount not exceeding five percent of the insurer's assets and not exceeding one percent of such assets as to any one such loan or investment, if the loan or investment meets the requirements of Section 136 [59A-9-3 NMSA 1978] (general qualifications) of this article and by reason of safety of principal and yield otherwise qualifies as a sound investment. No such loan or investment shall be represented by:

1. any item described in Section 119 [59A-8-2 NMSA 1978] (assets not allowed) of the Insurance Code or any loan or investment otherwise expressly prohibited;
2. agents' balances, or amounts advanced to or owing by agents;
3. any category of loans or investments expressly eligible under any other provision of this article; or
4. any investment theretofore acquired or held by the insurer under any other category of loans or investments eligible under this article.

B. The insurer shall keep a separate record of all loans and investments made under this section.

History: Laws 1984, ch. 127, § 151.


The amounts allocated to each separate account established with respect to variable life
insurance and variable annuity contracts shall be invested and, together with the accumulations thereon reinvested, as provided for by the respective such contracts and in accordance with the provisions of Section 395 [59A-20-30 NMSA 1978] of the Insurance Code.

**History:** Laws 1984, ch. 127, § 152.


A. A title insurer having paid-in capital stock paid in cash of not less than one hundred thousand dollars ($100,000), may invest an amount not exceeding fifty percent of its subscribed capital stock, or paid-in basic capital surplus if a mutual insurer, in preparation and purchase of materials or plant necessary to enable it to engage in the title insurance business.

B. In all statements and proceedings for determination of the insurer's financial condition, such investments shall be valued at actual cost thereof or at such lesser value as the insurer may estimate, or be omitted entirely at the insurer's option.

**History:** Laws 1984, ch. 127, § 153.


A. An insurer may invest in real estate only if used for the purposes or acquired in the manner and within limits as follows:

1. the building in which the insurer has its principal office and the land on which it stands, if the land is owned by the insurer or occupied under lease the terms of which are satisfactory to the superintendent, and if the superintendent has approved the title to the lands;

2. such other real estate as is requisite for branch office or other business facilities necessary for the insurer's convenient accommodation in transaction of its business;

3. real estate acquired in satisfaction or part payment of loans, mortgages, liens, judgments, decrees or debts previously owing to the insurer in due course of its business;

4. real estate acquired in part payment of the consideration on sale of other real estate owned by the insurer, if such transaction has effected a net reduction in the insurer's real estate investments;

5. real estate acquired by gift or devise, or through merger, consolidation or bulk reinsurance of another insurer or corporation under the Insurance Code;

6. additional real estate and equipment incidental thereto, if necessary or convenient for enhancing the sale or other value of real estate previously acquired or held under this section; and

7. real estate, or any interest therein, acquired or held by purchase, lease or otherwise, other than real estate to be used primarily for agricultural, ranch, mining, development of oil or mineral resources, recreational, amusement, hotel, motel or club purposes, acquired as an investment for production of income, or acquired to be improved or developed for
such investment purposes pursuant to an existing program therefor. The insurer may hold, mortgage, improve, develop, maintain, manage, lease and sell or trade real estate acquired by it under this paragraph. The insurer may elect to hold under the provisions of this paragraph real estate duly acquired or held by it under other provisions of this section.

B. Real estate of the insurer under this section shall not in its respective categories exceed the applicable percentage of the insurer's assets as follows:

(1) under Paragraph A(1), principal office, fifteen percent unless a larger percentage, but not to exceed twenty-five percent, is approved by the superintendent;
(2) under Paragraph A(2), branch office and facilities, five percent;
(3) under Paragraph A(7), investment purposes, ten percent; and
(4) the aggregate of all real estate holdings under all categories, twenty-five percent.

C. Real estate holdings of the insurer shall be subject to disposal as provided in Section 156 [59A-9-23 NMSA 1978] of this article.


A. An insurer may invest in bonds or notes secured by mortgages or deeds of trust representing first liens upon unencumbered and improved real estate located in this or another state, or in Canada, subject to the following conditions:

(1) the amount loaned, or aggregate amount of bonds issued upon the security of a mortgage or deed of trust, shall not at time of the investment exceed sixty-five percent of the fair market value of the real estate. The value of the real estate shall be substantiated by the appraisal of a recognized real estate appraiser acceptable to the superintendent. Before making the investment, a certificate of the value of the property, based on such appraisal, shall be executed by the insurer's board of directors or by an investment committee of the board of directors making or authorizing the investment on the insurer's behalf;
(2) there shall not have been any default as to payment of any part of the principal or interest of any such bond or note;
(3) the total investment in any one such note, or bond or bonds secured by the same real estate, shall not exceed seventy-five thousand dollars ($75,000) or ten percent of the insurer's assets, whichever is the greater; and
(4) in applying the limitation under this subsection there may be excluded from the amount invested that portion which is guaranteed by the superintendent for veteran affairs pursuant to the Servicemen's Readjustment Act of 1944, as amended, or insured by the federal housing administrator or other agency of the United States government, or by an agency of the Canadian government.
B. "Improved real estate" means all real estate within limits of an incorporated village, town or city on which permanent buildings suitable for residence or commercial use are situated, and such other real estate as may be deemed to be "improved" for the purposes of this section under rules and regulations of the superintendent.

C. For purposes of this section real estate shall not be deemed to be encumbered:

(1) by existence of taxes or assessments which are not delinquent, instruments creating or reserving mineral, oil or timber rights, rights-of-way, joint driveways, sewer rights, rights in walls, or by building restrictions or other restrictive covenants; or

(2) when such real estate is subject to lease in whole or in part whereby rents or profits are reserved to the owner, if the security for such investment is a full and unrestricted first lien upon such real estate and there is no condition or rights of reentry or forfeiture under which the investment can be cut off, subordinated or otherwise disturbed.

D. A mortgage or deed of trust shall be deemed to represent a first lien upon the real estate for purposes of this section despite existence of a prior first mortgage or first deed of trust on the same real estate if the lending or investing insurer assumes and agrees to pay such prior first mortgage or deed of trust; and the balance owing on such prior first mortgage or deed of trust at time of the insurer's investment or loan, together with the additional amount loaned by the insurer on the security of the same real estate, shall be deemed to be the aggregate amount so invested by the insurer in the mortgage or deed of trust loan for purpose of limitations imposed thereon by this section and article.

E. Any such mortgage or deed of trust shall require the borrower to maintain insurance of improvements against the hazards of fire and those represented by extended coverage, for not less than seventy-five percent of the appraised value of the improvements.


A. Except as stated in Subsection B, or unless the insurer elects to hold the real estate as an investment under Paragraph A(7) of Section 154 [59A-9-21 NMSA 1978] of this article:

(1) an insurer shall dispose of real estate acquired under Paragraph A(1) of Section 154 of this article within five (5) years after it has ceased to be necessary for the convenient accommodation of the insurer in conduct of its business; and

(2) an insurer shall dispose of real estate acquired under Paragraphs A(2) through A(6) of Section 154 of this article within five (5) years after date of acquisition, unless used or to be used for the insurer's convenient accommodation in conduct of its business under Paragraph A(1) of that section.
B. Upon proof satisfactory to the superintendent that the interests of the insurer would suffer materially by forced sale thereof, the superintendent may by order grant a reasonable extension of the period, as specified in such order, within which the insurer shall dispose of any particular parcel of such real estate.

**History:** Laws 1984, ch. 127, § 156.


Any personal property or securities lawfully acquired by an insurer which it could not otherwise have invested in or loaned its funds upon at time of acquisition shall be disposed of by the insurer within three (3) years from date of acquisition unless within such period the property or security has attained to the status of eligibility; but any personal property or security acquired under any agreement of bulk reinsurance, merger or consolidation may be retained for a longer period if so provided in the plan for such reinsurance, merger or consolidation as approved by the superintendent under Article 34 [Chapter 59A, Article 34 NMSA 1978] of the Insurance Code. Upon application by the insurer and proof that forced sale of any such property or security would materially injure the interests of the insurer, the superintendent may extend the disposal period for an additional reasonable time.

**History:** Laws 1984, ch. 127, § 157.

### 59A-9-25. Failure to dispose of property or securities; effect; penalty.

A. Any property or securities lawfully acquired, and held by an insurer after expiration of the period for disposal thereof and any extension of such period granted by the superintendent as provided in Sections 156 and 157 [59A-9-23 and 59A-9-24 NMSA 1978] of this article, shall not be allowed as an asset of the insurer.

B. The insurer shall forthwith dispose of any ineligible investments unlawfully acquired by it, and the superintendent shall suspend or revoke the insurer's certificate of authority if the insurer fails to dispose of the investment within such reasonable time as the superintendent, by order, may specify. No such investment shall be allowed as an asset in determining the insurer's financial condition.

**History:** Laws 1984, ch. 127, § 158.


A. In addition to investments excluded pursuant to other provisions of the Insurance Code, an insurer shall not acquire, invest in or lend upon the security of:

1. issued shares of its own capital stock, except as provided in Section 568 [59A-34-22 NMSA 1978] of the Insurance Code (purchase of own shares by stock insurer). No such shares shall be deemed an asset of the insurer in any determination of its financial
condition;

(2) securities issued by a corporation or enterprise the controlling interest of which is, or will after such acquisition by the insurer be, held directly or indirectly by the insurer or any combination of the insurer and the insurer's directors, officers, subsidiaries or controlling stockholders (other than the parent corporation), and the spouses and children of any of the foregoing individuals. Investments in controlled insurance corporations or subsidiaries under Sections 144 and 145 [59A-9-11 and 59A-9-12 NMSA 1978] of this article are not subject to this section;

(3) any note or other evidence of indebtedness of any director, officer, employee or controlling stockholder of the insurer, or of the spouse or child of any of the foregoing individuals, except as to policy loans authorized under Section 148 [59A-9-15 NMSA 1978] of this article; or

(4) any real estate in which any officer or director or controlling stockholder (other than parent corporation) of the insurer has a financial interest.

B. No insurer shall underwrite or participate in underwriting of an offering of securities or property of any other person. This provision shall not prohibit the insurer from having a subsidiary which is a principal underwriter of a registered investment company (mutual fund).

C. No insurer shall enter into an agreement to withhold from sale any of its securities or property, and disposition of its assets shall at all times be within control of the insurer.

History: Laws 1984, ch. 127, § 159.


59A-9-27. Investments of foreign insurers.

The investment portfolio of a foreign or alien insurer shall be as permitted by the laws of its domicile if of a quality substantially equal to that required under this article for similar funds of like domestic insurers.

59A-10-1. Authorized deposits.

The following deposits of insurers when made with the state treasurer through the superintendent shall be accepted and held in trust, subject to the provisions of Sections 161 through 170 [59A-10-1 to 59A-10-10 NMSA 1978] of this article:

A. deposits required under the Insurance Code for authority to transact insurance in this state;

B. deposits of domestic insurers when made pursuant to laws of other states, provinces or countries as requirement for authority to transact insurance therein; and

C. deposits in such additional amounts as permitted under Section 166 [59A-10-6 NMSA 1978] (excess deposits) of this article.


59A-10-2. Purpose of deposit.

A. Deposits made in this state pursuant to Sections 85 [59A-5-18 NMSA 1978] (general deposit), 86 [59A-5-19 NMSA 1978] (special deposit) or 87 [59A-5-20 NMSA 1978] (general deposit of alien insurer) of the Insurance Code shall be held in trust for the respective purposes stated in those sections.

B. A deposit made in this state by a domestic insurer transacting insurance in another state, province or country under the laws thereof shall be held for protection of all the insurer's policyholders or all its policyholders and creditors or for such other purpose or purposes as may be specified pursuant to such laws.

C. Deposits required under Section 100 [59A-5-33 NMSA 1978] (reciprocity provision) of
the Insurance Code shall be held for purposes specified by the superintendent's order requiring the deposit to be made.

History: Laws 1984, ch. 127, § 162.


A. All general deposits required under Section 59A-5-18 NMSA 1978 and special deposits required under Section 59A-5-19 NMSA 1978, in the minimum amount specified therefor, shall consist of public obligations of the type eligible for investment of funds of domestic insurers under Section 59A-9-6 NMSA 1978.

B. All additional general or special deposits required by the superintendent under Section 59A-5-18 or 59A-5-19 NMSA 1978 shall consist of:

(1) public obligations as referred to in Subsection A of this section;
(2) corporate obligations of the kind in which a domestic insurer may invest funds pursuant to Section 59A-9-8 NMSA 1978, if the security has such rating and additional qualifications as the superintendent may from time to time by rule or regulation reasonably prescribe for deposit purposes; and
(3) notes or bonds secured by mortgages insured and debentures issued by the federal housing administrator and obligations of national mortgage associations.

C. Evidences of indebtedness secured by real property shall be eligible for deposit only if the real property securing the indebtedness is situated in New Mexico.

D. Notwithstanding any other provision of law, the securities qualified for deposit under Chapter 59A, Article 10 NMSA 1978 by domestic insurance companies may be deposited with a clearing corporation or held in the federal reserve book-entry system. Securities deposited with a clearing corporation or held in the federal reserve book-entry system and used to meet the deposit requirements set forth in this article shall be under the control of the superintendent and shall not be withdrawn by the insurance company without the approval of the superintendent.

Any insurance company holding securities in such manner shall provide to the superintendent evidence issued by its custodian or member bank through which such insurance company has deposited such securities in a clearing corporation or through which such securities are held in the federal reserve book-entry system, respectively, in order to establish that the securities are actually recorded in an account in the name of the custodian or other direct participant or member bank and that the records of the custodian, other participant or member bank reflect that such securities are held subject to the order of the superintendent.

E. Notwithstanding any other provision of law, securities eligible for deposit under the insurance laws of this state relating to deposit of securities by a foreign insurance company as a condition of commencing or continuing to do an insurance business in this state may be deposited with a clearing corporation or held in the federal reserve book-entry system. Securities deposited with a clearing corporation or held in the federal reserve book-entry system and used
to meet the deposit requirements under the insurance laws of this state shall be under the control of the superintendent and shall not be withdrawn by the insurance company without the approval of the superintendent. Any insurance company holding such securities in such manner shall provide to the superintendent evidence issued by its custodian or a member bank through which such insurance company has deposited securities with a clearing corporation or held in the federal reserve book-entry system, respectively, in order to establish that the securities are actually recorded in an account in the name of the custodian or other direct participant or member bank and evidence that the records of the custodian, other participant or member bank reflect that such securities are held subject to the order of the superintendent.

F. Deposits of a domestic insurer held in this state pursuant to the laws of another state, province or country (other than the general deposit provided for by Section 59A-5-18 NMSA 1978) shall consist of such assets as are required or permitted by the laws of such state, province or country.

G. Deposits of foreign insurers made in this state under Section 59A-5-33 NMSA 1978 shall consist of such assets as are required by the superintendent pursuant to such law.


The 2003 amendment, effective June 20, 2003, deleted "together with certificates of deposit in solvent state and national banks or trust companies located in New Mexico" at the end of Subsection A; deleted "and certificates of deposit" following "obligations" in Paragraph B(1).

### 59A-10-4. State treasurer as depository.

A. Deposits made in this state under the Insurance Code shall be made through the superintendent, and upon the superintendent's written order deposited with the state treasurer, who shall give receipt therefor and hold in trust deposits so made for the purpose or purposes made, subject to the applicable provisions of this article.

B. The state of New Mexico shall be responsible for safekeeping of all assets so deposited with the state treasurer, and shall bear the costs of the depository.

**History:** Laws 1984, ch. 127, § 164.

**Insurance Code.** — See 59A-1-1 NMSA 1978 and notes thereto.

### 59A-10-5. Depositories designated by treasurer.

The state treasurer may designate any solvent trust company or other solvent financial institution having trust powers domiciled in this state, as the state treasurer's depository to receive and hold any general, special or excess deposit of an insurer under this article. The deposit shall be so handled at the expense, if any, of the insurer, and the state of New Mexico shall not be responsible for safekeeping thereof.

**History:** Laws 1984, ch. 127, § 165.

An insurer may deposit and maintain on deposit with the state treasurer through the superintendent, funds and securities eligible for deposit under this article in amount not over one hundred thousand dollars ($100,000) in excess of its required general deposit or special deposit, as the case may be, for purpose of absorbing fluctuations in value of assets held on deposit, and to facilitate exchange and substitution of such assets.

History: Laws 1984, ch. 127, § 166.


A. So long as the insurer remains solvent and is in compliance with the Insurance Code it may:

1. demand, receive, and sue for and recover the income from the assets deposited;
2. exchange and substitute eligible assets of equivalent or greater fair market value for the deposited assets; and
3. at any reasonable time inspect any such deposit.

B. The superintendent may prescribe or approve reasonable arrangements and safeguards under which a solvent insurer may sell a particular deposited asset, immediately reinvest the proceeds of such sale in other assets eligible for deposit under this article, and deposit such other assets in lieu of that sold, in absence of excess deposit of the insurer adequate to cover such exchange.


If for any reason the market value of assets of the insurer held on deposit in this state falls below the amount required under the Insurance Code, the insurer shall promptly deposit other or additional eligible assets sufficient to cure the deficiency. If the insurer fails to cure the deficiency within a reasonable time after receipt of notice thereof from the superintendent, the superintendent shall revoke the insurer's certificate of authority.


A. All general and special deposits of an insurer under the Insurance Code shall be released only:

1. upon extinguishment of all liabilities of the insurer for the security of which the deposit is held, by reinsurance contract or otherwise; or

2. upon the insurer ceasing to transact business in this state, and all of the liabilities for which the deposit was security have been satisfied or terminated, or assumed by another insurer authorized to transact insurance in New Mexico; or

3. if the insurer is subject to delinquency proceedings, upon proper order of a court of competent jurisdiction the insurer's deposited assets shall be released to the receiver, conservator, rehabilitator or liquidator of the insurer; or

4. deposits held under Section 166 [59A-10-6 NMSA 1978] (excess deposits) of this article shall be released in whole or in part to the insurer on the insurer's request while the insurer is solvent and its general or special deposit, as applicable, is otherwise in amount not less than that required of the insurer under the Insurance Code.

B. If the deposited assets are held pursuant to Section 100 [59A-5-33 NMSA 1978] (reciprocity provision) of the Insurance Code, the deposit shall be released when the basis for such reciprocity no longer exists as to the deposit.

C. Release of a deposit shall be made only on application to and written order of the superintendent, made upon proof satisfactory to the superintendent of the existence of one or more of grounds for release stated in Subsection A, above. The superintendent, before directing release of deposited assets, may require such evidence as he deems satisfactory that the release of the deposit, in whole or in part, should be made. The superintendent shall have no personal liability for any release of a deposit or part thereof so made by him in good faith.


59A-10-10. [Impairment of surety on bond in lieu of special deposit; requirement of new bond.]

If in the superintendent's opinion the solvency of any surety on a bond accepted under Section 86 [59A-5-19 NMSA 1978] of the Insurance Code in lieu of a special deposit has become impaired or doubtful, the superintendent shall so notify the principal on the bond and unless within ten (10) days thereafter the solvency of the surety is proved to the superintendent's satisfaction or a new acceptable bond substituted, or eligible assets deposited in amount required and in lieu of bond, the superintendent shall revoke the certificate of authority of the insurer principal in such bond.


59A-10-11. Trusteed assets of alien insurer.

A. An alien insurer may use New Mexico as a state of entry to transact insurance in the United States by making and maintaining in this state a deposit of assets in trust with a bank or trust company domiciled in this state and designated or approved by the state treasurer and the superintendent and by obtaining a certificate of authority to transact the business of insurance in this state in accordance with Chapter 59A, Article 5 NMSA 1978.

B. The deposit shall be in an amount not less than as required of an alien insurer under Section 59A-5-20 NMSA 1978 and shall consist of assets eligible for deposit under Subsection B of Section 59A-10-3 NMSA 1978.

C. Such a deposit may be referred to as "trusteed assets".


The 1991 amendment, effective April 3, 1991, added the language beginning "and the superintendent" at the end of Subsection A and rewrote Subsection B which read "The deposit together with other trust deposits of the insurer held in the United States for the same purpose shall be in amount not less than as required of an alien insurer under Section 87 of the Insurance Code and shall consist of assets eligible for deposit under Subsection B of Section 163 of this article."

59A-10-12. Purpose and duration.

The deposit of an alien insurer provided for in Section 171 [59A-10-11 NMSA 1978] of this article shall be held in trust for the benefit, security and protection of the policyholders, or policyholders and creditors, of the insurer in the United States, and shall be maintained as long as there is outstanding in the United States any liability of the insurer arising out of its insurance transactions therein.


A. The deposit of an alien insurer referred to in Section 171 [59A-10-11 NMSA 1978] of this article shall be made and maintained under a written trust agreement between the insurer and trustee consistent with the requirements of Sections 171 through 179 [59A-10-11 to 59A-10-19 NMSA 1978] of this article, and shall be authenticated in such form and manner as the superintendent may designate or approve.

B. The trust agreement shall not be effective until filed with and approved in writing by the superintendent. The superintendent shall not approve any trust agreement found not in compliance with law, or terms of which do not in fact provide reasonably adequate protection for the insurer's policyholders or policyholders and creditors in the United States to the extent of the
amount to be deposited. The trust agreement may be amended, but amendment shall not be
effective until filed with and approved in writing by the superintendent.

C. The superintendent may withdraw approval of a trust agreement or of any amendment
thereof if he finds upon hearing, after due notice thereof to the insurer and the trustee, that the
requisites for such approval, as provided in Sections 171 through 179 of this article do not in fact
exist or no longer exist.


59A-10-14. Title; separation; accounting.

A. Title to the trusteed assets of such an alien insurer shall be vested in the trustee and its
successors for the purposes of the trust deposit, and the trust agreement shall so provide.

B. The trustee shall keep the trusteed assets separate from its other assets, and shall maintain
a record thereof sufficient to identify the trusteed assets at all times.

C. The trustee shall from time to time file with the superintendent its statement, in such form
as the superintendent may designate or approve, certifying the character of the assets and the
amounts and market value thereof. If the trustee fails to file the statement within a reasonable
time after request therefor by the superintendent, the superintendent shall revoke the insurer's
certificate of authority and immediately give written notice of such revocation to each other state
in which, known to the superintendent, the insurer is transacting insurance business as either an
authorized insurer or surplus line insurer.


59A-10-15. Examination of assets.

The superintendent may examine trusteed assets of any alien insurer at any time in
accordance with the same conditions and procedures as govern examination of insurers in
general under the Insurance Code.


The 1991 amendment, effective April 3, 1991, substituted "any alien insurer" for "the alien insurer"
near the beginning of the section.


59A-10-16. Withdrawal of assets.

A. The trust agreement of such an alien insurer shall provide in substance that no withdrawal
of trusteed assets shall be made by the insurer or permitted by the trustee without written
authorization or approval of the superintendent in advance thereof, except as follows:

(1) any or all income, earnings, dividends or interest accumulations of the trusteed
assets may be paid over to the insurer's United States manager upon the insurer's written request; or

(2) for substitution, coincidentally with such withdrawal, of other eligible assets of value at least equal to that of assets being withdrawn, if the withdrawal is requested in writing by the insurer's United States manager under general or specific written authority from the insurer's board of directors or other similar governing body and a certified copy of such authority is filed with the trustee; or

(3) for the purpose of making deposits required by law in any state in which the insurer is or thereafter becomes an authorized insurer, for protection of its policyholders or policyholders and creditors in such state or in the United States, if such withdrawal does not reduce the insurer's deposit in this state below the minimum deposit required under Section 87 [59A-5-20 NMSA 1978] of the Insurance Code. The trustee shall transfer any assets so withdrawn and in amount so required to be deposited in the other state directly to the depository required to receive the deposit in the other state, as certified in writing by the public officer having supervision of insurance in that state; or

(4) for the purpose of transferring the trusteed assets to an official conservator, rehabilitator or liquidator under order of a court of competent jurisdiction.

B. The superintendent shall so authorize or approve withdrawal of only such assets as are in excess of the amount required to be held in trust under Section 87 of the Insurance Code, or as may otherwise be consistent with the provisions of Sections 171 through 179 [59A-10-11 to 59A-10-19 NMSA 1978] of this article.

C. If the insurer is no longer authorized to transact insurance under certificate of authority in any state, upon proof satisfactory to the superintendent that all of the insurer's liabilities arising out of its insurance transactions in the United States have been assumed by another insurer in such manner as to provide reasonable protection with respect thereto to the United States policyholders or policyholders and creditors of the withdrawing insurer, or such liabilities have otherwise terminated as to the withdrawing insurer, the superintendent shall authorize release of, and the trustee shall release, the trusteed assets to the withdrawing insurer or its successor in interest, or so much of such trusteed assets as the superintendent finds no longer reasonably required for protection of such policyholders or policyholders and creditors.

D. If the insurer becomes insolvent, or if its assets held in the United States are less than the sum of its liabilities in the United States arising from its insurance transactions therein and the amount of the required deposit, upon determination thereof the superintendent shall in writing order the trustee to suspend the right of the insurer or any other person to withdraw assets as authorized under Paragraphs (1), (2) and (3) of Subsection A of this section, and the trustee shall comply with such order until the superintendent's further order.


59A-10-17. Substitution of trustee.
With the superintendent's approval, a new trustee or new trustees may be substituted for the original trustee of trusteed assets of the alien insurer for any proper cause.

**History:** Laws 1984, ch. 127, § 177.


Sections 171 through 179 [59A-10-11 to 59A-10-19 NMSA 1978] of this article applicable to a United States manager shall, in the case of insurers domiciled in Mexico or Canada, be deemed to refer to the president, vice-president, secretary, treasurer or other comparable officer of the insurer duly authorized by the insurer's board of directors or other similar governing body to act in behalf of the insurer as to the insurer's trusteed assets hereunder.

**History:** Laws 1984, ch. 127, § 178.

### 59A-10-19. Levy upon deposit.

No judgment creditor or other claimant of an insurer shall have the right to levy upon any of the assets or securities held in this state as a deposit for protection of the insurer's policyholders or policyholders and creditors. Levy upon deposits made pursuant to Section 100 [59A-5-33 NMSA 1978] (reciprocity provision) of the Insurance Code shall be permitted if so provided by the superintendent's order under which the deposit is required.

**History:** Laws 1984, ch. 127, § 179.

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**ARTICLE 11**

**Licensing Procedures, Agents, Solicitors, Brokers, Adjusters and Others**

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59A-11-1. Scope of article.

A. This article [Chapter 59A, Article 11 NMSA 1978] provides as to procedures in licensing insurance agents, solicitors, brokers, surplus line brokers and adjusters; agents of prepaid dental plans; agents and solicitors of nonprofit health care plans; bail bondsmen and solicitors; registration of motor club representatives; licensing of insurance securities salespersons; and applications for, qualifying examinations, and issuance of, duration, continuation and termination of all such licenses and registrations. For the purposes of this article all such licenses and registrations are referred to as "licenses."

B. This article shall also apply as to all additional categories of persons operating in insurance fields and related fields as administrators, consultants, appraisers or in whatever similar capacity, under laws now or hereafter enacted, the licensing and supervision of whom is delegated by such laws to the superintendent.

C. Definitions, requirement of licenses, qualifications for license and other requirements and provisions as to such agents, solicitors, brokers, adjusters, bail bondsmen and solicitors, motor club representatives and other categories referred to in Subsection B, above, shall be as provided in subsequent articles in the Insurance Code now or hereafter respectively dealing with such categories.


44 C.J.S. Insurance § 85 et seq.


A. Where a license is required under the Insurance Code [59A-1-1 NMSA 1978] for categories referred to in Section 59A-11-1 NMSA 1978, application by an individual shall be filed with, and on a form prescribed by, the superintendent. The application shall be signed by the applicant, under oath if required by the form.

B. The application form may require information about the applicant as to:

(1) name, date of birth, social security number, residence and business address, if applicable;

(2) personal history, business experience in general;
(3) experience or special training or education in the kind of business to be transacted under the license applied for;
(4) previous licensing;
(5) type of license applied for and kinds of insurance or transactions to be covered thereby;
(6) proof of applicant's identity; and
(7) such other pertinent information and matters as the superintendent may reasonably require.

C. The application form shall also require information as to additional matters expressly required to be included therein in articles of the Insurance Code [59A-1-1 NMSA 1978] relating to particular licenses.

D. The application shall be accompanied by the applicable license application filing fee specified in Section 59A-6-1 NMSA 1978 and by the fee specified in such fee schedule for any examination required under the Insurance Code to be taken and passed by the applicant prior to licensing.

E. The superintendent may require a criminal history background investigation of the applicant for a license by means of fingerprint checks by the department of public safety and the federal bureau of investigation.

F. The superintendent may obtain from the department of public safety and the federal bureau of investigation, at the expense of the applicant for a license, criminal history information concerning each applicant, using the applicant's fingerprints or other identifying information. The information shall be used by the superintendent solely in determining whether to grant the application.


1999 amendments. — Identical amendments to this section were enacted by Laws 1999, ch. 272, § 3, effective June 18, 1999, approved April 8, 1999, and Laws 1999, ch. 289, § 4 also effective June 18, 1999, approved later on April 8, 1999, which updated statutory references in Subsections A and F, deleted "now or hereafter" following "a license is" in the first sentence of Subsection A, and deleted "and length of time a resident of New Mexico, if applicable" at the end of Subsection B(1). The section is set out as amended by Laws 1999, ch. 289, § 4. See 12-1-8 NMSA 1978.

The 2001 amendment, effective June 15, 2001, added Subsections G and H.

The 2003 amendment, effective June 20, 2003, in Subsection A, deleted "and furnished" following "a form prescribed", deleted "and by or on behalf of the proposed principal where expressly required in the form" at the end; deleted Subsection C pertaining to an application for license as insurance agent being accompanied by appointment of the applicant as agent by at least one insurer; and deleted Subsection D pertaining to the principal or principal's representative certifying in writing as to his knowledge of the applicant; and redesignated former Subsections E to H as present Subsections C to F; and deleted "by bond where expressly required under other provisions of the Insurance Code" following "Section 59A-6-1
Existing forms and filings. — See same catchline in notes following 59A-5-21 NMSA 1978.


ANNOTATION


Regulation or control of insurance agents or brokers, 10 A.L.R.2d 950.

44 C.J.S. Insurance § 85 et seq.

59A-11-3. Application by firm or corporation.

A. Where licensing of a firm (partnership) or corporation is otherwise provided for as to any category of licensees referred to in Section 180 [59A-11-1 NMSA 1978] of this article, application therefor shall be filed with the superintendent by the firm or corporation on form prescribed and furnished by the superintendent. The application shall be signed on behalf of the applicant by a partner or corporate officer thereunto duly authorized, and under oath if so required by the superintendent.

B. The application form may require information about applicant as follows:

(1) if a firm, the name, residence, proof of identity, business record and reputation, business experience of each partner and so much additional information concerning such individuals as required of applicants for license as individuals as the superintendent deems advisable;

(2) if a corporation, the name, residence, proof of identity, business record and reputation, business experience of each officer, member of the board of directors, controlling stockholder, and such additional information concerning such individuals as required of applicants for license as individuals as the superintendent deems advisable;

(3) evidence satisfactory to the superintendent that transaction of business proposed to be transacted under the license applied for is within the partnership agreement, if a firm, or within the corporate powers, if a corporation; and

(4) such further information concerning applicant, appointment of applicant, partners, corporate officers, directors, and stockholders, as the superintendent deems advisable.

C. If a firm, each individual who is not a bona fide general partner and who is to exercise license powers, and if a corporation, each individual, whether or not an officer, director, stockholder or in other relationship to the corporation, who is to exercise the license powers, shall file application as though for an individual license for the same kind of business as that
applied for by the firm or corporation.

D. The application shall be accompanied by payment of the fee for filing application, fee for any examination required under the Insurance Code to be taken and passed prior to licensing, as such fees are prescribed in Section 101 [59A-6-1 NMSA 1978] (fee schedule) of the Insurance Code, and by any bond otherwise required as to the license applied for. An additional license application filing fee is required as to each individual in excess of one who is to exercise the license powers of a corporation, or license powers of a firm if not a general partner therein.

**History:** Laws 1984, ch. 127, § 182.

**Existing forms and filings.** — See notes following 59A-5-21 NMSA 1978.

**Insurance Code.** — See 59A-1-1 NMSA 1978 and notes thereto.

59A-11-4. Temporary licenses.

Where temporary license is otherwise provided for in the Insurance Code as to a particular category of licensee, application therefor shall be made in the same manner as applies to permanent license under this article with such modification therein as the superintendent may prescribe, and without payment of examination fee.

**History:** Laws 1984, ch. 127, § 183.

**Existing forms and filings.** — See notes following 59A-5-21 NMSA 1978.

**Insurance Code.** — See 59A-1-1 NMSA 1978 and notes thereto.

59A-11-5. Vending machine licenses.

A. Where licensing of insurance vending machines is otherwise provided for in the Insurance Code application for the license shall be made by the licensed agent or other person designated by law therefor, and filed with the superintendent on a form as prescribed and furnished by the superintendent. The application form may require, among other matters, information as to the kind of insurance and policies to be so offered, type of vending machine to be used, where the machine is to be located, how the public is to be informed as to the coverage offered and its limitations, and arrangements made or proposed for refund of money retained by defective vending machines when no policy is delivered to the proposed purchaser.

B. The application shall be accompanied by the fee for filing application for vending machine license as prescribed in Section 101 [59A-6-1 NMSA 1978] (fee schedule) of the Insurance Code.

**History:** Laws 1984, ch. 127, § 184.

**Existing forms and filings.** — See notes following 59A-5-21 NMSA 1978.

**Insurance Code.** — See 59A-1-1 NMSA 1978 and notes thereto.
59A-11-6. Examination of applicant.

Where the applicant for a license is required to take and pass an examination prior to issuance of license applied for, such examinations shall be subject to the following provisions:

A. the examination shall be made available to applicants for particular licenses at least once each month at place or places within New Mexico of convenience designated by the superintendent;

B. the examination shall be prepared by or under authorization of the superintendent and be of such scope as reasonably to test applicant's knowledge of business proposed to be transacted under the license applied for, of his responsibilities as a licensee, and general competence;

C. the examination shall require written answers of the applicant to questions asked. If the applicant so requests, the examination shall be administered in the Spanish language;

D. all examinations shall be given, conducted and graded in a fair and impartial manner, and without unfair discrimination as between individuals examined;

E. an applicant shall not be deemed to have passed the examination unless receiving a grade thereon of not less than seventy (70);

F. any individual who has failed to pass an examination may take another such examination at any subsequent scheduled examination date; except, that an individual who has taken and failed to pass two (2) such examinations shall not be entitled to take another such examination within thirty (30) days after date of last examination failed; and if thereafter the individual fails to pass two (2) more such examinations, the individual shall not be eligible to take any further such examination until after six (6) months from date of last examination failed;

G. an examination application fee, in amount stated in Section 101 [59A-6-1 NMSA 1978] (fee schedule) of the Insurance Code, or as provided for under Paragraph I below, shall be paid as to each instance of examination;

H. the superintendent may, at discretion, cause to be prepared and made available to applicants a manual showing general type and scope of examination as to any license for which examination is required; and

I. in lieu of preparing, conducting and grading examinations through insurance department personnel, the superintendent may contract with an established independent agency experienced therein for preparation, conduct and grading of examinations, and in such case the examination fee shall be in reasonable amount as fixed by the superintendent and payable to the examination agency. The examination in such instance shall be prepared, conducted and graded subject to the same requirements and standards as would apply to examination by the superintendent direct.


The Criminal Offender Employment Act [28-2-1 to 28-2-6 NMSA 1978] shall govern any consideration of criminal record in connection with application for any license under this article.

History: Laws 1984, ch. 127, § 186.


If the superintendent finds that the application is complete, that the applicant has passed all required examinations and is otherwise qualified for the license applied for, the superintendent shall promptly issue the license. Otherwise, the superintendent shall refuse to issue the license and promptly notify the applicant and the appointing insurer, employer or principal, where applicable, of the refusal and state the grounds for refusal.


The 2003 amendment, effective June 20, 2003 deleted “refundability of fees” from the section heading; and deleted the Subsection A designation and deleted Subsection B that concerned refund of fees.

59A-11-9. License contents; number required.

A. The license issued by the superintendent under this article shall state the name of the licensee and residence address if an individual, or business address if a firm or corporation or a place of business is otherwise required of the licensee, the capacity in which the licensee is to act and the kind of business covered, date of issue of license, and such other information as the superintendent deems pertinent and consistent with law.

B. The license of an insurance agent shall not specify the name of any particular insurer or underwriter's department by which the licensee is appointed, except as to certain limited licenses, and the licensee may represent as agent under the one license as many insurers or underwriter's departments as may appoint him as agent under the Insurance Code, subject to Section 192 [59A-11-13 NMSA 1978] of this article as to certain life or health insurance agents having unsettled debit balances with an insurer previously represented.

C. The license of a solicitor shall show also the name and address of the employer to be represented.

D. The license of a firm or corporation shall also state, or record by endorsement attached thereto, the name of each individual authorized to exercise the license powers. At the superintendent's discretion the name of such an individual may be registered with the insurance department in lieu of [being] shown or endorsed on the license.

E. Each limited license issued under Section 219 [59A-12-18 NMSA 1978] of the Insurance Code shall show also the name of the insurer so represented, and a separate license shall be

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required as to each such insurer.

**History:** Laws 1984, ch. 127, § 188.

**Bracketed material.** — The bracketed word "being" in Subsection D was inserted by the compiler. It was not enacted by the legislature and is not a part of the law.

**Insurance Code.** — See 59A-1-1 NMSA 1978 and notes thereto.

### 59A-11-10. Continuation, expiration of license.

A. Each license, other than insurance agent, issued under this article shall continue in force until it is suspended, revoked or otherwise terminated, but except as may be provided pursuant to Section 59A-11-11 NMSA 1978, subject to payment to the superintendent annually on or before April 1, or December 31 as to motor club representatives, of the applicable continuation fee specified in Section 59A-6-1 NMSA 1978 accompanied by request for such continuation:

1. for broker, surplus line broker, independent adjuster, bail bondsman license and similar other independent licensees, request shall be made and signed by the licensee;
2. for agent (other than insurance agent) or staff adjuster, or solicitor license, request shall be made and signed by the employer or other principal, as applicable; or
3. for vending machine, request shall be made and signed by the supervisory agent thereof.

B. Subject to Section 59A-11-11 NMSA 1978, any license referred to in Subsection A of this section, not so continued shall be deemed to have terminated as of midnight on April 30, or December 31 as to motor club representatives, then current; except that the superintendent may effectuate a request for continuation received within thirty days thereafter if accompanied by annual continuation fee equal to one hundred fifty percent of the continuation fee otherwise required.

C. Within sixty days of obtaining an agent license, the licensee shall become appointed by an authorized insurer to act as its agent; otherwise the license shall expire. A person shall not act as an agent of an insurer unless the person becomes appointed as an agent of the insurer. Within fifteen days from the date an agency contract is executed or the first insurance application from the person is accepted by the insurer, the insurer shall file a notice of appointment on a form approved by the superintendent. The agent or the insurer may terminate an appointment by notifying the superintendent and the other party in writing of the termination. If at any time all of the licensee's appointments have been terminated for a period of sixty days, the agent's license shall expire.

D. If the superintendent has reason to believe that the competence of any licensee, or individual designated to exercise license powers, is questionable, the superintendent may require as condition to continuation of the license or license powers that the licensee or individual take and pass to the superintendent's satisfaction a written examination as required under the Insurance Code of new individual applicants for similar license.
E. This section shall not apply as to temporary licenses, which shall be for such duration and subject to extension as provided in the respective sections of the Insurance Code [59A-1-1 NMSA 1978] by which such licenses are authorized.

F. All licenses and appointments as to an insurer or other principal which ceases to be authorized to transact business in this state shall automatically terminate without notice as of date of such cessation.

G. A license shall also terminate upon death of the licensee, if an individual, or dissolution if a corporation, or change in partnership members if a firm; subject, in case of a firm, to continuation of the license for a reasonable period while application for new license is being made or pending, under reasonable conditions provided in regulations of the superintendent.


1999 amendments. — Identical amendments to this section were enacted by Laws 1999, ch. 272, § 4, effective June 18, 1999, approved April 8, 1999, and Laws 1999, ch. 289, § 5 also effective June 18, 1999, approved later on April 8, 1999, which updated the statutory references in Subsections A and B, deleted "nonresident" preceding "broker" in Subsection A(1), and substituted "agent" for "agency" three times in Subsection C. The section is set out as amended by Laws 1999, ch. 289, § 5. See 12-1-8 NMSA 1978.

The 2003 amendment, effective June 20, 2003, deleted former Subsection C concerning continuation and termination of licenses and inserted present Subsection C.


59A-11-11. License and appointment continuation, expiration; staggered dates system.

The dates of continuation, expiration of licenses and appointments stated in Section 189 [59A-11-10 NMSA 1978] of this article notwithstanding, the superintendent may in his discretion and in order to apportion the work of the insurance department and others involved in licensing under this article reasonably throughout a period, by regulations duly promulgated fix the dates for continuance, renewal or expiration of licenses or appointments of the respective categories of licenses. No such change of date shall shorten the period covered by any license then existing and the superintendent may provide in such regulation for payment of a pro rata additional license or appointment fee to cover any extension of the period of the existing license to date of commencement of the new license period under the regulations.

History: Laws 1984, ch. 127, § 190.


A. Each insurer or other principal appointing an agent in this state shall file with the superintendent a written appointment specifying the name and address of the appointee and the kinds of insurance or business to be transacted by the agent and pay the appointment fee, or license fee, as the case may be, as specified in Section 101 [59A-6-1 NMSA 1978] (fee
schedule) of the Insurance Code.

B. Subject to continuation by the insurer or principal as provided in Section 189 [59A-11-10 NMSA 1978] of this article, each appointment shall remain in effect until the agent's license is revoked or otherwise terminated, or there is earlier termination of the appointment.

C. Not later than thirty (30) days prior to date set under this article for continuation of appointments of agents, the insurer or other principal shall file with the superintendent an alphabetical list of all its agents in this state whose appointments or licenses are continued as to kinds of insurance or business then covered by the appointments or licenses, together with payment of the applicable continuation fees specified in Section 101 (fee schedule) of the Insurance Code. At the same time the insurer or principal shall file with the superintendent an alphabetical list of all appointments or licenses not being continued, or to be modified as to kinds of insurance or business to be transacted, with payment of applicable continuation fees as to appointments or licenses being so modified. Any appointment or license not so continued and not otherwise expressly terminated shall be deemed to have expired at midnight on date specified therefor under Section 189 of this article, or pursuant to the superintendent's regulations as provided in Section 190 [59A-11-11 NMSA 1978] of this article.


A. No insurer shall terminate a contract appointing any person as an independent agent without giving the agent written notice of the termination, including the specific reason for such action, at least one hundred eighty days prior to the termination.

B. Notwithstanding the provisions of Subsection A of this section, no insurer may cancel a written agreement with an agent with respect to property or casualty insurance because of an adverse loss-ratio experience on that agent's book of business during any three full consecutive calendar years if:

1. the insurer required the agent to submit the application for underwriting approval, all material information on the application was fully completed and the agent had not omitted or altered any information provided by the applicant; or

2. the insurer accepted without prior approval policies issued by the agent, if all material information on the application or on the insurer's copy of any policy issued by the agent was fully completed and the agent had not omitted or altered any information provided by the applicant.

C. The provisions of Subsection A or B of this section shall not apply to termination of a contract for insolvency, abandonment, gross or willful misconduct, failure to pay over to the company money due to the company under existing agency or company contract after receipt of a written demand therefor, fraud or intentional misrepresentation by the agent, either to the insurer or to an insured, or after the agent's license is revoked or otherwise terminated by the superintendent.
D. For one year following termination for any reason other than those set forth in Subsection C of this section, the agent may renew, for a term of one year, any policies of the insurer in force at termination if the insureds meet current underwriting standards. The agent shall earn a commission for such renewals at a rate not less than the rate in effect prior to termination.

E. For the purposes of this section:
   (1) "independent agent" means an agent that is not an employee of an insurer and represents more than one insurer;
   (2) "one insurer" includes any group of insurance companies under substantially the same management and control;
   (3) "insurer" means any insurance company authorized to transact property or casualty insurance business in this state; and
   (4) "policies" means all kinds of insurance, except life, health, annuities and credit life and health.

F. Any person who has suffered damages as a result of a violation of this section is granted a right to bring an action in district court to recover damages, including reasonable costs and attorneys fees, if approved by the court.


ANNOTATION


59A-11-14. Suspension, revocation, refusal to continue license; grounds.

A. In addition to reason therefor provided under other provisions of the Insurance Code [59A-1-1 NMSA 1978] as to particular licenses, the superintendent may suspend, revoke or refuse to continue any license issued under Chapter 59A, Article 11 NMSA 1978 for any of the following reasons applicable as to licensee:
   (1) for any cause for which issuance of the license could have been refused had it then existed and been known to the superintendent;
   (2) violation of any provision of the Insurance Code or other law applicable to the business transacted under the license;
   (3) willful failure to comply with, or willful violation of, any lawful order or rule of the superintendent;
   (4) material misstatement, misrepresentation or fraud in obtaining the license;
   (5) failure to pass any examination required by the superintendent, subsequent to issue of license, under Subsection D of Section 59A-11-10 NMSA 1978;
misappropriation, conversion or unlawful withholding, or failure or refusal to pay over upon demand, any money belonging to insurers or others and received in conduct of business under the license;

(7) fraudulent or dishonest practices in conduct of business under the license;

(8) intentional material misrepresentation of the terms of any existing or proposed insurance policy, contract or other service within scope of the license;

(9) conviction by final judgment of a felony involving dishonesty or breach of trust;

(10) aiding, abetting or assisting another person to violate any provision of the Insurance Code; or

(11) if in conduct of affairs under the license, the licensee has used fraudulent, coercive or dishonest practices, or has shown himself to be incompetent, untrustworthy, financially irresponsible or a source of injury and loss to the public; or that the interests of the insureds or the public are not being properly served under the license.

B. The superintendent may suspend, revoke or refuse to continue the license of a firm or corporation for any of such causes as relate to any individual designated in or registered as to the license to exercise its powers.

C. The superintendent may require a criminal history background investigation of a current license holder by means of fingerprint checks by the department of public safety and the federal bureau of investigation, at the expense of the license holder, using the license holder's fingerprints or other identifying information. The information shall be used by the superintendent solely in determining whether to suspend, revoke or refuse to continue a license.


The 2001 amendment, effective June 15, 2001, updated the internal designation and made stylistic changes in Subsection A; substituted "dishonesty or breach of trust" for "moral turpitude" in Paragraph A(9) and added Subsection C.


Constitutionality, construction and application of statute respecting cancellation or suspension or renewal of license of insurance agent, 154 A.L.R. 1146.

Revocation or suspension of insurance agent's license for withholding or misappropriation of premiums, 17 A.L.R.4th 1106.

44 C.J.S. Insurance § 85 et seq.

59A-11-15. Procedure for suspension, revocation or refusal to continue license.

A. Not less than twenty (20) days prior to the effective date of any suspension, revocation or refusal to continue any license issued under this article, the superintendent shall mail his order
and notice thereof to the licensee at the licensee's last address of record in the insurance department. Unless prior to such effective date the licensee requests a hearing thereon, under applicable procedures provided in Article 4 [Chapter 59A, Article 4 NMSA 1978] (examination, hearings, and appeals) of the Insurance Code, the order shall be final and not subject to review or appeal.

B. In the alternative, the superintendent may order the licensee to show cause at a hearing before the superintendent at a place, date and time stated in the order, but not earlier than twenty (20) days thereafter, as to why the superintendent should not suspend, revoke or refuse to continue the license, as the case may be. The superintendent shall mail the order to licensee at licensee's address last of record in the insurance department, or have personal service of the order made on licensee.

C. Order mailed as provided in Subsection A or B, above, shall be deemed received by the licensee.


A. In the order suspending a license issued under this article, the superintendent shall, in addition to other matters required, state the period, not to exceed one (1) year, for which suspension is to be in effect. The period of suspension may be modified by the superintendent's further order. At the end of the suspension period the license shall reinstate on request of the licensee, unless the superintendent finds that the cause or causes of the suspension, if of a continuing character, still exist or are likely to recur. If the superintendent so finds, he shall forthwith revoke the license by his further order.

B. During the period of suspension the licensee shall not engage in any transaction for which the license is required, other than receipt and remittance of premiums paid as to insurance or other business transacted under the license prior to the suspension.


59A-11-17. Administrative fine in lieu [of suspension, etc.]

In lieu of suspension, revocation or refusal to continue a license issued under this article the superintendent may levy an administrative fine upon the licensee in amount of not less than one hundred dollars ($100) nor more than five hundred dollars ($500). In the order levying the fine, the superintendent shall specify the grounds therefor and the period, not to exceed sixty (60) days, within which the licensee shall pay. If at the end of payment period so allowed the licensee has not paid to the superintendent the amount of the fine, the license shall stand suspended, revoked or renewal refused, as the case may be, as at the end of the period and without further order.

History: Laws 1984, ch. 127, § 196.
59A-11-18. Relicensing after revocation or refusal to continue.

The superintendent shall not relicense any former licensee whose license has been revoked or continuation refused until evidence has been presented showing to the superintendent's satisfaction that the former licensee is otherwise qualified for the license desired and that the cause or causes of the prior revocation or refusal to continue, if of continuing character, no longer exist and will not recur.

History: Laws 1984, ch. 127, § 197.


A. All licenses issued under this article are, and shall continue to be, the property of the state of New Mexico. Upon suspension, revocation, refusal to continue or other termination of the license, the licensee, former licensee, holder or possessor thereof shall forthwith deliver the license to the superintendent.

B. As to license lost, stolen or destroyed while in possession of licensee or other person, in lieu of return of the license the superintendent may accept the affidavit of the licensee or other person responsible for or involved in safekeeping of the license, concerning the facts of such loss, theft or destruction.


59A-11-20. License records.

The superintendent shall maintain a record of all licenses in force and insurance department transactions relative thereto. In addition to other matters, the record shall show name and address of licensee, date of issuance, kind of business to be transacted, name and address of insurer or other principal represented. Except as to privileged information and other matters withheld by the superintendent pursuant to Sections 30 [59A-2-12 NMSA 1978] (records; inspection; destruction) or 55 [59A-4-11 NMSA 1978] (examination report; filing for public inspection; confidentiality) of the Insurance Code, the record shall be open to public inspection.

History: Laws 1984, ch. 127, § 199.


In addition to any administrative penalty provided therefor under this article, any person who in application for license wilfully misrepresents or wilfully withholds requested material information, shall upon conviction thereof be guilty of a misdemeanor punishable by a fine not to exceed five hundred dollars ($500) unless the character of the offense is punishable as a greater offense under the general laws of this state.

ARTICLE 11A
Insurance Consultants

Section
59A-11A-1 Insurance consultant; license required.
59A-11A-2 Insurance consultant license; exemptions.
59A-11A-3 Insurance consultant license; application; requirements for issuance; fee; renewal.
59A-11A-4 Insurance consultant license; suspension or revocation; appeal; penalty.
59A-11A-5 Insurance consultants; contracts and agreements.
59A-11A-6 Insurance consultant; required acknowledgments.
59A-11A-7 Payment from insurers or agents for sale of insurance prohibited; penalty.
59A-11A-8 Acting as insurance consultant without a license prohibited; penalty.

59A-11A-1. Insurance consultant; license required.

Unless licensed as an insurance consultant under the provisions of this act [59A-11A-1 to 59A-11A-8 NMSA 1978], no person shall:

A. for a fee received or to be received, offer to examine, examine or aid in examining any policy of insurance or any annuity or pure endowment contract for the purpose of giving or offering to give any advice, counsel, recommendation or information in respect to the terms, conditions, benefits, coverage or premium of any such policy or contract or in respect to the expediency or advisability of altering, changing, exchanging, converting, replacing, surrendering, continuing, renewing or rejecting any such policy or contract or of accepting or procuring any such policy or contract from any company; or

B. in or on advertisements, cards, signs, circulars or letterheads or elsewhere or in any other way or manner by which public announcements are made use the title "insurance consultant", "insurance advisor", "insurance specialist", "insurance counselor", "insurance analyst", "policyholders' advisor", "policyholders' counselor" or any other similar title or any title, word or combination of words indicating that he gives or is engaged in the business of giving advice, counsel, recommendation or information to holders of policies of insurance or annuity or pure endowment contracts.

History: Laws 1989, ch. 97, § 1.

59A-11A-2. Insurance consultant license; exemptions.

Nothing in this act [59A-11A-1 to 59A-11A-8 NMSA 1978] shall be construed to:

A. prohibit the customary advice offered by a licensed insurance agent or adjuster;

B. apply to a person admitted to the practice of law or permitted to engage in the practice of public accountancy in this state when the person is acting within the scope of that
practice; or

C. require licensure of or otherwise apply to a salaried employee of a group or its service company as defined in the Group Self-Insurance Act [Chapter 52, Article 6 NMSA 1978].

History: Laws 1989, ch. 97, § 2.

59A-11A-3. Insurance consultant license; application; requirements for issuance; fee; renewal.

A. The superintendent shall issue a license as an insurance consultant to any person who:

   (1) has reached the age of majority;

   (2) files a written application in the manner and form prescribed by the superintendent, stating the lines of insurance for which the applicant desires such a license;

   (3) passes an examination as provided in Subsection B of this section;

   (4) pays an application fee of fifty dollars ($50.00) and an examination fee of ten dollars ($10.00); and

   (5) satisfies the superintendent that he is competent, financially responsible and of good moral character.

B. The superintendent shall examine all initial applicants for a license as an insurance consultant in such manner and form as the superintendent prescribes. The examination shall be of sufficient scope to demonstrate a broad knowledge of insurance contracts and the practices of the insurance industry in the lines of insurance for which the applicant desires such a license. However, the superintendent may waive the requirement for the examination for:

   (1) property and casualty insurance in the case of an applicant who has been awarded the professional designation of chartered property and casualty underwriter or certified insurance counselor in the property and casualty line;

   (2) life and accident insurance in the case of an applicant who has been awarded the professional designation of chartered life underwriter; and

   (3) all lines of insurance in the case of an applicant who has been awarded the professional designations of chartered property and casualty underwriter and chartered life underwriter.

C. If an applicant fails any examination he may be reexamined upon payment of a ten dollar ($10.00) examination fee for each such reexamination.

D. The license as an insurance consultant shall be issued for two years. The license may in the discretion of the superintendent be renewed biennially upon application and payment of a fee of one hundred dollars ($100).

History: Laws 1989, ch. 97, § 3.
59A-11A-4. Insurance consultant license; suspension or revocation; appeal; penalty.

A. The superintendent may revoke the license of an insurance consultant or suspend it for a period not exceeding the expiration date of the license for any good cause shown as provided in the Insurance Code. The superintendent shall revoke or suspend a license only upon notice and hearing as provided in the Insurance Code.

B. Any person aggrieved by the action of the superintendent in revoking, suspending or refusing to grant, renew or reissue a license may appeal that action to the district court pursuant to the provisions of Section 39-3-1.1 NMSA 1978.

C. The superintendent may at any time require such information as he deems necessary in respect to the business methods, policies and transactions of a licensee. Any person who fails or refuses to furnish the superintendent in the form he may require any such information within ten days after receiving a written request for it is guilty of a misdemeanor and upon conviction shall be fined not less than fifty dollars ($50.00) or more than five hundred dollars ($500).


The 1998 amendment, effective September 1, 1998, in Subsection B, substituted "to the district court pursuant to the provisions of Section 39-3-1.1 NMSA 1978" for "as provided in the Insurance Code" and in Subsection C, substituted "or" for "nor".

The 1999 amendment, effective July 1, 1999, substituted "Section 39-3-1.1" for "Section 12-8A-1" in Subsection B.


No contract or agreement with an insurance consultant for any advice, counsel, recommendation or other information provided within the scope of his license shall be enforceable by him unless:

A. it is in writing and executed in duplicate by the person to be charged or his legal representative;

B. the duplicate is delivered to or retained by the person to be charged when it is signed by him;

C. it plainly specifies the amount of the fee paid or payable by the person to be charged and the services to be rendered by the insurance consultant; and

D. it is in a form currently approved by the superintendent.

History: Laws 1989, ch. 97, § 5.

Bracketed material. — The bracketed material in the introductory paragraph was inserted by the compiler. It was not enacted by the legislature, and it is not part of the law.

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59A-11A-6. Insurance consultant; required acknowledgments.

A. An insurance consultant who furnishes any advice or counsel within the scope of his license as such a consultant, makes any recommendation or gives any information except under the terms of a previously executed written contract conforming to Section 4 [59A-11-4 NMSA 1978] of this act and in full force and effect shall upon furnishing such advice, counsel, recommendation or information give to the recipient thereof;

   (1) a statement in writing, signed by the consultant, in a form currently approved by the superintendent, specifying the advice, counsel, recommendation or information given; and

   (2) a receipt in a form currently approved by the superintendent for the fee paid to him or a statement in a form currently approved by the superintendent of the fee to be received by him.

B. Any person who violates any provision of Subsection A of this section is guilty of a misdemeanor and upon conviction shall be punished by a fine of not less than fifty dollars ($50.00) or more than five hundred dollars ($500).


59A-11A-7. Payment from insurers or agents for sale of insurance prohibited; penalty.

A. No insurance consultant serving any person, firm, association, organization or corporation not engaged in the insurance business, for compensation paid or to be paid by the person served, shall directly or indirectly receive any part of any commission or compensation paid by any insurer or agent of any insurer in connection with the sale or writing of any insurance which is within the subject matter of any such service.

B. Any person who violates any provision of Subsection A of this section is guilty of a misdemeanor and upon conviction shall be punished by a fine of not more than five hundred dollars ($500) or by imprisonment in the county jail for a definite term of not less than thirty days or more than ninety days or both.


59A-11A-8. Acting as insurance consultant without a license prohibited; penalty.

Any person who acts as an insurance consultant without a license or during the suspension of his license is guilty of a misdemeanor and upon conviction shall be punished by a fine of not more than five hundred dollars ($500) or by imprisonment in the county jail for a definite term not exceeding six months or both.

ARTICLE 12
Insurance Agents, Brokers and Solicitors

Section
59A-12-1  Scope of article.
59A-12-2  "Agent", "nonresident agent" defined.
59A-12-3  "Broker", "nonresident broker" defined.
59A-12-4  "Solicitor" defined.
59A-12-5  "Service representative" defined.
59A-12-6  License required; penalty.
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          club agents and others.
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59A-12-25  Nonresident brokers, nonresident agents and nonresident solicitors; retaliation.
59A-12-26  Continued education.
59A-12-26.1  Continuing education fund; appropriation.

59A-12-1. Scope of article.

This article [Chapter 59A, Article 12 NMSA 1978] applies only to agents, brokers and
solicitors, as hereinafter defined, as to transaction of one or more kinds of insurance or
subdivisions thereof as defined in Article 7 [Chapter 59A, Article 7 NMSA 1978] of the
Insurance Code.

History: Laws 1984, ch. 127, § 201.

ANNOTATION

Claims not preempted by federal law. — The Employee Retirement Income Security Act of 1974
(ERISA) did not preempt an insured's pre-plan fraud claims against its insurer. Woodworker's Supply, Inc.
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Provisions of insurance company's contract with independent insurance agent restricting competitive placements by agent as illegal restraint of trade under state law, 42 A.L.R.4th 1072.

Liability of insurance agent or broker to insured for misrepresentation of cash surrender value or accumulated value benefits of life insurance policy, 44 A.L.R.4th 1030.

Necessity of expert testimony to show standard of care in negligence action against insurance agent or broker, 52 A.L.R.4th 1232.

Liability of tortfeasor's insurance agent or broker to injured party for failure to procure or maintain liability insurance, 72 A.L.R.4th 1095.

Liability of insurer or agent of insurer for failure to advise insured as to coverage needs, 88 A.L.R.4th 249.

Liability of insurance agent or broker for placing insurance with insolvent carrier, 42 A.L.R.5th 199.

Insurance agents' and brokers' professional liability insurance, 55 A.L.R.5th 681.

Liability of insurance agent or broker on ground of inadequacy of liability-insurance coverage procured, 60 A.L.R.5th 165.

44 C.J.S. Insurance § 85 et seq.


A. For the purpose of this article an "agent" is a person appointed by an insurer authorized to transact insurance in this state, to solicit applications for insurance or annuity contracts on its behalf, to countersign insurance policies or contracts if expressly so authorized by the insurer, and to perform such other services relative to such transactions as the insurer may authorize.

B. A "nonresident" agent is an agent residing or (if a corporation or firm) domiciled in a state other than New Mexico or residing or domiciled in a foreign country.

**History:** Laws 1984, ch. 127, § 202.

**ANNOTATION**

*Corporation or partnership may be licensed as agent* provided other requirements of the code are met. 1957-58 Op. Att'y Gen. No. 58-199.

As long as a corporation may under its charter and bylaws act as an insurance agent and meets requirements of statute pertaining to insurance agents, it may be licensed as an insurance agent. 1943-44 Op. Att'y Gen. No. 43-4227.

*Employees of corporation licensed as insurance agent are solicitors* and must get licenses from state corporation commission (now public regulation commission) before they may solicit insurance on
behalf of their corporation, but no such license is required of the officers of a licensed insurance corporation. 1943-44 Op. Att'y Gen. No. 43-4227.

Authority of agent. — Test of an agent's authority is not his rank or title but the duties assigned to him and the authority and obligations which go with such assignment. Pribble v. Aetna Life Ins. Co., 84 N.M. 211, 501 P.2d 255 (1972) See also; Pribble v. Aetna Life Ins. Co., 86 N.M. 299, 523 P.2d 543 (1974).


Liability for premium collection. — Realities of the situation were to be considered by the court in determining whether local agent was liable to the general agent for the collection of premiums or whether he was responsible to the company. Insurance, Inc. v. Furneaux, 62 N.M. 249, 308 P.2d 577 (1957).


59A-12-3. "Broker", "nonresident broker" defined.

For the purpose of the Insurance Code:

A. a "broker" is a person generally who, not being an agent of the insurer, as an independent contractor and on behalf of the insured solicits, negotiates or procures insurance or annuity contracts or renewal or continuation thereof for insureds or prospective insureds other than himself;

B. a "nonresident broker" is a broker residing or (if a corporation or firm) domiciled in a state other than New Mexico or residing or domiciled in a foreign country;

C. "broker" does not include a surplus line broker, as defined in Article 14 [Chapter 59A, Article 14 NMSA 1978] of the Insurance Code.


ANNOTATION

Nonresident broker's license could not be issued to a person who desired to solicit insurance business for a company because he would be acting as an agent or a solicitor for an agent. 1945-46 Op. Att'y Gen. No. 45-4640.

Foreign corporation. — As a prerequisite to being licensed as a nonresident broker, a foreign corporation does not have to be admitted to do business in New Mexico. 1963-64 Op. Att'y Gen. No. 63-16.

59A-12-4. "Solicitor" defined.

For the purposes of Chapter 59A, Article 12 NMSA 1978 a "solicitor" is an individual
employed by a licensed agent to solicit insurance and perform such other duties in handling the agent's business as the agent may authorize.


1999 amendments. — Identical amendments to this section were enacted by Laws 1999, ch. 272, § 5, effective June 18, 1999, approved April 8, 1999, and Laws 1999, ch. 289, § 6, also effective June 18, 1999, approved later on April 8, 1999, which updated the statutory reference and deleted "resident" following "licensed". The section is set out as amended by Laws 1999, ch. 289, § 6. See 12-1-8 NMSA 1978.

ANNOTATION

Employees of corporation licensed as insurance agent are solicitors and must get licenses before they may solicit insurance on corporation's behalf. 1943-44 Op. Att'y Gen. No. 43-4227.


44 C.J.S. Insurance § 85 et seq.

59A-12-5. "Service representative" defined.

A. A "service representative" is an individual regularly employed on salary by an insurer, group of insurers or managing general agent, who assists agents or solicitors in soliciting, negotiating and effectuating insurance for such insurer, group or managing general agent and in conduct of their business, and receives no part of the commission on insurance written.

B. A service representative is not required to be licensed, nor shall he independently solicit or negotiate insurance or annuity contracts.


59A-12-6. License required; penalty.

A. No person shall in this state be, act as or make any representation as being, as to subjects of insurance resident, located or to be performed in this state or elsewhere, an agent or solicitor unless then licensed as such under the Insurance Code [59A-1-1 NMSA 1978].

B. No authorized insurer shall accept insurance of a subject located, resident or to be performed in this state through a person acting as insurance agent in this state if the insurer knows, or reasonably should have known, that such person was not then licensed as an agent as to the insurance or not appointed as its agent by the insurer.

C. No license as agent or broker shall be issued to an entity other than an individual, firm (partnership) or corporation.

D. No agent or solicitor shall solicit or take an application for, or place for others, any kind
of insurance as to which not then so licensed.

E. No agent shall place any insurance with an insurer as to which not then licensed or appointed as agent under the Insurance Code, except as permitted by Section 59A-11-10 NMSA 1978.

F. A license as agent or solicitor, or appointment as agent of a particular insurer, shall not be in effect until the license has actually been delivered to the agent or solicitor or to the solicitor's employer agent or the appointment has been duly filed with and approved by the superintendent.

G. In addition to any applicable denial, suspension or revocation of license, refusal to continue license, or administrative fine, violation of this section shall be a misdemeanor punishable by a fine of from one hundred dollars ($100) to five hundred dollars ($500) and by forfeiture to the state of New Mexico of an amount equal to all compensation for services as agent or solicitor received or to be received by the violator by reason of the prohibited transactions.


The 2003 amendment, effective June 20, 2003, inserted "and approved by" near the end of Subsection F.

The 2007 amendment, effective June 15, 2007, prohibits the placement of insurance with an unlicensed agent except as permitted by Section 59A-11-10 NMSA 1978.


Compiler's notes. — The annotations appearing below were abstracted from attorney general opinions and court decisions decided under former 59-11-1 NMSA 1978 which required any person, partnership or corporation transacting any business of insurance to have a license.

ANNOTATIONS

Intent of legislature was to prohibit unlicensed sale of insurance within the state regardless of the means used to make such sales. 1969 Op. Att'y Gen. No. 69-7.

Section applies to insurance companies "transacting any business of insurance." State v. Loveless, 39 N.M. 142, 42 P.2d 211 (1935).


Soliciting and writing insurance distinguished from doing business. — Instruction leading jury to believe they were warranted in convicting defendant if he had done business without a license was erroneous, where he was only charged with having solicited and written insurance. State v. Loveless, 39 N.M. 142, 42 P.2d 211 (1935).

License of officer insufficient. — Before either a partnership or corporation may engage in the insurance business it must be licensed to do so, it being insufficient that an officer of the partnership or corporation is licensed. 1943-44 Op. Att'y Gen. No. 44-4514.

Sale to military posts. — Insurance agents who sold insurance only in army posts and military reservations were not required to secure licenses under former 59-11-1 NMSA 1978. 1937-38 Op. Att'y Gen. No. 38-1860.

Foreign insurance company may advertise in a New Mexico newspaper or over a New Mexico radio, but the advertising may not be so couched as to amount to a solicitation of insurance. 1943-44 Op. Att'y Gen. No. 43-4276.


44 C.J.S. Insurance § 85 et seq.

59A-12-7. Exemptions from license requirements.

In addition to persons excluded by the general terms thereof, the definitions of agent, broker or solicitor shall not be deemed to include any of the following:

A. salaried employees rendering solely clerical and administrative services in the employer's office;

B. salaried administrative and clerical employees of agents performing functions in the office under the supervision of the employer and receiving no commissions;

C. salaried employees of insurers, or of organizations employed by insurers, engaged in inspecting, rating or classifying risks, or in general supervision of agents, and not solicitation or writing of insurance;

D. officers of insurers or of associations of insurers engaged in performance of usual and customary executive duties, exclusive of field solicitation of insurance other than rendering assistance to or on behalf of the insurer's licensed or appointed agent but receiving no commission or other compensation directly dependent on amount of business transacted;

E. persons completing or delivering declarations or certificates of coverage under running inland marine insurance contracts evidencing coverage thereunder, if such persons receive no commissions directly or indirectly on such insurance, and such persons or their employers have an insurable interest in the risk evidenced by the certificate or declaration;

F. persons who secure and furnish information for group life, group or blanket health insurance or annuity coverages, or for enrolling individuals under such plans or issuing certificates thereunder or otherwise assisting in administering such plans where no commission is paid for such services.
59A-12-8. Controlled business.

A. The superintendent shall not issue or permit to remain in force a license as agent, solicitor, or broker or if the superintendent finds or has cause to believe that the license has been or probably will be used chiefly for the purpose of writing insurance on the lives, property or risks of the licensee or proposed licensee, or of his family members, employees, employer, business associates, or directors, officers, employees or principal stockholders of a corporation by which he is employed or retained, or of which he is an officer, director or principal stockholder, or members or employees of any firm or other business entity with which he is associated or by which he is employed or retained.

B. A license shall be deemed used or to be used for writing of such controlled business if the superintendent finds that in any calendar year commissions or other compensation earned with respect to such business exceeded, or probably would exceed, fifty percent of all commissions and compensation earned, or probably to be earned, in such calendar year as to all business written or likely to be written under the license during the same such year.

History: Laws 1984, ch. 127, § 208.

59A-12-9. Controlled business; exception.

Section 59A-12-8 NMSA 1978 shall not be construed to prohibit the issuance or the remaining in force of a license to sell credit life, health and accident insurance, lienholders collateral protection insurance or mortgage guaranty insurance held by a creditor.


1999 amendments. — Identical amendments to this section were enacted by Laws 1999, ch. 272, § 6, effective June 18, 1999, approved April 8, 1999, and Laws 1999, ch. 289, § 7, also effective June 18, 1999, approved later on April 8, 1999, which substituted "broker or if the" for "nonresident broker or nonresident agent if the" near the beginning of Subsection A. The section is set out as amended by Laws 1999, ch. 289, § 7. See 12-1-8 NMSA 1978.

59A-12-10. Licensing of lending institution; definitions and exceptions.

A. As used in this section:

(1) "lending institution" means an institution, including its holding company, subsidiary or insurance agent, solicitor or broker affiliate, whose business includes accepting deposits or lending money in New Mexico, including banks, savings and loan associations and credit unions; "lending institution" does not include insurance companies;

(2) "holding company", "subsidiary" and "affiliate" mean those terms as defined in regulations adopted by the superintendent, except "bank holding company" means that term as
defined in Section 2 of the federal Bank Holding Company Act of 1956;

(3) "public utility" means a private employer subject to the jurisdiction of the commission that is engaged in the business of providing telecommunications, electric, gas, water or steam heat services to the public;

(4) "sell" means to engage in the solicitation, sale and placement of insurance and such other related activities conducted by an agent, solicitor or broker pursuant to the Insurance Code [59A-1-1 NMSA 1978];

(5) "service contract" means a contract issued on consumer products pursuant to which the vendor or manufacturer bears the cost of the repair or replacement of the consumer product;

(6) "insurance premium finance agreement" means an agreement by which an insured or a prospective insured promises to pay to any person engaged in the business of premium financing, the amount advanced or to be advanced under the agreement to an insurer or to an insurance agent or broker in payment of premiums on an insurance contract; and

(7) "loan transaction" and any other reference to lending or extension of credit does not include loans made by broker-dealers registered in accordance with applicable state and federal securities laws that are wholly collateralized by securities.

B. A lending institution:

(1) that is a subsidiary or an affiliate of a state or federally chartered bank may be licensed to sell:

   (a) any insurance in accordance with the Insurance Code [59A-1-1 NMSA 1978] and to the extent authorized by federal and state lending institution regulators; and

   (b) annuities to the extent authorized by law and federal and state lending institution regulators, but nothing in this subparagraph shall affect the rights and obligations of nationally chartered lending institutions; and

(2) other than one described in Paragraph (1) of this subsection, may be licensed to sell:

   (a) any insurance except title insurance in accordance with the Insurance Code and to the extent authorized by federal and state lending institution regulators; and

   (b) annuities to the extent authorized by law and federal and state lending institution regulators, but nothing in this subparagraph shall affect the rights and obligations of nationally chartered lending institutions.

C. A public utility or its holding company, subsidiary or affiliate shall not be licensed to sell insurance or act as a broker for insurance in New Mexico.

D. As used in Subsections E through Y of this section, "insurance" means all products defined or regulated as insurance under the Insurance Code [59A-1-1 NMSA 1978] except:

(1) credit life, credit accident and health, credit involuntary unemployment, credit
casualty and credit property insurance, and when providing insurance coverage to a borrower or co-borrower or both, the following insurance products: accidental death and dismemberment, accidental disability and any other accidental casualty insurance product;

(2) insurance placed by a lending institution on the collateral pledged as security for a loan when the debtor breaches the contractual obligation to provide that insurance;

(3) private mortgage insurance and financial guarantee insurance;

(4) annuities;

(5) service contracts;

(6) insurance premium finance agreements; and

(7) travel accident or baggage insurance.

E. A lending institution shall not require as a condition precedent to the extension of credit, or any subsequent renewal thereof, or the procurement of other bank services that the customer purchase insurance through a particular insurer, agent, solicitor or broker.

F. A lending institution shall not extend credit, lease or sell property or furnish any other service or fix or vary the consideration for any of the foregoing on the condition or requirement that the customer obtain insurance from that lending institution or from a particular insurer, agent, solicitor or broker.

G. A lending institution shall not impose a requirement on an insurance agent, solicitor or broker who is not associated with the lending institution that is not imposed on an insurance agent, solicitor or broker who is associated with that institution or, unless otherwise authorized by applicable federal or state law, require a debtor, insurer, agent, solicitor or broker to pay a separate charge in connection with the handling of insurance that is required under a contract.

H. A lending institution, except an institution that does not accept deposits that are federally insured, that sells insurance on its premises shall:

(1) conspicuously post a notice that is clearly visible to anyone who may purchase insurance that insurance is not a deposit account insured by a federal deposit insuring agency;

(2) orally inform a prospective purchaser of insurance that insurance is not a deposit account insured by a federal deposit insuring agency; and

(3) provide a written disclosure to the customer containing the following statements before the sale of insurance is complete:

   (a) insurance is not a lending institution deposit account and is not insured by its federal deposit insuring agency;

   (b) insurance is not an obligation of or guaranteed by the lending institution;

   (c) the customer is not required to obtain insurance from a particular lending institution, agent, solicitor or broker; and

   (d) where applicable, insurance involves investment risk, including potential loss of principal.
I. The sale of insurance by a lending institution, except an institution that does not accept deposits that are federally insured, shall be effectuated in such a manner so as to avoid confusion between federally insured deposit products offered by a lending institution and the nonfederally insured insurance sold. Insurance advertisements and other sales material shall be accurate and not misleading or deceptive. Insurance advertising and other sales materials regarding insurance shall include disclosures that contain language that is the same or substantially similar to the following:

1. Insurance is not a lending institution deposit and is not insured by its federal deposit insuring agency;
2. Insurance is not an obligation of or guaranteed by the lending institution; and
3. Where applicable, insurance involves investment risk, including potential loss of principal.

J. Insurance operations may be conducted by the lending institution, its holding company, an affiliate or subsidiary of either or through a separate corporate entity or partnership.

K. A lending institution shall not provide nonpublic customer information to a third party for the purpose of another's sale of insurance without written authorization from the customer. As used in this subsection, "nonpublic customer information" means information regarding a person that has been derived from a record of a financial institution. "Nonpublic customer information" does not include customer names and addresses and telephone numbers or information about an individual that could be obtained from an unaffiliated credit bureau that is subject to the federal Fair Credit Reporting Act by a third party that is not entering into a credit relationship with the individual but has a legitimate need for the information in connection with a business transaction with the individual, except that "nonpublic customer information" includes information concerning insurance premiums, the terms and conditions of insurance coverage, insurance expirations, insurance claims and insurance history of an individual. Notwithstanding any provision in this section to the contrary, compliance with Section 603 of the federal Fair Credit Reporting Act by a lending institution shall be deemed to be full compliance with this subsection. "Nonpublic customer information" does not include material excluded from the definition of "consumer report" by Section 603(d)(2)(A) of the federal Fair Credit Reporting Act.

L. Records relating to the insurance sales of a lending institution, including files relating to and reflecting customer complaints, shall be kept separate and apart from all records relating to the banking transactions of the lending institution. Records pertaining to insurance activities of the lending institution or copies of those records shall be subject to the inspection and audit by the insurance division. If the division determines to inspect and audit the records relating to the insurance activities of a lending institution, that institution shall make available to the division, at a location in New Mexico the lending institution's records and knowledgeable personnel to assist in the interpretation of the lending institution's records.

M. A lending institution, or officer, director or employee acting on behalf of the institution, who qualifies for issuance of an agent's, solicitor's or broker's license pursuant to the Insurance
Code [59A-1-1 NMSA 1978] may be issued an agent or broker license authorizing the sale of insurance.

N. A lending institution shall not pay a commission or other valuable consideration to a person for services of an insurance agent, solicitor or broker unless the person performing the service holds a valid insurance license for the class of insurance for which the service is rendered or performed at the time the service is performed. No person, other than a person properly licensed in accordance with the Insurance Code, shall accept any commission or valuable consideration for those services.

O. A lending institution shall not offer an inducement to a customer to purchase insurance from the institution other than as plainly expressed in the insurance policy. Investment programs, memberships or other programs designed or represented to waive, reduce, pay, produce or provide funds to pay all or part of the cost on insurance are an illegal inducement.

P. A lending institution may not in the same transaction solicit the purchase of insurance from a customer who has applied for a loan from the institution before the time the customer has received a written commitment from the lending institution with respect to that loan, or, in the event that no written commitment has been or will be issued in connection with the loan, a lending institution shall not solicit the purchase of insurance before the time the customer receives notification of approval of the loan by the lending institution and the institution creates a written record of the loan approval. This subsection shall not apply when a lending institution contacts a customer in the course of direct or mass marketing to a group of persons in a manner that bears no relation to the customer's loan application or credit decision.

Q. The sale of insurance by a lending institution, credit union, sales finance company, insurance company, insurance agent, an institution that grants or arranges consumer credit or an institution that solicits or makes loans in New Mexico may be conducted by a person whose responsibilities include loan transactions or other transactions involving the extension of credit so long as the person who is primarily responsible for making the specific loan or extension of credit is not the same person engaged in the sale of insurance for that same transaction; provided, however, that the provisions of this subsection shall not apply to:

1. a broker or dealer registered under the federal Securities Exchange Act of 1934; or

2. a lending institution location that has three or fewer persons with lending authority.

R. If insurance is required as a condition of obtaining a loan, the credit and insurance transactions shall be completed independently and through separate documents.

S. A loan for premiums on required insurance shall not be included in the primary credit without the written consent of the customer, which may be evidenced by compliance with the federal Truth in Lending Act.

T. A person who engages in loan transactions at any office of, or on behalf of, a lending institution or any other agent, employee, director or officer of the lending institution may refer a
customer who seeks to purchase, or seeks an opinion or advice on any insurance product, to a
person, or may give the phone number of a person, who sells or provides opinions or advice on
such products only if the customer expressly requests the referral; the person who engages in
loan transactions does not solicit the customer request; and the person who engages in the loan
transaction does not receive any compensation for the referral.

U. The location for the sale of insurance on the premises of a lending institution, except an
institution that does not accept deposits that are federally insured, to the extent practicable shall
be:

1. physically located to be distinct from the lending activities of the institution; and

2. clearly and conspicuously signed to be easily distinguishable by the public as
separate and distinct from the lending activities of the institution.

V. Signs and other informational material concerning the availability of insurance products
from the lending institution or third party soliciting the purchase of or selling insurance on the
premises of the lending institution shall not be displayed to the extent practicable in an area
where application for loans or other extensions of credit are being taken or closed.

W. Nothing in this section grants a lending institution, including its holding company,
subsidiary or affiliate, except those enumerated in this section, the power to sell insurance that
was not allowed prior to July 1, 1997.

X. Nothing in this section precludes the superintendent from adopting reasonable rules and
regulations for the purposes of the administration of the provisions of this section, including
rules and regulations for written disclosures.

Y. If any of the provisions of this section are preempted by federal law, then those
preempted provisions shall not apply to any person or lending institution subject to the
provisions of this section.

History: 1978 Comp., § 59A-12-10, enacted by Laws 1997, ch. 48, § 1; 1999, ch. 272, § 7;

Repeals and reenactments. — Laws 1997, ch. 48, § 1, repeals 59A-12-10 NMSA 1978, as enacted
by Laws 1984, ch. 127, § 211, and enacts the above section, effective July 1, 1997. For provisions of
former section, see 1995 Replacement Pamphlet.

1999 amendments. — Identical amendments to this section were enacted by Laws 1999, ch. 272, §
7, effective June 18, 1999, approved April 8, 1999, and Laws 1999, ch. 289, § 8, also effective June 18,
1999, approved later on April 8, 1999, which substituted "of the commission" for "of the New Mexico
public utility commission or the state corporation commission or a successor entity" in Subsection A(3),
and, in Subsection L, substituted "division" for "department" three times, deleted "shall be kept in the
principal in-state office in the state of the financial institution or with the institution's resident agent,
solicitor or broker and" preceding "shall be subject" near the end of the second sentence, and substituted
"at a location in New Mexico the lending institution's records and" for "at a location of the lending
institution in the state or in the office of the institution's resident agent, solicitor or broker" in the last

The 2001 amendment, effective July 1, 2001, in Subsection B, redesignated the preliminary
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language as Paragraph (1), inserted the subsidiary or an affiliate language, redesignated former Paragraphs (1) and (2) as Subparagraphs (a) and (b); in Subparagraph (a), deleted "except title insurance" following "any insurance"; and added Paragraph B(2).

Severability clauses. — Laws 1997, ch. 48, § 2, provides for the severability of the act if any part or application thereof is held invalid.


Am. Jur. 2d, A.L.R. and C.J.S. references. — What constitutes Truth in Lending Act violation which "was not intentional and resulted from bona fide error not withstanding maintenance of procedures reasonably adapted to avoid any such error" within meaning of § 130(c) of Act (15 USCA § 1640(c)), 153 A.L.R. Fed. 193.

59A-12-11. No license where shares or interest used as inducement to insurance.

The superintendent shall not license as agent, broker or solicitor, or permit any such license to continue in force, if the superintendent finds that the licensee did, or that the applicant for license probably will offer, give or sell stock or other ownership or participating interest in the agency or brokerage as inducement to or in connection with purchase of insurance.

History: Laws 1984, ch. 127, § 212.

59A-12-12. General qualifications for individual agent, broker or solicitor license.

For the protection of the public in New Mexico, the superintendent shall not issue, continue or permit to exist a license to an individual as agent, broker or solicitor except as to an individual qualified as follows:

A. must be eighteen years of age or older;
B. must have passed any examination required for licensing;
C. must be competent, trustworthy and financially responsible;
D. if for license as an agent, must be appointed as an agent by an authorized insurer, subject to issuance of a license;
E. if for license as a solicitor, must be employed as a solicitor by a licensed agent, subject to issuance of the license; and
F. must be in compliance with other applicable qualifications and requirements of
the Insurance Code.


59A-12-13. Special requirements, title insurance agents.

A. The superintendent shall not issue or permit to remain in force an agent license as to title insurance except as to an applicant who, in addition to other applicable qualifications and requirements, owns, operates or controls an abstract plant consisting of a set of records in which an entry has been made of all documents or matters which under law impart constructive notice of matters affecting title to real property or any interest therein or encumbrance thereon, which have been filed or recorded in the county for which such title plant is maintained for a period of not less than twenty (20) years immediately prior to date of application for license. Such records shall consist of:

(1) an index or indices in which notations of or references to any such documents that describe property affected thereby are posted, entered or otherwise included, according to the property described therein; or copies or briefs of all such documents that describe the property affected thereby which are sorted and filed according to such property; and

(2) an index or indices in which all other such documents are posted, entered or otherwise included, according to the name or names of the parties whose title to real property or any interest therein or encumbrances thereon is affected.

B. Every applicant who, on January 1, 1965, was licensed as an agent to issue title insurance shall be exempted from the requirement of having a twenty-year abstract plant, if an abstract plant is maintained on a current basis commencing July 1, 1965.

C. A license as agent to issue title insurance shall permit the licensee to issue policies only on property located in the county or counties for which the licensee has the necessary abstract plant.


59A-12-14. Special requirements as to solicitors.

A. A solicitor shall not be appointed or licensed concurrently as to more than one agent.

B. The solicitor's license shall cover all kinds of insurance for which the appointing agent is
licensed, except that a solicitor may be separately licensed as to life insurance or health insurance, or both.

C. A solicitor shall not concurrently be licensed as agent except as to life and health insurance if not so licensed as a solicitor.

D. The transactions of a solicitor under his license shall be in the name of the appointing agent, and the agent shall be responsible for the acts or omissions of the solicitor within the scope of the appointment.

E. The solicitor shall maintain in the office of the agent all records of his transactions.


A. The superintendent shall license a firm or corporation only as an agent or broker.

B. For license as agent each general partner and each individual to act for the firm, or each individual to act for the corporation, shall be named in the license or registered with the superintendent, and shall qualify as though for license as an individual.


1999 amendments. — Identical amendments to this section were enacted by Laws 1999, ch. 272, § 9, effective June 18, 1999, approved April 8, 1999, and Laws 1999, ch. 289, § 10, also effective June 18, 1999, approved later on April 8, 1999, which substituted “as an agent or broker” for “as a resident agent or nonresident broker” in Subsection A, and deleted former Subsection C, which stated that the superintendent shall not issue or permit to exist a license as a resident agent to a firm or corporation unless it maintains a principal place of business in this state. The section is set out as amended by Laws 1999, ch. 289, § 10. See 12-1-8 NMSA 1978.

59A-12-16. Examination for license.

A. Each applicant for license as agent, solicitor or broker shall, prior to issuance of license, personally take and pass an examination authorized by the superintendent to establish the applicant's competence, knowledge and understanding of attendant responsibility and duties as to the insurance business to be transacted under the license applied for; except, that no such examination shall be required:

(1) for renewal or continuance of an existing license, except as provided in Subsection D of Section 59A-11-10 NMSA 1978;

(2) of an applicant for limited license as provided in Section 59A-12-18 NMSA 1978;

(3) of applicants with respect to life and health, or life or health, insurances who hold the chartered life underwriter (C.L.U.) designation by the American college of life underwriters;

(4) of applicants with respect to property, casualty, surety, marine and transportation, and vehicle insurances, or any of them, who hold the designation of chartered property and
casualty underwriter (C.P.C.U.) designation by the American institute of property and casualty underwriters;

(5) of applicants for temporary license as provided for in Section 59A-12-19 NMSA 1978;

(6) of an applicant for a license covering the same kind or kinds of insurance as to which licensed in this state under a similar license within five years preceding date of application for the new license, unless the previous license was suspended, revoked or continuation thereof refused by the superintendent;

(7) of an applicant for solicitor license who held license as agent in this state as to the same kind or kinds of insurance within five years preceding date of application for the new license, unless the previous license was suspended, revoked or continuation thereof refused by the superintendent; or

(8) of an applicant for broker or agent license, if the superintendent is satisfied that the applicant took and passed a similar examination in a state in which already licensed, subject to Section 59A-5-33 NMSA 1978.

B. The superintendent shall conduct examinations as provided for in Chapter 59A, Article 11 NMSA 1978.


1999 amendments. — Identical amendments to this section were enacted by Laws 1999, ch. 272, § 10, effective June 18, 1999, approved April 8, 1999, and Laws 1999, ch. 289, § 11, also effective June 18, 1999, approved later on April 8, 1999, which substituted "solicitor or broker or shall" for "solicitor, nonresident broker or nonresident agent shall" in the introductory language of Subsection A, updated statutory references throughout, and substituted "broker or agent" for "nonresident broker or nonresident agent" in Subsection A(8). The section is set out as amended by Laws 1999, ch. 289, § 11. See 12-1-8 NMSA 1978.

The 2001 amendment, effective July 1, 2001, deleted Paragraph A(9) listing applicant for license only as title insurance agent.

ANNOTATION


An agent of a fraternal benefit society, who wishes to solicit life insurance business from the general public, need not be examined and qualified by the superintendent of insurance under the state's general insurance code. 1957-58 Op. Att'y Gen. No. 57-35.


Regulation or control of insurance agents or brokers, 10 A.L.R.2d 950.

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59A-12-17. Scope of license.

A. Except as to limited licenses identified in Section 59A-12-18 NMSA 1978, an agent's or broker's license shall cover the kind of insurance, or major subdivisions of life or health insurance, for which the applicant has applied and qualified, including of [sic] the following:

(1) life insurance, or any or all of the following subdivisions thereof:
   (a) industrial life insurance;
   (b) debit insurance;
   (c) credit life insurance; or
   (d) variable annuity contracts;

(2) health insurance, credit health insurance, or industrial health insurance, or other subdivisions thereof;

(3) property insurance;

(4) casualty insurance;

(5) surety insurance;

(6) marine and transportation insurance;

(7) vehicle insurance; or

(8) title insurance.

B. The scope of a solicitor's license is subject to Section 59A-12-14 NMSA 1978.

C. License of a broker shall cover the kind or kinds of insurance applied and qualified for, within the classifications stated in Subsection A of this section.

D. A licensee as to variable annuities or similar contracts deemed to constitute also [sic] securities, shall also possess license as a security salesman under other applicable state laws.


Bracketed material. — The bracketed word "sic" in Subsections A and D was inserted by the compiler. It was not enacted by the legislature, and it is not part of the law.

1999 amendments. — Identical amendments to this section were enacted by Laws 1999, ch. 272, § 11, effective June 18, 1999, approved April 8, 1999, and Laws 1999, ch. 289, § 12, also effective June 18, 1999, approved later on April 8, 1999, which updated statutory references in Subsections A and B, inserted "or broker's" in the introductory language of Subsection A, and substituted "broker shall" for "nonresident broker or nonresident agent" in Subsection C. The section is set out as amended by Laws 1999, ch. 289, § 12. See 12-1-8 NMSA 1978.

59A-12-18. Limited license.
A. The superintendent may issue a limited agent's license to:

(1) individual applicants qualified pursuant to Chapter 59A, Article 12 NMSA 1978 and employed as transportation ticket sellers by public carriers, who in the course of such employment solicit or sell insurance incidental to transportation of persons or storage or transportation of baggage, provided that the license is limited to that insurance; or

(2) individual applicants employed full time by a vendor of merchandise or other property or by a financial institution making consumer loans, on terms with respect to which credit life insurance or health insurance under individual policies is customarily required of or offered to the purchaser or borrower, covering only that credit life and health insurance.

B. The superintendent may issue a limited agent's license to applicants who are retail vendors or lessors of communication equipment or services. The license shall authorize the licensee, in connection with the lease, retail sale or provision of communication equipment or communication services for communication equipment, to sell insurance covering the loss, theft, mechanical failure or malfunction of or damage to the communication equipment. The licensee shall provide for the training of its employees who are authorized to sell that insurance. The conduct of the licensee's business under the limited license by its employees shall be attributed to the licensee. As used in this subsection, "communication equipment" means handsets, pagers, personal digital assistants, portable computers, automatic answering devices, batteries and other devices or their accessories used to originate or receive communication signals or service, and includes services related to the use of such devices such as access to a network.

C. No holder of a limited license issued pursuant to Subsection A of this section shall concurrently be otherwise licensed under the Insurance Code [59A-1-1 NMSA 1978].


Cross references. — For contents of limited licenses, see Subsection E of 59A-11-9 NMSA 1978.

2002 amendments. — Identical amendments to this section were enacted by Laws 2002, ch. 24, § 1 and Laws 2002, ch. 87, § 1, effective May 15, 2002, substituting "Chapter 59A, Article 12 NMSA 1978" for "this article" in Subsection A; adding Subsection B and redesignating the following subsection as Subsection C; and in Subsection C adding "issued pursuant to this section" and making a minor stylistic change. This section is set out as amended by Laws 2002, ch. 87, § 1. See 12-1-8 NMSA 1978.


Laws 2007, ch. 283, § 1, effective April 2, 2007, amends Subsection B to require the licensee to provide for the training of its employees who are authorized to sell insurance and to provide that the conduct of the licensee's business under the limited license by its employees shall be attributed to the licensee.
Laws 2007, ch. 282, § 7 provides:

"59A-12-18. Limited license.--

A. The superintendent may issue a limited agent's license to:
   (1) individual applicants qualified pursuant to Chapter 59A, Article 12 NMSA 1978 and employed as transportation ticket sellers by public carriers, who in the course of such employment solicit or sell insurance incidental to transportation of persons or storage or transportation of baggage, provided that the license is limited to that insurance; or
   (2) individual applicants employed full time by a vendor of merchandise or other property or by a financial institution making consumer loans, on terms with respect to which credit life insurance or health insurance, under individual policies is customarily required of or offered to the purchaser or borrower, covering only that credit life and health insurance.

B. The superintendent may issue a limited agent's license to applicants who are retail vendors or lessors of communication equipment or services. The license shall authorize the licensee, in connection with the lease, retail sale or provision of communication equipment or communication services for communication equipment, to sell insurance covering the loss, theft, mechanical failure or malfunction of or damage to the communication equipment. The licensee shall provide for the training of its employees who are authorized to sell that insurance. The conduct of the licensee's business under the limited license by its employees shall be attributed to the licensee. As used in this subsection, "communication equipment" means handsets, pagers, personal digital assistants, portable computers, automatic answering devices, batteries and other devices or their accessories used to originate or receive communication signals or service, and includes services related to the use of such devices such as access to a network.

C. No holder of a limited license issued pursuant to this section shall concurrently be otherwise licensed under the Insurance Code."


A. The superintendent may issue a temporary agent or solicitor license to an individual otherwise qualified therefor except as to taking an examination, in the following cases:
   (1) to the surviving spouse or next of kin of a licensed agent or solicitor becoming deceased;
   (2) to the spouse, next of kin, employee or legal guardian of such an agent or solicitor disabled by sickness, injury or insanity;
   (3) to a surviving employee of a firm or corporation licensed as agent, upon death or disability of an individual duly designated to exercise the license powers;
   (4) to an individual designated by a licensed agent conducting an established insurance agency in this state, to replace an agent no longer associated with the agency;
   (5) to a salaried employee of an authorized insurer sent to this state by the insurer to take the place of a licensed agent or solicitor;
   (6) to the designee of a licensed agent entering upon active service in the armed forces of the United States; or
to an applicant for license as a life insurance agent or life insurance solicitor, only for writing debit or industrial insurance as defined in Article 20 [Chapter 59A, Article 20 NMSA 1978] of the Insurance Code, if the applicant is in good faith taking a course of study and instruction under the insurer's supervision, or is currently enrolled with an accredited educational institution of higher learning in this state and studying insurance business fundamentals. A course of study so conducted by the insurer must be one approved by the superintendent. The insurer and applicant may assume that license will be issued in due course, effective as of date application was filed with the superintendent, unless the superintendent notifies the insurer to the contrary within fifteen (15) days after date of application.

B. Any such temporary license shall be for a period of three (3) months, subject to extension by the superintendent for an additional three (3) months upon application and good cause shown; except, that temporary license issued under Paragraph (7) above shall not be extended. A second temporary license shall not be issued to the same licensee within six (6) months after expiration of the initial temporary license.

History: Laws 1984, ch. 127, § 220.

59A-12-20. Place of business; display of license.

A. A general lines agent shall have and maintain a place of business accessible to the public, where the licensee conducts transactions under the license. Nothing in this section shall prohibit maintenance of the place of business in the licensee's residence.

B. The licenses of the licensee and of solicitors employed by the licensee shall be conspicuously displayed in the place of business in a part customarily open to the public.

C. This section does not apply to life insurance, annuity contracts or health insurance.


1999 amendments. — Identical amendments to this section were enacted by Laws 1999, ch. 272, § 12, effective June 18, 1999, approved April 8, 1999, and Laws 1999, ch. 289, § 13, also effective June 18, 1999, approved later on April 8, 1999, which in Subsection A, deleted "of this state" following "have and maintain" and "principally" following "the licensee" in the first sentence, substituted "the place of business" for "such place" and "change of address" for "change thereof" in the second sentence, and substituted "the place of business" for "such place" and deleted "in this state" at the end of the third sentence. The section is set out as amended by Laws 1999, ch. 289, § 13. See 12-1-8 NMSA 1978.

The 2003 amendment, effective June 20, 2003 deleted the former second sentence of Subsection A that read: "The address of the place of business shall appear upon the application for license when issued, and the licensee shall promptly notify the superintendent in writing of any change of address".

59A-12-20.1. Change of address; notice required; penalty.

The address of the licensee's place of business shall appear on the application for the license
and on the license. The licensee shall promptly notify the superintendent in writing of a change of address. Failure to notify the superintendent of a change of address within twenty days shall subject the licensee to a penalty of fifty dollars ($50.00).


Effective dates. — Laws 2003, ch. 306 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective on June 20, 2003, 90 days after adjournment of the legislature.


A. Every general lines agent shall keep in his place of business referred to in Section 221 [59A-12-20 NMSA 1978] of this article, complete records of transactions under his license and those of his solicitors. The record shall show, for each insurance policy placed by or through the licensee, not less than the names of the insurer and insured, the number and expiration date of, and premium payable as to, the policy, the names of all other persons from whom business is accepted or to whom commissions are promised or paid, all premiums collected and such additional information as the superintendent may reasonably require.

B. The records shall be open to the superintendent's examination, and the superintendent may at any reasonable time require the licensee to furnish, in such manner or form as the superintendent may require, any information kept or required to be kept in such records.

C. Records as to a particular policy may be destroyed on expiration of three (3) years after the policy's expiration.

D. This section does not apply to life insurance, annuity contracts or health insurance.

History: Laws 1984, ch. 127, § 222.

59A-12-22. Fiduciary funds; agents, brokers, solicitors, surplus line brokers, bail bondsmen, motor club agents and others.

A. All funds of others received by any person licensed or acting as an insurance agent, broker, solicitor, surplus line broker, bail bondsman or solicitor, motor club agent, or agent or solicitor for health care plan, prepaid dental plan, or in any similar capacity for which licensing of such person is required under the Insurance Code [59A-1-1 NMSA 1978], are received and held by such person in a fiduciary capacity. Any such person who diverts or appropriates such funds to his own use, or takes or secretes with intent to embezzle, all without consent of the person entitled to such funds, is guilty of larceny by embezzlement.

B. Subject to the terms of any agreement between such person or licensee and his principal or obligee, each such person who does not make immediate remittance of such funds to the insurer or other person entitled thereto, shall elect and follow as to funds received for account of a particular insurer or person either of the following methods:

(1) remit received premiums (less applicable commissions, if any) and return
premiums to the insurer or other person entitled thereto within fifteen days after such receipt; or

(2) establish and maintain in a commercial bank or other established financial institution depositary one or more accounts, separate from accounts holding general personal, firm or corporate funds, and forthwith deposit and retain therein pending transmittal to the insurer or other person entitled thereto, all such premiums (net of applicable commissions, if any) and return premiums. Funds belonging to more than one principal may be as deposited and held in the same such account so long as the amount held for each such principal is readily ascertainable from the records of the depositor. The depositor may commingle with such fiduciary funds in a particular such account such additional funds as the licensee deems prudent for advancing premiums, reserves for payment of return commissions, or for other contingencies arising in the business of receiving and transmitting premiums or return premiums.

C. Such person may commingle with his own funds to an unlimited amount funds of a particular principal who has in writing in advance expressly waived the segregation requirements of Subsection B of this section.

D. Any commingling of funds with funds of any such person permitted under this section shall not alter the fiduciary capacity of such person as to funds of others.


The 2003 amendment, effective June 20, 2003, deleted "in this state" following "financial institution depositary" in Paragraph B(2) and substituted "of this section" for "above" at the end of Subsection C.


ANNOTATION


Escrow accounts. — A title insurance company acting as escrow agent cannot retain for its own benefit interest paid by a financial institution on escrow accounts without express permission from the customer or a written contract allowing this payment of interest as compensation. 1987 Op. Att'y Gen. No. 87-30.

The acceptance of other in-kind services and consideration in lieu of interest on escrow accounts is in violation of the fiduciary duties of the title insurance company, agent, broker, or solicitor to the principal. 1987 Op. Att'y Gen. No. 87-30.


59A-12-23. Insurance vending machines.

A. A licensed agent may solicit for and issue personal travel accident insurance policies of an authorized insurer by means of mechanical vending machines supervised by the agent and
placed at airports and other places of convenience to the traveling public, if the superintendent
finds that:

(1) the policy provides reasonable coverage and benefits, is suitable for sale and
issuance by vending machine and use of such a machine in a proposed location would be of
material convenience to the public;

(2) the type of machine proposed to be used is reasonably suitable for the purpose;

(3) reasonable means are provided for informing prospective purchasers of policy
coverages and restrictions;

(4) reasonable means are provided for refund of money inserted in defective
machines and for which insurance so paid for is not received; and

(5) the cost of maintaining such a machine at a particular location is reasonable.

B. For each machine to be used the superintendent shall issue to the applicant a special
vending machine license. The license shall state the name and address of the insurer and agent,
name of the policy to be sold and serial number and operating location of the machine. The
license shall be subject to annual continuation, to expiration, suspension or revocation
coincidentally with that of the agent. The superintendent shall also revoke the license as to any
machine as to which he finds that license qualifications no longer exist. Proof of existence of a
subsisting license shall be displayed on or about each machine in use in such manner as the
superintendent reasonably requires.


1999 amendments. — Identical amendments to this section were enacted by Laws 1999, ch. 272, §
13, effective June 18, 1999, approved April 8, 1999, and Laws 1999, ch. 289, § 14, also effective June
18, 1999, approved later on April 8, 1999, which deleted "resident" preceding "agent" in the introductory
language of Subsection A. The section is set out as amended by Laws 1999, ch. 289, § 14. See 12-1-8
NMSA 1978.


A. An agent or broker shall share a commission or compensation for or on account of the
solicitation or negotiation in this state of insurance on individuals or property or risks in this
state only with the agent's duly licensed solicitor, or duly licensed agent of the insurer with
which the insurance was placed, or duly licensed broker.

B. No such licensee shall share in commission or compensation as to a kind of insurance for
which not licensed.

C. Such sharing in commissions and compensation between the same such licensees shall be
infrequently only, and shall not unduly obviate the general necessity of appointment of the agent
by the insurer with which the insurance is placed.

D. Nothing in the Insurance Code shall be deemed to prohibit payment, to or for the account
of a former owner of an insurance agency or brokerage, of commissions or part thereof currently
accruing on business of the agency or brokerage, whether or not such former owner is currently licensed as agent, solicitor or broker.


**1999 amendments.** — Identical amendments to this section were enacted by Laws 1999, ch. 272, § 14, effective June 18, 1999, approved April 8, 1999, and Laws 1999, ch. 289, § 15, also effective June 18, 1999, approved later on April 8, 1999, which in Subsection A, substituted "broker shall share a commission" for "nonresident broker or nonresident agent shall share a commission" near the beginning, deleted "resident" preceding "agent of the insurer" near the middle, and deleted "nonresident" preceding, and "or nonresident agent" following, "broker" at the end. The section is set out as amended by Laws 1999, ch. 289, § 15. See 12-1-8 NMSA 1978.

**Insurance Code.** — See 59A-1-1 NMSA 1978 and notes thereto.

**59A-12-25. Nonresident brokers, nonresident agents and nonresident solicitors; retaliation.**

A. The superintendent may refuse to issue a license as a broker, agent or solicitor to a resident of another state or country, who is otherwise qualified under this article for license as a broker, agent or solicitor in New Mexico, if under the laws of the other state or country licensed residents of this state are prohibited or prevented from acting as broker, agent or solicitor because of their residence.

B. As part of an application for a license, the nonresident applicant shall appoint the superintendent, on a form prescribed and furnished by the superintendent, as agent on whom may be served all legal process issued by a court in this state in any action against or involving the licensee as to transactions under the license. The appointment shall be irrevocable and continue for so long as an action could arise or exist. Duplicate copies of process shall be served upon the superintendent or other individual in apparent charge of the insurance division during the superintendent's absence, accompanied by payment of the process service fee specified in Section 59A-6-1 NMSA 1978. Upon service the superintendent shall promptly forward a copy by certified mail, return receipt requested, to the licensee at his last address of record with the superintendent. Process served and copy forwarded as so provided shall for all purposes constitute personal service upon the licensee.

C. The licensee shall likewise file with the superintendent written agreement to appear before the superintendent pursuant to notice of hearing, show cause order or subpoena issued by the superintendent and deposited, postage paid, by certified mail in a letter depository of the United States post office, addressed to the licensee at his last address of record with the superintendent, and that upon failure of the licensee to appear the licensee thereby consents to any subsequent suspension, revocation or refusal of the superintendent to continue the license.


**1999 amendments.** — Identical amendments to this section were enacted by Laws 1999, ch. 272, § 15, effective June 18, 1999, approved April 8, 1999, and Laws 1999, ch. 289, § 16, also effective June 18, 1999, approved later on April 8, 1999, which rewrote Subsection A; deleted former Subsection B,
which required nonresident brokers or agents to place insurance of residents only with insurers authorized in this state; deleted former Subsection C, which read "Both the nonresident licensee and the placing resident agent must be so licensed as to all the kinds of insurance so placed"; redesignated former Subsections D and E as Subsections B and C; and in Subsection B, substituted "agent on whom" for "attorney on whom" in the first sentence, and substituted "division" for "department" and updated the statutory reference in the third sentence. The section is set out as amended by Laws 1999, ch. 289, § 16. See 12-1-8 NMSA 1978.


A. For protection of the public and to preserve and improve competence of licensees, the superintendent may in his sole discretion require as a condition to continuation of license as agent, solicitor or broker under this article that during the twelve months next preceding expiration of the current license period the licensee has attended the minimum number of hours of formal class instruction, lectures or seminars required and approved by the superintendent covering the kinds of insurance for which licensed.

B. Instruction shall be designed to refresh the licensee's understanding of basic principles and coverages involved, recent and prospective changes, applicable laws and rules of the superintendent, proper conduct of the licensee's business and duties and responsibilities of the licensee.

C. The superintendent may permit licensees who because of remoteness of residence or business cannot with reasonable convenience attend formal instruction sessions and successfully complete an equivalent course of study and instruction by mail.

D. The superintendent shall promulgate rules for the purposes and requirements of this section and may impose a penalty not to exceed fifty dollars ($50.00) for a licensee's failure to timely report continuing education credits.

E. For the purposes of this section, the superintendent shall charge, at the time of certifying each licensee's continuing education credits as a condition of continuation of license, a fee of one dollar ($1.00) per credit hour of continuing education; provided that the superintendent may contract with an established and experienced independent agency to receive and review continuing education compliance reports and, in such a case, the fee shall be a reasonable amount fixed by the superintendent and payable to the contracting agency.

F. This section shall not apply to holders of limited license issued under Section 59A-12-18 NMSA 1978.


1999 amendments. — Identical amendments to this section were enacted by Laws 1999, ch. 272, § 16, effective June 18, 1999, approved April 8, 1999, and Laws 1999, ch. 289, § 17, also effective June 18, 1999, approved later on April 8, 1999, which substituted "solicitor or broker" for "solicitor nonresident agent or nonresident broker", substituted "attended the minimum number of hours" for "enrolled in and attended not less than fifteen hours", and inserted "required and" in Subsection A; deleted former
Subsection B, stating that the superintendent may waive the requirements of Subsection A if the licensee is licensed to transact only one of a list of lines of insurance; redesignated former Subsections C to G as Subsections B to F; and added the language at the end of Subsection D, which begins "and may impose a penalty". The section is set out as amended by Laws 1999, ch. 289, § 17. See 12-1-8 NMSA 1978.

The 2003 amendment, effective June 20, 2003 deleted "and regulations" following "laws and rules" near the middle of Subsection B; deleted "to take" following "instruction sessions" near the end of Subsection C; in Subsection D, deleted "and regulations" following "shall promulgate rules" near the beginning, and deleted "effectuation of" following "rules for" near the beginning; and substituted "one dollar ($1.00) per credit hour of continuing education; provided that the superintendent may contract with an established and experienced independent agency to receive and review continuing education compliance reports and, in such a case, the fee shall be a reasonable amount fixed by the superintendent and payable to the contracting agency" for "five dollars ($5.00)" at the end of Subsection E.


There is created in the state treasury a fund which shall be known as the "insurance licensee continuing education fund". All fees imposed by the provisions of Section 2 [59A-12-26 NMSA 1978] of this act shall be deposited in the insurance licensee continuing education fund and are appropriated for the purpose of administering the continuing education program pursuant to the provisions of Section 59A-12-26 NMSA 1978 to be expended upon voucher by the superintendent of insurance.

59A-12A-1. Scope of the article.

Chapter 59A, Article 12A NMSA 1978 shall apply to all administrators who provide administrative services in connection with insurance or alternatives to insurance or who, in a fiduciary capacity or otherwise, manage or handle funds, money, premiums, fees or other forms of consideration in connection with insurance or alternatives to insurance. That article shall also apply to the claims practices of insurers or alternatives to insurance, whether or not they are administered by a third party.


As used in Chapter 59A, Article 12A NMSA 1978:

A. unless otherwise specified in that article, all definitions of the Insurance Code apply;

B. "administrator" or "third party administrator" or "TPA" means a person who receives any form of administrative or service fee, consideration, payment, premium, reimbursement or compensation for performing or providing any service, function or duty, or activity respecting insurance or alternatives to insurance in any administrative or management capacity, including but not limited to claims or expense review, underwriting, administration and management under a contract or other agreement to be performed in this state or with respect to risks located or partially located in this state or on behalf of persons in this state for any:

   (1) plan;
   (2) insurance carrier; or
   (3) person that self insures;

C. "administrator" does not include:

   (1) an employer on behalf of its employees or the employees of one or more subsidiaries or affiliated corporations of that employer as long as only the functions of a group policyholder are performed;
   (2) a union on behalf of its members as long as only the functions of a group policyholder are performed;
   (3) an insurance company or a corporation which owns more than fifty percent of an insurance company licensed in this state or a health maintenance organization, nonprofit health care plan or a dental plan that is licensed in this state;
   (4) an agent licensed in this state acting on behalf of an admitted insurance carrier by whom he is appointed and only within the scope of his license as an agent as defined in the article of the Insurance Code under which he licensed;
(5) a creditor on behalf of its debtors with respect to insurance covering its debtors as long as only the functions of a group policyholder or creditor are performed;

(6) a trust and its trustees, agents and employees acting under the trust, established in conformity with 29 U.S.C. Sec. 186;

(7) a trust exempt from taxations under Section 501(a) of the Internal Revenue Code of 1986, and its trustees and employees acting under the trust, or a custodian and its agents and employees acting pursuant to a custodian account that meets the requirements of Section 401(f) of the Internal Revenue Code of 1986;

(8) a bank that is subject to supervision or examination by federal or state regulatory authorities as long as the bank is only performing the function for which it is licensed;

(9) a company that advances and collects any premium or charge from its credit card holders who have authorized it to do so, provided the company does not adjust or settle claims and acts only in its debtor-creditor relationship with its credit card holders;

(10) a person who adjusts or settles claims in the normal course of his practice or employment as an attorney at law who does not collect any charge or premium in connection with life or health coverage or annuities;

(11) an adjuster licensed by the superintendent, when engaged in the performance of his duties as an adjuster;

(12) any joint fund, risk management pool or self-insurance pool composed of political subdivisions of this state that participate in such funds or pools through interlocal agreements, and any administrative agency established under the interlocal agreement to administer the fund or pool;

(13) any person providing technical, advisory or consulting services who does not make any management or discretionary decisions on behalf of an insurance carrier, plan or person that self-insures;

(14) any full-time salaried employee of an insurance carrier to the extent that the functions performed are only for that insurance carrier or any affiliated carrier;

(15) attorneys in fact for a Lloyd's or reciprocal exchange as authorized respectively in Chapter 38 or 39 NMSA 1978, while acting as attorney in fact for such Lloyd's or reciprocal exchange;

(16) a certified public accountant, attorney at law or actuary when performing duties or undertaking responsibilities within the authority and scope of that particular profession;

(17) an association and any subsidiary, affiliated or related corporations of that association. For the purposes of this subsection, "association" means a bona fide trade or professional association which has been in existence for not less than five years and which enters into agreements to pool its liabilities for workers compensation benefits, pursuant to the Group Self-Insurance Act [Chapter 52, Article 6 NMSA 1978]; or

(18) a home owner warranty corporation provided by a trade association that
has been in business in New Mexico for at least five years;

D. "alternatives to insurance" means any agreement to indemnify against loss, risk, damage, liability or other contingency relating to property or persons whether or not such agreement is deemed to be insurance under applicable law or where persons self insure;

E. "bank" means a bank, savings and loan association, credit union or other financial institution authorized by law to accept and maintain deposits;

F. "person" includes a corporation, organization, government or governmental subdivision or agency, business trust, estate trust, partnership, association or any other legal entity; and

G. "plan" means any employer-employee, multiple employer-employee, group, member or other employee benefit or welfare program, medical, accident, sickness, injury, indemnity, death or health benefit program contracting to provide indemnification or expense reimbursement in this state to persons domiciled in this state or for risks located or partially located in this state for any type of the following coverages, expenses or benefits: medical, surgical, orthopedic, chiropractic, physical therapy, speech pathology, audiology, professional mental health, dental, hospital, workers' compensation or optometric plan or programs, hospital care or benefit or benefits in the event of sickness, accident, disability, death or unemployment, or prepaid legal services.


Internal Revenue Code of 1986. — Sections 501(a) and 401(f) of the Internal Revenue Code of 1986, referred to in Subsection C(7), appear as 26 U.S.C. §§ 501(a) and 401(f), respectively.

59A-12A-3. License required; penalty.

A. No administrator shall perform or provide any service, function, duty or activity respecting any insurance, plan, self-insurance or alternatives to insurance in any administrative or management capacity in this state or with respect to risks located or partially located in this state or on behalf of persons in this state unless licensed as an administrator under the Insurance Code.

B. Licensing and examination procedures for administrators shall be in accordance with Chapter 59A, Article 11 NMSA 1978, except that the superintendent may, in his discretion, waive the examination requirements for administrators who are operating in New Mexico prior to the effective date of Chapter 59A, Article 12A NMSA 1978.

C. Every corporation or partnership to be licensed under Chapter 59A, Article 12A NMSA 1978 shall have every officer and manager of that corporation and every partner of that partnership licensed as an administrator.

D. In addition to any applicable denial, suspension or revocation of a license, refusal to
continue license or administrative fine, violation of this section shall be a misdemeanor punishable by a fine not to exceed one thousand dollars ($1,000) and by forfeiture to the state of an amount equal to all compensation for services as administrator received or to be received by the violator by reason of the prohibited transactions.


59A-12A-4. Written agreement necessary.

A. No administrator shall act as such without a written agreement between the administrator and the insurer, and the written agreement shall be retained as part of the official records of both the insurer and the administrator for the duration of the agreement and five years thereafter. The written agreement shall contain provisions which include the requirements of Chapter 59A, Article 12A NMSA 1978, except insofar as those requirements do not apply to the functions performed by the administrator.

B. When a policy is issued to a trustee or trustees, a copy of the trust agreement and any amendments thereto shall be furnished to the insurer by the administrator and shall be retained as part of the official records of both the insurer and the administrator for the duration of the policy and five years thereafter.


59A-12A-5. Payment to administrator.

Whenever an insurer utilizes the services of an administrator under the terms of a written contract as required in Section 59A-12A-4 NMSA 1978, the payment to the administrator of any premiums or charges for insurance by or on behalf of the insured shall be deemed to have been received by the insurer, and the payment of return premiums or claims by the insurer to the administrator shall not be deemed payment to the insured or claimant until such payments are received by the insured or claimant. Nothing in this section limits any right of the insurer against the administrator resulting from its failure to make payments to the insurer, insured or claimants.


Every administrator shall maintain at its principal administrative office for the duration of the written agreement referred to in Section 59A-12A-4 NMSA 1978 and five years thereafter adequate books and records of all transactions between it, insurers and insured persons. Such
books and records shall be maintained in accordance with prudent standards of insurance record keeping. The superintendent shall have access to such books and records for the purpose of examination, audit and inspection. Any trade secrets contained therein, including but not limited to the identity and addresses of policyholders and certificate holders, shall be confidential, except that the superintendent may use such information in any proceedings instituted against the administrator. The insurer shall retain the right to continuing access to such books and records of the administrator sufficient to permit the insurer to fulfill all of its contractual obligations to insured persons, subject to any restrictions in the written agreement between the insurer and administrator on the proprietary rights of the parties in such books and records.


59A-12A-7. Approval of advertising.

An administrator may use only such advertising pertaining to the business underwritten by an insurer, plan or alternative to insurance as has been approved by such insurer, plan or alternative to insurance in advance of its use.


The agreement required under Section 59A-12A-4 NMSA 1978 shall make provision with respect to the underwriting or other standards pertaining to the business underwritten by such insurer.


A. All insurance charges or premiums collected by an administrator on behalf of or for an insurer or insurers, and return premiums received from such insurer or insurers, shall be held by the administrator in a fiduciary capacity. Such funds shall be immediately remitted to the person or persons entitled thereto or shall be deposited promptly in a fiduciary bank account established and maintained by the administrator. If charges or premiums so deposited have been collected on behalf of or for more than one insurer, the administrator shall cause the bank in which such fiduciary account is maintained to keep records, clearly recording the deposits in and withdrawals from such account on behalf of or for each insurer.

B. The administrator shall promptly obtain and keep copies of all such records and, upon request of an insurer, shall furnish that insurer with copies of all records pertaining to deposits and withdrawals on behalf of or for each insurer.

C. The administrator shall not pay any claim by withdrawals from such fiduciary account. Withdrawals from such account shall be made, as provided in the written agreement between the
administrator and the insurer, for:

1. remittance to an insurer entitled thereto;
2. deposit in an account maintained in the name of such insurer;
3. transfer to and deposit in a claims paying account, with claims to be paid as provided in Section 59A-12A-10 NMSA 1978;
4. payment to a group policyholder for remittance to the insurer entitled thereto;
5. payment to the administrator of its commission, fees or charges; or
6. remittance of return premiums to the person or persons entitled thereto.


All claims paid by the administrator from funds collected on behalf of the insurer shall be paid only on drafts of and as authorized by such insurer.


With respect to any policies where an administrator adjusts or settles claims, the compensation to the administrator with regard to such policies shall in no way be contingent on claim experience. No provision of Chapter 59A, Article 12A NMSA 1978 prevents the compensation of an administrator from being based on premiums or charges collected or number of claims paid or processed.


Where the services of an administrator are utilized, the administrator shall provide a written notice approved by the insurer to insured individuals advising them of the identity of and relationship among the administrator, the policyholder and the insurer. Where an administrator collects funds, it shall identify and state separately in writing to the person paying to the administrator any charge or premium for insurance coverage and the amount of any such charge or premium specified by the insurer for such insurance coverage.


Each administrator shall transact business under its own name. An administrator shall not do business in this state under a false or misleading name or under a name that is the same as or that
closely resembles the name of any other administrator licensed in the state.


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**59A-12A-14. Confidentiality.**

A. An administrator shall provide for the confidentiality of personal data identifying an individual covered by a plan or insurance carrier or data concerning a person that self insures. An administrator shall not disclose records containing personal information that may be associated with an identifiable individual covered by a plan or insurance carrier or data relating to a person that self insures to a person other than the individual to whom the information pertains, except as necessary to comply with the superintendent's inquiry or a court order. Other than to comply with the superintendent's inquiry or a court order, an administrator shall not disclose personal data without the prior consent of the covered individual or person that self insures.

B. Subsection A of this section does not apply to information disclosed for any of the following reasons or to an indicated entity:

1. claims adjudication;
2. claims verification;
3. other proper plan or insurance carrier administration;
4. an audit conducted pursuant to ERISA;
5. an insurer or plan for the purchase of excess loss insurance and for claims under the excess loss insurance, provided, an insurer obtaining information under this paragraph shall be subject to the requirements of Subsection A of this section;
6. the plan, insurance carrier, person that self insures or a fiduciary of the plan;
7. the superintendent or the superintendent's designees; provided the information obtained by the superintendent under this subsection is confidential, except that the superintendent may use the information in any proceeding instituted against the administrator; or
8. as required by law.


The 1999 amendment, effective June 18, 1999, substituted references to the insurance board for references to the superintendent in the last sentence of Subsection A and in Subsection B(7).


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**59A-12A-15. Prohibited inducements.**

An administrator, in order to induce a person that self insures or a plan or insurance carrier to...
contract or to continue to contract with the administrator, to induce a person that self insures or an insurance carrier or plan to lapse, forfeit or surrender a service contract entered into with an administrator or to induce a person that self insures or an insurance carrier or plan to secure or terminate coverage with an insurance carrier or other person that self insures, shall not directly or indirectly:

A. offer to make an agreement relating to a service contract or issue or deliver to the person money or any other valuable consideration other than as plainly expressed in the service contract;

B. give or pay or offer to give or pay a rebate or adjustment of the fee payable under the service contract or an advantage under a service contract, except as reflected in the fee and expressly provided by the service contract;

C. make, issue or circulate, or cause to be made, issued or circulated, any estimate, illustration, circular or statement misrepresenting the terms of a service contract, the advantages provided under a service contract or the true nature of a service contract; or

D. make a misrepresentation in a comparison, whether oral or written, between service contracts of the administrator and another administrator or between service contracts of the administrator and an insurance carrier.


A. The claims practices of every administrator, insurer, plan or alternative to insurance, as defined in Chapter 59A, Article 12A NMSA 1978, shall be subject to the provisions of Chapter 59A, Article 16 NMSA 1978.

B. The claims practices of any insurer, plan or alternative to insurance as defined in Chapter 59A, Article 12A NMSA 1978 shall be subject to the provisions of the Insurance Code.


An administrator that is operating before the effective date of this act shall apply for a license under Chapter 59A, Article 11 NMSA 1978 not later than the sixtieth day after the effective date of this act. An administrator who has made application as provided by this section may continue to operate if it otherwise complies with applicable law, until such time as the superintendent acts on its application. If denied a license, the third party administrator may not act as a third party administrator but may appeal the superintendent's determination as provided by Chapter 59A, Article 4 NMSA 1978.


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Effective date of this act. — The phrase "effective date of this act", referred to in this section, means June 16, 1989, the effective date of Laws 1989, ch. 374.

ARTICLE 12B
Managing General Agents

Section
59A-12B-1 Short title.
59A-12B-2 Definitions.
59A-12B-3 Licensure.
59A-12B-4 Required contract provisions.
59A-12B-5 Duties of insurers.
59A-12B-6 Examination authority.
59A-12B-7 Penalties and liabilities.
59A-12B-8 Effective date.

59A-12B-1. Short title.

Chapter 59A, Article 12B NMSA 1978 may be cited as the "Managing General Agents Law".


As used in the Managing General Agents Law [Chapter 59A, Article 12B NMSA 1978]:

A. "actuary" means a person who is a member in good standing of the American academy of actuaries;

B. "insurer" means any person, firm, association or corporation duly authorized in this state pursuant to the Insurance Code to transact the business of insurance;

C. "managing general agent" means any person, firm, association or corporation who:

(1) manages all or part of the insurance business of an insurer, including the management of a separate division, department or underwriting office;

(2) acts as an agent for such insurer whether known as a managing general agent, manager or other similar term, who, with or without the authority, either separately or together with affiliates, produces, directly or indirectly, and underwrites an amount of gross direct written premium equal to or more than five percent of the policyholder surplus as reported in the last annual statement of the insurer in any one quarter or year together with one or more of the following activities related to the business produced:
(a) adjusts or pays claims in excess of an amount determined by the superintendent; or

(b) negotiates reinsurance on behalf of the insurer; and

(3) notwithstanding the above, the following persons shall not be considered as managing general agents for the purposes of the Managing General Agents Law:

(a) an employee of the insurer;

(b) a United States manager of the United States branch of an alien insurer;

(c) an underwriting manager which, pursuant to contract, manages all or part of the insurance operations of the insurer, is under common control with the insurer, subject to The Insurance Holding Company Law [59A-37-1 to 59A-37-28 NMSA 1978], and whose compensation is not based on the volume of premiums written; and

(d) the attorney-in-fact authorized by and acting for the subscribers of a reciprocal insurer or inter-insurance exchange under powers of attorney; and

D. "underwrite" means the authority to accept or reject risk on behalf of the insurer.


59A-12B-3. Licensure.

A. No person, firm, association or corporation shall act in the capacity of a managing general agent with respect to risks located in this state for an insurer authorized in this state unless such person is a licensed agent or broker in this state.

B. No person, firm, association or corporation shall act in the capacity of a managing general agent representing an insurer domiciled in this state with respect to risks located outside this state unless such person is licensed as an agent or broker in this state pursuant to the provisions of the Managing General Agents Law [Chapter 59A, Article 12B NMSA 1978].

C. The superintendent may require a bond in an amount acceptable to him for the protection of the insurer.

D. The superintendent may require the managing general agent to maintain an errors and omissions policy.


1999 amendments. — Identical amendments to this section were enacted by Laws 1999, ch. 272, § 17, effective June 18, 1999, approved April 8, 1999, and Laws 1999, ch. 289, § 19, also effective June 18, 1999, approved later on April 8, 1999, which deleted the last sentence from Subsection B, which read "Such license may be a nonresident license". The section is set out as amended by Laws 1999, ch. 289, § 19. See 12-1-8 NMSA 1978.
59A-12B-4. Required contract provisions.

No person, firm, association or corporation acting in the capacity of a managing general agent shall place business with an insurer unless there is in force a written contract between the parties which sets forth the responsibilities of each party and where both parties share responsibility for a particular function, specifies the division of such responsibilities and which contains the following minimum provisions:

A. the insurer may terminate the contract for cause upon written notice to the managing general agent. The insurer may suspend the underwriting authority of the managing general agent during the pendency of any dispute regarding the cause for termination;

B. the managing general agent shall render accounts to the insurer detailing all transactions and remit all funds due under the contract to the insurer on not less than a monthly basis;

C. all funds collected for the account of an insurer shall be held by the managing general agent in the fiduciary capacity in a bank which is a member of the federal reserve system. This account shall be used for all payments on behalf of the insurer. The managing general agent may retain no more than three months estimated claims payments and allocated loss adjustment expenses;

D. every managing general agent shall maintain at its principal administrative office for the duration of the written agreement referred to in this section and seven years thereafter separate books and records of all transactions between it, insurers and insured persons. Such books and records shall be maintained in accordance with prudent standards of insurance recordkeeping. The superintendent shall have access to such books and records for the purpose of examination, audit and inspection. Any trade secrets contained therein, including but not limited to the identity and addresses of policyholders and certificate holders, shall be confidential, except that the superintendent may use such information in any proceedings instituted against the managing general agent or insurer. The insurer shall retain the right to continuing access to such books and records of the managing general agent sufficient to permit the insurer to fulfill all of its contractual obligations to insured persons, subject to any restrictions in the written agreement between the insurer and the managing general agent on the proprietary rights of the parties in such books and records not inconsistent with fulfilling those obligations;

E. the contract may not be assigned in whole or part by the managing general agent;

F. appropriate underwriting guidelines, including:

(1) the maximum annual premium volume;

(2) the basis of the rates to be charged;

(3) the types of risks which may be written;

(4) maximum limits of liability;
(5) applicable exclusions;
(6) territorial limitations;
(7) policy cancellation provisions; and
(8) the maximum policy period. The insurer shall have the right to cancel or non-renew any policy of insurance subject to the applicable laws and regulations concerning the cancellation and non-renewal of insurance policies;

G. if the contract permits the managing general agent to settle claims on behalf of the insurer:

(1) all claims must be reported to the company in a timely manner;
(2) a copy of the claim file shall be sent to the insurer at its request or as soon as it becomes known that the claim:
   (a) has the potential to exceed an amount determined by the superintendent or exceeds the limit set by the company, whichever is less;
   (b) involves a coverage dispute;
   (c) may exceed the managing general agent's claims settlement authority;
   (d) is open for more than six months; or
   (e) is closed by payment of an amount set by the superintendent or an amount set by the company, whichever is less;

(3) all claim files will be the joint property of the insurer and managing general agent. However, upon an order of liquidation of the insurer such files shall become the sole property of the insurer or its estate; the managing general agent shall have reasonable access to and the right to copy the files on a timely basis; and

(4) any settlement authority granted to the managing general agent may be terminated for cause upon the insurer's written notice to the managing general agent or upon the termination of the contract. The insurer may suspend the settlement authority during the pendency of any dispute regarding the cause for termination;

H. where electronic claims files are in existence, the contract must address the timely transmission of the data;

I. if the contract provides for a sharing of interim profits by the managing general agent, and the managing general agent has the authority to determine the amount of the interim profits by establishing loss reserves or controlling claim payments, or in any other manner, interim profits shall not be paid to the managing general agent until one year after they are earned for property insurance business and five years after they are earned on casualty business and not until the profits have been verified pursuant to Section 59A-12B-5 NMSA 1978; and

J. the managing general agent shall not:

(1) bind reinsurance or retrocessions on behalf of the insurer, except that the
managing general agent may bind facultative reinsurance contracts pursuant to obligatory facultative agreements if the contract with the insurer contains reinsurance underwriting guidelines, including for both reinsurance assumed and ceded, a list of reinsures with which such automatic agreements are in effect, the coverages and amounts or percentages that may be reinsured and commission schedules;

(2) commit the insurer to participate in insurance or reinsurance syndicates;

(3) appoint any agent or broker without assuring that the agent or broker is lawfully licensed to transact the type of insurance for which he is appointed;

(4) without prior approval of the insurer, pay or commit the insurer to pay a claim over a specified amount, net of reinsurance, which shall not exceed one percent of the insurer's policyholders' surplus as of December 31 of the last completed calendar year;

(5) collect any payment from a reinsurer or commit the insurer to any claim settlement with a retainer, without prior approval of the insurer. If prior approval is given, a report must be promptly forwarded to the insurer;

(6) permit its subagent or broker to serve on the insurer's board of directors;

(7) jointly employ an individual who is employed with the insurer; or

(8) appoint a sub-managing general agent.


59A-12B-5. Duties of insurers.

A. The insurer shall have on file an independent financial examination, in a form acceptable to the superintendent, of each managing general agent with which it has done business.

B. If a managing general agent establishes loss reserves, the insurer shall annually obtain the opinion of an actuary attesting to the adequacy of loss reserves established for losses incurred and outstanding on business produced by the managing general agent. This is in addition to any other required loss reserve certification.

C. The insurer shall periodically, at least semiannually, conduct an on-site review of the underwriting and claims processing operations of the managing general agent.

D. Binding authority for all reinsurance contracts or participation in insurance or reinsurance syndicates shall rest with an officer of the insurer, who shall not be affiliated with the managing general agent.

E. Within thirty days of entering into or termination of a contract with a managing general agent, the insurer shall provide written notification of such appointment or termination to the superintendent. Notices of appointment of a managing general agent shall include a statement of duties which the applicant is expected to perform on behalf of the insurer, the lines of insurance for which the applicant is to be authorized to act, and any other information the superintendent may request.
F. An insurer shall review its books and records each quarter to determine if any agent or broker has become a managing general agent. If the insurer determines that an agent or broker has become a managing general agent, the insurer shall promptly notify the agent or broker and the superintendent of such determination and the insurer and agent or broker must fully comply with the provisions of the Managing General Agents Law [this article] within thirty days.

G. An insurer shall not appoint to its board of directors an officer, director, employee, subagent or broker or controlling shareholder of its managing general agents. This subsection shall not apply to relationships governed by The Insurance Holding Company Law [59A-37-1 to 59A-37-28 NMSA 1978] or, if applicable, the Broker Controlled Insurer Law [59A-12C-1 to 59A-12C-7 NMSA 1978].

**History:** 1978 Comp., § 59A-12B-5, enacted by Laws 1993, ch. 320, § 31.

### 59A-12B-6. Examination authority.

The acts of the managing general agent are considered to be the acts of the insurer on whose behalf it is acting. A managing general agent may be examined as if it were the insurer.

**History:** 1978 Comp., § 59A-12B-6, enacted by Laws 1993, ch. 320, § 32.

### 59A-12B-7. Penalties and liabilities.

A. If the superintendent determines that the managing general agent or any other person has not materially complied with the provisions of Chapter 59A, Article 12B NMSA 1978, or any regulation or order promulgated thereunder, after notice and opportunity to be heard, the superintendent may order:

1. for each separate violation, a penalty in an amount not exceeding ten thousand dollars ($10,000);
2. revocation or suspension of the agent's license; and
3. if it was found that because of such material noncompliance that the insurer has suffered any loss or damage, the superintendent may maintain a civil action brought by or on behalf of the insurer and its policyholders and creditors for recovery of compensatory damages for the benefit of the insurer and its policyholders and creditors or seek other appropriate relief.

B. If an order of rehabilitation or liquidation of the insurer has been entered pursuant to Chapter 59A, Article 41 NMSA 1978, and the receiver appointed under that order determines that the managing general agent or any other person has not materially complied with the provisions of Chapter 59A, Article 12B NMSA 1978, or any regulation or order promulgated thereunder, and the insurer suffered any loss or damage, the receiver may maintain a civil action for recovery of damages or other appropriate sanctions for the benefit of the insurer.

C. Nothing contained in this section shall affect the right of the superintendent to impose any other penalties provided for in the Insurance Code.
D. Nothing contained in the Managing General Agents Law [Chapter 59A, Article 12B NMSA 1978] is intended to or shall in any manner limit or restrict the rights of policyholders, claimants or creditors.

**History:** 1978 Comp., § 59A-12B-7, enacted by Laws 1993, ch. 320, § 33.

**Insurance Code.** — See 59A-1-1 NMSA 1978 and notes thereto.

59A-12B-8. Effective date.

No insurer may continue to utilize the services of a managing general agent on or after July 1, 1993, unless such utilization is in compliance with the Managing General Agents Law [Chapter 59A, Article 12B NMSA 1978].

**History:** 1978 Comp., § 59A-12B-8, enacted by Laws 1993, ch. 320, § 34.

ARTICLE 12C
Broker Controlled Insurers

Section
59A-12C-1 Short title.
59A-12C-2 Definitions.
59A-12C-3 Applicability.
59A-12C-4 Minimum standards.
59A-12C-5 Disclosure.
59A-12C-6 Penalties.
59A-12C-7 Effective date.

59A-12C-1. Short title.

Chapter 59A, Article 12C NMSA 1978 may be cited as the "Broker Controlled Insurer Law".

**History:** 1978 Comp., § 59A-12C-1, enacted by Laws 1993, ch. 320, § 35.

59A-12C-2. Definitions.

As used in the Broker Controlled Insurer Law [Chapter 59A, Article 12C NMSA 1978]:

A. "accredited state" means a state in which the insurance department or regulatory agency has qualified as meeting the minimum financial regulatory standards promulgated and established from time to time by the national association of insurance commissioners;

B. "control" or "controlled" has the meaning ascribed in The Insurance Holding Company Law [59A-37-1 to 59A-37-28 NMSA 1978];
C. "controlled insurer" means an authorized insurer which is controlled, directly or indirectly, by a broker;

D. "controlling broker" means a broker who, directly or indirectly, controls an insurer;

E. "authorized insurer" or "insurer" means any person, firm, association or corporation duly authorized to transact a property or casualty insurance business in this state. The following are not authorized insurers for the purposes of the Broker Controlled Insurer Law:


   2. all residual market pools and joint underwriting authorities or associations; and

   3. all captive insurers; for the purposes of the Broker Controlled Insurer Law, captive insurers are insurance companies owned by another organization whose exclusive purpose is to insure risks of the parent organization and affiliated companies or, in the case of groups and associations, insurance organizations owned by the insureds whose exclusive purpose is to insure risks to member organizations or group members and their affiliates; and

F. "broker" means an insurance broker or brokers or any other person, firm, association or corporation, when, for any compensation, commission or other thing of value, such person, firm, association or corporation acts or aids in any manner in soliciting, negotiating or procuring the making of any insurance contract on behalf of an insured other than the person, firm, association or corporation.


59A-12C-3. Applicability.

The Broker Controlled Insurer Law [Chapter 59A, Article 12C NMSA 1978] shall apply to authorized insurers either domiciled in this state or domiciled in a state that is not an accredited state having in effect a substantially similar law. All provisions of The Insurance Holding Company Law [59A-37-1 to 59A-37-28 NMSA 1978], to the extent they are not superseded by the Broker Controlled Insurer Law, shall continue to apply to all parties within holding company systems subject to this article.


A. The provisions of this section shall apply if, in any calendar year, the aggregate amount
of gross written premium on business placed with a controlled insurer by a controlling broker is equal to or greater than five percent of the admitted assets of the controlled insurer, as reported in the controlled insurers' quarterly statement filed as of September 30 of the prior year.

B. The provisions of this section shall not apply if:

(1) the controlling broker:

(a) places insurance only with the controlled insurer, or only with the controlled insurer and a member or members of the controlled insurer's holding company system, or the controlled insurer's parent, affiliate or subsidiary and receives no compensation based upon the amount of premiums written in connection with such insurance; and

(b) accepts insurance placements only from non-affiliated subbrokers, and not directly from insureds; and

(2) the controlled insurer, except for insurance business written through a residual market facility, accepts insurance business only from a controlling broker, a broker controlled by the controlled insurer or a broker that is a subsidiary of the controlled insurer.

C. A controlled insurer shall not accept business from a controlling broker and a controlling broker shall not place business with a controlled insurer unless there is a written contract between the controlling broker and the insurer specifying the responsibilities of each party, which contract has been approved by the board of directors of the insurer and contains the following minimum provisions:

(1) the controlled insurer may terminate the contract for cause, upon written notice to the controlling broker. The controlled insurer shall suspend the authority of the controlling broker to write business during the pendency of any dispute regarding the cause for the termination;

(2) the controlling broker shall render accounts to the controlled insurer detailing all material transactions, including information necessary to support all commissions, charges and other fees received by, or owing to, the controlling broker;

(3) the controlling broker shall remit all funds due under the terms of the contract to the controlled insurer on at least a monthly basis. The due date shall be fixed so that premiums or installments thereof collected shall be remitted no later than ninety days after the effective date of any public [sic] placed with the controlled insurer under this contract;

(4) all funds collected for the controlled insurer's account shall be held by the controlling broker in a fiduciary capacity, in one or more appropriately identified bank accounts in banks that are members of the federal reserve system, in accordance with the provisions of the insurance law as applicable. However, funds of a controlling broker not required to be licensed in this state shall be maintained in compliance with the requirements of the controlling broker's domiciliary jurisdiction;

(5) the controlling broker shall maintain separately identifiable records of business written for the controlled insurer;
(6) the contract shall not be assigned in whole or in part by the controlling broker;

(7) the controlled insurer shall provide the controlling broker with its underwriting standards, rules and procedures, manuals setting forth the rates to be charged and the conditions for the acceptance or rejection of risks. The controlling broker shall adhere to the standards, rules, procedures, rates and conditions. The standards, rules, procedures, rates and conditions shall be the same as those applicable to comparable business placed with the controlled insurer by a broker other than the controlling broker;

(8) the rates and terms of the controlling broker's commissions, charges or other fees and the purposes for those charges or fees. The rates of the commissions, charges and other fees shall be no greater than those applicable to comparable business placed with the controlled insurer by brokers other than controlling brokers. For purposes of this paragraph and Paragraph (7) of this subsection, examples of "comparable business" include the same lines of insurance, same kinds of insurance, same kinds of risk, similar policy limits and similar quality of business;

(9) if the contract provides that the controlling broker, on insurance business placed with the insurer, is to be compensated contingent upon the insurer's profits on that business, then such compensation shall not be determined and paid until at least five years after the premiums on liability insurance are earned and at least one year after the premiums are earned on any other insurance. In no event shall the commissions be paid until the adequacy of the controlled insurer's reserves on remaining claims has been independently verified pursuant to Paragraph (1) of Subsection E of this section;

(10) a limit shall be placed on the controlling broker's writings in relation to the controlled insurer's surplus and total writings. The insurer may establish a different limit for each line or sub-line of business. The controlled insurer shall notify the controlling broker when the applicable limit is approached and shall not accept business from the controlling broker if the limit is reached. The controlling broker shall not place business with the controlled insurer if it has been notified by the controlled insurer that the limit has been reached; and

(11) the controlling broker may negotiate but shall not bind reinsurance on behalf of the controlled insurer on business the controlling broker places with the controlled insurer, except that the controlling broker may bind facultative reinsurance contracts pursuant to obligatory facultative agreements if the contract with the controlled insurer contains underwriting guidelines, including, for both reinsurance assumed and ceded, a list of reinsures with which such automatic agreements are in effect, the coverages and amounts or percentages that may be reinsured and commission schedules.

D. Every controlled insurer shall have an audit committee of the board of directors composed of independent directors. The audit committee shall annually meet with management, the insurer's independent certified public accountants and an independent casualty actuary or other independent loss reserve specialist acceptable to the superintendent to review the adequacy of the insurer's loss reserves.

E. Controlled insurers shall be subject to the following reporting requirements:
(1) in addition to any other required loss reserve certification, the controlled insurer shall annually, on April 1 of each year, file with the superintendent an opinion of an independent casualty actuary, or such other independent loss reserve specialist acceptable to the superintendent, reporting loss ratios for each line of business written and attesting to the adequacy of loss reserves established for losses incurred and outstanding as of year-end, including incurred but not reported, on business placed by the broker; and

(2) the controlled insurer shall annually report to the superintendent the amount of commissions paid to the broker, the percentage such amount represents of the net premiums written and comparable amounts and percentage paid to noncontrolling brokers for placements of the same kinds of insurance.


Bracketed material. — The bracketed word "sic" in Paragraph (3) of Subsection C was inserted by the compiler. The bracketed material was not enacted by the legislature, and it is not part of the law.

59A-12C-5. Disclosure.

The broker, prior to the effective date of the policy, shall deliver written notice to the prospective insured disclosing the relationship between the broker and the controlled insurer; except that, if the business is placed through a subbroker who is not a controlling broker, the controlling broker shall retain in his records a signed commitment from the subbroker that the subbroker is aware of the relationship between the insurer and the broker and that the subbroker has or will notify the insured.


59A-12C-6. Penalties.

A. If the superintendent believes that the controlling broker or any other person has not materially complied with the Broker Controlled Insurer Law [Chapter 59A, Article 12C NMSA 1978], or any regulation or order promulgated thereunder, after notice and opportunity to be heard, the superintendent may order the controlling broker to cease placing business with the controlled insurer, and if it was found that because of such material noncompliance that the controlled insurer or any policyholder thereof has suffered any loss or damage, the superintendent may maintain a civil action or intervene in an action brought by or on behalf of the insurer or policyholder for recovery of compensatory damages for the benefit of the insurer or policyholder or other appropriate relief.

B. If an order for liquidation or rehabilitation of the controlled insurer has been entered and the receiver appointed under that order believes that the controlling broker or any other person has not materially complied with the Broker Controlled Insurer Law, or any regulation or order promulgated thereunder, and the insurer suffered any loss or damage, the receiver may maintain a civil action for recovery of damages or other appropriate sanctions for the benefit of the
insurer.

C. Nothing contained in this section shall affect the right of the superintendent to impose any other penalties provided for in the Insurance Code.

D. Nothing contained in this section is intended to or shall in any manner alter or affect the rights of policyholders, claimants, creditors or other third parties.

History: 1978 Comp., § 59A-12C-6, enacted by Laws 1993, ch. 320, § 40.


59A-12C-7. Effective date.

Controlled insurers and controlling brokers who are not in compliance with Section 59A-12C-4 NMSA 1978 on its effective date shall have until July 31, 1993 to come into compliance and shall comply with Section 59A-12C-5 NMSA 1978 beginning with all policies written or renewed on or after August 1, 1993.


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ARTICLE 12D
Reinsurance Intermediaries

Section
59A-12D-1 Short title.
59A-12D-2 Definitions.
59A-12D-3 Licensure.
59A-12D-4 Required contract provisions; reinsurance intermediary-brokers.
59A-12D-5 Books and records; reinsurance intermediary-brokers.
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59A-12D-7 Required contract provisions; reinsurance intermediary-managers.
59A-12D-8 Prohibited acts.
59A-12D-9 Duties of reinsurers utilizing the services of a reinsurance intermediary-manager.
59A-12D-10 Examination authority.
59A-12D-11 Penalties and liabilities.
59A-12D-12 Effective date.

59A-12D-1. Short title.

Chapter 59A, Article 12D [NMSA 1978] may be cited as the "Reinsurance Intermediary Law".


Bracketed material. — The bracketed phrase "NMSA 1978" was inserted by the compiler. The

As used in the Reinsurance Intermediary Law [Chapter 59A, Article 12D NMSA 1978]:

A. "actuary" means a person who is a member in good standing of the American academy of actuaries;

B. "controlling persons" means any person, firm, association or corporation who directly or indirectly has the power to direct or cause to be directed, the management, control or activities of the reinsurance intermediary;

C. "insurer" means any person, firm, association or corporation duly authorized in this state to transact the business of insurance pursuant to the applicable provisions of the Insurance Code as an insurer;

D. "licensed producer" means an agent, broker or reinsurance intermediary licensed pursuant to the applicable provisions of the Insurance Code;

E. "reinsurance intermediary" means a reinsurance intermediary-broker or a reinsurance intermediary-manager as these terms are defined in Subsections F and G of this section;

F. "reinsurance intermediary-broker" means any person, other than an officer or employee of the ceding insurer, firm, association or corporation who solicits, negotiates or places reinsurance cessions or retrocessions on behalf of a ceding insurer without the authority or power to bind reinsurance on behalf of such insurer;

G. "reinsurance intermediary-manager" means any person, firm, association or corporation who has authority to bind or manages all or part of the assumed reinsurance business of a reinsurer, including the management of a separate division, department or underwriting office, and acts as an agent for such reinsurer whether known as the reinsurance intermediary-manager, a manager or other similar term. Notwithstanding the above, the following persons shall not be considered a reinsurance intermediary-manager, with respect to such reinsurer, for the purposes of the Reinsurance Intermediary Law:

1. an employee of the reinsurer;

2. a United States manager of the United States branch of an alien reinsurer;

3. an underwriting manager which, pursuant to contract, manages all or part of the reinsurance operations of the reinsurer, is under common control with the reinsurer, subject to The Insurance Holding Company Law [59A-37-1 to 59A-37-28 NMSA 1978], and whose compensation is not based on the volume of premiums written; and

4. the manager of a group, association, pool or organization or insurers which engage in joint underwriting or joint reinsurance and who are subject to examination by the insurance commissioner of the state in which the manager's principal business office is located;
H. "reinsurer" means any person, firm, association or corporation duly authorized in this state pursuant to the applicable provisions of the Insurance Code as an insurer with the authority to assume reinsurance;

I. "to be in violation" means that the reinsurance intermediary, insurer or reinsurer for whom the reinsurance intermediary was acting failed to substantially comply with the provisions of the Reinsurance Intermediary Law; and

J. "qualified United States financial institution" means an institution that:

(1) is organized or, in the case of a United States office of a foreign banking organization, licensed, under the laws of the United States or any state thereof;

(2) is regulated, supervised and examined by United States federal or state authorities having regulatory authority over banks and trust companies; and

(3) has been determined by either the superintendent, or the securities valuation office of the national association of insurance commissioners, to meet such standards of financial condition and standing as are considered necessary and appropriate to regulate the quality of financial institutions whose letters of credit will be acceptable to the superintendent.


59A-12D-3. Licensure.

A. No person, firm, association or corporation shall act as a reinsurance intermediary-broker in this state if it maintains an office either directly or as a member or employee of a firm or association, or an officer, director or employee of a corporation:

(1) in this state, unless such reinsurance intermediary-broker is a licensed producer in this state; or

(2) in another state, unless such reinsurance intermediary-broker is a licensed producer in this state or another state having a law substantially similar to this law or such reinsurance intermediary-broker is licensed in this state as a reinsurance intermediary.

B. No person, firm, association or corporation shall act as a reinsurance intermediary-manager:

(1) for a reinsurer domiciled in this state, unless such reinsurance intermediary-manager is a licensed producer in this state;

(2) in this state, if the reinsurance intermediary-manager maintains an office either directly or as a member or employee of a firm or association, or an officer, director or employee of a corporation in this state, unless such reinsurance intermediary-manager is a licensed producer in this state;

(3) in another state for a nondomestic insurer, unless such reinsurance
intermediary-manager is a licensed producer in this state or another state having a law substantially similar to this law or such person is licensed in this state as a reinsurance intermediary.

C. The superintendent may require a reinsurance intermediary-manager subject to the provisions of Subsection B to:

(1) file a bond in an amount from an insurer acceptable to the superintendent for the protection of the reinsurer; and

(2) maintain an errors and omissions policy in an amount acceptable to the superintendent.

D. (1) The superintendent may issue a reinsurance intermediary license to any person, firm, association or corporation who has complied with the requirements of the Reinsurance Intermediary Law [Chapter 59A, Article 12D NMSA 1978]. Any such license issued to a firm or association will authorize all the members of such firm or association and any designated employees to act as reinsurance intermediaries under the license, and all such persons shall be named in the application and any supplements thereto. Any such license issued to a corporation shall authorize all of the officers and any designated employees and directors thereof to act as reinsurance intermediaries on behalf of such corporation, and all such persons shall be named in the application and any supplements thereto.

(2) If the applicant for a reinsurance intermediary license is a nonresident, such applicant, as a condition precedent to receiving or holding a license, shall designate the superintendent as agent for service of process in the manner, and with the same legal effect, provided for by the Reinsurance Intermediary Law for designation of service of process upon unauthorized insurers; and also shall furnish the superintendent with the name and address of a resident of this state upon whom notices or orders of the superintendent or process affecting such nonresident reinsurance intermediary may be served. Such licensee shall promptly notify the superintendent in writing of every change in its designated agent for service of process and such change shall not become effective until acknowledged by the superintendent.

E. The superintendent may refuse to issue a reinsurance intermediary license if, in his judgment, the applicant, anyone named on the application, or any member, principal, officer or director of the applicant, is not trustworthy, or that any controlling person of such applicant is not trustworthy to act as a reinsurance intermediary, or that any of the foregoing has given cause for revocation or suspension of such license or has failed to comply with any prerequisite for the issuance of such license. Upon written request by the applicant, the superintendent will furnish a summary of the basis for refusal to issue a license, which document shall be subject to the provisions of Section 59A-11-20 NMSA 1978.

F. Licensed attorneys at law of this state when acting in their professional capacity as such shall be exempt from this section.

1999 amendments. — Identical amendments to this section were enacted by Laws 1999, ch. 272, § 18, effective June 18, 1999, approved April 8, 1999, and Laws 1999, ch. 289, § 20, also effective June 18, 1999, approved later on April 8, 1999, which deleted "nonresident" preceding "reinsurance intermediary" at the end of Subsections A(2) and B(3). The section is set out as amended by Laws 1999, ch. 289, § 20. See 12-1-8 NMSA 1978.

59A-12D-4. Required contract provisions; reinsurance intermediary-brokers.

The transactions between a reinsurance intermediary-broker and the insurer it represents in such capacity shall only be entered into pursuant to a written authorization, specifying the responsibilities of each party. The authorization shall, at a minimum, provide that:

A. the insurer may terminate the reinsurance intermediary-broker's authority at any time;

B. the reinsurance intermediary-broker shall render accounts to the insurer accurately detailing all material transactions, including information necessary to support all commissions, charges and other fees received by, or owing, to the reinsurance intermediary-broker and remit all funds due to the insurer within thirty days of receipt;

C. all funds collected for the insurer's account shall be held by the reinsurance intermediary-broker in a fiduciary capacity in a bank which is a qualified United States financial institution;

D. the reinsurance intermediary-broker shall comply with Section 59A-12D-5 NMSA 1978;

E. the reinsurance intermediary-broker shall comply with the written standards established by the insurer for the cession or retrocession of all risks; and

F. the reinsurance intermediary-broker shall disclose to the insurer any relationship with any reinsurer to which business will be ceded or retroceded.


59A-12D-5. Books and records; reinsurance intermediary-brokers.

A. For at least ten years after expiration of each contract of reinsurance transacted by the reinsurance intermediary-broker, the reinsurance intermediary-broker shall keep a complete record for each transaction showing:

(1) the type of contract, limits, underwriting restrictions, classes or risks and territory;

(2) period of coverage, including effective and expiration dates, cancellation provisions and notice required of cancellation;

(3) reporting and settlement requirements of balances;

(4) rate used to compute the reinsurance premium;

(5) names and addresses of assuming reinsurers;
(6) rates of all reinsurance commissions, including the commissions on any retrocessions handled by the reinsurance intermediary-broker;
(7) related correspondence and memoranda;
(8) proof of placement;
(9) details regarding retrocessions handled by the reinsurance intermediary-broker, including the identity of retrocessionaires and percentage of each contract assumed or ceded;
(10) financial records, including but not limited to, premium and loss accounts; and
(11) when the reinsurance intermediary-broker procures a reinsurance contract on behalf of a licensed ceding insurer:
   (a) directly from any assuming reinsurer, written evidence that the assuming reinsurer has agreed to assume the risk; or
   (b) if placed through a representative of the assuming reinsurer, other than an employee, written evidence that such reinsurer has delegated binding authority to the representative.

B. The insurer shall have access and the right to copy and audit all accounts and records maintained by the reinsurance intermediary-broker related to its business in a form usable by the insurer.


59A-12D-6. Duties of insurers utilizing the services of a reinsurance intermediary-broker.

A. An insurer shall not engage the services of any person, firm, association or corporation to act as a reinsurance intermediary-broker on its behalf unless such person is licensed as required by Subsection A of Section 59A-12D-3 NMSA 1978.

B. An insurer may not employ an individual who is employed by a reinsurance intermediary-broker with which it transacts business, unless such reinsurance intermediary-broker is under common control with the insurer and subject to The Insurance Holding Company Law [59A-37-1 to 59A-37-28 NMSA 1978].

C. The insurer shall annually obtain a copy of statements of the financial condition of each reinsurance intermediary-broker with which it transacts business.

History: 1978 Comp., § 59A-12D-6, enacted by Laws 1993, ch. 320, § 47.

59A-12D-7. Required contract provisions; reinsurance intermediary-managers.

Transactions between a reinsurance intermediary-manager and the reinsurer it represents in such capacity shall only be entered into pursuant to a written contract, specifying the responsibilities of each party, which shall be approved by the reinsurer's board of directors. At least thirty days before such reinsurer assumes or cedes business through such producer, a true
copy of the approved contract shall be filed with the superintendent for approval. The contract shall, at a minimum, provide that:

A. the reinsurer may terminate the contract for cause upon written notice to the reinsurance intermediary-manager. The reinsurer may immediately suspend the authority of the reinsurance intermediary-manager to assume or cede business during the pendency of any dispute regarding the cause for termination;

B. the reinsurance intermediary-manager shall render accounts to the reinsurer accurately detailing all material transactions, including information necessary to support all commissions, charges and other fees received by, or owing to the reinsurance intermediary-manager, and remit all funds due under the contract to the reinsurer on not less than a monthly basis;

C. all funds collected for the reinsurer's account shall be held by the reinsurance intermediary-manager in a fiduciary capacity in a bank which is a qualified United States financial institution as defined in Section 59A-12D-2 NMSA 1978. The reinsurance intermediary-manager may retain no more than three months' estimated claims payments and allocated loss adjustment expenses. The reinsurance intermediary-manager shall maintain a separate bank account for each reinsurer that it represents;

D. for at least ten years after expiration of each contract of reinsurance transacted by the reinsurance intermediary-manager, the reinsurance intermediary-manager shall keep a complete record for each transaction showing:

1. the type of contract, limits, underwriting restrictions, classes or risks and territory;
2. period of coverage, including effective and expiration dates, cancellation provisions and notice required of cancellation, and disposition of outstanding reserves on covered risks;
3. reporting and settlement requirements of balances;
4. rate used to compute the reinsurance premium;
5. names and addresses of reinsurers;
6. rates of all reinsurance commissions, including the commissions on any retrocessions handled by the reinsurance intermediary-manager;
7. related correspondence and memoranda;
8. proof of placement;
9. details regarding retrocessions handled by the reinsurance intermediary-manager, including the identity of retrocessionaires and percentage of each contract assumed or ceded;
10. financial records, including but not limited to, premium and loss accounts; and
11. when the reinsurance intermediary-manager places a reinsurance contract on behalf of a ceding insurer:
(a) directly from any assuming reinsurer, written evidence that the assuming reinsurer has agreed to assume the risk; or

(b) if placed through a representative of the assuming reinsurer, other than an employee, written evidence that such reinsurer has delegated binding authority to the representative;

E. the reinsurer shall have access and the right to copy all accounts and records maintained by the reinsurance intermediary-manager related to its business in a form usable by the reinsurer;

F. the contract may not be assigned in whole or in part by the reinsurance intermediary-manager;

G. the reinsurance intermediary-manager shall comply with the written underwriting and rating standards established by the insurer for the acceptance, rejection or cession of all risks;

H. rates, terms and purposes of commissions, charges and other fees which the reinsurance intermediary-manager may levy against the reinsurer are set forth;

I. if the contract permits the reinsurance intermediary-manager to settle claims on behalf of the reinsurer:

   (1) all claims shall be reported to the reinsurer in a timely manner;

   (2) a copy of the claim file shall be sent to the reinsurer at its request or as soon as it becomes known that the claim:

      (a) has the potential to exceed the lesser of an amount determined by the superintendent or the limit set by the reinsurer;

      (b) involves a coverage dispute;

      (c) may exceed the reinsurance intermediary-manager's claims settlement authority;

      (d) is open for more than six months; or

      (e) is closed by payment of the lesser of an amount set by the superintendent or an amount set by the reinsurer;

   (3) all claim files shall be the joint property of the reinsurer and reinsurance intermediary-manager; however, upon an order of liquidation of the reinsurer, such files shall become the sole property of the reinsurer or its estate; the reinsurance intermediary-manager shall have reasonable access to and the right to copy the files on a timely basis; and

   (4) any settlement authority granted to the reinsurance intermediary-manager may be terminated for cause upon the reinsurer's written notice to the reinsurance intermediary-manager or upon the termination of the contract. The reinsurer may suspend the settlement authority during the pendency of the dispute regarding the cause of termination;

J. if the contract provides for a sharing of interim profits by the reinsurance
intermediary-manager, that such interim profits shall not be paid until one year after the end of each underwriting period for property business and five years after the end of each underwriting period for casualty business, or a later period set by the superintendent for specified lines of insurance, and not until the adequacy of reserves on remaining claims has been verified pursuant to Subsection C of Section 59A-12D-9 NMSA 1978;

K. the reinsurance intermediary-manager will annually provide the reinsurer with a statement of its financial condition prepared by an independent certified accountant;

L. the reinsurer shall periodically, at least semi-annually, conduct an on-site review of the underwriting and claims processing operations of the reinsurance intermediary-manager;

M. the reinsurance intermediary-manager shall disclose to the reinsurer any relationship it has with any insurer prior to ceding or assuming any business with such insurer pursuant to this contract; and

N. within the scope of its actual or apparent authority the acts of the reinsurance intermediary-manager shall be deemed to be the acts of the reinsurer on whose behalf it is acting.


The reinsurance intermediary-manager shall not:

A. cede retrocessions on behalf of the reinsurer, except that the reinsurance intermediary-manager may cede facultative retrocessions pursuant to obligatory facultative agreements if the contract with the reinsurer contains reinsurance underwriting guidelines for such retrocessions. Such guidelines shall include a list of reinsurers with which such automatic agreements are in effect, and for each such reinsurer, the coverages and amounts or percentages that may be reinsured and commission schedules;

B. commit the reinsurer to participate in reinsurance syndicates;

C. appoint any producer without assuring that the producer is lawfully licensed to transact the type of reinsurance for which he is appointed;

D. without prior approval of the reinsurer, pay or commit the reinsurer to pay a claim, net of retrocessions, that exceeds the lesser of an amount specified by the reinsurer or one percent of the reinsurer's policyholder's surplus as of December 31 of the last complete calendar year;

E. collect any payment from a retrocessionaire or commit the reinsurer to any claim settlement with a retrocessionaire, without prior approval of the reinsurer. If prior approval is given, a report shall be promptly forwarded to the reinsurer;

F. jointly employ an individual who is employed by the reinsurer unless such reinsurance intermediary-manager is under common control with the reinsurer subject to The Insurance Holding Company Law [59A-37-1 to 59A-37-28 NMSA 1978];
G. appoint a sub-reinsurance intermediary-manager.

**History:** 1978 Comp., § 59A-12D-8, enacted by Laws 1993, ch. 320, § 49.

### 59A-12D-9. Duties of reinsurers utilizing the services of a reinsurance intermediary-manager.

A. A reinsurer shall not engage the services of any person, firm, association or corporation to act as a reinsurance intermediary-manager on its behalf unless such person is licensed as required by Subsection B of Section 59A-12D-3 NMSA 1978.

B. The reinsurer shall annually obtain a copy of statements of the financial condition of each reinsurance intermediary-manager which such reinsurer has engaged prepared by an independent certified accountant in a form acceptable to the superintendent.

C. If a reinsurance intermediary-manager establishes loss reserves, the reinsurer shall annually obtain the opinion of an actuary attesting to the adequacy of loss reserves established for losses incurred and outstanding on business produced by the reinsurance intermediary-manager. This opinion shall be in addition to any other required loss reserve certification.

D. Binding authority for all retrocessional contracts or participation in reinsurance syndicates shall rest with an officer of the reinsurer who shall not be affiliated with the reinsurance intermediary-manager.

E. Within thirty days of termination of a contract with a reinsurance intermediary-manager, the reinsurer shall provide written notification of such termination to the superintendent.

F. A reinsurer shall not appoint to its board of directors, any officer, director, employee, controlling shareholder or subagent or subbroker of its reinsurance intermediary-manager. This subsection shall not apply to relationships governed by The Insurance Holding Company Law [59A-37-1 to 59A-37-28 NMSA 1978] or, if applicable, the Broker Controlled Insurer Law [59A-12C-1 to 59A-12C-7 NMSA 1978].

**History:** 1978 Comp., § 59A-12D-9, enacted by Laws 1993, ch. 320, § 50.

### 59A-12D-10. Examination authority.

A. A reinsurance intermediary shall be subject to examination by the superintendent. The superintendent shall have access to all books, bank accounts and records of the reinsurance intermediary in a form usable to the superintendent.

B. A reinsurance intermediary-manager may be examined as if it were the reinsurer.

**History:** 1978 Comp., § 59A-12D-10, enacted by Laws 1993, ch. 320, § 51.

### 59A-12D-11. Penalties and liabilities.
A. If the superintendent determines that the reinsurance intermediary or any other person has not materially complied with the provisions of the Reinsurance Intermediary Law [Chapter 59A, Article 12D NMSA 1978], or any regulation or order promulgated thereunder, after notice and opportunity to be heard, the superintendent may order:

(1) for each separate violation, a penalty in an amount not exceeding ten thousand dollars ($10,000);

(2) revocation or suspension of the reinsurance intermediary's license; and

(3) if it was found that because of such material noncompliance that the insurer or reinsurer has suffered any loss or damage, the superintendent may maintain a civil action brought by or on behalf of the reinsurer or insurer and its policyholders and creditors for recovery of compensatory damages for the benefit of the insurer and its policyholders and creditors or seek other appropriate relief.

B. If an order of rehabilitation or liquidation of the insurer has been entered pursuant to Chapter 59A, Article 41 NMSA 1978, and the receiver appointed under that order determines that the reinsurance intermediary or any other person has not materially complied with the provisions of the Reinsurance Intermediary Law or any regulation or order promulgated thereunder, and the insurer suffered any loss or damage therefrom, the receiver may maintain a civil action for recovery of damages or another appropriate sanction for the benefit of the insurer.

C. Nothing contained in this section shall affect the right of the superintendent to impose any other penalties provided for in the Insurance Code.

D. Nothing contained in the Reinsurance Intermediary Law is intended to or shall in any manner limit or restrict the rights of policyholders, claimants, creditors or other third parties.


59A-12D-12. Effective date.

No insurer or reinsurer may continue to utilize the services of a reinsurance intermediary on or after July 1, 1993, unless utilization is in compliance with the Reinsurance Intermediary Law [Chapter 59A, Article 12D NMSA 1978].


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ARTICLE 13
Adjusters

Section 59A-13-1 Scope of article.
59A-13-1. Scope of article.

This article [Chapter 59A, Article 13 NMSA 1978] defines adjusters, requires license, states qualifications for licensing, and other requirements of adjusters so acting in this state. As to licensing procedures, issuance, duration, suspension, revocation or refusal to continue license in general, refer to Article 11 [Chapter 59A, Article 11 NMSA 1978] of the Insurance Code.


A. For the purposes of the Insurance Code [59A-1-1 NMSA 1978]:

(1) "adjuster" is a person that:

(a) investigates, negotiates, settles or adjusts a loss or claim arising under an insurance contract on behalf of an insurer, insured or self-insurer, for a fee, commission or other compensation; however, an adjuster acting on behalf of an insured shall not investigate, negotiate, settle or adjust a claim involving personal injury to the insured; and

(b) advises the insured of the insured's rights to settlement and the insured's rights to settle, arbitrate and litigate the dispute;

(2) "staff adjuster" is an adjuster individual who is a salaried employee of an insurer or affiliates of the employer insurer, representing and adjusting claims solely under policies of the employer insurer; and

(3) "independent adjuster" is an adjuster who is not a staff adjuster and includes a representative and an employee of an independent adjuster.

B. Except as otherwise provided, "adjuster" does not include:

(1) an attorney-at-law who adjusts insurance losses or claims from time to time incidental to practice of law and who does not advertise or represent as an adjuster;

(2) a licensed agent or general agent of an authorized insurer or an employee of an agent or general agent who adjusts claims or losses under specific authority from the insurer and
solely under policies issued by the insurer;

(3) an agent or employee of a life or health insurer who adjusts claims or losses under the insurer's policies or contracts to administer policies or benefits of that type; or

(4) a salaried or part-time claims agent or investigator employed by a self-insured person.


The 2003 amendment, effective June 20, 2003 added "that" at the end of Subsection A(1); deleted "who or which" at the beginning of Subsection A(1)(a); substituted "otherwise provided" for "provided hereafter" near the beginning of Subsection B; inserted "or contracts to administer policies or benefits of that type" following "insurer's policies" near the end of Subsection B(3); and substituted "person" for "persons subject to regulation pursuant to Section 7, Article 11 of the constitution of New Mexico" at the end of Subsection B(4).

The 2007 amendment, effective June 15, 2007, defines "staff adjuster" to include affiliates of the employer insurer.


ANNOTATION

An attorney who represents an insurer in an arbitration proceeding with the insured is not an adjuster and is not liable for direct violations of the Trade Practices and Frauds Act. Durham v. Guest, 2007-NMCA-144, 142 N.M. 817, 171 P.3d 756, cert. granted, 2007-NMCERT-010, ____ N.M. ____, ____ P.3d ____.


59A-13-3. License required.

A. No person shall in this state act as, or hold himself out to be, an adjuster unless licensed as such by the superintendent under the Insurance Code.

B. No person, regardless of location, shall act as, or hold himself out to be, an adjuster with respect to workers' compensation claims of claimants resident or located in New Mexico unless licensed as such by the superintendent under the Insurance Code.


59A-13-4. Qualifications for license as adjuster.

A. The superintendent shall license as an adjuster only an individual who is otherwise in compliance with this article and Article 11 [Chapter 59A, Article 11 NMSA 1978] (licensing procedures) of the Insurance Code, and who has furnished evidence satisfactory to the
superintendent that the applicant for license:

(1) is not less than eighteen (18) years of age;

(2) is a bona fide resident of this state, or of a state or country that permits residents of this state to act as adjusters therein, except that under circumstances of necessity the superintendent may waive the requirement of reciprocity;

(3) can demonstrate a good business reputation, and intends to engage in a bona fide manner in the business of adjusting insurance claims;

(4) except as to temporary license provided for under Section 234 [59A-13-6 NMSA 1978] of this article, has had at least one year's experience or special education or training in handling of losses or claims under insurance contracts, such experience, education and training to be of such nature and extent as to demonstrate applicant's competence to fulfill the responsibilities of an adjuster; and

(5) has filed the bond required under Section 233 [59A-13-5 NMSA 1978] of this article.

B. Paragraphs (2) and (5) above shall not apply as to staff adjusters.

C. Individuals holding licenses as adjusters on the effective date of the Insurance Code shall be deemed to meet the qualifications for the license except as in Article 11 (licensing procedures) [Chapter 59A, Article 11 NMSA 1978] of the Insurance Code and in this article hereinafter provided.


A. With application for license, temporary or otherwise, as an adjuster other than as staff adjuster, the applicant shall file with the superintendent a surety bond in favor of the superintendent in aggregate amount of not less than ten thousand dollars ($10,000), conditioned to pay actual damages resulting to the state of New Mexico or any member of the public in New Mexico from violation of law by the licensee while acting as an adjuster. The bond shall be one executed by an authorized surety insurer.

B. The bond shall remain in effect for the duration of the license, or until the surety is released from liability by the superintendent, or until cancelled by the surety. Without prejudice to any liability accrued prior to cancellation, the surety may cancel a bond by giving written notice to the superintendent at least thirty (30) days prior to effective date of cancellation.

C. The applicant or licensee may file with the superintendent a cash bond in like amount, in lieu of surety bond.


A. Upon application by an applicant meeting all qualifications for license except as to experience, education or training referred to in Section 232 [59A-13-4 NMSA 1978] of this article, the superintendent may issue a temporary license as adjuster under which an individual employed by a licensed adjuster and undergoing education or training as an adjuster under direction and supervision of such licensed adjuster, may act as an adjuster. Application for the license must be made, and the applicant registered with the superintendent, at beginning of the training period, and the license may be in force for a period not to exceed twelve (12) months, without right of renewal or continuation.

B. The superintendent may issue a temporary license as adjuster to an individual employed by a licensed adjuster or an authorized insurer due to a catastrophe or emergency requiring immediate expansion of adjuster services in this state. Application for the license must be made through such licensed adjuster or insurer. Responsibility for the conduct of a temporary licensee rests jointly on the licensee and the employer adjuster or insurer. The temporary license may be in force for a period not to exceed three (3) months, without right of renewal or continuation. In considering the application for temporary license the superintendent may waive such of the qualifications for license stated in Section 232 of this article as the superintendent deems advisable.


59A-13-7. Separate license; independent, staff adjusters.

Separate licenses shall be required for independent adjusters and staff adjusters, but the same individual may be so separately licensed as both.


An independent adjuster shall have the powers granted by its principal to investigate, report upon, adjust and settle claims on behalf of an insurer or self insurer and have additional powers as to claims and losses as may be conferred by the principal. A staff adjuster shall have only such powers with respect to claims and losses as granted by the adjuster's employer or affiliates of the adjuster's employer. A temporary adjuster shall, as to claims and losses, have the powers of the employer, subject to extension or limitation by contract.


Cross references. — For settlements, releases and statements of injured patients, see 41-1-1, 41-1-2 NMSA 1978.
The 2007 amendment, effective June 15, 2007, provides that an independent adjuster has the powers granted by its principal to investigate and report on claims.


Activities of insurance adjusters as unauthorized practice of law, 29 A.L.R.4th 1156.

Liability of independent or public insurance adjuster to insured for conduct in adjusting claim, 50 A.L.R.4th 900.


A licensed adjuster shall have and maintain a principal place of business in the state that is easily accessible to the public and is the place where the adjuster principally conducts transactions under the license. The address of the principal place of business shall appear on the application for license and on the license. The licensee shall promptly notify the superintendent of a change of address of the principal place of business. Failure to notify the superintendent of a change of address within twenty days shall subject the licensee to a penalty in the amount of fifty dollars ($50.00).


The 2003 amendment, effective June 20, 2003 substituted "and" for "in this state and while so licensed shall", inserted "in the state that is" following "principal place of business", and substituted "is the place" for "from which" all near the beginning of the section and added the final sentence.


A. Each independent adjuster shall keep at the business address shown on his license a record of all transactions under the license. The record shall include:

(1) the documents relating to all investigations or adjustments undertaken, and

(2) a statement of any fee, commission or other compensation received or to be received by the adjuster on account of such investigation or adjustment.

B. The adjuster shall make such records available for examination by the superintendent at all reasonable times, and shall retain records as to a particular investigation or adjustment for not less than three (3) years after completion of such investigation or adjustment.

History: Laws 1984, ch. 127, § 238.


Each workers' compensation insurer shall have at least one claims representative within New Mexico, licensed as an adjuster, to pay workers' compensation claims of claimants resident or located in New Mexico. Such claims shall be paid promptly through such representatives from accounts in financial institutions located within New Mexico.

ARTICLE 14
Surplus Line Insurance

Section
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59A-14-18 Violations and penalties.

59A-14-1. Scope of article; purpose; necessity for regulation.

A. Chapter 59A, Article 14 NMSA 1978 governs the placing of insurance of New Mexico risks, through licensed surplus line brokers, in insurers not otherwise authorized to transact insurance in this state and subject to the conditions for such placing as stated in that article; qualifications, licensing and duties and responsibilities of surplus line brokers; and other provisions as to such surplus line business and brokers. As to unauthorized insurers in general, and in respects other than as to surplus line, refer to Chapter 59A, Article 15 NMSA 1978.

B. Chapter 59A, Article 14 NMSA 1978 shall not apply as to reinsurance or to the following insurances when placed by general lines agents or surplus line brokers licensed as such by this state:

   (1) wet marine and transportation insurance, as defined in Section 59A-7-5 NMSA 1978;
   (2) insurance of subjects located, resident or to be performed wholly outside this state or on vehicles or aircraft owned and principally garaged outside this state;
   (3) insurance of property and operations of railroads engaged in interstate commerce;
(4) insurance of aircraft of common carriers, or cargo of such aircraft, or against
liability, other than employer's liability, arising out of ownership, maintenance or use of such
aircraft;

(5) insurance of automobile bodily injury and property damage liability risks when
written in Mexican insurers and covering in Mexico and not in the United States; or

(6) insurance independently procured.

C. Chapter 59A, Article 14 NMSA 1978 shall be liberally construed and applied to promote
its underlying purposes, which include:

(1) protecting insureds and persons seeking insurance in this state;

(2) permitting surplus lines insurance to be placed with reputable and financially
sound unauthorized insurers, but only pursuant to Chapter 59A, Article 14 NMSA 1978;

(3) establishing a system of regulation that will permit controlled access to surplus
lines insurance in this state; and

(4) assuring collection of revenues and other amounts due to this state.


"This article" at the beginning of Subsections A and B; substituted "Chapter 59A, Article 15 NMSA 1978"
for "Article 15 of the Insurance Code" at the end in Subsection A; in Subsection B, substituted "Section
59A-7-5 NMSA 1978" for "Section 111 of the Insurance Code" at the end of Paragraph (1), added
Paragraph (6) and made a related stylistic change; added Subsection C; and made a minor stylistic
change in Subsection A.

ANNOTATION

Miscommunication may result in coverage despite exclusion. — Since the surplus lines insurer
authorized a surplus lines broker to issue insurance, the insurer must assume responsibility for
inadequate insurance coverage resulting from miscommunications made between intermediaries during
the process of selling insurance to the insured. Since the insured initially sought coverage for a particular
injury, the insured's damages are covered under the policy notwithstanding an exclusion for that


As used in Chapter 59A, Article 14 NMSA 1978:

A. "eligible surplus lines insurer" means a qualified unauthorized foreign insurer,
approved and listed pursuant to Section 59A-14-4 NMSA 1978, with which a surplus lines
broker may place surplus lines insurance;

B. "export" means to place insurance with an unauthorized insurer;
C. "producing broker" means the broker or agent dealing directly with the person seeking insurance;

D. "surplus lines broker" means an individual, firm or corporation licensed under Chapter 59A, Article 14 NMSA 1978 to place insurance with eligible surplus lines insurers;

E. "surplus lines insurance" means any insurance permitted to be exported through a surplus lines broker; and

F. "type of insurance" means one of the types of insurance required to be reported in the annual statement that must be filed with the superintendent by authorized insurers.


ANNOTATION

Miscommunication may result in coverage despite exclusion. — Since the surplus lines insurer authorized a surplus lines broker to issue insurance, the insurer must assume responsibility for inadequate insurance coverage resulting from miscommunications made between intermediaries during the process of selling insurance to the insured. Since the insured initially sought coverage for a particular injury, the insured's damages are covered under the policy notwithstanding an exclusion for that particular injury. Barth v. Coleman, 118 N.M. 1, 878 P.2d 319 (1994).

59A-14-3. Placement of surplus lines insurance.

No surplus lines insurance shall be solicited, negotiated, contracted for, effectuated or otherwise transacted within the meaning of Section 59A-1-13 NMSA 1978, unless:

A. the insurance is procured through a surplus lines broker;

B. each unauthorized insurer providing such insurance is an eligible surplus lines insurer;

C. the full amount or type of insurance cannot be obtained from insurers authorized to do business in this state. The full amount or type of insurance may be procured from eligible surplus lines insurers, provided that a diligent search has been made among insurers authorized to transact and actually writing the particular type and class of insurance in this state;

D. the surplus lines broker has taken such reasonable steps to ascertain that the insurer is in sound financial condition as may be required by regulations adopted by the superintendent; and

E. all other requirements of Chapter 59A, Article 14 NMSA 1978 are met.


The 1993 amendment, effective June 18, 1993, substituted "among insurers authorized to transact" for "among authorized insurers pools, associations, programs and plans authorized to transact" in the second sentence in Subsection C.

ANNOTATION

Miscommunication may result in coverage despite exclusion. — Since the surplus lines insurer authorized a surplus lines broker to issue insurance, the insurer must assume responsibility for inadequate insurance coverage resulting from miscommunications made between intermediaries during the process of selling insurance to the insured. Since the insured initially sought coverage for a particular injury, the insured's damages are covered under the policy notwithstanding an exclusion for that particular injury. Barth v. Coleman, 118 N.M. 1, 878 P.2d 319 (1994).

59A-14-4. Eligible surplus lines insurers required.

A. No person shall export insurance except as authorized by and in accordance with Chapter 59A, Article 14 NMSA 1978.

B. No surplus lines broker shall transact any surplus lines insurance with any insurer other than an eligible surplus lines insurer.

C. To qualify as an eligible surplus lines insurer, an unauthorized foreign insurer shall file information demonstrating to the superintendent's satisfaction that:

(1) the insurer, its officers, owners, key employees and all persons exercising management or control of the insurer are of good repute and financial integrity; and

(2) the insurer qualifies under one of the following subparagraphs:

(a) the insurer shall have capital and surplus, or their equivalent, that equals fifteen million dollars ($15,000,000); provided that unauthorized insurers on the New Mexico list of eligible surplus lines insurers as of the effective date of this section that do not meet the foregoing requirements shall have capital and surplus of ten million dollars ($10,000,000) by December 31, 1991, twelve million five hundred thousand dollars ($12,500,000) by December 31, 1992 and fifteen million dollars ($15,000,000) by December 31, 1993;

(b) the requirements of Subparagraph (a) of this paragraph may be satisfied by an insurer possessing less than the capital and surplus upon an affirmative finding of acceptability by the superintendent. The finding shall be based upon such factors as quality of management, capital and surplus of any parent company, company underwriting profit and investment income trends and company record and reputation within the industry. In no event shall the superintendent make an affirmative finding of acceptability when the surplus lines insurer's capital and surplus is less than four million five hundred thousand dollars ($4,500,000); or
(c) an "insurance exchange", which is an association of syndicates or insurers created by the laws of individual states, shall maintain capital and surplus, or the equivalent thereof, of not less than fifty million dollars ($50,000,000) in the aggregate. For insurance exchanges that maintain funds for the protection of all insurance exchange policyholders, each individual syndicate shall maintain minimum capital and surplus, or the equivalent thereof, of not less than five million dollars ($5,000,000). In the event the insurance exchange does not maintain funds for the protection of all insurance exchange policyholders, each individual syndicate shall meet the minimum capital and surplus requirements of Subparagraph (a) of this paragraph.

D. In addition to meeting the requirements of Subsection C of this section, an alien insurer shall have in force and on deposit in the United States in a qualified United States financial institution an irrevocable trust account for the exclusive benefit of United States policyholders of not less than two million five hundred thousand dollars ($2,500,000), or any higher amount the superintendent may establish by regulation, consisting exclusively of cash, securities, letters of credit and of investments of the same character and quality, and subject to the same limitations as to percentage of assets that may be invested in each class of assets, as constitute eligible investments for the capital, surplus and statutory reserves of authorized insurers authorized to write like kinds of insurance in this state. Such trust fund, which shall be included in any calculation of capital and surplus or its equivalent, shall have an expiration date that at no time shall be less than five years from the last date on which the insurer accepts surplus lines insurance subject to Chapter 59A, Article 14 NMSA 1978.

E. A Lloyds plan or other similar groups that include incorporated and individual unincorporated insurers, shall maintain a trust fund of not less than fifty million dollars ($50,000,000) as security to the full amount thereof for all policyholders and creditors in the United States of each member of the group, and such trust shall likewise comply with the terms and conditions established for alien insurers in Subsection D of this section; provided, that the incorporated members of the group shall not engage in any business other than underwriting as a member of the group and shall be subject to the same level of solvency regulation and control by the group's domiciliary regulator as are the unincorporated members of the group.

F. In addition to meeting the requirements in Subsections C through E of this section, an unauthorized insurer shall be qualified as an eligible surplus lines insurer only if:

   (1) the superintendent has determined that the insurer meets the requirements of Chapter 59A, Article 14 NMSA 1978 and has placed the insurer on the most recent list of eligible surplus lines insurers published by the superintendent; and

   (2) as to an alien insurer, the insurer appears on the most recent list of alien insurers published by the non-admitted insurers information office of the national association of insurance commissioners or its substantial equivalent as determined by the superintendent.

G. In order to appear on the list of eligible surplus lines insurers, an unauthorized insurer shall provide to the superintendent a copy of its most current annual statement certified and sworn to by the insurer. The statement shall be provided at the same time it is provided to the insurer's domicile, but in no event more than nine months after the close of the period reported
upon, and shall be either:

(1) filed with and approved by the regulatory authority in the insurer's domicile; or

(2) certified as correct and in accordance with applicable accounting principles by a public accounting firm licensed in the insurer's domicile.

In the case of an insurance exchange, the statement may be an aggregate combined statement of all underwriting syndicates operating during the period reported.

H. Nothing in this section shall create any duty of the superintendent to place or maintain any unauthorized insurer on the list of eligible surplus lines insurers. The superintendent in his discretion may refuse to list or continue to list an insurer for any reason even if the insurer otherwise meets the requirements of this section. No such listing shall be deemed to constitute or evidence the superintendent's approval or guaranty as to the financial condition or business practices of the insurer, and no insurer or other person shall allege orally or in writing that any such listing constitutes or implies the superintendent's approval.

I. The superintendent may adopt rules and regulations fixing reasonable conditions to be met by insurers for such listing, including but not limited to the requirement of a special deposit pursuant to Section 59A-5-19 NMSA 1978. For good cause shown, the superintendent may in writing waive the requirements of this section to permit insurance to be placed as to a particular risk and insurer if the insurance is not otherwise reasonably obtainable.


The 1994 amendment, effective February 15, 1994, in Subsection E, substituted "groups that include incorporated and individual unincorporated insurers" for "unincorporated group of individual insurers" near the beginning and added the proviso clause at the end; and substituted "shall" for "must" in the first sentence of the introductory paragraph in Subsection G.

59A-14-4.1. Withdrawal of eligibility from a surplus line insurer.

The superintendent may at any time declare an eligible surplus lines insurer to be ineligible if the superintendent has reason to believe that the insurer:

A. is in unsound financial condition;
B. is subject to delinquency proceedings in this state or any other jurisdiction;
C. is no longer eligible under Section 59A-14-4 NMSA 1978;
D. has violated the laws of this state, including but not limited to any violation of the Insurance Code or the superintendent's orders;
E. does not make reasonably prompt payment of loss claims or other obligations in this state or elsewhere;
F. has failed within sixty days to satisfy a final judgment rendered against it or against an insured for which it is legally liable under the terms of a contract of surplus lines insurance; or

G. has failed to satisfy the superintendent that it is fit to be allowed to continue to do business in this state.

The superintendent shall promptly mail notice of all such declarations to the insurer and to every surplus lines broker.


59A-14-5. Signature and special endorsement of surplus lines policy.

Every insurance contract procured and delivered as surplus lines insurance pursuant to Chapter 59A, Article 14 NMSA 1978 shall bear the name, address and signature of the surplus lines broker who procured it and have stamped, printed or otherwise displayed prominently in boldface ten-point or larger type either upon its declarations page or by attachment of an endorsement, the form of which may be promulgated by the superintendent, the following: "This policy provides surplus lines insurance by an insurer not otherwise authorized to transact business in New Mexico. This policy is not subject to supervision, review or approval by the superintendent of insurance. The insurance so provided is not within the protection of any guaranty fund law of New Mexico designed to protect the public in the event of the insurer's insolvency."


The 1991 amendment, effective April 3, 1991, rewrote this section which read "Every insurance contract procured and delivered as surplus line coverage pursuant to this article shall bear the signature of the surplus line broker who procured it and have stamped, printed or otherwise displayed upon it the following: 'this contract is registered and delivered as a surplus line coverage under the insurance laws of New Mexico by an insurer not otherwise authorized to transact business in that state and not subject to supervision, or examination by the superintendent of insurance. The insurance so provided is not within the protection of any guaranty fund law of New Mexico'."

The 1999 amendment, effective June 18, 1999, substituted "lines" for "line" in the section heading; in the first sentence, substituted "lines" for "line", deleted "upon its declarations page" following "displayed", and inserted "either upon its declarations page or by attachment of an endorsement, the form of which may be promulgated by the superintendent".

59A-14-6. Surplus line insurance valid.

Insurance contracts procured as surplus line coverage from unauthorized insurers in accordance with the article shall be fully valid and enforceable as to all parties, and shall be given recognition in all matters and respects and to the same effect as like contracts issued by
authorized insurers.

History: Laws 1984, ch. 127, § 244.

59A-14-7. Surplus line broker license required; qualifications for license.

A. No person shall in New Mexico be, act as or hold out to be, a surplus line broker, or place insurance of risks resident, located or to be performed in New Mexico in any unauthorized insurer on behalf of others and for compensation as an independent contractor in any form, unless licensed as a surplus line broker under Chapter 59A, Article 14 NMSA 1978.

B. The superintendent shall, upon due application and payment of the license fee, issue a license as surplus line broker to a person qualified as follows:

(1) must be currently licensed as an insurance agent in this state as to the kinds of insurance to be exported under the surplus line broker license applied for, and have had experience or special training or education sufficient in duration and character as such an agent as to render the applicant, in the opinion of the superintendent, reasonably competent to engage in business as a surplus line broker;

(2) if applicant is a firm or corporation, all individuals to represent it in this state must be licensed agents. Each such individual shall be qualified as for an individual license as surplus line broker, and an additional license fee shall be paid as to each individual, in excess of one, who is to exercise the surplus line broker license powers; and

(3) must file with the application the bond provided for in Section 59A-14-8 NMSA 1978.

C. Licensing procedure, duration and related matters are as provided in Chapter 59A, Article 11 NMSA 1978, and license fee is as specified in Section 59A-6-1 NMSA 1978.


1999 amendments. — Identical amendments to this section were enacted by Laws 1999, ch. 272, § 19, effective June 18, 1999, approved April 8, 1999, and Laws 1999, ch. 289, § 21, also effective June 18, 1999, approved later on April 8, 1999, which updated the statutory references throughout the section; deleted former Subsection B(1), which read "must, if an individual, be a resident of New Mexico"; redesignated former Subsections B(2) to B(4) as Subsections B(1) to B(3); substituted "an insurance agent" for "a resident insurance agent" in Subsection B(1); and substituted "licensed agents" for "residents of New Mexico and licensed agents operating an insurance business in this state" in the first sentence of Subsection B(2). The section is set out as amended by Laws 1999, ch. 289, § 21. See 12-1-8 NMSA 1978.


59A-14-9. Broker may accept business from agents; compensation of others prohibited.

A. A surplus line broker may accept and export surplus line business from and for any insurance agent or broker licensed by this state for the kind of insurance involved, and may compensate the agent or broker therefor.

B. A surplus line broker shall not directly or indirectly compensate any person other than such a licensed agent or broker as to origination of such business. This provision shall not be deemed to prohibit payment of regular salaries to the surplus line broker's employees, or sharing of compensation with other persons entitled thereto under firm and corporate agreements and surplus line broker licenses. Violation of this provision is a misdemeanor.

**History:** Laws 1984, ch. 127, § 247.

**Cross references.** — For general penalty provision, see 59A-1-18 NMSA 1978.

For penalty for misdemeanor, see 31-19-1 NMSA 1978.

59A-14-10. Office and records.

A. A surplus line broker shall maintain an office accessible to the public wherein transactions under his license may be transacted. Nothing herein shall be deemed to prohibit maintenance of the office in the surplus line broker's place of residence, subject to accessibility above stated.

B. The surplus line broker shall keep in the office complete records of surplus line insurance business transacted, including, but not limited to, income and disbursements, copies of all policies, endorsements, cancellations, filing documents, reports and other related records. The records shall be made available for examination by the superintendent at all times within seven years after issuance of a coverage to which the record relates.

C. The surplus line broker shall immediately notify the superintendent in writing of any change of office address. Failure to notify the superintendent of a change of address within twenty days shall subject the licensee to a penalty in the amount of fifty dollars ($50.00).


The 2003 amendment, effective June 20, 2003, deleted "in this state" following "broker shall maintain" in Subsection A; in Subsection B, deleted "surplus line broker shall not remove the records from this state, and the" following "related records. The", substituted "seven" for "five (5)" following "all times within"; and added the last sentence in Subsection C.

59A-14-11. Duty to file reports and affidavits.

A. The producing broker shall complete, execute and provide to the surplus lines broker an affidavit in substantially the form required by the superintendent, as to the diligent efforts to
place the coverage with authorized insurers and the results thereof. The affidavit shall affirm that the insured was expressly advised prior to placement of the insurance and in the insurance policy that:

1. the surplus lines insurer with which the insurance was to be placed is not an authorized insurer in this state and is not subject to the superintendent's supervision; and

2. in the event the surplus lines insurer becomes insolvent, claims will not be paid nor will unearned premiums be returned by any New Mexico insurance guaranty fund.

B. Within sixty days after the end of each calendar quarter, the surplus lines broker shall file with the superintendent a copy of each of the producing broker affidavits required by Subsection A of this section and a copy of the policy declarations page of all surplus lines insurance business transacted during the calendar quarter. The surplus lines broker shall preserve the original producing broker affidavits in compliance with Section 59A-14-10 NMSA 1978. The declaration pages shall be confidential and shall not be subject to public inspection. The superintendent's copy of the affidavits shall be open to public inspection. If the producing broker has failed to provide the producing broker affidavit, the surplus lines broker shall at the time of quarterly filing, notify the superintendent of the producing broker's failure to comply.

C. Each surplus lines broker shall, within sixty days after expiration of each calendar quarter, file with the superintendent a statement under the surplus lines broker's oath of all surplus lines insurance business transacted during such calendar quarter. The statement shall be on forms as prescribed and furnished by the superintendent and shall contain such information relative to the surplus lines insurance transaction as the superintendent may reasonably require for the purposes of Chapter 59A, Article 14 NMSA 1978.


The 1999 amendment, effective June 18, 1999, deleted former Subsection A which related to a written report provided to the surplus lines broker and redesignated the subsequent subsections accordingly; in the beginning of Subsection A, deleted "At the time of completing each report pursuant to Subsection A of this section" and substituted "an affidavit" for "a sworn, notarized affidavit"; in Subsection A(2), inserted "nor will unearned premiums be returned"; in the first sentence of Subsection B, substituted "the producing broker affidavits required by Subsection A" for "the reports and affidavits required by Subsections A and B", in the second sentence, substituted "original producing broker affidavits" for "original reports and affidavits", in the third sentence, substituted "The declaration pages" for "The reports and all copies", in the fifth sentence, substituted "the producing broker affidavit" for "a report or affidavit", and at the end, added "at the time of quarterly filing, notify the superintendent of the producing broker's failure to comply".

59A-14-12. Premium tax on surplus line insurance.

A. Within sixty days after expiration of a calendar quarter the surplus line broker shall pay
to the superintendent for the use of the state of New Mexico a tax on gross premiums received, less returned premiums, on surplus line business transacted under the surplus line broker's license during such calendar quarter as shown by the quarterly statement filed with the superintendent as provided under Section 59A-14-11 NMSA 1978. The tax shall be at the same rate as is applicable to premiums of authorized insurers under Section 59A-6-2 NMSA 1978.

B. For purposes of this section "premiums" shall include any additional amount charged the insured, including policy fees, risk purchasing group fees and inspection fees; but "premiums" shall not include any additional amount charged the insured for local, state or federal tax; regulatory authority fee; or examination fee, if any.

C. If a surplus line policy covers risks or exposures only partially in this state the tax payable shall be computed upon the proportion of the premium properly allocable to risks or exposures located in this state.

D. A penalty of ten percent of the amount of tax originally due, plus one percent of such tax amount for each month or fraction thereof of delinquency after the first thirty days of delinquency, shall be paid by the surplus line broker for failure to pay the tax in full within sixty days after expiration of the calendar quarter as provided in Subsection A of this section; except, that the superintendent may waive or remit the penalty if he finds that the failure or delay in payment arose from excusable mistake or excusable inadvertence.


The 1999 amendment, effective June 18, 1999, inserted "Premium" in the section heading; substituted "59A-14-11 NMSA 1978" for "249 of this article" and "59A-6-2 NMSA 1978" for "102 of the Insurance Code" in Subsection A; inserted "shall include any additional amount charged the insured, including policy fees, risk purchasing group fees and inspection fees; but 'premiums', "local" and "regulatory authority fee; or" in Subsection B; and made minor stylistic changes.

59A-14-13. Examination of surplus line broker.

A. The superintendent whenever deemed necessary may examine the records and accounts of any surplus line broker for determining whether the surplus line broker is conducting business in accordance with the requirements of this article.

B. The superintendent shall conduct the examination, and the surplus line broker shall pay the cost thereof, as provided in the applicable provisions of Article 4 [Chapter 59A, Article 4 NMSA 1978] (examinations, hearings and appeals) of the Insurance Code.


59A-14-14. Evidence of insurance; policy changes; penalties.

A. Upon placing surplus lines insurance, the surplus lines broker shall promptly deliver to the insured evidence of the insurance consisting either of the policy or, if the policy is not then available, a certificate complying with Subsection D of this section, a cover note, a binder or
other evidence of insurance. The certificate, cover note, binder or other evidence of insurance shall be completed and signed by the surplus lines broker and shall set forth the description and location of the subject of the insurance, the coverages, including any material limitations other than those in standard forms, the coverage limits, the amount of any deductible, the premium and rate charged, the taxes to be collected from the insured, the name and address of the insured, the name and address of the surplus lines insurer, the proportion of the entire risk assumed by each insurer and the name, address and telephone number of the surplus lines broker.

B. No surplus lines broker shall issue or deliver any evidence of insurance or purport to insure or represent that insurance will be or has been written by any eligible surplus lines insurer without the insurer's prior written authorization, via telefax or otherwise, to cause the risk to be insured or documentation from the insurer in the regular course of business that such insurance has been granted.

C. If, after delivery of any evidence of insurance, there is any change in the identity of the insurer, in the proportion of the risk assumed by any insurer or in the coverage, terms or conditions stated in the original evidence of insurance, the surplus lines broker shall promptly issue and deliver to the insured, either directly or through the producing broker, an appropriate substitute for or endorsement of the original document, accurately showing the current status of the coverage and responsible insurers.

D. As soon as reasonably possible after the placement of any surplus lines insurance, and in no event later than thirty days after coverage commences, the surplus lines broker shall deliver a complete copy of the policy or, if the policy is not then available, a certificate of insurance to the insured to replace any evidence of insurance theretofore issued. Each certificate or policy of insurance shall contain or have attached thereto a complete record of all policy declarations and limits, insuring agreements, deductible amounts, conditions, exclusions, clauses, endorsements and all other material terms and conditions.

E. Any surplus lines broker who fails to comply with the requirements of this section shall be subject to the penalties provided in Section 59A-1-18 NMSA 1978 or to any greater applicable penalty otherwise provided by law.


ANNOTATION

Miscommunication may result in coverage despite exclusion. — Since the surplus lines insurer authorized a surplus lines broker to issue insurance, the insurer must assume responsibility for inadequate insurance coverage resulting from miscommunications made between intermediaries during the process of selling insurance to the insured. Since the insured initially sought coverage for a particular
injury, the insured's damages are covered under the policy notwithstanding an exclusion for that particular injury. Barth v. Coleman, 118 N.M. 1, 878 P.2d 319 (1994).


A. As to a risk assumed by an unauthorized insurer under Chapter 59A, Article 14 NMSA 1978, and if the premium thereon has been received by the producing broker or the surplus lines broker who placed the insurance, in all questions thereafter arising under the coverage between the insurer and the insured the insurer shall be deemed to have received the premium due it for the coverage; and the insurer shall be liable to the insured for losses covered by the insurance and for unearned premiums that may become payable to the insured upon cancellation of the insurance, whether or not in fact the surplus lines broker is indebted to the insurer as to the insurance or for any other cause.

B. Each unauthorized insurer assuming a surplus lines risk under Chapter 59A, Article 14 NMSA 1978 shall be deemed thereby to have subjected itself to the terms of this section.


The 1991 amendment, effective April 3, 1991, substituted "Chapter 59A, Article 14 NMSA 1978" for "this article" in Subsections A and B; in Subsection A, inserted "the producing broker or" near the beginning and substituted "lines broker" for "line broker" in two places; substituted "lines risk" for "line risk" in Subsection B; and made a minor stylistic change in Subsection A.

59A-14-16. Legal process against surplus line insurer; venue.

A. An unauthorized insurer shall be sued, upon any cause of action arising in this state under any surplus line insurance policy issued by it, in the district court of the county in which the cause of action arose.

B. Service of legal process against the insurer may be made in any such action by service upon the superintendent as provided for in Section 99 [59A-5-32 NMSA 1978] of the Insurance Code.

C. Each surplus line insurer may file with the superintendent designation in writing of the name and address of the person to whom the superintendent shall forward legal process served upon him as process attorney for the insurer. The insurer may change such designation by filing a new designation with the superintendent. The surplus line broker placing surplus line insurance with an unauthorized insurer shall take reasonable steps to inform the insurer of its right to file such designation.

D. Upon receipt of such process the superintendent shall promptly mail one copy thereof, by certified or registered mail with return receipt requested, to the person currently designated by the insurer pursuant to Subsection C, above; and if no such designation has been made or is not currently in force, the process shall be so mailed addressed to the insurer at its home office last of record with the superintendent, wherever located. The insurer shall have thirty (30) days from date of service upon the superintendent within which to plead, answer or otherwise defend the...
action. Upon service of process upon the superintendent and mailing in accordance with this provision the court shall be deemed to have jurisdiction in personam of the insurer.

E. An unauthorized insurer issuing the policy shall be deemed thereby to have authorized service of process against it in the manner and to the effect as provided in this section. Any such policy shall contain a provision stating that service of process against it may be made upon the superintendent as in this section provided.


59A-14-17. Certain other provisions applicable.

In addition to provisions generally applicable, the following provisions of the Insurance Code shall also apply as to surplus line brokers:

A. Section 210 [209] [59A-12-8 NMSA 1978] (controlled business);
B. Section 218 [59A-12-17 NMSA 1978] (scope of license); and
C. Section 223 [59A-12-22 NMSA 1978] (fiduciary funds).

History: Laws 1984, ch. 127, § 255.

Bracketed material. — The bracketed material in Subsection A was inserted by the compiler. It was not enacted by the legislature, and it is not part of the law. The reference to § 210 of the Insurance Code is apparently incorrect. The section dealing with controlled business is § 209 compiled as 59A-12-8 NMSA 1978. Section 210, compiled as 59A-12-9 NMSA 1978, provides a limitation on the construction of § 209.


In addition to any suspension, revocation or refusal to continue license of a surplus line broker provided for under Article 11 [Chapter 59A, Article 11 NMSA 1978] (licensing procedures) of the Insurance Code, and penalties otherwise provided, any surplus line broker who wilfully fails to report to the superintendent any insurance on subject matter located within this state and exported by him, or who by wilful omission from records required to be maintained attempts to evade payment of taxes on such insurance, shall pay the tax together with penalty equal to the amount of the tax, and upon conviction thereof shall be guilty of a misdemeanor punishable by a fine not to exceed five hundred dollars ($500).

History: Laws 1984, ch. 127, § 256.
Unauthorized Insurers

Section
59A-15-1 Purposes of article.
59A-15-2 Representing or aiding unauthorized insurer prohibited.
59A-15-3 Inclusion of unauthorized insurer in coverage.
59A-15-5 Validity of contract not impaired; right of insurer as to court action.
59A-15-6 Superintendent is attorney of unauthorized insurer for service of process.
59A-15-7 Service of process on unauthorized insurer.
59A-15-10 Penalty for violation.
59A-15-12 Notice to domiciliary supervisory official.
59A-15-16 Jurisdiction over health care benefits providers presumed.
59A-15-18 Examination.
59A-15-20 Multiple-employer welfare arrangements; regulations.


The purpose of this article [Chapter 59A, Article 15 NMSA 1978] is to subject certain persons and insurers to the jurisdiction of the superintendent and the courts of this state in suits by or on behalf of the state and others. The legislature declares that it is concerned with the protection of residents of this state against acts by insurers not authorized to do an insurance business in this state, by the maintenance of fair and honest insurance markets, by protecting authorized insurers which are subject to regulation from unfair competition by unauthorized insurers, and by protecting against the evasion of the insurance regulatory laws of this state. In furtherance of such state interest, the legislature provides methods in this article for substituted service of process upon such insurers in any proceeding, suit or action in any court and substituted service of any notice, order, pleading or process upon such insurers in any proceeding by the superintendent to enforce or effect full compliance with the insurance laws of this state. In so doing, the state exercises its powers to protect residents of this state and to define what constitutes transacting an insurance business in this state, and also exercises powers and privileges available to this state by virtue of Public Law 79-15, (1945), 79th Congress of the United States, Chapter 20, 1st Sess., S. 340, 59 Stat. 33; 15 U.S.C. Secs. 1011 to 1015, inclusive, as amended, which declares that the business of insurance and every person engaged therein shall be subject to the laws of the several states.

History: Laws 1984, ch. 127, § 257.
59A-15-2. Representing or aiding unauthorized insurer prohibited.

A. No person shall in this state directly or indirectly act as agent for, or otherwise represent or aid on behalf of another, any unauthorized insurer in solicitation, negotiation, procurement or effectuation of insurance or renewals thereof, or forwarding of applications, or delivery of policies or contracts, or inspection of risks, or fixing of rates, or investigation or adjustment of claims or losses, or collection or forwarding of premiums, or in any other manner represent or assist such insurer in transaction of insurance in this state.

B. This section shall not apply as to:

   (1) matters authorized to be done by the superintendent under service of process provisions of Chapter 59A, Article 15 NMSA 1978;
   (2) transactions for which certificate of authority is not required of an insurer under Section 59A-5-11 NMSA 1978;
   (3) subject to Subsection B of Section 59A-5-10 NMSA 1978, insurances exempt from the surplus line law under Section 59A-14-1 NMSA 1978;
   (4) insurance policies and annuity contracts in force in this state prior to the effective date of the Insurance Code, transactions as to which shall be governed by laws in force immediately prior to such effective date; or
   (5) a transaction or transactions in this state involving contracts of insurance to one or more industrial insureds. For the purposes of this section, an industrial insured is an insured:

      (a) which procures the insurance of any risk by the use of the services of a full-time employee acting as a risk manager or insurance manager or by utilizing the services of a regularly and continuously qualified insurance consultant;
      
      (b) which has aggregate annual premiums for insurance on all risks of at least twenty-five thousand dollars ($25,000); and
      
      (c) which has at least twenty-five full-time employees.

C. Violation of this section shall be subject to the general penalty provided under Section 59A-1-18 NMSA 1978.


No insurance agent licensed in this state shall include, or permit inclusion, in any insurance coverage of a subject of insurance resident, located or to be performed in this state and placed by
the agent, of an unauthorized insurer among the insurers assuming direct risk under such coverage. This section shall not apply as to coverages exempt under Section 258 [59A-15-2 NMSA 1978] of this article.

History: Laws 1984, ch. 127, § 259.


A. Each insured who in this state procures or continues or renews insurance with a non-admitted insurer on a risk located or to be performed in whole or in part in this state, other than insurance procured through a surplus lines licensee pursuant to Article 14 [Chapter 59A, Article 14 NMSA 1978] of the Insurance Code shall, within 90 days after the date such insurance was so procured, continued or renewed, file a written report of the same with the superintendent, upon forms prescribed by him, showing the name and address of the insured or insureds, name and address of the insurer, the subject of the insurance, a general description of the coverage, the amount of premium currently charged therefor and such additional pertinent information as is reasonably requested by the superintendent.

B. Gross premiums charged for such insurance, less any return premiums, are subject to a tax at the same rate as is applicable to premium of authorized insurers under Section 102 [59A-6-2 NMSA 1978] of the Insurance Code. At the time of filing the report required in the first paragraph [Subsection A] of this section, the insured shall pay the tax to the superintendent.

C. If an independently procured policy covers risks or exposures only partially located or to be performed in this state, the tax payable shall be computed on the portion of the premium properly attributable to the risks or exposures located or to be performed in this state. In no event, however, shall a tax be payable solely because the risk in question, or any portion thereof, is located or to be performed in this state.

D. Delinquent taxes hereunder shall bear interest at the rate of twelve percent per annum.

E. This section does not apply to life insurance, health insurance or annuities.

F. This section does not abrogate or modify, and shall not be construed or deemed to abrogate or modify, any provision of Section 258 [59A-15-2 NMSA 1978] or any other provision of this Code.


Bracketed material. — The bracketed reference to Subsection A in Subsection B was inserted by the compiler. The bracketed material was not enacted by the legislature, and it is not part of the law.

59A-15-5. Validity of contract not impaired; right of insurer as to court action.

Failure of an insurer transacting insurance in this state to have a certificate of authority shall not impair the validity of any act or contract of the insurer and shall not prevent the insurer from defending any action in any court in this state; but no such insurer shall be permitted to maintain
an action in any court of this state to enforce any right, claim or demand arising out of any such transaction, other than as to a surplus line coverage duly written through a licensed surplus line broker of this state, until the insurer has obtained a certificate of authority.

**History:** Laws 1984, ch. 127, § 260.

### 59A-15-6. Superintendent is attorney of unauthorized insurer for service of process.

Any act of transacting an insurance business in this state by any unauthorized insurer is equivalent to and shall constitute an irrevocable appointment by such insurer, binding upon him, his executor or administrator, or successor in interest if a corporation, of the superintendent or his successor in office, to be the true and lawful attorney of the insurer upon whom may be served all lawful process in any action, suit or proceeding in any court by the superintendent or by the state or others, and upon whom may be served any notice, order, pleading or process in any proceeding before the superintendent, and which arises out of transacting an insurance business in this state by such insurer. Any act of transacting an insurance business in this state by any unauthorized insurer shall be signification of its agreement that any such lawful process in such court action, suit or proceeding and any such notice, order, pleading or process in such administrative proceeding before the superintendent so served shall be of the same legal force and validity as personal service of process in this state upon the insurer.

**History:** Laws 1984, ch. 127, § 261.


A. Service of process in such action or proceeding shall be made by delivering to and leaving with the superintendent, or some person in apparent charge of his office, two (2) copies thereof and by payment to the superintendent of the fee prescribed by Section 101 [59A-6-1 NMSA 1978] (fee schedule) of the Insurance Code. Service upon the superintendent as such attorney shall be service upon the insurer.

B. The superintendent shall forthwith forward by certified mail one of the copies of such process, or such notice, order, pleading or process in proceedings before the superintendent, to the defendant in such court proceeding or to whom the notice, order, pleading or process in such administrative proceeding is addressed or directed, at its principal place of business last known to the superintendent and shall keep a record of all process so served on him which shall show the day and hour of service. Such service is sufficient if:

1. notice of such service and a copy of the court process or the notice, order,
pleading or process in such administrative proceeding are sent within ten (10) days thereafter by certified mail (with return receipt requested) by the plaintiff or the plaintiff's attorney in the court proceeding, or by the superintendent in the administrative proceeding, to the defendant in the court proceeding or to whom the notice, order, pleading or process in such administrative proceeding is addressed or directed, at the last-known principal place of business of the defendant in the court or administrative proceeding, and

(2) the defendant's receipt or receipts issued by the post office with which the letter is certified, showing the name of the sender of the letter and the name and address of the person or insurer to whom the letter is addressed, and an affidavit of the plaintiff or the plaintiff's attorney in court proceeding, or of the superintendent in administrative proceeding, showing compliance therewith are filed with the clerk of the court in which such action, suit or proceeding is pending or with the superintendent in administrative proceedings, on or before the date the defendant in the court or administrative proceedings is required to appear or respond thereto, or within such further time as the court or superintendent may allow.

C. No plaintiff shall be entitled to a judgment or determination by default in any court or administrative proceeding in which court process or notice, order, pleading or process in proceedings before the superintendent is served under this section until the expiration of forty-five (45) days from the date of filing of the affidavit of compliance.

D. Nothing in this section limits or affects the right to serve any process, notice, order or demand upon any person or insurer in any other manner permitted by law.

History: Laws 1984, ch. 127, § 262.


A. Before any unauthorized insurer files or causes to be filed any pleading in any court action, suit or proceeding or any notice, order, pleading or process in an administrative proceeding before the superintendent instituted against such person or insurer, by service made as provided in Section 262 [59A-15-7 NMSA 1978] of this article, such insurer shall either:

(1) deposit with the clerk of the court in which such action, suit or proceeding is pending, or with the superintendent in administrative proceedings before the superintendent, cash or securities, or file with such clerk or the superintendent a bond with good and sufficient sureties, to be approved by the clerk or the superintendent, in an amount to be fixed by the court or superintendent sufficient to secure the payment of any final judgment which may be rendered in such action or administrative proceeding; or

(2) procure a certificate of authority to transact insurance in this state. In considering the application of an insurer for a certificate of authority, for the purposes of this paragraph the superintendent need not assert the provisions of Section 100 [59A-5-33 NMSA 1978] (reciprocity provision) of the Insurance Code against such insurer with respect to its application.
if he determines that the insurer would otherwise comply with the requirements for such certificate of authority.

B. The superintendent, in any administrative proceeding in which service is made as provided in Section 262 of this article, may in his discretion order such postponement as may be necessary to afford the defendant reasonable opportunity to comply with the provisions of Paragraph (1) above, and to defend such action.

C. Nothing in Subsection A above, shall be construed to prevent an unauthorized insurer from filing a motion to quash a writ or to set aside service thereof, on the ground that such unauthorized insurer has not transacted insurance in this state.

**History:** Laws 1984, ch. 127, § 263.


A. As used in this section:

1. "foreign decree" means any decree or order in equity of a court located in a reciprocal state, including a court of the United States located therein, against any insurer incorporated or authorized to do business in this state;

2. "qualified party" means a state regulatory agency acting in its capacity to enforce the insurance laws of its state; and

3. "reciprocal state" means any state the laws of which contain procedures substantially similar to those specified in this section for the enforcement of decrees or orders in equity issued by courts located in other states, against any insurer incorporated or authorized to do business in such state.

B. The attorney general upon request of the superintendent may proceed in the courts of this state or any reciprocal state to enforce an order or decision in any court proceeding or in any administrative proceeding before the superintendent.

C. The superintendent shall determine which states qualify as reciprocal states and shall maintain at all times an up-to-date list of such states.

D. A copy of any foreign decree authenticated in accordance with federal statutes may be filed in the office of the clerk of any district court of this state. The clerk, upon verifying with the superintendent that the decree or order qualified as a foreign decree[,] shall treat the foreign decree in the same manner as a decree of a district court of this state. A foreign decree so filed has the same effect and shall be deemed as a decree of a district court of this state, and is subject to the same procedures, defenses and proceedings for reopening, vacating or staying as a decree of a district court of this state and may be enforced or satisfied in like manner.

E. At the time of the filing of the foreign decree, the attorney general shall make and file with the clerk of the court an affidavit setting forth the name and last-known post office address
of the defendant.

Promptly upon the filing of the foreign decree and the affidavit, the clerk shall mail notice of the filing of the foreign decree to the defendant at the address given and to the superintendent and shall make a note of the mailing in the docket. In addition, the attorney general may mail a notice of the filing of the foreign decree to the defendant and to the superintendent and may file proof of mailing with the clerk. Lack of mailing notice of filing by the clerk shall not affect the enforcement proceedings if proof of mailing by the attorney general has been filed. No execution or other process for enforcement of a foreign decree filing [filed] under this section shall issue until thirty (30) days after the date the decree is filed.

F. If the defendant shows the district court:

(1) that an appeal from the foreign decree is pending or will be taken, or that a stay of execution has been granted, the court shall stay enforcement of the foreign decree until the appeal is concluded, the time for appeal expires or the stay of execution expires or is vacated upon proof that the defendant has furnished the security for the satisfaction of the decree required by the state in which it was rendered; or

(2) on any ground upon which enforcement of a decree of any district court of this state would be stayed, the court shall stay enforcement of the foreign decree for an appropriate period, upon requiring the same security for satisfaction of the decree which is required in this state.

G. Any person filing a foreign decree shall pay to the clerk of the court the applicable statutory filing fee. Fees for docketing, transcription or other enforcement proceedings shall be the same as are provided for decrees of the district court.


Any unauthorized insurer which transacts in this state any insurance business in violation of the Insurance Code shall be subject to fine of not to exceed twenty thousand dollars ($20,000) for each such violation.


Sections 266 through 268 [59A-15-11 to 59A-15-13 NMSA 1978] of this article constitute and may be referred to as the "Unauthorized Insurers False Advertising Process Law".

History: Laws 1984, ch. 127, § 266.

No unauthorized insurer through any estimate, illustration, circular, pamphlet, letter, announcement, statement or any other means or medium shall misrepresent to any person in this state its financial condition or the terms of any contract issued or to be issued by it or the advantages thereof, or the dividends or share to be received thereon. Whenever the superintendent has reason to believe that any such insurer is so misrepresenting, he shall notify the insurer and the insurance supervisory officer of the insurer's domiciliary state or province by registered or certified mail.


A. If within thirty (30) days following the giving of the notice provided for in Section 267 [59A-15-12 NMSA 1978] of the article the insurer has not ceased such dissemination, and if the superintendent has reason to believe that such insurer is soliciting, issuing or delivering contracts of insurance to residents of this state or collecting premiums on such contracts or performing any other transaction in connection with such insurance, and that a proceeding by him in respect to such matters would be to the interest of the public, he shall take action against such insurer under the provisions of Section 262 [59A-15-7 NMSA 1978] of the article (service of process on unauthorized insurer).

B. If upon such hearing the superintendent finds that the insurer has misrepresented as referred to in Section 267 of the article, he shall by order on such hearing require the insurer to cease and desist from such violation, and shall mail a copy of the order by registered or certified mail to the insurer at its principal place of business last of record with the superintendent, and to the insurance supervisory officer of the insurer's domiciliary state, country or province. Each violation thereafter of such desist order shall subject the insurer to a penalty of two thousand dollars ($2,000), to be recovered by a civil action brought against the insurer by the superintendent. Service of process upon the insurer in such action may be made upon the superintendent pursuant to Section 262 of this article or in any other lawful manner.


Sections 59A-15-14 through 59A-15-19 NMSA 1978 may be cited as the "Health Care Benefits Jurisdiction Act".


The purpose of the Health Care Benefits Jurisdiction Act [59A-15-14 to 59A-15-19 NMSA 1978] is to assure the superintendent's jurisdiction over providers of health care benefits in this state; to indicate how each provider of health care benefits may demonstrate under which regulatory jurisdiction it falls; to allow for examinations by the superintendent if the provider of health care benefits is unable to demonstrate that it is subject to another regulatory jurisdiction; and to require disclosure to purchasers of such plans information as to whether the plans are fully insured.


Notwithstanding any other provision of law and except as provided in the Health Care Benefits Jurisdiction Act [59A-15-14 to 59A-15-19 NMSA 1978], any person who provides coverage in this state for health benefits, including coverage for medical, surgical, hospital, osteopathic, acupuncture and oriental medicine, chiropractic, physical therapy, speech pathology, audiology, professional mental health, dental or optometric expenses, whether such coverage is by direct payment, reimbursement or otherwise, shall be presumed to be subject to the provisions of the Insurance Code and the jurisdiction of the superintendent unless the person provides evidence satisfactory to the superintendent that he is subject exclusively to the jurisdiction of another agency of this state or the federal government.


**The 1993 amendment,** effective June 18, 1993, substituted "who provides coverage" for "that provides coverage" near the beginning, "acupuncture and oriental medicine, chiropractic, physical therapy," for "acupuncture, chiropractic, physical therapy," near the middle, and "he is subject exclusively" for "it is subject exclusively" near the end.

**Insurance Code.** — See 59A-1-1 NMSA 1978 and notes thereto.


Any person providing coverage for health care benefits as described in Section 59A-15-16 NMSA 1978 may demonstrate that it is subject to the jurisdiction of another agency of this state or the federal government by providing to the superintendent:

A. the appropriate certificate, license or other document issued by the other governmental agency that permits or qualifies it to provide such coverage; or

B. other evidence satisfactory to the superintendent, after consultation with the other governmental agency, if necessary, that the provider is acting pursuant to a federal or state law that grants exclusive jurisdiction to a federal agency or another agency of this state.


Any person providing coverage for health care benefits as described in Section 59A-15-16 NMSA 1978 who is unable to demonstrate under Section 59A-15-17 NMSA 1978 that he is subject to the exclusive jurisdiction of another agency of this state or the federal government shall submit to an examination by the superintendent in accordance with Chapter 59A, Article 4 NMSA 1978 to determine the organization and financial condition of the provider and his compliance with the applicable provisions of the Insurance Code.


Any agent or administrator that advertises, sells, transacts or administers coverage in this state as described in Section 59A-15-16 NMSA 1978 shall, if the coverage is not fully insured or otherwise fully covered by an authorized insurer, advise every purchaser, prospective purchaser and covered person of the lack of insurance or other coverage. Any administrator that advertises or administers such coverage in this state shall inform any producing agency of the elements of the coverage including the amount of any applicable stop-loss insurance and the insurer affording it.


A. The superintendent, after a public hearing, shall, no later than October 1, 2001, adopt reasonable rules and regulations governing any employee welfare benefit plan that is a multiple-employer welfare arrangement. The regulations at a minimum shall provide for:

1. registration of all such plans and standards requiring the maintenance of specified levels of reserves;
2. minimum solvency requirements;
3. accounting standards and reporting requirements;
4. standards for appropriate investment of assets;
5. standards for excess or stop-loss insurance coverage;
6. specified levels of contributions that any such plan, or any trust established under such a plan, must meet;
7. methods for equitable assessment of member employers for any funding shortfall;

and
standards for adequate governance.

B. The rules and regulations shall provide for compliance with the Patient Protection Act [59A-57-1 NMSA 1978] and provide standards for minimum benefits, including coverage of all benefits required of health insurance under other sections of the Insurance Code [59A-1-1 NMSA 1978].

C. The rules and regulations shall provide that all employees or association members shall be eligible for participation in the plan.

D. Any standards for determining or assuring solvency shall not be applicable to plans that are fully insured by carriers authorized to transact insurance in New Mexico. If at any time a plan does not meet the standards established, the superintendent may take action pursuant to the Insurance Code.


The 2001 amendment, effective June 15, 2001, added the Subsection A designation, and in that Subsection, substituted "after a public hearing, shall, no later than October 1, 2001, adopt" for "after a hearing thereon, shall make", added the Paragraph (1) designation, and added Paragraphs (2) to (8); added Subsections B and C; added the Subsection D designation, and in that subsection, substituted "the superintendent may take action pursuant to the Insurance Code" for "no benefits may be paid under the plan."


Chapter 59A, Article 15 NMSA 1978 may be cited as the "Unauthorized Insurers Law".


ARTICLE 16
Trade Practices and Frauds

Section
59A-16-1 Scope of article.
59A-16-2 Purpose of article.
59A-16-3 Practices and acts prohibited, in general.
59A-16-4 Misrepresentation, false advertising of policies.
59A-16-5 False information, advertising.
59A-16-6 "Twisting" prohibited.
59A-16-7 Replacement of life insurance.
59A-16-8 Falsification, omission of records; misleading financial statements.
59A-16-9 Publication of nonstatutory financial statements.
59A-16-10 Defamation.
59A-16-11 Unfair discrimination prohibited; life and health insurance.
59A-16-11.1 Medical Insurance Pool Act; unfair referral.
59A-16-12 Discrimination in insurance.
59A-16-12.1 Discrimination on the basis of deterioration in health.
59A-16-13 Prohibiting sex discrimination in insurance.
59A-16-13.1 Craniomandibular and temporomandibular joint disorders.
59A-16-13.2 Discrimination on the basis of blindness.
59A-16-14 Coercion of business prohibited; notice required; charges prohibited.
59A-16-15 Rebates and certain inducements prohibited; life, health and annuity contracts.
59A-16-16 Exceptions to rebate and inducement prohibition; life, health and annuity contracts.
59A-16-17 Unfair discrimination, rebates prohibited; other coverages.
59A-16-18 Receipt of rebates and inducements; penalty.
59A-16-19 Monopolistic practices prohibited.
59A-16-20 Unfair claims practices defined and prohibited.
59A-16-20.1 Homeowner's casualty insurance; premium rate and policy; protection after natural disaster.
59A-16-21 Payment of claim by check or draft; failure to pay; interest.
59A-16-21.1 Health plan requirements.
59A-16-22 Record of complaints required.
59A-16-23 False applications, claims, proofs of loss.
59A-16-24 Illegal dealing in premiums; excess charges for coverage.
59A-16-25 Knowledge of insurer of prohibited acts.
59A-16-26 Insurer name; deceptive use prohibited.
59A-16-27 Desist orders for prohibited practices.
59A-16-28 Procedure as to undefined practices.
59A-16-29 Penalties.
59A-16-30 Private right of action.

59A-16-1. Scope of article.

The provisions of Chapter 59A, Article 16 NMSA 1978 as applicable shall apply as to insurers, fraternal benefit societies, nonprofit health care plans, health maintenance organizations, prepaid dental services organizations, motor clubs, agents, brokers, solicitors, adjusters, providers of services contracts pursuant to the Service Contract Regulation Act [59A-58-1 NMSA 1978] and all other persons engaged in any business which is now or hereafter subject to the superintendent's supervision under the Insurance Code [59A-1-1 NMSA 1978], as well as all alien and foreign insurers delivering or issuing for delivery in New Mexico any certificate or other evidence of coverage. For the purposes of that article, the societies, organizations, clubs and persons shall be included within the meaning of "insurer", and contracts issued by them are included within the meaning of "policy".


Cross references. — For the Minimum Healthcare Protection Act, see 59A-23B-1 NMSA 1978.

The 2001 amendment, effective July 1, 2002, inserted "providers of services contracts pursuant to the Service Contract Regulation Act" in the first sentence and inserted "and persons" following "clubs" in the second sentence.
ANNOTATION


Law reviews. — For annual survey of New Mexico commercial law, see 16 N.M.L. Rev. 1 (1986).

For annual survey of New Mexico insurance law, 19 N.M.L. Rev. 717 (1990).


Provisions of insurance company's contract with independent insurance agent restricting competitive placements by agent as illegal restraint of trade under state law, 42 A.L.R.4th 1072.

44 C.J.S. Insurance § 358.

59A-16-2. Purpose of article.

A purpose of this article is to regulate trade practices in the insurance business and related businesses in accordance in part with the intent of Congress as expressed in the Act of Congress approved March 9, 1945, being c. 20, 59 Stat. 33, also designated as 15 U.S.C. Secs. 1011 to 1015, inclusive, by defining, or providing for determination of, practices in this state which constitute unfair methods of competition or unfair or deceptive acts or practices so defined or determined.

History: Laws 1984, ch. 127, § 270.


No person shall engage in this state in any practice which in this article is defined or prohibited as, or determined to be, an unfair method of competition, or unfair or deceptive act or practice, or fraudulent.

59A-16-4. Misrepresentation, false advertising of policies.

No person shall make, publish, issue or circulate any estimate, illustration, circular, statement, sales presentation or comparison which:

A. misrepresents the benefits, advantages, conditions or terms of any policy;
B. misrepresents the premium overcharge commonly called dividends or share of the surplus to be received on any policy;
C. makes any false or misleading statement as to dividends or share of surplus previously paid on any policy;
D. is misleading or a misrepresentation as to the financial condition of any person, or as to the reserve system upon which any life insurer operates;
E. uses any name or title of any policy or class of policies misrepresenting the true nature thereof;
F. misrepresents any policy as being shares of stock; or
G. fails to disclose material facts reasonably necessary to prevent other statements made from being misleading.


ANNOTATION


Violation of act shown. — A claim under this act was supported by evidence that defendant insurer knew that the rates were inadequate prior to the time the agreement went into effect and did not disclose its method for deciding whether to add a surcharge to the preliminary premium or increase annual rates, and that plaintiff would not have contracted with defendant if it had that information. Woodworker's Supply, Inc. v. Principal Mut. Life Ins. Co., 170 F.3d 985 (10th Cir. 1999).


59A-16-5. False information, advertising.

No person shall make, publish, disseminate, circulate or place before the public, or cause, directly or indirectly, to be made, published, disseminated, circulated or placed before the public, in a newspaper, magazine or other publication, or in the form of a notice, circular, pamphlet, letter or poster, or over any radio or television station, or in any other way, any advertisement, announcement or statement containing any assertion, representation or statement with respect to any business subject to the superintendent's supervision under the Insurance Code, or with respect to any person in the conduct of such business, which is untrue, deceptive or misleading.


ANNOTATION


No person shall make or issue, or cause to be made or issued in any manner, any written or oral statement misrepresenting or making misleading comparison as to the terms, conditions, benefits or advantages of any policy for the purpose of inducing or attempting or tending to induce any other person to lapse, forfeit, surrender, borrow against, retain, exchange, convert or otherwise deal with or dispose of any policy.

History: Laws 1984, ch. 127, § 274.

59A-16-7. Replacement of life insurance.

In addition to other powers of the superintendent in respect thereto, the superintendent shall by regulation require persons who replace or offer or propose to replace existing life insurance with other life insurance, to disclose to the policyholder all information the superintendent deems relevant in a form and manner and at a time set by the superintendent.

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59A-16-8. Falsification, omission of records; misleading financial statements.

A. No person shall make or cause to be made any false entry in any book, report or statement of any insurer with intent to injure or defraud the insurer or any other person, or to deceive any officer of the insurer, or the superintendent or any examiner appointed to examine the affairs of the insurer. Any person who violates this subsection, or with like intent aids or abets any such violation is guilty of a felony.

B. No person shall with intent to deceive the insurer, or the superintendent or any examiner appointed to examine into the insurer's affairs, omit to make a true entry of any material fact pertaining to the insurer's business in any book, report or statement of the insurer. A violation of this subsection shall be subject to the same penalty as prescribed in Subsection A.

C. No person shall knowingly file with any supervisory or other public officer, or make, publish, disseminate, circulate or deliver to any person, or place before the public, or cause directly or indirectly, to be made, published, disseminated, circulated, delivered to any person, or placed before the public, any false statement of the financial condition of an insurer.

D. No person shall advertise the capital or assets of an insurer without the same advertisement setting forth the amount of the insurer's liabilities.


Cross references. — For general penalty provision, see 59A-1-18 NMSA 1978.

For penalty for felonies, see 31-18-15 NMSA 1978.


Any other provision of the Insurance Code to the contrary notwithstanding, an insurer may, subject to requirements of regulations promulgated by the superintendent, for proper special purposes prepare and publish financial statements or information based on financial statements prepared on bases which are in accordance with requirements of the Securities and Exchange Commission or other such competent authority, and which differ from the bases of statements filed with the superintendent.


59A-16-10. Defamation.

A. No person shall make, publish, disseminate or circulate, directly or indirectly, or aid,
abet, counsel, procure or encourage the making, publishing, disseminating, transmission or circulation to another, of any oral or written statement or any pamphlet, circular, article or literature which is false, or maliciously critical of, or derogatory as to financial condition or otherwise as to an insurer or organization proposing to become an insurer, and which is calculated to injure such insurer, or proposed insurer, or any person engaged or proposing to engage in any of the business of or with an insurer.

B. Any person who violates this section shall be guilty of a misdemeanor and is subject to the penalties prescribed by Section 18 [59A-1-18 NMSA 1978] (general penalty) of the Insurance Code.

History: Laws 1984, ch. 127, § 278.


No insurer or person shall make or permit any unfair discrimination:

A. between individuals of the same class and equal expectation of life in rates charged for any contract of life insurance or of life annuity, or in dividends or other benefits payable thereon, or in any other of the terms and conditions of such contract; or

B. between individuals and risks of the same class and of essentially the same hazard, in amount of premium, fees or rates charged for any policy or contract of health insurance or in the benefits payable thereunder, or in any of the terms or conditions of such policy or contract, or in any other manner whatever.

History: Laws 1984, ch. 127, § 279.


44 C.J.S. Insurance § 362.


It is an unfair trade practice for an insurer or other person to refer an individual employee or an employee's eligible dependent to the plan offered pursuant to the Medical Insurance Pool Act [59A-54-1 NMSA 1978] or to arrange for an individual employee or an employee's eligible dependent to apply to the plan, for the purpose of separating that employee or dependent from group health insurance coverage provided in connection with the employee's employment.


Effective dates. — Laws 2001, ch. 352 contains no effective date provision, but, pursuant to N.M.

No insurer shall, on the basis of the race, color, religion or national origin of any individual or group of persons:

A. refuse to make insurance available to any applicant for insurance; or

B. treat any such applicant or insured differently than any other applicant or insured with respect to the terms, conditions, rates, benefits or requirements of any such insurance contract.

This section shall not apply to life insurance contracts or annuities entered into prior to the section's effective date. This section shall not be construed to affect criteria for acceptance into membership of any fraternal benefit society.


"Section's effective date." — The phrase "section's effective date", as used in the next to last sentence, means January 1, 1985, the effective date of Laws 1984, Chapter 127.


59A-16-12.1. Discrimination on the basis of deterioration in health.

A. No insurer shall cancel or change the premiums, benefits or conditions of an individual health insurance policy or contract as to one insured solely because of a deterioration in the health of that insured occurring after the issuance or delivery of the policy or contract.

B. No conversion of a group health insurance policy that provides hospital, surgical and medical expense benefits shall be made to a conversion policy that has not been approved and found by the superintendent to provide benefits and conditions closely approximating the coverage of the policy from which conversion is exercised.


No insurer shall refuse to insure, refuse to continue to insure or limit the amount of coverage available to an individual because of the sex of the individual.

History: Laws 1984, ch. 127, § 279.2.


No insurer or other provider of health care benefits regulated under Articles 22, 23, 24A, 44, 46, 47 or 54 of the Insurance Code shall, after July 1, 1989, issue, deliver or execute in this state any policy, plan, contract or certificate of health, medical, hospitalization, accident or sickness coverage unless the policy, plan, contract, certificate or other evidence of coverage provides for surgical and nonsurgical treatment of temporomandibular joint disorders and craniomandibular disorders, subject to the same conditions, limitations, prior review and referral procedures as are applicable to treatment of any other joint in the body and treatable by any practitioner of the healing arts as defined in Section 59A-22-32 NMSA 1978. The health care coverage for craniomandibular and temporomandibular joint disorders required by this section may be subject to reasonable copayments or coinsurance provisions and need not include coverage for orthodontic appliances and treatment, crowns, bridges and dentures unless the disorder is trauma related.


The 1999 amendment, effective June 18, 1999, substituted "24A" for "24" in the list of Articles in the first sentence.


59A-16-13.2. Discrimination on the basis of blindness.

A. No insurer, including health maintenance organizations, nonprofit health care plans and fraternal benefit societies, shall refuse to insure, or refuse to continue to insure, or limit the amount, extent or kind of coverage available to an individual, or charge an individual a different rate for the same coverage solely because of blindness, including partial blindness.

B. With respect to the underlying cause of the blindness, persons who are blind shall be subject to the same standards of sound actuarial principles or actual or reasonably anticipated experience as are sighted persons, and blindness may be considered as evidence of the severity or progression of the underlying cause.

C. Refusal to insure includes denial by an insurer of disability insurance coverage on the grounds that the policy defines "disability" as being presumed in the event that the insured loses his eyesight. However, an insurer may exclude from coverage disabilities consisting solely of blindness when such condition exists at the time the policy is issued.


A. No person engaged in selling real or personal property or in the business of financing the purchase of real or personal property, or of lending money on the security of real or personal property, and no trustee, director, officer, agent or other employee of any such person, shall require, as a condition precedent, concurrent or subsequent to the sale, or financing the purchase
of such property, or to lending money upon the security of a mortgage thereon, or as a condition precedent, concurrent or subsequent, for the renewal or extension of any such loan or mortgage or for the performance of any other act in connection therewith, that the person purchasing such property, or for whom such purchase is to be financed, or to whom the money is to be loaned, or for whom such extension, renewal or other act is to be granted, or performed, negotiate any policy of insurance or renewal thereof covering such property through a particular insurer, agent, solicitor or broker. The lender is required to inform the buyer of his rights regarding the placing of insurance on a form prescribed by the superintendent. The buyer must signify that he has been so informed. This section shall not prevent the exercise by any person of his right to designate the terms and provisions of the policy and the amount of coverage with respect to insurance on property pledged or mortgaged to such person.

B. An insured shall have the option, in addition to the rights granted him under the terms and conditions of his insurance contract, at any time to substitute, replace, change or extend the existent policy in force. For the purpose of this section "anniversary date" means the yearly return of the inception of the effective date of policy in force.

C. If the lender signifies that the proposed insurance is acceptable, the buyer must supply him with the policy or binder prior to the closing of the loan.

D. If the policy is cancelled by the insurer, the borrower must have a new policy in the hands of the lender twenty-four (24) hours prior to the effective day of the cancellation.

E. The borrower or his insurance agent must deliver a renewal policy or an annual renewal certificate to the lender at least fifteen (15) days prior to expiration or renewal of the policy in force if required by the lender.

F. When the insured wants to change insurance agents, the agent writing the renewal business must file with the lender a current letter of authority signed by the borrower. If a change of agents is involved in the renewal of the policy, the lender shall notify the agent renewing the insurance and the borrower in writing within five (5) business days after tender of renewal policy, if the renewal policy is not acceptable to the lender.

G. No person engaged in selling real or personal property or in the business of financing the purchase of real or personal property or of lending money on the security of real or personal property shall charge, either directly or indirectly to any borrower or debtor a consideration of any kind to substitute the insurance policy of one insurer of such property for that of another, or make any charge for any change in the kind, type or amount of such insurance if the change is made at the time the borrower or debtor first becomes a party to the transaction for which the insurance is required, or at any annual renewal date of the policy.

H. No person engaged in the business of selling real or personal property or financing purchase or lending money on security of real or personal property shall share information received in connection with an application for credit in any such purchase or for such loan with any parent corporation, subsidiary or affiliate of such person or with any insurer, for the purpose of soliciting insurance, unless such person has written authorization to release such information executed by the purchaser or borrower subsequent to extension of credit or making of the loan.
I. In addition to other penalties provided in Section 18 [59A-1-18 NMSA 1978] (general penalty) of the Insurance Code, any lender who violates this section shall be liable in a civil action brought by any buyer, insured or insurance agent injured by the violation, or each of them, for an amount of liquidated damages equal to the amount of his actual damages as a result of coercion prohibited by this section.


Except as otherwise expressly provided by law, no person shall knowingly:

A. permit to be made or offer to make or make any contract of life insurance, life annuity or health insurance, or agreement as to such contract, other than as plainly expressed in the contract issued, or pay or allow, or give or offer to pay, allow or give, directly or indirectly, or knowingly accept, as an inducement to such insurance or annuity any rebate of premiums payable on the contract, or any special favor or advantage in the dividends or other benefits thereon, or any paid employment or contract for services of any kind, or any valuable consideration or inducement whatever not specified in the contract; or

B. directly or indirectly give or sell or purchase or offer or agree to give, sell, purchase, or allow as an inducement to such insurance or annuity or in connection therewith, whether or not to be specified in the policy or contract, any agreement of any form or nature promising returns and profits, or any stocks, bonds or other securities, or interest present or contingent therein or as measured thereby, of any insurer or other person, or any dividends or profits accrued or to accrue thereon.


43 Am. Jur. 2d Insurance §§ 831, 832.

45 C.J.S. Insurance § 484.

59A-16-16. Exceptions to rebate and inducement prohibition; life, health and annuity contracts.

A. Nothing in Sections 279 or 281 [59A-16-11 or 59A-16-15 NMSA 1978] of this article shall be construed as including within the definition of discrimination or rebates any of the following practices:

(1) in the case of any contract of life insurance or life annuity, paying bonuses to policyholders or otherwise abating their premiums in whole or in part out of surplus accumulated from nonparticipating insurance, provided that any such bonuses or abatement of premiums shall be fair and equitable to policyholders and for the best interests of the insurer and its
policyholders;

(2) in the case of life insurance policies issued on the industrial or debit plan, making allowance, in an amount which fairly represents [represents] the saving in collection expense, to policyholders who have continuously for a specified period made premium payments directly to an office of the insurer;

(3) readjusting the rate of premiums for a group insurance policy based on the loss or expense experience thereunder, at the end of the first or any subsequent policy year of insurance thereunder, which may be made retroactive only for such policy year;

(4) reducing the premium rate for policies of large amounts, but not exceeding savings in issuance and administration expenses reasonably attributable to such policies as compared with policies of similar plan issued in smaller amounts;

(5) reducing the premium rates for life or health insurance policies or annuity contracts on salary savings, payroll deduction, preauthorized check, bank draft or similar plans in amounts reasonably commensurate with the savings made by the use of such plans; or

(6) extending credit for the payment of any premium, and for which credit a reasonable rate of interest is charged and collected.

B. Nothing in this article shall be construed as including within the definition of securities as inducements to purchase insurance the selling or offering for sale, contemporaneously with life insurance, of mutual fund shares or face amount certificates of regulated investment companies under offerings registered with the Securities and Exchange Commission where such shares or such face amount certificates or such insurance may be purchased independently of and not contingent upon purchase of the other, at the same price and upon similar terms and conditions as where purchased independently.


59A-16-17. Unfair discrimination, rebates prohibited; other coverages.

A. No property, casualty, marine and transportation, surety, vehicle or title insurer, or nonprofit health care or prepaid dental plan or other insurance-type organization, or any employee or representative thereof, and no broker, agent, solicitor or other representative shall pay, allow or give, or offer to pay, allow or give, directly or indirectly, as an inducement to insurance or coverage, or after insurance or coverage has been effected, any rebate, discount, abatement, credit or reduction of the premium named in a policy, or any special favor or advantage in the dividends or other benefits to accrue thereon, or any valuable consideration or inducement whatever, not specified or provided for in the policy, except to the extent provided for in an applicable filing with the superintendent as provided by law.

B. No title insurer or title insurance agent shall:

(1) pay, directly or indirectly, to the insured or any person acting as agent, representative, attorney or employee of the owner, lessee, mortgagee, existing or prospective, of
the real property, or interest therein, that is the subject matter of title insurance or as to which a
service is to be performed any commission or part of its fee or charges or other consideration as
inducement or compensation for the placing of any order for a title insurance policy or for
performance of any escrow or other service by the insurer with respect thereto;

(2) issue any policy or perform any service in connection with which it or any agent
or other person has paid or contemplates paying any commission, rebate or inducement in
violation of this section;

(3) give or receive, directly or indirectly, any consideration or thing of value for the
referral of title insurance business or escrow or other service provided by a title insurer or title
insurance agent unless otherwise permitted by regulation of the superintendent; or

(4) enter into a reinsurance agreement with an affiliate of a real estate developer, real
estate agency, mortgage lender or referrer of title business without the prior written approval of
the superintendent.

C. No insured named in a policy or any employee of such insured shall knowingly receive or
accept, directly or indirectly, any such rebate, discount, abatement, credit or reduction of
premium, or any such special favor or advantage or valuable consideration or inducement.

D. No such insurer or organization shall make or permit any unfair discrimination between
insureds or property having like insuring or risk characteristics, in the premium or rates charged
for insurance or coverage, or in the dividends or other benefits payable thereon or in any other of
the terms and conditions of the insurance or coverage.

E. Nothing in this section shall be construed as prohibiting the payment of commissions or
other compensation to licensed agents, brokers, solicitors or other representatives; or as
prohibiting the extension of credit to an insured for the payment of any premium and for which
credit a reasonable rate of interest is charged and collected; or as prohibiting any insurer or agent
from allowing or returning to its participating policyholders, members or subscribers, dividends,
savings or unabsorbed premium deposits. As to title insurance, nothing in this section shall
prohibit bulk rates or special rates for customers of prescribed classes if such bulk or special
rates are provided for in the currently effective schedule of fees and charges of the title insurer as
filed with the superintendent.

F. This section does not apply to wet marine and transportation insurance.


Bracketed material. — The bracketed word in C was inserted by the compiler to correct an apparent
typographic error. The bracketed material was not created by the legislature and is not part of the law.

Severability clauses. — Laws 2009, ch. 80, § 15, effective July 1, 2009, provided that if any part or
application of this act is held invalid, the remainder or its application to other situations or persons shall
not be affected.

The 2009 amendment, effective July 1, 2009, in Subsection B, in the first line, added "or title
insurance agent"; added Paragraphs (3) and (4) of Subsection B; and in Subsection E, after "insurer",
added "or agent".

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59A-16-18. Receipt of rebates and inducements; penalty.

Any person not a licensed agent, broker, solicitor or other representative, who at any time knowingly receives any rebate of any premium specified in any insurance policy or coverage, or any special favor or advantage of any kind or nature whatsoever not plainly designated in the policy, or receive any dividends or profits, except dividends on participating policies, or agrees to receive such dividends or profits or anything of value whatsoever not specified in the policy other than matters exempted under Sections 282 and 283 [59A-16-16 and 59A-16-17 NMSA 1978] of this article, shall upon conviction thereof be guilty of a misdemeanor punishable by a fine of not over one thousand dollars ($1,000).


ANNOTATION

One object of section is to prevent splitting of commissions with the insured or some friend of the prospect who may assist the agent in “bringing him through”. It was not intended that any contract of insurance made in its violation should be invalid, but merely that the practice should be discouraged by a forfeiture of the license of anyone violating the statute. Douglass v. Mutual Benefit Health & Accident Ass'n, 42 N.M. 190, 76 P.2d 453 (1937).

Liability for payment of premium. — Since the insurance company could not have avoided liability on its policy because of a rebate illegally given to insured, neither could insured escape payment of the premium represented by the note on such grounds; to excuse him would result in his being permitted to take advantage of his own criminal act. Southern States Life Ins. Co. v. McCauley, 81 N.M. 114, 464 P.2d 404 (1970).


No person shall enter into any agreement to commit, or by any concerted action commit, any act of boycott, coercion or intimidation resulting or tending to result in unreasonable restraint of, or monopoly in, the business of insurance in this state, or in the business of health care services, prepaid dental services, motor clubs or bail bondsmen.

59A-16-20. Unfair claims practices defined and prohibited.

Any and all of the following practices with respect to claims, by an insurer or other person, knowingly committed or performed with such frequency as to indicate a general business practice, are defined as unfair and deceptive practices and are prohibited:

A. misrepresenting to insureds pertinent facts or policy provisions relating to coverages at issue;

B. failing to acknowledge and act reasonably promptly upon communications with respect to claims from insureds arising under policies;

C. failing to adopt and implement reasonable standards for the prompt investigation and processing of insureds' claims arising under policies;

D. failing to affirm or deny coverage of claims of insureds within a reasonable time after proof of loss requirements under the policy have been completed and submitted by the insured;

E. not attempting in good faith to effectuate prompt, fair and equitable settlements of an insured's claims in which liability has become reasonably clear;

F. failing to settle all catastrophic claims within a ninety-day period after the assignment of a catastrophic claim number when a catastrophic loss has been declared;

G. compelling insureds to institute litigation to recover amounts due under policy by offering substantially less than the amounts ultimately recovered in actions brought by such insureds when such insureds have made claims for amounts reasonably similar to amounts ultimately recovered;

H. attempting to settle a claim by an insured for less than the amount to which a reasonable person would have believed he was entitled by reference to written or printed advertising material accompanying or made part of an application;

I. attempting to settle claims on the basis of an application that was altered without notice to, or knowledge or consent of, the insured, his representative, agent or broker;

J. failing, after payment of a claim, to inform insureds or beneficiaries, upon request by them, of the coverage under which payment has been made;

K. making known to insureds or claimants a practice of insurer of appealing from arbitration awards in favor of insureds or claimants for the purpose of compelling them to accept settlements or compromises less than the amount awarded in arbitration;

L. delaying the investigation or payment of claims by requiring an insured, claimant or the physician of either to submit a preliminary claim report and then requiring the subsequent submission of formal proof of loss forms, both of which submissions contain substantially the same information;

M. failing to settle an insured's claims promptly where liability has become apparent
under one portion of the policy coverage in order to influence settlement under other portions of the policy coverage;

N. failing to promptly provide an insured a reasonable explanation of the basis relied on in the policy in relation to the facts or applicable law for denial of a claim or for the offer of a compromise settlement; or

O. violating a provision of the Domestic Abuse Insurance Protection Act [59A-16B-1 to 59A-16B-10 NMSA 1978].


The 1993 amendment, effective June 18, 1993, substituted "insureds" for "insureds" in Subsection C, added Subsection F, and redesignated former Subsections F to M as present Subsections G to N.

The 1997 amendment, effective July 1, 1997, added Subsection O and made related stylistic changes.

ANNOTATION

Duty to defend. — Actual notice of a claim against its insured from any source that is sufficient to permit the insurer to locate and defend its insured is sufficient to trigger the duty to defend unless the insured affirmatively declines a defense. Garcia v. Underwriters at Lloyd’s, 2008-NMSC-018, 143 N.M. 732, 182 P.3d 113.

This section was patterned after the National Association of Insurance Commissioners’ Model Act. Hovet v. Allstate Ins. Co., 2004-NMSC-010, 135 N.M. 397, 89 P.3d 69.


Statutory duty under Subsection E of this section, to attempt reasonable settlement efforts of an “insured’s claims”, includes, in the context of automobile liability insurance, attempting in good faith to settle the claim of a third party. Hovet v. Allstate Ins. Co., 2004-NMSC-010, 135 N.M. 397, 89 P.3d 69.

Substantial prejudice required. — An insurer must demonstrate substantial prejudice as a result of a material breach of the insurance policy by the insured before it will be relieved of its obligations under a policy. Foundation Reserve Insurance Co. v. Esquibel, 94 N.M. 132, 607 P.2d 1150.

An insurance company must demonstrate substantial prejudice from the breach of a consent-to-settle provision before it can be relieved from paying uninsured motorist benefits. State Farm Mut. Auto. Ins. Co. v. Fennema, 2005-NMSC-010, 137 N.M. 275, 110 P.3d 491.

Although the insurer shall have the ultimate burden of persuasion to demonstrate substantial prejudice, a presumption of substantial prejudice arises from proof that an insured has breached a consent-to-settle provision. State Farm Mut. Auto. Ins. Co. v. Fennema, 2005-NMSC-010, 137 N.M. 275, 110 P.3d 491.
Complaint stated claim. — Where under the facts alleged in the complaint, plaintiffs may be able to show that company hired by insurance company to settle claims offered lower than fair settlements with such frequency as to "indicate a general business practice," they have stated a claim. Dellaria & Carnes v. Farmers Ins. Exch., 2004-NMCA-132, 136 N.M. 552, 102 P.3d 111.

Failure to state claim. — Insured's allegation generally that the insurer's conduct violated "one or more of the provisions of [this section]" failed to state claim for relief because the insured did not specify which of the fifteen provisions of the section he felt the insurer violated, and it could not be perceived which subsection could have been violated under the facts alleged. Yumukoglu v. Provident Life & Accident Ins. Co., 131 F. Supp. 2d 1215 (D.N.M. 2001).

Applicability of Subsection C. — The word "claims" in Subsection C means first-party claims, not demands for defense against third-party claims. Valley Imp. Ass'n v. United States Fid. & Guar. Corp., 129 F.3d 1108 (10th Cir. 1997).

Insurer's duty to investigate demands by insured to provide defense. — An insurance company is required to conduct a reasonable investigation into the facts and circumstances underlying the complaint against its insured in order to determine whether it has a duty to defend. Reasonableness is determined in light of the information provided by the insured and the circumstances surrounding the claim. G & G Servs., Inc. v. Agora Syndicate, Inc., 2000-NMCA-003, 128 N.M. 434, 993 P.2d 751.

Refusal to defend insured upheld. — Insurer did not violate Subsection E by refusing to defend the insured in a case charging the insured with negligent touching, battery, intentional infliction of emotional distress, and negligent infliction of emotional distress, since the liability policy provided coverage for damages due to bodily injury or property damages caused by an "occurrence," which was defined as an accident, and since the plaintiff did not allege facts even tending to show an occurrence under the policy. Sena v. Travelers Ins. Co., 801 F. Supp. 471 (D.N.M. 1992).

Duty of insurer to settle with a third-party claimant. — Article 16 confers upon a victim of an automobile accident a direct right of action against the insured's automobile liability insurance company, when the liability insurer fails to make good-faith efforts, as defined by Subsection E of this section, to settle a liability claim. Hovet v. Allstate Ins. Co., 2004-NMSC-010, 135 N.M. 397, 89 P.3d 69.

Private right of action for third parties who are victims of automobile accidents is consistent with a statutory scheme that was intended to benefit both insureds and third-party claimants. Hovet v. Allstate Ins. Co., 2004-NMSC-010, 135 N.M. 397, 89 P.3d 69.


And claimant will not even have an action under Subsection E of this section, unless and until there has been a judicial determination of the insured's fault and the amount of damages awarded in the underlying negligence action. Hovet v. Allstate Ins. Co., 2004-NMSC-010, 135 N.M. 397, 89 P.3d 69.

Qui tam action by federal government. — Claims under the New Mexico Unfair Insurance Practices Act were necessarily dismissed given the fact that defendant insurance companies had no duty to defend nor indemnify plaintiff against a qui tam action brought by the federal government. New Mem. Assocs. v. Credit Gen. Ins. Corp., 973 F. Supp. 1027 (D.N.M. 1997).


Value of insured's assets as limitation, in action by insured or insured's assignee for liability insurer's wrongful failure to defend, on recovery of amount of judgment against insured in excess of policy amount, 36 A.L.R.4th 922.

Liability insurance: excess carrier's right of action against primary carrier for improper or inadequate defense of claim, 49 A.L.R.4th 304.

Liability of independent or public insurance adjuster to insured for conduct in adjusting claim, 50 A.L.R.4th 900.

Duty of insurer to pay for independent counsel when conflict of interest exists between insured and insurer, 50 A.L.R.4th 932.

Emotional or mental distress as element of damages for liability insurer's wrongful refusal to settle, 57 A.L.R.4th 801.

Liability insurance: third party's right of action for insurer's bad-faith tactics designed to delay payment of claim, 62 A.L.R.4th 1113.

Policy provision limiting time within which action may be brought on the policy as applicable to tort action by insured against insurer, 66 A.L.R.4th 859.

Liability insurer's postloss conduct as waiver of, or estoppel to assert, "no-action" clause, 68 A.L.R.4th 389.

Admissibility of polygraph or similar lie detector test results, or willingness to submit to test, on issues of coverage under insurance policy, or insurer's good-faith belief that claim was not covered, 7 A.L.R.5th 143.

Liability of insurer to insured for settling third-party claim within policy limits resulting in detriment to insured, 18 A.L.R.5th 474.

**59A-16-20.1. Homeowner's casualty insurance; premium rate and policy; protection after natural disaster.**

A. A homeowner's casualty insurance policy shall not be canceled or denied renewal because of a homeowner's claim made as a result of damages caused by a natural disaster to the homeowner's private residence, provided that the homeowner's policy expressly provides for such coverage.

B. The provisions of this section apply to all insurance carriers authorized under the Insurance Code [59A-1-1 NMSA 1978] to transact homeowner's casualty insurance policies. For the purposes of this section, "natural disaster" means any hurricane, tornado, storm, flood, high water, wind-driven water, earthquake, landslide, mudslide, snowstorm, drought, fire,
explosion or other catastrophe that results in substantial damage to property, hardship, suffering or loss of life.


The 2007 amendment, effective June 15, 2007, defines "natural disaster".

59A-16-21. Payment of claim by check or draft; failure to pay; interest.

A. An insurer shall pay claims arising under its policies with checks or drafts which are promptly paid. Without amending other statutes dealing with checks and drafts, a resident of New Mexico is granted a cause of action for ten percent of the amount of any check or draft that is not paid or lawfully rejected within ten days of forwarding by a New Mexico financial institution, but in no case to be less than five hundred dollars ($500) plus costs of suit and attorneys' fees. The insurer shall not be required to pay such civil damages for delay if it proves that the delay in processing and payment was caused by a financial institution or postal or delivery service, and the check or draft was paid or lawfully rejected within forty-eight hours of actual receipt of the draft or check by the person on whom drawn.

B. Notwithstanding any provision of the Insurance Code, any insurer issuing any policy, certificate or contract of insurance, surety, guaranty or indemnity of any kind or nature which fails for a period of forty-five days, after required proof of loss has been furnished, to pay to the person entitled the amount justly due shall be liable for the amount due and unpaid with interest on that amount at the rate of one and one-half times the prime lending rate as determined by the superintendent, for New Mexico banks per year during the period the claim is unpaid.

C. Subsection B of this section shall not apply to any claims in arbitration or litigation.


A. As used in this section:

(1) "clean claim" means a manually or electronically submitted claim from a participating provider that:

(a) contains substantially all the required data elements necessary for accurate adjudication without the need for additional information from outside of the health plan's system;

(b) is not materially deficient or improper, including lacking substantiating documentation currently required by the health plan; or

(c) has no particular or unusual circumstances requiring special treatment that
prevent payment from being made by the health plan within thirty days of the date of receipt if submitted electronically or forty-five days if submitted manually; and

(2) "health plan" means health maintenance organizations, provider service networks or third party payers or their agents.

B. A health plan shall provide for payment of interest on the plan's liability at the rate of one and one-half percent a month on:

(1) the amount of a clean claim electronically submitted by the participating provider and not paid within thirty days of the date of receipt; and

(2) the amount of a clean claim manually submitted by the participating provider and not paid within forty-five days of the date of receipt.

C. If a health plan is unable to determine liability for or refuses to pay a claim of a participating provider within the times specified in Subsection B of this section, the health plan shall make a good-faith effort to notify the participating provider by fax, electronic or other written communication within thirty days of receipt of the claim if submitted electronically or forty-five days if submitted manually of all specific reasons why it is not liable for the claim or that specific information is required to determine liability for the claim.

D. No contract between a health plan and a participating provider shall include a clause that has the effect of relieving either party of liability for its actions or inactions.

E. By December 1, 2000, the insurance division of the public regulation commission, with input from interested parties, including health plans and participating providers, shall promulgate rules to require health plans to provide:

(1) timely participating provider access to claims status information;
(2) processes and procedures for submitting claims and changes in coding for claims;
(3) standard claims forms; and
(4) uniform calculation of interest.


**59A-16-22. Record of complaints required.**

An insurer shall maintain a complete record of all complaints it has received during the next preceding three (3) years, or since date of last examination by the superintendent or other similar supervisory authority, whichever period is shorter. The record shall show the total number of complaints, classification by line of coverage, nature of each complaint, disposition of the complaint and time it took to process each complaint. For purposes of this section "complaint" means any written communication primarily expressing a grievance.
59A-16-23. False applications, claims, proofs of loss.

A. An agent, broker, solicitor, examining physician, applicant or other person shall not knowingly or willfully:

(1) make a false or fraudulent statement or representation as to a material fact in or with reference to an application for insurance or other coverage;
(2) for the purpose of obtaining money or benefit, present or cause to be presented a false or fraudulent claim or proof in support of such a claim for payment of loss under a policy;
(3) prepare, make or subscribe a false or fraudulent account, certificate, affidavit or proof of loss or other document with intent that the same may be presented or used in support of such a claim; or
(4) make a false or fraudulent statement or representation on or relative to an application for a policy for the purpose of obtaining a fee, commission or benefit from an insurer, agent, broker or individual.

B. A false statement or representation made under oath shall constitute and be punishable as perjury. A violation of the provisions of this section when the purported loss or potential loss to the victim insurer is:

(1) two hundred fifty dollars ($250) or less is a petty misdemeanor;
(2) over two hundred fifty dollars ($250) but not more than five hundred dollars ($500) is a misdemeanor;
(3) over five hundred dollars ($500) but not more than two thousand five hundred dollars ($2,500) is a fourth degree felony;
(4) over two thousand five hundred dollars ($2,500) but not more than twenty thousand dollars ($20,000) is a third degree felony; or
(5) over twenty thousand dollars ($20,000) is a second degree felony.


The 2006 amendment, effective July 1, 2006, adds Paragraph (1) of Subsection B to provide that if the loss is $250 or less, the crime is a petty misdemeanor; adds Paragraph (2) of Subsection A to provide that if the loss is more than $250, but not more than $500, the crime is a misdemeanor; adds Paragraph (3) of Subsection A to provide that if the loss is more than $500, but not more than $2,500, the crime is a fourth degree felony; adds Paragraph (4) of Subsection A to provide that if the damage is more than $2,500 but not more than $20,000, the crime is a third degree felony; and adds Paragraph (5) of Subsection B to provide that if the damage is more than $20,000, the crime is a second degree felony.

ANNOTATION
Insurance agent did not violate Subsection A by listing "draperies sales" as the type of business insured, after inspecting the premises and seeing that drapery sales, as well as manufacturing, took place there. Corbin v. State Farm Ins. Co., 109 N.M. 589, 788 P.2d 345 (1990).


59A-16-24. Illegal dealing in premiums; excess charges for coverage.

A. No person shall wilfully collect any sum as premium or charge for insurance or other coverage, which insurance or coverage is not then provided or in due course to be provided (subject to acceptance of the risk by the insurer) by a policy issued by an insurer as authorized by the Insurance Code.

B. No person shall wilfully collect as premium, administration fee or other charge for insurance or coverage any sum in excess of the premium or charge applicable thereto as specified in the policy, in accordance with the insurer's applicable classifications and rates then lawfully in effect. This subsection shall not be deemed to prohibit:

(1) the charging and collection by surplus line brokers licensed as such under Article 14 [Chapter 59A, Article 14 NMSA 1978] of the Insurance Code, of the amount of applicable taxes, if any, and policy fee, if any, in addition to the premium required by the insurer; or

(2) the charging and collection by a life insurer of amounts actually to be expended for medical examination of an applicant for life insurance or for reinstatement of a life insurance policy.


ANNOTATION

Coverage limits not increased where multiple premiums not paid. — Where an insured owned two vehicles covered under a liability policy and was in an accident while driving a non-owned vehicle, there was no requirement under this section that the policy’s coverage limits be doubled because, while the insured paid two separate premiums for his owned vehicles, he did not pay multiple premiums for non-owned vehicle coverage. Slack v. Robinson, 2003-NMCA-083, 134 N.M. 6, 71 P.3d 514, cert. granted, 134 N.M. 123, 73 P.3d 826 (2003).


An insurer shall be held guilty of having committed any of the acts prohibited by this article by reason of the act of any agent, solicitor or employee not an officer, director or department head thereof, if an officer, director or department head of the insurer has authorized or knowingly permitted such act or has had prior knowledge thereof.
59A-16-26. Insurer name; deceptive use prohibited.

No person who is not an insurer shall assume or use in this state any name which deceptively implies or suggests that it is an insurer.


A. If the superintendent has cause to believe that any unfair method of competition or act or practice defined or prohibited in Chapter 59A, Article 16 NMSA 1978 is being engaged in by any person, he shall order such person to cease and desist therefrom. The superintendent shall deliver such order to such person directly or by certified mail. If the person fails to comply therewith within twenty days after receipt of the cease and desist order, and does not make written request for a hearing thereon within such twenty days, he shall be subject to the penalties referred to in Section 59A-16-29 NMSA 1978, for each violation committed theretofore or thereafter. In any event, if the person does not make a written request for hearing thereon within such twenty days the order shall be final and not subject to review or appeal.

B. If a hearing is so requested, the superintendent shall hold a hearing, and proceed as provided under Chapter 59A, Article 4 NMSA 1978 as to hearings in general.

C. If after such a hearing the violation is confirmed by final order of the superintendent, the violator shall be subject to the penalty referred to in Subsection A of this section, together with payment of the costs of the hearing as determined by the superintendent.

D. If the alleged violator fails to comply with the superintendent's order after expiration of the twenty-day period to request a hearing referred to in Subsection A of this section or after hearing referred to in Subsection C of this section, the superintendent may cause an action for injunction to be filed in the district court of the county in which the violation occurred.

E. No order of the superintendent pursuant to this section or order of court to enforce it, shall in any way relieve or absolve any person affected by such order from any other liability, penalty or forfeiture applicable under law.

F. Nothing in this section shall be construed as relieving any violator from penalties prescribed in Section 59A-16-29 NMSA 1978 whether or not such a cease and desist order is issued or other action hereunder taken by the superintendent.


The 1993 amendment, effective June 18, 1993, added the last sentence in Subsection A, rewrote Subsection D, and made stylistic changes throughout the section.


A. If the superintendent believes that any person engaged in any business which is subject to the superintendent's supervision under the Insurance Code, is in the conduct of such business engaging in this state in any method of competition or in any act or practice not defined in this article which is unfair or deceptive and that a proceeding by him in respect thereto would be in the public interest, the superintendent shall, after a hearing of which notice and of the charges against such person are given him, make a written report of his findings of fact relative to such charges and serve a copy thereof upon such person and any intervenor at the hearing.

B. If such report charges a violation of this article and if such method of competition, act or practice has not been discontinued, the superintendent may at any time after twenty (20) days after the service of such report cause an action to be instituted in the district court of the county wherein the person resides or has his principal place of business to enjoin and restrain such person from engaging in such method, act or practice. The court shall have jurisdiction of the proceeding and shall have power to make and enter appropriate orders in connection therewith and to issue such writs or orders as are ancillary to its jurisdiction or necessary in its judgment to prevent injury to the public pendente lite; but the state of New Mexico shall not be required to give security before the issuance of any such order or injunction under this section. A certified transcript of the record of the proceedings in the hearing before the superintendent, including all evidence taken and the report and findings, shall be received in evidence in such action.

C. If the court finds that:

1. the method of competition complained of is unfair or deceptive; and
2. the proceedings of the superintendent with respect thereto are to the interest of the public; and
3. the findings of the superintendent are supported by the weight of the evidence, it shall issue its order enjoining and restraining the continuance of such method of competition, act or practice.

D. Either party may appeal from such final judgment or order or decree of court in a like manner as provided for appeals in civil cases.

E. If the superintendent's report or order on hearing made under Subsection A does not charge a violation of this article, then any intervenor in the proceedings may appeal therefrom within the time and in the manner provided in the Insurance Code for appeals from the superintendent generally.


Bracketed material. — The bracketed material in Subsection C(3) was inserted by the compiler. It was not enacted by the legislature, and it is not part of the law.

59A-16-29. Penalties.

In addition to any applicable suspension, revocation or refusal to continue any certificate of authority or license under the Insurance Code, a penalty for violation of any provision of this article may be imposed by the superintendent in accordance with Section 59A-1-18 NMSA 1978.


Value of insured's assets as limitation, in action by insured or insured's assignee for liability insurer's wrongful failure to defend, on recovery of amount of judgment against insured in excess of policy amount, 36 A.L.R.4th 922.

44 C.J.S. Insurance §§ 96, 97.


Any person covered by Chapter 59A, Article 16 NMSA 1978 who has suffered damages as a result of a violation of that article by an insurer or agent is granted a right to bring an action in district court to recover actual damages. Costs shall be allowed to the prevailing party unless the court otherwise directs. The court may award attorneys' fees to the prevailing party if:

A. the party complaining of the violation of that article has brought an action that he knew to be groundless; or

B. the party charged with the violation of that article has willfully engaged in the violation.

The relief provided in this section is in addition to remedies otherwise available against the same conduct under the common law or other statutes of this state; provided, however, that the Workers' Compensation Act [Chapter 52, Article 1 NMSA 1978] and the New Mexico Occupational Disease Disablement Law provide exclusive remedies.


New Mexico Occupational Disease Disablement Law. — See 52-3-1 NMSA 1978 and notes thereto.
The private right of action is a statutory cause of action and is not founded on or related to any common law liability or contractual obligation. Martinez v. Cornejo, 2009-NMCA-011, ____ N.M. ____, ____ P.3d ____.

Attorney fees incurred by an employee in a mandamus action to compel the employee’s governmental employer to appoint independent defense counsel to defend the employee pursuant to the Tort Claims Act are not recoverable by the employee under the Insurance Code. Paz v. Tijerina, 2007-NMCA-109, 142 N.M. 391, 165 P.3d 1167.

Reservation of rights against insurer in settlement agreement. — The absence of a judicial determination of fault or liability is an absolute bar to a third party claim against an insurer and the reservation in a settlement agreement with an insured of a claim against the insured’s insurer does not create any rights against the insurer. King v. Allstate Ins. Co., 2007-NMCA-044, 141 N.M. 612, 159 P.3d 261, cert. denied, 2007-NMCERT-004, 141 N.M. 568, 158 P.3d 458.

Actual notice of a claim against the insured triggers the duty to defend even if the insured has not given notice of the claim to the insurer. Garcia v. Underwriters at Lloyd’s London, 2007-NMCA-042, 141 N.M. 421, 156 P.3d 712, cert. granted, 2007-NMCERT-004, 141 N.M. 568, 158 P.3d 458.


The text of this section leaves no impression that the legislature intended to deny a remedy to third-party claimants. Hovet v. Allstate Ins. Co., 2004-NMSC-010, 135 N.M. 397, 89 P.3d 69.

Legislative purpose. — In creating a separate statutory action, the legislature had a remedial purpose in mind. Hovet v. Allstate Ins. Co., 2004-NMSC-010, 135 N.M. 397, 89 P.3d 69.

In choosing the words “any person” the legislature did not mean to restrict recovery solely to first parties, those insured under the policy. Hovet v. Allstate Ins. Co., 2004-NMSC-010, 135 N.M. 397, 89 P.3d 69.

Private right of action for third parties who are victims of automobile accidents is consistent with a statutory scheme that was intended to benefit both insureds and third-party claimants. Hovet v. Allstate Ins. Co., 2004-NMSC-010, 135 N.M. 397, 89 P.3d 69.

A private right of action for third-party claimants enforces the policy of the Insurance Code, which is to promote ethical settlement practices within the insurance industry. Hovet v. Allstate Ins. Co., 2004-NMSC-010, 135 N.M. 397, 89 P.3d 69.


And claimant will not even have an action under 59A-16-20 E NMSA 1978, unless and until there has been a judicial determination of the insured’s fault and the amount of damages awarded in the underlying negligence action. Hovet v. Allstate Ins. Co., 2004-NMSC-010, 135 N.M. 397, 89 P.3d 69.

Exclusion of attorneys. — The private right of action under the Insurance Code is limited by statute to violations by insurance companies and their agents; attorneys are not included. Hovet v. Allstate Ins.

Reliance on deceptive conduct. — Consistent with a national trend to interpret consumer protection statutes, like the Unfair Insurance Practices Act, such that plaintiffs need not prove reliance, and consistent with the absence of language in the Act requiring reliance, a plaintiff need not allege or prove that she relied on defendant’s purported deceptive conduct in order to recover under the Act. Smoot v. Physicians Life Ins. Co., 2004-NMCA-027, 135 N.M. 265, 87 P.3d 545.

Proof of link required. — While it is true that the Unfair Insurance Practices Act requires proof of a casual link between conduct and loss, there is nothing in the language of the Act requiring proof of a link between conduct and purchase or sale. Smoot v. Physicians Life Ins. Co., 2004-NMCA-027, 135 N.M. 265, 87 P.3d 545.

Arbitration clause barred. — Regulation mandating arbitration clause in title insurance contract is in conflict with 57-12-10 NMSA 1978 and this section; therefore, plaintiff in suit against title company may have statutory claims heard in a court of law. Lisanti v. Alamo Title Ins. of Tex., 2001-NMCA-100, 131 N.M. 334, 35 P.3d 989, aff’d, 2002-NMSC-032, 132 N.M. 750, 55 P.3d 962 (2002).

Because 59A-16-30 and 57-12-10 NMSA 1978 provide for judicial actions on claims of unfair insurance and trade practices, a regulation, NMAC 13.14.18.14, which requires mandatory arbitration in title insurance policy disputes, is unenforceable because it violates the landowner’s right to a trial by jury, as guaranteed by N.M. Const. art. II, § 12, in his action against a title insurance company asserting the above-stated claims and because the rights created by the statutes prevail over the regulation. Lisanti v. Alamo Title Ins., 2002-NMSC-032, 132 N.M. 750, 55 P.3d 962, cert. denied, U.S. , 123 S. Ct. 1288, 154 L. Ed. 2d 1027 (2003).

Groundless claims. — Plaintiffs are subject to fee sanctions if they have brought suit knowing they can present no legal argument to support the claim, or knowing they cannot come forth with the appropriate factual predicate to support their theory. City of Farmington v. L.R. Foy Constr. Co., 112 N.M. 404, 816 P.2d 473 (1991).

This section expresses the clear legislative intent that in order for plaintiffs to be sanctioned with attorneys’ fees it must be shown they subjectively knew at the time the suit was filed that the complaint was groundless. Under the appropriate circumstances, however, the filing of an amended complaint may constitute the bringing of an action, and, if done with knowledge that its allegations provided no grounds to prevail, may subject the plaintiff to sanctions. City of Farmington v. L.R. Foy Constr. Co., 112 N.M. 404, 816 P.2d 473 (1991).

A claim is groundless if the allegations in the complaint, although sufficient to survive a motion to dismiss for failure to state a claim, are not in good faith discoverable through litigation. City of Farmington v. L.R. Foy Constr. Co., 112 N.M. 404, 816 P.2d 473 (1991).

The determination of whether a suit is groundless from the outset should not turn on a pleading that may be inartfully drafted or facts that may not have been available when the pleadings were filed so that certain allegations could not be made. City of Farmington v. L.R. Foy Constr. Co., 112 N.M. 404, 816 P.2d 473 (1991).

Dismissal prior to a trial on the merits is not dispositive of the issue of groundlessness. City of

Remand for an evidentiary hearing was appropriate, where factual questions remained as to whether a city knew that its third-party suit against an insurer was groundless. City of Farmington v. L.R. Foy Constr. Co., 112 N.M. 404, 816 P.2d 473 (1991).

Jury verdict supports award of fees. — Insured's entitlement to attorney's fees was established by the factual determinations implicit in the jury's award of punitive damages. O'Neill v. USAA Ins. Co., 2002-NMCA-028, 131 N.M. 630, 41 P.3d 356, cert. denied, 131 N.M. 737, 42 P.3d 842 (2002).

Insured's request for apportioned attorneys' fees rejected. — In an action involving a question of whether an insurer who had a subrogated interest in the insured's settlement was required to pay a proportionate share of the insured's attorney fees incurred in settling the claim, evidence supported the finding that the insurer's conduct was reasonable and did not violate this section because the issue had not been previously addressed by the courts and was open to legitimate debate. Amica Mut. Ins. Co. v. Maloney, 120 N.M. 523, 903 P.2d 834 (1995).

Federal diversity jurisdiction. — In unfair trade practices action, federal court did not err in assuming diversity jurisdiction based on amount in controversy of $50,000, where treble damages sought were $41,028.51 and the plaintiff sought reasonable attorney's fees and costs. Miera v. Dairyland Ins. Co., 143 F.3d 1337 (10th Cir. 1998).

Law reviews. — For annual survey of New Mexico commercial law, see 16 N.M.L. Rev. 1 (1986).

For annual survey of New Mexico law of torts, see 16 N.M.L. Rev. 85 (1986).

For annual survey of New Mexico insurance law, 19 N.M.L. Rev. 717 (1990).


Liability insurance: excess carrier's right of action against primary carrier for improper or inadequate defense of claim, 49 A.L.R.4th 304.

Emotional or mental distress as element of damages for liability insurer's wrongful refusal to settle, 57 A.L.R.4th 801.

Liability insurance: third party's right of action for insurer's bad-faith tactics designed to delay payment of claim, 62 A.L.R.4th 1113.

Policy provision limiting time within which action may be brought on the policy as applicable to tort action by insured against insurer, 66 A.L.R.4th 859.

Pre-emption by Longshore and Harbor Workers' Compensation Act (33 USCS § 901 et seq.) of state law claims for bad-faith dealing by insurer or agent of insurer, 90 A.L.R. Fed. 723.

ARTICLE 16A

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Insurance Fraud Reporting Immunity

(Repealed by Laws 1998, ch. 115, § 18.)


ARTICLE 16B
Domestic Abuse Insurance Protection

Section
59A-16B-1 Short title.
59A-16B-2 Purpose of act.
59A-16B-3 Definitions.
59A-16B-4 Unfair discrimination on the basis of a person's abuse status prohibited.
59A-16B-5 Justification of adverse insurance underwriting decisions.
59A-16B-6 Insurance company procedures to protect the safety and privacy of victims of domestic abuse.
59A-16B-7 Rules and regulations.
59A-16B-8 Lawful policy terms and conditions preserved.
59A-16B-9 Applicability.
59A-16B-10 Civil administrative penalty; superintendent's orders.


Sections 1 through 10 [59A-16B-1 to 59A-16B-10 NMSA 1978] of this act may be cited as the "Domestic Abuse Insurance Protection Act".


The purpose of the Domestic Abuse Insurance Protection Act [59A-16B-1 to 59A-16B-10 NMSA 1978] is to prohibit insurers from unlawfully discriminating on the basis of domestic abuse by using the fact of domestic abuse or the insurer's determination of a person's abuse status as an insurance criterion or rating factor. The Domestic Abuse Insurance Protection Act protects victims of domestic abuse, domestic abuse shelters and others from being unlawfully discriminated against in insurance matters.

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As used in the Domestic Abuse Insurance Protection Act [59A-16B-1 to 59A-16B-10 NMSA 1978]:

A. "abuse-related medical condition" means a medical condition sustained by a victim of domestic abuse that arises in whole or in part out of an act or pattern of abuse;

B. "abuse status" means the fact or the determination by the insurer that a person is a victim of domestic abuse, irrespective of whether the person has sustained abuse-related medical conditions;

C. "confidential abuse information" means information about acts of domestic abuse or abuse status, the work or home address or telephone number of a victim of domestic abuse or the status of an applicant or insured as a family member, employer or associate of a victim of domestic abuse or a person with whom an applicant or insured is known to have a direct, close personal, family or abuse-related counseling relationship;

D. "domestic abuse" means an act of abuse against a person, an abuse-related medical condition suffered by a person or the abuse status of a person, including a minor, that was caused by a family member or a current or former household member, intimate partner or caretaker, including the following:

(1) attempting to cause or intentionally, knowingly or recklessly causing bodily injury to, physical harm to, severe emotional distress to, psychological trauma to or sexual assault on or attempting to rape or raping another person;

(2) knowingly engaging in a course of conduct or repeatedly committing acts, including harassment or stalking, that are intended to or would cause a reasonable person, or do cause a person, to feel terrorized or seriously threatened that death, bodily harm, sexual assault, confinement or restraint may result;

(3) subjecting another person to false imprisonment; or

(4) attempting to cause or intentionally, knowingly or recklessly causing damage to property for the purpose of intimidating or attempting to control the behavior of another person;

E. "insured" means an individual named on a policy as the one with legal rights to the benefits provided by the policy, except for life insurance, for which "insured" means the individual whose life is covered by the policy. For group insurance, "insured" includes an individual who is a beneficiary covered by a group policy. For any insurance policy, "insured" does not include a person who commits an act of domestic abuse;

F. "insurer" means every person engaged as principal or indemnitor, surety or contractor in the business of entering into contracts of insurance, including life insurance, health insurance, automobile insurance, disability insurance and property and casualty insurance, and includes the insurance services offered by fraternal benefit societies, nonprofit health care plans,
health maintenance organizations, prepaid dental services organizations, motor clubs, agents, brokers, solicitors, adjusters and all other persons engaged in a business that is now or later becomes subject to the superintendent's supervision pursuant to the Insurance Code, as well as all alien and foreign insurers delivering or issuing for delivery in New Mexico a certificate or other evidence of insurance coverage;

G. "person" means an individual or entity;

H. "policy" means a contract of insurance, certificate, indemnity, suretyship or annuity issued by an insurer, including endorsements or riders to an insurance policy or contract, and includes a contract, certificate or agreement offered by an insurer to provide, deliver, arrange for, pay for or reimburse any of the costs of insurance services. As applied to a health plan, "policy" includes a plan that is accident only, credit health, dental, vision, medicare supplement or long-term care insurance, coverage issued as a supplement to liability insurance, short-term or catastrophic health insurance plan and a plan that pays on a cost-incurred basis; and

I. "victim of domestic abuse" means a person against whom domestic abuse is directed.

History: Laws 1997, ch. 141, § 3.


59A-16B-4. Unfair discrimination on the basis of a person's abuse status prohibited.

A. An insurer or any person employed by or contracting with an insurer shall not engage in an unfair discriminatory act or practice against a person on the basis of a person's abuse status, including:

(1) denying, refusing to issue, renew or reissue or canceling or otherwise terminating a policy, restricting or excluding coverage or benefits of a policy or charging a higher premium for a policy on the basis of a person's abuse status;

(2) terminating group health coverage for a victim of domestic abuse because coverage was originally issued in the name of an alleged abuser who has divorced, separated from or lost custody of a victim of domestic abuse or because the alleged abuser's coverage has terminated voluntarily or involuntarily. Nothing in this paragraph prohibits an insurer from requiring a victim of domestic abuse to pay the full premium for health insurance coverage or from requiring as a condition of coverage that a victim of domestic abuse reside or work within the insurer's service area, if the requirements are applied to all insureds. The insurer may terminate group health coverage for a victim of domestic abuse after the continuation coverage required by this subsection has been in force for eighteen months if the insurer offers conversion to an equivalent individual plan. The continuation coverage required in this subsection may be satisfied by coverage that is provided under the Consolidated Omnibus Budget Reconciliation Act of 1985 to a victim of domestic abuse and is not intended to be in addition to coverage provided under that act;
(3) disclosing or transferring confidential abuse information when the insurer or its employee or contractor has information in its possession that clearly indicates that the applicant or insured is a subject of domestic abuse. The provisions of this paragraph do not prohibit disclosure of information:

(a) to a victim of domestic abuse or an individual specifically designated in writing by the victim, and nothing in this section prohibits a victim of domestic abuse from obtaining the victim's own insurance records;

(b) to a health care provider for the direct provision of health care services;

(c) to a licensed physician identified and designated by the victim of domestic abuse;

(d) pursuant to an order of the superintendent or a court of competent jurisdiction, or as otherwise required by law;

(e) when necessary for a valid business purpose to transfer information that includes confidential abuse information that cannot reasonably be segregated without undue hardship or that is relevant to processing a claim, provided the recipient has agreed to be bound by the provisions of the Domestic Abuse Insurance Protection Act [59A-16B-1 to 59A-16B-10 NMSA 1978] in all respects and to be subject to enforcement of that act in the courts of this state, and the information is disclosed or transferred only: 1) to a reinsurer that seeks to indemnify or indemnifies all or part of a policy covering a victim of domestic abuse and that cannot underwrite or satisfy its obligations under the reinsurance agreement without the information; 2) to a party to a proposed or consummated sale, transfer, merger or consolidation of all or part of the business of the insurer; 3) to medical or claims personnel contracting with the insurer, its parent or affiliated companies that have service agreements with the insurer, but only when necessary to process an application or claim, perform the insurer's duties under the policy or protect the safety or privacy of a victim of domestic abuse; or 4) with respect to address and telephone number, to entities with which the insurer transacts business when the business cannot be transacted without the address or telephone number;

(f) to an attorney who needs the information to represent the insurer effectively, provided the insurer notifies the attorney of its obligations under the Domestic Abuse Insurance Protection Act and requires that the attorney exercise due diligence to protect confidential abuse information consistent with the attorney's obligation to represent the insurer;

(g) to the policy owner or assignee, in the course of delivery of the policy, if the policy contains information about abuse status; or

(h) to any other entities deemed appropriate by the superintendent; or

(4) requesting information about an applicant's or insured's abuse status, or making use of this information, however obtained, except:

(a) for the limited purpose of complying with legal obligations;

(b) when verifying a person's claim to be a victim of domestic abuse or to be suffering from an abuse-related medical condition; or
(c) when cooperating with a victim of domestic abuse in seeking protection from abuse or facilitating the treatment of an abuse-related medical condition.

B. An insurer may deny a claim when the damage or loss is the result of intentional conduct by a named insured who commits an act of domestic abuse, except that the insurer shall make a payment on such a claim to an innocent insured victim of domestic abuse to the extent of that insured's interest in the property and within the limits of coverage where the damage was proximately related to and in furtherance of domestic abuse. An insurer paying such a claim for property damage shall be subrogated to the rights of the innocent insured claimant to recover for any damages paid by the insurance.

C. The provisions of this section apply to and protect the following applicants for insurance or insured persons, excluding a person who commits an act of domestic abuse, from an unfair discriminatory act or practice on the basis of any person's abuse status:

(1) a victim of domestic abuse;

(2) a person that provides shelter, counseling or protection to victims of domestic abuse;

(3) a person who employs or is employed by a victim of domestic abuse;

(4) a person with whom an applicant or insured is known to have a direct, close personal, family or abuse-related counseling relationship;

(5) a beneficiary of an insurance contract; or

(6) a participant in an insurance plan.

D. Nothing in the Domestic Abuse Insurance Protection Act prohibits a life insurer from declining to issue a life insurance policy if the applicant or prospective owner of the policy is or would be designated as a beneficiary of the policy and if:

(1) the applicant or prospective owner of the policy lacks an insurable interest in the insured;

(2) the applicant or prospective owner of the policy is known, on the basis of medical, police or court records, to have committed an act of domestic abuse against the proposed insured; or

(3) the insured or prospective insured is a victim of domestic abuse, and that person, or a person who has assumed the care of that person if a minor or incapacitated, has objected to the issuance of the policy on the ground that the policy would be issued to or for the direct or indirect benefit of the abuser.

E. An insurer shall not be civilly or criminally liable for the death of or injury to an insured resulting from an action taken in a good faith effort to comply with the requirements of the Domestic Abuse Insurance Protection Act. The provisions of this subsection do not, however, prevent an action by the superintendent to investigate a violation of that act or to assert any other claims authorized by law.
F. Nothing in the Domestic Abuse Insurance Protection Act prohibits an insurer from asking about a medical condition, claims history or other underwriting information or from using that information to underwrite or to carry out its duties under the policy, even if the information is related to a condition or event that the insurer knows or has reason to know is abuse-related.

G. An insurer shall not be liable for a violation of the Domestic Abuse Insurance Protection Act by a person who is a contractor with the insurer unless the insurer directed the act or omission that constitutes the violation.


59A-16B-5. Justification of adverse insurance underwriting decisions.

An insurer that takes an underwriting action that adversely affects a victim of domestic abuse on the basis of a medical condition, claims history or other underwriting information that the insurer knows is abuse-related shall explain the reason for its action to the applicant or insured in writing and, upon request, shall be able to demonstrate that its action and any applicable plan provision:

A. does not treat abuse status as a medical condition or underwriting criterion;

B. is otherwise permissible by law and applies in the same manner and to the same extent to all applicants and insureds with a similar condition or claims history without regard to whether the condition, history or claim is abuse-related; and

C. is based on a determination, made in conformance with sound actuarial principles and supported by reasonable statistical evidence, or related to actual or reasonably anticipated experience, that there is a correlation between the medical condition, claims history or other underwriting information and a material increase in insurance risk.


59A-16B-6. Insurance company procedures to protect the safety and privacy of victims of domestic abuse.

The superintendent, in consultation with public safety officials who specialize in domestic abuse matters or with a recognized domestic abuse advocacy group, shall adopt regulations that specify procedures to be followed by an insurer's employees, contractors, agents and brokers for the purpose of protecting the safety and privacy of victims of domestic abuse involved in an insurance action, including claims investigation and subrogation.

The superintendent may adopt, in accordance with Section 59A-2-9 NMSA 1978, rules and regulations necessary to administer provisions of the Domestic Abuse Insurance Protection Act [59A-16B-1 to 59A-16B-10 NMSA 1978].


59A-16B-8. Lawful policy terms and conditions preserved.

Nothing in the Domestic Abuse Insurance Protection Act [59A-16B-1 to 59A-16B-10 NMSA 1978] shall be construed to alter, modify or prohibit the application of any policy provision that excludes coverage for intentional or criminal acts or any other policy conditions, exclusions or limitations that are clearly stated in the policy and that are not in violation of any provisions of the Domestic Abuse Insurance Protection Act.


The provisions of the Domestic Abuse Insurance Protection Act [59A-16B-1 to 59A-16B-10 NMSA 1978] apply to all insurers as defined in that act, including the following:

A. fraternal benefit societies pursuant to Chapter 59A, Article 44 NMSA 1978;
B. health maintenance organizations and their promoters, sponsors, directors, officers, employees, agents, solicitors and other representatives pursuant to Chapter 59A, Article 46 NMSA 1978;
C. health care plans and their promoters, sponsors, directors, officers, employees, agents, solicitors and other representatives pursuant to Chapter 59A, Article 47 NMSA 1978;
D. prepaid dental plan organizations and their sponsors, directors, officers, personnel and representatives and member contracts pursuant to Chapter 59A, Article 48 NMSA 1978; and
E. motor clubs and their sponsors, directors, officers, representatives, personnel and operations pursuant to Chapter 59A, Article 50 NMSA 1978.


59A-16B-10. Civil administrative penalty; superintendent's orders.

A. In lieu of the civil administrative penalty provided for in Subsection B of Section 59A-1-18 NMSA 1978, and except as otherwise provided in this section, a separate civil administrative penalty may be assessed for a second or subsequent violation of the Domestic Abuse Insurance Protection Act [59A-16B-1 to 59A-16B-10 NMSA 1978]. That administrative penalty shall be assessed in an amount equal to three times the penalty provided for in Section 59A-1-18 NMSA 1978.

penalty shall be not over ten thousand dollars ($10,000) for each violation, except that if the violation is to be found willful and intentional, the penalty may be up to twenty thousand dollars ($20,000) for each violation. Every administrative penalty shall be imposed by written order of the superintendent made after hearing held as provided in Chapter 59A, Article 4 NMSA 1978.

B. A monetary penalty imposed may be in addition to any applicable suspension, revocation or denial of a license or certificate of authority.

C. The superintendent may issue any order he deems necessary or appropriate to prevent or correct any violation, including a first-time violation, of the Domestic Abuse Insurance Protection Act, except the initial order on a first-time violation may not require a suspension, revocation or denial of a license or certificate of authority. If, however, that initial order of the superintendent is violated, he may then impose the monetary penalty authorized in this section in addition to any applicable suspension, revocation or denial of a license or certificate of authority or take any other action authorized in the Insurance Code.


ARTICLE 16C
Insurance Fraud Act

Section
59A-16C-1 Short title.
59A-16C-2 Findings; purpose.
59A-16C-3 Definitions.
59A-16C-4 Superintendent's duties.
59A-16C-5 Superintendent's authority.
59A-16C-6 Notice and cooperation required; tolling period.
59A-16C-7 Immunity from civil liability; private insurance fraud reports and enforcement actions.
59A-16C-8 Warning required.
59A-16C-10 Insurer anti-fraud initiatives; special investigative units.
59A-16C-11 Investigators' powers.
59A-16C-12 Attorney general's duties.
59A-16C-13 Insurance fraud policy advisory group.
59A-16C-14 Insurance fraud fund created; appropriation.
59A-16C-15 Application of act to other acts.
59A-16C-16 Rules.

59A-16C-1. Short title.

This act [59A-16C-1 to 59A-16C-16 NMSA 1978] may be cited as the "Insurance Fraud Act".
59A-16C-2. Findings; purpose.

A. The legislature finds that insurance fraud is pervasive and expensive, and has the potential for increasing premium rates, placing businesses at risk, reducing the ability of consumers to raise their standard of living and decreasing the economic vitality of the state. Therefore, the legislature believes that the state must aggressively confront the problem of insurance fraud.

B. The purpose of the Insurance Fraud Act [59A-16C-1 to 59A-16C-16 NMSA 1978] is to permit the full utilization of the expertise of the superintendent of insurance to investigate and detect insurance fraud more effectively, to halt insurance fraud and to work with state, local and federal law enforcement and regulatory agencies against the commission of insurance fraud.


59A-16C-3. Definitions.

As used in the Insurance Fraud Act [59A-16C-1 to 59A-16C-16 NMSA 1978]:

A. "fund" means the insurance fraud fund;

B. "insurance fraud" means any act or practice in connection with an insurance transaction that constitutes a crime under the Criminal Code or the Insurance Code;

C. "insurance transaction" means any act or practice relating to insurance and includes complying with the Insurance Code or any rule adopted under its authority; and

D. "superintendent" means the superintendent of insurance.

History: Laws 1998, ch. 115, § 3.

Criminal Code. — See 30-1-1 NMSA 1978 and notes thereto.


59A-16C-4. Superintendent's duties.

The superintendent shall:

A. initiate inquiries and conduct investigations when the superintendent has reason to believe that insurance fraud may have been or is being committed;

B. respond to notifications or complaints of suspected insurance fraud generated by state and local police or other law enforcement authorities and governmental units, including the federal government and any other person;

C. review notices and reports of insurance fraud submitted by authorized insurers, their employees, agents or producers and select those incidents of alleged fraud that, in his
judgment, require further investigation and conduct the investigations;

D. conduct independent investigations and examinations of insurance transactions and alleged insurance fraud, conduct studies to determine the extent of insurance fraud, deceit or intentional misrepresentation of any kind in the insurance process and publish information and reports on its examinations and studies;

E. report incidents of alleged insurance fraud supported by investigations and examinations to the appropriate district attorney and any other appropriate law enforcement, administrative, regulatory or licensing agency and assemble evidence, prepare charges and otherwise assist any prosecutorial authority having jurisdiction over insurance fraud enforcement;

F. assist any official or agency of this state, any other state or the federal government that requests assistance in investigating insurance fraud;

G. maintain records and information in order to produce an annual report of his activities undertaken in connection with carrying out the provisions of the Insurance Fraud Act [this article]; and

H. conduct, in cooperation with the attorney general and the department of public safety, public outreach and awareness programs on the costs of insurance fraud to the public and how members of the public can assist themselves, the superintendent and law enforcement officials in preventing and prosecuting insurance fraud.


59A-16C-5. Superintendent's authority.

The superintendent is authorized to select and contract with investigative personnel and prosecutors to discharge his duties pursuant to the provisions of the Insurance Fraud Act [59A-16C-1 to 59A-16C-16 NMSA 1978].


59A-16C-6. Notice and cooperation required; tolling period.

A. Every insurer or licensed insurance professional that has a reasonable belief that an act of insurance fraud will be, is being or has been committed shall furnish and disclose knowledge and information about it to the superintendent and shall cooperate fully with any investigation conducted by the superintendent. Failure to comply with this subsection shall constitute grounds for the superintendent to impose an administrative penalty pursuant to Section 59A-1-18 NMSA 1978 in addition to any applicable suspension, revocation or denial of a license or certificate of authority.

B. A person who has a reasonable belief that an act of insurance fraud will be, is being or has been committed, or any person who collects, reviews or analyzes information concerning
insurance fraud, may furnish and disclose any information in his possession concerning the
insurance fraud to the superintendent or to an authorized representative of an insurer that
requests the information for the purpose of detecting, prosecuting or preventing insurance fraud.

C. If an insurer has a reasonable belief or probable cause to believe that an insurance fraud
has been committed and has properly notified the superintendent of its suspicion, that
notification shall toll any applicable time period in any unfair claims proceeding based on the
alleged fraud until thirty days after determination by the superintendent and notice to the insurer
that the superintendent will not recommend action on the claim. The determination by the
superintendent shall not be admissible in any subsequent civil proceeding.

D. The superintendent, in cooperation with insurers or others, may establish a voluntary
fund to reward persons not connected with the insurance industry who provide information or
furnish evidence leading to the arrest and conviction of persons responsible for insurance fraud.


59A-16C-7. Immunity from civil liability; private insurance fraud reports and enforcement
actions.

A. The provisions of Section 59A-4-21 NMSA 1978 regarding immunity from civil liability
for enforcement actions performed in good faith by the superintendent, his authorized
representatives and examiners shall apply to the Insurance Fraud Act [59A-16C-1 to
59A-16C-16 NMSA 1978].

B. Except when a person intentionally communicates false information he actually believes
to be false, a person shall not be subject to liability by virtue of reporting or furnishing, orally or
in writing, information concerning suspected, anticipated or completed insurance fraud acts
when the report or information is provided to:

(1) the department of insurance, the superintendent or law enforcement agencies,
their officials, agents or employees;

(2) the national association of insurance commissioners, a federal or state
governmental agency or office established to detect and prevent insurance fraud, any other
organization established for the same purpose and their agents, employees or designees; or

(3) the anti-fraud unit of an insurer.

C. A person identified in Subsection B of this section or any of the person's officers,
employees or agents when performing authorized activities, including the publication or
dissemination of any related bulletin or reports, shall not be subject to civil liability for libel,
slander or any other relevant tort or a civil cause of action of any nature, except if the person,
officer, employee or agent intentionally communicates false information he actually believes to
be false.

D. This section shall not abrogate or modify in any way any privilege or immunity
recognized by common law or statute.
E. The court shall award attorney fees and costs to any person identified in Subsection B of this section or any of that person's officers, employees or agents who is a prevailing party in a civil cause of action against him for libel, slander or any other relevant tort arising out of conduct pursuant to the Insurance Fraud Act if the party bringing the action was not substantially justified in bringing such action. For the purposes of this subsection, "substantially justified" means having a reasonable basis in law or fact at the time a proceeding was initiated.

F. The relief provided in this section is in addition to remedies otherwise available against the same conduct under the common law or other laws of this state.

**History:** Laws 1998, ch. 115, § 7.

59A-16C-8. Warning required.

Within six months of the effective date of the Insurance Fraud Act [59A-16C-1 to 59A-16C-16 NMSA 1978] all claim forms and applications for insurance shall contain a statement permanently affixed to the application or claim form which states substantially as follows:

"ANY PERSON WHO KNOWINGLY PRESENTS A FALSE OR FRAUDULENT CLAIM FOR PAYMENT OF A LOSS OR BENEFIT OR KNOWINGLY PRESENTS FALSE INFORMATION IN AN APPLICATION FOR INSURANCE IS GUILTY OF A CRIME AND MAY BE SUBJECT TO CIVIL FINES AND CRIMINAL PENALTIES."

The failure to include that statement shall not constitute a defense against prosecution for commission of insurance fraud.

**History:** Laws 1998, ch. 115, § 8.


If any person licensed by any agency of any state or the federal government or holding credentials from any professional organization is convicted of insurance fraud in this state, the superintendent shall notify the appropriate licensing or credentialing authority of the judgment for appropriate disciplinary action.

**History:** Laws 1998, ch. 115, § 9.

59A-16C-10. Insurer anti-fraud initiatives; special investigative units.

A. Within six months of the effective date of the Insurance Fraud Act [59A-16C-1 to 59A-16C-16 NMSA 1978] and by July 1 of each succeeding year every insurer who in the previous calendar year reported ten million dollars ($10,000,000) or more in direct written premiums in New Mexico shall establish, prepare, implement and submit to the superintendent an anti-fraud plan that is reasonably calculated to detect, prosecute and prevent insurance fraud. Any subsequent amendments to the plan shall be submitted to the superintendent at the time they
are adopted.

B. Each insurer's anti-fraud plan shall outline, at a minimum, guidelines appropriate to the type of insurance the insurer writes, to:

   (1) prevent, detect and investigate all forms of insurance fraud;
   (2) educate appropriate employees on fraud detection and the insurer's anti-fraud plan;
   (3) provide for the hiring or contracting of fraud investigators;
   (4) report insurance fraud to appropriate law enforcement and regulatory authorities; and
   (5) pursue restitution, where appropriate, for financial loss caused by insurance fraud.

C. The superintendent may review each insurer's anti-fraud plan to determine if it adequately complies with the requirements of this section. The superintendent may examine the insurer to assure its compliance with anti-fraud plans submitted to the superintendent. The superintendent may require reasonable modifications to the insurer's anti-fraud plan or may require other reasonable remedial action if the review or examination reveals substantial noncompliance with the plan.

D. The superintendent may require each insurer to file a summary of the insurer's anti-fraud activities and results. Anti-fraud plans and summaries submitted to the superintendent shall be privileged and confidential, shall not be a public record and shall not be subject to discovery or subpoena in any civil or criminal action; provided, however, that the superintendent may make summaries of aggregate data available to the public.

E. This section confers no private right of action.


59A-16C-11. Investigators' powers.

A. The superintendent's investigators shall be peace officers pursuant to the provisions of Chapter 29, Article 1 NMSA 1978.

B. An investigator who meets the requirements for certification for law enforcement training pursuant to Section 29-7-6 NMSA 1978 shall be authorized to carry a firearm.


The 2005 amendment, effective June 17, 2005, deletes the former provision that the superintendent's investigators shall not be authorized to carry firearms and adds Subsection B to provide that an investigator who meets the requirements for certification for law enforcement training shall be authorized to carry a firearm.

When so requested by the superintendent, the attorney general shall commission as a special assistant attorney general any attorney employed by the superintendent or contracted with by the superintendent and approved by the attorney general to assist the superintendent in carrying out his duties, including providing legal advice and prosecuting offenders. The actual costs associated with the assignment of assistant attorneys general to the superintendent shall be paid out of the fund.

**History:** Laws 1998, ch. 115, § 12.

### 59A-16C-13. Insurance fraud policy advisory group.

The superintendent may create an insurance fraud policy advisory group consisting of representatives of authorized insurers, consumers of insurance products not otherwise connected with the insurance industry and other appropriate persons. The superintendent shall appoint the members of the advisory group and shall provide by rule for the creation, governance, duties and termination of the advisory group. Any advisory group so created shall advise the superintendent with respect to the implementation of and other matters related to the Insurance Fraud Act [59A-16C-1 to 59A-16C-16 NMSA 1978] when so requested by the superintendent.


### 59A-16C-14. Insurance fraud fund created; appropriation.

A. There is created an "insurance fraud fund" in the state treasury. All fees collected under the provisions of the Insurance Fraud Act [59A-16C-1 to 59A-16C-16 NMSA 1978] shall be deposited in the fund and are subject to appropriation for use in paying the expenses incurred by the superintendent in carrying out the provisions of the Insurance Fraud Act. Interest on the fund shall be credited to the fund. The fund is a continuing, nonreverting fund.

B. To implement the provisions of the Insurance Fraud Act, the superintendent shall determine a rate of assessment and collect a fee from authorized insurers in an amount not less than two hundred dollars ($200) and not exceeding one-tenth of one percent of the correctly reported direct written premiums on policies written in New Mexico by the authorized insurers. The superintendent, after taking into account unexpended money produced by collection of the fee, shall adjust the rate of assessment each year to produce the amount of money that he estimates will be necessary to pay expenses incurred by the superintendent in carrying out the provisions of the Insurance Fraud Act. The assessment for a title insurer, as defined in Section 59A-30-3 NMSA 1978, shall be determined by the superintendent at the annual hearing conducted pursuant to Section 59A-30-8 NMSA 1978.

C. In calculating the direct written premiums for an insurer pursuant to the provisions of this section, all direct written premiums for workers' compensation insurance shall be excluded from the calculation.

D. The fees required by this section are in addition to all other taxes and fees now imposed
or that may be subsequently imposed.


The 1999 amendment, effective June 18, 1999, deleted "hereby" following "created" in Subsection A, deleted "upon the effective date of the Insurance Fraud Act" preceding "the superintendent", added the last sentence in Subsection B, and deleted "gross" preceding "direct" in Subsections B and C.

### 59A-16C-15. Application of act to other acts.

A. No authority granted the superintendent under the Insurance Fraud Act [59A-16C-1 to 59A-16C-16 NMSA 1978] shall be construed to abrogate or interfere with the authority of the safety and fraud division of the workers' compensation administration under the Workers' Compensation Act [Chapter 52, Article 1 NMSA 1978] or of the medicaid fraud control unit under the Medicaid Fraud Act [Chapter 30, Article 44 NMSA 1978].

B. Nothing in the Insurance Fraud Act shall:

1. preempt the authority of or relieve the duty of any other law enforcement agencies to investigate and prosecute alleged violations of law;
2. prevent or prohibit a person from voluntarily disclosing any information concerning insurance fraud to any law enforcement agency;
3. limit any of the powers granted elsewhere by law to the superintendent to investigate alleged violations of law and take appropriate action; or
4. interfere with the duties and authority of the workers' compensation administration.

**History:** Laws 1998, ch. 115, § 15.

### 59A-16C-16. Rules.

The superintendent may promulgate rules deemed necessary or appropriate by the superintendent for the administration of the Insurance Fraud Act [59A-16C-1 to 59A-16C-16 NMSA 1978].

**History:** Laws 1998, ch. 115, § 16.

### ARTICLE 17

Insurance Rates and Rating

Section
- 59A-17-1 Short title.
- 59A-17-2 Scope of article; exemptions.
- 59A-17-3 Purposes of article.
59A-17-1. Short title.

Chapter 59A, Article 17 NMSA 1978 may be cited as the "Insurance Rate Regulation Law".

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The 2007 amendment, effective July 1, 2007, changes the statutory reference to the act.

45 C.J.S. Insurance § 482 et seq.

59A-17-2. Scope of article; exemptions.

A. The Insurance Rate Regulation Law [59A-17-1 NMSA 1978] applies to all kinds and lines of direct insurance written on risks or operations in this state by any authorized insurer, except:

(1) wet marine and transportation insurance, as defined in Section 59A-7-5 NMSA 1978;
(2) life insurance;
(3) variable and fixed annuities; and
(4) health insurance.

B. For purposes of the Insurance Rate Regulation Law, "workers' compensation" insurance includes employer's liability insurance.

C. The superintendent may by order exempt any person or class of persons or any market segment from any or all of the provisions of the Insurance Rate Regulation Law to the extent that the superintendent finds the provision or provisions unnecessary to achieve the purposes of that law.


The 2007 amendment, effective July 1, 2007, changes statutory references and provides that "workers' compensation" insurance includes employer's liability insurance.

59A-17-3. Purposes of article.

A. The purposes of this article are:

(1) to promote the public welfare by regulating insurance rates to the end that they shall not be excessive, inadequate or unfairly discriminatory, and to protect policyholders and the public against the adverse effects of excessive, inadequate or unfairly discriminatory rates;
(2) in general to permit and encourage, as an effective way to produce rates that conform to the foregoing, independent action by and reasonable price competition among insurers;
(3) to provide formal regulatory controls for use where independent actions and price competition fail;
(4) to authorize cooperative action among insurers in the rate-making process, and to regulate such cooperation in order to prevent practices tending to create monopoly or to lessen or destroy competition;

(5) to encourage efficient and economic marketing practices; and

(6) to regulate that part of the insurance business which is subject to this article, in a manner to preclude application of federal antitrust laws.

B. The provisions of this article shall be liberally interpreted to effectuate the above purposes.


59A-17-4. Definitions.

As used in the Insurance Rate Regulation Law [59A-17-1 NMSA 1978]:

A. "advisory organization" means an entity, including its affiliates or subsidiaries, that either has two or more member insurers or is controlled either directly or indirectly by two or more insurers, and that assists insurers in the promulgation of policy forms; in ratemaking activities, such as the collection, compilation and furnishing of loss or expense statistics; or in the recommendation, making or filing of rates, prospective loss costs, supplementary rate information, policy forms or endorsements. Two or more insurers having a common ownership or operating in New Mexico under common management or control constitute a single insurer for purposes of this definition;

B. "commercial insurance" means any line or kind of property or casualty insurance not for personal, family or household needs;

C. "market" means any line or kind of insurance or any subdivision thereof or any class of risks or combination of classes;

D. "residual market mechanism" means an arrangement, either voluntary or mandated by law, involving participation by insurers in the equitable apportionment among them of insurance that may be afforded applicants who are unable to obtain insurance through ordinary methods;

E. "reverse competition" means a marketplace situation where the placement of a line, kind or class of insurance with insurers is determined primarily or exclusively by parties other than the policyholders;

F. "supplementary rate information" includes any manual or plan of rates, classification, rating schedule, minimum premium, policy fee, rating rule, underwriting rule and any other information needed to determine the applicable rate in effect or to be in effect; and

G. "supporting information" means:

(1) the experience and judgment of the filer and the experience or data of other insurers or advisory organizations relied upon by the filer;
(2) the interpretation of any other data relied upon by the filer;
(3) descriptions of methods used in making the rates; and
(4) any other information required by the superintendent to be filed.


The 2007 amendment, effective July 1, 2007, adds Subsections A and B; deletes former Subsection B defining "rate service organization"; adds Subsection D defining "residual market mechanism"; adds Subsection E defining "reverse competition"; and adds Subsection G defining "supporting information".

59A-17-5. Administration of insurance rate regulatory law.

The provisions of Chapter 59A, Article 17 NMSA 1978 shall be administered by the superintendent.


The 1999 amendment, effective June 18, 1999, deleted "this article are under the jurisdiction of the insurance board, as defined in Section 6 of the Insurance Code and" following "The provisions of" at the beginning of the section, updated the statutory reference, deleted "in his capacity of secretary of the insurance board" following "superintendent", and deleted the former last sentence, which stated that the superintendent shall have the same general powers as to rules and regulations, enforcement and otherwise as provided under the Insurance Code as to the superintendent's administration of the insurance department.

59A-17-5.1. Underwriting guidelines.

A. The superintendent may direct an insurer writing homeowners insurance, private passenger non-fleet automobile insurance or other lines, kinds or classes of noncommercial insurance in New Mexico to file with the superintendent underwriting guidelines that determine the acceptance of applicants and tiering guidelines that determine the placement of applicants and insureds into rating tiers, regardless of whether such tiers exist within the insurer or within a group of insurers under common ownership or management.

B. The superintendent, after notice and hearing, may order an insurer to cease using underwriting or tiering guidelines that are unfairly discriminatory or that fail to place applicants and insureds into tiers in a clear, objective, risk-based and mutually exclusive manner.

C. Filings made pursuant to this section shall be considered confidential trade secrets under the Uniform Trade Secrets Act [57-3A-1 NMSA 1978].


59A-17-6. Rate standards.
A. Rates shall not be excessive, inadequate or unfairly discriminatory, nor shall an insurer charge any rate that, if continued, will have or tend to have the effect of destroying competition or creating a monopoly.

B. In a competitive market, rates are presumed not to be excessive.

C. In a noncompetitive market, rates are excessive if they are likely to produce a profit that is unreasonably high in relation to the riskiness of the line, kind or class of business, or if expenses are unreasonably high in relation to the services rendered.

D. Rates are inadequate if they are clearly insufficient, together with the investment income attributable to them, to sustain projected losses and expenses in the line, kind or class of business to which they apply.

E. There is unfair discrimination if one rate is unfairly discriminatory in relation to another in the same line, kind or class if it clearly fails to reflect equitably the differences in expected losses and expenses. Rates are not unfairly discriminatory because different premiums result for policyholders with like loss exposures but different expense factors, or like expense factors but different loss exposures, so long as the rates reflect the differences with reasonable accuracy. Rates are not unfairly discriminatory if they are averaged broadly among persons insured under a group, franchise or blanket policy or a mass marketing plan.


The 2007 amendment, effective July 1, 2007, amends Subsection A to eliminate the criteria to determine whether a reasonable degree of price competition exists and deletes Subsection F providing that this section shall not apply to workers’ compensation insurance.


A competitive market is presumed to exist unless the superintendent, after notice and hearing, determines that a reasonable degree of competition does not exist within a market and issues a ruling to that effect. The ruling shall expire three years after issue unless rescinded earlier by the superintendent or unless the superintendent renews the ruling after a hearing and a finding as to the continued lack of a reasonable degree of competition. Any ruling that finds that competition does not exist shall identify the factors that cause the market not to be competitive and may also include a plan for enhancing competition. The superintendent shall monitor the degree and continued existence of competition in New Mexico on an ongoing basis. An interested party may petition the superintendent to initiate a hearing to examine whether a particular market is competitive or whether a particular market is no longer noncompetitive.


59A-17-6.2. Reverse competitive market.
A reverse competitive market for a line, kind or class of insurance is presumed to exist wherever the placement of a line, kind or class of insurance with insurers is determined primarily or exclusively by parties other than the policyholders. The superintendent may, by notice and hearing, establish rules for determining the specific lines, kinds or classes of insurance that, for the purposes of the Insurance Rate Regulation Law [59A-17-1 NMSA 1978], are reversely competitive.


In determining whether rates comply with the rate standards, the following criteria shall be applied:

A. due consideration shall be given to past and prospective loss and expense experience within and without this state, to catastrophic hazards and contingencies, to trends within and without this state, to loadings for leveling premium rates over time or for dividends or savings to be allowed or returned by insurers to their policyholders, members or subscribers and to all other relevant factors, including the judgment of technical personnel;

B. risks may be classified in any reasonable way for the establishment of rates and minimum premiums, except that classifications may not be based on race, color, creed or national origin;

C. the expense provisions included in the rates to be used by an insurer may reflect the operating methods of the insurer and, so far as it is credible, its own expense experience; and

D. the rates may contain an allowance permitting a profit that is not unreasonable in relation to the riskiness of the line, kind or class of business. Profit shall include investment income attributable to such rates.


The 2007 amendment, effective July 1, 2007, eliminates the provision that this section shall not apply to workers’ compensation insurance.


59A-17-7.1. Motor vehicle liability; not-at-fault accidents.

A. The rates of a motor vehicle liability insurer shall not provide for an increase in the premium if based upon an accident in which the insured is not at fault in any manner as determined by either the accident report or the insurer. If the insurer determines that its insured is at fault contrary to the specific finding of an accident report that the insured is not at fault, the insurer shall reach its conclusion only after an investigation.
B. A motor vehicle liability insurer shall not cancel, or use as a basis for nonrenewal, an insurance policy if such cancellation or nonrenewal is based upon an accident in which the insured is not at fault in any manner as determined by either the accident report or the insurer. If the insurer determines that its insured is at fault contrary to the specific finding of an accident report that the insured is not at fault, the insurer shall reach its conclusion only after an investigation.

C. As used in this section, "motor vehicle liability insurer" means an insurer authorized to transact in this state the business of automobile and motor vehicle bodily injury, property damage liability and physical damage insurance.

D. This section shall not apply if other factors exist, exclusive of the accident in which the insured is not at fault, that allow for a premium increase, cancellation or nonrenewal of an insurance policy under the Insurance Code or rules pursuant to the Insurance Code [59A-1-1 NMSA 1978].


The 2007 amendment, effective July 1, 2007, changes the title of this section and changes "regulations" to "rules".

59A-17-8. Making of rates; workers' compensation; rate calculations; rate classifications.

A. A workers' compensation insurer shall adhere to a uniform classification system and uniform experience rating system filed with the superintendent by an advisory organization designated by the superintendent.

B. A workers' compensation insurer shall report its experience in accordance with the statistical plans and other reporting requirements in use by the advisory organization designated by the superintendent.

C. Workers' compensation premium rates shall be equalized and calculated on a basis that does not discriminate against or penalize employers who pay higher wages than other employers to workers in the same job classification. The legislature finds that calculating workers' compensation premium rates strictly on the basis of an employer's wages paid discriminates against and penalizes higher-paying employers. The legislature accordingly directs that the superintendent shall:

(1) investigate alternatives to the current method of computing workers' compensation premiums, including but not limited to:

   (a) split classification;
   (b) payroll cap;
   (c) hours worked; and
(d) premium credits;

(2) immediately conduct hearings on the issue, including consideration of other alternatives; and

(3) adopt regulations, to become effective no later than April 1, 1991, to equalize the workers' compensation premium rates employers must pay for workers who perform the same job.

Nothing in this subsection shall be construed to prohibit the use of experience rating or scheduled credits.

D. A workers' compensation insurer may develop subclassifications of the uniform classification system upon which rates may be made. Such subclassifications and their filing shall be subject to all applicable provisions of the Insurance Rate Regulation Law [59A-17-1 NMSA 1978]. Data produced from such subclassifications shall be reported in accordance with the statistical plans, uniform classification system and experience rating system in use by the advisory organization designated by the superintendent.

E. Classification assignments may be changed within sixty days of the effective date or renewal date of the policy, provided the employer is given reasonable prior notice of the proposed change in order to object and provided further that the change is based upon an appropriate audit or investigation. The same provisions apply to initial classification assignments for new operations added by the employer so that they may be changed within sixty days of the date the classification assignments are initially established. No subsequent changes shall be made unless the insurer proves, after conducting an audit or investigation, that:

(1) there has been a substantial change in the nature of the work performed; or

(2) the initial assignment was in error due to withheld or inaccurate material information provided by the employer.

F. A workers' compensation insurer may develop rating plans that identify loss experience as a factor to be used. The rating plans and their filing shall be subject to all applicable provisions of the Insurance Rate Regulation Law.

G. The superintendent shall disapprove subclassifications, rating plans or other variations from supplementary rate information filed by a workers' compensation insurer if the insurer fails to demonstrate that the data produced can be reported consistent with the uniform classification system and experience rating system and in such a fashion so as to allow for the application of experience rating filed by the advisory organization designated by the superintendent.


The 2007 amendment, effective July 1, 2007, deletes former Subsections A, B and D and adds new Subsections A, B, D, F and G.
Requiring rate service organization to submit investment income data. — Given the mandate in Subsection A(1) to consider "all other relevant factors" to determine the propriety of proposed workers' compensation premiums, it was within the board's power to request a rate service organization to submit investment income data. National Council on Comp. Ins. v. New Mexico SCC, 107 N.M. 278, 756 P.2d 558 (1988).

Although a rate service organization presented evidence that insurers were incurring significant underwriting losses in New Mexico, that did not preclude the board from disapproving its filing because of other deficiencies in information, such as failure to provide investment income data, which would affect the materiality of underwriting losses. National Council on Comp. Ins. v. New Mexico SCC, 107 N.M. 278, 756 P.2d 558 (1988).


44 C.J.S. Insurance § 15 et seq.


A. In regard to filings in competitive markets:

(1) for purposes of this section, reverse competitive markets and residual markets are not competitive markets;

(2) for filings by insurers:

(a) an insurer shall file with the superintendent rates and supplementary rate information prior to their use in New Mexico;

(b) rates to be used in a competitive market for commercial insurance other than workers' compensation and medical professional liability need not be filed; and

(c) insurers that wish to use workers' compensation subclassifications, rating plans, loss costs or other supplementary rate information that differs from items filed by the advisory organization designated by the superintendent shall file with the superintendent relevant subclassifications, rating plans, rates, loss costs, other supplementary rate information and supporting information in accordance with the requirements and provisions of Subsection B of this section; and

(3) for filings by advisory organizations:

(a) with the exception of workers' compensation filings, an advisory organization shall file with the superintendent rates, supplementary rate information and supporting information prior to their use in New Mexico; and

(b) regarding workers' compensation filings, the advisory organization designated by the superintendent shall file with the superintendent rates, supplementary rate information and
supporting information in accordance with the requirements and provisions of Subsection B of this section.

B. In regard to filings in noncompetitive, reverse competitive and residual markets:

(1) an insurer or advisory organization shall file with the superintendent rates, supplementary rate information and supporting information for noncompetitive, reverse competitive and residual markets at least thirty days before the proposed effective date;

(2) the superintendent may give written or electronic notice, within thirty days of receipt of the filing, that the superintendent needs additional time, not to exceed thirty days from the date of such notice, to consider the filing;

(3) upon written or electronic application of the insurer or advisory organization, the superintendent may authorize rates to be effective before the expiration of the waiting period or an extension of the waiting period;

(4) a filing shall be deemed to meet the requirements of this section and to become effective unless disapproved pursuant to Section 59A-17-13 NMSA 1978 by the superintendent before the expiration of the waiting period or an extension of the waiting period;

(5) the operation of the deemer provision shall be suspended during a period of not more than sixty days upon written or electronic notice to the insurer or advisory organization that made the filing that additional information is needed to complete the review of the filing. The suspension of the deemer provision may occur only once for a filing. Failure of the insurer or advisory organization to provide the requested information within sixty days shall be deemed a request to withdraw the filing from further consideration. The superintendent shall either approve or disapprove the filing within thirty days of receipt of the requested additional information. Failure of the superintendent to act within the thirty-day period shall result in the filing being deemed to meet the requirements of the Insurance Rate Regulation Law. Neither the insurer nor the superintendent may waive the timeliness requirements of the deemer provisions of this section; and

(6) residual market mechanisms or advisory organizations may file residual market rates.

C. In regard to reference filings, an insurer may file its rates either by filing its final rates or by filing a multiplier and, if applicable, an expense constant adjustment to be applied to prospective loss costs that have been filed by an advisory organization on behalf of the insurer as permitted by Section 59A-17-17 NMSA 1978. Such reference filings shall be made prior to their use or by other methods the superintendent may allow by rule. An insurer that chooses to adopt the prospective loss costs or rates that have been filed by an advisory organization on its behalf for a competitive commercial line other than workers' compensation or medical professional liability need not file.

D. All filings submitted pursuant to this section shall be filed electronically. The superintendent may designate an entity to receive the electronic filings submitted pursuant to this section.

The 2003 amendment, effective June 20, 2003, substituted "workers" for "workmen's" in the section heading and the first sentence, deleted "or the rate service organization designated by the insurer for filing of rates as provided in Chapter 59A, Article 17 NMSA 1978" following "insurance, every insurer", substituted "their proposed effective date" for "they become effective" following "sixty days before", inserted "nor shall it be used" following "shall become effective", and added "at which time it may be used" at the end.

The 2007 amendment, effective July 1, 2007, deletes the former section and adds Subsections A through C.

The 2009 amendment, effective June 19, 2009, added Subsection D.

Existing rate filings. — Laws 1984, ch. 127, § 992, provides that every rate filing lawfully in use immediately prior to the effective date of the act (January 1, 1985) may be continued and is effective until the superintendent prescribes otherwise pursuant to the act and provides that for one year after the effective date of the act neither the act nor the superintendent shall prohibit a rate based on a provision of the act which did not exist immediately prior to the effective date.

ANNOTATIONS


44 C.J.S. Insurance § 20.

59A-17-10. Repealed.


59A-17-10.1. Workers' compensation insurance; policy and rate required for employers not domiciled in state.

No insurer insuring a workers' compensation risk arising from the employment of a worker performing work for an employer in New Mexico, when that employer is not domiciled in New Mexico, shall issue any workers' compensation insurance contract or endorsement of a workers' compensation insurance contract to cover the described risk except in accordance with filings and rates which are lawfully in effect for the insurer as provided in Sections 59A-17-10 and 59A-18-12 NMSA 1978.

59A-17-11. Filings open to inspection.

A filing and supporting information filed under Sections 59A-17-9 and 59A-17-10 NMSA 1978 shall, as soon as filed, be open to public inspection at a reasonable time. A copy of a filing and supporting information may be obtained by a person on request to the superintendent and payment of a reasonable charge. If the insurer or advisory organization believes that information contained in the filing contains material that it considers to be a trade secret, it shall include that information in a separate section of the filing and include a request for the superintendent to consider whether that information should be kept confidential.


The 2007 amendment, effective July 1, 2007, provides that, if an organization believes that information is a trade secret, the organization may file the information in a separate section of the filing and request that the information be kept confidential.


A. The superintendent shall use, develop or cause to be developed a consumer information system that will provide and disseminate price and other relevant information on a readily available basis to purchasers of homeowners, private passenger non-fleet automobile or property insurance for personal, family or household needs as well as for title insurance, including escrow, closing and settlement charges for one to four family residential property transactions, and for any other types of personal or commercial insurance designated by the superintendent. To the extent deemed necessary and appropriate by the superintendent, insurers, advisory organizations and other persons or organizations involved in conducting the business of insurance in New Mexico, to which this section applies, shall cooperate in the development and utilization of a consumer information system.

B. An insurer writing homeowners insurance or private passenger non-fleet automobile insurance in New Mexico shall, upon renewal or upon the transfer of a policy to another insurer under the same ownership or management as the transferring insurer, provide its policyholders with written notification of their right to obtain from the insurer a detailed written explanation of the reasons why their policy premium has changed or is about to change.


Severability clauses. — Laws 2009, ch. 80, § 15, effective July 1, 2009, provided that if any part or application of this act is held invalid, the remainder or its application to other situations or persons shall not be affected.

The 2009 amendment, effective July 1, 2009, in Subsection A, added "title insurance, including escrow, closing and settlement charges for one or four family residential property transactions, and for".
59A-17-12. Insurer must adhere to rates; consent to rate.

A. No insurer shall make or issue a contract or policy of insurance except in accordance with filings or rates that are lawfully in effect for the insurer as provided in the Insurance Rate Regulation Law [59A-17-1 NMSA 1978].

B. Upon written application of the insured stating the underlying reasons that is filed with and approved by the superintendent, a rate in excess of or below that otherwise applicable may be used as to a specific risk.


The 2007 amendment, effective July 1, 2007, amends Subsection A to eliminate the provision that this section shall not apply to workers' compensation insurance and amends Subsection B to permit that rates below the applicable rates may be used for a specific risk.


A. The superintendent shall disapprove a rate for use in a competitive market if the superintendent finds that the rate is inadequate or unfairly discriminatory under the rate standards set forth in Section 59A-17-6 NMSA 1978. The superintendent shall disapprove a rate for use in a noncompetitive, reverse competitive or residual market if the superintendent finds that the rate is excessive, inadequate or unfairly discriminatory under the rate standards set forth in Section 59A-17-6 NMSA 1978.

B. The superintendent may at any time disapprove a filing submitted under the "file and use" provisions of Subsection A of Section 59A-17-9 NMSA 1978 after giving notice of hearing pursuant to the provisions of Subsection A of Section 59A-4-16 NMSA 1978 to every insurer and advisory organization that adopted the rate.

C. The superintendent may disapprove a filing submitted under the "prior approval" provisions of Subsection B of Section 59A-17-9 NMSA 1978:

   (1) without a hearing prior to the expiration of the waiting period or an extension of the waiting period. An insurer or advisory organization whose rates are disapproved under this subsection may request a hearing before the superintendent by filing a written request within thirty days of the date of the disapproval notice; or

   (2) at any time after the expiration of the waiting period or an extension of the waiting period, after giving notice of hearing pursuant to the provisions of Subsection A of Section 59A-4-16 NMSA 1978 to every insurer and advisory organization that adopted the rate.

D. The superintendent's notice or order of disapproval shall specify the respects in which the rate fails to meet the standards set forth in Section 59A-17-6 NMSA 1978. The notice or order shall state an effective date no sooner than thirty business days after the date of the notice or order when the insurer shall discontinue the use of the rate. The notice or order shall not affect
any policy made before the effective date of the notice or order.


The 2007 amendment, effective July 1, 2007, rewrote this section.

ANNOTATIONS


44 C.J.S. Insurance § 15 et seq.

59A-17-13.1. Discounts on homeowners' policies for burglary protections.

Any insurer licensed to write homeowner's insurance, as defined by the superintendent, within the state shall provide a minimum premium discount of ten percent for houses with electronic alarm systems designed to prevent unauthorized entry into the house. The insurer shall also provide a minimum premium discount of five percent for houses with wrought iron bars covering all the doors and windows of the house. These discounts shall apply to comprehensive coverage and shall be part of the insurer's rate filing. Some or all of the premium discounts required by this section may be omitted upon demonstration to the superintendent in an insurer's rate filing that the discounts are duplicative of other discounts provided by the insurer.


The 2007 amendment, effective July 1, 2007, eliminates the provision that required the superintendent to approve discounts pursuant to 59A-17-13 NMSA 1978.

59A-17-13.2. Large commercial policyholders.

A. The superintendent may, by rule, establish a class of large commercial policyholders, to be known as exempt commercial policyholders, that shall be exempt from the rate and form requirements of Chapter 59A, Articles 17 and 18 NMSA 1978, except for form provisions relating to workers' compensation mandatory coverage provisions.

B. In the promulgation of this rule, the superintendent shall consider the following factors in establishing an exempt commercial policyholder class:

(1) the characteristics of insureds that are likely to study and understand the details of their business risks, insurance coverages and exclusions;

(2) the characteristics of insureds that are likely to avail themselves of regular price comparisons between competing insurers and are likely to study and understand the differences and details of pricing proposals that they receive;
(3) the characteristics of insureds that are likely to require individually written policies, as contrasted to insureds that can customarily have their coverage needs met through a compilation of forms with applicability to other insureds as well;

(4) the characteristics of insureds for which filed rates and rating plans are less likely to provide the lowest premiums otherwise consistent with the provisions of the Insurance Rate Regulation Law [59A-17-1 NMSA 1978];

(5) the favorable or adverse experiences with exemptions from regulatory requirements, especially the experience in New Mexico;

(6) the extent to which commercial insureds primarily located in another jurisdiction are subject to similar exemptions or waivers in that jurisdiction; and

(7) any other relevant factors.

C. The superintendent may, by rule, waive some or all of the diligent search requirements related to placement of risks in the approved surplus lines market for some or all of the exempt commercial policyholders.

History: Laws 2007, ch. 367, § 16.


A. By rule, the superintendent may require the filing of supporting data as to any or all kinds or lines of insurance or subdivisions thereof or classes of risks or combinations thereof as the superintendent deems necessary for the proper functioning of the rate monitoring and regulating process. The supporting data shall include:

(1) the experience and judgment of the filer and, to the extent it wishes or the superintendent requires, of other insurers or advisory organizations;

(2) its interpretation of any statistical data relied upon;
(3) descriptions of the actuarial and statistical methods employed in setting the rates; and

(4) any other relevant matters required by the superintendent.

B. Whenever a filing is not accompanied by the information as the superintendent has required under Subsection A of this section, the superintendent may inform the insurer and the filing shall be deemed to be made when the information is furnished.


The 2007 amendment, effective July 1, 2007, changes "rate service organizations" to "advisory organizations".


44 C.J.S. Insurance § 15 et seq.

59A-17-17. Use of advisory organization filings.

A. An insurer may itself establish rates and supplementary rate information for a market segment based on the factors set forth in Section 59A-17-7 NMSA 1978 or it may in its rate filing incorporate by reference loss costs and other supplementary rate information prepared by an advisory organization, with modification for its own loss experience as the credibility of that experience allows.

B. Nothing in the Insurance Rate Regulation Law [59A-17-1 NMSA 1978] shall be construed as requiring an insurer to become a member of or subscriber to any advisory organization.

C. The superintendent may adopt rules establishing standards and administrative procedures to carry out the provisions of this section.


The 2003 amendment, effective June 20, 2003, rewrote this section.

The 2007 amendment, effective July 1, 2007, changes "rate service organizations" to "advisory organizations".

59A-17-17.1. Experience modification factor; workers' compensation claims; New Mexico Works Act.

A. Workers' compensation claims by participants as defined in the New Mexico Works Act [27-2B-1 to 27-2B-20 NMSA 1978] shall be separately recorded and maintained in the calculation of the experience modification factor used to calculate premiums for the participating employer so that the experience modification factor attributable to claims by participants can be
separated from the remainder of the employer's experience modification factor.

B. The separately calculated experience modification factor for the first year of employment of each participant shall not be considered as part of the experience modification factor of any employer. The superintendent of insurance shall promulgate rules to implement this section.

C. For the purpose of this section, "participants" means participants as defined in the New Mexico Works Act.

**History:** Laws 1999, ch. 181, § 1.

**Effective dates.** — Laws 1999, ch. 181 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective on June 18, 1999, 90 days after adjournment of the legislature.

### 59A-17-18. Advisory organizations; license required; obligation to provide service.

A. No advisory organization shall provide a service relating to the statistical collection or the rates of an insurance subject to the Insurance Rate Regulation Law [59A-17-1 NMSA 1978], and no insurer shall use the services of the organization for such purposes, unless the organization has obtained a license as required by Section 59A-17-19 NMSA 1978.

B. No advisory organization shall refuse to supply a service for which it is licensed in this state to an authorized insurer offering to pay the fair and usual compensation for the services.


**The 2007 amendment,** effective July 1, 2007, changes "rate service organizations" to "advisory organizations" and prohibits advisory organizations from providing services related to statistical collection.


44 C.J.S. Insurance §§ 19, 102.

### 59A-17-19. Advisory organizations; licensing.

A. A person, whether domiciled within or outside this state, may apply to the superintendent for license as an advisory organization for the kinds of insurance or subdivisions thereof as are specified in its application. The application shall include:

1. a copy of its constitution, charter, articles of organization, agreement, association or incorporation and a copy of its bylaws, plan of operation and other rules governing conduct of its business;

2. a list of its members and subscribers;

3. the name and address of one or more residents of this state upon whom notices, process affecting it or orders of the superintendent may be served;

4. a statement showing its technical qualifications for acting in the capacity for which it seeks a license;
(5) payment of the license application fee in an amount specified in Section 59A-6-1 NMSA 1978; and

(6) any other relevant information and documents that the superintendent may require.

B. Every advisory organization that has applied for a license shall promptly notify the superintendent in writing of every material change in the facts or in the documents on which its application was based, or of change in name, address of its process agent under Paragraph (3) of Subsection A of this section. No amendment to a document referred to in Paragraph (1) of Subsection A of this section shall be effective until not less than thirty days after the amendment is filed with the superintendent.

C. If the superintendent finds that the applicant and the individuals through whom it acts are competent, trustworthy and technically qualified to provide the services proposed, and that all requirements of law are met, the superintendent shall within sixty days after completion of the application issue a license to the applicant specifying the authorized activity; otherwise, the superintendent shall refuse to issue the license and shall promptly notify the applicant, specifying the grounds for refusal. The superintendent shall not issue a license if the proposed activity would tend to create a monopoly or lessen or destroy price competition.

D. Licenses issued pursuant to this section shall remain in effect until the licensee withdraws from the state or until the license is suspended or revoked, subject to annual continuation on May 1 of each year by payment of the continuation fee specified in Section 59A-6-1 NMSA 1978.


The 2007 amendment, effective July 1, 2007, changes the title of this section and changes "rate service organizations" to "advisory organizations".

44 C.J.S. Insurance §§ 19, 102.

59A-17-20. Suspension, revocation of license.

The superintendent shall promptly revoke the license of an advisory organization if it ceases business or withdraws from this state, and the superintendent may suspend or revoke the license if the superintendent finds after a hearing that:

A. the organization no longer meets the qualifications for licensing; or

B. the organization has failed to file amended documents as required under Section 59A-17-19 NMSA 1978, or has violated or failed to comply with any other material requirement of the Insurance Rate Regulation Law [59A-17-1 NMSA 1978] or any other law.


The 2007 amendment, effective July 1, 2007, changes "rate service organizations" to "advisory
organizations".

44 C.J.S. Insurance §§ 96, 97.


A. An advisory organization shall furnish its services without discrimination to its members
and subscribers.

B. An advisory organization shall not adopt any rule, the effect of which would be to
prohibit or regulate payment of dividends, savings or unabsorbed premium deposits allowed or
returned by insurers to their policyholders, members or subscribers.


The 2007 amendment, effective July 1, 2007, changes "rate service organizations" to "advisory
organizations".


318, effective July 1, 2007. For provisions of former section, see the 2006 NMSA 1978 on New Mexico
One Source of Law DVD.


100, effective July 1, 2007. For provisions of former section, see the 2006 NMSA 1978 on New Mexico
One Source of Law DVD.

59A-17-23. Advisory organizations; appeal by minority.

A member of or subscriber to an advisory organization may appeal to the superintendent
from the action or decision of the advisory organization in approving or rejecting a proposed
change in or addition to the filings of the advisory organization and the superintendent shall,
after a hearing, issue an order approving the action or decision of the advisory organization or
directing it to give further consideration to the proposal; or, if the appeal is from the action or
decision of the advisory organization in rejecting a proposed addition to its filings, the
superintendent may, in the event the superintendent finds that the action or decision was
unreasonable, issue an order directing the advisory organization to make an addition to its
filings, on behalf of its members and subscribers, in a manner consistent with the
superintendent's findings, within a reasonable time after the issuance of the order.


The 2007 amendment, effective July 1, 2007, changes "rate service organizations" to "advisory organizations" and deletes Subsection B providing for appeals based on failure of a rate service organization to make a filing on behalf of a member or subscriber.


59A-17-25. Joint underwriting, joint reinsurance pool and residual market mechanisms.

A. A group, association or other organization of insurers that engages in joint underwriting, joint reinsurance pools or residual market mechanisms through the group, association or organization or by standing agreement among the members, shall file with the superintendent:

1. a copy of its constitution, its articles of incorporation, agreement or association and its bylaws and rules governing its activities, all duly certified by the custodian of the originals;
2. a list of its members; and
3. the name and address of a resident of this state upon whom notices or orders of the superintendent or process affecting the group, association or organization may be served.

B. Every such group, association or other organization shall notify the superintendent promptly in writing of changes in its constitution, its articles of incorporation, agreement or association, its bylaws and rules governing conduct of its business, its list of members or the name and address of its process agent referred to in Paragraph (3) of Subsection A of this section.

C. Every such group, association or organization shall be subject to regulation as herein provided, subject, however, as to joint underwriting to applicable provisions of the Insurance Rate Regulation Law [59A-17-1 NMSA 1978], and as to joint reinsurance to Sections 59A-17-13, 59A-17-32, 59A-17-34 and 59A-17-35 NMSA 1978.

D. No group, association or organization shall engage in an unfair or unreasonable practice with respect to its activities. If, after a hearing, the superintendent finds that an activity or practice of a group, association or organization is unfair or unreasonable or otherwise inconsistent with the provisions of the Insurance Rate Regulation Law, the superintendent may issue an order specifying the respects in which the activity or practice is unfair or unreasonable or otherwise inconsistent with the provisions of the Insurance Rate Regulation Law and
requiring discontinuance of the activity or practice.


The 1999 amendment, effective June 18, 1999, updated the statutory references throughout the section.

The 2007 amendment, effective July 1, 2007, requires a filing by joint reinsurance pools and residual market organizations.


44 C.J.S. Insurance § 102.


No insurer shall assume an obligation to a person other than a policyholder or other insurers that with it are under common control or management or are members of a joint underwriting organization subject to the provisions of Section 59A-17-25 NMSA 1978, to use or adhere to certain rates or rules, and no other person shall impose a penalty or other adverse consequence for failure of an insurer to adhere to certain rates or rules except as to action by the superintendent in enforcement of Section 59A-17-12 NMSA 1978.


The 2007 amendment, effective July 1, 2007, amends the section to delete the adherence to filed rules and require compliance with 59A-17-12 NMSA 1978.

59A-17-27. Cooperative activities authorized.

Cooperation among advisory organizations or among organizations and insurers in rate making or in other matters within the scope of the Insurance Rate Regulation Law [59A-17-1 NMSA 1978] is hereby authorized, provided the filings resulting from the cooperation are subject to provisions of the Insurance Rate Regulation Law applicable to filings generally. The superintendent may review the cooperative activities and practices and if, after a hearing, the superintendent finds that the activity or practice is unfair or unreasonable or otherwise inconsistent with the Insurance Rate Regulation Law, the superintendent may issue an order specifying the respects in which the activity or practice is unreasonable or otherwise inconsistent with the Insurance Rate Regulation Law and requiring discontinuance of the activity or practice.


The 2007 amendment, effective July 1, 2007, changes "rate service organizations" to "advisory organizations".

The superintendent shall promulgate or approve reasonable rules, including rules providing statistical plans, for use by all insurers in the recording and reporting of loss and expense experience, so that the experience of an insurer may be made available to the superintendent at least annually in such form and detail as may be necessary to aid the superintendent in determining whether rating systems comply with applicable rate standards and requirements. In promulgating the rules and plans the superintendent shall give due consideration to the rating systems on file with the superintendent and, so that the rules and plans may be as uniform as practicable among the several states, to the rules and form of plans used for rating systems in other states. No insurer shall be required to record or report its experience on a classification basis inconsistent with its own rating system. The superintendent may designate one or more advisory organizations to assist the superintendent in gathering that experience and making compilations of that experience, which shall be made available to insurers, advisory organizations and the public.


The 2007 amendment, effective July 1, 2007, changes "rate service organizations" to "advisory organizations".

59A-17-29. Exchange of data, consultation authorized.

A. The superintendent may promulgate reasonable rules and plans for interchange among insurers, advisory organizations and others, of data necessary for application of rating plans.

B. For furtherance of uniformity in administration of rate regulatory laws, the superintendent and every insurer and advisory organization may exchange information and experience data with insurance regulatory officials, insurers and advisory organizations in this and other states and may consult with them as to rate making and the application of rating systems.


The 2007 amendment, effective July 1, 2007, changes "rate service organizations" to "advisory organizations".

59A-17-30. Information to be furnished insureds; hearings and appeals of insureds.

A. Every advisory organization and every insurer that makes its own rates shall, within time frames promulgated by the superintendent or, in the absence of time frames, within a reasonable time after receiving written request, furnish to an insured affected by a rate made by it, or to the authorized representative of the insured, all pertinent information as to the rate.

B. Every advisory organization and every insurer that makes its own rates shall provide within this state reasonable means whereby a person aggrieved by the application of its rating system may be heard, in person or by the person's authorized representative, on the person's
written request to review the manner in which the rating system has been applied in connection with the insurance afforded the person. If the advisory organization or insurer fails to grant or reject the request within thirty days after it is made, the applicant may proceed in the same manner as if the application had been rejected. A party affected by the action of the rate service organization or the insurer on the request may, within thirty days after written notice of the action, appeal to the superintendent, who, after a hearing, may affirm or reverse the action. If, after the hearing, it is determined that the rates charged by an insurer are in excess of the otherwise appropriate rate, the overcharge shall be refunded to the insured.


The 2007 amendment, effective July 1, 2007, changes "rate service organizations" to "advisory organizations"; authorizes the superintendent to promulgate time frames for providing rate information to insureds; and provides for the refund of excessive rates to insureds.

59A-17-31. False or misleading information.

No person shall willfully withhold information from, or knowingly give false or misleading information to, the superintendent or statistical agency designated by the superintendent or advisory organization or insurer that will affect rates or rating plans under the Insurance Rate Regulation Law [59A-17-1 NMSA 1978]. Violation of this section shall be subject to the penalties provided under Section 59A-1-18 NMSA 1978.


The 2007 amendment, effective July 1, 2007, changes "rate service organizations" to "advisory organizations".

44 C.J.S. Insurance §§ 15 et seq., 96, 97.

59A-17-32. Examination of advisory and joint underwriting organizations, joint reinsurance pools and residual market mechanisms.

A. To be informed about any matter related to enforcement of provisions of the Insurance Code [59A-1-1 NMSA 1978], the superintendent may examine the affairs and condition of any advisory or joint underwriting organization, joint reinsurance pool or residual market mechanism. The superintendent shall examine every advisory organization and conduct the examinations at intervals established by rules promulgated by the superintendent.

B. In lieu of all or part of an examination, or in addition to an examination, the superintendent may order an independent audit by certified public accountants or actuarial evaluation by actuaries approved by the superintendent, or may accept the report of an audit already made by certified public accountants or actuarial evaluation by actuaries approved by the superintendent, or the report of an examination made by the insurance supervisory official of
another state.

C. Conduct of the examination, examiners and other personnel used by the superintendent in making the examinations, payment of costs of the examination by the examinee, examination report and review and adoption and the examination in general shall be subject to the applicable provisions of Chapter 59A, Article 4 NMSA 1978.


The 2007 amendment, effective July 1, 2007, changes "rate service organizations" to "advisory organizations" and permits the superintendent to examine joint reinsurance pools and residual market mechanisms.


59A-17-33. Enforcement; cease and desist, injunctions; penalties.

A. The superintendent shall enforce compliance with the provisions of the Insurance Rate Regulation Law [59A-17-1 NMSA 1978]. Whenever the superintendent believes that there is a violation of the Insurance Rate Regulation Law and that such violation is continuing, the superintendent shall serve upon the advisory, joint underwriting, joint reinsurance pool, residual market mechanism or insurer or other person violating, as the case may be, notice of a hearing before the superintendent to be held not less than twenty days after service of the notice, and requiring the organization or person to show cause why the superintendent should not order the organization or person to cease and desist from the violation.

B. The superintendent, through the attorney general, may maintain an action to enjoin a continuing violation of the Insurance Rate Regulation Law.

C. After hearing, the superintendent may suspend the license of an advisory organization or insurer that fails to comply with the superintendent's order within the time limited by the order or an extension of time that the superintendent may grant. The suspension shall not become effective until the time prescribed for an appeal has expired, or if an appeal has been taken, until the order has been affirmed; otherwise, the superintendent may determine when the suspension shall become effective, and the suspension shall remain in effect for the period fixed unless the superintendent modifies or rescinds the suspension, or until the order on which suspension is based is modified, rescinded or reversed.

D. If the superintendent finds that a person has violated any provision of the Insurance Rate Regulation Law, the superintendent may impose a penalty of not more than ten thousand dollars ($10,000) for each violation; but if the superintendent finds the violation to be willful, the superintendent may impose a penalty of not more than twenty-five thousand dollars ($25,000) for each violation. Such penalties may be in addition to any other penalty provided by law, and, if not paid voluntarily by the violator, may be collected through civil action in the district court of Santa Fe county in the name of the state of New Mexico on the relation of the insurance board.
E. For the purposes of this section, an insurer using a rate for which the insurer has failed to file the rate, supplementary rate information or supporting information, if Section 59A-17-9 NMSA 1978 requires the materials to be filed, shall have committed a separate violation for each day the failure continues.


The 2007 amendment, effective July 1, 2007, changes "rate service organizations" to "advisory organizations"; adds joint reinsurance pools and residual market mechanisms in Subsection A; changes the maximum penalty to $10,000 for a violation and $25,000 for a willful violation; and adds Subsection E.

44 C.J.S. Insurance §§ 96, 97.

59A-17-34. Hearing and review as to superintendent's actions.

A. Any person aggrieved by any action, threatened action, or failure to act of the superintendent or otherwise under Chapter 59A, Article 17 NMSA 1978 shall have the same right to a hearing before the superintendent with respect thereto as provided for in general under Section 59A-4-15 NMSA 1978. Notice of hearing shall be given, the hearing conducted, rights and powers exercised and the superintendent's order on hearing made and given as provided as to hearings in general under the applicable provisions of Chapter 59A, Article 4 NMSA 1978.

B. Any person aggrieved by the superintendent's order on such hearing or by the superintendent's refusal to hold the hearing may request a review by the public regulation commission in the manner set forth by rule of the commission.


Cross references. — For rules governing pleading, practice and procedure in civil actions, see New Mexico Rules of Civil Procedure.

For appeals, see Rules of Appellate Procedure for Civil Cases Rule 12-102 NMRA.

The 1999 amendment, effective June 18, 1999, substituted references to the public regulation commission for references to the insurance board in Subsection B.

ANNOTATION

Time limit for filing appeal. — A dispute concerning whether a class of employees will be classified as oil field workers or supervisory personnel for purposes of tabulating workers' compensation insurance premiums was a dispute under Article 17 of this chapter, and not Article 4 of this chapter. Therefore, the appeal filed by the aggrieved party 40 days after the decision of the insurance fraud was properly dismissed as untimely pursuant to the time limit for the filing of action set forth in 59A-17-35 NMSA 1978. Home Indem. Co. v. Arapahoe Drilling Co., 115 N.M. 204, 848 P.2d 1131 (Ct. App. 1993).

Am. Jur. 2d Insurance § 56.


59A-17-35. Appeals from commission.

Any order made by the commission pursuant to Section 59A-17-34 NMSA 1978 shall be subject to review by appeal to the district court pursuant to the provisions of Section 39-3-1.1 NMSA 1978. Upon institution of the appeal and for good cause shown upon motion and hearing, the court may, in the following cases, stay operation of the commission's order:

A. where, pursuant to the Insurance Rate Regulation Law [59A-17-1 NMSA 1978], an advisory organization has been refused a license or an insurer has been refused a certificate of authority or had its license or certificate of authority suspended, it may, with leave of court, be allowed to continue to engage in business, subject to the provisions of the Insurance Rate Regulation Law, pending final disposition of its application for review; or

B. where any order of the commission shall provide for, or sustain the superintendent's order for, a change in a rate or rating system that results in an increase or decrease in rates, an insurer affected may, with leave of court pending final disposition of the proceedings in the district court, continue to charge rates that existed prior to the order, on condition that the difference in the rates be deposited in a special escrow or trust account with a reputable financial institution by the insurer affected, to be held in trust by the insurer and to be retained by the insurer or paid to the holders of policies issued after the order of the court, as the court may determine.


Cross references. — For procedures governing administrative appeals to the district court, see Rule 1-074 NMRA.

The 1998 amendment, effective September 1, 1998, rewrote this section to the extent that a detailed comparison is impracticable.

1999 amendments. — Identical amendments to this section were enacted by Laws 1999, ch. 265, § 67, effective July 1, 1999, approved April 8, 1999, and Laws 1999, ch. 289, § 26, effective June 18, 1999, approved later on April 8, 1999, which substituted references to the public regulation commission for references to the insurance board throughout the section and updated the second statutory reference in the introductory language. The section is set out as amended by Laws 1999, ch. 289, § 26. See 12-1-8 NMSA 1978.

The 2007 amendment, effective July 1, 2007, changes "rate service organizations" to "advisory organizations".

ANNOTATIONS

Appeal of rate determination. — This section governs appeals from rate determinations made by the insurance board under this article. National Council on Comp. Ins. v. New Mexico SCC, 103 N.M. 707, 712 P.2d 1369 (1986).

Time limit for filing appeal. — A dispute concerning whether a class of employees will be classified as oil field workers or supervisory personnel for purposes of tabulating workers' compensation insurance premiums was a dispute under Article 17 of this chapter, and not Article 4 of this chapter. Therefore, the appeal filed by the aggrieved party 40 days after the decision of the insurance fraud was properly dismissed as untimely pursuant to the time limit for the filing of action set forth in this section. Home Indem. Co. v. Arapahoe Drilling Co., 115 N.M. 204, 848 P.2d 1131 (Ct. App. 1993).


73 C.J.S. Public Administrative Bodies and Procedure § 160.

59A-17-36. Rate filing; failure to submit data; penalty.

A. An insurer or advisory organization that makes a rate filing under the Insurance Rate Regulation Law and fails, without reasonable cause, to provide the data requested by the superintendent within thirty working days from the date of the request shall be subject to an administrative penalty as provided in Section 59A-1-18 NMSA 1978.

B. The superintendent may, for good cause shown, grant an extension of the thirty-day time period provided for in Subsection A of this section.

C. The insurer or advisory organization may, within ten days after entry of the order, request a hearing before the superintendent as provided in Section 59A-17-34 NMSA 1978.


The 2007 amendment, effective July 1, 2007, changes "rate service organizations" to "advisory organizations".

ARTICLE 17A
Personal Insurance Credit Information Act

Section
59A-17A-1 Short title.
59A-17A-2 Purpose and application.
59A-17A-3 Definitions.
59A-17A-4 Use of credit information; limits on use.
59A-17A-5 Exception procedures.
59A-17A-6 Error correction.

This act may be cited as the "Personal Insurance Credit Information Act".

History: Laws 2005, ch. 275, § 1.


Applicability. — Laws 2005, ch. 275, § 12 provides that Laws 2005, ch. 275, §§ 1 through 11 apply to personal insurance policies written to be effective or renewed on or after January 1, 2006.

Compiler's note. — The Personal Insurance Credit Information Act was not enacted as part of the Insurance Code. It has been compiled within the Insurance Code for the convenience of the user.

59A-17A-2. Purpose and application.

The Personal Insurance Credit Information Act [59A-17A-1 NMSA 1978] regulates the use of credit information in the underwriting, rating or renewal of personal insurance for the protection of consumers and applies to personal insurance written by an insurer or a group of affiliated insurers authorized to do business in this state or written pursuant to the FAIR Plan Act [59A-29-1 NMSA 1978], but does not apply to commercial insurance or any other types of insurance.

History: Laws 2005, ch. 275, § 2.


Applicability. — Laws 2005, ch. 275, § 12 provides that Laws 2005, ch. 275, §§ 1 through 11 apply to personal insurance policies written to be effective or renewed on or after January 1, 2006.


As used in the Personal Insurance Credit Information Act [59A-17A-1 NMSA 1978]:

A. "adverse action" means a denial or cancellation of, an increase in a charge for or a reduction or other adverse or unfavorable change in the terms of coverage or amount of, insurance, existing or applied for, in connection with the underwriting, rating or renewal of personal insurance, which adverse action occurs when an insurer offers insurance at less favorable terms than it would have offered a consumer if the consumer's credit information had been more favorable;

B. "affiliate" means a company that directly or indirectly controls, is controlled by or
is under the common ownership or control of another company;

C. "company placement" means the assignment of a consumer to a particular insurer within a group of affiliates;

D. "consumer" means an individual applicant or insured whose credit information is relied upon or used to calculate an insurance score for underwriting, rating or renewing a personal insurance coverage;

E. "consumer reporting agency" means a person or entity that, for monetary fees, dues or on a cooperative nonprofit basis, regularly engages in whole or in part in the practice of assembling or evaluating consumer credit information or other information on consumers for the purpose of furnishing consumer reports to third parties;

F. "credit information" means a written, oral or other communication of information prepared by a consumer reporting agency or provided by the consumer on an application for or renewal of credit, bearing on a consumer's credit worthiness, credit standing or credit capacity, that is used or expected to be used or collected in whole or in part for the purpose of underwriting, rating or renewing a personal insurance coverage;

G. "insurance score" means a number or rating that is derived from an algorithm, computer application, model or other process that is based in whole or in part on credit information and is used for underwriting, rating or renewing personal insurance coverage;

H. "personal insurance" means private passenger automobile, homeowners', motorcycle, mobile-homeowners', boat, personal watercraft, snowmobile, recreational vehicle, noncommercial dwelling fire, personal umbrella or any other type of insurance policy that is individually underwritten for personal, family or household use; and

I. "superintendent" means the superintendent of the insurance division of the public regulation commission.

History: Laws 2005, ch. 275, § 3.

**Effective dates.** — Laws 2005, ch. 275, § 13, makes the act effective January 1, 2006.

**Applicability.** — Laws 2005, ch. 275, § 12 provides that Laws 2005, ch. 275, §§ 1 through 11 apply to personal insurance policies written to be effective or renewed on or after January 1, 2006.

**59A-17A-4. Use of credit information; limits on use.**

An insurer or group of affiliated insurers authorized to do business in New Mexico that uses credit information to underwrite, rate or renew personal insurance coverage shall not:

A. use an insurance score that is calculated using income, gender, address, race, color, national origin, religion or marital status of the consumer as a factor;

B. deny, cancel or fail to renew coverage, or base a consumer's company placement, tier placement or rates, on the basis of credit information or an insurance score without
consideration of other underwriting factors permitted by state law;

C. consider an absence of credit information or an inability to calculate an insurance score in underwriting, rating or renewing personal insurance coverage unless the insurer:

(1) classifies the consumer as having average or better than average credit information for that insurer or group of affiliated insurers; or

(2) excludes the use of credit information as a factor in rating or underwriting personal insurance coverage;

D. take adverse action against a consumer based upon credit information, or upon an insurance score calculated from credit information, submitted more than ninety days before the date of notice of the adverse action;

E. use credit information upon renewal unless the insurer obtains current credit information and recalculates the insurance score at least every thirty-six months. Upon the request of a consumer, an insurer that uses credit information upon renewal shall obtain current credit information and recalculate an insurance score. An insurer shall not be required to obtain current credit information or recalculate an insurance score more frequently than every twelve months except for the correction of an error as described in Section 6 of the Personal Insurance Credit Information Act [59A-17A-6 NMSA 1978]. The Personal Insurance Credit Information Act does not require an insurer to obtain current credit information or recalculate an insurance score if:

(1) an improved insurance score would not cause the consumer to be placed in a more favorably priced company or tier of the insurer; or

(2) the insurer does not rely upon credit information or an insurance score to underwrite, rate or renew the consumer's personal insurance coverage;

F. use an insurance score in whole or in part to deny, restrict or alter the fees charged for a premium payment plan; or

G. use credit inquiries as a factor in any insurance scoring methodology or to underwrite, rate or renew personal insurance coverage.


Applicability. — Laws 2005, ch. 275, § 12 provides that Laws 2005, ch. 275, §§ 1 through 11 apply to personal insurance policies written to be effective or renewed on or after January 1, 2006.


A. As used in this section, "extraordinary life circumstance" means:

(1) an acute or chronic medical condition, illness, injury or disease;

(2) divorce;
(3) death of a spouse, child or parent;
(4) involuntary loss of employment for more than three consecutive months;
(5) identity theft;
(6) total or other loss that makes a home uninhabitable; or
(7) other circumstances prescribed by the superintendent in a rule.

B. Insurers that use credit information to calculate an insurance score or to underwrite, rate or renew personal insurance coverage shall, upon written request from a consumer, provide a reasonable exception to the insurer's rates, rating classifications, company placement, tier placement or underwriting policies, procedures or guidelines when that consumer's credit information has been adversely impacted by an extraordinary life circumstance that has occurred within three years of the date of application for or renewal of personal insurance coverage.

C. Insurers shall file their extraordinary life circumstances exception policies and procedures and amendments to the policies and procedures with the superintendent. Filings shall include the following:

(1) a list of extraordinary life circumstances;
(2) procedures describing how a consumer may apply for the extraordinary life circumstances exception;
(3) a description of the required substantiating information;
(4) general guidelines for when an extraordinary life circumstances exception will be granted;
(5) a description of how a consumer's treatment in underwriting or rating would be modified by the granting of an extraordinary life circumstances exception;
(6) time frames for considering the extraordinary life circumstances exception request; and
(7) any other information prescribed by the superintendent in a rule.

D. An insurer's extraordinary life circumstances exception policies and procedures shall be effective for use upon filing with the superintendent.

E. The superintendent may disapprove an insurer's extraordinary life circumstances exception policies or procedures at any time upon providing the insurer with a sixty-day written notice setting forth the reasons for the disapproval. Disapproval shall be based upon a determination that the extraordinary life circumstances exception policies and procedures as contained in the filing are inadequate pursuant to this section, and the notice of disapproval shall specify the respects in which they are inadequate. An insurer affected by a disapproval may request a hearing before the superintendent pursuant to Section 59A-4-15 NMSA 1978, and the request for a hearing stays the effectiveness of the disapproval. No disapproval shall affect an action or determination made by an insurer concerning an application or policy of insurance made prior to the date of a notice of final determination of the disapproval.
F. An insurer may require the consumer to provide reasonable, independently verifiable written documentation of the event and the direct effect of the event on the consumer's credit before granting an exception.

G. An insurer that grants an extraordinary life circumstances exception shall maintain that exception for an amount of time that is reasonable for the particular circumstance. Once that reasonable amount of time is exhausted, the insurer is not required to grant another exception for the same specific extraordinary life circumstance.

H. An insurer is not out of compliance with a law or rule relating to underwriting, rating or rate filing as a result of granting an exception under this section.

History: Laws 2005, ch. 275, § 5.


Applicability. — Laws 2005, ch. 275, § 12 provides that Laws 2005, ch. 275, §§ 1 through 11 apply to personal insurance policies written to be effective or renewed on or after January 1, 2006.

59A-17A-6. Error correction.

If it is determined by a consumer reporting agency that a consumer's credit information is inaccurate or incomplete and the insurer is notified of this determination by the consumer reporting agency or the consumer, the insurer or its group of affiliated insurers shall re-underwrite and rerate the consumer's personal insurance coverage within thirty days of receiving the notice, refund any overpaid premium and, if necessary, make a related adjustment, including company placement, consistent with its filed underwriting and rating guidelines.


Applicability. — Laws 2005, ch. 275, § 12 provides that Laws 2005, ch. 275, §§ 1 through 11 apply to personal insurance policies written to be effective or renewed on or after January 1, 2006.

59A-17A-7. Initial notification of use of credit information.

A. If an insurer uses credit information to calculate an insurance score to underwrite, rate or renew personal insurance coverage, the insurer shall disclose to the consumer at least once, either at the time of application or upon the first renewal subsequent to December 31, 2005, in writing or in the same medium as the application or renewal, that it uses that information.

B. An insurer may use the following disclosure language to comply with the requirements of this section: "In connection with your application for insurance coverage, we may review and use information contained in your credit report to help determine your premium or your eligibility for coverage."

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Applicability. — Laws 2005, ch. 275, § 12 provides that Laws 2005, ch. 275, §§ 1 through 11 apply to personal insurance policies written to be effective or renewed on or after January 1, 2006.


A. If an insurer takes an adverse action based upon credit information, the insurer shall notify the consumer in writing, or in the same medium as the application or renewal, of the nature of the adverse action, the reasons for the adverse action and the insurer's extraordinary life circumstances exception policies and procedures as provided by Section 5 of the Personal Insurance Credit Information Act [59A-17A-5 NMSA 1978].

B. The notification shall identify, in clear and simple language and in descending order of importance, the four most important factors that prevented the consumer from receiving a more favorable insurance score. The factors shall be identified with sufficient specificity that a consumer can identify the factors on a standard credit report.

C. In addition to the information described in Subsections A and B of this section, the notification shall include any other language prescribed by rule issued by the superintendent.


Applicability. — Laws 2005, ch. 275, § 12 provides that Laws 2005, ch. 275, §§ 1 through 11 apply to personal insurance policies written to be effective or renewed on or after January 1, 2006.


A. Insurers and groups of affiliated insurers that use credit information or insurance scores to underwrite, rate or renew personal insurance coverage shall, prior to implementation or amendment, file with the superintendent their scoring models and all scoring ingredients and processes, including all criteria, matrices, weightings and score ranges, as well as all resulting rating factors and rating elements, and all resulting guidelines for accepting coverage, for company placement and for tier placement. A filing shall provide examples, either through electronic spreadsheets, formulas, tables or detailed written documentation, of how scores and underwriting and rating results can be obtained. The filing shall be provided on an affiliated group basis whenever an insurer is an affiliate of an insurance group.

B. A filing that includes credit information or insurance scoring shall include loss experience justifying the design and use of the model.

C. If an insurer files a scoring model that has already been filed with the superintendent by a rate service organization licensed by the superintendent pursuant to Section 59A-17-19 NMSA
1978, the insurer may reference the rate service organization's filing of the model. In such circumstances, if the insurer deviates in any way from the referenced model filed by the rate service organization, the insurer must explain in detail the nature of such deviations.

D. Scoring models, processes and guidelines shall become effective and may be used on the date of filing with the superintendent.

E. The superintendent may issue an order to disapprove a filing at any time upon providing the insurer with a sixty-day written notice of the disapproval. Any such disapproval shall be based upon a determination that the filing under this section is either inadequate pursuant to Subsection A of this section, will result in rates that do not comply with the applicable requirements of the Insurance Rate Regulation Law [59A-17-1 NMSA 1978] or will result in uses not compliant with Section 4 of the Personal Insurance Credit Information Act [59A-17A-4 NMSA 1978]. The notice of disapproval shall specify the bases for the disapproval and the date on which the filing shall be deemed no longer effective. An insurer affected by such a disapproval may request a hearing before the superintendent pursuant to Section 59A-4-15 NMSA 1978, and the request for hearing stays the effectiveness of the disapproval. No disapproval shall affect an action or determination made by an insurer concerning applications or policies of insurance made prior to the date of notice of final determination of the disapproval.

F. Filings made pursuant to this section shall be considered confidential trade secrets under the Uniform Trade Secrets Act [57-3A-1 NMSA 1978].


Applicability. — Laws 2005, ch. 275, § 12 provides that Laws 2005, ch. 275, §§ 1 through 11 apply to personal insurance policies written to be effective or renewed on or after January 1, 2006.


The superintendent may adopt rules the superintendent deems necessary to implement and ensure full compliance with the provisions of the Personal Insurance Credit Information Act [59A-17A-1 NMSA 1978].


Applicability. — Laws 2005, ch. 275, § 12 provides that Laws 2005, ch. 275, §§ 1 through 11 apply to personal insurance policies written to be effective or renewed on or after January 1, 2006.


If any part or application of the Personal Insurance Credit Information Act [59A-17A-1 NMSA 1978] is held invalid, the remainder or its application to other situations or persons shall

Applicability. — Laws 2005, ch. 275, § 12 provides that Laws 2005, ch. 275, §§ 1 through 11 apply to personal insurance policies written to be effective or renewed on or after January 1, 2006.

ARTICLE 18
The Insurance Contract

Section
59A-18-1 Scope of article.
59A-18-2 "Policy" defined.
59A-18-3 "Premium" defined.
59A-18-4 Insurable interest; personal insurance.
59A-18-5 Insurable interest, life insurance; exception when certain institutions designated beneficiary.
59A-18-6 Insurable interest, property.
59A-18-7 Power to contract for insurance; purchase of insurance or annuity by minor.
59A-18-8 Consent of insured; life, health insurance.
59A-18-9 Alteration of application; life, health insurance.
59A-18-10 Application as evidence.
59A-18-11 Representation in application.
59A-18-12 Filing of forms and classifications; review of effect upon insured.
59A-18-13 Approval or disapproval of health insurance forms.
59A-18-16 Continuation of coverage and conversion rights; accident and health insurance policies; notice.
59A-18-16.1 Group coverage discontinuance and replacement.
59A-18-17 Standard provisions, in general.
59A-18-19 Execution of policies.
59A-18-20 Underwriters' and combination policies.
59A-18-21 Validity, construction of noncomplying forms.
59A-18-23 Delivery of policy, motor vehicle vendors, mortgagees, pledgees.
59A-18-24 Agents, brokers; whom represent.
59A-18-26 Payment discharges insurer.
59A-18-27 Forms of proof of loss to be furnished.
59A-18-27.1 Universal claim forms.
59A-18-28 Notice; waiver.
59A-18-29 Cancellation of certain policies.
59A-18-1. Scope of article.

Chapter 59A, Article 18 NMSA 1978 applies as to all insurance policies and annuity contracts of authorized insurers covering individuals resident, or risks located, or insurance protection to be rendered in this state, other than:

A. reinsurance;

B. policies or contracts not issued for delivery in this state nor delivered in this state except for contracts for or endorsements of workers' compensation insurance when the workers' compensation risk insured arises from the employment of a worker performing work for an employer in New Mexico and that employer is not domiciled in New Mexico;

C. wet marine and transportation insurance, as defined in Section 59A-7-5 NMSA 1978; or

D. surplus line insurance contracts.

History: Laws 1984, ch. 127, § 331; 1988, ch. 119, § 3.


Insurer's duty, and effect of its failure, to provide insured or payee with copy of policy or other adequate documentation of its terms, 78 A.L.R.4th 9.

Liability insurance coverage for violations of antipollution laws, 87 A.L.R.4th 444.

Admissibility of polygraph or similar lie detector test results, or willingness to submit to test, on issues of coverage under insurance policy, or insurer's good-faith belief that claim was not covered, 7 A.L.R.5th 143.

44 C.J.S. Insurance § 298 et seq.


As used in this article "policy" means any contract of insurance, indemnity, health care, suretyship or annuity between the insurer and the insured, by whatever name such contract is called, and includes all clauses, riders, endorsements and papers which are a part thereof.


As used in the Insurance Code "premium" means the consideration for insurance or for an annuity, by whatever name called. Any "assessment," or any "membership," "policy," "survey," "inspection," "service" or similar fee or other charge in consideration for an insurance or annuity
contract or procurement thereof is part of the premium.

**History:** Laws 1984, ch. 127, § 333.

**Insurance Code.** — See 59A-1-1 NMSA 1978 and notes thereto.

**ANNOTATION**

**Stacking.** — When an automobile insurance policy states that premiums for uninsured motorist coverage with respect to additional vehicles under the policy are included in another premium, a reasonable insured might understand that more than one premium is charged, more than one coverage is purchased, and that stacking would be permitted. Since an insurer conceptualizes and drafts the insurance contract, the insurer has an obligation to express clearly its intent not to allow stacking, to its agents who sell the policy and, more importantly, to the insureds to whom it issues the agreements it prepares. Rodriguez v. Windsor Ins. Co., 118 N.M. 127, 879 P.2d 759 (1994).

59A-18-4. Insurable interest; personal insurance.

A. Any individual of competent legal capacity may procure or effect an insurance contract upon his own life or body for the benefit of any person. No person shall procure or cause to be procured any insurance contract upon the life or body of another individual unless the benefits under such contract are payable to the individual insured or his personal representatives, or to a person having, at the time such contract was made, an insurable interest in the individual insured.

B. If the beneficiary, assignee or other payee under any contract made in violation of this section receives from the insurer any benefits thereunder accruing upon the death, disablement or injury of the individual insured, the individual insured or personal representative may maintain an action to recover such benefits from the person so receiving them.

C. As used in this section, "insurable" interest as to such personal insurance means that every person has an insurable interest in the life, body and health of himself, if an individual, and in the life, body and health of other individuals as follows:

1. in the case of individuals related closely by blood or by law, a substantial interest engendered by love and affection; and

2. in the case of other persons, a lawful and substantial economic interest in having the life, health or bodily safety of the insured individual continue, as distinguished from an interest which would arise only, or would be enhanced in value, by the death, disablement or injury of the individual insured.

D. An individual party to a contract or option for purchase or sale of an interest in a business partnership or firm, or of shares of stock of a corporation or of an interest in such shares, has an insurable interest in the life, body and health of each individual party to such contract and for the purposes of such contract only, in addition to any insurable interest which may otherwise exist as to such individual.

E. An insurer shall be entitled to rely upon all statements, declarations and representations
made by an applicant for insurance relative to the insurable interest of the applicant in the insured; and no insurer shall incur legal liability, except as set forth in the policy, by virtue of any untrue statements, declarations or representations so relied upon in good faith by the insurer.

**History:** Laws 1984, ch. 127, § 334.


**59A-18-5. Insurable interest, life insurance; exception when certain institutions designated beneficiary.**

A. Life insurance contracts may be entered into in which the person paying the consideration for the insurance has no insurable interest in the life of the individual insured, where charitable, benevolent, educational or religious institutions or their agencies are designated irrevocably as the beneficiaries thereof.

B. In making such contracts the person paying the premium shall make and sign the application therefor as owner, and shall designate irrevocably a charitable, benevolent, educational or religious institution or an agency thereof as the beneficiary or beneficiaries of such contract. The application shall be signed also by the individual whose life is to be insured.

C. Nothing in this section shall prohibit any combination of the applicant, premium payer, owner and beneficiary from being the same person.

D. Such a contract shall be valid and binding among the parties thereto, notwithstanding the absence otherwise of an insurable interest in the life of the individual insured.

**History:** Laws 1984, ch. 127, § 335.


**59A-18-6. Insurable interest, property.**

A. No contract of insurance of property or of any interest in property or arising from property shall be enforceable as to the insurance except for the benefit of persons having an insurable interest in the things insured as at the time of the loss.

B. "Insurable interest" as used in this section means any actual, lawful and substantial economic interest in the safety and preservation of the subject of the insurance free from loss, destruction, pecuniary damage or impairment.

**History:** Laws 1984, ch. 127, § 336.

**ANNOTATION**
Test of insurable interest. — Any person has an insurable interest in property, by the existence of which he will gain an advantage, or by the destruction of which he will suffer a loss, whether he has or has not any title in, or lien upon, or possession of the property itself. Teague-Strebeck Motors, Inc. v. Chrysler Ins. Co., 1999-NMCA-109, 127 N.M. 603, 985 P.2d 1183, cert. denied, 127 N.M. 391, 981 P.2d 1209 (1999).

Contingent interests. — Even though a purchase agreement for an automobile dealership that was destroyed by fire was subject to approval by the bankruptcy court, the purchaser had an insurable interest in the property if the agreement would in fact have been approved by the court had there been no fire. Teague-Strebeck Motors, Inc. v. Chrysler Ins. Co., 1999-NMCA-109, 127 N.M. 603, 985 P.2d 1183, cert. denied, 127 N.M. 391, 981 P.2d 1209 (1999).

Mobile home. — Insureds, who had an oral contract to purchase a mobile home and were co-obligors on a note secured by the mobile home in which they were residing when it was destroyed by fire, had an insurable interest in the mobile home. Suggs v. State Farm Fire & Cas. Co., 833 F.2d 883 (10th Cir. 1987), cert. denied, 486 U.S. 1007, 108 S. Ct. 1732, 100 L. Ed. 2d 196 (1988).


Fire insurance: insurable interest of one expecting to inherit property or take by will, 52 A.L.R.4th 1273.

Insurable interest in property of lessee with option to purchase property, 74 A.L.R.4th 883.

59A-18-7. Power to contract for insurance; purchase of insurance or annuity by minor.

A. Any person of competent legal capacity may contract for insurance.

B. Any minor not less than fifteen (15) years of age may, notwithstanding his minority, contract for annuities or for insurance upon his own life or health, or on the person of another individual in whom the minor has an insurable interest. Such a minor shall, notwithstanding such minority, be deemed competent to exercise all rights and powers with respect to or under any such contract as might be exercised by an individual of full legal age, and may at any time surrender his interest in any such contract and give valid discharge for any benefit accruing or money payable thereunder. Such a minor shall not, by reason of his minority, be entitled to rescind, avoid or repudiate the contract, nor to rescind, avoid or repudiate any exercise of a right or privilege thereunder, except that such a minor not otherwise emancipated, shall not be bound by any unperformed agreement to pay by promissory note or otherwise, any premium on any such annuity or insurance contract. Any annuity or insurance contract procured by or for a minor under this subsection shall be made payable either to the minor or his estate or to a person having an insurable interest in the minor's life.

History: Laws 1984, ch. 127, § 337.

No life or health insurance contract upon an individual, except a contract of group life insurance or of group or blanket health insurance, shall be made or effectuated unless at the time of the making of the contract, such individual applies therefor or has consented thereto in writing, except in the following cases:

A. A spouse may effectuate such insurance upon the other spouse;

B. Any person having an insurable interest in the life of a minor, or any person upon whom a minor is dependent for support and maintenance, may effectuate insurance upon the life of or pertaining to such minor; and

C. Family policies may be issued insuring any two (2) or more members of a family on an application signed by either parent, a stepparent, a guardian, or by a husband or wife.


ANNOTATION

Where unsigned insurance policy enforceable. — Insurance policy was not void or otherwise unenforceable because the insured did not sign the application or consent to the policy in writing. Where the insured consents to, and even directs, procurement of an insurance policy on his life and believes that he is thereby insured, permitting the insurance company to avoid liability when the insured dies would not further the purpose of this section, which is to protect the insurer against speculation on his life and foul play. Jackson Nat'l Life Ins. Co. v. Receconi, 113 N.M. 403, 827 P.2d 118 (1992).


No alteration of any written application for any life or health insurance policy or annuity contract shall be made by any person other than the applicant without his written consent, except that insertions may be made by the insurer for administrative purposes only in such manner as to indicate clearly that such insertions are not to be ascribed to the applicant.


59A-18-10. Application as evidence.

A. The insured shall not be bound by any statement made in the application, and no application for issuance of any life or health insurance policy or annuity contract shall be admissible in evidence in any action relative to such policy or contract, unless a true copy of the application was attached to or otherwise made a part of the policy or contract when issued. This subsection does not apply to industrial life insurance policies.

B. If any policy of life or health insurance or annuity contract delivered in this state is
reinstated or renewed, and the insured, beneficiary, annuitant or assignee of the policy or contract makes written request to the insurer for a copy of the application, if any, for such reinstatement or renewal, the insurer shall, within fifteen (15) days after receipt of such request at its home office or any of its branch offices, deliver or mail a copy of the application to the person making the request. If such copy is not so delivered or mailed, the insurer shall be precluded from introducing the application as evidence in any action or proceeding based upon or involving such policy or contract or its reinstatement or renewal. If such a request is from a beneficiary or assignee, the time within which the insurer is required to furnish a copy of the application shall not begin to run until after receipt of evidence satisfactory to the insurer of the beneficiary's or assignee's vested interest in the policy or contract.

C. As to kinds of insurance other than life or health insurance or annuity contract, no application for insurance signed by or on behalf of the insured shall be admissible in evidence in any action between the insured and the insurer arising out of the policy so applied for, if the insurer has failed, at expiration of thirty (30) days after receipt by the insurer at its home office or branch office, of a written demand therefor by or on behalf of the insured, to furnish to the insured a copy of the application reproduced by any legible means.


A. The insured shall not be bound by any statement made in an application for a policy unless a copy of such application is attached to or endorsed on the policy when issued as a part thereof. If any such policy delivered or issued for delivery to any person in this state shall be reinstated or renewed and the insured or the beneficiary or assignee of such policy shall make written request to the insurance company for a copy of the application, if any, for such reinstatement or renewal, the insurance company shall within fifteen days after the receipt of such request at its home office or any branch office of the insurance company, deliver or mail to the person making such request, a copy of such application. If such copy shall not be so delivered or mailed, the insurance company shall be precluded from introducing such application as evidence in any action or proceeding based upon or involving such policy or its reinstatement or renewal.

B. No alteration of any written application for any such policy shall be made by any person other than the applicant without his written consent, except that insertions may be made by the insurance company, for administrative purposes only, in such manner as to indicate clearly that such insertions are not to be ascribed to the applicant.

C. The falsity of any statement in the application for any policy covered by this Code may not bar the right to recovery thereunder unless such false statement materially affected either the acceptance of the risk or hazard assumed by the insurance company.
Material misrepresentation renders policy voidable. — The general rule, and the rule consistent with principles of contract and the duty of fair dealing, which is the duty imposed upon both the insurer and the insured, is that if misrepresentations be made, or information withheld, and such be material to the contract, then regardless of whether the party acted fraudulently, negligently or innocently, the insurer is entitled to void the policy, in the absence of waiver or estoppel. Modisette v. Foundation Reserve Ins. Co., 77 N.M. 661, 427 P.2d 21 (1967).

Regardless of intent. — Action for death benefit under certificate of fraternal benefit insurance was defeated by fact that insured, being then pregnant and afterward dying as result thereof, falsely, though innocently, warranted in application for insurance that she was not pregnant. Vigil v. American Ins. Union, 37 N.M. 44, 17 P.2d 936 (1932).

Representation or concealment of fact is material if it operates as an inducement to the insurer to enter into the contract, where, except for such inducement, it would not have done so, or would have charged a higher premium. Modisette v. Foundation Reserve Ins. Co., 77 N.M. 661, 427 P.2d 21 (1967).

When it is determined that the insurer's conduct would not have been altered in either accepting the risk, or in the premium that would have been charged, the conclusion follows that the policy should not be cancelled for fraud. Tsosie v. Foundation Reserve Ins. Co., 77 N.M. 671, 427 P.2d 29 (1967).

Effect of insurer's agent's misstatement. — Insurer is not relieved from liability by reason of misstatements as to health of insured in application made out by insurer's agent and signed by insured without reading, though copy of application, as required by statute, is attached to policy when delivered, and was not read by insured. Griego v. New York Life Ins. Co., 44 N.M. 330, 102 P.2d 31 (1940).

Effect of agent's disregard of information. — Aside from any question which may be present as to the effect of the failure of insurer's agent to make further inquiry to avoid being misled, the agent's disregard of the information that was given may properly be considered by the court in determining the issue of materiality and reliance. Tsosie v. Foundation Reserve Ins. Co., 77 N.M. 671, 427 P.2d 29 (1967).

Materiality is factual question. — The question of materiality or reliance by the defendant ordinarily is for the trier of facts, and the burden of proof is on the insurance company. Tsosie v. Foundation Reserve Ins. Co., 77 N.M. 671, 427 P.2d 29 (1967).

Knowledge prerequisite to waiver or estoppel. — An insurer may waive its right to assert a forfeiture, or be estopped from asserting this right. Before an insurer can be held to have waived, or be estopped from asserting a right of forfeiture, it must have had knowledge of the facts. Modisette v. Foundation Reserve Ins. Co., 77 N.M. 661, 427 P.2d 21 (1967).

Am. Jur. 2d, A.L.R. and C.J.S. references. — Insured's statement, in application for life or health insurance or its reinstatement, that he is in good health, as absolute representation of, or mere statement of, his good faith belief in his good health, 26 A.L.R.3d 1061.

59A-18-12. Filing of forms and classifications; review of effect upon insured.
A. An insurance policy or annuity contract shall not be delivered or issued for delivery in this state, nor shall an assumption certificate, endorsement, rider or application that becomes a part of a policy be used, until a copy of the form and the classification of risks pertaining to the policy have been filed with the superintendent. A filing shall be made at least sixty days before its proposed effective date. A filing made pursuant to this section shall not become effective nor shall it be used until approved by the superintendent pursuant to Section 59A-18-14 NMSA 1978, at which time it may be used. A filing for any kind of insurance other than life insurance or health insurance, as defined in the Insurance Rate Regulation Law [59A-17-1 NMSA 1978], shall be deemed to meet the requirements of Chapter 59A, Article 18 NMSA 1978 to become effective unless disapproved pursuant to Section 59A-18-14 NMSA 1978 by the superintendent before the expiration of the waiting period or an extension of the waiting period. Provided, that:

(1) this subsection shall not apply as to policies, contracts, endorsements or riders of unique and special character not for general use or offering but designed and used solely as to a particular insured or risk;

(2) if the superintendent has exempted a person or a class of persons or a market segment from a part or all of the provisions of the Insurance Rate Regulation Law pursuant to Subsection C of Section 59A-17-2 NMSA 1978, the superintendent also may exempt by rule that person, class of persons or market segment from a part or all of the provisions of this subsection;

(3) an insurer subject to the Insurance Rate Regulation Law may authorize an advisory organization to file policy forms, endorsements and other contract language and related attachment rules on its behalf. Reference filings shall be made prior to their use or by other methods the superintendent may allow by rule; and

(4) the superintendent may, by rule, exempt various lines and kinds of commercial insurance, as defined in the Insurance Rate Regulation Law, from some or all of the requirements of this subsection.

B. A workers' compensation insurance policy covering a risk arising from the employment of a worker performing work for an employer in New Mexico when that employer is not domiciled in New Mexico shall not be issued or become effective, nor shall any endorsement or rider covering such a risk be issued or become effective, until a copy of the form and the classification of risks pertaining thereto have been filed with the superintendent.

C. An insured may in writing request the insurer to review the manner in which its filing has been applied as to insurance afforded the insured. If the insurer fails to make a review and grant appropriate relief within thirty days after the request is received, the insured may file a written complaint and request for a hearing with the superintendent, stating grounds relied upon. If the complaint charges a violation of the Insurance Code and the superintendent finds that the complaint was made in good faith and that the insured would be aggrieved if the violation is proved, the superintendent shall hold a hearing, with notice to the insured and insurer stating the grounds of complaint. If upon the hearing the superintendent finds the complaint justified, the superintendent shall order the insurer to correct the matter complained of within a reasonable time specified but not less than twenty days after a copy of the order was mailed to or served
upon the insurer.

D. All filings submitted pursuant to this section shall be filed electronically. The superintendent may designate an entity to receive the electronic filings submitted pursuant to this section.


The 1993 amendment, effective June 18, 1993, inserted "assumption certificate" preceding "endorsement" in the first sentence in Subsection A.

The 2002 amendment, effective March 4, 2002, rewrote the last sentence of Subsection A as a proviso, designating the existing provisions as Paragraph (1), and adding Paragraph (2).

The 2003 amendment, effective June 20, 2003, in Subsection A, substituted "An" for "No" at the beginning, substituted "A" for "No" at the beginning of the third sentence, inserted "not" following "this section shall", inserted "at which time it may be used" following "Section 59A-18-14 NMSA 1978"; substituted "a part" for "any" twice in Paragraph A(2); in Subsection B, substituted "A" for "No" at the beginning, inserted "not" following "New Mexico shall".

The 2007 amendment, effective July 1, 2007, provides that a filing, except for life or health insurance, meets the requirements of Chapter 59A, Article 18 NMSA 1978 to become effective unless disapproved by the superintendent prior to expiration of the waiting period or an extension of the waiting period and adds new Paragraphs (3) and (4) of Subsection A.

The 2009 amendment, effective June 19, 2009, added Subsection D.

Existing forms and filings. — See notes following 59A-5-21 NMSA 1978.

ANNOTATIONS

Effect of failure to file form. — An insured's rejection of uninsured motorist coverage was not a nullity because the application form with its rejection language and the declarations page were never submitted for approval under this section. Vigil v. Rio Grande Ins., 1997-NMCA-124, 124 N.M. 324, 950 P.2d 297.


A. With policy, endorsement, rider and application forms and classification of risks filed by the insurer with the superintendent under Section 59A-18-12 NMSA 1978 as to health insurance, the insurer shall also file with the superintendent its premium rates applicable to such health insurance forms. An insurer shall not use any such form or premium that has not been approved by the superintendent or that is not in effect in accordance with Section 59A-18-14 NMSA 1978.

B. An increase in a health insurance premium shall not be effective without sixty days' written notice to the policyholder.

C. All filings submitted pursuant to this section shall be filed electronically. The
superintendent may designate an entity to receive the electronic filings submitted pursuant to this section.

History: Laws 1984, ch. 127, § 343; 1987, ch. 244, § 10; 2003, ch. 397, § 1; 2009, ch. 182, § 3.

The 2003 amendment, effective June 20, 2003, inserted the Subsection A designation and added Subsection B.

Existing forms and filings. — See notes following 59A-5-21 NMSA 1978.

The 2009 amendment, effective June 19, 2009, added Subsection C.


A. Every insurer, fraternal benefit society, health maintenance organization or nonprofit health care plan that provides primary health insurance or health care coverage insuring or covering major medical expenses shall, in determining the initial year's premium charged for an individual, use only the rating factors of age, gender, geographic area of the place of employment and smoking practices, except that for individual policies the rating factor of the individual's place of residence may be used instead of the geographic area of the individual's place of employment.

B. In determining the initial and any subsequent year's rate, the difference in rates in any one age group that may be charged on the basis of a person's gender shall not exceed another person's rates in the age group by more than twenty percent of the lower rate, and no person's rate shall exceed the rate of any other person with similar family composition by more than two hundred fifty percent of the lower rate, except that the rates for children under the age of nineteen or children aged nineteen to twenty-five who are full-time students may be lower than the bottom rates in the two hundred fifty percent band. The rating factor restrictions shall not prohibit an insurer, society, organization or plan from offering rates that differ depending upon family composition.

C. The provisions of this section do not preclude an insurer, fraternal benefit society, health maintenance organization or nonprofit health care plan from using health status or occupational or industry classification in establishing:

   (1) rates for individual policies; or

   (2) the amount an employer may be charged for coverage under the group health plan.

D. As used in Subsection C of this section, "health status" does not include genetic information.

E. The superintendent shall adopt regulations to implement the provisions of this section.


1997 amendments. — Identical amendments to this section by Laws 1997, ch. 22, § 1, effective July...
1, 1997, and Laws 1997, ch. 243, § 18, effective April 11, 1997, in Subsection A, deleted "Until July 1, 1998" from the beginning, inserted "except that for individual policies the rating factor of the individual's place of residence may be used instead of the geographic area of the individual's place of employment" at the end of the first sentence, and inserted "or children aged nineteen to twenty-five who are full-time students" following "under the age of nineteen" in the second sentence; deleted former Subsection B relating to charging the same premium for the same coverage regardless of medical risk, job risk, or gender; and redesignated former Subsection C as Subsection B.

The 1998 amendment, effective March 6, 1998, redesignated the second and third sentences of Subsection A as Subsection B; added Subsection C; and redesignated Subsection B as Subsection D.

Applicability. — Laws 1994, ch. 75, § 36 makes the provisions of §§ 26 to 34 of the act applicable to all plans and policies delivered, issued for delivery or renewed on or after January 1, 1995.


A. The superintendent shall review any filing made pursuant to Section 59A-18-12 or 59A-18-13 NMSA 1978 within sixty days of the filing date. The superintendent shall approve any form or rate if he finds that it complies with the Insurance Code, and disapprove any form or rate only on any one or more of the following grounds:

1. if the form is in any respect in violation of or does not comply with the Insurance Code;

2. if the form contains, or incorporates by reference where such incorporation is otherwise permissible, any inconsistent, ambiguous or misleading clauses, or exceptions and conditions which deceptively affect the risk purported to be assumed in the general coverage of the contract, or which encourages misrepresentation of the policy or its benefits;

3. if the benefits offered are unreasonably restricted in relation to the premium charged;

4. if the form has any title, heading or other indication of its provisions which is misleading, or if the form is printed in such type or manner of reproduction as to be difficult to read; or

5. if purchase of the form is being solicited by advertising, communication or dissemination of information which is deceptive or misleading.

B. If the superintendent disapproves any such form during the sixty-day review period, he shall give the insurer written notice of the disapproval, stating the grounds therefor.

C. After expiration of the sixty-day review period referred to in Section 59A-18-13 NMSA 1978 [Subsection A of this section], or at any time after having approved a form, the superintendent may, after a hearing thereon, disapprove a form or withdraw a previous approval on any of the grounds stated in Subsection A of this section. The superintendent's order issued on such hearing shall state the grounds for disapproval or withdrawal of previous approval and the date, not less than twenty days after the date of the order, when disapproval or withdrawal of approval shall become effective.

Bracketed material. — The bracketed material in Subsection C was inserted by the compiler. It was not enacted by the legislature, and it is not part of the law. The reference to “the sixty-day review period referred to in Section 59A-18-13 NMSA 1978” is apparently erroneous. The apparent intended reference is to Subsection A of this section.


59A-18-16. Continuation of coverage and conversion rights; accident and health insurance policies; notice.

Subject to the provisions of the Health Insurance Portability Act [Chapter 59A, Article 23E NMSA 1978]:

A. every accident and health insurance policy that provides hospital, surgical and medical expense benefits and that is delivered, issued for delivery or renewed in this state on or after January 1, 1985 shall provide:

(1) if an individual policy, covered family members the right to continue such policy as the named insured or through a conversion policy upon the death of the named insured or upon the divorce, annulment or dissolution of marriage or legal separation of the spouse from the named insured; or

(2) if a group policy:

(a) each member or employee of the group insured the right to continue such coverage for a period of six months and thereafter through a conversion policy upon termination of membership or employment with the group insured; and

(b) covered family members of an employee or member of the group insured the right to continue such coverage through a converted or separate policy upon the death of the member or employee of the group insured or upon the divorce, annulment or dissolution of marriage or legal separation of the spouse from the member or employee of the group insured.

Where a continuation of coverage or conversion is made in the name of the spouse of the named insured or the spouse of the employee or member of the group insured, such coverage may, at the option of the spouse, include coverage for dependent children for whom the spouse has responsibility for care and support;

B. the right to a continuation of coverage or conversion pursuant to this section shall not exist with respect to any member or employee of the group insured or any covered family
member in the event the coverage terminates for nonpayment of premium, nonrenewal of the policy or the expiration of the term for which the policy is issued. With respect to any member or employee of the group insured or any covered family member who is eligible for medicare or any other similar federal or state health insurance program, the right to a continuation of coverage or conversion shall be limited to coverage under a medicare supplement insurance policy as defined by the rules and regulations adopted by the superintendent;

C. coverage continued through the issuance of a converted or separate policy shall be provided at a reasonable, nondiscriminatory rate to the insured and shall consist of a form of coverage then being offered by the insurer as a conversion policy in the jurisdiction where the person exercising the conversion right resides that most nearly approximates the coverage of the policy from which conversion is exercised. Continued and converted coverages shall contain renewal provisions that are not less favorable to the insured than those contained in the policy from which the conversion is made, except that the person who exercises the right of conversion is entitled only to have included a right to coverage under a medicare supplement insurance policy, as defined by the rules and regulations adopted by the superintendent, after the attainment of the age of eligibility for medicare or any other similar federal or state health insurance program;

D. at the time of inception of coverage, the insurer shall furnish to each covered family member who is eighteen years of age or over and to each employee or member of the group insured a statement setting forth in summary form the continuation of coverage and conversion provisions of the policy;

E. the insurer shall notify in writing each employee or member, upon that employee's or member's termination of employment or membership with the group insured, of the continuation and conversion provisions of the policy. The employer may give the written notice specified herein. The employer should notify the insurer of the employee's or member's change of status and last known address. Under no circumstances shall the employer have any civil liability under the conversion provisions of the Insurance Code;

F. the eligible employee or member of the group insured or covered family member exercising the continuation or conversion right shall notify the employer or insurer and make payment of the applicable premium within thirty days following the date of the notification given by the insurer pursuant to Subsection E of this section. There shall be no lapse of coverage during the period in which conversion is available;

G. coverage shall be provided through continuation or conversion without additional evidence of insurability and shall not impose any preexisting condition, limitations or other contractual time limitations other than those remaining unexpired under the policy or contract from which continuation or conversion is exercised;

H. benefits otherwise payable under a converted or separate policy may be reduced so they are not, during the first policy year of the converted or separate policy, in excess of those that would have been payable under the policy from which conversion is exercised. Benefits, if any, otherwise payable under a converted or separate policy are not payable for a loss claimed
under the policy from which conversion is exercised; and

I. any probationary or waiting period set forth in the converted or separate policy is deemed to commence on the effective date of the applicant's coverage under the original policy.


**The 1997 amendment,** effective April 11, 1997, inserted the introductory language at the beginning of the section, and made minor stylistic changes.

**Insurance Code.** — See 59A-1-1 NMSA 1978 and notes thereto.


The superintendent may promulgate reasonable rules and regulations to establish requirements for group coverage discontinuance and replacement.


A. Insurance contracts shall contain such standard or uniform provisions as are required by applicable provisions of the Insurance Code [59A-1-1 NMSA 1978] pertaining to contracts of particular kinds of insurance.

B. No policy shall contain a provision inconsistent with or contradictory to a standard or uniform provision used or required to be used, but the superintendent may approve a substitute provision that is, in the superintendent's opinion, not less favorable in any particular to the insured, owner or beneficiary than the provision otherwise required or that is designed to comply with Chapter 59A, Article 19 NMSA 1978.

C. Insurance coverage provided in residential property insurance policies shall provide coverage for the cost to repair or replace without deduction for depreciation. If the insured elects to effectuate repairs to the property by the insured's own self, a reasonable overhead expense shall be allowed.

D. In lieu of the provisions required by the Insurance Code for contracts for particular kinds of insurance, substantially similar provisions required by the laws of the domicile of a foreign or alien insurer may be used when approved by the superintendent.

E. A policy issued by a domestic insurer for delivery in another jurisdiction may contain any provision required or permitted under the laws of such jurisdiction.

F. To protect consumers as well as enhance the value of consumer information systems, the superintendent may specify minimum coverage provisions that homeowners insurance policies,
private passenger non-fleet automobile insurance policies or other lines or kinds of insurance policies that are priced in a consumer information system shall contain, provided that such minimum coverage provisions are contained in the majority of policies in force in New Mexico for that line or kind of insurance. An insurer that does not offer a policy that contains the minimum coverage provisions specified by the superintendent for a line or kind of insurance shall not be included in a consumer information system for that line or kind of insurance. The superintendent shall not compel an insurer to offer a policy containing minimum coverage provisions specified by the superintendent.


The 2007 amendment, effective July 1, 2007, adds Subsection F.


Owned vehicle exclusion. — Where the owned vehicle exclusion of the insured’s motor vehicle policy defined the insured to include the insured’s spouse, the policy excluded coverage for the use by the insured of a vehicle owned by the insured’s spouse that was not listed on the insured’s policy. Sheldon v. The Hartford Insurance Co., 2008-NMCA-098, 144 N.M. 562, 189 P.3d 695.

Regular use exclusion. — Where the insured could use his wife’s vehicle whenever he wanted; the insured regularly used the vehicle in connection with his wife’s business to make bank deposits, pick up items and run errands; and the vehicle was not listed on the insured’s policy, the regular use exclusion in the insured’s motor vehicle policy excluded coverage for his wife’s vehicle. Sheldon v. The Hartford Insurance Co., 2008-NMCA-098, 144 N.M. 562, 189 P.3d 695.


No policy shall contain any provision purporting to make any portion of the charter, bylaws or other constituent document of the insurer (other than the subscriber's agreement or power of attorney of a reciprocal insurer) a part of the contract unless such portion is set forth in full in the policy.

History: Laws 1984, ch. 127, § 347.


A. Every policy shall be executed in the name of and on behalf of the insurer by its officer, attorney-in-fact, employee or representative duly authorized by the insurer.

B. A facsimile signature of any such executing individual may be used in lieu of an original
C. No policy which is otherwise valid shall be rendered invalid by reason of the apparent execution thereof on behalf of the insurer by the imprinted facsimile signature of an individual not authorized so to execute as of the date of the policy.


A. Two (2) or more authorized insurers may jointly issue, and shall be jointly and severally liable on, an underwriters' policy bearing their names. Any one insurer may issue policies in the name of an underwriter's department and such policy shall plainly show the true name of the insurer.

B. Two (2) or more insurers may, with the superintendent's approval, issue a combination policy containing additional provisions substantially as follows:

   (1) that the insurers executing the policy shall be severally liable for the full amount of any loss or damage, according to the terms of the policy, or for specified percentages or amounts thereof, aggregating the full amount of insurance under the policy; and

   (2) that service of process, or of any notice or proof of loss required by such policy, upon any of the insurers executing the policy shall constitute service upon all such insurers.

C. This section does not apply to cosurety obligations.

History: Laws 1984, ch. 127, § 349.


A. A policy delivered or issued for delivery after the effective date of the Insurance Code to any person in this state in violation of the Insurance Code but otherwise binding on the insurer, shall be held valid, but shall be construed as provided in the Insurance Code.

B. Any condition, omission or provision not in compliance with the requirements of the Insurance Code and contained in any policy, rider or endorsement issued after the effective date of the Insurance Code and otherwise valid shall not thereby be rendered invalid but shall be interpreted and applied in accordance with such condition, omission or provision as would have applied had the same been in full compliance with the Insurance Code.


Existing forms and filings. — See notes following 59A-5-21 NMSA 1978.

Where unsigned insurance policy enforceable. — Insurance policy was not void or otherwise unenforceable because the insured did not sign the application or consent to the policy in writing. If the insured consents to, and even directs, procurement of an insurance policy on his life and believes that he is thereby insured, permitting the insurance company to avoid liability when the insured dies would not further the purpose of § 59A-18-8, which is to protect the insurer against speculation on his life and foul play. Jackson Nat'l Life Ins. Co. v. Receconi, 113 N.M. 403, 827 P.2d 118 (1992).


A. While acting within the scope of authority granted by the insurer, binders or other contracts for temporary insurance may be made by an agent orally or in writing, and shall be deemed to include all the usual terms of the policy as to which the binder was given together with such applicable endorsements as are designated in the binder, except as superseded by the clear and express terms of the binder.

B. No binder shall be valid beyond the issuance of the policy as to which given, or beyond ninety (90) days for written binders, fifteen days for oral, from its effective date, whichever period is the shorter.

C. If the policy has not been issued a binder may be extended or renewed beyond such ninety (90) or fifteen days with the written approval of the insurer.

D. This section shall not apply as to life or health insurances; and binders under the standard fire policy are governed by Section 492 of the Insurance Code and not by this section.

History: Laws 1984, ch. 127, § 351.

Binder is temporary contract of insurance which is intended to give temporary protection pending investigation of the risk and issuance of a formal written policy. Nance v. L.J. Dolloff Associates, Inc., 2006-NMCA-012, 138 N.M. 851, 126 P.3d 1215.

But not written contract as basis for breach. — Because a binder is a contract of insurance and not a contract for insurance, even if there is a binder, and thus a written contract, it is not a written contract upon which can be based a claim for breach of contract. Nance v. L.J. Dolloff Associates, Inc., 2006-NMCA-012, 138 N.M. 851, 126 P.3d 1215.

Compiler's notes. — Section 492 of the Insurance Code, referred to in Subsection D, is set out in Laws 1984, ch. 127, as reserved.


A. If the original policy is delivered or is so required to be delivered to or for deposit with any vendor, mortgagee or pledgee of any motor vehicle, in which policy any interest of the vendee, mortgagor or pledgor in or with respect to such vehicle is insured, a duplicate of the policy setting forth the name and address of the insurer, insurance classification of vehicle, type
of coverage, limits of liability, premiums for the respective coverages, and duration of the policy, or memorandum thereof containing the same information, shall be delivered by the vendor, mortgagee or pledgee to each such vendee, mortgagor or pledgor named in the policy or coming within the group of persons designated in the policy to be so included. If the policy does not provide coverage of legal liability of the vendee, mortgagor or pledgor for injury to persons or damage to property of third parties, a statement of such fact shall be printed, written or stamped conspicuously on the face of the duplicate policy or memorandum.

B. This section does not apply to inland marine floater policies.


Any licensed agent appointed as agent by an insurer shall, in any controversy between the insured or his beneficiary and the insurer, be held to be the agent of the insurer which issued the insurance solicited or applied for, anything in the application or policy to the contrary notwithstanding; and any broker licensed to transact insurance business in this state, in any controversy between any insured or his beneficiary and the insurer issuing the insurance through its licensed agent at request of the broker, shall be held to be the agent of the insured, anything in the application or policy to the contrary notwithstanding, unless under particular circumstances it is found that the broker is representing the insurer. This section shall not apply as to surplus line brokers, nor as to acts of the agent in fraud or attempted fraud of the insurer or acts of the broker in fraud or attempted fraud of the insured.


ANNOTATION

Clause prohibiting waiver by agent ineffective. — A clause in an insurance application prohibiting a waiver of conditions in the application except by an endorsement of an officer of the insurer could not operate to prevent the waiver by the insurer's agent of the conditions in the application requiring the insurer to notify the insurer of his changed health and conditioning delivery of the policy on the insured's health remaining the same prior to delivery of the policy where the insurer's agent requested payment of the insurance premium after the insured had notified the agent of his changed health. Jackson Nat'l Life Ins. Co. v. Receconi, 113 N.M. 403, 827 P.2d 118 (1992).


Where amounts of insurance under group, blanket or other forms of life, annuity or health insurance coverage are now or hereafter limited to specified dollar amounts by any provision of the Insurance Code, the insurer may, with the superintendent's approval and notwithstanding the
statutory limit otherwise applicable, increase the dollar amount of coverage in particular policies or contracts as reasonably necessary to offset devaluation of dollar purchasing power because of inflation, and to provide current coverage in amount reasonably related to dollar purchasing power at the time such statutory limit was enacted. The superintendent may promulgate reasonable rules and regulations for effectuation of this section under which the increased amounts of coverage may be applied generally and without approval by the superintendent of increases in each instance.

**History:** Laws 1984, ch. 127, § 354.

**Insurance Code.** — See 59A-1-1 NMSA 1978 and notes thereto.


Whenever the proceeds of or payments under a life or health insurance policy or annuity contract heretofore or hereafter issued become payable in accordance with the terms of the policy or contract, or exercise of any right or privilege thereunder, and the insurer makes payment thereof in accordance with the terms of the policy or contract or in accordance with any written assignment thereof, the person then designated in the policy, contract or assignment as being entitled thereto shall be entitled to receive such proceeds or payments and to give full acquittance therefor; and such payment shall fully discharge the insurer from all claims under the policy or contract unless, before payment is made, the insurer has received at its home office written notice by or on behalf of some other person that such other person claims to be entitled to such payment or some interest in the policy or contract.

**History:** Laws 1984, ch. 127, § 355.

### 59A-18-27. Forms of proof of loss to be furnished.

Upon receiving due notice of a claim of loss under an insurance contract issued or assumed by it, an insurer shall promptly furnish to the insured claimant such forms of proof of loss as it may require for completion by such person, but the insurer shall not have any responsibility for or with respect to completion of such proof or the manner of any such completion or attempted completion.

**History:** Laws 1984, ch. 127, § 356.


A. The superintendent shall devise or designate universal forms to be utilized by every health insurer, including health maintenance organizations, nonprofit health plans and fraternal organizations offering any type of health coverage for individuals residing in this state, for the purpose of receiving claims under their policies. In preparing the forms, the superintendent may consult with insurers, trade associations and other interested parties. Upon adoption of the final
forms by the superintendent, he shall notify the insurers affected by sending them a specimen copy of the adopted forms and an explanation of the requirements of this section. Every covered insurer shall begin using the adopted forms not later than six months following the date of the superintendent's notification.

B. A health insurer may not refuse to accept a claim submitted on uniform claim forms adopted pursuant to Subsection A of this section, but may accept claims submitted on any other form.

C. A health insurer does not violate this section by using a claim form that the insurer has been required to use by the state or federal government.


The acknowledgment by any insurance company of the receipt of notice given under any policy covered by this code [Chapter 59A NMSA 1978], or the furnishing of forms for filing proofs of loss, or the acceptance of such proofs, or the investigation of any claim thereunder shall not operate as a waiver of any of the rights of the insurance company in defense of any claim arising under such policy.

History: Laws 1984, ch. 127, § 357.


A. An insurer or agent may at any time cancel a policy for nonpayment of premium thereon when due, whether the premium is payable directly to the insurer or agent or indirectly under any premium financing plan or extension of credit. The insurer or agent shall give the named insured written notice of such cancellation not less than ten (10) days prior to the effective date of the cancellation.

B. An insurer may cancel its policy without cause at any time within sixty (60) days next following original issuance and effective date of the policy. The insurer shall give the named insured written notice of such cancellation not less than ten (10) days prior to the effective date of the cancellation, which effective date shall fall within such sixty (60) day period.

C. Subject to Subsection A above, after expiration of the sixty (60) day period referred to in Subsection B an insurer or agent shall not cancel except for reasonable cause such policies and for such causes, and with advance notice of cancellation for such period of time, as may from time to time be provided by rules and regulations of the superintendent. Such rules and regulations may also require that statement of the reasons for such cancellation be contained in the notice of cancellation given to specified persons.
D. Notice of cancellation may be given by personal delivery to the named insured or by mailing the notice postage-paid addressed to the named insured at his address last of record with the insurer. Notice so mailed shall be deemed given when deposited in a mail depository of the United States post office.

E. There shall be no liability on the part of and no cause of action shall arise against any insurer or other person for furnishing information as to reasons for cancellation or for any statement made or information given pursuant to this section.

F. This section shall not apply as to life insurance or annuity contracts, health insurance contracts, title insurance, inland marine insurance contracts, or to any insurance policy which by its terms is not cancellable during the term of the policy at the option of the insurer.

**History:** Laws 1984, ch. 127, § 358.

### ANNOTATION

**Reasonable cause required.** — This section does not preclude an insurer from cancelling insurance after sixty days, but requires only that reasonable cause exists for cancellation. Neither does it mandate that the insurer give notice of what the reasonable cause is. Notification of reasonable cause for termination is not a statutory requirement. Corbin v. State Farm Ins. Co., 109 N.M. 589, 788 P.2d 345 (1990).

**Common-law duty to avoid terminating policy.** — An employer owes a common-law duty of good faith and due care to employees in attending a group insurance policy secured for the benefit of the employees. This duty requires the employer perform whatever functions are reasonable and necessary in order to keep the policy in effect, and that the employer avoid terminating the insurance policy or allowing it to lapse contrary to the desires and intentions of the employees. Notice of cancellation to the employee is not required, however, when the basis for the cancellation is nonpayment by the employee. Chavez v. American Life & Cas. Ins. Co., 117 N.M. 393, 872 P.2d 366 (1994).

**Statutory requirement of 10-day notice of cancellation does not apply to life insurance.** — It is only the phrase “to any insurance policy” that is limited by the concluding language in Subsection F. Chavez v. American Life & Cas. Ins. Co., 117 N.M. 393, 872 P.2d 366 (1994).

**No notice required before coverage lapses.** — The failure of an insured to pay a renewal premium by the due date results in a lapse of coverage as of the last day of the policy period; under those circumstances, statutory requirement for 10-day notifications of cancellation does not apply. Guaranty Nat'l Ins. Co. v. C de Baca, 120 N.M. 806, 907 P.2d 210 (Ct. App. 1995).

**Provision that notice is deemed given when deposited in the mail** in Subsection D did not apply to a rejection notice of uninsured and underinsured motorist coverage. Kaiser v. DeCarrera, 1996-NMSC-050, 122 N.M. 221, 923 P.2d 588.

**Liability of insurer to third persons.** — Where an insurer canceled a trucker's insurance policy in accordance with this section, the cancellation terminated the liability of the insurer not only with respect to the insured, but also with respect to third persons who were creditors of the insured and who brought garnishment proceedings against the insurer. Howard v. Guaranty Nat'l Ins. Co., 1999-NMCA-121, 128 N.M. 79, 989 P.2d 896.

Validity and construction of automobile insurance provision or statute automatically terminating coverage when insured obtains another policy providing similar coverage, 61 A.L.R.4th 1130.

What constitutes waiver by insured or insured's agent of required notice of cancellation of insurance policy, 86 A.L.R.4th 886.


A. An insurer shall for a policy of insurance coverage provide the named insured of the policy with premium and claim data within sixty days of receipt of a written request from the named insured.

B. As used in this section "premium and claim data" shall include:
   (1) the sum of all premiums charged or billed by the insurer for the insurance policy;
   (2) the sum of all amounts paid out pursuant to claims covered under the policy;
   (3) a list of all pending claims against the policy which are open; and
   (4) cumulative loss or claim reserves chargeable to the policy.

C. None of the provisions of this section shall be applicable to life insurance policies or group insurance policies.


Compiler's notes. — This section was enacted as 59A-18-31 NMSA 1978 by Laws 1987, ch. 281, § 1. However, since no section 59A-18-30 existed, the section was redesignated.

59A-18-31. Accident and health policy or certificate provisions relating to individuals who are eligible for medical benefits under the medicaid program.

A. Each individual or group policy or certificate of accident or health insurance that is delivered, issued for delivery or renewed in this state shall include provisions that require benefits paid on behalf of a child or other insured person under the policy or certificate to be paid to the human services department when:
   (1) the human services department has paid or is paying benefits on behalf of the child or other insured person under the state's medicaid program pursuant to Title XIX of the federal Social Security Act, 42 U.S.C. 1396, et seq.;
   (2) payment for the services in question has been made by the human services department to the medicaid provider; and
   (3) the insurer is notified that the insured individual receives benefits under the medicaid program and that benefits must be paid directly to the human services department.
B. The notice required under Paragraph (3) of Subsection A of this section may be accomplished through an attachment to the claim by the human services department for insurance benefits when the claim is first submitted by the human services department to the insurer.

C. Notwithstanding any other provisions of law, checks in payment for claims pursuant to any individual or group policy or certificate of accident or health insurance for health care services provided to insured individuals who are also eligible for benefits under the medicaid program and provided by medical providers qualified to participate under the policy or certificate shall be made payable to the provider. The insurer may be notified that the insured individual is eligible for medicaid benefits through an attachment to the claim by the provider for insurance benefits when the claim is first submitted by the provider to the insurer.

D. No individual or group accident or health policy or certificate delivered, issued for delivery or renewed in this state on or after the effective date of this section shall contain any provision denying or limiting insurance benefits because services are rendered to an insured who is eligible for or who has received medical assistance under the medicaid program of this state.

E. To the extent that payment for covered expenses has been made pursuant to the state medicaid program for health care items or services furnished to an individual, in any case where an insurer has a legal liability to make payments, the state is considered to have acquired the rights of the individual to payment by the insurer for those health care items or services.


Cross references. — For the Minimum Healthcare Protection Act, see 59A-23B-1 et seq. NMSA 1978.

The 1994 amendment, effective July 1, 1994, added Subsection E.

Effective date of this section. — The phrase "effective date of this section", referred to in Subsection D, means June 16, 1989, the effective date of Laws 1989, ch. 183.

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ARTICLE 19
Policy Language Simplification

Section
59A-19-1 Short title; exclusive control.
59A-19-2 Scope of article.
59A-19-3 Definitions.
59A-19-5 Superintendent may allow lower reading ease score.
59A-19-6 Approval of forms.
59A-19-7 Effective date of approval requirement.
59A-19-1. Short title; exclusive control.

A. This article [Chapter 59A, Article 19 NMSA 1978] may be referred to as the "Policy Language Simplification Law".

B. No other statute of this state setting language simplification standards shall apply as to any policy forms.

History: Laws 1984, ch. 127, § 360.

ANNOTATION

Law reviews. — For annual survey of New Mexico law relating to commercial law, see 12 N.M.L. Rev. 173 (1982).

Am. Jur. 2d, A.L.R. and C.J.S. references. — Policy provision limiting time within which action may be brought on the policy as applicable to tort action by insured against insurer, 66 A.L.R.4th 859.


A. This article applies as to all policies, group certificates, benefit or service certificates, contracts, plans or agreements providing coverage as to life or health of human beings, and delivered or issued for delivery in this state by any insurer, fraternal benefit society, nonprofit health service corporation, prepaid health care plan, dental care plan, vision care plan, pharmaceutical plan, health maintenance organization and all similar organizations now or hereafter authorized to transact business in this state under any law of this state. The superintendent shall, by regulation, make this article applicable to any other policy, certificate, contract, plan or agreement of insurance when he determines that person delivering or issuing can reasonably comply with the provisions of this article.

B. This article shall not apply as to:

   (1) any policy which is a security subject to federal jurisdiction;

   (2) any group policy covering a group of one thousand (1,000) or more lives at date of issue, other than a group credit life insurance policy or a group credit health insurance policy; except, that any certificate issued pursuant to a group policy and delivered or issued for delivery in this state is not exempt;

   (3) any group annuity contract which is a funding vehicle for a pension, profit-sharing or deferred compensation plan;

   (4) any form used in connection with, or as a conversion from, or as an addition to, or in exchange pursuant to a contractual provision for, a policy delivered or issued for delivery in this state on an initial form approved or permitted to be issued prior to the date such initial form must be approved under this article; or
(5) the renewal of a policy delivered or issued for delivery prior to the date such policy form must be approved under this article.


For the purposes of this article:

A. "issuer" means the insurer, fraternal benefit society, nonprofit health service corporation, prepaid health plan, dental care plan, vision care plan, pharmaceutical plan, health maintenance organization or other organization referred to in Subsection A of Section 359 [59A-19-2 NMSA 1978] of this code; and

B. "policy" means any policy, group certificate, benefit or service contract, plan or agreement referred to in Subsection A of Section 359 of this code.


A. In addition to any other requirements of law, no policy forms shall be delivered or issued for delivery in New Mexico on or after the dates such form must be approved under this article, unless:

(1) the text achieves a minimum score of forty (40) on the Flesch reading ease test or an equivalent score on any other comparable test as provided in Subsection C of this section;

(2) it is printed, except for specification pages, schedules and tables, in not less than ten-point type, one point leaded;

(3) the style, arrangement and overall appearance of the policy give no undue prominence to any portion of the text of the policy or to any endorsements or riders; and

(4) it contains a table of contents or an index of the principal sections of the policy if the policy has more than three thousand (3,000) words printed on three (3) or fewer pages of text, or if the policy has more than three (3) pages regardless of the number of words.

B. For the purpose of this section, a Flesch reading ease test score shall be measured by the following method:

(1) for policy forms containing ten thousand (10,000) words or less of text, the entire form shall be analyzed. For policy forms containing more than ten thousand (10,000) words, the readability of two (2) two-hundred-word samples per page may be analyzed instead of the entire form. The samples shall be separated by at least twenty (20) printed lines;

(2) the number of words and sentences in the text shall be counted and the total number of words divided by the total number of sentences. The figure obtained shall be multiplied by a factor of 1.015;
the total number of syllables shall be counted and divided by the total number of words. The figure obtained shall be multiplied by a factor of 84.6;

the sum of the figures computed under Paragraphs (2) and (3) of this subsection subtracted from 206.835 equals the Flesch reading ease score for the policy form;

for the purposes of Paragraphs (2), (3) and (4) of this subsection the following procedures shall be used:

(a) a contraction, hyphenated word, or numbers and letters, when separated by spaces, shall be counted as one word;

(b) a unit of words ending with a period, semicolon or colon, but excluding headings and captions, shall be counted as a sentence; and

(c) a syllable means a unit of spoken language consisting of one or more letters of a word as divided by an accepted dictionary. Where the dictionary shows two (2) or more equally acceptable pronunciations of a word, the pronunciation containing fewer syllables may be used;

as used in this section, "text" includes all printed matter except the following:

(a) the name and address of the issuer; the name, number or title of the policy; the table of contents or index; captions and subcaptions; specification pages, schedules or tables; and

(b) any policy language which is drafted to conform to the requirements of any federal law, regulation or agency interpretation; any policy language required by any collectively bargained agreement; any medical terminology; any words which are defined in the policy; and any policy language required by law or regulation; provided, however, the issuer identifies the language or terminology excepted by this subparagraph and certifies in writing that the language or terminology is entitled to be excepted from this subparagraph.

C. Any other reading test may be approved by the superintendent for use as an alternative to the Flesch reading ease test if it is comparable in result to the Flesch reading ease test.

D. Filings subject to this section shall be accompanied by a certificate signed by an officer of the issuer stating that it meets the minimum reading ease score on the test used or stating that the score is lower than the minimum required but should be approved in accordance with Section 364 [59A-19-6 NMSA 1978] of this article. To confirm the accuracy of any certification, the superintendent may require the submission of further information to verify the certification in question.

E. At the option of the issuer, riders, endorsements, applications and other forms made a part of the policy may be scored as separate forms or as part of the policy with which they may be used.


59A-19-5. Superintendent may allow lower reading ease score.
The superintendent may, in his sole discretion, authorize use of a policy form having a lower score than the Flesch reading ease score required in Paragraph A(1) of Section 362 [59A-19-4 NMSA 1978] of this article if he finds that a lower score:

A. will provide a more accurate reflection of the readability of a policy form;
B. is warranted by the nature of a particular policy form or type or class of policy forms; or
C. is caused by certain policy language which is drafted to conform to requirements of any state law, regulation or agency interpretation.


59A-19-6. Approval of forms.

A. A policy form meeting the requirements of Subsection A of Section 362 [59A-19-4 NMSA 1978] of this article shall be approved notwithstanding the provisions of any other laws which specify the contents of policies, if the policy form provides for policyholders and claimants protection not less favorable than they would be entitled to under such laws.

B. Any non-English language policy shall be deemed to be in compliance with Paragraph (1), Subsection A, of Section 362 of this article if the issuer certifies to the superintendent in writing that the policy is translated from an English-language policy which complies with such paragraph.


Existing forms and filings. — See notes following 59A-5-21 NMSA 1978.


A. This article applies to all policy forms filed with the superintendent on or after July 1, 1984. No policy form shall be delivered or issued for delivery in New Mexico on or after July 1, 1987 unless approved by the superintendent or permitted to be issued under this article. Any policy form which has been approved by the superintendent or permitted to be issued prior to July 1, 1987 and which meets the standards set by this article need not be refiled with the superintendent for approval, but may continue to be delivered or issued for delivery in this state upon the issuer filing with the superintendent a list of such forms identified by form number and accompanied by a certificate as to each such form in the manner provided in Subsection D of Section 362 [59A-19-4 NMSA 1978] of this article.

B. The superintendent, in his sole discretion, may extend the dates referred to in Subsection A of this section.

ARTICLE 20
Life Insurance and Annuity Contracts

Section
59A-20-1 Scope of article.
59A-20-2 "Annuity", "industrial life insurance" defined.
59A-20-3 Standard provisions required.
59A-20-4 Grace period.
59A-20-5 Incontestability.
59A-20-6 Entire contract.
59A-20-7 Misstatement of age.
59A-20-8 Dividends, participating policies.
59A-20-9 Policy loans.
59A-20-10 Policy loan interest rates.
59A-20-11 Table of installments.
59A-20-12 Reinstatement.
59A-20-13 Premium.
59A-20-14 Payment of claims.
59A-20-15 Beneficiary, industrial policies.
59A-20-16 Incontestability; excluded or restricted coverage; after reinstatement.
59A-20-17 Standard provisions, annuity and pure endowment contracts.
59A-20-18 Annuities, grace period.
59A-20-19 Annuities, incontestability.
59A-20-20 Annuities, entire contract.
59A-20-21 Annuities, misstatement of age or sex.
59A-20-22 Annuities, dividends.
59A-20-23 Annuities, reinstatement.
59A-20-24 Standard provisions; reversionary annuities.
59A-20-26 Prohibited provisions.
59A-20-28 Special requirements as to participating policies.
59A-20-29 Prohibited policy plans.
59A-20-30 Variable contract law.
59A-20-31 Standard Nonforfeiture Law; life insurance.
59A-20-32 Nonforfeiture benefits, cash surrender values; life policies issued prior to operative date of 1943 Standard Nonforfeiture Law.
59A-20-33 Standard Nonforfeiture Law - individual deferred annuities.
59A-20-34 to 59A-20-36 Repealed.

59A-20-1. Scope of article.

This article [Chapter 59A, Article 20 NMSA 1978] applies only to contracts of life insurance, endowments and annuities, other than reinsurance, group life insurance and group annuities; except that Section 395 [59A-20-30 NMSA 1978] (variable contract law) shall also
apply as to group life and group annuity contracts.

**History:** Laws 1984, ch. 127, § 366.


Failure to disclose terminal illness as basis for life insurer's avoidance of high-risk, high-premium policy requiring no health warranties or proof of insurability, 42 A.L.R.4th 158.

Accident or life insurance: death by autoerotic asphyxiation as accidental, 62 A.L.R.4th 823.

44 C.J.S. Insurance § 283 et seq.

**59A-20-2. "Annuity", "industrial life insurance" defined.**

For the purposes of the Insurance Code:

A. an "annuity" is a contract under which obligation is assumed by the issuer to make periodic payments for a specific term or terms where the making or continuance of all or some such payments or the amount of any such payment is dependent upon continuance of human life, except payments made pursuant to optional modes of settlement under authority of Section 108 [59A-7-2 NMSA 1978] ("life" insurance defined) of the Insurance Code. Such a contract which includes extra benefits of the kinds set forth in Section 108 ("life" insurance defined) or Section 109 [59A-7-3 NMSA 1978] ("health" insurance defined) of the Insurance Code shall nevertheless be deemed to be an annuity if such extra benefits constitute a subsidiary or incidental part of the entire contract; and

B. "industrial life insurance" is that form of life insurance written under policies in face amount of two thousand five hundred dollars ($2,500) or less, and bearing the words "industrial policy" or "weekly premium policy" or words of similar import imprinted on the face thereof as part of descriptive matter, and under which premiums are payable monthly or more often.

**History:** Laws 1984, ch. 127, § 367.

**Insurance Code.** — See 59A-1-1 NMSA 1978 and notes thereto.

**ANNOTATION**

**Applicability of article.** — Guaranteed investment contracts were not annuities entitled to coverage under the Life and Health Insurance Guaranty Law because they did not provide periodic payments dependent on the continuation of human life. Krahling v. First Trust Nat'l Ass'n, 1997-NMCA-082, 123 N.M. 685, 944 P.2d 914.

**59A-20-3. Standard provisions required.**

A. No insurer shall deliver or issue for delivery in this state any life insurance policy unless
the policy contains in substance all of the applicable standard provisions required by Sections 369 through 380 [59A-20-4 to 59A-20-15 NMSA 1978] of this article, subject to Section 346 [59A-18-17 NMSA 1978] of the Insurance Code as to waiver or use of substitute provisions with the superintendent's approval.

B. This section does not apply as to group or pure endowment policies, annuity contracts or any provision of a life insurance policy or contract supplemental thereto relating to disability benefits or additional benefits in event of death by accident or accidental means.

C. Any of such provisions or portions thereof not applicable to single premium or nonparticipating or term policies, or insurance granted in exchange for lapsed or surrendered policies, shall to that extent not be incorporated therein.

History: Laws 1984, ch. 127, § 368.

Existing forms and filings. — See same catchline in notes following 59A-5-21 NMSA 1978.

ANNOTATION

Contract construed to effectuate both insuring and excepting clauses. — The insurance contract must be construed, whenever possible, to give effect to both provisions of the policy, that is, the insuring clause and the excepting clause. King v. Travelers Ins. Co., 84 N.M. 550, 505 P.2d 1226 (1973).

Exceptions, limitations and exclusions to insuring agreements require narrow construction on the theory that the insurer, having affirmatively expressed coverage through broad promises, assumes a duty to define any limitations upon that coverage in clear and explicit terms. King v. Travelers Ins. Co., 84 N.M. 550, 505 P.2d 1226 (1973).

Ambiguous policy liberally construed to favor insured. — An insurance policy which may reasonably be construed in more than one way should be construed liberally in favor of the insured. Where no ambiguity or uncertainty appears in the policy, no place is found for the operation of the rule. Gray v. International Serv. Ins. Co., 73 N.M. 158, 386 P.2d 249 (1963).

In the event the policy is ambiguous, the contract will be construed favorably to the insured who did not prepare it. King v. Travelers Ins. Co., 84 N.M. 550, 505 P.2d 1226 (1973).

If an ambiguity is apparent in the terms of a policy, the court must construe the contract so as to sustain indemnity if the sense and meaning of the instrument are not thereby destroyed. King v. Travelers Ins. Co., 84 N.M. 550, 505 P.2d 1226 (1973).

Words given ordinary meanings. — Absent any provision in the policy defining "accidental means" as something different from that as understood by the general public, words, phrases or terms will be given their ordinary meaning. Scott v. New Empire Ins. Co., 75 N.M. 81, 400 P.2d 953 (1965).

Where there is no ambiguity the court must construe the language of a policy in accordance with the plain, ordinary meaning of its terms. King v. Travelers Ins. Co., 84 N.M. 550, 505 P.2d 1226 (1973).

Technical interpretations not given. — A strict technical or legalistic interpretation of the terms of the policy will not be accepted when it is fully within the power of the insurance company to affirmatively specify some meaning other than that understood by the average individual. Scott v. New Empire Ins. Co., 75 N.M. 81, 400 P.2d 953 (1965).

There shall be a provision that a grace period of thirty (30) days, or, at the option of the insurer, of one month of not less than thirty (30) days, or of four (4) weeks in the case of industrial life insurance policies the premiums for which are payable more frequently than monthly, shall be allowed within which the payment of any premium after the first may be made, during which period of grace the policy shall continue in full force. The insurer may impose an interest charge not in excess of six percent per annum for the number of days of grace elapsing before the payment of the premium, and whether or not such interest charge is imposed, if a claim arises under the policy during such period of grace the amount of any premium due or overdue, together with interest and any deferred installment of the annual premium, may be deducted from the policy proceeds.


59A-20-5. Incontestability.

There shall be a provision that the policy (exclusive of provisions relating to disability benefits or to additional benefits in the event of death by accident or accidental means) shall be incontestable, except for nonpayment of premiums, after it has been in force during the lifetime of the insured for a period of two (2) years from its date of issue.


ANNOTATION

Death of the insured within the two-year contestability period. — The death of the insured within the two-year contestability period rendered the incontestibility clause unenforceable and, because of the insured's misrepresentations about her health on the application form, the insurer properly refused to pay the death benefits. Crow v. Capitol Bankers Life Ins. Co., 119 N.M. 452, 891 P.2d 1206 (1995).


There shall be a provision that the policy, or the policy and the application therefor if a copy of such application is endorsed upon or attached to the policy when issued, shall constitute the entire contract between the parties and that statements contained in such an application shall, in the absence of fraud, be deemed representations and not warranties.


There shall be a provision that if the age of the insured, or of any other person whose age is considered in determining the premium or benefit, has been misstated, any amount payable or benefit accruing under the policy shall be such as the premium would have purchased at the correct age or ages.


A. There shall be a provision in participating policies that, beginning not later than the end of the third policy year, the insurer shall annually ascertain and apportion the divisible surplus, if any, that will accrue on the policy anniversary or other dividend date specified in the policy, provided the policy is in force and all premiums to that date are paid. Except as hereinafter provided, any dividend becoming payable shall at the option of the party entitled to elect such option be either:

(1) payable in cash; or

(2) applied to any one of such other dividend options as may be stated in the policy and approved by the superintendent.

B. If any such other dividend options are provided the policy shall further state which option shall be automatically effective if such party shall not have elected some other option. If the policy specifies a period within which such other dividend option may be elected, such period shall be not less than thirty (30) days following the date on which such dividend is due and payable. The annually apportioned dividend shall be deemed to be payable in cash within the meaning of Paragraph (1) above even though the policy provides that payment of such dividend is to be deferred for a specified period, provided such period does not exceed one year from the date of apportionment; however, interest will not be added to the dividend but shall be paid out annually.

C. If a participating policy provides that the benefit under any paid-up nonforfeiture provision is to be participating, it may provide that any divisible surplus becoming payable or apportioned while the insurance is in force under such nonforfeiture provision shall be applied in the manner set forth in the policy.

D. In participating industrial life insurance policies, in lieu of the provision required otherwise in this section, there shall be a provision that, beginning not later than the end of the fifth policy year, the policy shall participate annually in the divisible surplus, if any, in the manner set forth in the policy.

History: Laws 1984, ch. 127, § 373.

A. There shall be a provision that after three (3) full years' premiums have been paid, and after the policy has a cash surrender value and while no premium is in default beyond the grace period for payment, the insurer will advance, on proper assignment or pledge of the policy and on the sole security thereof, at a rate of interest not exceeding that allowable under Section 375 [59A-20-10 NMSA 1978] of this article, an amount equal to or, at the option of the party entitled thereto, less than the loan value of the policy. Before approving any policy language providing for a rate of interest in excess of eight percent, the superintendent shall require certification by the insurer that the holders of such policies will benefit through higher dividends or lower premiums, or both. The interest rate provided for by this section shall not impair the terms and conditions of any policy in force before the effective date of the Insurance Code. The loan value of the policy shall be at least equal to the cash surrender value at the end of the then current policy year, provided that the insurer may deduct, either from such loan value or from the proceeds of the loan, any existing indebtedness not already deducted in determining such cash surrender value including any interest then accrued but not due, any unpaid balance of the premium for the current policy year and interest on the loan to the end of the current policy year. The policy may also provide that if interest on any indebtedness is not paid when due it shall then be added to the existing indebtedness and shall bear interest at the same rate, and that if and when the total indebtedness on the policy, including interest due or accrued, equals or exceeds the amount of the loan value thereof, then the policy shall terminate and become void. The policy shall reserve to the insurer the right to defer the granting of a loan, other than for the payment of any premium to the insurer, for six (6) months after application therefor. The policy, at the insurer's option, may provide for automatic premium loan, subject to an election of the party entitled to elect.

B. This section shall not apply to term policies nor to term insurance benefits provided by rider or supplemental policy provisions, or to industrial life insurance policies.


Right of creditors of life insured as to options or other benefits available to him during his lifetime, 37 A.L.R.2d 268.


A. For purposes of this section the "published monthly average" means:

(1) the Moody's Corporate Bond Yield Average - Monthly Average Corporates as published by Moody's Investors Service, Inc. or any successor thereto; or

(2) if such publication is no longer published, a substantially similar average
established by regulations of the superintendent.

B. Maximum rate of interest on policy loans.

(1) Policies issued on or after April 7, 1983 shall provide for policy loan interest rates as follows:

(a) a provision permitting a maximum interest rate of not more than eight percent per annum; or

(b) a provision permitting an adjustable maximum interest rate established from time to time by the insurer as permitted by this section.

(2) The rate of interest charged under Subparagraph (1)(b) of this subsection shall not exceed the higher of the following:

(a) the published monthly average for the calendar month ending two (2) months before the date on which the rate is determined; or

(b) the rate used to compute the cash surrender values under the policy during the applicable period plus one percent per annum.

(3) If the maximum rate of interest is determined pursuant to Subparagraph (1)(b) of this subsection, the policy shall contain a provision stating the frequency at which the rate is to be determined for that policy.

(4) The maximum rate for each policy shall be determined at regular intervals at least once every twelve (12) months, but not more frequently than once in any three (3) month period. At the intervals specified in the policy:

(a) the rate being charged may be increased whenever such increase as determined under paragraph (2) of this Subsection B would increase the rate by one-half percent or more per annum; and

(b) the rate charged must be reduced whenever such reduction as determined under such paragraph (2) of this Subsection B would decrease that rate by one-half percent or more per annum.

(5) The insurer shall:

(a) notify the policyholder at the time a cash loan is made of the initial rate of interest on the loan;

(b) notify the policyholder of the initial rate of interest on the loan as soon as reasonably practical after making the initial loan. Notice need not be given to the policyholder when a further premium loan is added, except as provided in (c) below;

(c) send to policyholders with loans reasonable advance notice of any increase in the interest rate; and

(d) include in the notices required above the substance of the pertinent provisions of Paragraphs (1) and (3) of this Subsection B.

(6) The loan value of the policy shall be determined in accordance with Section 374
[59A-20-9 NMSA 1978] (policy loans) of this article, but no policy shall terminate in a policy year as the sole result of change in the interest rate during that policy year, and the insurer shall maintain coverage during that policy year until the time at which it would otherwise have terminated if there had been no change during that policy year.

(7) The substance of the pertinent provisions of Paragraphs (1) and (3) of this Subsection B shall be set forth in the policies to which they apply.

(8) For the purposes of this Subsection B:

(a) the rate of interest on policy loans permitted under this Subsection B includes the interest rate charged on reinstatement of policy loans for the period during and after any lapse of a policy;

(b) "policy loan" includes any premium loan made under a policy to pay one or more premiums that were not paid to the insurer as they fell due;

(c) "policyholder" includes the owner of the policy or person designated to pay premiums as shown by the records of the insurer; and

(d) "policy" includes certificates issued by a fraternal benefit society and annuity contracts which provide for policy loans.

(9) No other provision of law shall apply to policy loan interest rates unless made specifically applicable to such rates.

C. This section shall not apply to any insurance contract issued before April 7, 1983 unless the policyholder agrees in writing to the applicability of such provisions.

History: Laws 1984, ch. 127, § 375.

59A-20-11. Table of installments.

If the policy provides that the proceeds may be payable in installments which are determinable at issue of the policy, there shall be a table showing the amount of the guaranteed installments.

History: Laws 1984, ch. 127, § 376.


There shall be a provision that unless:

A. the policy has been surrendered for its cash surrender value; or

B. its cash surrender value has been exhausted; or

C. the paid-up term insurance, if any has expired;

the policy will be reinstated at any time within three (3) years (or two (2) years in the case of industrial life insurance policies) from the date of premium default upon written application therefor, the production of evidence of insurability satisfactory to the insurer, the payment of all
premiums in arrears with interest at a rate not exceeding six percent per annum compounded annually and the payment or reinstatement of any other indebtedness to the insurer upon the policy with interest at the applicable policy loan interest rate.


There shall be a provision stating the amount of premium and the time and manner payable.


There shall be a provision that when a policy shall become a claim by the death of the insured, settlement shall be made upon receipt of due proof of death and, at the insurer's option, surrender of the policy or proof of the interest of the claimant. If an insurer shall specify a particular period prior to the expiration of which settlement shall be made, such period shall not exceed two months from the receipt of such proofs.


Am. Jur. 2d, A.L.R. and C.J.S. references. — Policy provision limiting time within which action may be brought on the policy as applicable to tort action by insured against insurer, 66 A.L.R.4th 859.


An industrial life insurance policy shall have the name of the beneficiary designated thereon with a reservation of the right to change the beneficiary after the issuance of the policy. The policy may also provide that no designation or change of beneficiary shall be binding on the insurer until endorsed on the policy by the insurer, and that the insurer may refuse to endorse the name of any proposed beneficiary who does not appear to the insurer to have an insurable interest in the life of the insured. The policy may also provide that if the beneficiary designated in the policy does not make a claim under the policy or does not surrender the policy with due proof of death within the period stated in the policy, which shall not be less than thirty (30) days after the death of the insured, or if the beneficiary is the estate of the insured, or is a minor, or dies before the insured, or is not legally competent to give a valid release, then the insurer may make any payment thereunder to the executory or administrator of the insured, or to any relative of the insured by blood or legal adoption or connection by marriage, or to any person appearing to the insurer to be equitably entitled thereto by reason of having been named beneficiary or by reason of having incurred expense for the maintenance, medical attention or burial of the insured. The policy may also include a similar provision applicable to any other payment due under the policy.

59A-20-16. Incontestability; excluded or restricted coverage; after reinstatement.

A. A clause in any life insurance policy providing that the policy shall be incontestable after a specified period shall preclude only a contest of the validity of the policy, and shall not preclude the assertion at any time of defenses based upon provisions in the policy which exclude or restrict coverage, whether or not such exclusions or restrictions are excepted in such clause.

B. The reinstatement of a life insurance policy, whether heretofore or hereafter issued in this state, shall be incontestable after the same period following reinstatement and with the same conditions and exceptions, as provided in the policy with respect to incontestability thereof.

History: Laws 1984, ch. 127, § 381.


A. No annuity or pure endowment contract, other than a reversionary annuity (also called survivorship annuities) or group annuities and except as stated in this section, shall be delivered or issued for delivery in this state unless it contains in substance each of the provisions as specified in Sections 383 through 388 [59A-20-18 to 59A-20-23 NMSA 1978] of this article. Any of such provisions not applicable to single-premium annuities or single-premium pure endowment contracts shall not, to that extent, be incorporated therein.

B. This section does not apply to contracts for deferred annuities included in, or upon the lives of beneficiaries under, life insurance policies.

History: Laws 1984, ch. 127, § 382.

Existing forms and filings. — See same catchline in notes following 59A-5-21 NMSA 1978.

than thirty (30) days, within which any stipulated payment to the insurer falling due after the first may be made, subject at the option of the insurer to an interest charge thereon at a rate to be specified in the contract but not exceeding six percent per annum for the number of days of grace elapsing before such payment, during which period of grace the contract shall continue in full force; but in case a claim arises under the contract on account of death prior to expiration of the period of grace before the overdue payment to the insurer or the deferred payments of the current contract year, if any, are made, the amount of such payments, with interest on any overdue payments, may be deducted from any amount payable under the contract in settlement.

**History:** Laws 1984, ch. 127, § 383.


If any statements other than those relating to age, sex and identity are required as a condition to issuing an annuity or pure endowment contract, other than a reversionary, survivorship or group annuity and subject to Section 386 [59A-20-21 NMSA 1978] of this article, there shall be a provision that the contract shall be incontestable after it has been in force during the lifetime of the person or of each of the persons as to whom such statements are required, for a period of two (2) years from its date of issue, except for nonpayment of stipulated payments to the insurer, and at the option of the insurer such contract may also except any provisions relative to benefits in the event of disability and any provisions which grant insurance specifically against death by accident or accidental means.

**History:** Laws 1984, ch. 127, § 384.


In an annuity or pure endowment contract, other than a reversionary, survivorship or group annuity, there shall be a provision that the contract shall constitute the entire contract between the parties or, if a copy of the application is endorsed upon or attached to the contract when issued, a provision that the contract and the application therefor shall constitute the entire contract between the parties.

**History:** Laws 1984, ch. 127, § 385.

### 59A-20-21. Annuities, misstatement of age or sex.

In an annuity or pure endowment contract, other than a reversionary, survivorship or group annuity, there shall be a provision that if the age or sex of the person or persons upon whose life or lives the contract is made, or of any of them, has been misstated, the amount payable or benefits accruing under the contract shall be such as the stipulated payment or payments to the insurer would have purchased according to the correct age or sex and that if the insurer makes or has made any overpayment or overpayments on account of any such misstatement, the amount thereof, with interest at the rate to be specified in the contract but not exceeding six percent per
annum, may be charged against the current or next succeeding payment or payments to be made by the insurer under the contract.

History: Laws 1984, ch. 127, § 386.


If an annuity or pure endowment contract, other than a reversionary, survivorship or group annuity, is participating, there shall be a provision that the insurer shall annually ascertain and apportion any divisible surplus accruing on the contract.


In any annuity or pure endowment contract, other than a reversionary or group annuity, there shall be a provision that the contract may be reinstated at any time within one year from the default in making stipulated payments to the insurer, unless the cash surrender value has been paid, but all overdue stipulated payments and any indebtedness to the insurer on the contract shall be paid or reinstated with interest thereon at a rate to be specified in the contract but not exceeding six percent per annum payable annually, and in cases where applicable the insurer may also include a requirement of evidence of insurability satisfactory to the insurer.

History: Laws 1984, ch. 127, § 388.


A. Except as stated in this section, no contract for a reversionary annuity shall be delivered or issued for delivery in this state unless it contains in substance each of the following provisions:

(1) the provisions specified in Sections 383 through 387 [59A-20-18 to 59A-20-22 NMSA 1978] of this article, except that under Section 383 (grace period) the insurer may at its option provide for an equitable reduction of the amount of the annuity payments in settlement of an overdue payment in lieu of providing for deduction of such payments from an amount payable upon settlement under the contract; and

(2) there shall be a provision that the contract may be reinstated at any time within three (3) years from the date of default in making stipulated payments to the insurer, upon production of evidence of insurability satisfactory to the insurer, and upon condition that all overdue payments and any indebtedness to the insurer on account of the contract are paid, or, within the limits permitted by the then cash values of the contract, reinstated, with interest as to both payments and indebtedness at a rate to be specified in the contract but not exceeding six percent per annum compounded annually.

B. This section does not apply to group annuities or to annuities included in life insurance
policies, and any of such provisions not applicable to single premium annuities shall not to that extent be incorporated therein.

**History:** Laws 1984, ch. 127, § 389.

**Existing forms and filings.** — See notes following 59A-5-21 NMSA 1978.


A. No policy of life insurance shall be delivered or issued for delivery in this state if it contains any of the following provisions:

   1. a provision for a period of not less than five years within which an action at law or in equity may be commenced after the cause of action shall accrue; or
   2. a provision which excludes or restricts liability for death caused in a certain specified manner or occurring while the insured has a specified status, except that a policy may contain provisions excluding or restricting coverage as specified therein in the event of death under any one or more of the following circumstances:

      a. death as a result, directly or indirectly, of war, declared or undeclared, or of action by military forces, or of any act or hazard of such war or action, or of service in the military, naval or air forces or in civilian forces auxiliary thereto, or from any cause while a member of such military, naval or air forces of any country engaged in such military action;

      b. death as a result of aviation or any air travel or flight;

      c. death as a result of a specified hazardous occupation or occupations;

      d. death while the insured is a resident outside the continental United States and Canada; or

      e. death within two years from the date of issue of the policy as a result of suicide, while sane or insane.

B. A policy which contains any exclusion or restriction pursuant to Subsection A of this section shall also provide that in the event of death under the circumstances to which any such exclusion or restriction is applicable, the insurer will pay an amount not less than a reserve determined according to the national association of insurance commissioners reserve valuation method upon the basis of the mortality table and interest rate specified in the policy for the calculation of nonforfeiture benefits (or if the policy provides for no such benefits, computed according to a mortality table and interest rate determined by the insurer and either specified in the policy or filed with the superintendent) with adjustment for indebtedness or dividend credit.

C. This section shall not apply to group life insurance, health insurance, reinsurance or annuities, or to any provision in a life insurance policy or contract supplemental thereto relating to disability benefits or to additional benefits in the event of death by accident or accidental means.

D. Nothing contained in this section shall prohibit any provision which in the opinion of the
superintendent is more favorable to the policyholder than a provision permitted by this section.

**History:** Laws 1984, ch. 127, § 390; 1987, ch. 259, § 19.

**ANNOTATION**

**Applicability to limitations period in policy.** — Subsection A(1) did not apply to invalidate the three-year limitation period in a credit life and disability policy. Willey v. United Mercantile Life Ins. Co., 1999-NMCA-137, 128 N.M. 98, 990 P.2d 211.

**No liability where insured, understanding nature and consequences of act, shot himself.** — Insurer was not liable for payment of the face value of a policy which included a "suicide, while sane or insane" clause, where the evidence, on motion for summary judgment, could only support a finding or conclusion that the insured, who shot himself, understood the physical nature or consequences of his act. Estate of Galloway v. Guaranty Income Life Ins. Co., 104 N.M. 627, 725 P.2d 827 (1986).


Liability insurance: intoxication or other mental incapacity avoiding application of clause in liability policy specifically exempting coverage of injury or damage caused intentionally by or at direction of insured, 33 A.L.R.4th 983.

46 C.J.S. Insurance § 1426 et seq.

**59A-20-26. Prohibited provisions.**

A. No life insurance policy shall be delivered or issued for delivery in this state if it contains any of the following provisions:

1. a provision by which the policy purports to be issued or to take effect more than one year before the original application for the insurance was made;

2. a provision for any mode of settlement at maturity of the policy of less value than the amount insured under the policy, plus dividend additions, if any, less any indebtedness to the insurer on or secured by the policy and less any premium that may by the terms of the policy be deducted; or

3. a provision to the effect that the agent soliciting the insurance is the agent of the person insured under the policy, or making the acts or representations of such agent binding upon the insured.

B. No policy of industrial life insurance shall contain any of the following provisions:

1. a provision by which the insurer may deny liability under the policy for the reason that the insured has previously obtained other insurance from the same insurer;

2. a provision giving the insurer the right to declare the policy void because the insured has had any disease or ailment, whether specified or not, or because the insured has received institutional, hospital, medical or surgical treatment or attention, except a provision
which gives the insurer the right to declare the policy void if the insured has, within two (2) years prior to the issuance of the policy, received institutional, hospital, medical or surgical treatment or attention and if the insured or claimant under the policy fails to show that the condition occasioning such treatment or attention as revealed in the application was not of a serious nature or was not material to the risk; or

(3) a provision giving the insurer the right to declare the policy void because the insured has been rejected for insurance, unless such right be conditioned upon a showing by the insurer that knowledge of such rejection would have led to a refusal by the insurer to make such contract.


Existing forms and filings. — See notes following 59A-5-21 NMSA 1978.


Validity, construction and effect of approval or disapproval by insurance commissioner or similar official of policy, 119 A.L.R. 877.


A. The policies of a foreign life insurer may contain any provision which the law of the insurer's state or country of domicile prescribes shall be in such policies when issued in this state; and the policies of a domestic life insurer when issued or delivered in any other state or country may contain any provisions required by the law of such other state or country, anything in this article notwithstanding.

B. If any policy or contract subject to this article is issued by a domestic insurer for delivery to a person residing in another state, and if the administrator of the insurance laws of the other state informs the superintendent that such policy or contract is not subject to approval by him, the superintendent may by ruling require that such policy or contract contain the applicable standard provisions set forth in this article.


Existing forms and filings. — See notes following 59A-5-21 NMSA 1978.

59A-20-28. Special requirements as to participating policies.

Beginning as of January 1, 1964:

A. no life insurer shall issue both participating and nonparticipating policies unless at least eighty percent of the gains from the participating policies inure [inure] to the benefit of the holders of the participating policies;

B. any insurer having both participating and nonparticipating policies in force shall keep a separate accounting for each such class of business and make and include in its annual
statement filed with the superintendent a separate statement showing the gains, losses and expenses attributable to participating and nonparticipating business respectively, and showing how any general expense of the insurer has been apportioned to each such class; and

C. this section shall not apply to any insurer whose life insurance in force consists of ninety percent or more in either participating or nonparticipating business, as measured by premiums received; nor shall it apply as to business in force in other states or jurisdictions, nor to paid-up, temporary insurance, or pure endowment benefits issued or granted pursuant to the provisions of the Standard Nonforfeiture Law as set out in Section 396 [59A-20-31 NMSA 1978] of this article, nor as to reinsurance or annuity contracts.

**History:** Laws 1984, ch. 127, § 393.

### 59A-20-29. Prohibited policy plans.

A. No life insurer shall deliver or issue for delivery in this state:

(1) as part of or in combination with any life insurance, endowment or annuity contract, any agreement or plan, additional to the rights, dividends and benefits arising out of any such contract, which provides for accumulation of profits over a period of time and for payment of all or part of such accumulated profits only to members or policyholders of a designated group or class who continue as members or policyholders until the end of a specified or ascertainable period;

(2) any "registered" policy; that is, any policy (other than one "registered" as a security under applicable state or federal law) purporting to be "registered" or otherwise specially recorded, with any agency of this or any other state or jurisdiction, or with any bank, trust company, escrow company or other institution other than the insurer, or purporting that any reserves, assets or deposits are held, or will be so held, for the special benefit or protection of the holder of such policy by or through any such agency or institution;

(3) any policy or contract under which any part of the premium or of funds or values arising from the policy or contract or from investment of reserves, or from mortality savings, lapses or surrenders, in excess of the normal reserves or amounts required to pay death, endowment and nonforfeiture benefits in respective amounts as specified in or pursuant to the policy or contract, are on a basis not involving insurance or life contingency features:

   (a) to be placed in special funds or segregated accounts or specially designated places; or

   (b) to be invested in specially designated investments or types thereof, and the funds or earnings thereon to be divided among the holders of such policies or contracts, or their beneficiaries or assignees. This paragraph does not apply to any policy or contract authorized under Section 395 [59A-20-30 NMSA 1978] (Variable Contract Law) of this article;

(4) any policy providing for segregation of policyholders into mathematical groups and providing benefits for a surviving policyholder arising out of the death of another
policyholder of such group, or under any other similar plan;

(5) any policy providing benefits or values for surviving or continuing policyholders contingent upon lapse or termination of the policies of other policyholders whether by death or otherwise;

(6) any policy providing that on death of anyone not specifically named therein, the owner or beneficiary of the policy shall receive the payment or granting of anything of value. This provision shall not be deemed to prohibit family policies insuring unspecified members of a family, nor to prohibit payment to unspecified beneficiaries of a class which has been expressly designated as such by the insured or policy owner;

(7) any policy containing or referring to one or more of the following provisions or statements:

(a) investment returns or profit sharing, other than as participation in divisible surplus of the insurer under a regular participation provision as provided for in Section 373 or Section 387 [59A-20-8 or 59A-20-22 NMSA 1978] of this article.

(b) special treatment in determination of any dividend that may be paid as to such policy;

(c) reference to premiums as "deposits";

(d) relating policyholder interest or returns to those of stockholders; or

(e) that the policyholder as a member of a select group will be entitled to extra benefits or extra dividends not available to policyholders generally.

B. This section does not prohibit provision, payment, allowance, or apportionment of regular dividends or "savings" under regular participating forms of policies or contracts, or any values, benefits or returns lawfully provided under Section 395 [59A-20-30 NMSA 1978] (Variable Contract Law) of this article.


ANNOTATION

Section not circumvented by foreign divisions. — A foreign insurance company operating in New Mexico cannot sell dual pay policies on lives of New Mexicans and place them in divisions established in some state other than New Mexico. 1943-44 Op. Att'y Gen. No. 43-4324.


44 C.J.S. Insurance § 349.


A. A domestic life insurer may establish one or more separate accounts and may allocate thereto amounts (including without limitation proceeds applied under optional modes of
settlement or under dividend options) to provide for life insurance or annuities (and benefits incidental thereto), payable in fixed or variable amounts or both, subject to the following:

(1) the income, gains and losses, realized or unrealized, from assets allocated to a separate account shall be credited to or charged against the account, without regard to other income, gains or losses of the insurer;

(2) except as may be provided with respect to reserves for guaranteed benefits and funds referred to in Paragraph (3) of this subsection:

(a) amounts allocated to any separate account and accumulations thereon may be invested and reinvested without regard to any requirements or limitations prescribed by the laws of this state governing the investments of life insurers; and

(b) the investments in such separate account or accounts shall not be taken into account in applying the investment limitations otherwise applicable to the investments of the insurer;

(3) except with the approval of the superintendent and other conditions as to investments and other matters as he may prescribe which shall recognize the guaranteed nature of the benefits provided, reserves for:

(a) benefits guaranteed as to dollar amount and duration; and

(b) funds guaranteed as to principal amount or stated rate of interest shall not be maintained in a separate account;

(4) unless otherwise approved by the superintendent, assets allocated to a separate account shall be valued at their market value on the date of valuation, or if there is no readily available market, then as provided under the terms of the contract or the rules or other written agreement applicable to such separate account; provided, that unless otherwise approved by the superintendent, the portion of any of the assets of such separate account equal to the insurer's reserve liability with regard to the guaranteed benefits and funds referred to in Paragraph (3) of this subsection shall be valued in accordance with the rules otherwise applicable to the insurer's assets;

(5) amounts allocated to a separate account in the exercise of the power granted by this section shall be owned by the insurer, and the insurer shall not be, nor hold itself out to be, a trustee with respect to such amounts. If and to the extent so provided under the applicable contracts, that portion of the assets of any such separate account equal to the reserves and other contract liabilities with respect to such account shall not be chargeable with liabilities arising out of any other business the insurer may conduct;

(6) no sale, exchange or other transfer of assets may be made by an insurer between any of its separate accounts or between any other investment account and one or more of its separate accounts unless, in case of a transfer into a separate account, such transfer is made solely to establish the account or to support the operation of the contracts with respect to the separate account to which the transfer is made, and unless such transfer, whether into or from a separate account, is made:
(a) by a transfer of cash; or

(b) by a transfer of securities having a readily determinable market value, provided that such transfer of securities is approved by the superintendent. The superintendent may approve other transfers among such accounts if in his opinion such transfers would not be inequitable; and

(7) to the extent such insurer deems it necessary to comply with any applicable federal or state laws, such insurer, with respect to any separate account, including without limitation any separate account which is a management investment company or a unit investment trust, may provide for persons having an interest therein appropriate voting and other rights and special procedures for the conduct of the business of such account, including without limitation special rights and procedures relating to investment policy, investment advisory services, selection of independent public accountants and the selection of a committee, the members of which need not be otherwise affiliated with such insurer, to manage the business of such account.

B. Any contract providing benefits payable in variable amounts delivered or issued for delivery in this state shall contain a statement of the essential features of the procedures to be followed by the insurer in determining the dollar amount of such variable benefits. Any such contract under which the benefits vary to reflect investment experience, including a group contract and any certificate in evidence of variable benefits issued thereunder, shall state that such dollar amount will so vary and shall contain on its first page a statement to the effect that the benefits thereunder are on a variable basis.

C. No insurer shall deliver or issue for delivery within this state variable contracts unless it is licensed or organized to do a life insurance or annuity business in this state, and the superintendent is satisfied that its condition or method of operation in connection with the issuance of such contracts will not render its operation hazardous to the public or its policyholders in this state. In this connection, the superintendent shall consider:

(1) the history and financial condition of the insurer;

(2) the character, responsibility and fitness of the officers and directors of the insurer; and

(3) the law and regulations under which the insurer is authorized in the state of domicile to issue variable contracts.

If the insurer is a subsidiary of an authorized life insurer, or affiliated with such insurer through common management or ownership, it may be deemed by the superintendent to have met the provisions of this subsection if either it or the parent or the affiliated insurer meets the requirements hereof.

shall apply to separate accounts and contracts relating thereto. Subject to approval by the superintendent, any individual variable annuity contract, delivered or issued for delivery in this state shall contain grace, reinstatement and nonforfeiture provisions appropriate to such a contract, and any group variable life insurance contract delivered or issued for delivery in this state shall contain a grace provision appropriate to such a contract. The reserve liability for variable contracts shall be established in accordance with actuarial procedures that recognize the variable nature of the benefits provided and any mortality guarantees.

E. Notwithstanding any other provision of law, the superintendent shall have sole authority to regulate the issuance and sale of variable contracts and to issue such reasonable rules and regulations as may be appropriate to carry out the purposes and provisions of this section.


3A C.J.S. Annuities § 3; 9 C.J.S. Banks and Banking § 626.

**59A-20-31. Standard Nonforfeiture Law; life insurance.**

A. In the case of policies issued on and after the operative date of this section, as defined in Subsection K of this section, no policy of life insurance, except as stated in Subsection J of this section, shall be delivered or issued for delivery in this state unless it shall contain in substance the following provisions, or corresponding provisions which in the opinion of the superintendent are at least as favorable to the defaulting or surrendering policyholder as are the minimum requirements hereinafter specified and are essentially in compliance with Subsection I of this section:

1. that, in the event of default in any premium payment the insurer will grant, upon proper request not later than sixty days after the due date of the premium in default, a paid-up nonforfeiture benefit on a plan stipulated in the policy, effective as of such due date, of such amount as may be hereinafter specified. In lieu of such stipulated paid-up nonforfeiture benefit, the insurer may substitute, upon proper request not later than sixty days after the due date of the premium in default, an actuarially equivalent alternative paid-up nonforfeiture benefit which provides a greater amount or longer period of death benefits or, if applicable, a greater amount or earlier payment of endowment benefits;

2. that, upon surrender of the policy within sixty days after the due date of any premium payment in default after premiums have been paid for at least three full years in the case of ordinary insurance or five full years in the case of industrial insurance, the insurer will pay, in lieu of any paid-up nonforfeiture benefit, a cash surrender value of such amount as may be hereinafter specified;

3. that a specified paid-up nonforfeiture benefit shall become effective as specified in the policy unless the person entitled to make such election elects another available option not later than sixty days after the due date of the premium in default.
(4) that, if the policy shall have become paid-up by completion of all premium payments or if it is continued under any paid-up nonforfeiture benefit which became effective on or after the third policy anniversary in the case of ordinary insurance or the fifth policy anniversary in the case of industrial insurance, the insurer will pay, upon surrender of the policy within thirty days after any policy anniversary, a cash surrender value of such amount as may be hereinafter specified;

(5) in the case of policies which cause on a basis guaranteed in the policy unscheduled changes in benefits or premiums, or which provide an option for changes in benefits or premiums other than a change to a new policy, a statement of the mortality table, interest rate and method used in calculating cash surrender values and the paid-up nonforfeiture benefits available under the policy. In the case of all other policies, a statement of the mortality table and interest rate used in calculating the cash surrender values and the paid-up nonforfeiture benefits available under the policy, together with a table showing the cash surrender value, if any, and paid-up nonforfeiture benefit, if any, available under the policy on each policy anniversary either during the first twenty policy years or during the term of the policy, whichever is shorter, such values and benefits to be calculated upon the assumption that there are no dividends or paid-up additions credited to the policy and that there is no indebtedness to the insurer on the policy; and

(6) a statement that the cash surrender values and the paid-up nonforfeiture benefits available under the policy are not less than the minimum values and benefits required by or pursuant to the insurance law of the state in which the policy is delivered; an explanation of the manner in which the cash surrender values and the paid-up nonforfeiture benefits are altered by the existence of any paid-up additions credited to the policy or any indebtedness to the insurer on the policy; if a detailed statement of the method of computation of the values and benefits shown in the policy is not stated therein, a statement that such method of computation has been filed with the insurance supervisory official of the state in which the policy is delivered; and a statement of the method to be used in calculating the cash surrender value and paid-up nonforfeiture benefit available under the policy on any policy anniversary beyond the last anniversary for which such values and benefits are consecutively shown in the policy.

Any of the provisions in this subsection or portions thereof not applicable by reason of the plan of insurance may, to the extent inapplicable, be omitted from the policy.

The insurer shall reserve the right to defer the payment of any cash surrender value for a period of six months after demand therefor with surrender of the policy.

B. Any cash surrender value available under the policy in the event of default in a premium payment due on any policy anniversary, whether or not required by Subsection A of this section, shall be an amount not less than the excess, if any, of the present value, on such anniversary, of the future guaranteed benefits which would have been provided for by the policy, including any existing paid-up additions, if there had been no default, over the sum of (1) the then present value of the adjusted premiums as defined in Subsections D, E and F of this section, corresponding to premiums which would have fallen due on or after such anniversary, and (2) the amount of any indebtedness to the insurer on the policy.
Provided, however, that for any policy issued on or after the operative date of Subsection F of this section, as defined therein, which provides supplemental life insurance or annuity benefits at the option of the insured and for an identifiable additional premium by rider or supplemental policy provision, the cash surrender value referred to in the first paragraph of this subsection shall be an amount not less than the sum of the cash surrender value as defined in such paragraph for an otherwise similar policy issued at the same age without such rider or supplemental policy provision and the cash surrender value as defined in such paragraph for a policy which provides only the benefits otherwise provided by such rider or supplemental policy provision.

Provided, further, that for any family policy issued on or after the operative date of Subsection F of this section as defined therein, which defines a primary insured and provides term insurance on the life of the spouse of the primary insured expiring before the spouse's age seventy-one, the cash surrender value referred to in the first paragraph of this subsection shall be an amount not less than the sum of the cash surrender value as defined in such paragraph for an otherwise similar policy issued at the same age without such term insurance on the life of the spouse and the cash surrender value as defined in such paragraph for a policy which provides only the benefits otherwise provided by such term insurance on the life of the spouse. Any cash surrender value available within thirty days after any policy anniversary under any policy paid up by completion of all premium payments or any policy continued under any paid-up nonforfeiture benefit, whether or not required by Subsection A of this section, shall be an amount not less than the present value, on such anniversary, of the future guaranteed benefits provided for by the policy, including any existing paid-up additions, decreased by any indebtedness to the insurer on the policy.

C. Any paid-up nonforfeiture benefit available under the policy in the event of default in a premium payment due on any policy anniversary shall be such that its present value as of such anniversary shall be at least equal to the cash surrender value then provided for by the policy or, if none is provided for, that cash surrender value which would have been required by this section in the absence of the condition that premiums shall have been paid for at least a specified period.

D. This subsection shall not apply to policies issued on or after the operative date of Subsection F of this section. Except as provided in Paragraph (2) of this subsection, the adjusted premiums for any policy shall be calculated on an annual basis and shall be such uniform percentage of the respective premiums specified in the policy for each policy year, excluding any extra premiums charged because of impairments or special hazards, that the present value, at the date of issue of the policy, of all such adjusted premiums shall be equal to the sum of (a) the then present value of the future guaranteed benefits provided for by the policy; (b) two percent of the amount of insurance, if the insurance be uniform in amount, or of the equivalent uniform amount, as hereinafter defined, if the amount of insurance varies with duration of the policy; (c) forty percent of the adjusted premium for the first policy year; (d) twenty-five percent of either the adjusted premium for the first policy year or the adjusted premium for a whole life policy of the same uniform or equivalent uniform amount with uniform premiums for the whole of life issued at the same age for the same amount of insurance, whichever is less. Provided, however, that in applying the percentages specified in (c) and (d) above, no adjusted premium shall be
deemed to exceed four percent of the amount of insurance or uniform amount equivalent thereto. The date of issue of a policy for the purpose of this subsection shall be the date as of which the rated age of the insured is determined.

(1) In the case of a policy providing an amount of insurance varying with duration of the policy, the equivalent uniform amount thereof for the purpose of this subsection shall be deemed to be the uniform amount of insurance provided by an otherwise similar policy, containing the same endowment benefit or benefits, if any, issued at the same age and for the same term, the amount of which does not vary with duration and the benefits under which have the same present value at the date of issue as the benefits under the policy; provided, however, that in the case of a policy providing a varying amount of insurance issued on the life of a child under age ten, the equivalent uniform amount may be computed as though the amount of insurance provided by the policy prior to the attainment of age ten were the amount provided by such policy at age ten.

(2) The adjusted premiums for any policy providing term insurance benefits by rider or supplemental policy provision shall be equal to (1) the adjusted premiums for an otherwise similar policy issued at the same age without such term insurance benefits, increased, during the period for which premiums for such term insurance benefits are payable by (2) the adjusted premiums for such term insurance, the foregoing items (1) and (2) being calculated separately and as specified in the first two paragraphs [the first paragraph and Paragraph (1)] of this subsection except that, for the purposes of (b), (c) and (d) of the first such paragraph, the amount of insurance or equivalent uniform amount of insurance used in the calculation of the adjusted premiums referred to in (2) shall be equal to the excess of the corresponding amount determined for the entire policy over the amount used in the calculation of the adjusted premiums in (1).

(3) Except as otherwise provided in Paragraph (4) of this subsection and Subsection E of this section, all adjusted premiums and present values referred to in this section shall for all policies of ordinary insurance be calculated on the basis of the National Association of Insurance Commissioners 1941 standard ordinary mortality table, provided that for any category of ordinary insurance issued on female risks, adjusted premiums and present values may be calculated according to an age not more than three years younger than the actual age of the insured, and such calculations for all policies of industrial insurance shall be made on the basis of the 1941 standard industrial mortality table. All calculations shall be made on the basis of the rate of interest, not exceeding three and one-half percent per annum, specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits. Provided, however, that in calculating the present value of any paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed may be not more than one hundred thirty percent of the rates of mortality according to such applicable table. Provided, further, that for insurance issued on a substandard basis, the calculation of any such adjusted premiums and present values may be based on such other table of mortality as may be specified by the insurer and approved by the superintendent.

(4) This paragraph shall not apply to ordinary policies issued on or after the operative date of Subsection F of this section. In the case of ordinary policies issued on or after the
operative date of this paragraph as defined herein, all adjusted premiums and present values referred to in this section shall be calculated on the basis of the commissioners 1958 standard ordinary mortality table and the rate of interest specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits, provided that such rate of interest shall not exceed three and one-half percent a year except that a rate of interest not exceeding four percent a year may be used for policies issued on or after July 1, 1973, and prior to July 1, 1977 and a rate of interest not exceeding five and one-half percent per annum may be used for policies issued on or after July 1, 1977, except that for any single premium whole life or endowment insurance policy a rate of interest not exceeding six and one-half percent per annum may be used, and provided that for any category of ordinary insurance issued on female risks, adjusted premiums and present values may be calculated according to an age not more than six years younger than the actual age of the insured. Provided, however, that in calculating the present value of any paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed may be not more than those shown in the commissioners 1958 extended term insurance table. Provided, further, that for insurance issued on a substandard basis, the calculation of any such adjusted premiums and present values may be based on such other table of mortality as may be specified by the insurer and approved by the superintendent.

After June 9, 1961, any insurer may file with the superintendent a written notice of its election to comply with the provisions of Paragraph (4) of this subsection after a specified date before January 1, 1966. After the filing of such notice, then upon such specified date (which shall be the operative date of this subsection for such insurer), this subsection shall become operative with respect to the ordinary policies thereafter issued by such insurer. If an insurer makes no such election, the operative date of this subsection for such insurer shall be January 1, 1966.

E. This subsection shall not apply to industrial policies issued on or after the operative date of Subsection F of this section.

In the case of industrial policies issued on or after the operative date of this subsection as defined herein, all adjusted premiums and present values referred to in this section shall be calculated on the bases of commissioners 1961 standard industrial mortality table and the rate of interest specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits, provided that such rate of interest shall not exceed three and one-half percent a year except that a rate of interest not exceeding four percent a year may be used for policies issued on or after July 1, 1973 and prior to July 1, 1977 and a rate of interest not exceeding five and one-half percent per annum may be used for policies issued on or after July 1, 1977 except that for any single premium whole life or endowment insurance policy a rate of interest not exceeding six and one-half percent per annum may be used. Provided, however, that in calculating the present value of any paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed may be not more than those shown in the commissioners 1961 industrial extended term insurance table. Provided, further, that for insurance issued on a substandard basis, the calculation of any such adjusted
premiums and present values may be based on such other table of mortality as may be specified by the insurer and approved by the superintendent.

After June 7, 1963, any insurer may file with the superintendent a written notice of its election to comply with the provisions of this subsection after a specified date before January 1, 1968. After the filing of such notice, then upon such specified date (which shall be the operative date of this subsection for such insurer), this subsection shall become operative with respect to the industrial policies thereafter issued by such insurer. If an insurer makes no such election, the operative date of this subsection for such insurer shall be January 1, 1968.

F. This subsection shall apply to all policies issued on or after the operative date of this subsection. Except as provided in Paragraph (6) of this subsection, the adjusted premiums for any policy shall be calculated on an annual basis and shall be such uniform percentage of the respective premiums specified in the policy for each policy year, excluding amounts payable as extra premiums to cover impairment or special hazards and also excluding any uniform annual contract charge or policy fee specified in the policy in a statement of the method to be used in calculating the cash surrender values and paid-up nonforfeiture benefits, that the present value, at the date of issue of the policy, of all adjusted premiums shall be equal to the sum of the then present value of the future guaranteed benefits provided for by the policy; one percent of either the amount of insurance, if the insurance be uniform in amount, or the average amount of insurance at the beginning of each of the first ten policy years; and one hundred and twenty-five percent of the nonforfeiture net level premium as hereinafter defined. Provided, however, that in applying the last percentage specified above no nonforfeiture net level premium shall be deemed to exceed four percent of either the amount of insurance, if the insurance be uniform in amount, or the average amount of insurance at the beginning of each of the first ten policy years. The date of issue of a policy for the purpose of this subsection shall be the date as of which the rated age of the insured is determined; and

(1) the nonforfeiture net level premium shall be equal to the present value, at the date of issue of the policy, of the guaranteed benefits provided for by the policy divided by the present value, at the date of issue of the policy, of an annuity of one per annum payable on the date of issue of the policy and on each anniversary of such policy on which a premium falls due;

(2) in the case of policies which cause on a basis guaranteed in the policy unscheduled changes in benefits or premiums, or which provide an option for changes in benefits or premiums other than a change to a new policy, the adjusted premiums and present values shall initially be calculated on the assumption that future benefits and premiums do not change from those stipulated at the date of issue of the policy. At the time of any such change in the benefits or premiums the future adjusted premiums, nonforfeiture net level premiums and present values shall be recalculated on the assumption that future benefits and premiums do not change from those stipulated by the policy immediately after the change;

(3) except as otherwise provided in Paragraph (6) of this subsection, the recalculated future adjusted premiums for any such policy shall be such uniform percentage of the respective future premiums specified in the policy for each policy year, excluding amounts payable as extra
premiums to cover impairments and special hazards, and also excluding any uniform annual contract charge or policy fee specified in the policy in a statement of the method to be used in calculating the cash surrender values and paid-up nonforfeiture benefits, that the present value, at the time of change to the newly defined benefits or premiums, of all such future adjusted premiums shall be equal to the excess of the sum of the then present value of the then future guaranteed benefits provided for by the policy and the additional expense allowance, if any, over the then cash surrender value, if any, or present value of any paid-up nonforfeiture benefit under the policy;

(4) the additional expense allowance, at the time of the change to the newly defined benefits or premiums, shall be the sum of one percent of the excess, if positive, of the average amount of insurance at the beginning of each of the first ten policy years subsequent to the change over the average amount of insurance prior to the change at the beginning of each of the first ten policy years subsequent to the time of the most recent previous change, or, if there has been no previous change, the date of issue of the policy; and one hundred twenty-five percent of the increase, if positive, in the nonforfeiture net level premium;

(5) the recalculated nonforfeiture net level premium shall be equal to the result obtained by dividing (a) by (b) where:

(a) equals the sum of: (1) the nonforfeiture net level premium applicable prior to the change times the present value of an annuity of one per annum payable on each anniversary of the policy on or subsequent to the date of the change on which a premium would have fallen due had the change not occurred [occurred], and (2) the present value of the increase in future guaranteed benefits provided for by the policy, and

(b) equals the present value of an annuity of one per annum payable on each anniversary of the policy on or subsequent to the date of change on which a premium falls due;

(6) notwithstanding any other provisions of this subsection to the contrary, in the case of a policy issued on a substandard basis which provides reduced graded amounts of insurance so that, in each policy year, such policy has the same tabular mortality cost as an otherwise similar policy issued on the standard basis which provides higher uniform amounts of insurance, adjusted premiums and present values for such substandard policy may be calculated as if it were issued to provide such higher uniform amounts of insurance on the standard basis;

(7) all adjusted premiums and present values referred to in this section shall for all policies of ordinary insurance be calculated on the basis of the commissioners 1980 standard ordinary mortality table or at the election of the insurer for any one or more specified plans of life insurance, the commissioners 1980 standard ordinary mortality table with ten-year select mortality factors; shall for all policies of industrial insurance be calculated on the basis of the commissioners 1961 standard industrial mortality table; and shall for all policies issued in a particular calendar year be calculated on the basis of a rate of interest not exceeding the nonforfeiture interest rate as defined in this subsection, for policies issued in that calendar year. Provided, however, that:

(a) at the option of the insurer, calculations for all policies issued in a particular
calendar year may be made on the basis of a rate of interest not exceeding the nonforfeiture interest rate, as defined in this subsection, for policies issued in the immediately preceding calendar year;

(b) under any paid-up nonforfeiture benefit, including any paid-up dividend additions, any cash surrender value available, whether or not required by Subsection A of this section, shall be calculated on the basis of the mortality table and rate of interest used in determining the amount of such paid-up nonforfeiture benefit and paid-up dividend additions, if any;

(c) an insurer may calculate the amount of any guaranteed paid-up nonforfeiture benefit including any paid-up additions under the policy on the basis of an interest rate no lower than that specified in the policy for calculating cash surrender values;

(d) in calculating the present value of any paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed may be not more than those shown in the commissioners 1980 extended term insurance table for policies of ordinary insurance and not more than the commissioners 1961 industrial extended term insurance table for policies of industrial insurance;

(e) for insurance issued on a substandard basis, the calculation of any such adjusted premiums and present values may be based on appropriate modifications of the aforementioned tables;

(f) any ordinary mortality tables, adopted after 1980 by the National Association of Insurance Commissioners, that are approved by regulation promulgated by the superintendent for use in determining the minimum nonforfeiture standard may be substituted for the commissioners 1980 standard ordinary mortality table with or without ten-year select mortality factors or for the commissioners 1980 extended term insurance table; and

(g) any industrial mortality tables, adopted after 1980 by the National Association of Insurance Commissioners, that are approved by regulation promulgated by the superintendent for use in determining the minimum nonforfeiture standard may be substituted for the commissioners 1961 standard industrial mortality table or the commissioners 1961 industrial extended term insurance table;

(8) the nonforfeiture interest rate per annum for any policy issued in a particular calendar year shall be equal to one hundred twenty-five percent of the calendar year statutory valuation interest rate for such policy as defined in the Standard Valuation Law (Section 122 [59A-8-5 NMSA 1978] of the Insurance Code), rounded to the nearest one-quarter of one percent;

(9) notwithstanding any other provision in the laws relating to insurance to the contrary, any refiling of nonforfeiture values or their methods of computation for any previously approved policy form which involves only a change in the interest rate or mortality table used to compute nonforfeiture values shall not require refiling of any other provisions of that policy form; and
(10) after the effective date of this subsection, any insurer may file with the superintendent a written notice of its election to comply with the provision of this subsection after a specified date before January 1, 1989, which shall be the operative date of this subsection for such insurer. If an insurer makes no such election, the operative date of this subsection for such insurer shall be January 1, 1989.

G. In the case of any plan of life insurance which provides for future premium determination, the amounts of which are to be determined by the insurer based on the then estimates of future experience, or in the case of any plan of life insurance which is of such a nature that minimum values cannot be determined by the methods described in Subsection A, B, C, D, E or F of this section, then:

(1) the superintendent must be satisfied that the benefits provided under the plan are substantially as favorable to policyholders and insureds as the minimum benefits otherwise required by Subsection A, B, C, D, E or F of this section;

(2) the superintendent must be satisfied that the benefits and the pattern of premiums of that plan are not such as to mislead prospective policyholders or insureds; and

(3) the cash surrender values and paid-up nonforfeiture benefits provided by such plan must not be less than the minimum values and benefits required for the plan computed by a method consistent with the principles of this section, as determined by regulations promulgated by the superintendent.

H. Any cash surrender value and any paid-up nonforfeiture benefit, available under the policy in the event of default in a premium payment due at any time other than on the policy anniversary, shall be calculated with allowance for the lapse of time and the payment of fractional premiums beyond the last preceding policy anniversary. All values referred to in Subsections B, C, D, E and F of this section may be calculated upon the assumption that any death benefit is payable at the end of the policy year of death. The net value of any paid-up additions, other than paid-up term additions, shall be not less than the amounts used to provide such additions. Notwithstanding the provisions of Subsection B of this section, additional benefits payable (a) in the event of death or dismemberment by accident or accidental means, (b) in the event of total and permanent disability, (c) as reversionary annuity or deferred reversionary annuity benefits, (d) as term insurance benefits provided by a rider or supplemental policy provision to which, if issued as a separate policy, this section would not apply, (e) as term insurance on the life of a child or on the lives of children provided in a policy on the life of a parent of the child, if such term insurance expires before the child's age is twenty-six, is uniform in amount after the child's age is one, and has not become paid up by reason of the death of a parent of the child, and (f) as other policy benefits additional to life insurance and endowment benefits, and premiums for all such additional benefits, shall be disregarded in ascertaining cash surrender values and nonforfeiture benefits required by this section, and no such additional benefits shall be required to be included in any paid-up nonforfeiture benefits.

I. This subsection, in addition to all other applicable sections of this law, shall apply to all policies issued on or after January 1, 1985. Any cash surrender value available under the policy
in the event of default in a premium payment due on any policy anniversary shall be in an amount which does not differ by more than two-tenths of one percent of either the amount of insurance, if the insurance be uniform in amount, or the average amount of insurance at the beginning of each of the first ten policy years, from the sum of (a) the greater of zero and the basic cash value hereinafter specified and (b) the present value of any existing paid-up additions less the amount of any indebtedness to the insurer under the policy.

The basic cash value shall be equal to the present value, on such anniversary, of the future guaranteed benefits which would have been provided for by the policy, excluding any existing paid-up additions and before deduction of any indebtedness to the insurer, if there had been no default, less the then present value of the nonforfeiture factors, as hereinafter defined, corresponding to premiums which would have fallen due on and after such anniversary. Provided, however, that the effects on the basic cash value of supplemental life insurance or annuity benefits or of family coverage, as described in Subsection B or D of this section, whichever is applicable, shall be the same as are the effects specified therein.

The nonforfeiture factor for each policy year shall be an amount equal to a percentage of the adjusted premium for the policy year, as defined in Subsection D or F of this section, whichever is applicable. Except as is required by the next succeeding sentence of this paragraph, such percentage:

(1) must be the same percentage for each policy year between the second policy anniversary and the later of the fifth policy anniversary and the first policy anniversary at which there is available under the policy a cash surrender value in an amount, before including any paid-up additions and before deducting any indebtedness, of at least two-tenths of one percent of either the amount of insurance, if the insurance be uniform in amount, or the average amount of insurance at the beginning of each of the first ten policy years; and

(2) must be such that no percentage after the later of the two policy anniversaries specified in Paragraph (1) of this subsection may apply to fewer than five consecutive policy years.

Provided, that no basic cash value may be less than the value which would be obtained if the adjusted premiums for the policy, as defined in Subsection D or F of this section, whichever is applicable, were substituted for the nonforfeiture factors in the calculation of the basic cash value.

All adjusted premiums and present values referred to in this subsection shall for a particular policy be calculated on the same mortality and interest bases as are used in demonstrating the policy's compliance with the other subsections of this section. The cash surrender values referred to in this subsection shall include any endowment benefits provided for by the policy.

Any cash surrender value available other than in the event of default in a premium payment due on a policy anniversary, and the amount of any paid-up nonforfeiture benefit available under the policy in the event of default in a premium payment shall be determined in manners consistent with the manners specified for determining the analogous minimum amounts in Subsections A, B, C, F and H of this section. The amounts of any cash surrender values and of
any paid-up nonforfeiture benefits granted in connection with additional benefits such as those listed as items (a) through (d) in Subsection H shall conform with the principles of this subsection.

J. This section shall not apply to any reinsurance, group insurance, pure endowment, annuity or reversionary annuity contract, nor to any term policy of uniform amount which provides no guaranteed nonforfeiture or endowment benefits, or renewal thereof, of twenty years or less expiring before age seventy-one for which uniform premiums are payable during the entire term of the policy, nor to any term policy of decreasing amount, which provides no guaranteed nonforfeiture or endowment benefits, on which each adjusted premium, calculated as specified in Subsections D, E and F of this section, is less than the adjusted premium so calculated, on a term policy of uniform amount, or renewal thereof, which provides no guaranteed nonforfeiture or endowment benefits, issued at the same age and for the same initial amount of insurance and for a term of twenty years or less expiring before age seventy-one, for which uniform premiums are payable during the entire term of the policy, nor to any policy, which provides no guaranteed nonforfeiture or endowment benefits, for which no cash surrender value, if any, or present value of any paid-up nonforfeiture benefit, at the beginning of any policy year, calculated as specified in Subsections B, C, D, E and F of this section, exceeds two and one-half percent of the amount of insurance at the beginning of the same policy year; nor to any policy which shall be delivered outside this state through an agent or other representative of the insurer issuing the policy.

For purposes of determining the applicability of this section, the age at expiry for a joint term life insurance policy shall be the age of expiry of the oldest life.

K. After the effective date of this act, any insurer may file with the superintendent a written notice of its election to comply with the provisions of this section after a specified date before January 1, 1952. After the filing of such notice, then upon such specified date (which shall be the operative date for such insurer), this section shall become operative with respect to policies thereafter issued by such insurer. If an insurer makes no such election, the operative date of this section for such insurer shall be January 1, 1952.

History: Laws 1984, ch. 127, § 396.


Compiler's notes. — The reference to "the first two paragraphs of this subsection" in Subsection D(2) seemingly means the introductory paragraph and Paragraph (1) of Subsection D, which were both undesignated paragraphs under former 59-16-8 NMSA 1978 (former Standard Nonforfeiture Law for life insurance) prior to its 1981 amendment. See Laws 1977, ch. 273, § 2.

The reference in Subsection K to "the effective date of this act" apparently refers to the effective date of Laws 1943, ch. 109, which enacted the original 1943 Standard Nonforfeiture Law.

59A-20-32. Nonforfeiture benefits, cash surrender values; life policies issued prior to operative date of 1943 Standard Nonforfeiture Law.

A. This section shall apply only to those life insurance policies issued prior to the operative date of the Standard Nonforfeiture Law as first enacted by Laws of 1943, Chapter 109.

B. A nonforfeiture benefit shall be available to the owner of the policy in event of default in premium payments, after a premium shall have been paid for three (3) years and shall be a stipulated form of insurance effective from the due date of the premium, the net value of which shall be at least equal to the reserve at the date of default on the policy and on any dividend additions thereto, less a sum of not more than two and one-half percent of the amount insured by the policy and of any existing dividend additions thereto, and less any existing indebtedness to the insurer on or secured by the policy. The policy shall specify the mortality table and rate of interest adopted from computing such reserves and shall stipulate that it may be surrendered to the insurer at its home office within one (1) month from date of default, for a specified cash value at least equal to the sum which would otherwise be available for the purchase of insurance as above stated.


Compiler's notes. — The phrase "operative date of the Standard Nonforfeiture Law", referred to in Subsection A, means July 11, 1943, the effective date of Laws 1943, Chapter 109, which enacted the original 1943 Standard Nonforfeiture Law.


A. This section shall not apply to any reinsurance, group annuity purchased under a retirement plan or plan of deferred compensation established or maintained by an employer, including a partnership or sole proprietorship or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under Section 408 of the Internal Revenue Code of 1986, as now or hereafter amended, premium deposit fund, variable annuity, investment annuity, immediate annuity, any deferred annuity contract after annuity payments have commenced or reversionary annuity, nor to any contract

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that shall be delivered outside this state through an agent or other representative of the insurer issuing the contract.

B. In the case of contracts issued on or after the operative date of this section as defined in Subsection L of this section, no contract of annuity, except as stated in Subsection A of this section, shall be delivered or issued for delivery in this state unless it contains in substance the following provisions, or corresponding provisions which in the opinion of the superintendent are at least as favorable to the contractholder, upon cessation of payment of considerations under the contract:

(1) that upon cessation of payment of considerations under a contract or upon the written request of the contract owner, the insurer shall grant a paid-up annuity benefit on a plan stipulated in the contract of such value as is specified in Subsections D, E, F, G and I of this section;

(2) if a contract provided for a lump sum settlement at maturity, or at any other time, that upon surrender of the contract at or prior to the commencement of any annuity payments, the insurer shall pay in lieu of any paid-up annuity benefit a cash surrender benefit of such amount as is specified in Subsections D, E, G and I of this section. The insurer may reserve the right to defer the payment of such cash surrender benefit for a period not to exceed six months after demand therefor with surrender of the contract after making written request and receiving written approval of the superintendent. The request shall address the necessity and equatability to all policyholders of the deferral;

(3) a statement of the mortality table, if any, and interest rates used in calculating any minimum paid-up annuity, cash surrender or death benefits that are guaranteed under the contract, together with sufficient information to determine the amounts of such benefits; and

(4) a statement that any paid-up annuity, cash surrender or death benefits that may be available under the contract are not less than the minimum benefits required by any statute of the state in which the contract is delivered and an explanation of the manner in which such benefits are altered by the existence of any additional amounts credited by the insurer to the contract, any indebtedness to the insurer on the contract or any prior withdrawals from or partial surrenders of the contract.

Notwithstanding the requirements of this section, any deferred annuity contract may provide that if no considerations have been received under a contract for a period of two full years and the portion of the paid-up annuity benefit at maturity on the plan stipulated in the contract arising from prior considerations paid would be less than twenty dollars ($20.00) monthly, the insurer may at its option terminate such contract by payment in cash of the then present value of such portion of the paid-up annuity benefit, calculated on the basis of the mortality table, if any, and interest rate specified in the contract for determining the paid-up annuity benefit, and by such payment shall be relieved of any further obligation under such contract.

C. The minimum values as specified in Subsections D, E, F, G and I of this section of any paid-up annuity, cash surrender or death benefits available under an annuity contract shall be based upon minimum nonforfeiture amounts as defined in this section.
(1) The minimum nonforfeiture amount at any time at or prior to the commencement of any annuity payments shall be equal to an accumulation up to such time at rates of interest as indicated in Paragraph (2) of Subsection C of this section of the net considerations, as hereinafter defined, paid prior to such time, decreased by the sum of Subparagraphs (a) through (d):

(a) any prior withdrawals from or partial surrenders of the contract accumulated at rates of interest as indicated in Paragraph (2) of Subsection C of this section;

(b) an annual contract charge of fifty dollars ($50.00), accumulated at rates of interest as indicated in Paragraphs (2) of Subsection C of this section;

(c) any premium tax paid by the insurer for the contract, accumulated at rates of interest as indicated in Paragraph (2) of Subsection C of this section; and

(d) the amount of any indebtedness to the insurer on the contract, including interest due and accrued.

The net considerations for a given contract year used to define the minimum nonforfeiture amount shall be an amount equal to eighty-seven and one-half percent of the gross considerations credited to the contract during that contract year.

(2) The interest rate used in determining minimum nonforfeiture amounts shall be an annual rate of interest determined as the lesser of three percent per annum and the following, which shall be specified in the contract if the interest rate will be reset:

(a) the five-year constant maturity treasury rate reported by the federal reserve as of a date, or average over a period, rounded to the nearest one-twentieth percent, specified in the contract no longer than fifteen months prior to the contract issue date or redetermination date pursuant to Subparagraph (d) of Paragraph 2 of Section C of this section;

(b) reduced by one hundred twenty-five basis points;

(c) where the resulting interest rate is not less than one percent; and

(d) the interest rate shall apply for an initial period and may be redetermined for additional periods. The redetermination date, basis and period, if any, shall be stated in the contract. The basis is the date or average over a specified period that produces the value of the five-year constant maturity treasury rate to be used at each redetermination date.

(3) Notwithstanding the provisions of Paragraphs (1) and (2) of Subsection C of this section, during the period or term that a contract provides substantive participation in an equity indexed benefit, it may increase the reduction described in Subparagraph (b) of Paragraph (2) of Subsection C of this section by up to an additional one hundred basis points to reflect the value of the equity index benefit. The present value at the contract issue date, and at each redetermination date thereafter, of the additional reduction shall not exceed the market value of the benefit. The superintendent may require a demonstration that the present value of the reduction does not exceed the market value of the benefit. Lacking such a demonstration that is acceptable to the superintendent, the superintendent may disallow or limit the additional reduction.
(4) The superintendent may adopt rules to implement the provisions of Paragraph (3) of Subsection C of this section and to provide for further adjustments to the calculation of minimum nonforfeiture amounts for contracts that provide substantive participation in an equity index benefit and for other contracts that the superintendent determines adjustments are justified.

D. Any paid-up annuity benefit available under a contract shall be such that its present value on the date annuity payments are to commence is at least equal to the minimum nonforfeiture amount on that date. Such present value shall be computed using the mortality table, if any, and the interest rates specified in the contract for determining the minimum paid-up annuity benefits guaranteed in the contract.

E. For contracts that provide cash surrender benefits, such cash surrender benefits available prior to maturity shall not be less than the present value as of the date of surrender of that portion of the maturity value of the paid-up annuity benefit that would be provided under the contract at maturity arising from considerations paid prior to the time of cash surrender reduced by the amount appropriate to reflect any prior withdrawals from or partial surrenders of the contract, such present value being calculated on the basis of an interest rate not more than one percent higher than the interest rate specified in the contract for accumulating the net considerations to determine such maturity value, decreased by the amount of any indebtedness to the insurer on the contract, including interest due and accrued, and increased by any existing additional amounts credited by the insurer to the contract. In no event shall any cash surrender benefit be less than the minimum nonforfeiture amount at that time. The death benefit under such contracts shall be at least equal to the cash surrender benefit.

F. For contracts that do not provide cash surrender benefits, the present value of any paid-up annuity benefit available as a nonforfeiture option at any time prior to maturity shall not be less than the present value of that portion of the maturity value of the paid-up annuity benefit provided under the contract arising from considerations paid prior to the time the contract is surrendered in exchange for, or changed to, a deferred paid-up annuity, such present value being calculated for the period prior to the maturity date on the basis of the interest rate specified in the contract for accumulating the net considerations to determine such maturity value, and increased by any existing additional amounts credited by the insurer to the contract. For contracts that do not provide any death benefits prior to the commencement of any annuity payments, such present values shall be calculated on the bases of such interest rate and the mortality table specified in the contract for determining the maturity value of the paid-up annuity benefit. However, in no event shall the present value of a paid-up annuity benefit be less than the minimum nonforfeiture amount at that time.

G. For the purpose of determining the benefits calculated under Subsections E and F of this section, in the case of annuity contracts under which an election may be made to have annuity payments commence at optional maturity dates, the maturity date shall be deemed to be the latest date for which election shall be permitted by the contract, but shall not be deemed to be later than the anniversary of the contract next following the annuitant's seventieth birthday or the tenth anniversary of the contract, whichever is later.
H. Any contract that does not provide cash surrender benefits or does not provide death benefits at least equal to the minimum nonforfeiture amount prior to the commencement of any annuity payments shall include a statement in a prominent place in the contract that such benefits are not provided.

I. Any paid-up annuity, cash surrender or death benefits available at any time, other than on the contract anniversary under any contract with fixed scheduled considerations, shall be calculated with allowance for the lapse of time and the payment of any scheduled considerations beyond the beginning of the contract year in which cessation of payment of considerations under the contract occurs.

J. For any contract that provides, within the same contract by rider or supplemental contract provision, both annuity benefits and life insurance benefits that are in excess of the greater of cash surrender benefits or a return of the gross considerations with interest, the minimum nonforfeiture benefits shall be equal to the sum of the minimum nonforfeiture benefits for the annuity portion and the minimum nonforfeiture benefits, if any, for the life insurance portion computed as if each portion were a separate contract. Notwithstanding the provisions of Subsections D, E, F, G and I of this section, additional benefits payable (a) in the event of total and permanent disability, (b) as reversionary annuity or deferred reversionary annuity benefits, or (c) as other policy benefits additional to life insurance, endowment and annuity benefits, and considerations for all such additional benefits, shall be disregarded in ascertaining the minimum nonforfeiture amounts, paid-up annuity, cash surrender and death benefits that may be required by this section. The inclusion of such additional benefits shall not be required in any paid-up benefits, unless such additional benefits separately would require minimum nonforfeiture amounts, paid-up annuity, cash surrender and death benefits.

K. The superintendent may adopt rules to implement the provisions of this section.

L. After July 1, 2003, an insurer may elect to apply its provisions to annuity contracts on a contract-form by contract-form basis before July 1, 2005. In all other instances this section shall become operative with respect to annuity contracts issued by the insurer after June 30, 2005.


The 2003 amendment, effective June 20, 2003, rewrote this section.

Internal Revenue Code. — Section 408 of the Internal Revenue Code, referred to in Subsection A, is compiled as 26 U.S.C. § 408.


44 C.J.S. Insurance § 8 et seq.


ARTICLE 20A
Viatical Settlements

Section
59A-20A-1 Short title.
59A-20A-2 Definitions.
59A-20A-3 License requirements; fees.
59A-20A-4 License denial, suspension, revocation or refusal to renew.
59A-20A-5 Approval of viatical settlement contracts and disclosure statements; contract terms.
59A-20A-6 Reporting requirements and confidentiality.
59A-20A-7 Examination.
59A-20A-8 Disclosure.
59A-20A-11 Relationship to other laws.


This act [59A-20A-1 to 59A-20A-11 NMSA 1978] may be cited as the "Viatical Settlements Act".

History: Laws 1999, ch. 246, § 1.


As used in the Viatical Settlements Act [59A-20A-1 to 59A-20A-11 NMSA 1978]:

A. "broker" means a person or his authorized representative who on behalf of a viator and for a fee, commission or other valuable consideration offers or attempts to negotiate viatical settlements between a viator and one or more providers. "Broker" does not include an attorney, accountant or financial planner retained by the viator to represent him;

B. "financing entity" means an underwriter, placement agent, lender, purchaser of securities, credit enhancer, purchaser of a policy or certificate from a provider or any other person who may be a party to a contract and who has a direct ownership in a policy or certificate that is the subject of a contract but whose sole activity related to the transaction is providing funds to effect the viatical settlement and who has an agreement in writing with a provider to act as a participant in a financing transaction;

C. "financing transaction" means a transaction in which a provider or a financing
A financial entity obtains financing for contracts or viaticated policies or interests in such contracts or policies, including any secured or unsecured financing, any securitization transaction or any securities offering either registered or exempt from registration under federal and state securities laws, or any direct purchase of interests in a policy or certificate;

D. "provider" means a person or his authorized representative who obtains financing from a financing entity for the purchase, acquisition, transfer or other assignment of one or more viatical settlement contracts or viaticated policies or interests in such contracts or policies, or otherwise sells, assigns, transfers, pledges, hypothecates or otherwise disposes of one or more viatical settlement contracts or viaticated policies or interests in such contracts or policies. Provider does not include:

1. A bank, savings bank, savings and loan association, credit union or other lending institution that takes an assignment of a life insurance policy as collateral for a loan;
2. The issuer of a life insurance policy providing accelerated benefits under and pursuant to the contract; or
3. A natural person who enters into no more than one agreement in a calendar year for the transfer of life insurance policies for any value less than the expected death benefit;

E. "viatical settlement contract" means a written agreement entered into between a provider and a viator;

F. "viaticated policy" means a life insurance policy or certificate that has been acquired by a provider pursuant to a viatical settlement contract; and

G. "viator" means the owner of a life insurance policy or a certificate holder under a group policy insuring the life of a person with a catastrophic, life-threatening or chronic illness or condition who enters or seeks to enter into a viatical settlement contract.


59A-20A-3. License requirements; fees.

A. A person shall not operate as a provider or broker without a license from the superintendent.

B. Application for a provider or broker license shall be made to the superintendent by the applicant on a form prescribed by the superintendent.

C. An application or renewal shall be accompanied by the following fee:

1. For initial license as a provider, one thousand dollars ($1,000);
2. For initial license as a broker, one hundred dollars ($100);
3. For renewal of a provider's license, two hundred dollars ($200); and
for renewal of a broker's license, one hundred dollars ($100).

D. Licenses may be renewed from year to year on the anniversary date of licensure upon payment of the annual renewal fee. Failure to pay the fee by the renewal date shall result in revocation of the license.

E. The applicant shall provide information on forms required by the superintendent. The superintendent may require the applicant to fully disclose the identity of all stockholders, partners, officers, members and employees and representatives, and the superintendent may refuse to issue a license if not satisfied that a stockholder, partner, officer, member, employee or representative who may materially influence the applicant's conduct meets the standards of the Viatical Settlements Act [59A-20A-1 to 59A-20A-11 NMSA 1978].

F. A license issued to an applicant authorizes all members, officers, representatives and designated employees to act as providers or brokers, as applicable, under the license, and all those persons shall be named in the application and any supplements to the application.

G. Upon the filing of an application and the payment of the license fee, the superintendent may make an investigation of each applicant and issue a license if the superintendent finds that the applicant:

   (1) has provided a detailed plan of operation;
   (2) is competent and trustworthy and intends to act in good faith in the capacity provided by the license applied for;
   (3) has a good business reputation and has had experience, training or education so as to be qualified in the business for which licensure is sought; and
   (4) if not a natural person, provides a certificate of good standing from the state of its domicile.

H. The superintendent shall not issue a license to an applicant unless a written designation of an agent for service of process is filed and maintained with the superintendent or the applicant has filed with the superintendent the applicant's written irrevocable consent that any action against the applicant may be commenced by service of process on the superintendent.

History: Laws 1999, ch. 246, § 3.


59A-20A-4. License denial, suspension, revocation or refusal to renew.

A. The superintendent may deny, suspend, revoke or refuse to renew the license of a provider or broker if the superintendent finds that:

   (1) there was any material misrepresentation in the application for the license;
   (2) the licensee, including any officer, partner, member, key management personnel
or representative of the licensee, has been convicted of fraudulent or dishonest practices, is subject to a final administrative action or is otherwise shown to be untrustworthy or incompetent;

(3) the licensee has pleaded guilty or nolo contendere, or been found guilty of, any felony or a misdemeanor involving fraud or moral turpitude, regardless of whether a judgment of conviction has been entered by the court;

(4) the licensee no longer meets the requirements for initial licensure;

(5) the licensee has performed any act prohibited by the Viatical Settlements Act [59A-20A-1 to 59A-20A-11 NMSA 1978];

(6) the provider demonstrates a pattern of unreasonable payments to viators;

(7) the provider has entered into a viatical settlement contract that has not been approved in accordance with the Viatical Settlements Act;

(8) the provider has failed to honor contractual obligations set out in a viatical settlement contract; or

(9) the provider has assigned, transferred or pledged a viaticated policy to a person other than another provider licensed in New Mexico or a financing entity.

B. Before the superintendent suspends, revokes or refuses to renew the license of a provider or broker, the superintendent shall conduct a hearing in accordance with Chapter 59A, Article 4 NMSA 1978.

C. Any person aggrieved by denial of an application may request a hearing before the superintendent in accordance with the provisions of Chapter 59A, Article 4 NMSA 1978.


59A-20A-5. Approval of viatical settlement contracts and disclosure statements; contract terms.

A. A person shall not use a viatical settlement contract or provide a disclosure statement form to a viator in New Mexico unless filed with and approved by the superintendent. The superintendent shall disapprove a viatical settlement contract or disclosure statement form if, in the superintendent's opinion, it is unreasonable, contrary to the interests of the public or otherwise misleading or unfair to the viator.

B. The viatical settlement contract shall establish the terms under which the provider will pay compensation or anything of value, which compensation or value is less than the expected death benefit of the insurance policy or certificate, in return for the viator's assignment, transfer, sale, devise or bequest to the provider of the death benefit or ownership of all or a portion of the insurance policy or certificate. A viatical settlement contract also includes a contract for a loan or other financial transaction secured primarily by an individual or group life insurance policy,
other than a loan by a life insurance company pursuant to the terms of the life insurance contract, or a loan secured by the cash value of a policy.

**History:** Laws 1999, ch. 246, § 5.


### 59A-20A-6. Reporting requirements and confidentiality.

A. Each licensee shall file with the superintendent on or before March 1 of each year an annual statement containing such information as the superintendent by rule may prescribe.

B. Except as otherwise allowed, a provider, broker, insurance company, insurance agent, insurance broker, information bureau, rating agency or company or any other person with actual knowledge of a viator's or insured's identity shall not disclose that identity to any other person unless the disclosure is:

   1. necessary to effect a viatical settlement between the viator and a provider and the viator has given written consent and, if the insured's identity is being disclosed and the insured is competent, the insured has given written consent to the disclosure;

   2. provided in response to an investigation by the superintendent or any other governmental officer or agency; or

   3. a term of or condition to the transfer of a viaticated policy by one provider to another provider.

**History:** Laws 1999, ch. 246, § 6.


A. The superintendent may examine the business and affairs of a licensee or applicant. The superintendent shall have the authority to order a licensee or applicant to produce any records, books, files or other information reasonably necessary to ascertain whether the licensee or applicant is acting or has acted in violation of the law or otherwise contrary to the interests of the public. The expenses incurred in conducting an examination shall be paid by the licensee or applicant.

B. Names and identification data for all viators or insureds shall be considered confidential information and shall not be disclosed by the superintendent unless required by law.

C. Records of all transactions of viatical settlement contracts shall be maintained by the provider and shall be available to the superintendent for inspection during reasonable business hours. A provider shall maintain records of each viatical settlement until five years after the
death of the viator.

**History:** Laws 1999, ch. 246, § 7.


**59A-20A-8. Disclosure.**

A. A provider or broker shall provide a written disclosure statement form containing the following information to the viator no later than the time of application:

1. possible alternatives to viatical settlement contracts for persons with catastrophic, life-threatening or chronic illnesses, including any accelerated death benefits offered under the viator's life insurance policy;
2. that some or all of the proceeds of the viatical settlement may be free from federal income tax and from state franchise and income taxes, and that assistance should be sought from a professional tax adviser;
3. that the viator has a right to rescind a viatical settlement contract within fifteen calendar days after receipt of the viatical settlement proceeds;
4. that money will be sent to the viator within two business days after the provider has received the insurer or group administrator's acknowledgment that ownership of the policy or interest in the certificate has been transferred and the beneficiary has been designated pursuant to the viatical settlement contract;
5. that proceeds of the viatical settlement could be subject to the claims of creditors;
6. that receipt of the proceeds of a viatical settlement may adversely affect the viator's eligibility for medicaid or other government benefits or entitlements, and that advice should be obtained from the appropriate government agencies; and
7. that entering into a viatical settlement contract may cause other rights or benefits, including conversion rights and waiver of premium benefits that may exist under the policy or certificate, to be forfeited by the viator and that assistance should be sought from a financial adviser.

B. A provider shall disclose in writing the following information to the viator prior to the date the viatical settlement contract is signed by all parties:

1. the affiliation, if any, between the provider and the issuer of an insurance policy to be viaticated;
2. if an insurance policy to be viaticated has been issued as a joint policy or involves family riders or any coverage of a life other than the viator, the possible loss of coverage on the other lives and the advisability of consulting with the insurance producer or the company issuing the policy for advice on the proposed viatication; and
3. the dollar amount of the current death benefit payable to the provider under the
policy or certificate and the availability of any additional guaranteed insurance benefits and the
dollar amount of any accidental death and dismemberment benefits under the policy or certificate
and the provider's interest in those benefits.


Effective dates. — Laws 1999, ch. 246, § 13, makes the Viatical Settlements Act effective on July 1,
2000.


A. A provider entering into a viatical settlement contract shall first obtain:

(1) if the viator is the insured, a written statement from a licensed attending physician
that the viator is of sound mind and under no constraint or undue influence to enter into a viatical
settlement contract;

(2) a witnessed document in which the viator:
(a) consents to the viatical settlement contract;
(b) acknowledges that the insured has a catastrophic, life-threatening or chronic
illness or condition;
(c) represents that the viator has a full and complete understanding of the viatical
settlement contract;
(d) asserts that he has a full and complete understanding of the benefits of the life
insurance policy; and
(e) acknowledges that he has entered into the viatical settlement contract freely and
voluntarily; and

(3) a document in which the insured consents to the release of his medical records to
a provider or broker.

B. All medical information solicited or obtained by a licensee shall be subject to the
applicable provision of state law relating to confidentiality of medical information.

C. All viatical settlement contracts entered into in New Mexico shall provide the viator with
an unconditional right to rescind the contract for at least fifteen calendar days from the receipt of
the viatical settlement proceeds. If the insured dies during the rescission period, the viatical
settlement contract shall be deemed to have been rescinded, subject to repayment to the provider
of all viatical settlement proceeds.

D. Immediately upon the provider's receipt of documents to effect the transfer of the
insurance policy, the provider shall pay the proceeds of the viatical settlement to an escrow or
trust account in a state or federally chartered financial institution whose deposits are insured by
the federal deposit insurance corporation. The account shall be managed by a trustee or escrow
agent independent of the parties to the contract. The trustee or escrow agent shall transfer the
proceeds to the viator immediately upon the provider's receipt of acknowledgment of the transfer
of the insurance policy.

E. Failure to pay the viator within the time specified in Paragraph (4) of Subsection A of Section 8 of the Viatical Settlements Act \[59A-20A-8 NMSA 1978\] renders the viatical settlement contract voidable by the viator for lack of consideration until the time consideration is tendered to and accepted by the viator.

F. Contacts with the viator or insured for the purpose of determining the health status of the insured by the provider or broker after the viatical settlement has occurred shall only be made by the provider or broker licensed in New Mexico and shall be limited to once every three months for insureds with a life expectancy of more than one year and to no more than once per month for insureds with a life expectancy of one year or less. The provider or broker shall explain the procedure for these contacts at the time the viatical settlement contract is entered into. The limitations set forth in this subsection shall not apply to any contacts with an insured under a viaticated policy for reasons other than determining the viator's health status.

**History:** Laws 1999, ch. 246, § 9.


The superintendent may:

A. promulgate rules to implement the provisions of the Viatical Settlements Act \[59A-20A-1 to 59A-20A-11 NMSA 1978\];

B. establish standards for evaluating reasonableness of payments under viatical settlement contracts, including regulation of discount rates used to determine the amount paid in exchange for assignment, transfer, sale, devise or bequest of a benefit under a life insurance policy;

C. establish appropriate licensing requirements and standards for continued licensure for providers and brokers;

D. require a bond or other mechanism for financial accountability for viatical settlement providers; and

E. adopt rules governing the relationship and responsibilities of both insurers and providers and brokers during the viatication of a life insurance policy or certificate.

**History:** Laws 1999, ch. 246, § 10.


59A-20A-11. Relationship to other laws.
The provisions of the Insurance Code other than the Viatical Settlements Act [59A-20A-1 to 59A-20A-11 NMSA 1978] shall not apply to viatical settlements unless expressly provided. The following articles and provisions of the Insurance Code shall also apply to viatical settlements and providers and their promoters, sponsors, directors, officers, employees, agents, solicitors, brokers and other representatives. For the purposes of such applicability, a provider may be referred to as an insurer in:

A. Chapter 59A, Article 1 NMSA 1978;
B. Chapter 59A, Article 2 NMSA 1978;
C. Chapter 59A, Article 4 NMSA 1978; and
D. Chapter 59A, Article 16 NMSA 1978.

History: Laws 1999, ch. 246, § 11.


ARTICLE 21
Group Life Insurance

Section
59A-21-1 Short title; purpose.
59A-21-2 Group contracts must meet requirements.
59A-21-3 "Group policy" defined.
59A-21-4 Employee groups.
59A-21-5 Debtor groups.
59A-21-6 Labor union groups.
59A-21-7 Trustee groups.
59A-21-8 Association groups.
59A-21-9 Discretionary groups.
59A-21-10 Dependents’ coverage.
59A-21-12 Grace period.
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59A-21-14 Statements by insured.
59A-21-15 Evidence of insurability.
59A-21-16 Misstatement of age.
59A-21-17 Payment to beneficiary; funeral expenses.
59A-21-18 Certificate or statement of insurance protection.
59A-21-19 Conversion privilege; termination of membership in group or by death of employee.
59A-21-20 Conversion privilege; termination of group policy.
59A-21-21 Conversion privilege; death benefit.
59A-21-22 Conversion privilege; extension by failure to give notice.
59A-21-23 Continuance of coverage during total disability.
59A-21-24 Assignment of interest under policy.
59A-21-25 Coverage under group policy issued in another state.
59A-21-26 Purpose.
59A-21-27 Definition.
59A-21-28 Maximum rate of interest on policy loans.

59A-21-1. Short title; purpose.

A. This article [Chapter 59A, Article 21 NMSA 1978] may be cited as the "Group Life Insurance Law".

B. The purpose of this article is to define group life insurance and to prescribe standard provisions required in policies of group life insurance, in order to promote the peace, health and safety of the inhabitants of this state by providing reasonable standards for issuance, delivery and terms of any policy of group life insurance, and exercise of certain rights relative thereto.

History: Laws 1984, ch. 127, § 399.


44 C.J.S. Insurance § 8 et seq.

59A-21-2. Group contracts must meet requirements.

A. No life insurance policy shall be delivered or issued for delivery in this state insuring the lives of more than one individual unless to a group defined in this article and otherwise in compliance with this article.

B. Subsection A hereof does not apply to life insurance policies insuring only individuals:

(1) related by blood, marriage or legal adoption; or

(2) having a common interest through ownership of a business enterprise, or a substantial legal interest or equity therein, and who are actively engaged in management thereof; or

(3) otherwise having an insurable interest in each other's lives.

History: Laws 1984, ch. 127, § 400.

Existing forms and filings. — See same catchline in notes following 59A-5-21 NMSA 1978.


Group life insurance policy for benefit of union members, 17 A.L.R.2d 927.

Time of disability or death with regard to termination of coverage under group policy, 68 A.L.R.2d 150.
Persons eligible to receive proceeds of federal employee's group life insurance, where insured does not designate beneficiary, 10 A.L.R.3d 803.

Effective date of group life insurance as to individual policies of employees, 66 A.L.R.3d 1175.

Group insurance: binding effects of limitations on or exclusions of coverage contained in master group policy but not in literature given individual insureds, 6 A.L.R.4th 835.

38A C.J.S. Gifts § 54; 44 C.J.S. Insurance § 8 et seq.


For the purposes of the Insurance Code "policy of group life insurance" or "group life policy" mean the contract of group life insurance delivered to the policyholder and not the certificate of insurance delivered to individuals insured under such contract.


59A-21-4. Employee groups.

A policy of group life insurance may be issued to an employer, or to the trustees of a fund established by an employer, which employer or trustees shall be deemed the policyholder, to insure employees of the employer for the benefit of persons other than the employer, subject to the following requirements:

A. the employees eligible for insurance under the policy shall be all of the employees of the employer, or all of any class or classes thereof. The policy may provide that the term "employees" shall include the employees of one or more subsidiary corporations, and the employees, individual proprietors, and partners of one or more affiliated corporations, proprietorships or partnerships if the business of the employer and of such affiliated corporations, proprietorships or partnerships is under common control. The policy may provide that the term "employees" shall include the individual proprietor or partners if the employer is an individual proprietorship or a partnership. The policy may provide that the term "employees" shall include retired employees and directors of a corporate employer. A policy issued to insure the employees of a public body may provide that the term "employees" shall include elected or appointed officials;

B. the premium for the policy shall be paid either from the employer's funds or from funds contributed to by the insured employees, or from both. Except as provided in Subsection C, below, a policy on which no part of the premium is to be derived from funds contributed by the insured employees must insure all eligible employees, except those who reject such coverage in writing; and

C. the insurer may exclude or limit the coverage on any person as to whom evidence of individual insurability is not satisfactory to the insurer.

ANNOTATION


Beneficiary must be one other than employer. — Where under a group life insurance policy, which employer purchased covering its employees, any proceeds from which were used to assist it in paying compensation benefits for which it might become liable to its employees, and a trust never existed except as a bookkeeping entry in the business records of the employer, neither the employer nor the trust is a permitted beneficiary. Bauer v. Bates Lumber Co., 84 N.M. 391, 503 P.2d 1169 (Ct. App.), cert. denied, 84 N.M. 390, 503 P.2d 1168 (1972) (decided under similar provisions of former 59-16-24 NMSA 1978).


Liability of employer to employee in connection with selection or retention of group insurer, 10 A.L.R.4th 1267.

Termination of employee's individual coverage under group policy for nonpayment of premiums, 22 A.L.R.4th 321.

59A-21-5. Debtor groups.

A policy of group life insurance may be issued to a creditor or its parent holding company or to a trustee or trustees or agent designated by two or more creditors, which creditor, holding company, affiliate, trustee, trustees or agent shall be deemed the policyholder, to insure debtors of the creditor, or creditors, subject to the following requirements:

A. the debtors eligible for insurance under the policy shall be all of the debtors of the creditor or creditors, or all of any class or classes thereof. The policy may provide that the term "debtors" shall include (1) borrowers of money or purchasers or lessees of goods, services, or property for which payment is arranged through a credit transaction; (2) the debtors of one or more subsidiary corporations; and (3) the debtors of one or more affiliated corporations, proprietorships, or partnerships if the business of the policyholder and of such affiliated corporations, proprietorships, or partnerships is under common control;

B. the premium for the policy shall be paid either from the creditor's funds, or from charges collected from the insured debtors, or from both. Except as provided in Subsection C, a policy on which no part of the premium is to be derived from funds contributed by insured debtors specifically for their insurance must insure all eligible debtors;

C. an insurer may exclude any debtors as to whom evidence of individual insurability is not satisfactory to the insurer;

D. the amount of the insurance on the life of any debtor shall at no time exceed the

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greater of the scheduled or actual amount of unpaid indebtedness to the creditor;

E. the insurance may be payable to the creditor or any successor to the right, title, and interest of the creditor. Such payment shall reduce or extinguish the unpaid indebtedness of the debtor to the extent of such payment; and

F. notwithstanding the provisions of the above subsections, insurance on agricultural credit transaction commitments may be written up to the amount of the loan commitment on a nondecreasing or level term plan. Insurance on educational credit transaction commitments may be written up to the amount of the loan commitment less the amount of any repayments made on the loan.

History: Laws 1984, ch. 127, § 403.


A policy of group life insurance may be issued to a labor union or similar organization, which shall be deemed the policyholder, to insure members of such union or organization for the benefit of persons other than the union or organization or any of its officials, representatives or agents, subject to the following requirements:

A. the members eligible for insurance under the policy shall be all of the members of the union or organization, or all of any class or classes thereof;

B. the premium for the policy shall be paid by the policyholder, either wholly from the union's or organization's funds, or from funds contributed by the insured members specifically for their insurance, or from both. Except as provided in Subsection C, a policy on which no part of the premium is to be derived from funds contributed by the insured members specifically for their insurance must insure all eligible members, except those who reject such coverage in writing; and

C. an insurer may exclude or limit the coverage on any person as to whom evidence of individual insurability is not satisfactory to the insurer.

History: Laws 1984, ch. 127, § 404.


59A-21-7. Trustee groups.

A. A policy of group life insurance may be issued to a trust or to the trustee of a fund established by two or more employers, or by one or more labor unions or similar employee organizations, or by one or more employers and one or more labor unions or similar employee organizations, which trust or trustee shall be deemed the policyholder, to insure employees of the employers or members of the unions or organizations for the benefit of persons other than the employers or the unions or organizations, subject to the following requirements:
the persons eligible for insurance shall be all of the employees of the employers or all of the members of the unions or organizations, or all of any class or classes thereof. The policy may provide that the term "employees" shall include retired employees, the individual proprietor or partners if an employer is an individual proprietor or a partnership, and directors of a corporate employer. The policy may provide that the term "employees" shall include the trustees or their employees, or both, if their duties are principally connected with such trusteeship;

the premium for the policy shall be paid from funds contributed by the employer or employers of the insured persons, or by the union or similar employee organizations, or by both, or from funds contributed by the insured persons or from both the insured persons and the employer or union or similar employee organization. Except as provided in Paragraph (3) of this section, a policy on which no part of the premium is to be derived from funds contributed by the insured persons specifically for their insurance must insure all eligible persons, except those who reject such coverage in writing; and

an insurer may exclude or limit the coverage on any person as to whom evidence of individual insurability is not satisfactory to the insurer.

B. No such policy or certificate of group life insurance may be renewed, delivered or issued for delivery in this state unless the superintendent has approved the issuance. The superintendent shall not grant his approval unless he finds that:

the benefits of the policy are reasonable in relation to the premium charged; and

the group to which the policy is issued is organized and operated in a fiscally sound manner.

C. The provisions of this section apply to the offering in this state of a policy issued in another state or its certificates.


The 1991 amendment, effective April 3, 1991, designated the formerly undesignated first paragraph as Subsection A and redesignated former Subsections A to C as Paragraphs (1) to (3) of Subsection A; in Subsection A, substituted "Paragraph (3) of this section" for "Subsection C" in the second sentence and made minor stylistic changes; and added Subsections B and C.

Severability clauses. — Laws 1991, ch. 125, § 30 provides for the severability of the act if any part or application thereof is held invalid.


A policy of group life insurance may be issued to any association organized in this state by any group of professional or business persons required to be licensed under the laws of the state in order to engage in such profession or business, or to any agricultural association organized under the laws of this state, and maintained in good faith for purposes other than that of obtaining insurance, insuring at least twenty-five (25) members of the association for the benefit
of persons other than the association or its officers or trustees, as such. The association is deemed the policyholder.


A policy of group life insurance may be issued to any other group which, in the discretion of the commission, may be subject to the issuance of a group life insurance contract.


59A-21-10. Dependents' coverage.

Insurance under any group life insurance policy issued pursuant to Sections 59A-21-4 and 59A-21-6 through 59A-21-8 NMSA 1978 may be extended to insure the dependents, or any class or classes thereof, of each employee or member who so elects. The term "dependent" means the spouse of the employee or member and an employee's or member's minor child, including a child beyond the age of majority up to a maximum of twenty-five years of age while attending an educational institution, and such other children of the employee or member as provided within the group life insurance policy. The premiums for the insurance on such dependents may be paid by the group policyholder or by the employee or member or by the group policyholder and the employee or member jointly.


The 1993 amendment, effective June 18, 1993, in the first sentence, substituted "59A-21-4 and 59A-21-6 through 59A-21-8 NMSA 1978" for "402 (employee groups), 404 (labor union groups), 405 (trustee groups) and 406 (association groups) of this article", deleted "insured" preceding "employee", and deleted the following language which formerly appeared at the end of the sentence: "in amounts in accordance with some plan which precludes individual selection and shall not be in excess of fifty percent of the insurance on the life of such employee or member"; and, in the second sentence, deleted "insured" preceding the first occurrence of "employee" and preceding "employee's", inserted "minor" preceding "child", substituted the language following "minor child" for "under twenty-one (21) years of age, or his child twenty-one (21) years or older who is attending an educational institution and relying upon the insured employee or member for financial support", and made minor stylistic changes.


A. No policy of group life insurance shall be delivered in this state unless it contains in substance the provisions as required by Sections 409 through 419 [59A-21-12 to 59A-21-22 NMSA 1978] of this article or provisions which, in the superintendent's opinion, are more favorable to the persons insured, or at least as favorable to the persons insured and more favorable to the policyholder.

B. The provisions set out in Sections 414 through 418 [59A-21-17 to 59A-21-21 NMSA 1978] of this article do not apply to policies issued to a creditor to insure debtors of such
C. The standard provisions required for individual life insurance shall not apply to group life insurance policies.

D. If a group life insurance policy is on a plan of insurance other than the term plan, it shall contain a nonforfeiture provision or provisions which, in the superintendent's opinion, is or are equitable to the insured persons and to the policyholder; but nothing herein shall be construed to require that group life insurance policies contain the same nonforfeiture provisions as are required for individual life insurance policies.

History: Laws 1984, ch. 127, § 408.

Existing forms and filings. — See notes following 59A-5-21 NMSA 1978.


A group life insurance policy shall contain in substance a provision that the policyholder is entitled to a grace period of thirty-one (31) days for the payment of any premium due except the first, during which grace period the death benefit coverage shall continue in force, unless the policyholder shall have given the insurer written notice of discontinuance in advance of the date of discontinuance and in accordance with the terms of the policy. The policy may provide that the policyholder shall be liable to the insurer for the payment of a pro rata premium for the time the policy was in force during such grace period.


A group life insurance policy shall contain in substance a provision that the validity of the policy shall not be contested, except for nonpayment of premiums, after it has been in force for two (2) years from its date of issue; and that no statement made by any person insured under the policy relating to his insurability shall be used in contesting the validity of the insurance with respect to which such statement was made after such insurance has been in force prior to the contest for a period of two (2) years during such person's lifetime nor unless contained in a written instrument signed by him; provided, however, that no such provision shall preclude assertion at any time of defenses based upon provisions in the policy which relate to eligibility for coverage.


A group life insurance policy shall contain in substance a provision that a copy of the application, if any, of the policyholder shall be attached to the policy when issued, that all statements made by the policyholder or by the persons insured shall be deemed representations and not warranties and that no statement made by any person insured shall be used in any contest unless a copy of the instrument containing the statement is or has been furnished to such person or in the event of death or incapacity of the insured person, to his beneficiary or personal representative.

**History:** Laws 1984, ch. 127, § 411.


A group life insurance policy shall contain in substance a provision setting forth the conditions, if any, under which the insurer reserves the right to require a person eligible for insurance to furnish evidence of insurability satisfactory to the insurer as a condition to part or all of his coverage.

**History:** Laws 1984, ch. 127, § 412.

#### ANNOTATION

**Conditions for acceptance of application allowed.** — The retention of the premium check by the life insurance company, and its failure to give notice of rejection after learning of the death of the applicant, does not constitute an acceptance of the application where applicant has undergone heart surgery, has been refused insurance by other companies, is advised that permission to contact his physician would be required by the company, and that his application would have to be approved by the company before it would become effective. Stubben v. National Fid. Life Ins. Co., 78 N.M. 667, 437 P.2d 128 (1968).


A group life insurance policy shall contain in substance a provision specifying an equitable adjustment of premiums or of benefits or of both to be made in the event the age of a person insured has been misstated, such provision to contain a clear statement of the method of adjustment to be used.

**History:** Laws 1984, ch. 127, § 413.

### 59A-21-17. Payment to beneficiary; funeral expenses.

A group life insurance policy shall contain in substance a provision that any sum becoming due by reason of the death of the person insured shall be payable to the beneficiary designated by the person insured, except that where the policy contains conditions pertaining to family status the beneficiary may be the family member specified by the policy terms, subject to the
provisions of the policy in the event there is no designated beneficiary, as to all or any part of such sum, living at the death of the person insured, and subject to any right reserved by the insurer in the policy and set forth in the certificate to pay at its option a part of such sum not exceeding two thousand dollars ($2,000) to any person appearing to the insurer to be equitably entitled thereto by reason of having incurred funeral or other expenses incident to the last illness or death of the person insured.


A. A group life insurance policy shall contain in substance a provision that the insurer will issue to the policyholder for delivery to each person insured an individual certificate setting forth a statement as to the insurance protection to which he is entitled, to whom the insurance benefits are payable and the rights and conditions set forth in Sections 416, 417, and 418 [59A-21-19, 59A-21-20, and 59A-21-21 NMSA 1978] of this article.

B. A group life insurance policy issued to a creditor to insure debtors of such creditor, shall contain in substance a provision that the insurer will furnish to the policyholder for delivery to each debtor insured under the policy a form which will contain a statement that the life of the debtor is insured under the policy and that any death benefit paid thereunder by reason of his death shall first be applied to reduce or extinguish the indebtedness.


59A-21-19. Conversion privilege; termination of membership in group or by death of employee.

A group life insurance policy shall contain in substance a provision that if the insurance, or any portion of it, on a person covered under the policy or on the dependent of such person ceases because of termination of employment or of membership in the class or classes eligible for coverage under the policy, such person shall be entitled to have issued to him by the insurer, without evidence of insurability, an individual policy of life insurance without disability or other supplementary benefits, provided application for the individual policy shall be made, and the first premium paid to the insurer, within thirty-one (31) days after such termination, and such individual policy shall be subject to the following requirements:

A. the individual policy shall, at the option of such person be on any one of the forms, except term insurance, then customarily issued by the insurer at the age and for the amount applied for;

B. the individual policy shall be in an amount not in excess of the amount of life insurance which ceases because of such termination, less the amount of any life insurance for
which such person becomes eligible under the same or any other group policy within thirty-one (31) days after such termination, provided that any amount of insurance which shall have matured on or before the date of such termination as an endowment payable to the person insured, whether in one sum or in installments or in the form of an annuity, shall not, for the purposes of this provision, be included in the amount which is considered to cease because of such termination; and

C. the premium on the individual policy shall be at the insurer's then customary rate applicable to the form and amount of the individual policy, to the class of risk to which such person then belongs and to his age attained on the effective date of the individual policy.

D. subject to the same conditions set forth above, the conversion privilege shall be available (1) to a surviving dependent, if any, at the death of the employee or member, with respect to the coverage under the group policy which terminates by reason of such death and (2) to the dependent of the employee or member upon termination of coverage of the dependent, while the employee or member remains insured under the group policy, by reason of the dependent ceasing to be a qualified family member, by divorce or otherwise, under the group policy.


Am. Jur. 2d, A.L.R. and C.J.S. references. — Failure of employer or insurer to notify employee dropped from payroll of necessity for and time of contribution to group insurance premium, 2 A.L.R.2d 852.

Termination of coverage under group policy with regard to termination of employment, 68 A.L.R.2d 8, 32 A.L.R.4th 1037.

59A-21-20. Conversion privilege; termination of group policy.

A group life insurance policy shall contain in substance a provision that if the group policy terminates or is amended so as to terminate the insurance of any class of insured persons, every person insured thereunder at the date of such termination whose insurance terminates, including the insured dependent of a covered person, and who has been so insured for at least five (5) years prior to such termination date shall be entitled to have issued to him by the insurer an individual policy of life insurance, subject to the same conditions and limitations as are provided by Section 416 [59A-21-19 NMSA 1978] of this article, except that the group policy may provide that the amount of such individual policy shall not exceed the smaller of:

A. the amount of the person's life insurance protection ceasing because of the termination or amendment of the group policy, less the amount of any life insurance for which he is or becomes eligible under any group policy issued or reinstated by the same or another insurer within thirty-one (31) days after such termination; and

B. ten thousand dollars ($10,000).


A group life insurance policy shall contain in substance a provision that if a person insured under the group policy, or the insured dependent of a covered person, dies during the period within which he would have been entitled to have an individual policy issued to him in accordance with Sections 416 or 417 [59A-21-19 or 59A-21-20 NMSA 1978] above and before such an individual policy shall have become effective, the amount of life insurance which he would have been entitled to have issued to him under such individual policy shall be payable as a claim under the group policy, whether or not application for the individual policy or the payment of the first premium therefor has been made.

History: Laws 1984, ch. 127, § 418.

59A-21-22. Conversion privilege; extension by failure to give notice.

If any individual insured under a group life insurance policy hereafter delivered in this state becomes entitled under the terms of such policy to have an individual policy of life insurance issued to him without evidence of insurability, subject to making of application and payment of the first premium within the period specified in such policy, and if such individual is not given notice of the existence of such right at least fifteen (15) days prior to the expiration date of such period, then in such event the individual shall have an additional period within which to exercise such right, but nothing herein contained shall be construed to continue any insurance beyond the period provided in such policy. This additional period shall expire fifteen (15) days next after the individual is given such notice but in no event shall such additional period extend beyond sixty (60) days next after the expiration date of the period provided in such policy. Written notice presented to the individual or mailed by the policyholder to the last known address of the individual or mailed by the insurer to the last known address of the individual as furnished by the policyholder shall constitute notice for the purpose of this section.

History: Laws 1984, ch. 127, § 419.

ANNOTATION

Time limit for premium notice. — Where plaintiffs’ decedent was hospitalized and died well within the time during which the policy provisions could be construed to say that he would be billed for the premium, the trial court could not grant summary judgment by concluding that the insurer did not have to provide decedent with a premium notice. Estate of Griego v. Reliance Std. Life Ins. Co., 2000-NMCA-022, 128 N.M. 676, 997 P.2d 150.

59A-21-23. Continuance of coverage during total disability.

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Where active employment is a condition of insurance, a group life insurance policy shall contain a provision in substance that an insured may continue coverage during the insured's total disability by timely payment to the policyholder of that portion, if any, of the premium that would have been required from the insured had total disability not occurred. The continuation shall be on a premium paying basis for a period of six (6) months from the date on which the total disability started, but not beyond the earlier of (1) approval by the insurer of continuation of the coverage under any disability provision which the group insurance policy may contain or (2) the discontinuance of the group insurance policy.

**History:** Laws 1984, ch. 127, § 420.

**59A-21-24. Assignment of interest under policy.**

A. Subject to the terms of the policy relating to assignment of incidents of ownership, a person whose life is insured under any policy of group life insurance can assign all or any part of his incidents of ownership under the policy including any right to designate a beneficiary under the policy and any right to have an individual policy issued to him in accordance with Sections 416 through 419 [59A-21-19 to 59A-21-22 NMSA 1978] of this article.

B. Subject to the terms of the policy relating to assignment of incidents of ownership, an assignment of the incidents of ownership by an insured, made either before or after March 8, 1969, is valid for the purpose of vesting in the assignee, in accordance with any provisions included in the assignment about the time at which it is to be effective, all of the incidents of ownership assigned, but without prejudice to the insurer on account of any payment it may make or individual policy it may issue in accordance with Sections 418 and 420 [59A-21-21 and 59A-21-23 NMSA 1978] of this article prior to receipt of notice of the assignment.

**History:** Laws 1984, ch. 127, § 421.


**59A-21-25. Coverage under group policy issued in another state.**

A. No group life insurance coverage shall be offered in this state by an insurer under a policy issued in another state if the superintendent, or the appropriate insurance supervisory public official of another state, has determined that:

1. issuance of the group policy was contrary to the best interests of the public;
2. issuance of the group policy was not actuarially sound;
3. issuance of the group policy did not result in economies of acquisition and administration; or
4. benefits provided under the group policy are not reasonable in relation to the premiums charged.
B. Upon the superintendent's request the insurer shall promptly furnish to the superintendent a copy of any such group policy and of the certificate of insurance to be issued thereunder.


The purpose of this act [59A-21-26 to 59A-21-28 NMSA 1978] is to permit and set guidelines for life insurers to include in life insurance policies issued after the effective date of this act a provision for periodic adjustment of policy loan interest rates.


Applicability to existing policies. — Laws 1983, ch. 283, § 4, provides that the provisions of the act shall not apply to any insurance contract issued before the effective date of the act unless the policyholder agrees in writing to the applicability of such provisions.


For the purposes of this act [59A-21-26 to 59A-21-28 NMSA 1978], "published monthly average" means "Moody's corporate bond yield average-monthly average corporates" as published by Moody's Investors Service, Inc. or any successor thereto or in the event that "Moody's corporate bond yield average-monthly average corporates" is no longer published, a substantially similar average as established by regulation of the superintendent of insurance.


Applicability to existing policies. — Laws 1983, ch. 283, § 4, provides that the provisions of the act shall not apply to any insurance contract issued before the effective date of the act unless the policyholder agrees in writing to the applicability of such provisions.


A. Policies issued on or after the effective date of this act shall provide for policy loan interest rates as follows:

(1) a provision permitting a maximum interest rate of not more than eight percent per year; or

(2) a provision permitting an adjustable maximum interest rate established from time to time by the life insurer as permitted by law.

B. The rate of interest charged on a policy loan made under Paragraph (2) of Subsection A of this section shall not exceed the higher of the following:

(1) the published monthly average for the calendar month ending two months before
the date on which the rate is determined; or

(2) the rate used to compute the cash surrender values under the policy during the applicable period plus one percent per year.

C. If the maximum rate of interest is determined pursuant to Paragraph (2) of Subsection A of this section, the policy shall contain a provision setting forth the frequency at which the rate is to be determined for that policy.

D. The maximum rate for each policy must be determined at regular intervals at least once every twelve months but not more frequently than once in any three-month period. At the intervals specified in the policy:

(1) the rate being charged may be increased whenever such increase as determined under Subsection B of this section would increase that rate by one-half of one percent or more per year; and

(2) the rate being charged must be reduced whenever such reduction as determined under Subsection B of this section would decrease that rate by one-half of one percent or more per year.

E. The life insurer shall:

(1) notify the policyholder at the time a cash loan is made of the initial rate of interest on the loan;

(2) notify the policyholder with respect to premium loans of the initial rate of interest on the loan as soon as it is reasonably practical to do so after making the initial loan. Notice need not be given to the policyholder when a further premium loan is added, except as provided in Paragraph (3) of this subsection;

(3) send to policyholders with loans reasonable advance notice of any increase in the rate; and

(4) include in the notices required above the substance of the pertinent provisions of Subsections A and C of this section.

F. The loan value of the policy shall be determined in accordance with Subsection F of Section 59-16-2 NMSA 1978 [repealed], but no policy shall terminate in a policy year as the sole result of change in the interest rate during that policy year, and the life insurer shall maintain coverage during that policy year until the time at which it would otherwise have terminated if there had been no change during that policy year.

G. The substance of the pertinent provisions of Subsections A and C of this section shall be set forth in the policies to which they apply.

H. For purposes of this section:

(1) the rate of interest on policy loans permitted under this section includes the interest rate charged on reinstatement of policy loans for the period during and after any lapse of a policy;
(2) the term "policy loan" includes any premium loan made under a policy to pay one or more premiums that were not paid to the life insurer as they fell due;

(3) the term "policyholder" includes the owner of the policy or the person designated to pay premiums as shown on the records of the life insurer; and

(4) the term "policy" includes certificates issued by a fraternal benefit society and annuity contracts which provide for policy loans.

I. No other provision of law shall apply to policy loan interest rates unless made specifically applicable to such rates.


Bracketed material. — The bracketed material in Subsection F was inserted by the compiler. It was not enacted by the legislature, and it is not part of the law. Section 59-16-2 NMSA 1978 was repealed by Laws 1984, ch. 127, § 997, effective January 1, 1985. For present comparable provisions of Subsection F of that section, see 59A-20-9 NMSA 1978.

"Effective date of this act". — The phrase "effective date of this act", as used in this section, means April 7, 1983, the effective date of Laws 1983, Chapter 283.

Applicability to existing policies. — Laws 1983, ch. 283, § 4, provides that the provisions of the act shall not apply to any insurance contract issued before the effective date of the act unless the policyholder agrees in writing to the applicability of such provisions.

ARTICLE 22
Health Insurance Contracts

Section
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59A-22-42 Coverage for prescription contraceptive drugs or devices.
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59A-22-46 Coverage of part-time employees.
59A-22-47 Coverage of colorectal cancer screening.

59A-22-1. Scope of article.

This article [Chapter 59A, Article 22 NMSA 1978] applies generally to policies of individual health insurance. Nothing in this article shall apply to or affect:

A. any policy of workmen's compensation insurance or any policy of liability
insurance with or without supplementary expense coverage therein; or

B. life insurance, endowment or annuity contracts or contracts supplemental thereto which contain only such provisions relating to health insurance as:

(1) provide additional benefits in case of death by accident; and

(2) operate to safeguard such contracts against lapse or to give a special surrender value or special benefit or annuity in event the insured or annuitant becomes totally and permanently disabled, as defined by the contract or supplemental contract;

C. group or blanket health insurance, except as stated in Article 23 [Chapter 59A, Article 23 NMSA 1978] of the Insurance Code; or

D. reinsurance.

History: Laws 1984, ch. 127, § 422.


59A-22-2. Form and content of policy.

No policy of individual health insurance shall be delivered or issued for delivery in this state unless:

A. the entire money and other considerations therefor are expressed therein; and

B. the time at which insurance takes effect and terminates is expressed therein; and

C. it purports to insure only one person, except as provided in Article 23 [Chapter 59A, Article 23 NMSA 1978] of the Insurance Code, and except that a policy or contract may be issued upon application of the head of a family, who shall be deemed the policyholder, covering members of any one family, including husband, wife, dependent children or any children under the age of nineteen (19) and other dependents living with the family; and

D. every printed portion of the text matter and of any endorsements or attached papers shall be printed in uniform type of which the face shall be not less than ten (10) point (the "text" shall include all printed matter except the name and address of the insurer, name and title of the policy, captions, subcaptions and form numbers), but notwithstanding any provision of this law, the superintendent shall not disapprove any such policy on the ground that every printed portion of its text matter or of any endorsement or attached paper is not printed in uniform type if it shall be shown that the type used is required to conform to the laws of another state in which the insurer is authorized; and

E. the exceptions and reductions of indemnity are adequately captioned and clearly set forth in the policy or contract; and

F. each such form, including riders and endorsements, shall be identified by a form number in the lower left-hand corner of the first page thereof; and

G. if any policy is issued by an insurer domiciled in this state for delivery to a person
residing in another state, and if the official having responsibility for the administration of
insurance laws of such other state shall have advised the superintendent that any such policy is
not subject to approval or disapproval by such official, the superintendent may by ruling require
that such policy meet the standards set forth in Sections 424 through 446 [59A-22-3 to
59A-22-25 NMSA 1978] of this article.


Cross references. — For age of dependents, see also Section 59A-22-30.1 NMSA 1978 and
Section 59A-22-34.2 NMSA 1978.

Existing forms and filings. — See same catchline in notes following 59A-5-21 NMSA 1978.

ANNOTATION

Policy construed as whole. — The insurance contract must be construed, whenever possible, to
give effect to both provisions of the policy, that is, the insuring clause and the excepting clause. King v.

Ambiguous policy construed to favor insured. — In the event the policy is ambiguous, the
contract will be construed favorably to the insured who did not prepare it. King v. Travelers Ins. Co., 84

If an ambiguity is apparent in the terms of a policy, the court must construe the contract so as to
sustain indemnity if the sense and meaning of the instrument are not thereby destroyed. King v. Travelers

Unambiguous terms given ordinary meaning. — Where there is no ambiguity the court must
construe the language of a policy in accordance with the plain, ordinary meaning of its terms. King v.

Exceptions, limitations and exclusions require narrow construction on the theory that the
insurer, having affirmatively expressed coverage through broad promises, assumes a duty to define any

Medical policy covering applicant's dependents only allowed. — Medical expense policy issued
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or accident policy in relation to military service, 36 A.L.R.2d 1018.

Computation of time with respect to fractions of days, in determining duration and termination of risk
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Clause in health and accident or similar policy reducing amount of periodic payments after insured
reaches specified age, as applicable to disability incurred before such age is reached, 53 A.L.R.2d 552.

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What amounts to "infirmity" or "deformity" within accident provision of insurance policy, 75 A.L.R.2d 1238.

Scope and application of provisions of accident policy, or accident feature of life policy, relating to accident in connection with automobile or other motor vehicle, 78 A.L.R.2d 1044.

Effective date of life, health, or accident insurance policy, as between premium date stated in policy, and later date of approval by insurer, 37 A.L.R.3d 933.

Accident insurance: death or disability incident to partaking of food or drink as within provision as to external, violent, and accidental means, 29 A.L.R.4th 1230.

Liability insurance: intoxication or other mental incapacity avoiding application of clause in liability policy specifically exempting coverage of injury or damage caused intentionally by or at direction of insured, 33 A.L.R.4th 983.

Accident insurance: what is "loss" of body member, 51 A.L.R.4th 156.

Accident or life insurance: death by autoerotic asphyxiation as accidental, 62 A.L.R.4th 823.

What service, equipment, or supplies are "medically necessary" for purposes of coverage under medical insurance, 75 A.L.R.4th 763.

Coverage under medical and health insurance plans for services performed by dentists, oral surgeons, and orthodontists, 43 A.L.R.5th 657.

44 C.J.S. Insurance §§ 299, 380, 381.


A. Except as provided in Subsection B of this section, each such policy delivered or issued for delivery in this state shall contain the provisions specified in Sections 425 through 436 [59A-22-4 to 59A-22-15 NMSA 1978], inclusive, of this article; except, that the insurer may, at its option, substitute for one or more of such provisions corresponding provisions of different wording approved by the superintendent which are in each instance not less favorable in any respect to the insured or beneficiary. Such required provisions shall be preceded individually by the applicable caption shown or, at the insurer's option, by such appropriate individual or group captions or subcaptions as the superintendent may approve.

B. If any provision of this article is in whole or in part inapplicable to or inconsistent with the coverage provided by a particular form of policy, the insurer, with the superintendent's approval, shall omit from such policy any inapplicable provision in such manner as to make the provision as contained in the policy consistent with the coverage provided by the policy.

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Existing forms and filings. — See same catchline in notes following 59A-5-21 NMSA 1978.

ANNOTATION

Ambiguous provision construed to favor insured. — The court's responsibility is to consider the intent of the parties as expressed in the policy, and where questions arise because of ambiguities, a liberal construction in favor of the insured is to be adopted. Couey v. National Benefit Life Ins. Co., 77 N.M. 512, 424 P.2d 793 (1967).

Words given ordinary meaning. — In construing the language, the court must read terms and phrases in their usual and ordinary sense unless language of the policy requires something different. Couey v. National Benefit Life Ins. Co., 77 N.M. 512, 424 P.2d 793 (1967).

No technical interpretation. — A strict technical or legalistic interpretation of the terms of the policy will not be accepted when it is fully within the power of the insurance company to affirmatively specify some meaning other than that understood by the average individual. Scott v. New Empire Ins. Co., 75 N.M. 81, 400 P.2d 953 (1965).

Absent provision in policy defining "accidental means" as something different from that as understood by the general public, words, phrases or terms will be given their ordinary meaning. Scott v. New Empire Ins. Co., 75 N.M. 81, 400 P.2d 953 (1965).

Limitations period permitted. — Pursuant to this section, a health insurance policy could contain a four-year limitations period, and 59A-22-14 NMSA 1978 would not bar an action filed within that four-year period. Willey v. United Mercantile Life Ins. Co., 1999-NMCA-137, 128 N.M. 98, 990 P.2d 211.

45 C.J.S. Insurance §§ 886, 887; 46 C.J.S. Insurance § 1118 et seq.

59A-22-4. Entire contract; changes.

There shall be a provision as follows:

This policy, including the endorsements and attached papers, if any, constitutes the entire contract of insurance. No change in this policy shall be valid until approved by an executive officer of the insurance company and unless such approval and countersignature be endorsed hereon or attached hereto. No agent has authority to change this policy or to waive any of its provisions.


59A-22-5. Time limit on certain defenses.

A. There shall be a provision for comprehensive major medical policies as follows: As of the date of issue of this policy, no misstatements, except willful or fraudulent misstatements, made by the applicant in the application for this policy shall be used to void the policy or to deny
a claim for loss incurred or disability (as defined in the policy). In the event a misstatement in an application is made that is not fraudulent or willful, the issuer of the policy may prospectively rate and collect from the insured the premium that would have been charged to the insured at the time the policy was issued had such misstatement not been made.

B. There shall be a provision for policies other than comprehensive major medical policies as follows: After two years from the date of issue of this policy, no misstatements, except fraudulent misstatements, made by the applicant in the application for this policy shall be used to void the policy or to deny a claim for loss incurred or disability (as defined in the policy) commencing after the expiration of such two-year period.

C. The foregoing policy provisions shall not be so construed as to affect any initial two-year period nor to limit the application of Sections 59A-22-17 through 59A-22-19, 59A-22-21 and 59A-22-22 NMSA 1978 in the event of misstatement with respect to age or occupation or other insurance.

D. A policy that the insured has the right to continue in force subject to its terms by the timely payment of premium (1) until at least age fifty or (2) in the case of a policy issued after age forty-four, for at least five years from its date of issue, may contain in lieu of the foregoing the following provision, from which the clause in parentheses may be omitted at the insurance company's option, under the caption "Incontestable":

After this policy has been in force for a period of two years during the lifetime of the insured (excluding any period during which the insured is disabled), it shall become incontestable as to the statements contained in the application.

E. For individual policies that do not reimburse or pay as a result of hospitalization, medical or surgical expenses, no claim for loss incurred or disability (as defined in the policy) shall be reduced or denied on the ground that a disease or physical condition disclosed on the application and not excluded from coverage by name or a specific description effective on the date of loss had existed prior to the effective date of coverage of this policy. As an alternative, those policies may contain provisions under which coverage may be excluded for a period of six months following the effective date of coverage as to a given covered insured for a preexisting condition, provided that:

(1) the condition manifested itself within a period of six months prior to the effective date of coverage in a manner that would cause a reasonably prudent person to seek diagnosis, care or treatment; or

(2) medical advice or treatment relating to the condition was recommended or received within a period of six months prior to the effective date of coverage.

F. Individual policies that reimburse or pay as a result of hospitalization, medical or surgical expenses may contain provisions under which coverage is excluded during a period of six months following the effective date of coverage as to a given covered insured for a preexisting condition, provided that:

(1) the condition manifested itself within a period of six months prior to the effective
date of coverage in a manner that would cause a reasonably prudent person to seek diagnosis, care or treatment; or

(2) medical advice or treatment relating to the condition was recommended or received within a period of six months prior to the effective date of coverage.

G. The preexisting condition exclusions authorized in Subsections E and F of this section shall be waived to the extent that similar conditions have been satisfied under any prior health insurance coverage if the application for new coverage is made not later than thirty-one days following the termination of prior coverage. In that case, the new coverage shall be effective from the date on which the prior coverage terminated.

H. Nothing in this section shall be construed to require the use of preexisting conditions or prohibit the use of preexisting conditions that are more favorable to the insured than those specified in this section.


The 1993 amendment, effective June 18, 1993, inserted "disclosed on the application" in Subsection B.

The 1994 amendment, effective January 1, 1995, in Subsection B, inserted the language beginning "For individual" preceding "no claim" in the first sentence, added the second sentence, and added Paragraphs B(1) and B(2); rewrote the introductory language of Subsection C preceding "contain provisions", which formerly read "An individual policy may, in lieu of the provisions stated in Subsection B of this section,"; deleted the former second sentence in Paragraph C(2), which read "This shall not be construed to prohibit preexisting condition provisions that are more favorable to the insured"; and added Subsections D and E.

Applicability. — Laws 1994, ch. 75, § 36 makes the provisions of §§ 26 to 34 of the act applicable to all plans and policies delivered, issued for delivery or renewed on or after January 1, 1995.

The 2008 amendment, effective July 1, 2008, in Subsection A, required that comprehensive major medical policies provide that no misstatements made by the applicant shall be used to void the policy or to deny a claim and that if the misstatement was not fraudulent or willful, authorized the issuer to prospectively rate and collect the premium that would have been due if the misstatement had not been made; and in Subsection B, required that policies other than comprehensive major medical policies contain the stated provision.


There shall be a provision as follows:

A grace period of . . . . . . . . (insert a number not less than "7" for weekly premium policies, "10" for monthly premium policies and "31" for all other policies) days will be granted for the payment of each premium falling due after the first premium, during which grace period the policy shall continue in force.

A policy in which the insurer reserves the right to refuse any renewal shall have, at the
beginning of the above provision, "Unless not less than five days prior to the premium due date the insurance company has delivered to the insured or has mailed to his last address as shown by the records of the insurer written notice of its intention not to renew this policy beyond the period for which the premium has been accepted."


There shall be a provision as follows:

If any renewal premium be not paid within the time granted the insured for payment, a subsequent acceptance of premium by the insurer or by any agent duly authorized by the insurance company to accept such premium, without requiring in connection therewith an application for reinstatement, shall reinstate the policy; provided, however, that if the insurance company or such agent requires an application for reinstatement and issues a conditional receipt for the premium tendered, the policy will be reinstated upon approval of such application by the insurer or, lacking such approval, upon the thirtieth day following the date of such conditional receipt unless the insurance company has previously notified the insured in writing of its disapproval of such application. The reinstated policy shall cover only loss resulting from such accidental injury as may be sustained after the date of the reinstatement and loss due to such sickness as may begin more than ten days after such date. In all other respects the insured and insurance company shall have the same rights thereunder as they had under the policy immediately before the due date of the defaulted premium, subject to any provisions endorsed hereon or attached hereto in connection with the reinstatement. Any premium accepted in connection with a reinstatement shall be applied to a period for which premium has not been previously paid, but not to any period more than sixty days prior to the date of reinstatement.

(The last sentence of the above provision may be omitted from any policy which the insured has the right to continue in force subject to its terms by the timely payment of premiums (1) until at least age 50 or, (2) in the case of a policy issued after age 44, for at least five years from its date of issue.)


There shall be a provision as follows:

Written notice of claim must be given to the insurance company within twenty days after the occurrence or commencement of any loss covered by the policy, or as soon thereafter as is reasonably possible. Notice given by or on behalf of the insured or the beneficiary to the insurance company at . . . . . . . . . . (insert the location of such office as the insurer may designate for the purpose) or to any authorized agent of the insurance company, with information sufficient to identify the insured, shall be deemed notice to the insurance company.
(In a policy providing a loss-of-time benefit which may be payable for at least two years, an insurance company may at its option insert the following between the first and second sentences of the above provision:

Subject to the qualifications set forth below, if the insured suffers loss of time on account of disability for which indemnity may be payable for at least two years, he shall at least once in every six months after having given notice of claim, give to the insurer notice of continuance of said disability, except in the event of legal incapacity. The period of six months following any filing of proof by the insured or any payment by the insurance company on account of such claim or any denial of liability in whole or in part by the insurance company shall be excluded in applying this provision. Delay in the giving of such notice shall not impair the insured's right to any indemnity which would otherwise have accrued during the period of six months preceding the date on which such notice is actually given.)


Am. Jur. 2d, A.L.R. and C.J.S. references. — Clause requiring notice of claim within specified time or as soon as reasonably possible, or the like, 17 A.L.R.3d 530.

Modern status of rules requiring liability insurer to show prejudice to escape liability because of insured's failure or delay in giving notice of accident or claim, or in forwarding suit papers, 32 A.L.R.4th 141.


There shall be a provision as follows:

The insurance company, upon receipt of a notice of claim, will furnish to the claimant such forms as are usually furnished by it for filing proofs of loss. If such forms are not furnished within fifteen days after the giving of such notice the claimant shall be deemed to have complied with the requirements of this policy as to proof of loss upon submitting, within the time fixed in the policy for filing proofs of loss, written proof covering the occurrence, the character and the extent of the loss for which claim is made.

History: Laws 1984, ch. 127, § 430.


There shall be a provision as follows:

Written proof of loss must be furnished to the insurer at its said office in case of claim for loss for which this policy provides any periodic payment contingent upon continuing loss within ninety days after the termination of the period for which the insurer is liable and in case of claim for any other loss within ninety days after the date of such loss. Failure to furnish such proof within the time required shall not invalidate nor reduce any claim if it was not reasonably possible to give proof within such time, provided such proof is furnished as soon as reasonably
possible and in no event, except in the absence of legal capacity, later than one year from the
time proof is otherwise required.

**History:** Laws 1984, ch. 127, § 431.

**59A-22-11. Time of payment of claims.**

There shall be a provision as follows:

Indemnities payable under this policy for any loss other than loss for which this policy
provides any periodic payment will be paid immediately upon receipt of due written proof of
such loss. Subject to due written proof of loss, all accrued indemnities for loss for which this
policy provides periodic payment will be paid . . . (insert period for payment which
must not be less frequently than monthly) and any balance remaining unpaid upon the
termination [termination] of liability will be paid immediately upon receipt of due written proof.

**History:** Laws 1984, ch. 127, § 432.

**59A-22-12. Payment of claims.**

There shall be a provision as follows:

Indemnity for loss of life will be payable in accordance with the beneficiary designation and
the provisions respecting such payment which may be prescribed herein and effective at the time
of payment. If no such designation or provision is then effective, such indemnity shall be payable
to the estate of the insured. Any other accrued indemnities unpaid at the insured's death may, at
the option of the insurer, be paid either to such beneficiary or to such estate. All other
indemnities will be payable to the insured.

(The following provisions, or either of them, may be included with the foregoing provision at
the option of the insurance company.)

(If any indemnity of this policy shall be payable to the estate of the insured, or to an insured
or beneficiary who is a minor or otherwise not competent to give valid release, the insurance
company may pay such indemnity, up to an amount not exceeding $ . . . (insert an amount
which shall not exceed one thousand dollars ($1,000), to any relative by blood or connection by
marriage of the insured or beneficiary who is deemed by the insurance company to be equitably
entitled thereto. Any payment made by the insurance company in good faith pursuant to this
provision shall fully discharge the insurance company to the extent of such payment.)

(Subject to any written direction of the insured in the application or otherwise all or a portion
of any indemnities provided by this policy on account of hospital, nursing, medical or surgical
services may, at the insurance company's option and unless the insured requests otherwise in
writing not later than the time of filing proofs of such loss, be paid directly to the hospital or
person rendering such services; but it is not required that the service be rendered by a particular
hospital or person.)

There shall be a provision as follows:

The insurance company at its own expense shall have the right and opportunity to examine the person of the insured when and as often as it may reasonably require during the pendency of a claim hereunder and to make an autopsy in case of death where it is not forbidden by law.


There shall be a provision as follows:

No action at law or in equity shall be brought to recover on this policy prior to the expiration of sixty days after written proof of loss has been furnished in accordance with the requirements of this policy. No such action shall be brought after the expiration of three years after the time written proof of loss is required to be furnished.


ANNOTATION

Limitations period permitted. — Pursuant to 59A-22-3 NMSA 1978, a health insurance policy could contain a four-year limitations period, and this section would not bar an action filed within that four-year period. Willey v. United Mercantile Life Ins. Co., 1999-NMCA-137, 128 N.M. 98, 990 P.2d 211.

59A-22-15. Change of beneficiary:[]

There shall be a provision as follows:

Unless the insured makes an irrevocable designation of beneficiary, the right to change of beneficiary is reserved to the insured and the consent of the beneficiary or beneficiaries shall not be requisite to surrender or assignment of this policy or to any change of beneficiary or beneficiaries, or to any other changes in this policy.


Except as provided in Section 424 [59A-22-3 NMSA 1978] of this article, no such policy
delivered or issued for delivery to any person in this state shall contain provisions respecting the
matters set forth in Sections 438 to 446 [59A-22-17 to 59A-22-25 NMSA 1978], inclusive, of
this article, unless such provisions are in the words in which the same appear in the applicable
such section; except, that the insurer may, at its option, use in lieu of any such provision a
corresponding provision of different wording approved by the superintendent which is not less
favorable in any respect to the insured or the beneficiary. Any such provisions contained in the
policy shall be preceded individually by the appropriate caption appearing with the section in
which the provision is set forth or, at the insurer's option, by such appropriate individual or
group captions or subcaptions as the superintendent may approve.

**History:** Laws 1984, ch. 127, § 437.

**Existing forms and filings.** — See notes following 59A-5-21 NMSA 1978.


There may be a provision as follows:

If the insured be injured or contract sickness after having changed his occupation to one
classified by the insurance company as more hazardous than that stated in this policy or while
doing for compensation anything pertaining to an occupation so classified, the insurance
company will pay only such portion of the indemnities provided in this policy as the premium
paid would have purchased at the rates and within the limits fixed by the insurance company for
such more hazardous occupation. If the insured changes his occupation to one classified by the
insurance company as less hazardous than that stated in this policy, the insurance company, upon
receipt of proof of such change of occupation, will reduce the premium rate accordingly, and will
return the excess premium calculated on a basis approved by the superintendent from the date of
change of occupation or from the policy anniversary date immediately preceding receipt of such
proof, whichever is the more recent. In applying this provision, the classification for
occupational risk and the premium rates shall be used as have been last filed by the insurance
company prior to the occurrence of the loss for which the insurance company is liable or prior to
date of proof of change in occupation with the state official having supervision of insurance in
the state where the insured resided at the time this policy was issued; but if such filing was not
required, then the classification of occupational risk and the premium rates shall be those last
made effective by the insurance company in such state prior to the occurrence of the loss or prior
to the date of proof of change in occupation.

**History:** Laws 1984, ch. 127, § 438.


There may be a provision as follows:

If the age of the insured has been misstated, all amounts payable under this policy shall be
such as the premium paid would have purchased at the correct age.
59A-22-19. Other insurance in this insurance company.

There may be a provision as follows:

If an accident or sickness or accident and sickness policy or policies previously issued by the insurance company to the insured be in force concurrently herewith, making the aggregate indemnity for ..................... (insert type of coverage or coverages) in excess of $........... . . (insert maximum limit of indemnity or indemnities) the excess insurance shall be void and all premiums paid for such excess shall be returned to the insured or to his estate, or, in lieu thereof:

Insurance effective at any one time on the insured under a like policy or policies in this insurance company is limited to the one such policy elected by the insured, his beneficiary or his estate, as the case may be, and the insurance company will return all premiums paid for all other such policies.


ANNOTATION

"Other insurance" provision not against public policy. — Apart from statutory authority a provision such as that in the second paragraph of Subsection C of former 59-18-5 NMSA 1978 was not against public policy. Where plaintiff was covered by an individual policy and a family policy, both issued by the same insurer, the provisions of which were identical, the court properly held the "other insurance" provision valid. Bell v. Weinacker, 88 N.M. 557, 543 P.2d 1185 (Ct. App. 1975)(decided under provisions of former 59-18-5C NMSA 1978, similar to this section).


Insured's receipt of or right to workmen's compensation benefits as affecting recovery under accident, hospital, or medical expense policy, 40 A.L.R.3d 1012.

Resolution of conflicts, in non-automobile liability insurance policies, between excess or pro-rata "other insurance" clauses, 12 A.L.R.4th 993.

Allocation of defense costs between primary and excess insurance carriers, 19 A.L.R.4th 107.


46 C.J.S. Insurance § 1367 et seq.

59A-22-20. Insurance with other insurance companies.

There may be a provision as follows:

If there be other valid coverage, not with this insurance company, providing benefits for the same loss on a provision of service basis or on an expense incurred basis and of which this
insurance company has not been given written notice prior to the occurrence or commencement of loss, the only liability under any expense incurred coverage of this policy shall be for such proportion of the loss as the amount which would otherwise have been payable hereunder plus the total of the like amounts under all such other valid coverages for the same loss of which this insurance company had notice bears to the total like amounts under all valid coverages for such loss, and for the return of such portion of the premiums paid as shall exceed the pro rata portion for the amount so determined. For the purpose of applying this provision when other coverage is on a provision of service basis, the "like amount" of such other coverage shall be taken as the amount which the services rendered would have cost in the absence of such coverage.

(If the foregoing policy provision is included in a policy which also contains the next following policy provision there shall be added to the caption of the foregoing provision the phrase "................. EXPENSE INCURRED BENEFITS." The insurance company may, at its option, include in this provision a definition of "other valid coverage," approved as to form by the superintendent, which definition shall be limited in subject matter to coverage provided by organizations subject to regulation by insurance law or by insurance authorities of this or any other state of the United States or any province of Canada, and by hospital or medical service organizations, and to any other coverage the inclusion of which may be approved by the superintendent. In the absence of such definition such term shall not include group insurance, automobile medical payments insurance or coverage provided by hospital or medical service organizations or by union welfare plans or employer or employee benefit organizations. For the purpose of applying the foregoing policy provision with respect to any insured, any amount of benefit provided for such insured pursuant to any compulsory benefit statute (including any workmen's compensation or employers' liability statute) whether provided by a governmental agency or otherwise shall in all cases be deemed to be "other valid coverage" of which the insurance company has had notice. In applying the foregoing policy provision no third party liability coverage shall be included as "other valid coverage."

**History:** Laws 1984, ch. 127, § 441.


Insured’s receipt of or right to workmen’s compensation benefits as affecting recovery under accident, hospital, or medical expense policy, 40 A.L.R.3d 1012.

Resolution of conflicts, in non-automobile liability insurance policies, between excess or pro-rata “other insurance” clauses, 12 A.L.R.4th 993.

Allocation of defense costs between primary and excess insurance carriers, 19 A.L.R.4th 107.


46 C.J.S. Insurance § 1367 et seq.

**59A-22-21. Insurance with other insurance companies [; alternative provision]**

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As an alternative to the provision set out in Section 441 [59A-22-20 NMSA 1978] of this article, there may be a provision as follows:

If there be other valid coverage, not with this insurance company, providing benefits for the same loss on other than an expense incurred basis and of which this insurance company has not been given written notice prior to the occurrence or commencement of loss, the only liability for such benefits under this policy shall be for such proportion of the indemnities otherwise provided hereunder for such loss as the like indemnities of which the insurance company had notice (including the indemnities under this policy) bear to the total amount of all like indemnities for such loss and for the return of such portion of the premium paid as shall exceed the pro rata portion for the indemnities thus determined.

(If the foregoing policy provision is included in a policy which also contains the next preceding policy provision there shall be added to the caption of the foregoing provision of the phrase "................. OTHER BENEFITS." The insurance company may, at its option, include in this provision a definition of "other valid coverage," approved as to form by the superintendent, which definition shall be limited in subject matter to coverage provided by organizations subject to regulation by insurance law or by insurance authorities of this or any other state of the United States or any province of Canada, and to any other coverage the inclusion of which may be approved by the superintendent. In the absence of such definition such term shall not include group insurance, or benefits provided by union welfare plans or by employer or employee benefit organizations. For the purpose of applying the foregoing policy provision with respect to any insured, any amount of benefits provided for such insured pursuant to any compulsory benefit statute (including any workmen's compensation or employer's liability statute) whether provided by a governmental agency or otherwise shall in all cases be deemed to be "other valid coverage" of which the insurance company has had notice. In applying the foregoing policy provision no third party liability coverage shall be included as "other valid coverage.")

History: Laws 1984, ch. 127, § 442.


Insured's receipt of or right to workmen's compensation benefits as affecting recovery under accident, hospital, or medical expense policy, 40 A.L.R.3d 1012.

Resolution of conflicts, in non-automobile liability insurance policies, between excess or pro-rata "other insurance" clauses, 12 A.L.R.4th 993.

Allocation of defense costs between primary and excess insurance carriers, 19 A.L.R.4th 107.


46 C.J.S. Insurance § 1367 et seq.

59A-22-22. Relation of earnings to insurance.

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There may be a provision as follows:

If the total monthly amount of loss of time benefits promised for the same loss under all valid loss of time coverage upon the insured, whether payable on a weekly or monthly basis, shall exceed the monthly earnings of the insured at the time disability commenced or his average monthly earnings for the period of two years immediately preceding a disability for which claim is made, whichever is the greater, the insurance company will be liable only for such proportionate amount of such benefits under this policy as the amount of such monthly earnings or such average monthly earnings of the insured bears to the total amount of monthly benefits for the same loss under all such coverage upon the insured at the time such disability commences and for the return of such part of the premiums paid during such two years as shall exceed the pro rata amount of the premiums for the benefits actually paid hereunder; but this shall not operate to reduce the total monthly amount of benefits payable under all such coverage upon the insured below the sum of two hundred ($200.00) dollars, or the sum of the monthly benefits specified in such coverages, whichever is the lesser, nor shall it operate to reduce benefits other than those payable for loss of time.

(The foregoing policy provision may be inserted only in a policy which the insured has the right to continue in force subject to its terms by the timely payment of premiums (1) until at least age 50 or, (2) in the case of a policy issued after age 44, for at least five years from its date of issue. The insurance company may, at its option, include in this provision a definition of "valid loss of time coverage," approved as to form by the superintendent, which definition shall be limited in subject matter to coverage provided by governmental agencies or by organizations subject to regulation by insurance law or by insurance authorities of this or any other state of the United States or any province of Canada, or to any other coverage the inclusion of which may be approved by the superintendent or any combination of such coverages. In the absence of such definition such term shall not include any coverage provided for such insured pursuant to any compulsory benefit statute (including any workmen's compensation or employer's liability statute) or benefits provided by union welfare plans or by employer or employee benefit organizations.)

**History:** Laws 1984, ch. 127, § 443.


There may be a provision as follows:

Upon the payment of a claim under this policy, any premium then due and unpaid or covered by any note or written order may be deducted therefrom.

**History:** Laws 1984, ch. 127, § 444.


There may be a provision as follows:
The insurance company may cancel this policy only pursuant to the provisions of Section 59A-23E-19 NMSA 1978.


The 1998 amendment, effective March 6, 1998, substituted "pursuant to the provisions of Section 59A-23E-19 NMSA 1978" for the language beginning with "at the expiration of any term" in the middle of the section.


There may be a provision as follows:

Any provision of this policy which, on its effective date, is in conflict with the statutes of the state in which the insured resides on such date is hereby amended to conform to the minimum requirements of such statutes.

History: Laws 1984, ch. 127, § 446.

Existing forms and filings. — See notes following 59A-5-21 NMSA 1978.


The provisions which are the subject of Sections 424 through 446 [59A-22-3 to 59A-22-25 NMSA 1978], inclusive, of this article, or any corresponding provisions which are used in lieu thereof in accordance with such sections, shall be printed in the consecutive order of the provisions in such sections or, at the insurer's option, any such provision may appear as a unit in any part of the policy with other provisions to which it may logically be related, provided that the resulting policy shall not be in whole or in part unintelligible, uncertain, ambiguous, abstruse or likely to mislead a person to whom the policy is offered, delivered or issued.


59A-22-27. Third party ownership.

The word "insured" as used in this article shall not be construed as preventing a person other than the insured with a proper insurable interest from making application for and owning a policy covering the insured or from being entitled under such a policy to any indemnities, benefits and rights provided therein.


ANNOTATION

Insurable interest must exist at time of loss. Universal C.I.T. Corp. v. Foundation Reserve Ins.

A. Any policy of a foreign or alien insurer, when delivered or issued for delivery to any person in this state, may contain any provision which is not less favorable to the insured or the beneficiary than the provisions of this article, and which is prescribed or required by the law of the state or country in which the insurer is domiciled.

B. Any policy of a domestic insurer may, when issued for delivery in any other state or country, contain any provision permitted or required by the laws of such state or country.

History: Laws 1984, ch. 127, § 449.


A. Other policy provisions. No policy provision which is not subject to Sections 424 through 446 [59A-22-3 to 59A-22-25 NMSA 1978], inclusive, of this article shall make a policy, or any portion thereof, less favorable in any respect to the insured or the beneficiary than the provisions thereof which are subject to this article.

B. Policy conflicting with this article. A policy delivered or issued for delivery in this state in violation of this article shall be held valid but shall be construed as provided in this article. When any provision in a policy subject to this article is in conflict with any provision of this article, the rights, duties and obligations of the insurer, the insured and the beneficiary shall be governed by the provisions of this article.

History: Laws 1984, ch. 127, § 450.

Existing forms and filings. — See notes following 59A-5-21 NMSA 1978.


If any such policy contains a provision establishing, as an age limit or otherwise, a date after which coverage provided by the policy will not be effective, and if such date falls within a period for which premium is accepted by the insurer or if the insurer accepts a premium after such date, the coverage provided by the policy will continue in force subject to any right of cancellation until the end of the period for which premium has been accepted. In the event the age of the insured has been misstated and if, according to the correct age of the insured, the coverage provided by the policy would not have become effective, or would have ceased prior to the acceptance of such premium or premiums, then the liability of the insurer shall be limited to the refund, upon request, of all premiums paid for the period not covered by the policy.


Am. Jur. 2d, A.L.R. and C.J.S. references. — Age requirement of disability policy as to proof of
disability before reaching specified age as barring recovery where disability occurs before, but proof is made after, attainment of such age, 18 A.L.R.2d 1061.

Clause in health and accident, or similar, policy reducing amount of, or terminating, periodic payments after insured reaches specified age, as applicable to disability incurred before such age was reached, 53 A.L.R.2d 552.


An individual or group health policy or certificate of insurance delivered, issued for delivery or renewed in New Mexico that provides coverage for an insured's dependent shall not terminate coverage of an unmarried dependent by reason of the dependent's age before the dependent's twenty-fifth birthday, regardless of whether the dependent is enrolled in an educational institution.

History: Laws 2005, ch. 41, § 1.

Effective dates. — Laws 2005, ch. 41, § 4 makes the act effective July 1, 2005.

Cross references. — For age of dependents see also Section 59A-22-2 NMSA 1978 and Section 59A-22-34.2 NMSA 1978.


A. The term "industrial health insurance" as used herein means sickness and accident insurance under individual policies for which the premium is payable weekly, and includes any such policy which covers sickness only or accident only.

B. Any insurer authorized to write health insurance in this state shall have the power to issue industrial health policies.

C. No policy of industrial health insurance may be delivered or issued for delivery in the state unless it has printed thereon the words "industrial policy."

D. Each such policy shall be subject to the provisions of this article except that no such policy shall be required to contain any of the policy provisions set forth in Sections 424 through 446 [59A-22-3 to 59A-22-25 NMSA 1978], inclusive, of this article, other than the provisions relating to the presence of a preexisting disease or physical condition; provided, however, that no such policy shall contain any provision relative to notice or proof of loss, or the time for paying benefits, or the time within which suit may be brought upon the policy, which in the opinion of the superintendent is less favorable to the insured than would be permitted by such policy provisions; and provided further, that such policy may contain a provision that upon proper written request, a named beneficiary shall be designated in or by endorsement on the policy to receive the proceeds thereof on the death of the insured, and there shall be reserved to the insured the power to change the beneficiary at any time by written notice to the insurer at its home office, accompanied by the policy for endorsement of the change thereon by the insurer; the insurer shall have the right to refuse to designate a beneficiary if evidence satisfactory to the

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insurer of such beneficiary's insurable interest in the life of the insured is not furnished on request. Any such policy may provide in substance that any payment thereunder may be made to the insured or the insured's estate or to any relative by blood or connection by marriage of the insured, or, to the extent of such portion of any payment under the policy as may reasonably appear to the insurer to be due to such person, to any other person equitably entitled thereto by reason of having incurred expense occasioned by the maintenance or illness or burial of the insured; provided that, if the policy shall be in force at the death of the insured, the proceeds thereof shall be payable to the named beneficiary if living, but upon the expiration of fifteen (15) days after the death of the insured, unless proof of the claim in the manner and form required by the policy, accompanied by the policy for surrender, has theretofore been made by such beneficiary, the insured may pay to any other person permitted by the policy.

History: Laws 1984, ch. 127, § 452.


A. Within the area and limits of coverage offered an insured and selected by the insured in the application for insurance, the right of a person to exercise full freedom of choice in the selection of a hospital for hospital care or of a practitioner of the healing arts or optometrist, psychologist, podiatrist, physician assistant, certified nurse-midwife, registered lay midwife or registered nurse in expanded practice, as defined in Subsection B of this section, for treatment of an illness or injury within that person's scope of practice shall not be restricted under any new policy of health insurance, contract or health care plan issued after June 30, 1967 in this state or in the processing of a claim thereunder. A person insured or claiming benefits under any such health insurance policy, contract or health care plan providing within its coverage for payment of service benefits or indemnity for hospital care or treatment of persons for the cure or correction of any physical or mental condition shall be deemed to have complied with the requirements of the policy, contract or health care plan as to submission of proof of loss upon submitting written proof supported by the certificate of any hospital currently licensed by the department of health or any practitioner of the healing arts or optometrist, psychologist, podiatrist, physician assistant, certified nurse-midwife, registered lay midwife or registered nurse in expanded practice.

B. As used in this section:

(1) "hospital care" means hospital service provided through a hospital that is maintained by the state or a political subdivision of the state or a place that is currently licensed as a hospital by the department of health and has accommodations for resident bed patients, a licensed professional registered nurse always on duty or call, a laboratory and an operating room where surgical operations are performed, but "hospital care" does not include a convalescent or nursing or rest home;

(2) "practitioner of the healing arts" means a person holding a license or certificate authorizing the licensee to offer or undertake to diagnose, treat, operate on or prescribe for any
human pain, injury, disease, deformity or physical or mental condition pursuant to:

(a) the Chiropractic Physician Practice Act [61-4-1 NMSA 1978];
(b) the Dental Health Care Act [61-5A-1 NMSA 1978];
(c) the Medical Practice Act [61-6-1 NMSA 1978];
(d) Chapter 61, Article 10 NMSA 1978; and
(e) the Acupuncture and Oriental Medicine Practice Act [61-14A-1 NMSA 1978];

(3) "optometrist" means a person holding a license provided for in the Optometry Act [61-2-1 NMSA 1978];
(4) "podiatrist" means a person holding a license provided for in the Podiatry Act [61-8-1 NMSA 1978];
(5) "psychologist" means a person who is duly licensed or certified in the state where the service is rendered and has a doctoral degree in psychology and has had at least two years of clinical experience in a recognized health setting or has met the standards of the national register of health service providers in psychology;
(6) "physician assistant" means a person who is licensed by the New Mexico medical board to practice as a physician assistant and who provides services to patients under the supervision and direction of a licensed physician;
(7) "certified nurse-midwife" means a person licensed by the board of nursing as a registered nurse and who is registered with the public health division of the department of health as a certified nurse-midwife;
(8) "registered lay midwife" means a person who practices lay midwifery and is registered as a registered lay midwife by the public health division of the department of health; and
(9) "registered nurse in expanded practice" means a person licensed by the board of nursing as a registered nurse approved for expanded practice pursuant to the Nursing Practice Act [61-3-1 NMSA 1978] as a certified nurse practitioner, certified registered nurse anesthetist, certified clinical nurse specialist in psychiatric mental health nursing or clinical nurse specialist in private practice and who has a master's degree or doctorate in a defined clinical nursing specialty and is certified by a national nursing organization.

C. This section shall apply to any such policy that is delivered or issued for delivery in this state on or after July 1, 1979 and to any existing group policy or plan on its anniversary or renewal date after June 30, 1979 or at expiration of the applicable collective bargaining contract, if any, whichever is later.


Cross references. — For drug prescriptive, distributing and administering authority of certified nurse midwives, see 24-1-4.1 NMSA 1978.
The 2003 amendment, effective June 20, 2003, substituted "department of health" for "health and environment department" throughout the section; in Paragraph B (2), deleted the reference to Chapter 61, Article 4, 5, 6, 10 or 14A NMSA 1978 and added Subparagraphs B(2)(a) through (e); in Paragraphs B(3) and (4) substituted a reference to the named act for the reverence to the chapter and article; in Paragraphs B(6) and (7), substituted "public health division" for "health services division".

The 2008 amendment, effective May 14, 2008, added "physician assistant" in Subsection A and added the definition of "physician assistant" in Paragraph (6) of Subsection B.

Applicability. — Laws 1985, ch. 192, § 3 makes the provisions of the act applicable to any policy or contract which is delivered or issued for delivery in this state on or after July 1, 1985, and to any existing policy, contract or plan on its anniversary or renewal date after June 30, 1985, or at the expiration of the applicable collective bargaining contract, if any, whichever is later.

Laws 1987, ch. 81, § 2 provides that the act shall apply to any policy or contract offered, delivered, issued for delivery, revised or renewed upon or after June 30, 1987.

Compiler's notes. — The annotations appearing below were abstracted from attorney general opinions decided under former 59-18-19 NMSA 1978 which contained provisions similar to this section.

ANNOTATION

Insurer may not designate practitioners. — This section provides that an insurer or health care plan may not limit the right of an insured or subscriber to select his own physician, nor may they restrict the choice of the insured or subscriber to a list of practitioners designated by the insurer or health care plan. To so restrict the freedom of choice of the insured or subscriber to a designated list of practitioners would be in clear contravention of this section. 1977 Op. Att'y Gen. No. 77-13.

Insurer may not limit payments for particular profession. — An insurer or health care plan may not so limit the benefits to be paid for the services rendered by a particular profession of health care providers so as to effectively limit the freedom of choice of the insured or subscriber, and thus defeat the legislative mandate of the section. 1977 Op. Att'y Gen. No. 77-13.


Limits of insured's freedom of choice. — The section provides for freedom of choice by the insured or subscriber in the selection for health care treatment of a hospital or practitioner of the healing arts, optometrist or podiatrist. However, this freedom of choice is limited to those areas of coverage offered in the insurance policy or health care plan, and by the stated limits of the policy or plan. The choice of practitioner is also limited to treatment of an illness or injury that is within the scope of practice of the health care purveyor selected by the insured or subscriber. 1977 Op. Att'y Gen. No. 77-13.

Applies to nonprofit health care plans. — Nonprofit health care plans organized under former 59-19-1 NMSA 1978 et seq. were required to comply with the provisions of this section relating to freedom of choice of a subscriber in the selection of a physician, osteopath, dentist or chiropractor. 1977 Op. Att'y Gen. No. 77-13.

Accident and health insurance, contract or health care. — Under the language of this section, the freedom of choice provisions of this section are made applicable to policies of accident and health

**Am. Jur. 2d, A.L.R. and C.J.S. references.** — What constitutes mental illness or disorder, insanity, or the like, within provision limiting or excluding coverage under health or disability policy, 19 A.L.R.5th 533.

**59A-22-32. Freedom of choice.**

A. Within the area and limits of coverage offered an insured and selected by him in the application for insurance, the right of any person to exercise full freedom of choice in the selection of any independent social worker as defined in Subsection B of this section, for treatment within his scope of practice shall not be restricted under any new policy of health insurance, contract or health care plan issued after July 1, 1989 in this state or in the processing of any claim thereunder. Any person insured or claiming benefits under any such health insurance policy, contract or health care plan providing within its coverage for payment of service benefits or indemnity for treatment of persons for the cure or correction of any mental condition shall be deemed to have complied with the requirements of the policy, contract or health care plan as to submission of proof of loss upon submitting written proof supported by any independent social worker.

B. As used in this section "independent social worker" means a person licensed as an independent social worker by the board of social work examiners pursuant to the Social Work Practice Act [§ 61-31-1 to 61-31-24 NMSA 1978].

**History:** Laws 1989, ch. 51, § 25.

**59A-22-33. Handicapped children; coverage continued.**

An individual or group hospital or medical expense insurance policy delivered or issued for delivery in this state which provides that coverage of a dependent child of an insured, or of an employee or other member of the covered group, shall terminate upon attainment of the limiting age for dependent children specified in the policy shall also provide, in substance, that attainment of the limiting age shall not operate to terminate the coverage of a child while the child is, and continues to be both incapable of self-sustaining employment, by reason of mental retardation or physical handicap, and chiefly dependent upon the policyholder for support and maintenance. However, proof of the incapacity and dependency of the child must be furnished to the insurer by the insured employee or member within thirty-one (31) days of the child's attainment of the limiting age and subsequently, as may be required by the insurer, but not more frequently than annually after the two-year period following the child's attainment of the limiting age.

**History:** Laws 1984, ch. 127, § 455.

**59A-22-34. Newly born children coverage.**
A. All individual and group health insurance policies delivered or issued for delivery in this state and which provide coverage on an expense-incurred basis for a family member of the insured shall, as to such family members' coverage, also provide that the health insurance benefits applicable for children shall be payable with respect to a newly born child of the insured from the moment of birth.

B. All individual and group health insurance policies delivered or issued for delivery in this state that do not provide coverage for a family member of the insured shall provide for an option to add to the coverage any newly born child of the insured provided that the requirements of Subsection D of this section have been met.

C. The coverage for newly born children shall consist of coverage of injury or sickness, including the necessary care and treatment of medically diagnosed congenital defects and birth abnormalities and, where necessary to protect the life of the infant, transportation, including air transport, to the nearest available tertiary care facility for newly born infants.

D. If payment of a specific premium is required to provide coverage for a child, the policy may require that a notification of birth of a newly born child and payment of the required premium must be furnished to the insurer within thirty-one days after the date of birth in order to have the coverage from birth.

E. As used in this section and in Section 59A-22-35 NMSA 1978, "tertiary care facility" means a hospital unit which provides complete perinatal care and intensive care of intrapartum and perinatal high-risk patients with responsibilities for coordination of transport, communication, education and data analysis systems for the geographic area served.


The 1993 amendment, effective June 18, 1993, substituted "basis" for "bases" in Subsection A; added Subsection B; redesignated former Subsections B through D as present Subsections C through E; in Subsection D, substituted "from birth" for "continue beyond such thirty-one day period" and made a minor stylistic change; and substituted "Section 59A-22-35 NMSA 1978" for "Section 457 of this article" in Subsection E.

Applicability. — Laws 1993, ch. 169, § 3 provides that the provisions of the act apply to policies, plans, contracts and certificates delivered or issued for delivery or renewed, extended or amended in the state on or after July 1, 1993.


A. No individual or group health insurance policy or contract or health care plan shall be offered, issued or renewed in New Mexico on or after July 1, 1988, unless the policy, plan or contract covers adopted children of the insured, subscriber or enrollee on the same basis as other dependents.
B. The coverage required by this section is effective from the date of placement for the purpose of adoption and continues unless the placement is disrupted prior to legal adoption and the child is removed from placement. Coverage shall include the necessary care and treatment of medical conditions existing prior to the date of placement.

C. As used in this section, "placement" means in the physical custody of the adoptive parent.


59A-22-34.2. Coverage of children.

A. An insurer shall not deny enrollment of a child under the health plan of the child's parent on the grounds that the child:

(1) was born out of wedlock;
(2) is not claimed as a dependent on the parent's federal tax return; or
(3) does not reside with the parent or in the insurer's service area.

B. When a child has health coverage through an insurer of a noncustodial parent, the insurer shall:

(1) provide such information to the custodial parent as may be necessary for the child to obtain benefits through that coverage;
(2) permit the custodial parent or the provider, with the custodial parent's approval, to submit claims for covered services without the approval of the noncustodial parent; and
(3) make payments on claims submitted in accordance with Paragraph (2) of this subsection directly to the custodial parent, the provider or the state medicaid agency.

C. When a parent is required by a court or administrative order to provide health coverage for a child and the parent is eligible for family health coverage, the insurer shall be required:

(1) to permit the parent to enroll, under the family coverage, a child who is otherwise eligible for the coverage without regard to any enrollment season restrictions;
(2) if the parent is enrolled but fails to make application to obtain coverage for the child, to enroll the child under family coverage upon application of the child's other parent, the state agency administering the medicaid program or the state agency administering 42 U.S.C. Sections 651 through 669, the child support enforcement program; and
(3) not to disenroll or eliminate coverage of the child unless the insurer is provided satisfactory written evidence that:

   (a) the court or administrative order is no longer in effect; or
   (b) the child is or will be enrolled in comparable health coverage through another insurer that will take effect not later than the effective date of disenrollment.

D. An insurer shall not impose requirements on a state agency that has been assigned the rights of an individual eligible for medical assistance under the medicaid program and covered
for health benefits from the insurer that are different from requirements applicable to an agent or assignee of any other individual so covered.

E. An insurer shall provide coverage for children, from birth through three years of age, for or under the family, infant, toddler program administered by the department of health, provided eligibility criteria are met, for a maximum benefit of three thousand five hundred dollars ($3,500) annually for medically necessary early intervention services provided as part of an individualized family service plan and delivered by certified and licensed personnel as defined in 7.30.8 NMAC who are working in early intervention programs approved by the department of health. No payment under this subsection shall be applied against any maximum lifetime or annual limits specified in the policy, health benefits plan or contract.


**Cross references.** — For age of dependents, see also Section 59A-22-2 NMSA 1978 and Section 59A-22-30.1 NMSA 1978.

For court orders in domestic relations actions requiring coverage of a child, see the Mandatory Medical Support Act, Section 40-4C-1 NMSA 1978.

The 2005 amendment, effective July 1, 2005, adds Subsection E to require coverage for children from birth through three years of age under the family, infant, toddler program for a maximum benefit of $3,500 for medically necessary early intervention services.

**59A-22-34.3. Childhood immunization coverage required.**

A. Each individual and group health insurance policy, health care plan and certificate of health insurance delivered or issued for delivery in this state shall provide coverage for childhood immunizations, as well as coverage for medically necessary booster doses of all immunizing agents used in child immunizations, in accordance with the current schedule of immunizations recommended by the American academy of pediatrics.

B. The provisions of this section shall not apply to short-term travel, accident-only or limited or specified disease policies.

C. Coverage for childhood immunizations and necessary booster doses may be subject to deductibles and co-insurance consistent with those imposed on other benefits under the same policy, plan or certificate.


**59A-22-34.4. Coverage of circumcision for newborn males.**

An individual or group health insurance policy, health care plan or certificate of health insurance that is delivered, issued for delivery or renewed in the state shall provide coverage for circumcision for newborn males.

**History:** Laws 2004, ch. 122, § 4.
59A-22-34.5. Hearing aid coverage for children required.

A. An individual or group health insurance policy, health care plan or certificate of health insurance that is delivered, issued for delivery or renewed in this state shall provide coverage for a hearing aid and any related service for the full cost of one hearing aid per hearing-impaired ear up to two thousand two hundred dollars ($2,200) every thirty-six months for hearing aids for insured children under eighteen years of age or under twenty-one years of age if still attending high school. The insured may choose a higher priced hearing aid and may pay the difference in cost above the two-thousand-two-hundred-dollar ($2,200) limit as provided in this subsection without financial or contractual penalty to the insured or to the provider of the hearing aid.

B. An insurer that delivers, issues for delivery or renews in this state an individual or group health insurance policy, health care plan or certificate of health insurance may make available to the policyholder the option of purchasing additional hearing aid coverage that exceeds the services described in this section.

C. Hearing aid coverage offered shall include fitting and dispensing services, including providing ear molds as necessary to maintain optimal fit, provided by an audiologist, a hearing aid dispenser or a physician, licensed in New Mexico.

D. The provisions of this section do not apply to short-term travel, accident-only or limited or specified disease policies.

E. Coverage for hearing aids may be subject to deductibles and coinsurance consistent with those imposed on other benefits under the same policy, plan or certificate.

F. For the purposes of this section, "hearing aid" means durable medical equipment that is of a design and circuitry to optimize audibility and listening skills in the environment commonly experienced by children.


All individual and group health insurance policies delivered or issued for delivery in this state which provide maternity coverage on an expense-incurred basis, shall also provide, where necessary to protect the life of the infant or mother, coverage for transportation, including air transport, for the medically high-risk pregnant woman with an impending delivery of a potentially viable infant to the nearest available tertiary care facility (as defined in Section 456 [59A-22-34 NMSA 1978] of this article) for newly-born infants.

59A-22-36. Home health care service option required.

A. Each insurer which delivers or issues for delivery in this state an individual or group hospital expense or major medical expense insurance policy shall make available to the policyholder the option of home health care coverage which includes benefits for the services described in this section.

B. Home health care coverage offered shall include:

(1) services provided by a registered nurse or a licensed practical nurse;
(2) health services provided by physical, occupational and respiratory therapists and speech pathologists;
(3) health services provided by a home health aide; and
(4) medical supplies, drugs and medicines and laboratory services, to the extent they would have been covered if provided to the insured on an in-patient basis.

C. Home health care coverage may be limited to:

(1) services provided on the written order of a licensed physician, provided such order is renewed at least every sixty (60) days;
(2) services provided, directly or through contractual agreements, by a home health agency licensed in the state in which the home health services are delivered; and
(3) services, as set forth in Subsection B of the section, without which the insured would have to be hospitalized.

D. Coverage shall be provided for at least one hundred (100) home visits per insured per year, with each home visit including up to four (4) hours of home health care services.

E. For the purposes of this section, "home health care" means health services provided on a part-time, intermittent basis to an individual confined to his home due to physical illness.


A. Health insurance on a "franchise" plan is health insurance issued to:

(1) five or more employees of any corporation, partnership or individual employer or any governmental corporation, agency or department thereof; or
(2) ten or more members of any trade or professional association or of a labor union or of any other association having had an active existence for at least two years, having a constitution or bylaws and formed and existing in good faith for purposes other than that of obtaining or maintaining insurance; where such employees or members, with or without their
dependents, are issued the same form of individual policy varying only as to amounts and kinds of coverage applied for by such persons, under an arrangement whereby the premiums on such policies may be paid to the insurer periodically by the employer, with or without payroll deductions, or by the association or union for its members, or by some designated person acting on behalf of such employer, association or union.

B. As compared with similar policies issued on an individual basis the insurer may vary such franchise coverages as to premium rates, benefits payable, and underwriting procedures used without being held to be in violation of laws prohibiting unfair discrimination so long as such rates, benefits, and procedures do not discriminate unfairly as between franchise plans.

**History:** Laws 1984, ch. 127, § 459; 1987, ch. 259, § 22.

59A-22-38. Individual health insurance; policy provisions relating to individuals who are eligible for medical benefits under the medicaid program.

A. Each individual health insurance policy that is delivered, issued for delivery or renewed in this state shall include provisions that require benefits paid on behalf of a child or other insured person under the policy to be paid to the human services department when:

(1) the human services department has paid or is paying benefits on behalf of the child or other insured person under the state's medicaid program pursuant to Title XIX of the federal Social Security Act, 42 U.S.C. 1396, et seq.;

(2) payment for the services in question has been made by the human services department to the medicaid provider; and

(3) the insurer is notified that the insured individual receives benefits under the medicaid program and that benefits must be paid directly to the human services department.

B. The notice required under Paragraph (3) of Subsection A of this section may be accomplished through an attachment to the claim by the human services department for insurance benefits when the claim is first submitted by the human services department to the insurer.

C. Notwithstanding any other provisions of law, checks in payment for claims pursuant to any individual health insurance policy for health care services provided to persons who are also eligible for benefits under the medicaid program and provided by medical providers qualified to participate under the policy shall be made payable to the provider. The insurer may be notified that the insured individual is eligible for medicaid benefits through an attachment to the claim by the provider for insurance benefits when the claim is first submitted by the provider to the insurer.

D. No individual health insurance policy delivered, issued for delivery or renewed in this state on or after the effective date of this section shall contain any provision denying or limiting insurance benefits because services are rendered to an insured who is eligible for or who has received medical assistance under the medicaid program of this state.
E. To the extent that payment for covered expenses has been made pursuant to the state medicaid program for health care items or services furnished to an individual, in any case where an insurer has a legal liability to make payments, the state is considered to have acquired the rights of the individual to payment by the insurer for those health care items or services.

**History:** 1978 Comp., § 59A-22-38, enacted by Laws 1989, ch. 183, § 2; 1994, ch. 64, § 3.

**Cross references.** — For the Minimum Healthcare Protection Act, see 59A-23B-1 NMSA 1978 et seq.

**The 1994 amendment,** effective July 1, 1994, added Subsection E.


A. Each individual and group health insurance policy, health care plan and certificate of health insurance delivered or issued for delivery in this state shall provide coverage for low-dose screening mammograms for determining the presence of breast cancer. Such coverage shall make available one baseline mammogram to persons age thirty-five through thirty-nine, one mammogram biennially to persons age forty through forty-nine and one mammogram annually to persons age fifty and over. After July 1, 1992, coverage shall be available only for screening mammograms obtained on equipment designed specifically to perform low-dose mammography in imaging facilities that have met American college of radiology accreditation standards for mammography.

B. Coverage for mammograms may be subject to deductibles and coinsurance consistent with those imposed on other benefits under the same policy, plan or certificate.

C. The provisions of this section shall not apply to short-term travel, accident-only or limited or specified disease policies.


**Applicability.** — Laws 1990, ch. 5, § 5 makes the act applicable to policies, plans, contracts and certificates delivered or issued for delivery or renewed, extended or amended in this state on or after July 1, 1990.

### 59A-22-39.1. Mastectomies and lymph node dissection; minimum hospital stay coverage required.

A. Each individual and group health insurance policy, health care plan and certificate of health insurance delivered or issued for delivery in this state shall provide coverage for not less than forty-eight hours of inpatient care following a mastectomy and not less than twenty-four hours of inpatient care following a lymph node dissection for the treatment of breast cancer.

B. Nothing in this section shall be construed as requiring the provision of inpatient coverage where the attending physician and patient determine that a shorter period of hospital stay is appropriate.
C. The provisions of this section shall not apply to short-term travel, accident-only or limited or specified disease policies.

D. Coverage for minimum inpatient hospital stays for mastectomies and lymph node dissections for the treatment of breast cancer may be subject to deductibles and co-insurance consistent with those imposed on other benefits under the same policy, plan or certificate.


A. Each individual and group health insurance policy, health care plan and certificate of health insurance delivered or issued for delivery in this state shall provide coverage for cytologic and human papillomavirus screening for determining the presence of precancerous or cancerous conditions and other health problems. The coverage shall make available cytologic screening, as determined by the health care provider in accordance with national medical standards, for women who are eighteen years of age or older and for women who are at risk of cancer or at risk of other health conditions that can be identified through cytologic screening. The coverage shall make available human papillomavirus screening once every three years for women aged thirty and older.

B. Coverage for cytologic and human papillomavirus screening may be subject to deductibles and coinsurance consistent with those imposed on other benefits under the same policy, plan or certificate.

C. The provisions of this section shall not apply to short-term travel, accident-only or limited or specified-disease policies.

D. For the purposes of this section:

1. "cytologic screening" means a Papanicolaou test and a pelvic exam for asymptomatic as well as symptomatic women;

2. "health care provider" means any person licensed within the scope of his practice to perform cytologic and human papillomavirus screening, including physicians, physician assistants, certified nurse midwives and certified nurse practitioners; and

3. "human papillomavirus screening" means a test approved by the federal food and drug administration for detection of the human papillomavirus.


The 2005 amendment, effective June 17, 2005, provides in Subsection A that health insurance provide coverage for human papillomavirus and shall make available human papillomavirus screening every three years for women aged thirty and older and in Subsection B that coverage for human papillomavirus screening may be subject to deductibles and coinsurance and in Subsection D defines "health care provider" to include any person who performs human papillomavirus screening and "human papillomavirus screening" to mean a test for detection of human papillomavirus.

A. An individual or group health insurance policy, health care plan or certificate of health insurance that is delivered, issued for delivery or renewed in this state shall provide coverage for the human papillomavirus vaccine to females nine to fourteen years of age.

B. Coverage for the human papillomavirus vaccine may be subject to deductibles and coinsurance consistent with those imposed on other benefits under the same policy, plan or certificate.

C. The provisions of this section shall not apply to short-term travel, accident-only or limited or specified disease policies.

D. For the purposes of this section, "human papillomavirus vaccine" means a vaccine approved by the federal food and drug administration used for the prevention of human papillomavirus infection and cervical precancers.

History: Laws 2007, ch. 278, § 1.

Effective dates. — Laws 2007, ch. 278 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective June 15, 2007, 90 days after the adjournment of the legislature.


A. Each individual and group health insurance policy, health care plan, certificate of health insurance and managed health care plan delivered or issued for delivery in this state shall provide coverage for individuals with insulin-using diabetes, with non-insulin-using diabetes and with elevated blood glucose levels induced by pregnancy. This coverage shall be a basic health care benefit and shall entitle each individual to the medically accepted standard of medical care for diabetes and benefits for diabetes treatment as well as diabetes supplies, and this coverage shall not be reduced or eliminated.

B. Coverage for individuals with diabetes may be subject to deductibles and coinsurance consistent with those imposed on other benefits under the same policy, plan or certificate, as long as the annual deductibles or coinsurance for benefits are no greater than the annual deductibles or coinsurance established for similar benefits within a given policy.

C. When prescribed or diagnosed by a health care practitioner with prescribing authority, all individuals with diabetes as described in Subsection A of this section enrolled in health policies described in that subsection shall be entitled to the following equipment, supplies and appliances to treat diabetes:

1. blood glucose monitors, including those for the legally blind;
2. test strips for blood glucose monitors;
3. visual reading urine and ketone strips;
(4) lancets and lancet devices;
(5) insulin;
(6) injection aids, including those adaptable to meet the needs of the legally blind;
(7) syringes;
(8) prescriptive oral agents for controlling blood sugar levels;
(9) medically necessary podiatric appliances for prevention of feet complications associated with diabetes, including therapeutic molded or depth-inlay shoes, functional orthotics, custom molded inserts, replacement inserts, preventive devices and shoe modifications for prevention and treatment; and
(10) glucagon emergency kits.

D. When prescribed or diagnosed by a health care practitioner with prescribing authority, all individuals with diabetes as described in Subsection A of this section enrolled in health policies described in that subsection shall be entitled to the following basic health care benefits:

(1) diabetes self-management training that shall be provided by a certified, registered or licensed health care professional with recent education in diabetes management, which shall be limited to:
   (a) medically necessary visits upon the diagnosis of diabetes;
   (b) visits following a physician diagnosis that represents a significant change in the patient's symptoms or condition that warrants changes in the patient's self-management; and
   (c) visits when re-education or refresher training is prescribed by a health care practitioner with prescribing authority; and
(2) medical nutrition therapy related to diabetes management.

E. When new or improved equipment, appliances, prescription drugs for the treatment of diabetes, insulin or supplies for the treatment of diabetes are approved by the food and drug administration, all individual or group health insurance policies as described in Subsection A of this section shall:

(1) maintain an adequate formulary to provide these resources to individuals with diabetes; and
(2) guarantee reimbursement or coverage for the equipment, appliances, prescription drug, insulin or supplies described in this subsection within the limits of the health care plan, policy or certificate.

F. The provisions of Subsections A through E of this section shall be enforced by the superintendent.

G. The provisions of this section shall not apply to short-term travel, accident-only or limited or specified disease policies.

H. For purposes of this section:
(1) "basic health care benefits":
   (a) means benefits for medically necessary services consisting of preventive care, emergency care, inpatient and outpatient hospital and physician care, diagnostic laboratory and diagnostic and therapeutic radiological services; and
   (b) does not include mental health services or services for alcohol or drug abuse, dental or vision services or long-term rehabilitation treatment; and
(2) "managed health care plan" means a health benefit plan offered by a health care insurer that provides for the delivery of comprehensive basic health care services and medically necessary services to individuals enrolled in the plan through its own employed health care providers or by contracting with selected or participating health care providers. A managed health care plan includes only those plans that provide comprehensive basic health care services to enrollees on a prepaid, capitated basis, including the following:
   (a) health maintenance organizations;
   (b) preferred provider organizations;
   (c) individual practice associations;
   (d) competitive medical plans;
   (e) exclusive provider organizations;
   (f) integrated delivery systems;
   (g) independent physician-provider organizations;
   (h) physician hospital-provider organizations; and
   (i) managed care services organizations.


Duplicate laws. — Laws 1997, ch. 7 § 1 and Laws 1997, ch. 255, § 1 enact identical provisions of law. Both have been compiled at this location.


A. As of July 1, 2003, each individual and group health insurance policy, health care plan, certificate of health insurance and managed health care plan delivered, issued for delivery, renewed, extended or modified in this state shall provide coverage for the treatment of genetic inborn errors of metabolism that involve amino acid, carbohydrate and fat metabolism and for which medically standard methods of diagnosis, treatment and monitoring exist.

B. Coverage shall include expenses of diagnosing, monitoring and controlling disorders by nutritional and medical assessment, including clinical services, biochemical analysis, medical supplies, prescription drugs, corrective lenses for conditions related to the genetic inborn error of metabolism, nutritional management and special medical foods used in treatment to compensate
for the metabolic abnormality and to maintain adequate nutritional status.

C. Services required to be covered pursuant to this section are subject to the terms and conditions of the applicable individual or group policy or plan that establishes durational limits, dollar limits, deductibles and co-payments as long as the terms are not less favorable than for physical illness generally.

D. As used in this section:

1. "genetic inborn error of metabolism" means a rare, inherited disorder that:
   a. is present at birth;
   b. if untreated, results in mental retardation or death; and
   c. causes the necessity for consumption of special medical foods;

2. "special medical foods" means nutritional substances in any form that are:
   a. formulated to be consumed or administered internally under the supervision of a physician;
   b. specifically processed or formulated to be distinct in one or more nutrients present in natural food;
   c. intended for the medical and nutritional management of patients with limited capacity to metabolize ordinary foodstuffs or certain nutrients contained in ordinary foodstuffs or who have other specific nutrient requirements as established by medical evaluation; and
   d. essential to optimize growth, health and metabolic homeostasis; and

3. "treatment" means medical services provided by licensed health care professionals, including physicians, dieticians and nutritionists, with specific training in managing patients diagnosed with genetic inborn errors of metabolism.

History: Laws 2003, ch. 192, § 1.

Effective dates. — Laws 2003, ch. 192 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective June 20, 2003, 90 days after adjournment of the legislature.

59A-22-42. Coverage for prescription contraceptive drugs or devices.

A. Each individual and group health insurance policy, health care plan and certificate of health insurance delivered or issued for delivery in this state that provides a prescription drug benefit shall provide coverage for prescription contraceptive drugs or devices approved by the food and drug administration.

B. Coverage for food and drug administration-approved prescription contraceptive drugs or devices may be subject to deductibles and coinsurance consistent with those imposed on other benefits under the same policy, plan or certificate.

C. The provisions of this section shall not apply to short-term travel, accident-only or limited or specified-disease policies.
D. A religious entity purchasing individual or group health insurance coverage may elect to exclude prescription contraceptive drugs or devices from the health coverage purchased.

**History:** Laws 2001, ch. 14, § 1; 2003, ch. 202, § 12.

The 2003 amendment, effective June 20, 2003, in Subsection A, substituted "that provides" for "and which offers" following "in this state" and substituted "provide" for "offer" following "drug benefit shall".

**Effective dates.** — Laws 2001, ch. 14 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective June 15, 2001, 90 days after adjournment of the legislature.

**Applicability.** — Laws 2001, ch. 14, § 5 makes the provisions of this section apply to policies, plans, contracts and certificates delivered or issued for delivery or renewed, extended or amended in this state on or after July 1, 2001.

### 59A-22-43. Required coverage of patient costs incurred in cancer clinical trials.

A. A health plan shall provide coverage for routine patient care costs incurred as a result of the patient's participation in a cancer clinical trial if:

1. the clinical trial is undertaken for the purposes of the prevention of or the prevention of reoccurrence of cancer or the early detection or treatment of cancer for which no equally or more effective standard cancer treatment exists;
2. the clinical trial is not designed exclusively to test toxicity or disease pathophysiology and it has a therapeutic intent;
3. the clinical trial is being provided in this state as part of a scientific study of a new therapy or intervention and is for the prevention, prevention of reoccurrence, early detection, treatment or palliation of cancer in humans and in which the scientific study includes all of the following:
   a. specific goals;
   b. a rationale and background for the study;
   c. criteria for patient selection;
   d. specific direction for administering the therapy or intervention and for monitoring patients;
   e. a definition of quantitative measures for determining treatment response;
   f. methods for documenting and treating adverse reactions; and
   g. a reasonable expectation that the treatment will be at least as efficacious as standard cancer treatment;
4. the clinical trial is being conducted with approval of at least one of the following:
   a. one of the federal national institutes of health;
   b. a federal national institutes of health cooperative group or center;
(c) the federal department of defense;
(d) the federal food and drug administration in the form of an investigational new drug application;
(e) the federal department of veterans affairs; or
(f) a qualified research entity that meets the criteria established by the federal national institutes of health for grant eligibility;
(5) the clinical trial is being provided as part of a cancer clinical trial;
(6) the proposed clinical trial or study has been reviewed and approved by an institutional review board that has an active federal-wide assurance of protection for human subjects;
(7) the personnel providing the clinical trial or conducting the study:
   (a) are providing the clinical trial or conducting the study within their scope of practice, experience and training and are capable of providing the clinical trial because of their experience, training and volume of patients treated to maintain their expertise;
   (b) agree to accept reimbursement as payment in full from the health plan at the rates that are established by that plan and are not more than the level of reimbursement applicable to other similar services provided by health care providers within the plan's provider network; and
   (c) agree to provide written notification to the health plan when a patient enters or leaves a clinical trial;
(8) there is no non-investigational treatment equivalent to the clinical trial;
(9) the available clinical or preclinical data provide a reasonable expectation that the clinical trial will be at least as efficacious as any non-investigational alternative; and
(10) there is a reasonable expectation based on clinical data that the medical treatment provided in the clinical trial will be at least as effective as any other medical treatment.

B. Pursuant to the patient informed consent document, no third party is liable for damages associated with the treatment provided during a phase of a cancer clinical trial.

C. If a patient is denied coverage of a cost and contends that the denial is in violation of this section, the patient may appeal the decision to deny the coverage of a cost to the superintendent, and that appeal shall be expedited to ensure resolution of the appeal within no more than thirty days after the date of appeal to the superintendent. Programs pursuant to Title 19 or Title 21 of the federal Social Security Act, which have their respective expedited appeal processes, shall be exempt from this subsection.

D. A health plan shall not provide benefits that supplant a portion of a cancer clinical trial that is customarily paid for by government, biotechnical, pharmaceutical or medical device industry sources.

E. The provisions of this section do not create a private right or cause of action for or on behalf of a patient against the health plan providing coverage. This section provides only an
administrative remedy to the superintendent for violation of this section or a related rule promulgated by the superintendent.

F. A health plan may impose deductibles, coinsurance requirements or other standard cost-sharing provisions on benefits provided pursuant to this section.

G. In no event shall the health plan be responsible for out-of-state or out-of-network costs unless the health plan pays for standard treatment out of state or out of network. In no event shall the health plan be responsible for out-of-state costs for any trials undertaken for the purposes of the prevention of or the prevention of reoccurrence of cancer.

H. The provisions of this section do not apply to short-term travel, accident-only or limited or specified disease contracts or policies issued by a health plan.

I. As used in this section:

1. "clinical trial" means a course of treatment provided to a patient for the purpose of prevention, prevention of reoccurrence, early detection or treatment of cancer;

2. "cooperative group" means a formal network of facilities that collaborate on research projects and have an established federal national institutes of health-approved peer review program operating within the group;

3. "health plan":
   (a) means: 1) a health insurer; 2) a nonprofit health service provider; 3) a health maintenance organization; 4) a managed care organization; 5) a provider service organization; or 6) the state's medical assistance program, whether providing services on a managed care or fee-for-service basis; and
   (b) does not include individual policies intended to supplement major medical group-type coverages such as medicare supplement, long-term care, disability income, specified disease, accident only, hospital indemnity or other limited-benefit health insurance policies;

4. "institutional review board" means a board, committee or other group that is both:
   (a) formally designated by an institution to approve the initiation of and to conduct periodic review of biomedical research involving human subjects and in which the primary purpose of the review is to assure the protection of the rights and welfare of the human subjects and not to review a clinical trial for scientific merit; and
   (b) approved by the federal national institutes of health for protection of the research risks;

5. "investigational drug or device" means a drug or device that has not been approved by the federal food and drug administration;

6. "federal-wide assurance of protection for human subjects" means a contract between an institution and the office for human research protections of the federal department of health and human services that defines the relationship of the institution to that department and sets out the responsibilities of the institution and the procedures that will be used by the institution to protect human subjects participating in clinical trials;

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(7) "patient" means an individual who participates in a cancer clinical trial and who is an insured, a member or a beneficiary of a health plan; and

(8) "routine patient care cost":

(a) means: 1) a medical service or treatment that is a benefit under a health plan that would be covered if the patient were receiving standard cancer treatment; or 2) a drug provided to a patient during a cancer clinical trial if the drug has been approved by the federal food and drug administration, whether or not that organization has approved the drug for use in treating the patient's particular condition, but only to the extent that the drug is not paid for by the manufacturer, distributor or provider of the drug; and

(b) does not include: 1) the cost of an investigational drug, device or procedure; 2) the cost of a non-health care service that the patient is required to receive as a result of participation in the cancer clinical trial; 3) costs associated with managing the research that is associated with the cancer clinical trial; 4) costs that would not be covered by the patient's health plan if non-investigational treatments were provided; 5) costs of those extra tests that would not be performed except for participation in the cancer clinical trial; and 6) costs paid or not charged for by the cancer clinical trial providers.


The 2002 amendment, effective May 15, 2002, changed "health care plan" to "health plan" in Subsection A and Subparagraph A(7)(b); in Paragraph A(6), after "review board that has", deleted "a multiple project assurance contract approved by the office of protection from research risks of the federal national institutes of health" and substituted the present language; added the last sentence of Subsection C; at the beginning of Paragraph I(6) substituted "federal-wide assurance of protection for human subjects" for "multiple project assurance contract", and added "the office for human research protections of"; and near the end of Subparagraph I(8)(b) added "extra" before "tests" and substituted "would not be performed except for participation in the cancer" for "are necessary for the research of the".


The 2009 amendment, effective June 19, 2009, in Subsection A, after "patient's participation in a", deleted "phase I, II, III or IV"; in Paragraph (1) of Subsection A, after "for the purposes of the", added "prevention of or the"; in Paragraph (3) of Subsection A, after "and is for the", added "prevention"; in Paragraph (5) of Subsection A, after "provided as part of a", deleted "study being conducted in a phase I, phase II, phase III or phase IV"; added Paragraph (10) of Subsection A; and in Subsection G, added the last sentence.

A. An individual or group health insurance policy, health care plan or certificate of health insurance that is delivered or issued for delivery in this state and that offers maternity benefits shall offer coverage for smoking cessation treatment.

B. Coverage for smoking cessation treatment may be subject to deductibles and coinsurance consistent with those imposed on other benefits under the same policy, plan or certificate.

C. The provisions of this section shall not apply to short-term travel, accident-only or limited or specified-disease policies.

History: Laws 2003, ch. 337, § 1.

Effective dates. — Laws 2003, ch. 337 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective June 20, 2003, 90 days after adjournment of the legislature.


An individual or group health insurance policy, health care plan or certificate of health insurance that is delivered, issued for delivery or renewed in the state shall provide coverage for an alpha-fetoprotein IV screening test for pregnant women, generally between sixteen and twenty weeks of pregnancy, to screen for certain genetic abnormalities in the fetus.

History: Laws 2004, ch. 122, § 3.


An insurer that provides group health insurance pursuant to Chapter 59A, Article 22 NMSA 1978 shall make available, upon an employer's request prior to issuance, delivery or renewal, coverage for regular part-time employees who work or are expected to work an average of at least twenty hours per week over a six-month period. Nothing in this section shall be construed to require an employer to offer or provide coverage for regular part-time employees.


59A-22-47. Coverage of colorectal cancer screening.

A. An individual or group health insurance policy, health care plan and certificate of health
insurance that is delivered, issued for delivery or renewed in this state shall provide coverage for colorectal screening for determining the presence of precancerous or cancerous conditions and other health problems. The coverage shall make available colorectal cancer screening, as determined by the health care provider in accordance with the evidence-based recommendations established by the United States preventive services task force.

B. Coverage for colorectal screening may be subject to deductibles and coinsurance consistent with those imposed on other benefits under the same policy, plan or certificate.

C. The provisions of this section shall not apply to short-term travel, accident-only or limited or specified-disease policies.

Effective dates. — Laws 2007, ch. 17, contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective June 15, 2007, 90 days after the adjournment of the legislature.


A. An individual or group health insurance policy, health care plan or certificate of health insurance that is delivered, issued for delivery or renewed in this state shall provide coverage for hospitalization and general anesthesia provided in a hospital or ambulatory surgical center for dental surgery for the following:

1. Insureds exhibiting physical, intellectual or medically compromising conditions for which dental treatment under local anesthesia, with or without additional adjunctive techniques and modalities, cannot be expected to provide a successful result and for which dental treatment under general anesthesia can be expected to produce superior results;

2. Insureds for whom local anesthesia is ineffective because of acute infection, anatomic variation or allergy;

3. Insured children or adolescents who are extremely uncooperative, fearful, anxious or uncommunicative with dental needs of such magnitude that treatment should not be postponed or deferred and for whom lack of treatment can be expected to result in dental or oral pain or infection, loss of teeth or other increased oral or dental morbidity;

4. Insureds with extensive oral-facial or dental trauma for which treatment under local anesthesia would be ineffective or compromised; or

5. Other procedures for which hospitalization or general anesthesia in a hospital or ambulatory surgical center is medically necessary.

B. The provisions of this section do not apply to short-term travel, accident-only or limited or specified-disease policies.

C. Coverage for dental surgery may be subject to copayments, deductibles and coinsurance subject to network and prior authorization requirements consistent with those imposed on other benefits under the same policy, plan or certificate.
Effective dates. — Laws 2007, ch. 218, § 6 makes this section effective on July 1, 2007.


A. An individual or group health insurance policy, health care plan or certificate of health insurance that is delivered, issued for delivery or renewed in this state shall provide coverage to an eligible individual who is nineteen years of age or younger, or an eligible individual who is twenty-two years of age or younger and is enrolled in high school, for:
   (1) well-baby and well-child screening for diagnosing the presence of autism spectrum disorder; and
   (2) treatment of autism spectrum disorder through speech therapy, occupational therapy, physical therapy and applied behavioral analysis.

B. Coverage required pursuant to Subsection A of this section:
   (1) shall be limited to treatment that is prescribed by the insured's treating physician in accordance with a treatment plan;
   (2) shall be limited to thirty-six thousand dollars ($36,000) annually and shall not exceed two hundred thousand dollars ($200,000) in total lifetime benefits. Beginning January 1, 2011, the maximum benefit shall be adjusted annually on January 1 to reflect any change from the previous year in the medical component of the then-current consumer price index for all urban consumers published by the bureau of labor statistics of the United States department of labor;
   (3) shall not be denied on the basis that the services are habilitative or rehabilitative in nature;
   (4) may be subject to other general exclusions and limitations of the insurer's policy or plan, including, but not limited to, coordination of benefits, participating provider requirements, restrictions on services provided by family or household members and utilization review of health care services, including the review of medical necessity, case management and other managed care provisions; and
   (5) may be limited to exclude coverage for services received under the federal Individuals with Disabilities Education Improvement Act of 2004 and related state laws that place responsibility on state and local school boards for providing specialized education and related services to children three to twenty-two years of age who have autism spectrum disorder.

C. The coverage required pursuant to Subsection A of this section shall not be subject to dollar limits, deductibles or coinsurance provisions that are less favorable to an insured than the dollar limits, deductibles or coinsurance provisions that apply to physical illnesses that are generally covered under the individual or group health insurance policy, health care plan or certificate of health insurance, except as otherwise provided in Subsection B of this section.

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D. An insurer shall not deny or refuse to issue health insurance coverage for medically necessary services or refuse to contract with, renew, reissue or otherwise terminate or restrict health insurance coverage for an individual because the individual is diagnosed as having autism spectrum disorder.

E. The treatment plan required pursuant to Subsection B of this section shall include all elements necessary for the health insurance plan to pay claims appropriately. These elements include, but are not limited to:

1. the diagnosis;
2. the proposed treatment by types;
3. the frequency and duration of treatment;
4. the anticipated outcomes stated as goals;
5. the frequency with which the treatment plan will be updated; and
6. the signature of the treating physician.

F. This section shall not be construed as limiting benefits and coverage otherwise available to an insured under a health insurance plan.

G. The provisions of this section shall not apply to policies intended to supplement major medical group-type coverages such as medicare supplement, long-term care, disability income, specified disease, accident only, hospital indemnity or other limited-benefit health insurance policies.

H. As used in this section:

1. "autism spectrum disorder" means a condition that meets the diagnostic criteria for the pervasive developmental disorders published in the Diagnostic and Statistical Manual of Mental Disorders, fourth edition, text revision, also known as DSM-IV-TR, published by the American psychiatric association, including autistic disorder; Asperger's disorder; pervasive development disorder not otherwise specified; Rett's disorder; and childhood disintegrative disorder;

2. "habilitative or rehabilitative services" means treatment programs that are necessary to develop, maintain and restore to the maximum extent practicable the functioning of an individual; and

3. "high school" means a school providing instruction for any of the grades nine through twelve.

History: Laws 2009, ch. 74, § 1.

Effective dates. — Laws 2009, ch. 74 contained no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, was effective June 19, 2009, 90 days after the adjournment of the legislature.
ARTICLE 22A
Preferred Provider Arrangements

Section
59A-22A-1 Short title.
59A-22A-2 Purpose.
59A-22A-3 Definitions.
59A-22A-4 Preferred provider arrangements.
59A-22A-5 Health benefit plans.
59A-22A-6 Preferred provider participation requirements.
59A-22A-7 General requirements.


Chapter 59A, Article 22A NMSA 1978 shall be known and may be cited as the "Preferred Provider Arrangements Law".


The purpose of the Preferred Provider Arrangements Law [Chapter 59A, Article 22A NMSA 1978] is to encourage health care cost containment while preserving quality of care by allowing health care insurers to enter into preferred provider arrangements in accordance with minimum standards for preferred provider arrangements and for the health benefit plans associated with those arrangements.


As used in the Preferred Provider Arrangements Law [Chapter 59A, Article 22A NMSA 1978]:

A. "covered person" means any person on whose behalf the health care insurer is obligated to pay for or to provide health benefit services;

B. "covered services" means health care services which the health care insurer is obligated to pay for or to provide under a health benefit plan;

C. "emergency care" means covered services delivered to a covered person after the sudden onset of a medical condition manifesting itself by acute symptoms that are severe enough that:

(1) the lack of immediate medical attention could result in:

(a) placing the person's health in jeopardy;
(b) serious impairment of bodily functions; or
(c) serious dysfunction of any bodily organ or part; or

(2) a reasonable person believes that immediate medical attention is required;

D. "health benefit plan" means the health insurance policy or subscriber agreement between the covered person or the policyholder and the health care insurer which defines the covered services and benefit levels available;

E. "health care insurer" means any person who provides health insurance in this state. For the purposes of the Small Group Rate and Renewability Act [Chapter 59A, Article 23C NMSA 1978], "carrier" or "insurer" includes a licensed insurance company, a licensed fraternal benefit society, a prepaid hospital or medical service plan, a health maintenance organization, a nonprofit health care organization, a multiple employer welfare arrangement or any other person providing a plan of health insurance subject to state insurance regulation;

F. "health care provider" means providers of health care services licensed as required in this state;

G. "health care services" means services rendered or products sold by a health care provider within the scope of the provider's license. The term includes hospital, medical, surgical, dental, vision and pharmaceutical services or products;

H. "preferred provider" means a health care provider or group of providers who have contracted with a health care insurer to provide specified covered services to a covered person; and

I. "preferred provider arrangement" means a contract between or on behalf of the health care insurer and a preferred provider which complies with all the requirements of the Preferred Provider Arrangements Law.


**59A-22A-4. Preferred provider arrangements.**

Notwithstanding any provisions of law to contrary, any health care insurer may enter into preferred provider arrangements.

A. Such arrangements shall:

(1) establish the amount and manner of payment to the preferred provider. Such amount and manner of payment may include capitation payments for preferred providers;

(2) include mechanisms which are designed to minimize the cost of the health benefit plan; for example:

(a) the review or control of utilization of health care services; or

(b) procedures for determining whether health care services rendered are medically necessary; and
(3) assure reasonable access to covered services available under the preferred provider arrangement and an adequate number of preferred providers to render those services.

B. Such arrangements shall not unfairly deny health benefits for medically necessary covered services.

C. If an entity enters into a contract providing covered services with a health care provider, but is not engaged in activities which would require it to be licensed as a health care insurer, such entity shall file with the superintendent information describing its activities, a description of the contract or agreement it has entered into with the health care providers, and such other information as is required by the provisions of the Health Care Benefits Jurisdiction Act [59A-15-14 to 59A-15-19 NMSA 1978] and any regulations promulgated under its authority. Employers who enter into contracts with health care providers for the exclusive benefit of their employees and dependents are subject to the Health Care Benefits Jurisdiction Act and are exempt from this requirement only to the extent required by federal law.


A. Health care insurers may issue health benefit plans which provide for incentives for covered persons to use the health care services of preferred providers. Such policies or subscriber agreement shall contain at least the following provisions:

(1) a provision that if a covered person receives emergency care for services specified in the preferred provider arrangement and cannot reasonably reach a preferred provider that emergency care rendered during the course of the emergency will be reimbursed as though the covered person had been treated by a preferred provider; and

(2) a provision which clearly identifies the differentials in benefit levels for health care services of preferred providers and benefit levels for health care services of non-preferred providers.

B. If a health benefit plan provides differences in benefit levels payable to preferred providers compared to other providers, such differences shall not unfairly deny payment for covered services and shall be no greater than necessary to provide a reasonable incentive for covered persons to use the preferred provider.


59A-22A-6. Preferred provider participation requirements.

Health care insurers may place reasonable limits on the number or classes of preferred providers which satisfy the standards set forth by the health care insurer, provided that there is no discrimination against providers on the basis of religion, race, color, national origin, age, sex or marital status, and further provided that selection of preferred providers is primarily based on,
but not limited to, cost and availability of covered services and the quality of services performed by the providers.

**History:** 1978 Comp., § 59A-22A-6, enacted by Laws 1993, ch. 320, § 64.

### 59A-22A-7. General requirements.

Health care insurers complying with the Preferred Provider Arrangements Law [Chapter 59A, Article 22A NMSA 1978] shall be subject to and are required to comply with all other applicable laws, rules and regulations of this state.


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### ARTICLE 23

**Group and Blanket Health Insurance Contracts**

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### 59A-23-1. Scope of article.

This article [Chapter 59A, Article 23 NMSA 1978] shall apply only as to group health insurance contracts and blanket health insurance contracts as hereinafter defined.

**History:** Laws 1984, ch. 127, § 460.

A. Blanket health insurance is hereby declared to be that form of health insurance covering special groups of not less than ten (10) persons as enumerated in one of the following Paragraphs (1) to (5) inclusive:

1. under a policy or contract issued to any common carrier, which shall be deemed the policyholder, covering a group defined as all persons who may become passengers on such common carrier;

2. under a policy or contract issued to an employer, who shall be deemed the policyholder, covering any group of employees defined by reference to exceptional hazards incident to such employment;

3. under a policy or contract issued to a college, school or other institution of learning or to the head or principal thereof, who or which shall be deemed the policyholder, covering students and teachers;

4. under a policy or contract issued in the name of any volunteer fire department, first aid or other such volunteer group, which shall be deemed the policyholder, covering all of the members of such department or group;

5. under a policy or contract issued to any other substantially similar group which, in the discretion of the superintendent, may be subject to the issuance of a blanket health policy or contract.

B. An individual application shall not be required from a person covered under a blanket sickness or accident policy or contract.

C. All benefits under any blanket sickness and accident policy shall be payable to the person insured or his agent, or to his designated beneficiary or beneficiaries, or to his estate, except that if the person insured be a minor, such benefits may be made payable to his parent, guardian or other person actually supporting him.


Existing forms and filings. — See notes following 59A-5-21 NMSA 1978.


A. Group health insurance is that form of health insurance covering groups of persons, with or without their dependents, and issued upon the following basis:

1. under a policy issued to an employer, who shall be deemed the policyholder, insuring at least one employee of such employer for the benefit of persons other than the
employer. The term "employees", as used in this section, includes the officers, managers and employees of the employer, the partners, if the employer is a partnership, the officers, managers and employees of subsidiary or affiliated corporations of a corporation employer, and the individual proprietors, partners and employees of individuals and firms the business of which is controlled by the insured employer through stock ownership, contract or otherwise. The term "employer", as used in this section, includes any municipal or governmental corporation, unit, agency or department thereof and the proper officers, as such, or any unincorporated municipality or department thereof, as well as private individuals, partnerships and corporations. A small employer shall also be subject to the Small Group Rate and Renewability Act [Chapter 59A, Article 23C NMSA 1978]. A "small employer" means any person, firm, corporation, partnership or association actively engaged in business who, on at least fifty percent of its working days during the preceding year, employed no more than fifty eligible employees. In determining the number of eligible employees, companies that are affiliated companies or that are eligible to file a combined tax return for purposes of state taxation shall be considered one employer;

(2) under a policy issued to an association, including a labor union and an agricultural association, which shall have a constitution and bylaws and which has been organized and is maintained in good faith for purposes other than that of obtaining insurance, insuring at least twenty-five members of the association for the benefit of persons other than the association or its officers or trustees, as such; or

(3) under a policy issued to any other substantially similar group which, in the discretion of the superintendent, may be subject to the issuance of a group sickness and accident policy or contract.

B. Each policy, as provided by this section, shall contain in substance the following provisions:

(1) a provision that the policy, the application of the policyholder, if such application or copy thereof is attached to such policy, and the individual applications, if any, submitted in connection with such policy by the employees or members, shall constitute the entire contract between the parties, and that all statements, in the absence of fraud, made by any applicant or applicants shall be deemed representations and not warranties, and that no such statement shall void the insurance or reduce benefits thereunder unless contained in a written application for such insurance;

(2) a provision that the insurer will furnish to the policyholder, for delivery to each employee or member of the insured group, an individual certificate setting forth in summary form a statement of the essential features of the insurance coverage of such employee or member and to whom benefits thereunder are payable. If dependents are included in the coverage, only one certificate need be issued for each family unit; and

(3) a provision that to the group originally insured may be added from time to time eligible new employees or members or dependents, as the case may be, in accordance with the terms of the policy.
C. For purposes of this section only, the directors of a corporation shall be deemed to be employees of the corporation.


**The 1991 amendment**, effective June 14, 1991, in Subsection A, added the last three sentences in Paragraph (1) and made minor stylistic changes in Paragraphs (1) and (2).

**The 1993 amendment**, effective June 18, 1993, added Subsection C.

**The 1994 amendment**, effective January 1, 1995, substituted "fifty" for "twenty-five" in the next-to-last sentence in Paragraph A(1).

**Applicability.** — Laws 1991, ch. 153, § 11 makes the provisions of the act applicable to each health benefit plan for a small employer under the Small Group Rate and Renewability Act that is delivered, issued for delivery, renewed or continued in this state after July 1, 1991 and provides that the date a plan is continued or renewed is the first rating period that commences after June 14, 1991.

Laws 1994, ch. 75, § 36 makes the provisions of §§ 26 to 34 of the act applicable to all plans and policies delivered, issued for delivery or renewed on or after January 1, 1995.

**Existing forms and filings.** — See notes following 59A-5-21 NMSA 1978.

### 59A-23-3.1. Group insurance reports required.

A. At least quarterly, upon request by the employer, each insurer who has delivered or issued for delivery a policy of group insurance covering twenty-six or more employees, all or a portion of the premiums for which is paid by the employer of the insureds, shall submit to the employer a financial summary report by coverage of expenses incurred by or on behalf of the employees of that employer since the last report. The report shall include the number and amount of monthly paid claims, monthly covered lives and an accounting of reserves and retention costs.

B. Upon request by the employer, each insurer shall provide to the employer claims information that provides sufficient detail, subject to state and federal privacy laws, to enable the employer to obtain and compare group health insurance rates from multiple insurers or establish a plan of self-insurance.

C. The report and claims information required by this section shall be provided within thirty days from the date of request.


**The 1993 amendment**, effective June 18, 1993, substituted "twenty-six" for "fifty" in the first sentence, inserted "and amount" in the second sentence, and deleted former Subsection B, relating to submission to the employer of premium and claim data 180 days after expiration of a policy covering more than 24 but less than 50 employees for which all or a portion of the premium is paid by the employer.
The 2007 amendment, effective June 15, 2007, requires insurers to provide claims experience information to employers to permit the employer to obtain and compare group health care rates and coverage from other carriers.

59A-23-4. Other provisions applicable.

A. A blanket or group health insurance policy or contract shall not contain a provision relative to notice or proof of loss or the time for paying benefits or the time within which suit may be brought upon the policy that in the superintendent's opinion is less favorable to the insured than would be permitted in the required or optional provisions for individual health insurance policies as set forth in Chapter 59A, Article 22 NMSA 1978.

B. The following provisions of Chapter 59A, Article 22 NMSA 1978 shall also apply as to Chapter 59A, Article 23 NMSA 1978 and blanket and group health insurance contracts:
   (1) Section 59A-22-1 NMSA 1978, except Subsection C of that section; and
   (2) Section 59A-22-32 NMSA 1978.

C. The following provisions of Chapter 59A, Article 22 NMSA 1978 shall also apply as to group health insurance contracts:
   (1) Section 59A-22-33 NMSA 1978;
   (2) Section 59A-22-34 NMSA 1978;
   (3) Section 59A-22-34.1 NMSA 1978;
   (4) Section 59A-22-34.3 NMSA 1978;
   (5) Section 59A-22-35 NMSA 1978;
   (6) Section 59A-22-36 NMSA 1978;
   (7) Section 59A-22-39 NMSA 1978;
   (8) Section 59A-22-39.1 NMSA 1978;
   (9) Section 59A-22-40 NMSA 1978;
   (10) Section 59A-22-40.1 NMSA 1978;
   (11) Section 59A-22-41 NMSA 1978;
   (12) Section 59A-22-42 NMSA 1978;
   (13) Section 59A-22-43 NMSA 1978; and


The 1992 amendment, effective May 20, 1992, substituted "that" for "which" near the middle of
Subsection A and added Subsection C(7).

The first 1997 amendments. — Laws 1997, ch. 249, § 2, amending this section by adding a new Paragraph C(7) relating to 59A-22-39.1 NMSA 1978 and redesignating the following paragraph, was approved April 11, 1997. However, Laws 1997, ch. 250, § 2, amending this section by adding new Paragraph C(7) relating to 59A-22-34.3 NMSA 1978 and redesignating the following paragraph accordingly, but not giving effect to the changes made by the first amendment, was approved later on April 11, 1997. This section is set out as amended by Laws 1997, ch. 250, § 2. See 12-1-8 NMSA 1978. See also the second 1997 amendments. Laws 1997, chs. 249 and 250 contain no effective date provisions, but, pursuant to N.M. Const., art. IV, § 23, are effective on June 20, 1997, 90 days after adjournment of the legislature. See Volume 14 NMSA 1978 for "Adjournment Dates of Sessions of Legislature" table.

The second 1997 amendments. — Identical amendments to this section were enacted by Laws 1997, ch. 7 § 2 and Laws 1997, ch. 255, § 2 both effective January 1, 1998, which substituted "of that section" for "thereof" in Paragraph B(1) and added Paragraph C(8), but did not give effect to the changes made by the other 1997 amendments. See also the first 1997 amendments.

The 2001 amendment, effective June 15, 2001, inserted current Paragraphs C(4), (8) and (11) and renumbered the remaining paragraphs accordingly.

The 2003 amendment, effective June 20, 2003, inserted Paragraph C(4), (8), (11), (12) and redesignated the subsequent paragraphs accordingly.

The 2007 amendment, effective June 15, 2007, adds Paragraph (10) of Subsection C.

The 2009 amendment, effective June 19, 2009, added Paragraph (13) of Subsection B.

Applicability. — Laws 1992, ch. 56, § 5 makes the provisions of the act applicable to policies, plans, contracts, and certificates delivered or issued for delivery or renewed, extended or amended in the state on or after July 1, 1992.

59A-23-5. Extended disability benefit.

Any group health insurance policy may provide for payment not exceeding one thousand dollars ($1,000) as an extended disability benefit upon the insured's death from any cause, which benefit shall not be construed as life insurance.


59A-23-6. Alcohol dependency coverage.

A. Each insurer that delivers or issues for delivery in this state a group health insurance policy shall offer and make available benefits for the necessary care and treatment of alcohol dependency. Such benefits shall:

(1) be subject to annual deductibles and coinsurance consistent with those imposed on other benefits within the same policy;

(2) provide no less than thirty days necessary care and treatment in an alcohol dependency treatment center and thirty outpatient visits for alcohol dependency treatment; and
be offered for benefit periods of no more than one year and may be limited to a lifetime maximum of no less than two benefit periods. Such offer of benefits shall be subject to the rights of the group health insurance holder to reject the coverage or to select any alternative level of benefits if that right is offered by or negotiated with that insurer.

B. For purposes of this section, "alcohol dependency treatment center" means a facility that provides a program for the treatment of alcohol dependency pursuant to a written treatment plan approved and monitored by a physician or meeting the quality standards of the behavioral health services division of the human services department and which facility also:

   (1) is affiliated with a hospital under a contractual agreement with an established system for patient referral;

   (2) is accredited as such a facility by the joint commission on accreditation of hospitals; or

   (3) meets at least the minimum standards adopted by the behavioral health services division for treatment of alcoholism in regional treatment centers.

C. This section applies to policies delivered or issued for delivery or renewed, extended or amended in this state on or after July 1, 1983 or upon expiration of a collective bargaining agreement applicable to a particular policyholder, whichever is later; provided that this section does not apply to blanket, short-term travel, accident-only, limited or specified disease, individual conversion policies or policies designed for issuance to persons eligible for coverage under Title 18 of the Social Security Act, known as medicare, or any other similar coverage under state or federal governmental plans. With respect to any policy forms approved by the insurance division of the public regulation commission prior to the effective date of this section, an insurer is authorized to comply with this section by the use of endorsements or riders, provided such endorsements or riders are approved by the insurance division as being in compliance with this section and applicable provisions of the Insurance Code [59A-1-1 NMSA 1978].

D. If an organization offering group health benefits to its members makes more than one health insurance policy or nonprofit health care plan available to its members on a member option basis, the organization shall not require alcohol dependency coverage from one health insurer or health care plan without requiring the same level of alcohol dependency coverage for all other health insurance policies or health care plans that the organization makes available to its members.


Bracketed material. — The bracketed material in this section was inserted by the compiler. It was not enacted by the legislature, and it is not part of the law.

The bracketed reference to the department of health was inserted by the compiler, as Laws 1991, ch. 25, § 16 repeals former 9-7-4 NMSA 1978, relating to the health and environment department, and enacts a new 9-7-4 NMSA 1978, creating the department of health.
Sections 43-3-3 and 43-3-4 NMSA 1978, referred to Subsection B(3), were repealed by Laws 1985, ch. 185, § 8. For present comparable provisions, see 9-7-6.1 to 9-7-6.3 NMSA 1978.

Chapter 59 NMSA 1978, referred to in Subsection C, was repealed by Laws 1984, ch. 124, § 997 or recompiled by Laws 1987, ch. 259, § 32. For present comparable provisions, see Chapter 59A NMSA 1978.

The substance abuse bureau, referred to in the introductory paragraph and Paragraph (3) of Subsection B, was abolished by Laws 1983, ch. 177, § 1, which created two new bureaus in its place, the alcoholism bureau and the drug abuse bureau. The alcoholism bureau is charged with the administration of alcoholism treatment. See 43-2-5 NMSA 1978.

The 2007 amendment, effective June 15, 2007, changes "health and environment department" to "human services department"; changes "substance abuse bureau" to "behavioral health services division"; and changes "department of insurance" to "insurance division of the public regulation commission".


A blanket or group health policy, health care plan or certificate of health insurance that is delivered, issued for delivery or renewed in the state shall provide coverage for an alpha-fetoprotein IV screening test for pregnant women, generally between sixteen and twenty weeks of pregnancy, to screen for certain genetic abnormalities in the fetus.


59A-23-7. Blanket or group health policy or certificate; provisions relating to individuals who are eligible for medical benefits under the medicaid program.

A. Each blanket or group health policy or certificate of insurance that is delivered, issued for delivery or renewed in this state shall include provisions that require benefits paid on behalf of a child or other insured person under the policy or certificate to be paid to the human services department when:

(1) the human services department has paid or is paying benefits on behalf of the child or other insured person under the state's medicaid program pursuant to Title XIX of the federal Social Security Act, 42 U.S.C. 1396, et seq.;

(2) payment for the services in question has been made by the human services department to the medicaid provider; and

(3) the insurer is notified that the insured individual receives benefits under the medicaid program and that benefits must be paid directly to the human services department.
B. The notice required under Paragraph (3) of Subsection A of this section may be accomplished through an attachment to the claim by the human services department for insurance benefits when the claim is first submitted by the human services department to the insurer.

C. Notwithstanding any other provisions of law, checks in payment for claims pursuant to any blanket or group health insurance policy or certificate for health care services provided to persons who are also eligible for benefits under the medicaid program and provided by medical providers qualified to participate under the policy or certificate shall be made payable to the provider. The insurer may be notified that the insured individual is eligible for medicaid benefits through an attachment to the claim by the provider for insurance benefits when the claim is first submitted by the provider to the insurer.

D. No blanket or group health insurance policy or certificate delivered, issued for delivery or renewed in this state on or after the effective date of this section shall contain any provision denying or limiting insurance benefits because services are rendered to an insured who is eligible for or who has received medical assistance under the medicaid program of this state.

E. To the extent that payment for covered expenses has been made pursuant to the state medicaid program for health care items or services furnished to an individual, in any case where the insurer has a legal liability to make payments, the state is considered to have acquired the rights of the individual to payment by an insurer for those health care items or services.


Cross references. — For the Minimum Healthcare Protection Act, see 59A-23B-1 NMSA 1978 et seq.

The 1994 amendment, effective July 1, 1994, added Subsection E.

Effective date of this section. — The phrase "effective date of this section", referred to in Subsection D, means June 16, 1989, the effective date of Laws 1989, ch. 183.

59A-23-7.1. Reserved.


A. An insurer shall not deny enrollment of a child under the health plan of the child's parent on the grounds that the child:
   (1) was born out of wedlock;
   (2) is not claimed as a dependent on the parent's federal tax return; or
   (3) does not reside with the parent or in the insurer's service area.

B. When a child has health coverage through an insurer of a noncustodial parent, the insurer shall:
(1) provide such information to the custodial parent as may be necessary for the child to obtain benefits through that coverage;

(2) permit the custodial parent or the provider, with the custodial parent's approval, to submit claims for covered services without the approval of the noncustodial parent; and

(3) make payments on claims submitted in accordance with Paragraph (2) of this subsection directly to the custodial parent, the provider or the state medicaid agency.

C. When a parent is required by a court or administrative order to provide health coverage for a child and the parent is eligible for family health coverage, the insurer shall be required:

(1) to permit the parent to enroll, under the family coverage, a child who is otherwise eligible for the coverage without regard to any enrollment season restrictions;

(2) if the parent is enrolled but fails to make application to obtain coverage for the child, to enroll the child under family coverage upon application of the child's other parent, the state agency administering the medicaid program or the state agency administering 42 U.S.C. Sections 651 through 669, the child support enforcement program; and

(3) not to disenroll or eliminate coverage of the child unless the insurer is provided satisfactory written evidence that:
   (a) the court or administrative order is no longer in effect; or
   (b) the child is or will be enrolled in comparable health coverage through another insurer that will take effect not later than the effective date of disenrollment.

D. An insurer shall not impose requirements on a state agency that has been assigned the rights of an individual eligible for medical assistance under the medicaid program and covered for health benefits from the insurer that are different from requirements applicable to an agent or assignee of any other individual so covered.

E. An insurer shall provide coverage for children, from birth through three years of age, for or under the family, infant, toddler program administered by the department of health, provided eligibility criteria are met, for a maximum benefit of three thousand five hundred dollars ($3,500) annually for medically necessary early intervention services provided as part of an individualized family service plan and delivered by certified and licensed personnel as defined in 7.30.8 NMAC who are working in early intervention programs approved by the department of health. No payment under this subsection shall be applied against any maximum lifetime or annual limits specified in the policy, health benefits plan or contract.


The 2005 amendment, effective July 1, 2005, adds Subsection E to require coverage for children from birth through three years of age under the family, infant, toddler program for a maximum benefit of $3,500 for medically necessary early intervention services.

Each blanket or group health policy or certificate of insurance delivered, issued for delivery or renewed in New Mexico on or after July 1, 2003 that provides coverage for an insured's dependent shall not terminate coverage of an unmarried dependent by reason of the dependent's age before the dependent's twenty-fifth birthday, regardless of whether the dependent is enrolled in an educational institution.

History: Laws 2003, ch. 391, § 3.

Effective dates. — Laws 2003, ch. 391 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective June 20, 2003, 90 days after adjournment of the legislature.


A blanket or group health insurance policy, health care plan or certificate of health insurance that is delivered, issued for delivery or renewed in the state shall provide coverage for circumcision for newborn males.


An insurer that provides group health insurance pursuant to Chapter 59A, Article 23 NMSA 1978 shall make available, upon an employer's request prior to issuance, delivery or renewal, coverage for regular part-time employees who work or are expected to work an average of at least twenty hours per week over a six-month period. Nothing in this section shall be construed to require an employer to offer or provide coverage for regular part-time employees.


A. A blanket or group health policy, health care plan or certificate of health insurance that is delivered, issued for delivery or renewed in this state shall provide coverage for colorectal screening for determining the presence of precancerous or cancerous conditions and other health problems. The coverage shall make available colorectal cancer screening, as determined by the health care provider in accordance with the evidence-based recommendations established by the United States preventive services task force.

B. Coverage for colorectal screening may be subject to deductibles and coinsurance consistent with those imposed on other benefits under the same policy, plan or certificate.

C. The provisions of this section shall not apply to short-term travel, accident-only or
limited or specified-disease policies.

Effective dates. — Laws 2007, ch. 17, contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective June 15, 2007, 90 days after the adjournment of the legislature.


A. A blanket or group health insurance policy, health care plan or certificate of health insurance that is delivered, issued for delivery or renewed in this state shall provide coverage for hospitalization and general anesthesia provided in a hospital or ambulatory surgical center for dental surgery for the following:

(1) insureds exhibiting physical, intellectual or medically compromising conditions for which dental treatment under local anesthesia, with or without additional adjunctive techniques and modalities, cannot be expected to provide a successful result and for which dental treatment under general anesthesia can be expected to produce superior results;

(2) insureds for whom local anesthesia is ineffective because of acute infection, anatomic variation or allergy;

(3) insured children or adolescents who are extremely uncooperative, fearful, anxious or uncommunicative with dental needs of such magnitude that treatment should not be postponed or deferred and for whom lack of treatment can be expected to result in dental or oral pain or infection, loss of teeth or other increased oral or dental morbidity;

(4) insureds with extensive oral-facial or dental trauma for which treatment under local anesthesia would be ineffective or compromised; or

(5) other procedures for which hospitalization or general anesthesia in a hospital or ambulatory surgical center is medically necessary.

B. The provisions of this section do not apply to short-term travel, accident-only or limited or specified disease policies.

C. Coverage for dental surgery may be subject to copayments, deductibles and coinsurance subject to network and prior authorization requirements consistent with those imposed on other benefits under the same policy, plan or certificate.

History: Laws 2007, ch. 218, § 3.

Effective dates. — Laws 2007, ch. 218, § 6 makes this section effective on July 1, 2007.


A. A blanket or group health insurance policy, health care plan or certificate of health insurance that is delivered, issued for delivery or renewed in this state shall provide coverage for a hearing aid and any related service for the full cost of one hearing aid per hearing-impaired ear
up to two thousand two hundred dollars ($2,200) every thirty-six months for hearing aids for insured children under eighteen years of age or under twenty-one years of age if still attending high school. The insured may choose a higher priced hearing aid and may pay the difference in cost above the two-thousand-two-hundred-dollar ($2,200) limit as provided in this subsection without financial or contractual penalty to the insured or to the provider of the hearing aid.

B. An insurer that delivers, issues for delivery or renews in this state a blanket or group health insurance policy, health care plan or certificate of health insurance may make available to the policyholder the option of purchasing additional hearing aid coverage that exceeds the services described in this section.

C. Hearing aid coverage offered shall include fitting and dispensing services, including providing ear molds as necessary to maintain optimal fit, provided by an audiologist, a hearing aid dispenser or a physician, licensed in New Mexico.

D. The provisions of this section do not apply to short-term travel, accident-only or limited or specified disease policies.

E. Coverage for hearing aids may be subject to deductibles and coinsurance consistent with those imposed on other benefits under the same policy, plan or certificate.

F. For the purposes of this section, "hearing aid" means durable medical equipment that is of a design and circuitry to optimize audibility and listening skills in the environment commonly experienced by children.

History: Laws 2007, ch. 356, § 3.


A. A blanket or group health insurance policy or contract that is delivered, issued for delivery or renewed in this state shall provide coverage to an eligible individual who is nineteen years of age or younger, or an eligible individual who is twenty-two years of age or younger and is enrolled in high school, for:

(1) well-baby and well-child screening for diagnosing the presence of autism spectrum disorder; and

(2) treatment of autism spectrum disorder through speech therapy, occupational therapy, physical therapy and applied behavioral analysis.

B. Coverage required pursuant to Subsection A of this section:

(1) shall be limited to treatment that is prescribed by the insured's treating physician in accordance with a treatment plan;

(2) shall be limited to thirty-six thousand dollars ($36,000) annually and shall not exceed two hundred thousand dollars ($200,000) in total lifetime benefits. Beginning January 1, 2011, the maximum benefit shall be adjusted annually on January 1 to reflect any change from
the previous year in the medical component of the then-current consumer price index for all urban consumers published by the bureau of labor statistics of the United States department of labor;

(3) shall not be denied on the basis that the services are habilitative or rehabilitative in nature;

(4) may be subject to other general exclusions and limitations of the insurer's policy or plan, including, but not limited to, coordination of benefits, participating provider requirements, restrictions on services provided by family or household members and utilization review of health care services, including the review of medical necessity, case management and other managed care provisions; and

(5) may be limited to exclude coverage for services received under the federal Individuals with Disabilities Education Improvement Act of 2004 and related state laws that place responsibility on state and local school boards for providing specialized education and related services to children three to twenty-two years of age who have autism spectrum disorder.

C. The coverage required pursuant to Subsection A of this section shall not be subject to dollar limits, deductibles or coinsurance provisions that are less favorable to an insured than the dollar limits, deductibles or coinsurance provisions that apply to physical illnesses that are generally covered under the blanket or group health insurance policy or contract, except as otherwise provided in Subsection B of this section.

D. An insurer shall not deny or refuse to issue health insurance coverage for medically necessary services or refuse to contract with, renew, reissue or otherwise terminate or restrict health insurance coverage for an individual because the individual is diagnosed as having autism spectrum disorder.

E. The treatment plan required pursuant to Subsection B of this section shall include all elements necessary for the health insurance plan to pay claims appropriately. These elements include, but are not limited to:

(1) the diagnosis;

(2) the proposed treatment by types;

(3) the frequency and duration of treatment;

(4) the anticipated outcomes stated as goals;

(5) the frequency with which the treatment plan will be updated; and

(6) the signature of the treating physician.

F. This section shall not be construed as limiting benefits and coverage otherwise available to an insured under a health insurance plan.

G. The provisions of this section shall not apply to policies intended to supplement major medical group-type coverages such as medicare supplement, long-term care, disability income, specified disease, accident only, hospital indemnity or other limited-benefit health insurance policies.

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H. As used in this section:

   (1) "autism spectrum disorder" means a condition that meets the diagnostic criteria for the pervasive developmental disorders published in the Diagnostic and Statistical Manual of Mental Disorders, fourth edition, text revision, also known as DSM-IV-TR, published by the American psychiatric association, including autistic disorder; Asperger's disorder; pervasive development disorder not otherwise specified; Rett's disorder; and childhood disintegrative disorder;

   (2) "habilitative or rehabilitative services" means treatment programs that are necessary to develop, maintain and restore to the maximum extent practicable the functioning of an individual; and

   (3) "high school" means a school providing instruction for any of the grades nine through twelve.

History: Laws 2009, ch. 74, § 2.

59A-23-8. Group formed to purchase health insurance; limitations.

   A. No policy or certificate of group health insurance may be renewed, delivered or issued for delivery in this state to a group formed for the purpose of purchasing one or more policies of group health insurance unless the superintendent has approved the issuance. The superintendent shall not grant his approval unless he finds that:

     (1) the benefits of the policy are reasonable in relation to the premium charged; and

     (2) the group to which the policy is issued is organized and operated in a fiscally sound manner.

   B. An insurer may exclude or limit the coverage in a policy issued pursuant to this section for any person as to whom evidence of insurability is not satisfactory to the insurer.

   C. The provisions of this section apply to the offering in this state of a policy issued in another state or its certificates.


   Unless the rate applicable to the certificate of coverage of an out-of-state association or trust complies with the requirements of Section 59A-18-13.1 or 59A-23C-5.1 NMSA 1978, the out-of-state association or trust shall not:

   A. advertise in the state as a benefit of membership for any group health insurance policy available to its members or beneficiaries;
B. issue a certificate for delivery in New Mexico to any resident of the state; or
C. solicit membership in the state on the basis of the existence or availability of such health insurance coverage.


Claims information, including utilization and loss experience under health insurance provided under Chapter 59A, Article 23 NMSA 1978 shall be made available only upon the request of and to employers of employees with such coverage within sixty days of an employer's written request for such information, provided the employer's coverage extends to no less than twenty-five individual employees, regardless of whether family coverage is included. In providing such utilization data, carriers shall not reveal information that allows identification of an individual employee or the employee's family or the specific conditions for which coverage was provided.

History: Laws 2003, ch. 252, § 1.

Effective dates. — Laws 2003, ch. 252 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective June 20, 2003, 90 days after adjournment of the legislature.

ARTICLE 23A
Long-Term Care Insurance

Section
59A-23A-1 Short title.
59A-23A-2 Purpose.
59A-23A-3 Scope.
59A-23A-4 Definitions.
59A-23A-5 Extraterritorial jurisdiction; group long-term care insurance.
59A-23A-6 Long-term care insurance; standards; requirements.
59A-23A-7 Preexisting condition; definition; coverage.
59A-23A-8 Incontestability period.
59A-23A-9 Authority to promulgate regulations.
59A-23A-10 Penalties.
59A-23A-11 Filing requirements for advertising.


Chapter 59A, Article 23A NMSA 1978 may be cited as the "Long-Term Care Insurance Law".

The 1993 amendment, effective June 18, 1993, rewrote this section, which formerly read: "This act may be cited as the 'Long-Term Care Insurance Act.'"


The purpose of the Long-Term Care Insurance Law [Chapter 59A, Article 23A NMSA 1978] is to promote the public interest in and the availability of long-term care insurance policies, protect applicants for long-term care insurance from unfair or deceptive sales or enrollment practices, establish standards for long-term care insurance, facilitate public understanding and comparison of long-term care insurance policies and facilitate flexibility and innovation in the development of long-term care insurance coverage.


The 1993 amendment, effective June 18, 1993, substituted "Law" for "Act".


The provisions of the Long-Term Care Insurance Law [Chapter 59A, Article 23A NMSA 1978] shall apply to policies, certificates or riders delivered or issued for delivery in this state on or after July 1, 1989. The Long-Term Care Insurance Law is not intended to supersede any obligations of any entity to comply with the substance of any other provision of law, except that laws and regulations designed and intended to apply to medicare supplement insurance policies shall not be applied to long-term care insurance.


The 1993 amendment, effective June 18, 1993, in the first sentence, substituted "Law" for "Act", substituted "in this state" for "renewed or continued", and substituted "July 1, 1989" for "the effective date of that act"; substituted "Law" for "Act" in the second sentence; and deleted the former last sentence, which read: "A policy which is not marketed or offered as long term care insurance or nursing home insurance is not subject to the provisions of the Long-Term Care Insurance Act."

Effective date of that act. — The phrase "effective date of that act", referred to in this section, means July 1, 1989, the effective date of Laws 1989, ch. 136, which enacted the Long-Term Care Insurance Act.


As used in the Long-Term Care Insurance Law [Chapter 59A, Article 23A NMSA 1978]:

A. "applicant" means:
   (1) in the case of an individual long-term care insurance policy, the person who seeks to contract for benefits; and
   (2) in the case of a group long-term care insurance policy, the proposed certificate...
holder;

B. "certificate" means any certificate issued under a group long-term care insurance policy;

C. "group long-term care insurance" means a long-term care insurance policy which is delivered or issued for delivery in this state and issued to:

   (1) one or more employers or labor organizations established by one or more employers or labor organizations or a combination thereof, for employees or former employees or a combination thereof or for members or former members or a combination thereof of the labor organizations;

   (2) any professional, trade or occupational association for its members or former or retired members, or a combination thereof, if the association:

       (a) is composed of individuals all of whom are or were actively engaged in the same profession, trade or occupation; and

       (b) has been maintained in good faith for purposes other than obtaining insurance;

   (3) an association or a trust or the trustees of a fund established, created or maintained for the benefit of members of one or more associations. Prior to advertising, marketing or offering such policy within this state, the association or associations, or the insurer of the association or associations, shall file evidence with the superintendent that the association or associations have at the outset a minimum of twenty-five persons and have been organized and maintained in good faith for purposes other than that of obtaining insurance; have been in active existence for at least one year; and have a constitution and bylaws which provided that:

       (a) the association or associations hold regular meetings not less than annually to further purposes of the members;

       (b) except for credit unions, the association or associations collect dues or solicit contributions from members; and

       (c) the members have voting privileges and representation on the governing board and committees.

   Sixty days after such filing the association or associations will be deemed to satisfy such organizational requirements, unless the superintendent finds that the association or associations do not satisfy those organizational requirements; or

   (4) a group other than as described in Paragraph (1), (2) or (3) of this subsection, subject to a finding by the superintendent that:

       (a) the issuance of the group policy is not contrary to the best interest of the public;

       (b) the issuance of the group policy would result in economies of acquisition or administration; and
(c) the benefits are reasonable in relation to the premiums charged;

D. "long-term care insurance" means any insurance coverage advertised, marketed, offered or designed to provide coverage for not less than twelve consecutive months for each covered person on an expense incurred, indemnity, prepaid or other basis for one or more necessary or medically necessary diagnostic, preventive, therapeutic, rehabilitative, maintenance or personal care services, provided in a setting other than an acute care unit of a hospital, including group and individual annuities and life insurance policies or riders which provide directly or which supplement long-term care insurance, and policies or riders which provide for payment of benefits based upon cognitive impairment or the loss of functional capacity. Long-term care insurance may be issued by insurers; fraternal benefit societies; nonprofit health insurers; prepaid health plans; health maintenance organizations or any similar organization to the extent they are otherwise authorized to issue life or health insurance. Long-term care insurance shall not include any insurance policy which is offered primarily to provide basic medicare supplement coverage, basic hospital expense coverage, basic medical-surgical expense coverage, hospital confinement indemnity coverage, major medical expense coverage, disability income or related asset-protection coverage, accident only coverage, specified disease or specified accident coverage or limited benefit health coverage. With regard to life insurance, this term does not include life insurance policies which accelerate the death benefit specifically for one or more of the qualifying events of terminal illness, medical conditions requiring extraordinary medical intervention or permanent institutional confinement, and which provide the option of a lump-sum payment for those benefits and in which neither the benefits nor the eligibility for the benefits is conditioned upon the receipt of long-term care. Notwithstanding any other provision contained herein, any product advertised, marketed or offered as long-term care insurance shall be subject to the provisions of this article;

E. "long-term care insurance policy" means an individual or group policy or an individual or group certificate of health insurance issued pursuant to the provisions of Chapter 59A, Articles 22, 23, 44, 46 and 47 NMSA 1978; and

F. "rider" means any additional long-term care coverage provision added to any type of policy by issuance of an amending document.


The 1993 amendment, effective June 18, 1993, substituted "Law" for "Act" in the introductory language; in Subsection C, substituted the present language in Paragraph (3) for "any other substantially similar group which, in the discretion of the superintendent, may be subject to the issuance of a group long-term care insurance policy", added Paragraph (4), and made a minor stylistic change in Paragraph (2); and rewrote Subsection D.
Section 59A-23A-4 NMSA 1978, unless the superintendent has determined prior to the offer that:

A. the coverage meets the requirements of Chapter 59A, Article 23A NMSA 1978 and any regulations pertaining thereto, or the insurance commissioner of another state having statutory and regulatory long-term care insurance requirements substantially similar to those adopted in New Mexico has determined that such requirements have been met; and

B. the requirements of Section 59A-23-8 NMSA 1978 have been met.


59A-23A-6. Long-term care insurance; standards; requirements.

A. The superintendent may promulgate regulations in accordance with the provisions of Section 59A-2-9 NMSA 1978 that include standards for full and fair disclosure setting forth the manner, content and required disclosures for the sale of long-term care insurance policies, certificates and riders, terms of renewability, initial and subsequent conditions of eligibility, nonduplication of coverage provisions, coverage of dependents, preexisting conditions, levels of care, termination of insurance, continuation or conversion, probationary periods, limitations, exceptions, reductions, elimination periods, requirements for replacement, recurrent conditions and definitions of terms.


C. No long-term care insurance policy, certificate or rider shall:

(1) be canceled, nonrenewed or otherwise terminated on the grounds of the age or the deterioration of the mental or physical health of the insured individual or certificate holder;

(2) contain a provision establishing a new waiting period in the event existing coverage is converted to or replaced by a new or other form within the same company, except with respect to an increase in benefits voluntarily selected by the insured individual or group policyholder;

(3) provide coverage for skilled nursing care only;

(4) provide significantly more coverage for skilled care in a facility than coverage for lower levels of care;

(5) condition eligibility for any benefits on a prior hospitalization or
institutionalization requirement or limit or restrict eligibility for any benefits based on such prior
requirement or condition eligibility for any benefits other than waiver of premium,
post-confinement, post-acute care or recuperative benefits on a prior institutionalization
requirement;

(6) provide post-confinement, post-acute care or recuperative benefits unless such
benefits are clearly labeled in a separate paragraph of the policy or certificate entitled
"Limitations or Conditions on Eligibility for Benefits" such limitations or conditions, including
any required number of days of confinement; or

(7) condition eligibility of non-institutional benefits on the prior receipt of
institutional care involving a stay of more than thirty days.

D. The superintendent may promulgate regulations in accordance with the provisions of
Section 59A-2-9 NMSA 1978 establishing loss ratio standards, minimum reserve standards,
nonforfeiture standards and rate stabilization standards for long-term care insurance policies,
provided that a specific reference to long-term care insurance policies is contained in the
regulations.

E. A long-term care insurance policy, certificate or rider, except an employer group policy,
certificate or rider, shall have a notice prominently printed on the first page of the policy,
certificate or rider, or attached thereto, stating in substance that the policyholder or certificate
holder has the right to return the policy, certificate or rider within thirty days of its delivery and
to have the premium refunded within thirty days of the return of the policy, certificate or rider if,
after examination of the policy, certificate or rider, the policyholder or certificate holder is not
satisfied for any reason.

F. A certificate delivered or issued for delivery in this state shall include:

(1) a description of the principal benefits and coverage provided in the policy; and

(2) a statement of the principal exclusions, reductions and limitations contained in the
policy.

G. No long-term care insurance policy, certificate or rider shall be advertised, marketed or
offered as long-term care or nursing home insurance unless it complies with the provisions of the
Long-Term Care Insurance Law [Chapter 59A, Article 23A NMSA 1978].

H. Long-term care insurance policies, certificates and riders shall be filed in accordance
with the provisions of Chapter 59A, Articles 18, 22, 23, 44, 46 and 47 NMSA 1978.

I. An outline of coverage shall be delivered to a prospective applicant for long-term care
insurance at the time of initial solicitation through means which prominently direct the attention
of the recipient to the document and its purpose.

J. The superintendent shall prescribe a standard format, including style, arrangement and
overall appearance, and the content of an outline of coverage.

K. In the case of agent solicitations, an agent must deliver the outline of coverage prior to
the presentation of an application or enrollment form.
L. In the case of direct response solicitations, the outline of coverage must be presented in conjunction with any application or enrollment form.

M. The outline of coverage shall include:

(1) a description of the principal benefits and coverage provided in the policy;
(2) a statement of the principal exclusions, reductions and limitations contained in the policy;
(3) a statement of the terms under which the policy or certificate, or both, may be continued in force or discontinued, including any reservation in the policy of a right to change premium; continuation or conversion provisions of group coverage shall be specifically described;
(4) a statement that the outline of coverage is a summary only, not a contract of insurance, and that the policy or group master policy contains governing contractual provisions;
(5) a description of the terms under which the policy or certificate may be returned and premium refunded;
(6) a brief description of the relationship of cost of care and benefits; and
(7) a statement that the coverage afforded is not medicare supplement coverage.

N. A certificate issued pursuant to a group long-term care insurance policy, which policy is delivered or issued for delivery in this state, shall include:

(1) a description of the principal benefits and coverage provided in the policy;
(2) a statement of the principal exclusions, reductions and limitations contained in the policy; and
(3) a statement that the group master policy determines governing contractual provisions.

O. At the time of policy delivery, a policy summary shall be delivered for an individual life insurance policy which provides long-term care benefits within the policy or by rider. In the case of direct response solicitations, the insurer shall deliver the policy summary upon the applicant's request, but regardless of request shall make such delivery no later than at the time of policy delivery. In addition to complying with all applicable requirements, the summary shall also include:

(1) an explanation of how the long-term care benefit interacts with other components of the policy, including deductions from death benefits;
(2) an illustration of the amount of benefits, the length of benefit and the guaranteed lifetime benefits if any, for each covered person;
(3) any exclusions, reductions and limitations on benefits of long-term care; and
(4) if applicable to the policy type, the summary shall also include:
   (a) a disclosure of the effects of exercising other rights under the policy;
(b) a disclosure of guarantees related to long-term care costs of insurance charges; and

(c) current and projected maximum lifetime benefits.

P. Any time a long-term care benefit, funded through a life insurance vehicle by the acceleration of the death benefit, is in benefit payment status, a monthly report shall be provided to the policyholder. Such report shall include:

(1) any long-term care benefits paid out during the month;

(2) an explanation of any changes in the policy, e.g., death benefits or cash values, due to long-term care benefits being paid out; and

(3) the amount of long-term care benefits existing or remaining.


The 1993 amendment, effective June 18, 1993, substituted "may" for "of insurance shall" in the beginning of Subsection A; rewrote Subsections B, C, and I; in Subsection D, substituted "may" for "of insurance shall" near the beginning of the section and inserted "minimum reserve standards, nonforfeiture standards and rate stabilization standards"; and added Subsections J through P.

59A-23A-7. Preexisting condition; definition; coverage.

A. No long-term care insurance policy, certificate or rider, including a group long-term care policy or certificate shall use a definition of preexisting condition that is more restrictive than the following: "preexisting condition" means a condition for which medical advice or treatment was recommended by or received from a provider of health care services within six months preceding the effective date of coverage of an insured person.

B. No long-term care insurance policy, certificate or rider, including a group long-term care policy, certificate or rider, shall exclude coverage for a loss or confinement which is the result of a preexisting condition unless such loss or confinement begins within six months following the effective date of coverage of an insured person.

C. The definition of preexisting condition as provided in Subsection A of this section does not prohibit an insurer from using an application form designed to elicit the complete health history of an applicant, and, on the basis of the answers on that application, from underwriting in accordance with that insurer's established underwriting standards.

D. In the policy, certificate or rider, a preexisting condition, regardless of whether it is disclosed on the application, need not be covered within six months following the effective date of coverage of the insured person. No long-term care insurance policy, certificate or rider may exclude or use waivers or riders of any kind to exclude, limit or reduce coverage or benefits for specifically named or described preexisting diseases or physical conditions beyond six months following the effective date of coverage of the insured person.


A. For a policy or certificate that has been in force for less than six months an insurer may rescind a long-term care insurance policy or certificate or deny an otherwise valid long-term care insurance claim upon a showing of misrepresentation that is material to the acceptance for coverage.

B. For a policy or certificate that has been in force for at least six months but less than two years an insurer may rescind a long-term care insurance policy or certificate or deny an otherwise valid long-term care insurance claim upon a showing of misrepresentation that is both material to the acceptance for coverage and which pertains to the condition for which benefits are sought.

C. After a policy or certificate has been in force for two years it is not contestable upon the grounds of misrepresentation alone. Such policy or certificate may be contested only upon a showing that the insured knowingly and intentionally misrepresented relevant facts relating to the insured's health.

D. No long-term care insurance policy or certificate may be field issued based on medical or health status. For purposes of this subsection, "field issued" means a policy or certificate issued by an agent or a third party administrator pursuant to the underwriting authority granted to the agent or third party administrator by an insurer.

E. If an insurer has paid benefits under the long-term care insurance policy or certificate, the benefit payments may not be recovered by the insurer in the event that the policy or certificate is rescinded.


Repeals and reenactments. — Laws 1993, ch. 126, § 12 repeals former 59A-23A-8 NMSA 1978, relating to continuation of coverage, as enacted by Laws 1989, ch. 136, § 8 relating to the continuation of coverage and conversion, and enacts the above section, effective June 18, 1993. For provisions of former section, see 1992 Replacement Pamphlet.


The superintendent shall promulgate regulations in accordance with the provisions of Section 59A-2-9 NMSA 1978 that include minimum standards for marketing practices, agent compensation, agent testing, penalties and reporting practices for long-term care insurance.


In addition to any other penalties provided by the laws of this state, any insurer and any agent found to have violated any requirement of this state relating to the regulation of long-term care insurance or the marketing of such insurance shall be subject to a fine of up to three times the amount of any commissions paid for each policy involved in the violation or up to ten thousand dollars ($10,000), whichever is greater.


**59A-23A-11. Filing requirements for advertising.**

A. Every issuer of long-term care insurance or benefits in this state shall provide a copy of any long-term care insurance advertisement intended for use in this state, whether through written, radio or television media, to the superintendent for review and approval. The advertisement shall comply with all applicable laws of this state and shall be retained by the insurer for at least three years from the date the advertisement was first used.

B. Persons who market long-term care insurance policies, certificates or riders in this state shall not advertise any policies or certificates unless:

(1) the issuer of the policy certificate or rider has provided the superintendent with a copy of the advertisement; and

(2) the superintendent has reviewed and approved the advertisement.

**History:** 1978 Comp., § 59A-23A-11, enacted by Laws 1993, ch. 126, § 15.

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**ARTICLE 23B**

**Minimum Healthcare Protection**

Section
59A-23B-1 Short title.
59A-23B-2 Purpose.
59A-23B-3 Policy or plan; definition; criteria.
59A-23B-4 Mandated and optional offering of policy or plan; exemption from certain requirements.
59A-23B-5 Policy or plan disclosure requirements.
59A-23B-6 Forms and rates; approval of the superintendent; adjusted community rating.
59A-23B-7 Recordkeeping and reporting requirements.
59A-23B-8 Continuation of coverage and conversion rights.
59A-23B-9 Premium tax exemption.
59A-23B-10 Individuals eligible for medicaid benefits.
59A-23B-10.1 Reserved.
59A-23B-10.2 Coverage of children.
59A-23B-11 Rules and regulations.
59A-23B-12 Employer utilization and loss data availability.

This act may be cited as the "Minimum Healthcare Protection Act".

**History:** Laws 1991, ch. 111, § 1.

**Cross references.** — For trade practices in the insurance business and related businesses, see 59A-16-1 NMSA 1978 et seq.

For accident and health policy certificate provisions relating to individuals who are eligible for medical benefits under the medicaid program, see 59A-18-31 NMSA 1978.

For individual health insurance and policy provisions relating to individuals who are eligible for medical benefits under the medicaid program, see 59A-22-38 NMSA 1978.

For group and blanket health insurance contracts, see 59A-23-1 NMSA 1978 et seq.

For blanket or group health policy or certificate and provisions relating to individuals who are eligible for medical benefits under the medicaid program, see 59A-23-7 NMSA 1978.

For the Health Maintenance Organization Act, see 59A-46-1 NMSA 1978 et seq.

For health maintenance organizations and contract or certificate provisions relating to individuals who are eligible for medical benefits under the medicaid program, see 59A-46-29 NMSA 1978.

For Mandatory Medical Support Act, see 40-4C-1 NMSA 1978 et seq.


The Minimum Healthcare Protection Act is intended to address limitations in access to healthcare by authorizing health insurers, fraternal benefit societies, health maintenance organizations and nonprofit healthcare plans to offer minimum healthcare services, policies or plans at affordable rates to those residents of the state who may not desire or be able to afford more comprehensive healthcare services, policies or plans.

**History:** Laws 1991, ch. 111, § 2.

**Minimum Healthcare Protection Act.** — See 59A-23B-1 NMSA 1978 and notes thereto.

59A-23B-3. Policy or plan; definition; criteria.

A. For purposes of the Minimum Healthcare Protection Act [59A-23B-1 NMSA 1978], "policy or plan" means a healthcare benefit policy or healthcare benefit plan that the insurer, fraternal benefit society, health maintenance organization or nonprofit healthcare plan chooses to offer to individuals, families or groups of fewer than twenty members formed for purposes other
than obtaining insurance coverage and that meets the requirements of Subsection B of this section. For purposes of the Minimum Healthcare Protection Act, "policy or plan" shall not mean a healthcare policy or healthcare benefit plan that an insurer, health maintenance organization, fraternal benefit society or nonprofit healthcare plan chooses to offer outside the authority of the Minimum Healthcare Protection Act.

B. A policy or plan shall meet the following criteria:

(1) the individual, family or group obtaining coverage under the policy or plan has been without healthcare insurance, a health services plan or employer-sponsored healthcare coverage for the six-month period immediately preceding the effective date of its coverage under a policy or plan, provided that the six-month period shall not apply to:

(a) a group that has been in existence for less than six months and has been without healthcare coverage since the formation of the group;

(b) an employee whose healthcare coverage has been terminated by an employer;

(c) a dependent who no longer qualifies as a dependent under the terms of the contract; or

(d) an individual and an individual's dependents who no longer have healthcare coverage as a result of termination or change in employment of the individual or by reason of death of a spouse or dissolution of a marriage, notwithstanding rights the individual or individual's dependents may have to continue healthcare coverage on a self-pay basis pursuant to the provisions of the federal Consolidated Omnibus Budget Reconciliation Act of 1985;

(2) the policy or plan includes the following managed care provisions to control costs:

(a) an exclusion for services that are not medically necessary or are not covered by preventive health services; and

(b) a procedure for preauthorization of elective hospital admissions by the insurer, fraternal benefit society, health maintenance organization or nonprofit healthcare plan; and

(3) subject to a maximum limit on the cost of healthcare services covered in any calendar year of not less than fifty thousand dollars ($50,000) and, effective for policies written or renewed on or after January 1, 2009, of not less than one hundred thousand dollars ($100,000), adjusted for changes not to exceed the medical price index component of the federal department of labor's consumer price index at intervals and in a manner established by rule pursuant to the Minimum Healthcare Protection Act, the policy or plan provides the following minimum healthcare services to covered individuals:

(a) inpatient hospitalization coverage or home care coverage in lieu of hospitalization or a combination of both, not to exceed twenty-five days of coverage inclusive of any deductibles, co-payments or co-insurance; provided that a period of inpatient hospitalization coverage shall precede any home care coverage;

(b) prenatal care, including a minimum of one prenatal office visit per month during
the first two trimesters of pregnancy, two office visits per month during the seventh and eighth months of pregnancy and one office visit per week during the ninth month and until term; provided that coverage for each office visit shall also include prenatal counseling and education and necessary and appropriate screening, including history, physical examination and the laboratory and diagnostic procedures deemed appropriate by the physician based upon recognized medical criteria for the risk group of which the patient is a member;

(c) obstetrical care, including physicians' and certified nurse midwives' services, delivery room and other medically necessary services directly associated with delivery;

(d) well-baby and well-child care, including periodic evaluation of a child's physical and emotional status, a history, a complete physical examination, a developmental assessment, anticipatory guidance, appropriate immunizations and laboratory tests in keeping with prevailing medical standards; provided that such evaluation and care shall be covered when performed at approximately the age intervals of birth, two weeks, two months, four months, six months, nine months, twelve months, fifteen months, eighteen months, two years, three years, four years, five years and six years;

(e) coverage for low-dose screening mammograms for determining the presence of breast cancer; provided that the mammogram coverage shall include one baseline mammogram for persons age thirty-five through thirty-nine years, one biennial mammogram for persons age forty through forty-nine years and one annual mammogram for persons age fifty years and over; and further provided that the mammogram coverage shall only be subject to deductibles and co-insurance requirements consistent with those imposed on other benefits under the same policy or plan;

(f) coverage for cytologic screening, to include a Papanicolaou test and pelvic exam for asymptomatic as well as symptomatic women;

(g) a basic level of primary and preventive care, including no less than seven physician, nurse practitioner, nurse midwife or physician assistant office visits per calendar year, including any ancillary diagnostic or laboratory tests related to the office visit;

(h) coverage for childhood immunizations, in accordance with the current schedule of immunizations recommended by the American academy of pediatrics, including coverage for all medically necessary booster doses of all immunizing agents used in childhood immunizations; provided that coverage for childhood immunizations and necessary booster doses may be subject to deductibles and co-insurance consistent with those imposed on other benefits under the same policy or plan; and

(i) coverage for smoking cessation treatment.

C. A policy or plan may include the following managed care and cost control features to control costs:

(1) a panel of providers who have entered into written agreements with the insurer, fraternal benefit society, health maintenance organization or nonprofit healthcare plan to provide covered healthcare services at specified levels of reimbursement; provided that such written
agreement shall contain a provision relieving the individual, family or group covered by the policy or plan from an obligation to pay for a healthcare service performed by the provider that is determined by the insurer, fraternal benefit society, health maintenance organization or nonprofit healthcare plan not to be medically necessary;

(2) a requirement for obtaining a second opinion before elective surgery is performed;

(3) a procedure for utilization review by the insurer, fraternal benefit society, health maintenance organization or nonprofit healthcare plan; and

(4) a maximum limit on the cost of healthcare services covered in a calendar year of not less than fifty thousand dollars ($50,000) and, effective for policies written or renewed on or after January 1, 2009, of not less than one hundred thousand dollars ($100,000), adjusted for changes not to exceed the medical price index component of the federal department of labor's consumer price index at intervals and in a manner established by rule pursuant to the Minimum Healthcare Protection Act.

D. Nothing contained in Subsection C of this section shall prohibit an insurer, fraternal benefit society, health maintenance organization or nonprofit healthcare plan from including in the policy or plan additional managed care and cost control provisions that the superintendent determines to have the potential for controlling costs in a manner that does not cause discriminatory treatment of individuals, families or groups covered by the policy or plan.

E. Notwithstanding any other provisions of law, a policy or plan shall not exclude coverage for losses incurred for a preexisting condition more than six months from the effective date of coverage. The policy or plan shall not define a preexisting condition more restrictively than a condition for which medical advice was given or treatment recommended by or received from a physician within six months before the effective date of coverage.

F. A medical group, independent practice association or health professional employed by or contracting with an insurer, fraternal benefit society, health maintenance organization or nonprofit healthcare plan shall not maintain an action against an insured person, family or group member for sums owed by an insurer, fraternal benefit society, health maintenance organization or nonprofit healthcare plan that are higher than those agreed to pursuant to a policy or plan.


Cross references. — For the Medical Care Savings Account Act see Chapter 59A, Article 23D NMSA 1978.

The 1994 amendment, effective January 1, 1995, in Paragraph B(1), substituted "its" for "their", and substituted the language beginning "provided that" for "except that for groups in existence for less than six months, the group has been without healthcare coverage since the formation of the group"; added Subparagraphs B(1)(a) to B(1)(d); in Subparagraph B(2)(a), inserted "by" following "covered"; made minor stylistic changes to Subparagraphs B(2)(b) and B(3)(e); inserted a new Subparagraph B(3)(f); redesignated former Subparagraph B(3)(f) as Subparagraph B(3)(g), and in that subparagraph corrected a misspelling.
1997 amendments. — Laws 1997, Chapter 249, Section 3 added Subparagraph B(3)(h) to provide for coverage for inpatient care following a mastectomy and a lymph node dissection for treatment of breast cancer; however, Laws 1997, Chapter 250, Section 3 also amended this section to add a new Subparagraph B(3)(h) to provide coverage for childhood immunizations. This section is set out as amended by Laws 1997, Chapter 250, Section 3. See 12-1-8 NMSA 1978.

The 2003 amendment, effective June 20, 2003, added Subparagraph B(3)(i).

Applicability. — Laws 1994, ch. 60, § 4 makes the provisions of the act applicable to all plans and policies delivered, issued for delivery or renewed on or after January 1, 1995.

Laws 2003, ch. 337 § 7, effective June 20, 2003, makes the provisions of the act apply on and after July 1, 2003.

The 2008 amendment, effective July 1, 2008, in Paragraph (3) of Subsection B and in Paragraph (4) of Subsection C, provided that the maximum limit on the cost of healthcare services covered by policies written or renewed on or after January 1, 2009 shall be not less than $100,000, adjusted for changes not to exceed the medical price index component of the federal department of labor's consumer price index.

Consolidated Omnibus Budget Reconciliation Act. — The federal Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), referred to in Subparagraph B(1)(d), appears as various sections throughout U.S.C.


59A-23B-4. Mandated and optional offering of policy or plan; exemption from certain requirements.

A. Every insurer, fraternal benefit society, health maintenance organization or nonprofit healthcare plan that provides primary health insurance or healthcare coverage that insures or covers major medical expenses to more than twenty-five thousand persons within the state shall offer a policy or plan that meets the requirements of the Minimum Healthcare Protection Act.

B. Insurers, fraternal benefit societies, health maintenance organizations and nonprofit healthcare plans not subject to the requirement of Subsection A of this section may offer policies or plans meeting the criteria set forth in Section 59A-23B-3 NMSA 1978.

C. No policy or plan offered pursuant to the provisions of this section shall be required to provide any specific healthcare services or coverage required by any other provision of law except those specifically required by the provisions of the Minimum Healthcare Protection Act.


The 1994 amendment, effective January 1, 1995, in the section heading, inserted "Mandated and optional offering of", and after "plan" deleted "authorization"; added Subsection A; designated the previously undesignated provisions as Subsections B and C; in Subsection B, inserted the language beginning "not subject to" before "may", and substituted "59A-23B-3 NMSA 1978" for "3 of the Minimum Healthcare Protection Act"; and inserted "offered pursuant to the provisions of this section" in Subsection C.
Applicability. — Laws 1994, ch. 60, § 4 makes the provisions of the act applicable to all plans and policies delivered, issued for delivery or renewed on or after January 1, 1995.


59A-23B-5. Policy or plan disclosure requirements.

A. Upon offering coverage under a policy or plan for any individual, family or group member, an insurer, fraternal benefit society, health maintenance organization or nonprofit healthcare plan shall provide the individual, family or group member with a written disclosure statement containing at least the following:

(1) a general explanation of those mandated benefits and providers not covered by the policy or plan;
(2) an explanation of the managed care and cost control features of the policy or plan, along with all appropriate mailing addresses and telephone numbers to be utilized by the insured or enrollees seeking information or authorization; and
(3) an explanation of the primary and preventive care features of the policy or plan.

B. Any disclosure statement provided pursuant to Subsection A of this section shall be written in a clear and understandable form and format and shall be separate from the insurance policy or certificate or other evidence of coverage provided to the individual, family and group member.

C. Before any insurer, fraternal benefit society, health maintenance organization or nonprofit healthcare plan issues a policy or plan contract, the insurer, fraternal benefit society, health maintenance organization or nonprofit healthcare plan shall obtain from the prospective policyholder, contract holder or member a signed written statement in which the prospective policyholder, contract holder or member:

(1) certifies as to the eligibility of the individual, family or group for coverage under the policy or plan;
(2) acknowledges the limited nature of the coverage, including the managed care and cost control features of the policy or plan;
(3) acknowledges that if misrepresentations are made regarding eligibility for coverage under a policy or plan, the person making such misrepresentations shall forfeit coverage provided by the policy or plan if the insurer, fraternal benefit society, health maintenance organization or nonprofit healthcare plan relied upon the misrepresentation to its detriment; and
(4) acknowledges that the prospective policyholder, contract holder or member had at the time of application for the policy or plan, been offered the opportunity to purchase coverage that included all applicable mandated benefits and the prospective policyholder, contract holder or member rejected such coverage.
D. A copy of the written statement required by Subsection C of this section shall be provided to the prospective policyholder, contract holder or member no later than at the time of delivery of the policy or plan and the original signed written statement shall be retained in the files of the insurer, fraternal benefit society, health maintenance organization or nonprofit healthcare plan while the policy or plan remains in effect or for three years, whichever is less.

E. Any material statement made by an applicant for coverage under a policy or plan that falsely certifies to the applicant's eligibility for coverage shall serve as the basis for termination of coverage under the policy or plan if the insurer, fraternal benefit society, health maintenance organization or nonprofit healthcare plan detrimentally relied upon the misrepresentation.

F. All printed, radio or television communication intended to be used for marketing a policy or plan in the state and the disclosures required by Subsection A of this section shall be submitted for review and approval by the superintendent of insurance prior to use. The superintendent of insurance shall complete the review within thirty days or else the materials submitted shall be deemed approved for use.


59A-23B-6. Forms and rates; approval of the superintendent; adjusted community rating.

A. All policy or plan forms, including applications, enrollment forms, policies, plans, certificates, evidences of coverage, riders, amendments, endorsements and disclosure forms, shall be submitted to the superintendent for approval prior to use.

B. No policy or plan may be issued in the state unless the rates have first been filed with and approved by the superintendent. This subsection shall not apply to policies or plans subject to the Small Group Rate and Renewability Act [Chapter 59A, Article 23C NMSA 1978].

C. In determining the initial year's premium or rate charged for coverage under a policy or plan, the only rating factors that may be used are age, gender, geographic area of the place of employment and smoking practices, except that for individual policies the rating factor of the individual's place of residence may be used instead of the geographic area of the individual's place of employment. In determining the initial and any subsequent year's rate, the difference in rates in any one age group that may be charged on the basis of a person's gender shall not exceed another person's rate in the age group by more than twenty percent of the lower rate, and no person's rate shall exceed the rate of any other person with similar family composition by more than two hundred fifty percent of the lower rate, except that the rates for children under the age of nineteen or children aged nineteen to twenty-five who are full-time students may be lower than the bottom rates in the two hundred fifty percent band. The rating factor restrictions shall not prohibit an insurer, society, organization or plan from offering rates that differ depending upon family composition.
D. The provisions of this section do not preclude an insurer, fraternal benefit society, health maintenance organization or nonprofit healthcare plan from using health status or occupational or industry classification in establishing:

(1) rates for individual policies; or

(2) the amount an employer may be charged for coverage under a group health plan.

E. As used in Subsection D of this section, "health status" does not include genetic information.

F. The superintendent shall adopt regulations to implement the provisions of this section.


The 1994 amendment, effective January 1, 1995, added "adjusted community rating" at the end in the section heading and added Subsections C to E.

**1997 amendments.** — Nearly identical amendments to this section were enacted by Laws 1997, ch. 22, § 2, effective July 1, 1997, and by Laws 1997, ch. 243, § 21, effective April 11, 1997, which, in Subsection C, deleted "Until July 1, 1998" from the beginning of the first and second sentences, inserted "except that for individual policies the rating factor of the individual's place of residence may be used instead of the geographic area of the individual's place of employment" at the end of the first sentence, and inserted "or children aged nineteen to twenty-five who are full-time students" following "under the age of nineteen" in the second sentence, deleted former Subsection D relating to charging the same premium for the same coverage regardless of medical risk, job risk, or gender, and redesignated former Subsection E as Subsection D. Additionally, Laws 1997, ch. 243, § 21, also deleted "of insurance" from the section heading and at the end of the first sentence in Subsection B. This section is set out as amended by Laws 1997, ch. 243, § 21. See 12-1-8 NMSA 1978.

The 1998 amendment substituted "superintendent" for "department of insurance" near the end of Subsection A; added Subsection D; and redesignated former Subsection D as Subsection E.

**Applicability.** — Laws 1994, ch. 60, § 4 makes the provisions of the act applicable to all plans and policies delivered, issued for delivery or renewed on or after January 1, 1995.

**59A-23B-7. Recordkeeping and reporting requirements.**

Each insurer, fraternal benefit society, health maintenance organization or nonprofit healthcare plan issuing a policy or plan in the state shall maintain separate and distinct records of enrollments, claim costs, premium income, utilization and any other information as may be required by the superintendent of insurance. Each insurer, fraternal benefit society, health maintenance organization or nonprofit health care plan issuing a policy or plan in the state shall furnish an annual report to the superintendent of insurance in the form the superintendent prescribes and containing any information that the superintendent may require.

**History:** Laws 1991, ch. 111, § 7.

**59A-23B-8. Continuation of coverage and conversion rights.**
The provisions of Chapter 59A, Articles 18, 44, 46 and 47 governing continuation of coverage and conversion rights for covered family members shall apply to policies or plans issued in this state on or after the effective date of the Minimum Healthcare Protection Act.

**History:** Laws 1991, ch. 111, § 8.


Notwithstanding any provision of the Insurance Code, the premium from each policy or plan issued or offered shall be exempt from premium tax during the first three years of the issuance of the master policy or individual policy.

**History:** Laws 1991, ch. 111, § 9.


59A-23B-10. Individuals eligible for medicaid benefits.


**History:** Laws 1991, ch. 111, § 10; 1994, ch. 64, § 6.

*The 1994 amendment,* effective July 1, 1994, substituted "59A-46-29" for "59A-46-34".


59A-23B-10.1. Reserved.

59A-23B-10.2. Coverage of children.


**History:** 1978 Comp., § 59A-23B-10.2, enacted by Laws 1994, ch. 64, § 7.

*Bracketed material.* — Section 59A-47-38 NMSA 1978, referred to in this section, is compiled as 59A-47-37 NMSA 1978. The bracketed material was inserted by the compiler. It was not enacted by the legislature, and it is not part of the law.

The superintendent of insurance shall, after notice and hearing, promulgate reasonable rules and regulations to define minimum benefit requirements, form requirements, rating standards and other provisions as are necessary or proper to carry out the purposes and provisions of the Minimum Healthcare Protection Act.


Employer claims information, including utilization and loss experience under a health insurance policy or plan provided under Chapter 59A, Article 23B NMSA 1978 shall be made available only upon the request of and to employers of employees with such coverage within sixty days of an employer's written request for such information, provided the employer's coverage extends to no less than twenty-five individual employees, regardless of whether family coverage is included. In providing such utilization data, carriers shall not reveal information that allows identification of an individual insured or the insured's family or the specific conditions for which coverage was provided.

History: Laws 2003, ch. 252, § 2.

Effective dates. — Laws 2003, ch. 252 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective June 20, 2003, 90 days after adjournment of the legislature.

ARTICLE 23C
Small Group Rate and Renewability

Section
59A-23C-1 Short title.
59A-23C-2 Purpose of act.
59A-23C-3 Definitions.
59A-23C-4 Health insurance plans subject to the Small Group Rate and Renewability Act.
59A-23C-5 Restrictions relating to premium rates.
59A-23C-5.1 Adjusted community rating.
59A-23C-6 Provisions on renewability of coverage.
59A-23C-7 Disclosure of rating practices and renewability provisions.
59A-23C-7.1 Preexisting conditions; limitations.
59A-23C-8 Maintenance of records.
59A-23C-8.1 Employer utilization and loss data availability.
59A-23C-9 Discretion of the superintendent.
59A-23C-1. Short title.

Chapter 59A, Article 23C NMSA 1978 may be cited as the "Small Group Rate and Renewability Act".


The 1994 amendment, effective January 1, 1995, substituted "Chapter 59A, Article 23C NMSA 1978" for "Sections 1 through 9 of this act".

Applicability. — Laws 1991, ch. 153, § 11 makes the provisions of the act applicable to each health benefit plan for a small employer under the Small Group Rate and Renewability Act that is delivered, issued for delivery, renewed or continued in this state after July 1, 1991 and provides that the date a plan is continued or renewed is the first rating period that commences after June 14, 1991.

Laws 1994, ch. 75, § 36 makes the provisions of §§ 26 to 34 of the act applicable to all plans and policies delivered, issued for delivery or renewed on or after January 1, 1995.

59A-23C-2. Purpose of act.

The purpose of the Small Group Rate and Renewability Act [Chapter 59A, Article 23C NMSA 1978] is to promote the continuing availability of health insurance coverage to small employers, to prevent abusive rating practices, to require disclosure of rating practices to purchasers, to establish rules for continuity of coverage for employers and covered individuals and to improve the efficiency and fairness of the small group health insurance marketplace.


Applicability. — Laws 1991, ch. 153, § 11 makes the provisions of the act applicable to each health benefit plan for a small employer under the Small Group Rate and Renewability Act that is delivered, issued for delivery, renewed or continued in this state after July 1, 1991 and provides that the date a plan is continued or renewed is the first rating period that commences after June 14, 1991.


As used in the Small Group Rate and Renewability Act [Chapter 59A, Article 23C NMSA 1978]:

A. "actuarial certification" means a written statement by a member of the American academy of actuaries or another individual acceptable to the superintendent that a small employer carrier is in compliance with the provisions of Section 59A-23C-5 NMSA 1978, based upon the person's examination, including a review of the appropriate records and of the actuarial assumptions and methods used by the carrier in establishing premium rates for applicable health benefit plans;

B. "base premium rate" means, for each class of business as to a rating period, the lowest premium rate charged under a rating system for that class of business by the small
employer carrier to small employers with similar case characteristics for health benefit plans with the same or similar coverage;

C. "carrier" means any person who provides health insurance in this state. For the purposes of the Small Group Rate and Renewability Act, "carrier" or "insurer" includes a licensed insurance company, a licensed fraternal benefit society, a prepaid hospital or medical service plan, a health maintenance organization, a nonprofit health care organization, a multiple employer welfare arrangement or any other person providing a plan of health insurance subject to state insurance regulation;

D. "case characteristics" means demographic or other relevant characteristics of a small employer, as determined by a small employer carrier, that are considered by the carrier in the determination of premium rates for the small employer, but "case characteristics" does not include claim experience, health status and duration of coverage since issue;

E. "class of business" means all small employers as shown on the records of the small employer carrier. A separate class of business may be established by the small employer carrier on the basis that the applicable health benefit plans have been acquired from another small employer carrier as a distinct grouping of plans;

F. "creditable coverage" means, with respect to an individual, coverage of the individual pursuant to:

   (1) a group health plan;
   (2) health insurance coverage;
   (3) Part A or Part B of Title 18 of the Social Security Act;
   (4) Title 19 of the Social Security Act except coverage consisting solely of benefits pursuant to Section 1928 of that title;
   (5) 10 USCA Chapter 55;
   (6) a medical care program of the Indian health service or of an Indian nation, tribe or pueblo;
   (7) the Comprehensive Health Insurance Pool Act [Medical Insurance Pool Act] [Chapter 59A, Article 54 NMSA 1978];
   (8) a health plan offered pursuant to 5 USCA Chapter 89;
   (9) a public health plan as defined in federal regulations; or
   (10) a health benefit plan offered pursuant to Section 5(e) of the federal Peace Corps Act;

G. "department" means the department of insurance;

H. "group health plan" means an employee welfare benefit plan as defined Section 3(1) of the Employee Retirement Income Security Act of 1974 to the extent that the plan provides medical care and including items and services paid for as medical care to employees or their dependents as defined under the terms of the plan directly or through insurance,
reimbursement or otherwise;

I. "health benefit plan" or "plan" means any hospital or medical expense incurred policy or certificate, hospital or medical service plan contract or health maintenance organization subscriber contract. "Health benefit plan" does not include accident-only, credit, dental or disability income insurance, medicare supplement coverage, coverage issued as a supplement to liability insurance, workers' compensation or similar insurance or automobile medical-payment insurance;

J. "index rate" means, for each class of business for small employers with similar case characteristics, the arithmetic average of the applicable base premium rate and the corresponding highest premium rate;

K. "late enrollee" means, with respect to coverage under a group health plan, a participant or beneficiary who enrolls under the plan other than during:

1. the first period in which the individual is eligible to enroll under the plan; or
2. a special enrollment period pursuant to Sections 8 and 9 [59A-23A-8 and 59A-23A-9 NMSA 1978] of the Health Insurance Portability Act;

L. "new business premium rate" means, for each class of business as to a rating period, the premium rate charged or offered by the small employer carrier to small employers with similar case characteristics for newly issued health benefit plans with the same or similar coverage;

M. "rating period" means the calendar period for which premium rates established by a small employer carrier are assumed to be in effect, as determined by the small employer carrier;

N. "small employer" means any person, firm, corporation, partnership or association actively engaged in business who, on at least fifty percent of its working days during either of the two preceding years, employed no less than two and no more than fifty eligible employees; provided that:

1. in determining the number of eligible employees, the spouse or dependent of an employee may, at the employer's discretion, be counted as a separate employee;
2. companies that are affiliated companies or that are eligible to file a combined tax return for purposes of state income taxation shall be considered one employer; and
3. in the case of an employer that was not in existence throughout a preceding calendar year, the determination of whether the employer is a small or large employer shall be based on the average number of employees that it is reasonably expected to employ on working days in the current calendar year;

O. "small employer carrier" means any insurer that offers health benefit plans covering the employees of a small employer; and

P. "superintendent" means the superintendent of insurance.
59A-23C-4. Health insurance plans subject to the Small Group Rate and Renewability Act.

A. Except as provided in Subsections B and C of this section, the provisions of the Small Group Rate and Renewability Act [Chapter 59A, Article 23C NMSA 1978] apply to any health benefit plan that provides coverage to one or more employees of a small employer.

B. The provisions of the Small Group Rate and Renewability Act shall not apply to individual health insurance policies that are subject to policy form and premium rate approval as provided in Section 59A-18-12, 59A-18-13, 59A-44-16, 59A-46-8, 59A-47-25 or 59A-47-26 NMSA 1978.

C. Any policies or certificates of a master policy that because of solicitation by agents or through the mail or mass media advertising are treated as individual policies and subject to the approvals stated in Subsection B of this section.

**Applicability.** — Laws 1991, ch. 153, § 11 makes the provisions of the act applicable to each health benefit plan for a small employer under the Small Group Rate and Renewability Act that is delivered, issued for delivery, renewed or continued in this state after July 1, 1991 and provides that the date a plan is continued or renewed is the first rating period that commences after June 14, 1991.

59A-23C-5. Restrictions relating to premium rates.

A. Premium rates for health benefit plans subject to the Small Group Rate and Renewability Act [Chapter 59A, Article 23C NMSA 1978] shall be subject to the following provisions:

(1) the index rate for a rating period for any class of business shall not exceed the index rate for any other class of business by more than twenty percent;

(2) for a class of business, the premium rates charged during a rating period to small employers with similar case characteristics for the same or similar coverage, or the rates that could be charged to those employers under the rating system for that class of business, shall not vary from the index rate by more than twenty percent of the index rate;

(3) the percentage increase in the premium rate charged to a small employer for a new rating period may not exceed the sum of the following:

   (a) the percentage change in the new business premium rate measured from the first day of the prior rating period to the first day of the new rating period. In the case of a class of business for which the small employer carrier is not issuing new policies, the carrier shall use the percentage change in the base premium rate;

   (b) an adjustment, not to exceed ten percent annually and adjusted pro rata for rating periods of less than one year due to the claim experience, health status or duration of coverage of the employees or dependents of the small employer as determined from the carrier's rate manual for the class of business; and

   (c) any adjustment due to change in coverage or change in the case characteristics of the small employer as determined from the carrier's rate manual for the class of business; and

(4) in the case of health benefit plans issued prior to the effective date of the Small Group Rate and Renewability Act, a premium rate for a rating period may exceed the ranges described in Paragraph (1) or (2) of this subsection for a period of five years following the effective date of the Small Group Rate and Renewability Act. In that case, the percentage increase in the premium rate charged to a small employer in that class of business for a new rating period may not exceed the sum of the following:

   (a) the percentage change in the new business premium rate measured from the first day of the prior rating period to the first day of the new rating period. In the case of a class of business for which the small employer carrier is not issuing new policies, the carrier shall use the percentage change in the base premium rate; and

   (b) any adjustment due to change in coverage or change in the case characteristics of the small employer as determined from the carrier's rate manual for the class of business.
B. Nothing in this section is intended to affect the use by a small employer carrier of legitimate rating factors other than claim experience, health status or duration of coverage in the determination of premium rates. Small employer carriers shall apply rating factors, including case characteristics, consistently with respect to all small employers in a class of business.

C. A small employer carrier shall not involuntarily transfer a small employer into or out of a class of business. A small employer carrier shall not offer to transfer a small employer into or out of a class of business unless the offer is made to transfer all small employers in the class of business without regard to case characteristics, claim experience, health status or duration since issue.

D. Prior to usage and June 14, 1991, each carrier shall file with the superintendent the rate manuals and any updates thereto for each class of business. A rate filing fee is payable under Subsection U of Section 59A-6-1 NMSA 1978 for the filing of each update. The superintendent shall disapprove within sixty days of receipt of a complete filing or the filing is deemed approved. If the superintendent disapproves the form during the sixty-day review period, he shall give the carrier written notice of the disapproval stating the reasons for disapproval. At any time, the superintendent, after a hearing, may disapprove a form or withdraw a previous approval. The superintendent's order after the hearing shall state the grounds for disapproval or withdrawal of a previous approval and the date not less than twenty days later when disapproval or withdrawal becomes effective.


The 1994 amendment, effective January 1, 1995, deleted "provided that the provisions of this paragraph shall not apply to a class of business if" at the end of Paragraph A(1), deleted Subparagraphs A(1)(a) to A(1)(c), substituted "twenty" for "twenty-five" in Paragraph A(2), substituted "ten" for "fifteen" in Subparagraph A(3)(b), inserted "day" preceding "of the new" in Subparagraph A(4)(a), and substituted "shall" for "must" near the beginning of Subsection D.

The 1997 amendment, effective April 11, 1997, substituted "June 14, 1991" for "the effective date of the Small Group Rate and Renewability Act" in the first sentence, substituted "reasons for disapproval" for "ground thereof" at the end of the fourth sentence, and made stylistic changes in Subsection D.

Applicability. — Laws 1991, ch. 153, § 11 makes the provisions of the act applicable to each health benefit plan for a small employer under the Small Group Rate and Renewability Act that is delivered, issued for delivery, renewed or continued in this state after July 1, 1991 and provides that the date a plan is continued or renewed is the first rating period that commences after June 14, 1991.

Laws 1994, ch. 75, § 36 makes the provisions of §§ 26 to 34 of the act applicable to all plans and policies delivered, issued for delivery or renewed on or after January 1, 1995.

59A-23C-5.1. Adjusted community rating.

A. A health benefit plan that is offered by a carrier to a small employer shall be offered without regard to the health status of any individual in the group, except as provided in the Small Group Rate and Renewability Act [Chapter 59A, Article 23C NMSA 1978]. The only rating
factors that may be used to determine the initial year's premium charged a group, subject to the maximum rate variation provided in this section for all rating factors, are the group members':

1. ages;
2. genders;
3. geographic areas of the place of employment; or
4. smoking practices.

B. In determining the initial and any subsequent year's rate, the difference in rates in any one age group that may be charged on the basis of a person's gender shall not exceed another person's rate in the age group by more than twenty percent of the lower rate, and no person's rate shall exceed the rate of any other person with similar family composition by more than two hundred fifty percent of the lower rate, except that the rates for children under the age of nineteen or children aged nineteen to twenty-five who are full-time students may be lower than the bottom rates in the two hundred fifty percent band. The rating factor restrictions shall not prohibit a carrier from offering rates that differ depending upon family composition.

C. The provisions of this section do not preclude a carrier from using health status or occupational or industry classification in establishing the amount an employer may be charged for coverage under a group health plan.

D. As used in Subsection C of this section, "health status" does not include genetic information.

E. The superintendent shall adopt regulations to implement the provisions of this section.


1997 amendments. — Laws 1997, ch. 22, § 3 amended this section effective July 1, 1997 by deleting "Until July 1, 1998" from the beginning of Subsections A and B, substituting "ages" for "age" in Paragraph A(1), substituting "areas of the places" for "area of the place" in Paragraph A(3), inserting "or children aged nineteen to twenty-five who are full-time students" following "under the age of nineteen" in the first sentence of Subsection B, deleting former Subsection C relating to charging the same premium for the same coverage regardless of medical risk, job risk, or gender and redesignating former Subsection D as Subsection C, was approved March 19, 1997. However, Laws 1997, ch. 243, § 24, also amending this section effective April 11, 1997 by deleting "until July 1, 1998" from the beginning and inserting "or children aged nineteen to twenty-five who are full-time students" near the end of the first sentence in Subsection B, deleting former Subsection C relating to charging the same premium for the same coverage, and redesignating former Subsection D as Subsection C, but not giving effect to the other changes made by the first 1997 amendment, was approved April 11, 1997. This section is set out as amended by Laws 1997, ch. 243, § 24. See 12-1-8 NMSA 1978.

The 1998 amendment deleted "Until July 1, 1998," preceding "a health benefit" in Subsection A; added Subsection C; and redesignated former Subsection C as Subsection D.

Applicability. — Laws 1994, ch. 75, § 36 makes the provisions of §§ 26 to 34 of the act applicable to all plans and policies delivered, issued for delivery or renewed on or after January 1, 1995.
A. Except as provided in Subsection B of this section, a health benefit plan subject to the Small Group Rate and Renewability Act [Chapter 59A, Article 23C NMSA 1978] shall be renewable to all eligible employees and dependents at the option of the small employer, except for the following reasons:

1. nonpayment of required premiums;
2. fraud or misrepresentation of the small employer, or with respect to coverage of an insured individual, fraud or misrepresentation by the insured individual or that individual's representative;
3. noncompliance with plan provisions;
4. the number of individuals covered under the plan is less than the number or percentage of eligible individuals required by percentage requirements under the plan; or
5. the small employer is no longer actively engaged in the business in which it was engaged on the effective date of the plan.

Eligibility classifications may not be changed if any individual is eliminated, due to the change, who was insured immediately prior to the change without first receiving the approval of the superintendent.

B. A small employer carrier may cease to renew all plans under a class of business. The carrier shall provide notice to all affected health benefit plans and to the superintendent in each state in which an affected insured individual is known to reside at least ninety days prior to termination of coverage. A carrier which exercises its right to cease to renew all plans in a class of business shall not:

1. establish a new class of business for a period of five years after the nonrenewal of the plans without prior approval of the superintendent; or
2. transfer or otherwise provide coverage to any of the employers from the nonrenewed class of business unless the insurer offers to transfer or provide coverage to all affected employers and eligible employees and dependents without regard to case characteristics, claim experience, health status or duration of coverage.

C. A small employer carrier may not change eligibility classifications upon renewal or replacement within twelve months of its termination of its own coverage if the change in classification eliminates from coverage any individual who was insured previous to the change and would have continued to be insured if the change in eligibility had not occurred.


Applicability. — Laws 1991, ch. 153, § 11 makes the provisions of the act applicable to each health benefit plan for a small employer under the Small Group Rate and Renewability Act that is delivered, issued for delivery, renewed or continued in this state after July 1, 1991 and provides that the date a plan is continued or renewed is the first rating period that commences after June 14, 1991.

Each small employer carrier shall make reasonable disclosure in solicitation and sales materials provided to small employers of the following:

A. the extent to which premium rates for a specific small employer are established or adjusted due to the claim experience, health status or duration of coverage of the employees or dependents of the small employer;

B. the provisions concerning the carriers' right to change premium rates and the factors, including case characteristics, that affect changes in premium rates;

C. a description of the class of business in which the small employer is or will be included, including the applicable grouping of plans; and

D. the provisions relating to renewability of coverage.


Applicability. — Laws 1991, ch. 153, § 11 makes the provisions of the act applicable to each health benefit plan for a small employer under the Small Group Rate and Renewability Act that is delivered, issued for delivery, renewed or continued in this state after July 1, 1991 and provides that the date a plan is continued or renewed is the first rating period that commences after June 14, 1991.

59A-23C-7.1. Preexisting conditions; limitations.

A. A health benefit plan that is offered by a carrier to a small employer may include a preexisting condition exclusion only if:

   (1) the exclusion relates to a condition, physical or mental, regardless of the cause of the condition, for which medical advice, diagnosis, care or treatment was recommended or received within the six-month period ending on the enrollment date;

   (2) the exclusion extends for a period of not more than six months, or eighteen months in the case of a late enrollee, after the enrollment date; and

   (3) the period of the exclusion is reduced by the aggregate of the periods of creditable coverage applicable to the participant or beneficiary as of the enrollment date.

B. As used in this section, "preexisting condition exclusion" means a limitation or exclusion of benefits relating to a condition based on the fact that the condition was present before the date of enrollment for coverage for the benefits whether or not any medical advice, diagnosis, care or treatment was recommended or received before that date, but genetic information is not included as a preexisting condition for the purposes of limiting or excluding benefits in the absence of a diagnosis of the condition related to the genetic information.

C. A carrier shall not impose a preexisting condition exclusion:

   (1) in the case of an individual who, as of the last day of the thirty-day period
beginning with the date of birth, is covered under creditable coverage;

(2) that excludes a child who is adopted or placed for adoption before his eighteenth birthday and who, as of the last day of the thirty-day period beginning on and following the date of the adoption or placement for adoption, is covered under creditable coverage; or

(3) that relates to or includes pregnancy as a preexisting condition.

D. The provisions of Paragraphs (1) and (2) of Subsection C of this section do not apply to any individual after the end of the first continuous sixty-three-day period during which the individual was not covered under any creditable coverage.

E. The preexisting condition exclusion authorized in this section shall be waived to the extent that similar conditions have been satisfied under a prior health benefit plan that was subject to the Small Group Rate and Renewability Act [Chapter 59A, Article 23C NMSA 1978], provided the effective date of coverage under the new health benefit plan is made not later than sixty-three days after the individual ceases to be a member of the group insured or the group ceases to be insured under the prior health benefit plan, whichever occurs first. If the conditions authorized in this section have been previously satisfied, coverage under the new health benefit plan shall be effective from the date on which the prior coverage terminated.

F. Nothing in this section requires the use in a health benefit plan offered by a carrier of a preexisting condition exclusion. Nothing in this section prohibits the use of a preexisting condition exclusion that is less restrictive on small employers and insured persons than the exclusion authorized in this section.

G. The superintendent shall adopt regulations to implement the provisions of this section.

**History:** Laws 1994, ch. 75, § 32; 1997, ch. 243, § 25.

The 1997 amendment, effective April 11, 1997, rewrote Subsection A, added Subsections B, C, and D and redesignated the existing subsections accordingly, in Subsection E, substituted "effective date of" for "application for" and "sixty-three" for "thirty-one" in the first sentence, and made minor stylistic changes.

Applicability. — Laws 1994, ch. 75, § 36 makes the provisions of §§ 26 to 34 of the act applicable to all plans and policies delivered, issued for delivery or renewed on or after January 1, 1995.


A. Each small employer carrier shall maintain at its principal place of business a complete and detailed description of its rating practices and renewal underwriting practices, including information and documentation that demonstrate that its rating methods and practices are based upon commonly accepted actuarial assumptions and are in accordance with sound actuarial principles.

B. Each small employer carrier shall file each March 1 with the superintendent an actuarial certification that the carrier is in compliance with this section and that the rating methods of the insurer are actuarially sound. The certification shall include the index rate for all classes of
business as of January 1. A copy of the certification shall be retained by the insurer at its principal place of business.  

C. A small employer carrier shall make the information and documentation described in Subsection A of this section available to the superintendent upon request. The information shall be considered proprietary and trade secret information and shall not be subject to disclosure by the superintendent to persons outside of the department except as agreed to by the carrier or as ordered by a court of competent jurisdiction.  

D. Each small employer carrier shall maintain at its principal place of business a complete copy of the disclosure of rating practices and renewability provided to the small employer for a period of three years during which time it shall be available to the superintendent upon request.  


Applicability. — Laws 1991, ch. 153, § 11 makes the provisions of the act applicable to each health benefit plan for a small employer under the Small Group Rate and Renewability Act that is delivered, issued for delivery, renewed or continued in this state after July 1, 1991 and provides that the date a plan is continued or renewed is the first rating period that commences after June 14, 1991.


Employer claims information, including utilization and loss experience under health insurance under a group health plan, a health benefit plan or a plan provided under Chapter 59A, Article 23C NMSA 1978 shall be made available only upon the request of and to employers of employees with such coverage within sixty days of an employer's written request to the carrier for such information, provided the employer's coverage extends to no less than twenty-five individual employees, regardless of whether family coverage is included. In providing such utilization data, carriers shall not reveal information that permits identification of an individual insured or the insured's family or the specific conditions for which coverage was provided.  

History: Laws 2003, ch. 252, § 3.  

Effective dates. — Laws 2003, ch. 252 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective June 20, 2003, 90 days after adjournment of the legislature.


The superintendent may suspend all or any part of Section 5 [59A-23C-5 NMSA 1978] of the Small Group Rate and Renewability Act as to the premium rates applicable to one or more small employers for one or more rating periods upon a filing by the small employer carrier and a finding by the superintendent that either the suspension is reasonable in light of the financial condition of the carrier or that the suspension would enhance the efficiency and fairness of the marketplace for small employer health benefits.

Applicability. — Laws 1991, ch. 153, § 11 makes the provisions of the act applicable to each health benefit plan for a small employer under the Small Group Rate and Renewability Act that is delivered, issued for delivery, renewed or continued in this state after July 1, 1991 and provides that the date a plan is continued or renewed is the first rating period that commences after June 14, 1991.

ARTICLE 23D
Medical Care Savings Accounts

Section
59A-23D-1 Short title.
59A-23D-2 Definitions.
59A-23D-3 Account administrator; registration with department; department powers and duties.
59A-23D-4 Medical care savings account program.
59A-23D-5 Account administrator; employer and employee responsibilities.
59A-23D-6 Withdrawals.
59A-23D-7 Report.


Chapter 59A, Article 23D NMSA 1978 may be cited as the "Medical Care Savings Account Act".


1997 amendments. — Identical amendments to this section were enacted by Laws 1997, ch. 243, § 26, effective April 11, 1997, and Laws 1997, ch. 254, § 1, effective April 11, 1997, which substituted "Chapter 59A, Article 23D NMSA 1978" for "Sections 1 through 7 of this act".


As used in the Medical Care Savings Account Act [59A-23D-1 NMSA 1978]:

A. "account administrator" means any of the following that administers medical care savings accounts:
   (1) a national or state chartered bank, savings and loan association, savings bank or credit union;
   (2) a trust company authorized to act as a fiduciary in this state;
   (3) an insurance company or health maintenance organization authorized to do business in this state pursuant to the New Mexico Insurance Code [59A-1-1 NMSA 1978]; or
   (4) a person approved by the federal secretary of health and human services;

B. "deductible" means the total covered medical expense an employee or his dependents must pay prior to any payment by a qualified higher deductible health plan for a
calendar year;

C. "department" means the insurance division of the public regulation commission;

D. "dependent" means:
   
   (1) a spouse;
   
   (2) an unmarried or unemancipated child of the employee who is a minor and who is:
      
      (a) a natural child;
      
      (b) a legally adopted child;
      
      (c) a stepchild living in the same household who is primarily dependent on
          the employee for maintenance and support;
      
      (d) a child for whom the employee is the legal guardian and who is primarily
          dependent on the employee for maintenance and support, as long as evidence of the guardianship
          is evidenced in a court order or decree; or
      
      (e) a foster child living in the same household, if the child is not otherwise
          provided with health care or health insurance coverage;
      
   (3) an unmarried child described in Subparagraphs (a) through (e) of Paragraph (2) of
       this subsection who is between the ages of eighteen and twenty-five; or
      
   (4) a child over the age of eighteen who is incapable of self-sustaining employment
       by reason of mental retardation or physical handicap and who is chiefly dependent on the
       employee for support and maintenance;

E. "eligible individual" means an individual who with respect to any month:
   
   (1) is covered under a qualified higher deductible health plan as of the first day of
       that month;
      
   (2) is not, while covered under a qualified higher deductible health plan, covered
       under any health plan that:
      
      (a) is not a qualified higher deductible health plan; and
      
      (b) provides coverage for any benefit that is covered under the qualified
          higher deductible health plan; and
      
   (3) is covered by a qualified higher deductible health plan that is established and
       maintained by the employer of the individual or of the spouse of the individual;

F. "eligible medical expense" means an expense paid by the employee for medical
   care described in Section 213(d) of the Internal Revenue Code of 1986 that is deductible for
   federal income tax purposes to the extent that those amounts are not compensated for by
   insurance or otherwise;

G. "employee" includes a self-employed individual;

H. "employer" includes a self-employed individual;
I. "medical care savings account" or "savings account" means an account established by an employer in the United States exclusively for the purpose of paying the eligible medical expenses of the employee or dependent, but only if the written governing instrument creating the trust meets the following requirements:

1. except in the case of a rollover contribution, no contribution will be accepted:
   a. unless it is in cash; or
   b. to the extent the contribution, when added to previous contributions to the trust for the calendar year, exceeds seventy-five percent of the highest annual limit deductible permitted pursuant to the Medical Care Savings Account Act [59A-23D-1 NMSA 1978];

2. no part of the trust assets will be invested in life insurance contracts;

3. the assets of the trust will not be commingled with other property except in a common trust fund or common investment fund; and

4. the interest of an individual in the balance in his account is nonforfeitable;

J. "program" means the medical care savings account program established by an employer for his employees; and

K. "qualified higher deductible health plan" means a health coverage policy, certificate or contract that provides for payments for covered health care benefits that exceed the policy, certificate or contract deductible, that is purchased by an employer for the benefit of an employee and that has the following deductible provisions:

1. self-only coverage with an annual deductible of not less than one thousand five hundred dollars ($1,500) or more than two thousand two hundred fifty dollars ($2,250) and a maximum annual out-of-pocket expense requirement of three thousand dollars ($3,000), not including premiums;

2. family coverage with an annual deductible of not less than three thousand dollars ($3,000) or more than four thousand five hundred dollars ($4,500) and a maximum annual out-of-pocket expense requirement of five thousand five hundred dollars ($5,500), not including premiums; and

3. preventive care coverage may be provided within the policies without the preventive care being subjected to the qualified higher deductibles.


1997 amendments. — Identical amendments to this section were enacted by Laws 1997, ch. 243, § 27, effective April 11, 1997, and Laws 1997, ch. 254, § 2, effective April 11, 1997, which added Paragraph A(4) and deleted former Paragraphs A(4) through A(7); added Subsection E and redesignated former Subsections E through J as Subsections F through K; substituted the language beginning "in the United States" for "to pay the eligible medical expenses of an employee and his dependents" in Subsection I; added the language beginning "and that has the following deductible provisions" in Subsection K; and made stylistic changes throughout the section.

The 2003 amendment, effective June 20, 2003, inserted "New Mexico" near the end of Paragraph

Internal Revenue Code. — Section 213(d) of the Internal Revenue Code is codified as 26 U.S.C. § 213(d).

59A-23D-3. Account administrator; registration with department; department powers and duties.

A. An account administrator shall register annually with the department and pay an annual registration fee of twenty-five dollars ($25.00). The registration fee shall be deposited in the general fund. Registration as an account administrator does not affect the regulation of a bank, savings and loan association, credit union, trust company or insurance company as otherwise provided by law.

B. An account administrator shall provide to the department annually a list of the employers for whom it provides account administration and the number of employees and dependents for whom it administers accounts. The information shall be provided in the form requested by the department. The department may request other information it deems appropriate from the account administrator; provided, however, that the department shall not request any information about an individual employee or dependent unless a complaint has been filed with the department by that employee or dependent and the information is required to investigate the complaint.

C. The department may receive, investigate and settle complaints about medical care savings accounts and account administrators or it may refer complaints to other appropriate agencies.

D. The department, beginning January 1, 1998, shall adjust annually the deductible for qualified higher deductible health plans to reflect the adjustment allowed by the Internal Revenue Code of 1986 for medical savings accounts.


1997 amendments. — Identical amendments to this section were enacted by Laws 1997, ch. 243, § 28, effective April 11, 1997, and Laws 1997, ch. 254, § 3, effective April 11, 1997, which inserted "annually" and substituted "an annual" for "a" in the first sentence of Subsection A; rewrote Subsection D; and deleted former Subsection E relating to annual adjustment of the maximum employer contribution. This section is set out as amended by Laws 1997, ch. 254, § 3. See 12-1-8 NMSA 1978.

59A-23D-4. Medical care savings account program.

A. Except as otherwise provided by statute, contract or collective bargaining agreement, an employer may establish a medical care savings account program for his employees.

B. In establishing the program, the employer shall:
   (1) provide a qualified higher deductible health plan for the benefit of his employees;
   (2) contribute to medical care savings accounts for the employees; and
   (3) appoint an account administrator to administer the savings accounts.

C. Principal contributed to and interest earned on a medical care savings account and money paid for eligible medical expenses are exempt from taxation under the Income Tax Act [7-2-1 NMSA 1978].

D. Before establishing a program, the employer shall notify all employees in writing of the federal tax status of the program and how federal income taxation affects New Mexico income taxes.

E. Any compensation required by the account administrator to administer the program shall be paid by the employer, and the employer shall not require the employee to contribute to such compensation while the employee participates in the program. If the employee ceases to participate in the program, he shall be responsible for costs associated with his account.

F. Nothing in the Medical Care Savings Account Act [59A-23D-1 NMSA 1978] prohibits the employer from requiring the employee to contribute to the qualified higher deductible health plan or the medical care savings account.

G. Nothing in the Medical Care Savings Account Act requires an employee to participate in a program. The employer shall offer the program to all employees on a nondiscriminatory basis.


The 2001 amendment, effective June 15, 2001, in Subsection C, substituted "paid" for "reimbursed from the savings account to an employee" and deleted the second sentence, containing a definition of "reimbursement".

59A-23D-5. Account administrator; employer and employee responsibilities.

A. An employer, in conjunction with an account administrator, shall provide a current written statement to employees that details how money in their medical care savings accounts is or will be invested and the rate of return employees may reasonably anticipate on the investment of the savings accounts. The account administrator shall file the statement with the department.

B. Except as provided in Section 59A-23D-6 NMSA 1978, money in a savings account shall be used solely for the purpose of paying the eligible medical expenses of an employee and his dependents.
C. Payments may be made by the employee directly to a health care provider through the use of a debit card or check that accesses the employee's medical savings account. If the account administrator determines that the employee paid for goods or services that do not qualify as eligible medical expenses, the employee shall be required to reimburse his medical savings account, and he shall be liable for any federal and state taxes and penalties. If the employee chooses to be reimbursed for eligible medical expenses, the account administrator shall reimburse the employee from the employee's medical care savings account. When seeking reimbursement, the employee shall submit documentation of eligible medical expenses paid by the employee.

D. If an employer makes contributions to a program on a periodic installment basis, the employer may advance to an employee, interest free, an amount necessary to cover eligible medical expenses incurred that exceed the amount in the employee's savings account if the employee agrees to repay the advance from future installments or when he ceases to be an employee of the employer or a participant in the program. Such advances shall be exempt from taxation under the Income Tax Act [7-2-1 NMSA 1978].


The 2001 amendment, effective June 15, 2001, in Subsection C, added the first two sentences and in the third sentence, inserted "If the employee chooses to be reimbursed for eligible medical expenses", and deleted "for eligible medical expenses" following "savings account".


A. An employee may withdraw money without penalty from his medical care savings account for a purpose other than payment of eligible medical expenses when the employee attains the age specified in Section 1811 of the Social Security Act. An employee may also withdraw money without penalty for payment of coverage for:

(1) a health plan during any period of continuation coverage required under any federal law;

(2) a qualified long-term care insurance contract as defined by Section 7702B(6) of the Internal Revenue Code of 1986; or

(3) a health plan during a period in which the person is receiving unemployment compensation under any federal or state law.

B. Except as provided in Subsection A of this section, if an employee withdraws money from the employee's medical care savings account that is not used exclusively to pay eligible medical expenses of the employee or a dependent, it shall be included in the gross income of the
employee for taxation purposes.

C. Except as provided in Subsection A of this section, if an employee withdraws money from the employee's medical care savings account for a purpose other than a rollover to a new account administrator:

(1) the amount of the withdrawal shall be considered gross income to the employee and subject to taxation; and

(2) the administrator shall also consider as a withdrawal on behalf of the employee a penalty equal to fifteen percent of the amount of the withdrawal and shall consider this as gross income to the employee for taxation purposes.

D. If a person is no longer employed by an employer that participates in a program or if an employee chooses to cease participating in the program, the person or employee shall, within sixty days of his final day of employment or participation:

(1) request, in writing, the rollover of his savings account to a new account administrator;

(2) request, in writing, that the former employer's account administrator continue to administer the savings account, including in the request an agreement to pay the cost, if any, of account administration on that savings account; or

(3) withdraw the money from the savings account subject to the provisions of Subsection C of this section, if the withdrawal is not for the purpose of a rollover when within sixty days of the receipt of the funds they are placed with a new account administrator.

E. No more than sixty days after the date of notification by the employee pursuant to Subsection D of this section, the account administrator shall:

(1) transfer the savings account to a new account administrator as requested;

(2) agree, in writing, to continue to act as the account administrator for the savings account; or

(3) mail a check to the person or employee at his last known address for the amount in the account as of the day the check was issued.

F. Upon the death of an employee, the account administrator shall distribute the principal and accumulated interest of the savings account to the estate of the employee.


Internal Revenue Code of 1986. — Section 7702B of the federal Internal Revenue Code, referred to in paragraph A(2), appears as 26 U.S.C. § 7702B. There is no subsection (6) of that section; the definition of "qualified long-term care insurance contract" appears in subsection (b)(1).

1997 amendments. — Identical amendments to this section were enacted by Laws 1997, ch. 243, § 30, effective April 11, 1997, and Laws 1997, ch. 254, § 5, effective April 11, 1997, which substituted the
language beginning "when the employee attains" for "when he reaches the age of fifty-nine and one-half" in Subsection A; rewrote Subsections B and C; substituted "rollover" for "transfer" in Paragraph D(1); added the language beginning "subject to the" at the end of Paragraph D(3); substituted "sixty days after the date of notification by the employee" for "thirty days after the expiration of the sixty-day period" in the introductory paragraph of Subsection E; and, in Paragraph E(3), deleted "excluding the applicable withdrawal penalty" following "issued" and the former second sentence relating to time for payment of the penalty.

The 2001 amendment, effective June 15, 2001, in Subsection A, substituted "payment of " for "reimbursement of"; and substituted "person" for "individual" in Paragraph A(3), Subsection D and Paragraph E(3).


A. The superintendent shall report to the legislature on or before December 1, 1999 on the availability of health care coverage pursuant to the Medical Care Savings Account Act [Chapter 59A, Article 23D NMSA 1978] and the market share of programs in comparison with traditional employer-provided health insurance programs; the results of a survey of employer and employee satisfaction with programs; and the results of a loss ratio study relative to programs.

B. The superintendent shall adopt and promulgate regulations for enforcing and administering the provisions of the Medical Care Savings Account Act.


1997 amendments. — Identical amendments to this section were enacted by Laws 1997, ch. 243, § 31, effective April 11, 1997, and Laws 1997, ch. 254, § 6, effective April 11, 1997, which designated the existing language as Subsection A, deleted "of insurance" following "superintendent" therein, and added Subsection B.

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ARTICLE 23E
Health Insurance Portability

Section

59A-23E-1 Short title.
59A-23E-2 Definitions.
59A-23E-3 Group health plan; group health insurance; limitation on preexisting condition exclusion period; crediting for periods of previous coverage.
59A-23E-4 Group health plan; group health insurance; prohibition of exclusions in certain cases.
59A-23E-5 Group health plan; rules for crediting previous coverage.
59A-23E-6 Group health plan; group health insurance; method of crediting coverage; election; notice of election.
59A-23E-7 Group health plan; group health insurance; certification and disclosure of coverage.
59A-23E-8 Group health plan; group health insurance; special enrollment periods for individuals losing other coverage.
59A-23E-9 Group health plan; special enrollment periods for dependent beneficiaries.
59A-23E-10 Group health plan; group health insurance; use of affiliation period by health
maintenance organizations as alternative to preexisting condition exclusion.

59A-23E-11 Group health plan; group health insurance; prohibiting discrimination based on health status against individual participants and beneficiaries in eligibility to enroll.

59A-23E-12 Group health plan; group health insurance; prohibiting discrimination based on health status against individual participants and beneficiaries in premium contributions.

59A-23E-13 Health insurance issuers; guaranteed availability of coverage for employers in small group market; exceptions for network plans, insufficient financial capacity and bona fide associations; employer contribution rules.

59A-23E-14 Health insurance issuers; guaranteed renewability of coverage for employers in the small or large group market; requirement and exceptions to requirement.

59A-23E-15 Disclosure of information by health insurance issuers; offering health insurance coverage to small employers.

59A-23E-16 Exclusions, limitations and exceptions for certain group health plans and group health insurance.

59A-23E-17 Treatment of partners and self-employed individuals in connection with group health plans.

59A-23E-18 Requirement for mental health benefits in a group health plan, or group health insurance offered in connection with the plan, for a plan year of an employer.

59A-23E-19 Individual health insurance coverage; guaranteed renewability; exceptions.

59A-23E-20 Certification of coverage by issuers in the individual market.


Chapter 59A, Article 23E NMSA 1978 may be cited as the "Health Insurance Portability Act".


The 1998 amendment, effective March 6, 1998, substituted "Chapter 59A, Article 23E NMSA 1978" for "Sections 1 through 17 of this act" at the beginning of the section.


As used in the Health Insurance Portability Act [Chapter 59A, Article 23E NMSA 1978]:

A. "affiliation period" means a period that must expire before health insurance coverage offered by a health maintenance organization becomes effective;

B. "beneficiary" means that term as defined in Section 3(8) of the federal Employee Retirement Income Security Act of 1974;

C. "bona fide association" means an association that:
   (1) has been actively in existence for five or more years;
   (2) has been formed and maintained in good faith for purposes other than obtaining insurance;
   (3) does not condition membership in the association on any health status related factor relating to an individual, including an employee or a dependent of an employee;
   (4) makes health insurance coverage offered through the association available to all
members regardless of any health status related factor relating to the members or individuals eligible for coverage through a member; and

(5) does not offer health insurance coverage to an individual through the association except in connection with a member of the association;

D. "church plan" means that term as defined pursuant to Section 3(33) of the federal Employee Retirement Income Security Act of 1974;

E. "COBRA" means the federal Consolidated Omnibus Budget Reconciliation Act of 1985;

F. "COBRA continuation provision" means:

(1) Section 4980 of the Internal Revenue Code of 1986, except for Subsection (f)(1) of that section as it relates to pediatric vaccines;

(2) Part 6 ofSubtitle B of Title 1 of the federal Employee Retirement Income Security Act of 1974 except for Section 609 of that part; or

(3) Title 22 of the federal Health Insurance Portability and Accountability Act of 1996;

G. "creditable coverage" means, with respect to an individual, coverage of the individual pursuant to:

(1) a group health plan;
(2) health insurance coverage;
(3) Part A or Part B of Title 18 of the Social Security Act;
(4) Title 19 of the Social Security Act except coverage consisting solely of benefits pursuant to Section 1928 of that title;
(5) 10 USCA Chapter 55;
(6) a medical care program of the Indian health service or of an Indian nation, tribe or pueblo;
(7) the Comprehensive Health Insurance Pool Act [Medical Insurance Pool Act] [Chapter 59A, Article 54 NMSA 1978];
(8) a health plan offered pursuant to 5 USCA Chapter 89;
(9) a public health plan as defined in federal regulations; or
(10) a health benefit plan offered pursuant to Section 5(e) of the federal Peace Corps Act;

H. "employee" means that term as defined in Section 3(6) of the federal Employee Retirement Income Security Act of 1974;

I. "employer" means:

(1) a person who is an employer as that term is defined in Section 3(5) of the federal
Employee Retirement Income Security Act of 1974, and who employs two or more employees; and

(2) a partnership in relation to a partner pursuant to Section 59A-23E-17 NMSA 1978;

J. "employer contribution rule" means a requirement relating to the minimum level or amount of employer contribution toward the premium for enrollment of participants and beneficiaries;

K. "enrollment date" means, with respect to an individual covered under a group health plan or health insurance coverage, the date of enrollment of the individual in the plan or coverage or, if earlier, the first day of the waiting period for enrollment;

L. "excepted benefits" means benefits furnished pursuant to the following:
   (1) coverage only accident or disability income insurance;
   (2) coverage issued as a supplement to liability insurance;
   (3) liability insurance;
   (4) workers' compensation or similar insurance;
   (5) automobile medical payment insurance;
   (6) credit-only insurance;
   (7) coverage for on-site medical clinics;
   (8) other similar insurance coverage specified in regulations under which benefits for medical care are secondary or incidental to other benefits;
   (9) the following benefits if offered separately:
      (a) limited scope dental or vision benefits;
      (b) benefits for long-term care, nursing home care, home health care, community-based care or any combination of those benefits; and
      (c) other similar limited benefits specified in regulations;
   (10) the following benefits, offered as independent noncoordinated benefits:
      (a) coverage only for a specified disease or illness; or
      (b) hospital indemnity or other fixed indemnity insurance; and
   (11) the following benefits if offered as a separate insurance policy:
      (a) medicare supplemental health insurance as defined pursuant to Section 1882(g)(1) of the Social Security Act; and
      (b) coverage supplemental to the coverage provided pursuant to Chapter 55 of Title 10 USCA and similar supplemental coverage provided to coverage pursuant to a group health plan;

M. "federal governmental plan" means a governmental plan established or
maintained for its employees by the United States government or an instrumentality of that
government;

N. "governmental plan" means that term as defined in Section 3(32) of the federal
Employee Retirement Income Security Act of 1974 and includes a federal governmental plan;

O. "group health insurance coverage" means health insurance coverage offered in
connection with a group health plan;

P. "group health plan" means an employee welfare benefit plan as defined in Section
3(1) of the federal Employee Retirement Income Security Act of 1974 to the extent that the plan
provides medical care and includes items and services paid for as medical care to employees or
their dependents as defined under the terms of the plan directly or through insurance,
reimbursement or otherwise;

Q. "group participation rule" means a requirement relating to the minimum number
of participants or beneficiaries that must be enrolled in relation to a specified percentage or
number of eligible individuals or employees of an employer;

R. "health insurance coverage" means benefits consisting of medical care provided
directly, through insurance or reimbursement, or otherwise, and items, including items and
services paid for as medical care, pursuant to any hospital or medical service policy or
certificate, hospital or medical service plan contract or health maintenance organization contract
offered by a health insurance issuer;

S. "health insurance issuer" means an insurance company, insurance service or
insurance organization, including a health maintenance organization, that is licensed to engage in
the business of insurance in the state and that is subject to state law that regulates insurance
within the meaning of Section 514(b)(2) of the federal Employee Retirement Income Security
Act of 1974, but "health insurance issuer" does not include a group health plan;

T. "health maintenance organization" means:

(1) a federally qualified health maintenance organization;

(2) an organization recognized pursuant to state law as a health maintenance
organization; or

(3) a similar organization regulated pursuant to state law for solvency in the same
manner and to the same extent as a health maintenance organization defined in Paragraph (1) or
(2) of this subsection;

U. "health status related factor" means any of the factors described in Section
2702(a)(1) of the federal Health Insurance Portability and Accountability Act of 1996;

V. "individual health insurance coverage" means health insurance coverage offered
to an individual in the individual market, but "individual health insurance coverage" does not
include short-term limited duration insurance;

W. "individual market" means the market for health insurance coverage offered to
individuals other than in connection with a group health plan;
X. "large employer" means, in connection with a group health plan and with respect to a calendar year and a plan year, an employer who employed an average of at least fifty-one employees on business days during the preceding calendar year and who employs at least two employees on the first day of the plan year;

Y. "large group market" means the health insurance market under which individuals obtain health insurance coverage on behalf of themselves and their dependents through a group health plan maintained by a large employer;

Z. "late enrollee" means, with respect to coverage under a group health plan, a participant or beneficiary who enrolls under the plan other than during:
   (1) the first period in which the individual is eligible to enroll under the plan; or
   (2) a special enrollment period pursuant to Sections 59A-23E-8 and 59A-23E-9 NMSA 1978;

AA. "medical care" means:
   (1) services consisting of the diagnosis, cure, mitigation, treatment or prevention of human disease or provided for the purpose of affecting any structure or function of the human body; and
   (2) transportation services primarily for and essential to provision of the services described in Paragraph (1) of this subsection;

BB. "network plan" means health insurance coverage of a health insurance issuer under which the financing and delivery of medical care are provided through a defined set of providers under contract with the issuer;

CC. "nonfederal governmental plan" means a governmental plan that is not a federal governmental plan;

DD. "participant" means:
   (1) that term as defined in Section 3(7) of the federal Employee Retirement Income Security Act of 1974;
   (2) a partner in relationship to a partnership in connection with a group health plan maintained by the partnership; and
   (3) a self-employed individual in connection with a group health plan maintained by the self-employed individual;

EE. "placed for adoption" means a child has been placed with a person who assumes and retains a legal obligation for total or partial support of the child in anticipation of adoption of the child;

FF. "plan sponsor" means that term as defined in Section 3(16)(B) of the federal Employee Retirement Income Security Act of 1974;

GG. "preexisting condition exclusion" means a limitation or exclusion of benefits relating to a condition based on the fact that the condition was present before the date of the
coverage for the benefits whether or not any medical advice, diagnosis, care or treatment was recommended before that date, but genetic information is not included as a preexisting condition for the purposes of limiting or excluding benefits in the absence of a diagnosis of the condition related to the genetic information;

HH. "small employer" means, in connection with a group health plan and with respect to a calendar year and a plan year, an employer who employed an average of at least two but not more than fifty employees on business days during the preceding calendar year and who employs at least two employees on the first day of the plan year;

II. "small group market" means the health insurance market under which individuals obtain health insurance coverage through a group health plan maintained by a small employer;

JJ. "state law" means laws, decisions, rules, regulations or state action having the effect of law; and

KK. "waiting period" means, with respect to a group health plan and an individual who is a potential participant or beneficiary in the plan, the period that must pass with respect to the individual before the individual is eligible to be covered for benefits under the terms of the plan.


The 1998 amendment, effective March 6, 1998, inserted "federal" throughout the section; substituted "purposes" for "purpose" near the middle of Paragraph C(2); deleted Subsection H, relating to "eligible individual"; redesignated former Subsections I to LL as Subsections H to KK; rewrote Subsection I; substituted "59A-23E-8 and 59A-23E-9 NMSA 1978" for "8 and 9 of the Health Insurance Portability Act" at the end of Paragraph Z(2); and rewrote Subsections AA and DD.


The federal Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) appears as various sections throughout the United States Code.


Section 5(e) of the federal Peace Corps Act appears as 22 U.S.C. § 2504(e).

The reference to Section 2702 of the federal Health Insurance Portability and Accountability Act of 1996 is a reference to Section 2702 of Title XXVII of the Public Health Service Act, as added by the Health Insurance Portability and Accountability Act, P.L. 104-191 Title I, § 102(a), codified as 42 U.S.C. § 300gg-1.

Medical Insurance Pool Act. — The name of the Comprehensive Health Insurance Pool Act was changed to the Medical Insurance Pool Act by Laws 2001, ch. 352, § 1. The bracketed material was inserted by the compiler. It was enacted by the legislature and is not a part of the law.
59A-23E-3. Group health plan; group health insurance; limitation on preexisting condition exclusion period; crediting for periods of previous coverage.

Except as provided in Section 59A-23E-4 NMSA 1978, a group health plan and a health insurance issuer offering group health insurance coverage may, with respect to a participant or beneficiary, impose a preexisting condition exclusion only if:

A. the exclusion relates to a condition, physical or mental, regardless of the cause of the condition, for which medical advice, diagnosis, care or treatment was recommended or received within the six-month period ending on the enrollment date;

B. the exclusion extends for a period of not more than six months, or eighteen months in the case of a late enrollee, after the enrollment date; and

C. the period of the exclusion is reduced by the aggregate of the periods of creditable coverage applicable to the participant or beneficiary as of the enrollment date.


The 1998 amendment, effective March 6, 1998, substituted "Group health plan; group health insurance" for "Limitation on preexisting condition exclusion period; crediting for periods of previous coverage" in the section heading and "59A-23E-4 NMSA 1978" for "4 of the Health Insurance Portability Act" near the beginning of the introductory paragraph.

59A-23E-4. Group health plan; group health insurance; prohibition of exclusions in certain cases.

A. A group health plan or a health insurer offering group health insurance shall not impose a preexisting condition exclusion:

(1) in the case of an individual who, as of the last day of the thirty-day period beginning with the date of birth, is covered under creditable coverage;

(2) that excludes a child who is adopted or placed for adoption before his eighteenth birthday and who, as of the last day of the thirty-day period beginning on and following the date of the adoption or placement for adoption, is covered under creditable coverage; or

(3) that relates to or includes pregnancy as a preexisting condition.

B. The provisions of Paragraphs (1) and (2) of Subsection A of this section do not apply to any individual after the end of the first continuous sixty-three-day period during which the individual was not covered under any creditable coverage.


The 1998 amendment, effective March 6, 1998, substituted "Group health plan; group health insurance" for "Prohibition of exclusions in certain cases" in the section heading.
59A-23E-5. Group health plan; rules for crediting previous coverage.

A. A period of creditable coverage shall not be counted with respect to enrollment of an individual under a group health plan if, after the period and before the enrollment date, there was a ninety-five-day continuous period during which the individual was not covered under any creditable coverage.

B. In determining the continuous period for the purpose of Subsection A of this section, any period that an individual is in a waiting period for any coverage under a group health plan or for group health insurance coverage or is in an affiliation period shall not be counted.


The 1998 amendment, effective March 6, 1998, substituted "Group health plan" for "Rules for crediting previous coverage" in the section heading.

The 2008 amendment, effective July 1, 2008, changed the length of the continuous period from sixty-three days to ninety-five days.

59A-23E-6. Group health plan; group health insurance; method of crediting coverage; election; notice of election.

A. Except as provided in Subsection B of this section, for purposes of applying Subsection C of Section 59A-23E-3 NMSA 1978 a group health plan and a health insurance issuer offering group health insurance coverage shall count a period of creditable coverage without regard to the specific benefits covered during the period.

B. A group health plan or a health insurance issuer offering group health insurance coverage may elect to apply Subsection C of Section 59A-23E-3 NMSA 1978 based on coverage of benefits within each of several classes or categories of benefits specified in regulations rather than as provided in Subsection A of this section. The election shall be made uniformly for all participants and beneficiaries. If the election is made, a group health plan or an issuer shall count a period of creditable coverage with respect to any class or category of benefits if any level of benefits is covered within the class or category.

C. A group health plan making an election pursuant to Subsection B of this section, whether or not health insurance coverage is provided in connection with the plan, shall:

   (1) prominently state in disclosure statements concerning the plan, and state to each enrollee at the time of enrollment under the plan, that the plan has made the election; and

   (2) include in the statements made a description of the effect of this election.

D. A health insurance issuer offering group health insurance coverage in the small or large group market making an election pursuant to Subsection B of this section shall:

   (1) prominently state in disclosure statements concerning the coverage, and state to each employer at the time of the offer or sale of the coverage, that the issuer has made the

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election; and

(2) include in the statements made a description of the effect of this election.


The 1998 amendment, effective March 6, 1998, substituted "Group health plan; group health insurance" for "Method of crediting coverage; election; notice of election" in the section heading and "59A-23E-3 NMSA 1978" for "3 of the Health Insurance Portability Act" near the middle of Subsections A and B.

59A-23E-7. Group health plan; group health insurance; certification and disclosure of coverage.

A. Periods of creditable coverage with respect to an individual shall be established through the certification required by this section. A group health plan and a health insurance issuer offering group health insurance coverage shall provide the certification described in Subsection B of this section:

(1) at the time an individual ceases to be covered under the plan or otherwise becomes covered under a COBRA continuation provision, to the extent practicable, at a time consistent with notices required pursuant to any COBRA continuation provision;

(2) in the case of an individual becoming covered under a COBRA continuation provision, at the time the individual ceases to be covered under that provision; and

(3) on the request on behalf of an individual made not later than twenty-four months after the date of cessation of the coverage described in Paragraph (1) or (2) of this subsection, whichever is later.

B. The required certification is a written certification of:

(1) the period of creditable coverage of the individual under the plan and the coverage, if any, under the COBRA continuation provision; and

(2) the waiting period, if any, and affiliation period, if applicable, imposed with respect to the individual for any coverage under the plan.

C. To the extent that medical care pursuant to a group health plan is provided pursuant to group health insurance coverage, the plan satisfies the certification requirement of this section if the health insurance issuer offering the coverage provides for the certification pursuant to this section.

D. If a group health plan or health insurance issuer that has made an election pursuant to Subsection B of Section 59A-23E-6 NMSA 1978 enrolls an individual for coverage under the plan or insurance and the individual provides a certification pursuant to this section, the entity providing the individual that certification:

(1) shall upon request of the plan or issuer promptly disclose to the requester information on coverage of classes and categories of health benefits available under the entity's
plan or coverage; and

(2) may charge the requesting plan or issuer the reasonable cost of disclosing the required information.


The 1998 amendment, effective March 6, 1998, substituted "Group health plan; group health insurance" for "Certification and disclosure of coverage" in the section heading; substituted "is provided pursuant to" for "consists of" near the beginning of Subsection C; and substituted "59A-23E-6 NMSA 1978" for "6 of the Health Insurance Portability Act" near the niddle of Subsection D.

59A-23E-8. Group health plan; group health insurance; special enrollment periods for individuals losing other coverage.

A group health plan and a health insurance issuer offering group health insurance coverage in connection with a group health plan shall permit an employee who is eligible but not enrolled for coverage under the terms of the plan, or a dependent of the employee if the dependent is eligible but not enrolled for coverage, to enroll for coverage under the terms of the plan if:

A. the employee or dependent was covered under a group health plan or had health insurance coverage at the time coverage was previously offered to the employee or dependent;

B. the employee stated in writing at the time coverage was offered that coverage under a group health plan or health insurance coverage was the reason for declining enrollment, but only if the plan sponsor or issuer required such a statement at the time and provided the employee with notice of that requirement and the consequences of the requirement at the time;

C. the employee's or dependent's coverage described in Subsection A of this section was:

   (1) under a COBRA continuation provision and the coverage under that provision was exhausted; or

   (2) not under a COBRA continuation provision and either the coverage was terminated as a result of loss of eligibility for the coverage, including as a result of legal separation, divorce, death, termination of employment or reduction in the number of hours of employment, or employer contributions toward the coverage were terminated; and

D. under the terms of the plan, the employee requested enrollment not later than thirty days after the date of exhaustion of coverage described in Paragraph (1) of Subsection C of this section or termination of coverage or employer contribution described in Paragraph (2) of Subsection C of this section.


The 1998 amendment, effective March 6, 1998, substituted "Group health plan; group health insurance" for "Special enrollment periods for individuals losing other coverage" in the section heading, inserted "was" at the end of Subsection C, and deleted "was" following "under" and "not under" in Paragraphs C(1) and (2), respectively.

A. A group health plan shall provide for a dependent special enrollment period described in Subsection B of this section during which a person may be enrolled under the plan as a dependent of the individual, and in the case of the birth or adoption of a child, the spouse of the individual may be enrolled as a dependent of the individual if the spouse is otherwise eligible for coverage, if:

   (1) the plan makes coverage available to a dependent of an individual;
   (2) the individual is a participant under the plan or has met any waiting period applicable to becoming a participant and is eligible to be enrolled under the plan but for a failure to enroll during a previous enrollment period; and
   (3) the person has become the dependent of the individual through marriage, birth, adoption or placement for adoption.

B. A dependent special enrollment period pursuant to this subsection shall be for a period of not less than thirty days and shall begin on the later of:

   (1) the date dependent coverage is made available; or
   (2) the date of the marriage, birth, adoption or placement for adoption described in Subsection A of this section.

C. If an individual seeks to enroll a person as a dependent during the first thirty days of a dependent special enrollment period, the coverage of the dependent becomes effective:

   (1) in the case of marriage, not later than the first day of the first month beginning after the date the completed request for enrollment is received;
   (2) in the case of birth, as of the date of the birth; or
   (3) in the case of adoption or placement for adoption, the date of the adoption or placement.


The 1998 amendment, effective March 6, 1998, substituted "Group health plan" for "Special enrollment periods for dependent beneficiaries" in the section heading; in Subsection A, deleted "or if not otherwise enrolled, the individual" following "which a person", and substituted "the" for "a" at the beginning of Paragraph A(3); in Subsection C, inserted "person as a" near the beginning, and deleted "a dependent's" following "in the case of" in Paragraphs C(2) and (3).

59A-23E-10. Group health plan; group health insurance; use of affiliation period by health maintenance organizations as alternative to preexisting condition exclusion.

A. A health maintenance organization that offers health insurance coverage in connection with a group health plan and does not impose any preexisting condition exclusion allowed pursuant to Section 59A-23E-3 NMSA 1978 with respect to any particular coverage option may
impose an affiliation period for the coverage option if that period:

(1) is applied uniformly without regard to any health status related factors; and
(2) does not exceed two months, or three months in the case of a late enrollee.

B. During an affiliation period, a health maintenance organization is not required to provide health care services or benefits to a participant or beneficiary, and it shall not charge a premium to a participant or beneficiary for any coverage.

C. An affiliation period begins to run on the enrollment date and shall run concurrently with any waiting period under the plan.

D. A health maintenance organization described in Subsection A of this section may use alternative methods different from those described in that subsection to address adverse selection as approved by the superintendent.

**History:** Laws 1997, ch. 243, § 10; 1998, ch. 41, § 14.

The 1998 amendment, effective March 6, 1998, substituted "Group health plan; group health insurance" for "Use of affiliation period by health maintenance organizations as alternative to preexisting condition exclusion" in the section heading and "59A-23E-3 NMSA 1978" for "3 of the Health Insurance Portability Act" near the middle of Subsection A.

59A-23E-11. Group health plan; group health insurance; prohibiting discrimination based on health status against individual participants and beneficiaries in eligibility to enroll.

A. Except as provided in Subsection B of this section, a group health plan and a health insurance issuer offering group health insurance coverage in connection with a group health plan shall not establish rules for eligibility or continued eligibility of any individual to enroll or continue to participate in a health plan based on any of the following health status related factors in relation to the individual or a dependent of the individual:

(1) health status;
(2) medical condition, including both physical and mental illnesses;
(3) claims experience;
(4) receipt of health care;
(5) medical history;
(6) genetic information;
(7) evidence of insurability, including conditions arising out of acts of domestic violence; or
(8) disability.

B. To the extent consistent with the provisions of Section 59A-23E-3 NMSA 1978, the provisions of Subsection A of this section do not require a group health plan or group health insurance coverage to provide particular benefits other than those provided under the terms of
the plan or coverage or to prevent the plan or coverage from establishing limitations or restrictions on the amount, level, extent or nature of the benefits or coverage for similarly situated individuals enrolled in the plan or coverage.


The 1998 amendment, effective March 6, 1998, substituted "Group health plan; group health insurance" for "Prohibiting discrimination based on health status against individual participants and beneficiaries in eligibility to enroll" in the section heading and "59A-23E-3 NMSA 1978" for "3 of the Health Insurance Portability Act" near the beginning in Subsection B.

59A-23E-12. Group health plan; group health insurance; prohibiting discrimination based on health status against individual participants and beneficiaries in premium contributions.

A. Except as provided in Subsection B of this section, a group health plan and a health insurance issuer offering group health insurance coverage in connection with a group health plan shall not require an individual as a condition to enroll or continue to participate in a health plan to pay a premium or contribution that is greater than the premium or contribution for a similarly situated individual enrolled in the plan on the basis of the health status related factors specified in Subsection A of Section 59A-23E-11 NMSA 1978 in relation to the individual or a person enrolled under the plan as a dependent of the individual.

B. The provisions of Subsection A of this section do not restrict the amount that an employer may be charged for coverage under a group health plan and do not prevent a group health plan or a health insurance issuer offering group health insurance coverage from establishing premium discounts or rebates or modifying otherwise applicable copayments or deductibles in return for adherence to programs of health promotion and disease prevention.


The 1998 amendment, effective March 6, 1998, substituted "Group health plan; group health insurance" for "Prohibiting discrimination based on health status against individual participants and beneficiaries in premium contributions" in the section heading, and in Subsection A, substituted "59A-23E-11 NMSA 1978" for "11 of the Health Insurance Portability Act" and "a person" for "an individual" near the end.

59A-23E-13. Health insurance issuers; guaranteed availability of coverage for employers in small group market; exceptions for network plans, insufficient financial capacity and bona fide associations; employer contribution rules.

A. Except as provided in Subsections B through G of this section, a health insurance issuer that offers health insurance coverage in the small group market shall:

(1) accept a small employer that applies for coverage;

(2) accept for enrollment under the offered coverage an eligible individual who
applies for enrollment during the period in which the individual first becomes eligible to enroll under the terms of the group health plan; and

(3) not place a restriction on an eligible individual being a participant or a beneficiary that is inconsistent with Sections 59A-23E-11 and 59A-23E-12 NMSA 1978.

B. A health insurance issuer that offers health insurance coverage in the small group market through a network plan may:

(1) limit the employers that may apply for the coverage to those with eligible individuals who live, work or reside in the service area for the network plan; and

(2) deny coverage to employers within the service area for the network plan if the issuer has demonstrated to the superintendent that it:

(a) will not have the capacity to deliver services adequately to enrollees of any additional groups because of its obligations to existing group contract holders and enrollees; and

(b) is applying this exception uniformly to all employers without regard to the claims experience of those employers, their employees and their dependents or any health status related factor relating to those employees and dependents.

C. A health insurance issuer, upon denying insurance coverage in any service area pursuant to the provisions of Subsection B of this section, shall not offer coverage in the small group market within the service area for a period of one hundred eighty days after the date coverage is denied.

D. A health insurance issuer may deny health insurance coverage in the small group market if the issuer has demonstrated to the superintendent that it:

(1) does not have the financial reserves necessary to underwrite additional coverage; and

(2) is applying this exception uniformly to all employers in the small group market in the state consistent with state law and without regard to the claims experience of those employers, their employees and their dependents or any health status related factor relating to those employees and dependents.

E. A health insurance issuer upon denying health insurance coverage in connection with group health plans pursuant to Subsection D of this section shall not offer coverage in connection with group health plans in the small group market in the state for a period of one hundred eighty days after the date coverage is denied or until the issuer has demonstrated to the superintendent that the issuer has sufficient financial reserves to underwrite the additional coverage, whichever is later. The superintendent may provide for the application of this subsection on a service-area-specific basis.

F. The requirement of Subsection A of this section does not apply to health insurance coverage offered by a health insurance issuer if the coverage is made available in the small group market only through one or more bona fide associations.

G. Subsection A of this section does not preclude a health insurance issuer from establishing
employer contribution rules or group participation rules for the offering of health insurance coverage in connection with a group health plan in the small group market.

H. As used in this section, "eligible individual" means, with respect to a health insurance issuer that offers health insurance coverage to a small employer in connection with a group health plan in the small group market, an individual whose eligibility shall be determined:

(1) in accordance with the terms of the plan;
(2) as provided by the issuer under the rules of the issuer that are uniformly applicable in the state to small employers in the small group market; and
(3) in accordance with Insurance Code provisions governing the issuer and the small group market.

**History:** Laws 1997, ch. 243, § 13; 1998, ch. 41, § 17.

The 1998 amendment, effective March 6, 1998, inserted "guaranteed availability of" and "for employers" in the section heading, substituted "59A-23E-11 and 59A-23E-12 NMSA 1978" for "11 and 12 of the of the Health Insurance Portability Act" near the end of Paragraph A(3), and added Subsection H.

**Insurance Code.** — See 59A-1-1 NMSA 1978 and notes thereto.

59A-23E-14. Health insurance issuers; guaranteed renewability of coverage for employers in the small or large group market; requirement and exceptions to requirement.

A. Except as provided in Subsections B through G of this section, a health insurance issuer that offers health insurance coverage in the small or large group market in connection with a group health plan shall renew or continue that coverage in force at the option of the plan sponsor of the plan.

B. A health insurance issuer may refuse to renew or may discontinue health insurance coverage offered pursuant to Subsection A of this section if:

(1) the plan sponsor has failed to pay premiums or contributions in accordance with the terms of the health insurance coverage or the issuer has not received timely premium payments;
(2) the plan sponsor has performed an act or practice that constitutes fraud or made an intentional misrepresentation of a material fact under the terms of the coverage;
(3) the plan sponsor has failed to comply with a material plan provision relating to employer contribution or group participation rules permitted pursuant to Subsection G of Section 59A-23E-13 NMSA 1978;
(4) the issuer is ceasing to offer coverage in the market in accordance with Subsection C of this section;
(5) in the case of a health insurance issuer that offers health insurance coverage in the market through a network plan, there is no longer any enrollee in connection with that plan who lives, resides or works in the service area of the issuer or the area for which the issuer is
authorized to do business and, in the case of the small group market, the issuer would deny enrollment with respect to the network plan pursuant to Paragraph (1) of Subsection B of Section 59A-23E-13 NMSA 1978; or

(6) in the case of health insurance coverage that is made available only through one or more bona fide associations, the membership of any employer in the association ceases, but only if the coverage is terminated pursuant to this paragraph uniformly without regard to any health status related factor relating to a covered individual.

C. A health insurance issuer may discontinue offering a particular type of group health insurance coverage offered in the small or large group market only if:

(1) the issuer provides notice to each plan sponsor provided coverage of this type in the market and to the participants and beneficiaries covered under the coverage of the discontinuation at least ninety days prior to the date of the discontinuation;

(2) the issuer offers to a plan sponsor provided coverage of this type in the market the option to purchase all, or in the case of the large group market, any, other health insurance coverage currently being offered by the issuer to a group health plan in that market; and

(3) in exercising the option to discontinue coverage of this type and in offering the option of coverage pursuant to Paragraph (2) of this subsection, the issuer acts uniformly without regard to the claims experience of those sponsors or any health status related factors relating to any participants or beneficiaries who may become eligible for that coverage.

D. If a health insurance issuer elects to discontinue offering all health insurance coverage in the small group market or the large group market, coverage may be discontinued only if:

(1) the issuer provides notice to the superintendent and to each plan sponsor and to participants and beneficiaries covered under the plan of the discontinuation at least one hundred eighty days prior to the date of discontinuation; and

(2) all health insurance issued or delivered for issuance in the state in the market is discontinued and coverage is not renewed.

E. After discontinuation pursuant to Subsection D of this section, the health insurance issuer shall not provide for the issuance of any health insurance coverage in the market involved during the five-year period beginning on the date of the discontinuation of the last health insurance coverage not renewed.

F. At the time of coverage renewal pursuant to Subsection A of this section, a health insurance issuer may modify the coverage for a product offered to a group health plan:

(1) in the large group market; or

(2) in the small group market if, for coverage available in that market other than through a bona fide association, the modification is effective on a uniform basis among group health plans with that product.

G. If health insurance coverage is made available by a health insurance issuer in the small or large group market to employers only through one or more associations, a reference to "plan
sponsor" is deemed, with respect to coverage provided to an employer member of the association, to include a reference to that employer.


The 1998 amendment, effective March 6, 1998, inserted "Health insurance issuers" near the beginning and "small or large" near the middle in the section heading, substituted "refuse to renew or may " for "nonrenew or discontinue" near the beginning of Subsection B, and substituted "59A-23E-13 NMSA 1978" for "13 of the Health Insurance Portability Act" near the end of Paragraphs B(3) and (5).

59A-23E-15. Disclosure of information by health insurance issuers; offering health insurance coverage to small employers.

A. A health insurance issuer when offering health insurance coverage to a small employer shall:
   (1) make a reasonable disclosure to the small employer, as part of its solicitation and sales materials, of the availability of information described in Subsection B of this section; and
   (2) upon request of the small employer provide the information described.

B. Except as provided in Subsection D of this section, a health insurance issuer shall provide information pursuant to Subsection A of this section concerning:
   (1) the provisions of coverage concerning the issuer's right to change premium rates and the factors that may affect changes in premium rates;
   (2) the provisions of coverage relating to renewability of coverage;
   (3) the provisions of the coverage relating to preexisting condition exclusions; and
   (4) the benefits and premiums available under all health insurance coverage for which the small employer is qualified.

C. Information furnished pursuant to this section shall be provided to small employers in a manner determined to be understandable by the average small employer and shall be sufficient to reasonably inform small employers of their rights and obligations under the health insurance coverage.

D. A health insurance issuer is not required by this section to disclose information that is proprietary and trade secret information.


The 1998 amendment, effective March 6, 1998, inserted "; offering health insurance coverage to small employers" at the end of the section heading.

59A-23E-16. Exclusions, limitations and exceptions for certain group health plans and group health insurance.

A. The requirements of Sections 59A-23E-3 through 59A-23E-15, 59A-23E-17 and
59A-23E-18 NMSA 1978 do not apply to any group health plan and health insurance coverage offered in connection with a group health plan if, on the first day of the plan year, the plan has fewer than two employees who are current employees.

B. The requirements of Sections 59A-23E-3 through 59A-23E-15, 59A-23E-17 and 59A-23E-18 NMSA 1978 shall not apply with respect to a group health plan that is a nonfederal governmental plan if the plan sponsor makes an election under the provisions of this subsection in conformity with regulations of the federal secretary of health and human services. The period of an election for exclusion made pursuant to this subsection is for a single specified plan year or, in the case of a plan provided pursuant to a collective bargaining agreement, for the term of the agreement. The plan for which an election is made shall provide under the terms of the election for:

(1) notice to enrollees on an annual basis and at the time of enrollment of the facts and consequences of the election; and

(2) certification and disclosure of creditable coverage under the plan with respect to enrollees in accordance with Section 59A-23E-7 NMSA 1978.

C. The requirements of Sections 59A-23E-3 through 59A-23E-15, 59A-23E-17 and 59A-23E-18 NMSA 1978 do not apply to a group health plan and group health insurance coverage offered in connection with a group health plan in relation to its provision of excepted benefits described in Paragraph (9) of Subsection L of Section 59A-23E-2 NMSA 1978 if the benefits are:

(1) provided under a separate policy, certificate or contract of insurance; or

(2) otherwise not an integral part of the plan.

D. The requirements of Sections 59A-23E-3 through 59A-23E-15, 59A-23E-17 and 59A-23E-18 NMSA 1978 do not apply to any group health plan and group health insurance coverage offered in connection with a group health plan in relation to its provision of excepted benefits described in Paragraph (10) of Subsection L of Section 59A-23E-2 NMSA 1978 if:

(1) the benefits are provided under a separate policy, certificate or contract of insurance;

(2) there is no coordination between the provision of the benefits and any exclusion of benefits under any group health plan maintained by the same plan sponsor; and

(3) the benefits are paid with respect to an event without regard to whether benefits are provided with respect to that event under any group health plan maintained by the same plan sponsor.

E. The requirements of Sections 59A-23E-3 through 59A-23E-15, 59A-23E-17 and 59A-23E-18 NMSA 1978 do not apply to any group health plan and group health insurance coverage offered in connection with a group health plan in relation to its provision of excepted benefits described in Paragraph (11) of Subsection L of Section 59A-23E-2 NMSA 1978 if the benefits are provided under a separate policy, certificate or contract of insurance.
The 1998 amendment, effective March 6, 1998, inserted "group health" and "and group health insurance" near the end of the section heading; substituted "59A-23E-3 through 59A-23E-15 NMSA 1978" for "3 through 15 of the Health Insurance Portability Act" and "59A-23E-2 NMSA 1978" for "2 of the Health Insurance Portability Act" throughout the section; substituted "fewer" for "less" near the end of Subsection A; substituted "59A-23E-7 NMSA 1978" for "7 of the Health Insurance Portability Act" at the end of Paragraph B(2); substituted "L" for "M" near the end of Subsections C, D, and E; and inserted "plan" near the end of Paragraphs D(2) and (3).

59A-23E-17. Treatment of partners and self-employed individuals in connection with group health plans.

A. Any plan, fund or program that would not be an employee welfare benefit plan, except for the provisions of this section, that is established or maintained by a partnership, to the extent that the plan, fund or program provides medical care to current or former partners in the partnership or to their dependents directly or through insurance, reimbursement or otherwise, shall be treated as an employee welfare benefit plan that is a group health plan.

B. As used in this section:

(1) "employer" includes a partnership in relation to a partner; and

(2) "participant" includes:

(a) in connection with a group health plan maintained by a partnership, an individual who is a partner in relationship to the partnership; and

(b) in connection with a group health plan maintained by a self-employed individual under which one or more employees are participants, the self-employed individual, if he or his beneficiaries are or may become eligible to receive a benefit under the plan.


The 1998 amendment, effective March 6, 1998, in the section heading, substituted "partners" for "partnerships" following "of" and inserted "in connection with group health plans" at the end of the heading.

59A-23E-18. Requirement for mental health benefits in a group health plan, or group health insurance offered in connection with the plan, for a plan year of an employer.

A. A group health plan for a plan year of an employer beginning or renewed on or after October 1, 2000, or group health insurance offered in connection with that plan, shall provide both medical and surgical benefits and mental health benefits. The plan shall not impose treatment limitations or financial requirements on the provision of mental health benefits if identical limitations or requirements are not imposed on coverage of benefits for other conditions.

B. A group health plan for a plan year of an employer beginning on or after October 1, 2000,
or group health insurance offered in connection with that plan, may:

(1) require pre-admission screening prior to the authorization of mental health benefits whether inpatient or outpatient; or

(2) apply limitations that restrict mental health benefits provided under the plan to those that are medically necessary.

C. A group health plan for a plan year of an employer beginning or renewed on or after January 1, 2000, or group health insurance offered in connection with that plan, may not be changed through amendment or on renewal to exclude or decrease the mental health benefits existing as of that date.

D. An employer, having at least two but not more than forty-nine employees, that is required by the provisions of Subsection A of this section to provide mental health benefits coverage in a group health plan, or group health insurance offered in connection with that plan on renewal of an existing plan, may, if a premium increase of more than one and one-half percent in the plan year results from the change in coverage:

(1) pay the premium increase;

(2) reach agreement with the employees to cost-share that amount of the premium above one and one-half percent;

(3) negotiate a reduction in coverage, but not below the coverage existing before the renewal, to reduce the premium increase to no more than one and one-half percent; or

(4) after demonstrating to the satisfaction of the insurance division that the amount of the premium increase above one and one-half percent is due exclusively to the additional coverage required by the provisions of Subsection A of this section, receive written permission from the division to not increase coverage.

E. An employer, having at least fifty employees, that is required by the provisions of Subsection A of this section to provide mental health benefits coverage in a group health plan, or group health insurance offered in connection with that plan on renewal of an existing plan, may, if a premium increase of more than two and one-half percent in the plan year results from the change in coverage:

(1) pay the premium increase;

(2) reach agreement with the employees to cost-share that amount of the premium above two and one-half percent;

(3) negotiate a reduction in coverage, but not below the coverage existing before applying parity requirements, to reduce the premium increase to no more than two and one-half percent; or

(4) after demonstrating to the satisfaction of the insurance division that the amount of the premium increase above two and one-half percent is due exclusively to the additional coverage provided because of the provisions of Subsection A of this section, receive written permission from the division to not increase coverage.
F. As used in this section, "mental health benefits" means mental health benefits as described in the group health plan, or group health insurance offered in connection with the plan; but does not include benefits with respect to treatment of substance abuse, chemical dependency or gambling addiction.


Repeals and reenactments. — Laws 2000, ch. 6, § 1 repeals 59A-23E-18 NMSA 1978, as enacted by Laws 1998, ch. 41, § 22, relating to individual health insurance coverage; guaranteed renewability; exceptions, and enacts the above section, effective May 17, 2000. For provisions of former section, see 1999 Cumulative Supplement.

59A-23E-19. Individual health insurance coverage; guaranteed renewability; exceptions.

A. Except as otherwise provided in this section, a health insurance issuer that provides individual health insurance coverage to an individual shall renew or continue that coverage in force at the option of the individual.

B. A health insurance issuer may refuse to renew or discontinue health insurance coverage of an individual in the individual market if:

(1) the individual has failed to pay premiums or contributions in accordance with the terms of the health insurance coverage or the issuer has not received timely premium payments;

(2) the individual has performed an act or practice that constitutes fraud or has made an intentional misrepresentation of a material fact under the terms of the coverage;

(3) the issuer is ceasing to offer coverage in the individual market in accordance with Subsection C of this section;

(4) in the case of a health insurance issuer that offers health insurance coverage in the market through a network plan, the individual no longer lives, resides or works in the service area of the issuer or the area for which the issuer is authorized to do business but only if the coverage is terminated pursuant to this paragraph uniformly without regard to any health status related factor of covered individuals; and

(5) in the case of health insurance coverage that is made available to the individual market only through one or more bona fide associations, the membership of the individual in the association on the basis of which the coverage is provided ceases, but only if the coverage is terminated pursuant to this paragraph uniformly without regard to any health status related factor of covered individuals.

C. A health insurance issuer may discontinue offering a particular type of group health insurance coverage offered in the individual market only if:

(1) the issuer provides notice to each covered individual provided coverage of this type in the market of the discontinuation at least ninety days prior to the date of the discontinuation;
(2) the issuer offers to each individual in the individual market provided coverage of this type the option to purchase any other individual health insurance coverage currently being offered by the issuer for individuals in that market; and

(3) in exercising the option to discontinue coverage of this type and in offering the option of coverage pursuant to Paragraph (2) of this subsection, the issuer acts uniformly without regard to any health status related factor of enrolled individuals or individuals who may become eligible for that coverage.

D. If a health insurance issuer elects to discontinue offering all health insurance coverage, the individual coverage may be discontinued only if:

(1) the issuer provides notice to the superintendent and to each individual of the discontinuation at least one hundred eighty days prior to the date of the expiration of the coverage; and

(2) all health insurance issued or delivered for issuance in the state in the market is discontinued and coverage is not renewed.

E. After discontinuation pursuant to Subsection D of this section, the health insurance issuer shall not provide for the issuance of any health insurance coverage in the market involved during the five-year period beginning on the date of the discontinuation of the last health insurance coverage not renewed.

F. At the time of coverage renewal pursuant to Subsection A of this section, a health insurance issuer may modify the coverage for a policy form offered to individuals in the individual market if the modification is consistent with law and effective on a uniform basis among all individuals with that policy form.

G. If health insurance coverage is made available by a health insurance issuer in the individual market to an individual only through one or more associations, a reference to an "individual" is deemed to include a reference to that association.


59A-23E-20. Certification of coverage by issuers in the individual market.

The provisions of Section 59A-23E-7 NMSA 1978 apply to health insurance coverage offered by a health insurance issuer in the individual market in the same manner as it applies to health insurance coverage offered by a health insurance issuer in connection with a group health plan in the small or large group market.

Health Insurance for Seniors

(Repealed by Laws 1989, ch. 28, § 17; Recompiled by Laws 1990, ch. 110, § 8.)


ARTICLE 24A
Medicare Supplements

Section
59A-24A-1 Short title.
59A-24A-4 Standards for policy provisions; authority to promulgate regulations.
59A-24A-6 Loss ratio standards.
59A-24A-8 Filing of health insurance for seniors; rates and forms.
59A-24A-10 Notice of free examination.
59A-24A-11 Limitation of sales of medicare supplement policies and other policies designed to reimburse or pay as the result of hospitalization for hospital, medical or surgical expenses.
59A-24A-12 Filing requirements for advertising.
59A-24A-14 Penalties.
59A-24A-15 Medicare supplement policy; provisions relating to individuals who are eligible for medical benefits under the medicaid program.
59A-24A-16 Rules and regulations; procedures.


Chapter 59A, Article 24A NMSA 1978 may be cited as the "Medicare Supplement Act".

A. Except as otherwise specifically provided, the Medicare Supplement Act [Chapter 59A, Article 24A NMSA 1978] shall apply to:

1. all medicare supplement policies delivered or issued for delivery in this state on or after the effective date of that act;
2. all certificates issued under group medicare supplement policies, which certificates have been delivered or issued for delivery in this state; and
3. insurers issuing policies or certificates under Chapter 59A, Articles 44, 46 and 47 NMSA 1978.

B. The Medicare Supplement Act shall not apply to a master policy or contract of one or more employers or labor organizations or of the trustees of a fund established by one or more employers or labor organizations, or a combination thereof, for employees or former employees, or a combination thereof, or for members or former members, or a combination thereof, of the labor organizations.

C. The provisions of the Medicare Supplement Act are not intended to prohibit or apply to insurance policies or health care benefit plans, including group conversion policies, provided to medicare eligible persons, which policies are not marketed or held to be medicare supplement policies or benefit plans, except that policies designed to reimburse or pay as the result of hospitalization for hospital, medical and surgical expenses of persons eligible for medicare are subject to Sections 59A-24A-6 and 59A-24A-8 NMSA 1978.


The 1992 amendment, effective March 2, 1992, deleted references to subscriber contracts following "policies" in subsections A(1) to A(3); and, in Subsection C, inserted "or pay as the result of hospitalization", deleted "by age" following "medicare" near the end of the subsection and revised the statutory references at the end of the subsection.

Effective date of that act. — The phrase "effective date of that act", referred to in Subsection A(1), means July 1, 1989, the effective date of Laws 1989, ch. 28, which enacted the Medicare Supplement Act.


As used in the Medicare Supplement Act [Chapter 59A, Article 24A NMSA 1978]:

A. "applicant" means:
(1) in the case of an individual medicare supplement policy, the person who seeks to contract for insurance benefits; and

(2) in the case of a group medicare supplement policy, the proposed certificate holder;

B. "certificate" means any certificate delivered or issued for delivery in this state under a group medicare supplement policy;

C. "certificate form" means the document on which a certificate is delivered or issued for delivery;

D. "issuer" means insurance companies, fraternal benefit societies, nonprofit health care plans, health maintenance organizations and any other entities that deliver or issue for delivery in this state medicare supplement policies or certificates;

E. "medicare" means the federal Health Insurance for the Aged Act, Title XVIII of the Social Security Amendments of 1965, as then constituted or later amended;

F. "medicare supplement policy" means:

(1) a group policy as defined in Chapter 59A, Article 23 NMSA 1978;

(2) an individual policy as defined in Chapter 59A, Article 22 NMSA 1978; or

(3) a group or individual certificate issued pursuant to the Nonprofit Health Care Plan Law [Chapter 59A, Article 47 NMSA 1978] or the Health Maintenance Organization Act [Chapter 59A, Article 46 NMSA 1978] that is advertised, marketed or designed as a supplement to reimbursements under medicare for the hospital, medical or surgical expenses of persons eligible for medicare;

G. "policy form" means the document on which a policy is delivered or issued for delivery by the issuer; and

H. "superintendent" means the superintendent of insurance.

History: Laws 1989, ch. 28, § 3; 1992, ch. 3, § 3.

The 1992 amendment, effective March 2, 1992, deleted "or subscriber contract" following "policy" in Subsections A(1) and A(2), substituted all of the present language of Subsection B beginning with "delivered" for "issued under a group medicare supplement policy which certificate has been delivered or issued for delivery in this state", rewrote the provisions of Subsections C to E and redesignated them as present Subsections C to G, and redesignated former Subsection F as Subsection H.

Federal Health Insurance for the Aged Act. — The federal Health Insurance for the Aged Act, referred to in Subsection E, appears primarily as various sections in Titles 26 and 42 of the United States Code.


A. No medicare supplement policy or certificate, in force in this state, shall contain benefits that duplicate benefits provided by medicare.
B. Notwithstanding any other provisions of law of this state, a medicare supplement policy or certificate shall not exclude or limit benefits for losses incurred more than six months from the effective date of coverage because it involved a preexisting condition. The policy or certificate shall not define a preexisting condition more restrictively than a condition for which medical advice was given or treatment was recommended by or received from a physician within six months before the effective date of coverage.

C. The superintendent shall adopt reasonable regulations to establish specific standards for policy provisions contained in medicare supplement policies and certificates. Such standards shall be in addition to and in accordance with applicable laws of this state, except as those laws are modified by the provisions of the Medicare Supplement Act [Chapter 59A, Article 24A NMSA 1978]. No requirement of the Insurance Code relating to minimum required policy benefits, other than the minimum standards contained in the Medicare Supplement Act, shall apply to medicare supplement policies and certificates. The standards may cover, but are not limited to:

1. terms of renewability;
2. initial and subsequent conditions of eligibility;
3. nonduplication of coverage;
4. probationary periods;
5. benefit limitations, exceptions and reductions;
6. elimination periods;
7. requirements for replacement;
8. recurrent conditions; and
9. definitions of terms.

D. The superintendent shall adopt reasonable regulations to establish minimum standards for benefits and claims payment, marketing practices, compensation arrangements and reporting practices for medicare supplement policies and certificates.

E. The superintendent may adopt reasonable regulations necessary to conform medicare supplement policies and certificates to the requirements of federal law. The regulations may, but are not limited to:

1. require refunds or credits if policies or certificates do not meet loss ratio requirements;
2. establish a uniform methodology for calculating and reporting loss ratios;
3. assure public access to information in the possession of issuers concerning policies, premiums and loss ratios;
4. establish an approval process for policy forms, certificate forms and proposed premium increases;
(5) establish procedures for conducting public hearings prior to granting approval to proposed premium increases; and

(6) establish standards for medicare select policies and certificates if the state is authorized to operate as a medicare select state.

F. The superintendent may adopt reasonable regulations that specify prohibited policy or certificate provisions not otherwise specifically authorized by statute that, in the opinion of the superintendent, are unjust, unfair or unfairly discriminatory to any person insured or proposed to be insured under a medicare supplement policy or certificate.


The 1992 amendment, effective March 2, 1992, substituted "policy or certificate" for "insurance policy, subscriber contract or certificate" in Subsection A; added present Subsection B; redesignated former Subsection B as Subsection C; in Subsection C, substituted "adopt" for "issue", inserted "policy", and deleted ", subscriber contracts" following "policies" in the first sentence, and substituted "policies and certificates" for "policies, subscriber contracts or certificates" in the third sentence; added Subsections D and E; redesignated former Subsection C as Subsection F; and, in Subsection F, substituted "adopt" for "issue" and deleted ", subscriber contract" following "policy" near the beginning of the subsection, substituted "that" for "which" near the middle of the subsection, and substituted all of the present language following "proposed" for "for coverage under a medicare supplement policy, subscriber contract or certificate"; and deleted former Subsections D and E, relating to preexisting conditions and to inclusion of applicable standard provisions in policies.


Medicare supplement policies and other policies designed to reimburse or pay as the result of hospitalization for the hospital, medical and surgical expenses of persons eligible for medicare shall return to policyholders benefits that are reasonable in relation to the premium charged. The superintendent shall issue reasonable regulations to establish minimum standards for loss ratios of medicare supplement policies and other policies designed to reimburse or pay as the result of hospitalization for the hospital, medical and surgical expenses of persons eligible for medicare on the basis of incurred claims experience, or incurred health care expenses where coverage is provided by a health maintenance organization on a service rather than reimbursement basis, and earned premiums in accordance with accepted actuarial principles and practices.

The 1992 amendment, effective March 2, 1992, substituted "and" for "or" following "policies", inserted "or pay as the result of hospitalization", deleted "by reason of age" following "medicare" in the first and second sentences and deleted the former third and fourth sentences, relating to filing of rates and rating schedules.


A. The superintendent shall adopt regulations for the review and approval or disapproval of all rate filings or forms made pursuant to Chapter 59A, Articles 15, 18, 44, 46 and 47 NMSA 1978. During the initial review periods provided under Chapter 59A, Articles 15, 18, 44, 46 and 47 NMSA 1978, the superintendent may disapprove any form filed with him.

B. The superintendent may, in addition to any disapproval authority granted in Chapter 59A, Articles 15, 18, 44, 46 and 47 NMSA 1978, disapprove rate filings if the earned premium in the most recent calendar year is less than forty percent of the highest calendar year's earned premium for the form and, in the superintendent's judgment, those rates would result in a dropping of coverage that is not beneficial to the citizens of New Mexico. Alternately, the superintendent may:

(1) require that the experience be combined with the experience of any other form with similar benefits; or

(2) adjust the requested rate.


The 1992 amendment, effective March 2, 1992, in Subsection A, substituted "adopt regulations for the review and approval or disapproval of all rate filings" for "review and approve all filing of rates" in the first sentence and inserted "fifteen," in the first and second sentences; inserted "fifteen," near the beginning of the first sentence of the introductory paragraph in Subsection B; and deleted "of any other form" following "experience" near the beginning in Subsection B(1).


A. In order to provide for full and fair disclosure in the sale of medicare supplement policies or certificates, no medicare supplement policy or certificate shall be delivered or issued for delivery in this state unless an outline of coverage is delivered to the applicant at the time application is made.

B. The superintendent shall prescribe the format and content of the outline of coverage required by Subsection A of this section. For purposes of this section, "format" means style,
arrangements and overall appearance, including such items as the size, color and prominence of type and arrangement of text and captions. The outline of coverage shall include:

(1) a description of the principal benefits and coverage provided in the policy or certificate;

(2) a statement that provides disclosure of any provision concerning automatic renewal premium increases based on the age of a policyholder;

(3) a statement of the renewal provisions, including any reservation by the issuer of a right to change premiums; and

(4) a statement that the outline of coverage is a summary of the policy or certificate issued or applied for and that the policy or certificate should be consulted to determine governing contractual provisions.

C. The superintendent may prescribe by regulation a standard form and content of an informational brochure for persons eligible for medicare that is intended to improve the buyer's ability to select the most appropriate coverage and improve the buyer's understanding of medicare. Except in the case of direct response insurance policies or certificates, the superintendent may require by regulation that the informational brochure be provided to any prospective insured eligible for medicare concurrently with delivery of the outline of coverage. With respect to direct response insurance policies or certificates, the superintendent may require by regulation that the prescribed brochure be provided upon request to any prospective insured eligible for medicare, but the brochure shall be provided no later than the time the policy or certificate is delivered.

D. The superintendent may adopt regulations for captions or notice requirements determined to be in the public interest and designed to inform a prospective insured that particular insurance coverages are not medicare supplement coverages for all health insurance policies sold to persons eligible for medicare by reason of age. The regulations shall not apply to the following policies:

(1) medicare supplement;

(2) disability income;

(3) basic, catastrophic or major medical expense; or

(4) single, premium or nonrenewable.

E. The superintendent may adopt reasonable regulations to govern the full and fair disclosure of the information in connection with the replacement of health policies or certificates by persons eligible for medicare.


The 1992 amendment, effective March 2, 1992, deleted "contracts" or "subscriber contracts" following "policies" and deleted "by reason of age" following "medicare" several times throughout the section; rewrote Subsection B(2), which formerly read: "a statement of the exceptions, reductions and limitations contained in the policy, contract or certificate"; substituted "issuer" for "insurer" in Subsection.
B(3); substituted "informational" for "information" in the second sentence in Subsection C; and rewrote the first sentence in Subsection D.


Medicare supplement policies and certificates shall have a notice printed prominently on the first page of the policy or certificate or attached to the policy stating that the applicant shall have the right to return the policy or certificate within thirty days of delivery and have the premium refunded if, after examination of the policy or certificate, the applicant is not satisfied for any reason. Any refund made pursuant to this section shall be paid in a timely manner directly to the applicant by the issuer.


The 1992 amendment, effective March 2, 1992, deleted "open contract" or "subscriber contract" following "policy" several times in the first sentence and substituted "issuer" for "insurer" in the second sentence.

59A-24A-11. Limitation of sales of medicare supplement policies and other policies designed to reimburse or pay as the result of hospitalization for hospital, medical or surgical expenses.

The superintendent may establish reasonable rules and regulations to restrict the sale of medicare supplement policies and other policies designed to reimburse or pay as the result of hospitalization for hospital, medical or surgical expenses that result in over-insurance to an insured.


The 1992 amendment, effective March 2, 1992, substituted the present section heading for "limitation of sales of medicare supplement policies", and substituted all of the present language of the section following "medicare supplement" for "policies that result in over-insurance to an insured".


A. Every issuer of medicare supplement insurance policies or certificates in this state shall provide a copy of any medicare supplement advertisement intended for use in this state, whether through written, radio or television medium, to the superintendent for review and approval. The advertisement shall comply with all applicable laws of this state.

B. Persons who market medicare supplement insurance policies or certificates in this state shall not advertise any policies or certificates unless:

(1) the issuer of the policy or certificate has provided the superintendent with a copy of the advertisement; and

(2) the superintendent has reviewed and approved the advertisement.

The 1992 amendment, effective March 2, 1992, designated the formerly undesignated provisions as Subsection A; rewrote the first sentence of Subsection A and deleted the former third sentence of that subsection, relating to authorization of superintendent to issue a cease and desist order; and added Subsection B.


In addition to any other applicable penalties for violations of the Insurance Code, the superintendent may impose penalties pursuant to the provisions of Section 59A-1-18 NMSA 1978, for a violation of the Medicare Supplement Act [Chapter 59A, Article 24A NMSA 1978]. The superintendent may require issuers violating any provision of the Medicare Supplement Act or regulations adopted pursuant to that act to cease marketing any medicare supplement policy or certificate in this state that is related directly or indirectly to a violation or may require the issuer to take actions that are necessary to comply with the provisions of that act, or both.


The 1992 amendment, effective March 2, 1992, added all of the present language of the first sentence following "Code"; and, in the second sentence, substituted "issuers" for "insurers", deleted ", subscriber contract" following "policy", substituted "that is related" for "which is related", and substituted "the issuer" for "such issuer".


59A-24A-15. Medicare supplement policy; provisions relating to individuals who are eligible for medical benefits under the medicaid program.

A. Each medicare supplement policy that is delivered, issued for delivery or renewed in this state shall include provisions that require benefits paid on behalf of a child or other insured person under the policy to be paid to the human services department when:

(1) the human services department has paid or is paying benefits on behalf of the child or other insured person under the state's medicaid program pursuant to Title XIX of the federal Social Security Act, 42 U.S.C. 1396, et seq.;

(2) payment for the services in question has been made by the human services department to the medicaid provider; and

(3) the issuer is notified that the insured individual receives benefits under the
medicaid program and that benefits must be paid directly to the human services department.

B. The notice required under Paragraph (3) of Subsection A of this section may be accomplished through an attachment to the claim by the human services department for insurance benefits when the claim is first submitted by the human services department to the issuer.

C. Notwithstanding any other provisions of law, checks in payment for claims pursuant to any medicare supplement policy for health care services provided to persons who are also eligible for benefits under the medicaid program and provided by medical providers qualified to participate under the policy shall be made payable to the provider. The issuer may be notified that the insured individual is eligible for medicaid benefits through an attachment to the claim by the provider for insurance benefits when the claim is first submitted by the provider to the issuer.

D. No medicare supplement policy delivered, issued for delivery or renewed in this state or after the effective date of this section shall contain any provision denying or limiting insurance benefits because services are rendered to an insured who is eligible for or who has received medical assistance under the medicaid program of this state, unless:

(1) the medicare supplement policy or certificate has been suspended at the request of a policy or certificate holder for a period not to exceed twenty-four months; and

(2) during the period of suspension, the policy or certificate holder is entitled to medical assistance pursuant to Title XIX of the federal Social Security Act, 42 U.S.C. 1396, et seq.


The 1992 amendment, effective March 2, 1992, substituted "issuer" for "insurer" several times throughout the section; and, in Subsection D, substituted ", unless:" for a period at the end of the introductory paragraph, and added Paragraphs (1) and (2).


Severability clauses. — Laws 1992, ch. 3, § 15 provides for the severability of the act if any part or application thereof is held invalid.
Credit Life and Credit Health Insurance

Section
59A-25-1 Scope and short title.
59A-25-2 Purpose.
59A-25-3 Definitions.
59A-25-4 Forms of credit life, credit health insurances.
59A-25-5 Amount of insurance.
59A-25-6 Term of insurance.
59A-25-7 Provisions of policies and certificates; disclosure to debtors.
59A-25-8 Filing, approval and withdrawal of forms.
59A-25-9 Premiums and refunds.
59A-25-10 Authorized insurer, licensed agent required.
59A-25-11 Claims administration.
59A-25-12 Existing insurance; choice of insurer.
59A-25-13 Director of financial institutions division to report violations.
59A-25-14 Penalties.


A. All life insurance and all health insurance in connection with loans or other credit transactions shall be subject to the provisions of this article, except such insurance in connection with a loan or other credit transaction of more than ten (10) years' duration; nor shall insurance be subject to this article where issuance of the insurance is an isolated transaction on part of the insurer not related to an agreement or plan for insuring debtors of the creditor.

B. This article [Chapter 59A, Article 25 NMSA 1978] may be cited as the "Law for Regulation of Credit Life Insurance and Credit Health Insurance."


Credit life insurer's punitive damage liability for refusing payment, 55 A.L.R.4th 246.

44 C.J.S. Insurance § 39 et seq.


The purpose of this article is to promote the public welfare by regulating credit life insurance and credit health insurance. Nothing in this article is intended to prohibit or discourage reasonable competition. The provisions of this article shall be liberally construed.

History: Laws 1984, ch. 127, § 472.


For the purposes of this article:
A. "credit life insurance" means insurance on the life of a debtor pursuant to or in connection with a specific loan or other credit transaction;

B. "credit accident and health insurance" means insurance on a debtor to provide indemnity for payments becoming due on a specific loan or other credit transaction while the debtor is disabled as defined in the policy;

C. "creditor" means the lender of money or vendor or lessor of goods, services or property, rights or privileges for which payment is arranged through a credit transaction, or any successor to the right, title or interest of any such lender, vendor or lessor, and an affiliate, associate or subsidiary of any of them or any director, officer or employee of any of them or any other person in any way associated with any of them;

D. "credit transaction" includes loans, purchases and leases in which the debtor or his successor in interest become liable for the payment of the indebtedness in one or more payments to the creditor;

E. "debtor" means a borrower of money or a purchaser or lessee of goods, services, property, rights or privileges for which payment is arranged through a credit transaction; and

F. "indebtedness" means the total amount payable by a debtor to a creditor in connection with a loan or other credit transaction.

History: Laws 1984, ch. 127, § 474.

59A-25-4. Forms of credit life, credit health insurances.

Credit life insurance and credit health insurance shall be issued only in the following forms:

A. individual policies of life insurance issued to debtors on the term plan;

B. individual policies of health insurance issued to debtors on a term plan or disability benefit provisions in individual policies of credit life insurance;

C. group policies of life insurance issued to creditors providing insurance upon the lives of debtors on the term plan; and

D. group policies of health insurance issued to creditors on a term plan insuring debtors or disability benefit provisions in group credit life insurance policies to provide such coverage.

History: Laws 1984, ch. 127, § 475.

59A-25-5. Amount of insurance.

A. The initial amount of credit life insurance shall not exceed the total amount repayable under the contract of indebtedness and, where an indebtedness is repayable in substantially equal installments, the amount of insurance shall at no time exceed the scheduled or actual amount of unpaid indebtedness, whichever is greater.
B. Notwithstanding the provisions of Subsection A, above, insurance on agricultural credit transactions and other credit transactions not providing for amortization of the indebtedness and not exceeding two (2) years in duration may be written up to the amount of the loan commitment on a nondecreasing or level term plan.

C. Notwithstanding the provisions of Subsection A, above, or any other provision of this article, insurance on educational credit transaction commitments may be written for the amount of the portion of such commitment that has not already been advanced by the creditor.

D. The total amount of periodic indemnity payable by credit health insurance in event of disability, as defined in the policy, shall not exceed the aggregate of the periodic scheduled unpaid installments of the indebtedness, and the amount of each periodic indemnity payment shall not exceed the original indebtedness divided by the number of periodic installments.

History: Laws 1984, ch. 127, § 476.

59A-25-6. Term of insurance.

The term of any credit life or credit health insurance shall, subject to acceptance by the insurer, commence on the date when the debtor becomes obligated to the creditor, or the date when the debtor applies for such insurance, whichever is later, except that where a group policy provides coverage with respect to existing obligations, the insurance on a debtor with respect to such indebtedness shall commence on the effective date of the policy. Where evidence of insurability is required and such evidence is furnished more than thirty (30) days after the date when the debtor becomes obligated to the creditor, the term of the insurance may commence on the date on which the insurer determines the evidence to be satisfactory, and in such event there shall be an appropriate refund or adjustment of any charge to the debtor for insurance. The term of such insurance shall not extend more than fifteen (15) days beyond the scheduled maturity date of the indebtedness except when extended without additional cost to the debtor. If the indebtedness is discharged due to renewal or refinancing prior to the scheduled maturity date, the insurance in force shall be terminated before any new insurance may be issued in connection with the renewed or refinanced indebtedness. In all cases of termination prior to scheduled maturity, a refund shall be paid or credited as provided in Section 480 [59A-25-9 NMSA 1978] of this article.


59A-25-7. Provisions of policies and certificates; disclosure to debtors.

A. All credit life insurance and credit health insurance shall be evidenced by an individual policy, or in the case of group insurance by a certificate of insurance, which individual policy or group certificate of insurance shall be delivered to the debtor.

B. Each such individual policy or group certificate shall, in addition to other requirements of law, set forth the name and home office address of the insurer, the name or names of the debtor
or in the case of a certificate under a group policy, the identity by name or otherwise of the debtor, the premium or amount of payment, if any, by the debtor separately for credit life insurance and credit health insurance, a description of the coverage including the amount and term thereof and any exceptions, limitations and restrictions, and shall state that the benefits shall be paid to the creditor to reduce or extinguish the unpaid indebtedness and, wherever the amount of insurance may exceed the unpaid indebtedness, that any such excess shall be payable to a beneficiary, other than the creditor, named by the debtor or to his estate, and provide for refund of premiums as required by Section 480 [59A-25-9 NMSA 1978] of this article.

C. The individual policy or group certificate shall be delivered to the insured debtor at the time the indebtedness is incurred except as hereinafter in this section provided.

D. If the individual policy or group certificate is not delivered to the debtor at the time the indebtedness is incurred, a copy of the application for such policy or a notice of proposed insurance, signed by the debtor and setting forth the name and home office address of the insurer, the name or names of the debtor, the premium or amount of payment by the debtor, if any, separately for credit life insurance and credit health insurance, the amount, term and a brief description of the coverage, shall be delivered to the debtor at the time such indebtedness is incurred. The copy of the application or such notice of proposed insurance shall also refer exclusively to insurance coverage, and shall be separate and apart from the loan, sale or other credit statement of account, instrument or agreement, unless the information required by this subsection is prominently set forth therein. Upon acceptance of the insurance by the insurer and within thirty (30) days of the date upon which the indebtedness is incurred, the insurer shall cause the individual policy or group certificate to be delivered to the debtor. The application or notice of proposed insurance shall state that upon acceptance by the insurer, the insurance shall become effective as provided in Section 477 [59A-25-6 NMSA 1978] of this article.

E. If the named insurer does not accept the risk, then the debtor shall receive a policy or certificate of insurance setting forth the name and home office address of the substituted insurer and the amount of the premium to be charged, and if the amount of premium is less than that set forth in the notice of proposed insurance an appropriate refund shall be made.


ANNOTATION

Failure to deliver policy. — The purpose of the requirement of delivery of the policy at the time credit is extended was not to alert the debtor-insured to the limitations provision in the policy before he signed off on a promissory note; thus, the insurer would not be estopped from enforcing the provision even though it violated the delivery requirement. Willey v. United Mercantile Life Ins. Co., 1999-NMCA-137, 128 N.M. 98, 990 P.2d 211.

Existing forms and filings. — Laws 1984, ch. 127, § 992, provides that every form of insurance document and filing lawfully in use immediately prior to the effective date of the act (January 1, 1985) may be continued to be used and is effective until the superintendent otherwise prescribes pursuant to the act and bars for one year after such date either the act or superintendent from prohibiting use of any existing document.
form of insurance document and filing because of a provision of the act which did not exist under the prior law (Chapter 59 NMSA 1978) immediately prior to the effective date of the act.


A. All policies, certificates of insurance, notice of proposed insurance, applications for insurance, endorsements and riders delivered or issued for delivery in this state and the schedules of premium rates pertaining thereto shall be filed by the insurer with the superintendent.

B. The superintendent shall within thirty (30) days after the filing of any such policies, certificates of insurance, notice of proposed insurance, applications for insurance, endorsements and riders, disapprove any such form if the benefits provided therein are not reasonable in relation to the premium charge, or if it contains provisions which are unjust, unfair, inequitable, misleading, deceptive or encourage misrepresentation of the coverage, or are contrary to any provision of the Insurance Code or of any rule or regulation promulgated thereunder.

C. If the superintendent notifies the insurer that the form is disapproved, it is unlawful thereafter for the insurer to issue or use such form. In such notice the superintendent shall specify the reason for disapproval and state that a hearing will be granted within twenty (20) days after request in writing by the insurer. No such policy, certificate of insurance, notice of proposed insurance, nor any application, endorsement or rider shall be issued or used until the expiration of thirty (30) days after it has been so filed, unless the superintendent gives his prior written approval thereto.

D. The superintendent may, at any time after a hearing held not less than twenty (20) days after written notice to the insurer, withdraw his approval of any such form on any ground set forth in Subsection B above. The written notice of hearing shall state the reason for the proposed withdrawal.

E. The insurer shall not issue such forms or use them after the effective date of such withdrawal.

F. If a group policy of credit life insurance or credit health insurance has been or is delivered in another state, the insurer shall be required to file only the group certificate and notice of proposed insurance delivered or issued for delivery in this state as specified in Subsections B and D of Section 59A-25-7 NMSA 1978 of this article, and such forms shall be approved by the superintendent if they conform with the requirements specified in such subsections and if the schedules of premium rates applicable to the insurance evidenced by such certificate or notice are not in excess of the insurer's schedules of premium rates filed with the superintendent.

History: Laws 1984, ch. 127, § 479.

Existing forms and filings. — Laws 1984, ch. 127, § 992, provides that every form of insurance document and filing lawfully in use immediately prior to the effective date of the act (January 1, 1985) may be continued to be used and is effective until the superintendent otherwise prescribes pursuant to the act and bars for one year after such date either the act or superintendent from prohibiting use of any existing
form of insurance document and filing because of a provision of the act which did not exist under the prior law (Chapter 59 NMSA 1978) immediately prior to the effective date of the act.


A. Any insurer may revise its schedules of premium rates from time to time and shall file such revised schedules with the superintendent. No insurer shall issue any credit life insurance policy or credit health insurance policy for which the premium rate exceeds that determined by the schedules of such insurer as then on file with the superintendent.

B. Each individual policy or group certificate shall provide that in the event of termination of the insurance prior to the scheduled maturity date of the indebtedness, any refund of an amount paid by the debtor for insurance shall be paid or credited promptly to the person entitled thereto; provided, however, that the superintendent shall prescribe a minimum refund and no refund which would be less than such minimum need be made. The formula to be used in computing such refund shall be filed with and approved by the superintendent.

C. If a creditor requires a debtor to make any payment for credit life insurance or credit health insurance and an individual policy or group certificate of insurance is not issued, the creditor shall immediately give written notice to such debtor and shall promptly make an appropriate credit to the account.

D. The amount charged to a debtor for any credit life or credit health insurance shall not exceed the premiums charged by the insurer, as computed at the time the charge to the debtor is determined.

E. Nothing in this article shall be construed to authorize any payments for insurance now prohibited under any statute, or rule thereunder, governing credit transaction.


59A-25-10. Authorized insurer, licensed agent required.

A credit life or credit health insurance policy shall be delivered or issued for delivery in this state only by an insurer holding a certificate of authority to transact such insurance in this state, and shall be issued only through a duly appointed and licensed agent of the insurer in this state.

History: Laws 1984, ch. 127, § 481.


A. All claims shall be promptly reported to the insurer or its designated claim representative, and the insurer shall maintain adequate claim files. All claims shall be settled as soon as possible and in accordance with the terms of the insurance contract.

B. All claims shall be paid either by draft drawn upon the insurer or by check of the insurer.
to the order of the claimant to whom payment of the claim is due pursuant to the policy provisions, or upon direction of such claimant to one specified.

C. No plan or arrangement shall be used whereby any person other than the insurer or its designated claim representative shall be authorized to settle or adjust claims. The creditor shall not be designated as claim representative for the insurer in adjusting claims; provided, that a group policyholder may, by arrangement with the insurer, draw drafts or checks in payment of claims due to the group policyholder subject to audit and review by the insurer.

History: Laws 1984, ch. 127, § 482.

59A-25-12. Existing insurance; choice of insurer.

When credit life or credit health insurance is required as additional security for any indebtedness, the debtor shall, upon request to the creditor, have the option of furnishing the required amount of insurance through existing policies of insurance owned or controlled by him or of procuring and furnishing the required coverage through any insurer authorized to transact such an insurance business in this state. The creditor shall timely inform the debtor in writing of the debtor's rights under this section, in form prescribed or approved by the superintendent.


The director of the financial institutions division of this state, in connection with his examination of lending institutions under his supervision, regulation or control, shall investigate and examine the procedures and policies of such lending agencies regarding issue and sale of insurance in connection with loans, and to report immediately to the superintendent any questionable procedures or violations of this article by any such lending agency.

History: Laws 1984, ch. 127, § 484.


In addition to any other penalty provided by law, any person violating the superintendent's order under this article after the order has become final and while the order is in effect, shall upon conviction thereof forfeit and pay to the state of New Mexico not to exceed five hundred dollars ($500), except that if the violation is found to be wilful the penalty shall be in [a] sum not over two thousand dollars ($2,000).

Casualty Insurance Contracts

Section 59A-26-1 Scope of article.

59A-26-1. Scope of article.

This article [Chapter 59A, Article 26 NMSA 1978] applies as to certain contracts of casualty insurance, as identified in the respective sections of this article, other than mortgage guaranty insurance contracts, motor vehicle insurance contracts and employer's liability or workmen's compensation insurance contracts, which such excepted contracts are respectively covered under a separate subsequent article of the Insurance Code. All such casualty contracts shall also be subject to applicable provisions of Article 18 [Chapter 59A, Article 18 NMSA 1978] (the insurance contract) of the Insurance Code.

History: Laws 1984, ch. 127, § 486.

Cross references. — For mortgage guaranty insurance contracts, see Chapter 59A, Article 28 NMSA 1978.

For motor vehicle insurance contracts, see Chapter 59A, Article 32 NMSA 1978.

For workers' compensation insurance contracts, see Chapter 59A, Article 33 NMSA 1978.


Am. Jur. 2d, A.L.R. and C.J.S. references. — Liability insurance: intoxication or other mental incapacity avoiding application of clause in liability policy specifically exempting coverage of injury or damage caused intentionally by or at direction of insured, 33 A.L.R.4th 983.

Acts in self-defense as within provision of liability insurance policy expressly excluding coverage for damage or injury intended or expected by insured, 34 A.L.R.4th 761.

Duty of mortgagee of real property with respect to obtaining or maintenance of fire or other casualty insurance protecting mortgagor, 42 A.L.R.4th 188.

Self-insurance against liability as other insurance within meaning of liability insurance policy, 46 A.L.R.4th 707.

Livestock or animal insurance: risks and losses, 47 A.L.R.4th 772.

Liability insurance: when is vehicle in "dead storage," 48 A.L.R.4th 591.

Aviation insurance: causal link between breach of policy provisions and accident as requisite to avoid insurer's liability, 48 A.L.R.4th 778.

What constitutes single accident or occurrence within liability policy limiting insurer's liability to a specified amount per accident or occurrence, 64 A.L.R.4th 668.

Theft and vandalism insurance: coinsured's misconduct as barring innocent coinsured's right to recover on policy, 64 A.L.R.4th 714.
Construction and effect of "rain insurance" policies insuring against rainfall on the date of concert, exhibition, game, or the like, 70 A.L.R.4th 1010.

Liability of tortfeasor's insurance agent or broker to injured party for failure to procure or maintain liability insurance, 72 A.L.R.4th 1095.

Loss of information stored in computer system or on computer disk cartridge, computer tape, or similar computer storage media as within coverage of liability policy, 85 A.L.R.4th 1102.

Fire insurance: failure to disclose prior fires affecting insured's property as ground for avoidance of policy, 4 A.L.R.5th 117.

Liability of insurance agent or broker on ground of inadequacy of liability-insurance coverage procured, 60 A.L.R.5th 165.

ARTICLE 27
Marine and Transportation Insurance Contracts

Section 59A-27-1 Scope of article.

59A-27-1. Scope of article.

This article [Chapter 59A, Article 27 NMSA 1978] applies only as to contracts of marine and transportation insurance, as such insurance is defined in Section 111 [59A-7-5 NMSA 1978] of the Insurance Code. All such insurance contracts shall be subject to the provisions, as applicable, of Article 18 [Chapter 59A, Article 18 NMSA 1978] (the insurance contract) of the Insurance Code.

History: Laws 1984, ch. 127, § 487.


ARTICLE 28
Mortgage Guaranty Insurance Contracts

Section 59A-28-1 Scope of article.

59A-28-1. Scope of article.
This article [Chapter 59A, Article 28 NMSA 1978] shall apply only with respect to contracts of mortgage guaranty insurance as defined in Section 112 [59A-7-6 NMSA 1978] of the Insurance Code. Such contracts are also subject to the applicable provisions of Article 18 [Chapter 59A, Article 18 NMSA 1978] (the insurance contract) of the Insurance Code.

**History:** Laws 1984, ch. 127, § 488.

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**ARTICLE 29**

**Property Insurance Contracts; Fair Plan Act**

Section

59A-29-1 Short title.
59A-29-2 Organization of FAIR plan and underwriting association.
59A-29-3 Participation.
59A-29-4 Requirements of plan and authority of association.
59A-29-5 Changes in plan or articles.
59A-29-6 Appeals; judicial review.
59A-29-7 Immunity.
59A-29-8 Repealed.
59A-29-9 Retroactive application.
59A-29-10 to 59A-29-12 Repealed.

59A-29-1. Short title.

This article [Chapter 59A, Article 29 NMSA 1978] may be cited as the "FAIR Plan Act" (fair access to insurance requirements).

**History:** 1978 Comp., § 59A-29-1, enacted by Laws 1985, ch. 61, § 1.


59A-29-2. Organization of FAIR plan and underwriting association.

All insurers licensed to write and writing essential property insurance, as defined by the superintendent of insurance, in New Mexico on a direct basis are authorized, subject to approval and regulation by the superintendent of insurance, to establish and maintain a FAIR plan and to establish and maintain an underwriting association and to formulate and from time to time amend the plan and articles of association and rules and regulations in connection therewith and to assess and share on a fair and equitable basis all expenses, income and losses incident to such FAIR plan and underwriting association in a manner consistent with the provisions of the FAIR Plan Act [Chapter 59A, Article 29 NMSA 1978]. Such underwriting association shall be known
as the "New Mexico Property Insurance Program."

**History:** 1978 Comp., § 59A-29-2, enacted by Laws 1985, ch. 61, § 2.

**Repeals.** — Laws 1985, ch. 61, § 10 repeals former 59A-29-2 NMSA 1978, as enacted by Laws 1984, ch. 127, § 489, relating to the scope of the article, effective April 1, 1985. For provisions of former section, see 1984 Original Pamphlet.

### 59A-29-3. Participation.

Each insurer authorized to write and writing essential property insurance in New Mexico shall be required to become and remain a member of the FAIR plan and the underwriting association and comply with the requirements thereof as a condition of its authority to transact property insurance business. As a prerequisite to such authority to transact property insurance business each insurer shall automatically subscribe to the articles of agreement on file in the superintendent's office.

**History:** 1978 Comp., § 59A-29-3, enacted by Laws 1985, ch. 61, § 3.


### 59A-29-4. Requirements of plan and authority of association.

The FAIR plan and articles of association shall make provision for an underwriting association having authority on behalf of its members to cause to be issued property insurance policies, to reinsure in whole or in part any such policies and to cede any such reinsurance. The plan and articles of association shall provide, among other things, for the perils to be covered, geographical area of coverage, compensation and commission, assessments of members, the sharing of expenses, income and losses on an equitable basis, cumulative weighted voting for the governing committee of the association, the administration of the plan and association and any other matter necessary or convenient for the purpose of assuring fair access to insurance requirements.

**History:** 1978 Comp., § 59A-29-4, enacted by Laws 1985, ch. 61, § 4.

**Repeals.** — Laws 1985, ch. 61, § 10 repeals former 59A-29-4 NMSA 1978, as enacted by Laws 1984, ch. 127, § 498, relating to participation in a FAIR plan, effective April 1, 1985. For provisions of former section, see 1984 Original Pamphlet. For present comparable provisions, see 59A-29-3 NMSA 1978.

### 59A-29-5. Changes in plan or articles.

The governing committee of the New Mexico property insurance program may, on its own
initiative or at the request of the superintendent of insurance, amend the plan and articles, subject to approval by the superintendent.

**History:** 1978 Comp., § 59A-29-5, enacted by Laws 1985, ch. 61, § 5.

**Repeals.** — Laws 1985, ch. 61, § 10 repeals former 59A-29-5 NMSA 1978, as enacted by Laws 1984, ch. 127, § 499, relating to requirements of the term and authority of the underwriting association, effective April 1, 1985. For provisions of former section, see 1984 Original Pamphlet. For present comparable provisions, see 59A-29-4 NMSA 1978.

### 59A-29-6. Appeals; judicial review.

A. A person aggrieved by an action or decision of the administrators of the FAIR plan or the underwriting association or of any insurer as a result of its participation may appeal to the superintendent within thirty days from the date of the action or the decision. The superintendent shall, after hearing held upon thirty days' written notice, issue an order approving the action or decision or disapproving the action or decision with respect to the matter that is the subject of appeal.

B. All final orders and decisions of the superintendent shall be subject to judicial review in the district court pursuant to the provisions of Section 39-3-1.1 NMSA 1978.

**History:** 1978 Comp., § 59A-29-6, enacted by Laws 1985, ch. 61, § 6; 1998, ch. 55, § 64; 1999, ch. 265, § 68.

The **1998 amendment**, effective September 1, 1998, added the Subsection designations; in Subsection A, deleted "therein" following "participation", deleted "of insurance" following "superintendent" twice; and in Subsection B, deleted "of insurance" following "superintendent", substituted "in the district court pursuant to the provisions of Section 39-3-1.1 NMSA 1978" for "de novo"; and made minor stylistic changes throughout the section.

The **1999 amendment**, effective July 1, 1999, substituted "Section 39-3-1.1" for "Section 12-8A-1" in Subsection B.

**Repeals.** — Laws 1985, ch. 61, § 10 repeals former 59A-29-6 NMSA 1978, as enacted by Laws 1984, ch. 127, § 500, relating to changes in the plan or articles effective April 1, 1985. For provisions of former section, see 1985 Original Pamphlet. For present comparable provisions, see 59A-29-5 NMSA 1978.


There shall be no liability on the part of, and no cause of action of any nature shall arise against, any member insurer, the association or its agents or employees, the governing committee or the superintendent or his representative for any action taken by them in the performance of their powers and duties under the FAIR Plan Act [this article]. The meetings, activities, recommendations and decisions of the governing committee of the association as required or permitted in that act shall not be open to public inspection, nor be considered public documents, nor be subject to Sections 10-15-1 through 10-15-4 NMSA 1978.

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ANNOTATIONS

Liability of servicing insurer. — An insurer who is a member of the New Mexico Property Insurance Program (NMPIP) is not immune from liability for actions taken in its role as a servicing insurer under contract with the NMPIP. Maes v. Audubon Indemnity Ins. Group, 2007-NMSC-046, 142 N.M. 235, 164 P.3d 934.

Servicing insurer is not an agent. — A servicing insurer who is under contract with the New Mexico Property Insurance Program (NMPIP) to issue and service policies on risks referred to it by the NMPIP and who is subject to regulation by the NMPIP as a servicing agent, is not an agent of the NMPIP, and is not immune from liability for its actions as a servicing insurer. Maes v. Audubon Indemnity Ins. Group, 2007-NMSC-046, 142 N.M. 235, 164 P.3d 934.


Repeals. — Laws 1993, ch. 115, § 1 repeals 59A-29-8 NMSA 1978, as amended by Laws 1987, ch. 67, § 1, providing a termination date for the FAIR Plan Act but providing an exception for outstanding obligations, effective June 18, 1993. For provisions of former section, see 1992 Replacement Pamphlet.


The FAIR Plan Act [Chapter 59A, Article 29 NMSA 1978] shall be effective and shall apply retroactively to April 30, 1981, to validate action taken under the New Mexico interim uniform basic property insurance and placement program promulgated by the superintendent of insurance.


Repeals. — Laws 1985, ch. 61, § 10 repeals 59A-29-10 to 59A-29-12 NMSA 1978, as enacted by Laws 1984, ch. 127, §§ 504 to 506, relating to assessment and recoupment upon and from insurers and the expiration and application of the FAIR Plan Law, effective April 1, 1985. For provisions of former sections, see 1984 Original Pamphlet.

ARTICLE 30
Title Insurance

Section
59A-30-1 Short title.
59A-30-2 Purpose and legislative intent of article.
59A-30-3 Definitions.
59A-30-4 Control and supervision by superintendent.
59A-30-4.1 Reporting by superintendent.
59A-30-5 Policy forms.
59A-30-5.1 Available funds required to issue policy.
59A-30-6 Premiums; agency agreements; duty to promulgate reasonable rates; exception.
59A-30-6.1 Premiums; refinanced property.
59A-30-6.2 Premiums; Indian nation, tribe or pueblo trust property.
59A-30-7 Reporting of experience.
59A-30-8 Hearings; notice.
59A-30-9 Review; appeals.
59A-30-10 Reserve for losses and loss expenses.
59A-30-11 Underwriting standards and record retention.
59A-30-12 Maintenance assessment.
59A-30-13 Title insurance maintenance assessment fund created; appropriation.
59A-30-14 Other provisions applicable.
59A-30-15 Repealed.


Chapter 59A, Article 30 NMSA 1978 may be cited as the "New Mexico Title Insurance Law".

History: 1978 Comp., § 59A-30-1, enacted by Laws 1985, ch. 28, § 1; 2009, ch. 80, § 3.

Repeals and reenactments. — Laws 1985, ch. 28, § 1, repeals former 59A-30-1 NMSA 1978, as enacted by Laws 1984, ch. 127, § 507, and enacts the above section. For provisions of former section, see 1984 Original Pamphlet.

The 2009 amendment, effective July 1, 2009, changed the statutory reference to the Chapter and Article of NMSA 1978.

ANNOTATION
Escrow accounts. — A title insurance company acting as escrow agent cannot retain for its own benefit interest paid by a financial institution on escrow accounts without express permission from the customer or written contract allowing this payment of interest as compensation. 1987 Op. Att'y Gen. No. 87-30.

The acceptance of other in-kind services and consideration in lieu of interest on escrow accounts is in violation of the fiduciary duties of the title insurance company, agent, broker, or solicitor to the principal. 1987 Op. Att'y Gen. No. 87-30.


59A-30-2. Purpose and legislative intent of article.

A. The purpose of the New Mexico Title Insurance Law [59A-30-1 NMSA 1978] is to provide a comprehensive body of law for the effective regulation and active supervision of the business of title insurance transacted within this state in accordance with the McCarran-Ferguson Act (P.L. 79-15, 15 U.S.C. Sections 1011-1015).

B. The legislature intends that the business of title insurance be regulated by the state to provide for the protection of consumers and purchasers of title insurance policies and the financial stability of the title insurance industry.

C. The legislature intends that the title insurance market be competitive for all title insurance agents, that regulation of the title insurance industry does not disproportionately impact independent title agencies and that regulation of the industry does not place independent title insurance agents at a competitive disadvantage with underwriter-owned title companies.


Severability clauses. — Laws 2009, ch. 80, § 15, effective July 1, 2009, provided that if any part or application of this act is held invalid, the remainder or its application to other situations or persons shall not be affected.

The 2009 amendment, effective July 1, 2009, in Subsection A, before "the McCarran-Ferguson Act", changed "response to" to "accordance with"; in Subsection B, before "regulated", deleted "totally"; and added Subsection C.


As used in the New Mexico Title Insurance Law [59A-30-1 NMSA 1978]:

A. "agency agreement" means a document executed by a title insurer and title insurance agent that defines the compensation of the title insurance agent and the scope of the title insurance agent's authority;

B. "basic premium rate" means the premium rate for an original owner's policy of title insurance;
C. "business of title insurance" means:
   (1) issuing as title insurer or offering to issue as title insurer a title insurance policy; or
   (2) transacting or proposing to transact by a title insurer or title insurance agent any of the following activities when conducted or performed in contemplation of the issuance of a title insurance policy:
      (a) soliciting or negotiating the issuance of a title insurance policy;
      (b) guaranteeing, warranting or otherwise insuring the correctness of title searches;
      (c) executing title insurance policies;
      (d) effecting contracts of reinsurance;
      (e) abstracting, searching or examining titles; or
      (f) doing or proposing to do any business in substance equivalent to the business of title insurance in a manner designed to evade the provisions of the New Mexico Title Insurance Law or other laws applicable to the business of title insurance;

D. "charge" means any consideration, other than premiums billed by a title insurance agent or title insurer or both, for the performance of services, including but not necessarily limited to:
   (1) consideration for the supervising or handling of escrows, settlements, closings, preparation of abstracts, delivery or recording of transfer and lien documents and disbursing funds;
   (2) consideration for services commenced but not completed; and
   (3) consideration for title searches conducted for a purpose other than issuance of a title insurance policy.

"Charge" does not include consideration collected by a title insurer or title insurance agent when the consideration is limited to the amount billed for services rendered by a third party;

E. "premium" means the consideration for issuing a title insurance policy and includes the consideration for searching and examining a title when conducted or performed for the purpose of the issuance of a title insurance policy;

F. "available funds" means funds subject to immediate withdrawal by cash or check in a depository account with a financial institution, held in the name of and subject to the control of a title insurance agent, title insurer or third party fiduciary, not including a person or entity that is a party to the transaction, cooperating in the closing of a transaction with a title insurance agent or title insurer;

G. "title insurance agent" means a person licensed as an agent under the Insurance Code [59A-1-1 NMSA 1978] and appointed by a title insurer;
H. "title insurance policy" or "policy" means a contract indemnifying against loss or damage arising from any of the following that exist on or before the effective date of the policy:

(1) defects in the insured title;
(2) liens or encumbrances on the insured title;
(3) unmarketability of the insured title;
(4) invalidity or unenforceability of liens or encumbrances on the property that is the subject of the policy; or
(5) lack of legal right of access to and from the property.

"Title insurance policy" or "policy" does not include an abstract; and

I. "title insurer" means any person authorized under the laws of this state to transact as insurer the business of title insurance.


Severability clauses. — Laws 2009, ch. 80, § 15, effective July 1, 2009, provided that if any part or application of this act is held invalid, the remainder or its application to other situations or persons shall not be affected.

The 2009 amendment, effective July 1, 2009, added Subsection B; in Paragraph (1) of Subsection D, before "handling of escrows", added "supervising or" and after "abstracts", added "delivery or recording and lien documents and disbursing funds"; in Paragraph (3) of Subsection D, after "policy", inserted a period, deleted "but not including", began a new paragraph and added " "Charge" does not include"; and added Paragraph (5) of Subsection H.

59A-30-4. Control and supervision by superintendent.

A. Title insurers and title insurance agents shall operate in New Mexico under the control and supervision of the superintendent. The superintendent shall promulgate such rules and regulations as are necessary to carry out the provisions of the New Mexico Title Insurance Law [59A-30-1 NMSA 1978]. The superintendent may adopt uniform rules and regulations to address underwriting standards and practices, including but not limited to rules and regulations that prohibit title insurers from insuring specified risks that the superintendent determines may pose an unreasonable risk to the financial stability of title insurers.

B. No title insurer or title insurance agent shall collect any premium, issue any title insurance policy or agency agreement, or reinsure any portion of the risk assumed under any title insurance policy, other than in conformance with the New Mexico Title Insurance Law and rules and regulations adopted by the superintendent as authorized by the New Mexico Title Insurance Law.


Severability clauses. — Laws 2009, ch. 80, § 15, effective July 1, 2009, provided that if any part or
application of this act is held invalid, the remainder or its application to other situations or persons shall not be affected.

The 2009 amendment, effective July 1, 2009, in Subsection A, after "Title Insurance Law", deleted "including rules and regulations requiring uniform forms of policy and uniform premiums" and in the third sentence, before "underwriting standards" added "address".

ANNOTATION

Regulation mandating arbitration disallowed. — Regulation mandating arbitration clause in title insurance contract is in conflict with New Mexico Const., art. II, § 12, and in conflict with 59A-16-30 NMSA 1978 and 57-12-10 NMSA 1978; therefore, plaintiff in suit against title company may have common law and statutory claims heard in a court of law. Lisanti v. Alamo Title Ins. of Tex., 2001-NMCA-100, 131 N.M. 334, 35 P.3d 989, aff'd, 2002-NMSC-032, 132 N.M. 750, 55 P.3d 962 (2002).

59A-30-4.1. Reporting by superintendent.

The superintendent shall compile a report for the commission and the legislature no later than October 1 each year beginning in 2010 detailing title insurance statistics, including a report on the status of price competition within the title insurance industry in New Mexico. Annual reports shall be made available to interested parties and the general public.


Severability clauses. — Laws 2009, ch. 80, § 15, effective July 1, 2009, provided that if any part or application of this act is held invalid, the remainder or its application to other situations or persons shall not be affected.


59A-30-5. Policy forms.

No title insurer or title insurance agent shall use any form of title insurance policy other than the uniform forms promulgated by the superintendent under the New Mexico Title Insurance Law [Chapter 59A, Article 30 NMSA 1978]. The superintendent shall not promulgate any uniform form under which the coverage offered is excessive or inadequate in relation to the premium charged for the coverage.


59A-30-5.1. Available funds required to issue policy.

Unless the consideration necessary to create the estate to be insured has been previously delivered, no title insurance agent or title insurer shall issue a title insurance policy until the title insurance agent, title insurer or a third party fiduciary holds available funds, as defined under
Subsection E of Section 59A-30-3 NMSA 1978, in an amount sufficient to create the estate being insured and to pay in accordance with the instructions of the parties to the transaction, all sums required to be paid through and at the time of the closing.

**History:** 1978 Comp., § 59A-30-5.1, enacted by Laws 1989, ch. 95, § 2.

### 59A-30-6. Premiums; agency agreements; duty to promulgate reasonable rates; exception.

A. The superintendent shall promulgate the premium rates of title insurers and title insurance agents for title insurance policies and the percentage of premium to be retained by title insurers under agency agreements, except that premium rates for reinsurance as between title insurers shall not be promulgated by the superintendent. No premium that has not been promulgated or approved by the superintendent shall be charged for any title insurance policy. The superintendent shall not promulgate charges of title insurers and title insurance agents other than premium rates for title insurance policies and the percentage of premium to be retained by title insurers under agency agreements.

B. The superintendent shall promulgate additional premium rates for searches or examinations of title conducted or performed for the purpose of issuance of a title insurance policy when the search or examination involves more than one chain of title or other unusual complexity.

C. Premium rates promulgated by the superintendent shall not be excessive, inadequate or unfairly discriminatory and shall contain an allowance permitting a profit that is not unreasonable in relation to the risks incurred in the business of title insurance. Premium rates may include an allowance for recoupment of assessments made pursuant to the Title Insurance Guaranty Act [59A-30A-1 NMSA 1978].

D. Title insurance agents shall retain not less than eighty percent of the gross premiums collected on commitments, policies and endorsements issued for one to four family residential property transactions with a liability amount of not more than two million dollars ($2,000,000); provided, however, that from July 1, 2009 until otherwise ordered by the superintendent, title insurance agents shall retain not less than eighty-one percent of the gross premiums collected on commitments, policies and endorsements issued for one to four family residential property transactions with a liability amount of not more than two million dollars ($2,000,000). The portion of the premium to be retained by the title insurance agent for policies with a liability amount greater than two million dollars ($2,000,000) shall be set by rule.

E. A title insurer may file with the superintendent proposed title insurance rates for a specific county or counties lower than the premium rate promulgated by the superintendent. The superintendent shall provide notice of the filed title insurance rates to all agents and underwriters doing business in that county or counties and may conduct a hearing. In determining whether to approve filed title insurance rates, the superintendent shall consider the interests and protection of consumers and independent title insurance agents and the potential impact on competition within the title insurance industry. Upon approval of the filed title insurance rates, the title
insurer and its agents shall use the filed and approved title insurance rates.

F. The superintendent shall adopt rules to establish standards and procedures by which a title insurance rate lower than the promulgated rate shall be filed and may be approved.


The 1999 amendment, effective June 18, 1999, added the second sentence of Subsection C and made minor stylistic changes.

Severability clauses. — Laws 2009, ch. 80, § 15, effective July 1, 2009, provided that if any part or application of this act is held invalid, the remainder or its application to other situations or persons shall not be affected.

The 2009 amendment, effective July 1, 2009, in Subsection A, in the second sentence, after "promulgated", added "or approved"; in Subsection C, after "in relation to the", changed "riskiness of" to "risks incurred in"; and added Subsections D, E and F.

59A-30-6.1. Premiums; refinanced property.

The premium rates for title insurance policies issued in connection with the refinancing of an existing mortgage or deed of trust, where a prior loan policy has been issued and a copy of the policy or a closing statement evidencing the issuance of the policy is furnished to the insurer or title insurance agent showing title vested in the same borrower and covering the same property, shall not exceed the percentage of the basic premium rate promulgated or approved by the superintendent as follows:

A. forty percent of the current basic premium rate applied to any amount up to the amount of the previous policy insuring the mortgage or deed of trust being refinanced, if the new policy is issued within three years from the date of the prior policy;

B. fifty percent of the current basic premium rate applied to any amount up to the amount of the previous policy insuring the mortgage or deed of trust being refinanced, if the new policy is issued more than three years but less than five years from the date of the prior policy;

C. sixty percent of the current basic premium rate applied to any amount up to the amount of the previous policy insuring the mortgage or deed of trust being refinanced, if the new policy is issued more than five years but less than ten years from the date of the prior policy;

D. eighty percent of the current basic premium rate applied to any amount up to the amount of the previous policy insuring the mortgage or deed of trust being refinanced, if the new policy is issued more than ten years but less than twenty years from the date of the prior policy; or

E. the premium for insurance coverage above the amount of the previous policy shall be ninety percent of the current basic premium rate as set by rule. In no event shall the premium collected be less than the minimum premium based on the promulgated or approved rate for a loan policy.
Severability clauses. — Laws 2009, ch. 80, § 15, effective July 1, 2009, provided that if any part or application of this act is held invalid, the remainder or its application to other situations or persons shall not be affected.


59A-30-6.2. Premiums; Indian nation, tribe or pueblo trust property.

Title insurance policies purchased in association with the acquisition of title to property by the United States in trust for a federally recognized Indian nation, tribe or pueblo located wholly or partially in New Mexico where no monetary consideration is paid, shall be issued subject to the promulgated or filed and approved premium rates for the original issuance of a title insurance policy on the same property for an amount equal to the reduced liability limit for the acquisition provided for by the United States department of justice, unless a higher liability amount is required by the United States.


Severability clauses. — Laws 2009, ch. 80, § 15, effective July 1, 2009, provided that if any part or application of this act is held invalid, the remainder or its application to other situations or persons shall not be affected.

Emergency clauses. — Laws 2009, ch. 80, § 17 contained an emergency clause and was approved on April 3, 2009.


The superintendent shall promulgate reasonable rules, including rules providing statistical plans, for use thereafter by all title insurers and title insurance agents in the recording and reporting of revenue, loss and expense experience so that the experience of title insurers and title insurance agents may be made available to the superintendent at least annually in such form and detail as may be necessary to aid the superintendent in promulgating or approving premium rates.


Cross references. — For State Rules Act, see Chapter 14, Article 4 NMSA 1978.

Severability clauses. — Laws 2009, ch. 80, § 15, effective July 1, 2009, provided that if any part or application of this act is held invalid, the remainder or its application to other situations or persons shall not be affected.

The 2009 amendment, effective July 1, 2009, after "reporting of", added "revenue" and after "promulgating", added "or approving".

A. The superintendent shall commence a hearing during November of each odd-numbered calendar year to consider promulgation of premium rates and any other matters related to the regulation of the business of title insurance deemed necessary by the superintendent.

B. The superintendent may, in the superintendent's discretion, hold a public hearing at any time to consider promulgation of premium rates and such other matters and subjects related to the regulation of the business of title insurance as the superintendent shall determine necessary or proper.

C. Notice of the public hearings provided for in Subsections A and B of this section shall be as provided in Subsection A of Section 59A-4-16 NMSA 1978.

D. The superintendent may promulgate premium rates and forms of title insurance policies only after a public hearing as provided in Subsections A and B of this section.

E. After the collection of all evidence relevant to the hearing, the superintendent shall file a notice of closure of the administrative record. The superintendent shall issue a decision within sixty days following the filing of the notice of closure of the administrative record for the public hearing provided for in Subsections A and B of this section. However, if the superintendent determines that the data and information presented to the superintendent pursuant to Section 59A-30-7 NMSA 1978 are incomplete, inaccurate or otherwise insufficient to determine whether a change in rates is warranted, the superintendent shall require a party, intervenor or participant at the public hearing to furnish the additional necessary data and information, and, in such event, the period of time allowed for the superintendent to issue a decision shall commence from the date such additional data and information are furnished.


Severability clauses. — Laws 2009, ch. 80, § 15, effective July 1, 2009, provided that if any part or application of this act is held invalid, the remainder or its application to other situations or persons shall not be affected.

The 2009 amendment, effective July 1, 2009, in Subsection A, before "hearing", deleted "hold an annual" and added "commence", and before "calendar year", added "odd-numbered"; in Subsection E, added the first sentence; in the second sentence, before "public hearing", deleted "conclusion of a" and added "filing of the notice of closure of the administrative record for the"; and in the third sentence, after "require", deleted "the title insurers or the title agents or both" and added "a party, intervenor or participant at the public hearing".


A person aggrieved by an order of the superintendent promulgating, approving or disapproving rates under the New Mexico Title Insurance Law shall have the rights to review
and appeal provided for in Sections 59A-17-34 and 59A-17-35 NMSA 1978. The request for review shall be filed no later than thirty days after the superintendent's issuance of the order that promulgated, approved or disapproved the rates.


Cross references. — For appeal of final decisions by agencies to district court, see 39-3-1.1 NMSA 1978.

The 1998 amendment, effective September 1, 1998, deleted the Subsection A designation and Subsection B; in Subsection A, substituted "A" for "Any", "Sections" for "Section", deleted "NMSA 1978" following "59A-17-34" and "Section" following "and".

Severability clauses. — Laws 2009, ch. 80, § 15, effective July 1, 2009, provided that if any part or application of this act is held invalid, the remainder or its application to other situations or persons shall not be affected.

The 2009 amendment, effective July 1, 2009, after "promulgate", added "approving or disapproving" and added the last sentence.

59A-30-10. Reserve for losses and loss expenses.

A. All title insurers operating under the provisions of the New Mexico Title Insurance Law [Chapter 59A, Article 30 NMSA 1978] shall at all times establish and maintain, in addition to other reserves, a reserve against unpaid losses and a reserve against loss expense. Such reserves shall be calculated by making a careful estimate in each case of the loss and loss expense likely to be incurred by reason of every claim presented pursuant to notice, from or on behalf of the insured of a title defect in or lien or adverse claim against the title insured, that may result in a loss or cause expense to be incurred for the proper disposition of the claim.

B. The amounts so estimated may be revised from time to time as circumstances warrant, but shall be redetermined at least once each year.

C. The amounts set aside in such reserve in any year shall be deducted in determining the net profits for such year of any title insurer.


A. No title insurance policy may be written unless the title insurer or its title insurance agent has caused to be conducted a reasonable search and examination of the title using an abstract plant meeting the requirements of Section 59A-12-13 NMSA 1978 and has caused to be made a determination of insurability of title in accordance with sound underwriting practices. The duty to search and examine imposed by this section is solely for the purpose of enhancing the financial stability of title insurers for the benefit of insureds under title insurance policies. The New Mexico Title Insurance Law [this article] is not intended and should not be construed to...
create any duty to search and examine that runs to the benefit of, or to create any right or cause of action in favor of, any person other than a title insurer.

B. Evidence of the examination of title and determination of insurability shall be preserved and retained in the files of the title insurer or its title insurance agent for a period of not less than fifteen years after the title insurance policy has been issued. Instead of retaining the original evidence, the title insurer or title insurance agent may in the regular course of business establish a system whereby all or part of the evidence is recorded, copied or reproduced by any process that accurately and legibly reproduces or forms a durable medium for reproducing the contents of the original. This subsection shall not apply to:

(1) a title insurer assuming liability through a contract of reinsurance; or

(2) a title insurer acting as coinsurer if one of the other coinsuring title insurers has complied with this section.


The 1999 amendment, effective June 18, 1999, added the last two sentences of Subsection A.

ANNOTATION

This section does not bar a claim against a title insurer or its agent that is based on a duty other than the duty of reasonable care in conducting a title search. Barrington Reinsurance Ltd. v. Fidelity Natl. Title Insurance Co., 2007-NMCA-147, 143 N.M. 31, 172 P.3d 168.

Sufficiency of complaint. — Complaint stating that, as a proximate result of the negligently performed services of a title insurer's agent, a purchaser was compelled to take title to a single parcel subject to a recorded condominium plan and a recorded easement, rather than two parcels as originally represented, alleged sufficient facts to state a tort claim of negligence against the agent. Cottonwood Enters. v. McAlpin, 111 N.M. 793, 810 P.2d 812 (1991).


The title insurance agent owed a duty of reasonable care to the seller in conducting a title search arising out of the provision of title insurance as prescribed by this section. Even though the title insurance agent had no express contractual duty to perform a title search for the seller and did not undertake to act in any capacity for the seller other than as a closing agent in a real estate transaction, it nevertheless had a statutory duty to the seller independent of any contract. Ruiz v. Garcia, 115 N.M. 269, 850 P.2d 972 (1993).


The superintendent shall determine a rate of assessment and collect a maintenance fee in an
amount not to exceed one percent of the correctly reported gross title insurance premiums on policies written in New Mexico of all authorized title insurers. The fee required by this section is in addition to all other taxes and fees now imposed or that may be subsequently imposed and that are not in conflict with this article. The superintendent, after taking into account the unexpended funds produced by this fee, if any, shall adjust the rate of assessment each year to produce the amount of funds that he estimates will be necessary to pay all the expenses of regulating the business of title insurance during the succeeding year. The superintendent in promulgating premium rates shall take into account assessments made under this section.

**History:** 1978 Comp., § 59A-30-12, enacted by Laws 1985, ch. 28, § 12.

### 59A-30-13. Title insurance maintenance assessment fund created; appropriation.

There is created a "title insurance maintenance assessment fund" in the state treasury. All receipts of the department of insurance collected under Section 59A-30-12 NMSA 1978 shall be deposited in the title insurance maintenance assessment fund and are appropriated to the superintendent for use in paying the expenses of the insurance department incurred in administering the New Mexico Title Insurance Law [Chapter 59A, Article 30 NMSA 1978], including compensation and expenses of salaried personnel and consultants employed by the superintendent in administering the New Mexico Title Insurance Law.


### 59A-30-14. Other provisions applicable.

To the extent not in conflict with the New Mexico Title Insurance Law [59A-30-1 NMSA 1978], the following articles and provisions of the Insurance Code [59A-1-1 NMSA 1978] shall also apply to title insurers, title insurance agents and the business of title insurance:

A. Chapter 59A, Article 1 NMSA 1978;
B. Chapter 59A, Article 2 NMSA 1978;
C. Chapter 59A, Article 4 NMSA 1978;
D. Chapter 59A, Article 5 NMSA 1978;
E. Chapter 59A, Article 6 NMSA 1978;
F. Chapter 59A, Article 7 NMSA 1978;
G. Chapter 59A, Article 8 NMSA 1978;
H. Chapter 59A, Article 9 NMSA 1978;
I. Chapter 59A, Article 10 NMSA 1978;
J. Chapter 59A, Article 11 NMSA 1978;
K. Chapter 59A, Article 12 NMSA 1978;
L. the Unauthorized Insurers Law [Chapter 59A, Article 13 NMSA 1978];
M. Chapter 59A, Article 16 NMSA 1978;
N. the Insurance Fraud Act [59A-16C-1 to 59A-16C-16 NMSA 1978];
O. Chapter 59A, Article 34 NMSA 1978; and


**1999 amendments.** — Laws 1999, ch. 60, § 21, effective June 18, 1999, substituting in the list of articles "Insurance Division" for "Department of Insurance", deleting "Article 3. State Insurance Board", and adding Articles 34 and 37, was approved February 8, 1999. However, Laws 1999, ch. 289, § 27, effective June 18, 1999, also deleting "Article 3. State Insurance Board" from the list of articles but not giving effect to the other changes made by the first 1999 amendment, was approved March 16, 1999. The section is set out as amended by Laws 1999, ch. 289, § 27. See 12-1-8 NMSA 1978.

**The 2001 amendment,** effective June 15, 2001, added subsection designations; added Subsections N, O, and P and substituted the citation of the provision for the title throughout the section.

**59A-30-15. Repealed.**


**Repeals.** — Laws 2009, ch. 80, § 14 repealed 59A-30-15 NMSA 1978, as enacted by Laws 1985, ch. 28, § 16, relating to interim approval of title insurance forms and rates, effective July 1, 2009. For provisions of former section, see the 2008 NMSA 1978 on New Mexico One Source of Law DVD.

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**ARTICLE 30A**

**Title Insurance Guaranty**

Section
- 59A-30A-1 Short title.
- 59A-30A-2 Purpose.
- 59A-30A-3 Scope.
- 59A-30A-4 Definitions.
- 59A-30A-6 Board of directors.
- 59A-30A-7 Duties and powers of the association.
- 59A-30A-8 Plan of operation.
- 59A-30A-9 Duties and powers of superintendent.
- 59A-30A-10 Effect of paid claims.
- 59A-30A-11 Nonduplication of recovery.
- 59A-30A-13 Examination of association; financial reports.
- 59A-30A-14 Appeals.

Sections 1 through 18 [59A-30A-1 to 59A-30A-18 NMSA 1978] of this act may be cited as the "Title Insurance Guaranty Act".

History: Laws 1999, ch. 60, § 1.

Effective dates. — Laws 1999, ch. 60 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective on June 18, 1999, 90 days after adjournment of the legislature.


The purpose of the Title Insurance Guaranty Act [59A-30A-1 to 59A-30A-18 NMSA 1978] is to provide a mechanism for continuation of coverage and payment of covered claims under certain title insurance policies, to avoid excessive delay in payment and avoid financial loss to policyholders because of insolvency of a title insurer, to assist in detection and prevention of title insurer insolvencies and to provide an association to assess the cost of such protection among title insurers.

History: Laws 1999, ch. 60, § 2.

Effective dates. — Laws 1999, ch. 60 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective on June 18, 1999, 90 days after adjournment of the legislature.


History: Laws 1999, ch. 60, § 3.

Effective dates. — Laws 1999, ch. 60 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective on June 18, 1999, 90 days after adjournment of the legislature.


A. "account" means an account created by Section 5 of the Title Insurance Guaranty Act;

B. "association" means the title insurance guaranty association;

C. "covered claim" means an unpaid claim of an insured in excess of one thousand
dollars ($1,000) covered under and not in excess of the applicable limits of a title insurance policy insuring land located in New Mexico issued by an insolvent insurer, if the insurer is found insolvent pursuant to Paragraph (2) of Subsection D of this section after the effective date of the Title Insurance Guaranty Act. Subject to applicable policy limits, the association's liability for covered claims shall not exceed two hundred fifty thousand dollars ($250,000) per claim and does not include any amount in excess of two hundred fifty thousand dollars ($250,000) per claim. The total amount that may be recovered from the association by a claimant for all covered claims shall not exceed five hundred thousand dollars ($500,000). "Covered claim" does not include an amount due by or for the benefit of a reinsurer, insurer, insurance pool or underwriting association, as subrogation recoveries or otherwise; provided, that a claim asserted against a person insured by an insolvent insurer that, if it were not a claim by or for the benefit of a reinsurer, insurer, insurance pool or underwriting association, would be a covered claim, may be filed directly with the receiver of the insolvent insurer. In no event may any such claim be asserted in a legal or administrative action against the insolvent insurer's insured unless that claim is based on the insured's fraud. "Covered claim" does not include the amount of a claim that an insured recovers from any person, including an agent, regardless of whether an assignment is taken. "Covered claim" does not include supplementary payment obligations, including but not limited to adjustment fees and expenses, attorney fees and expenses and court costs, nor does it include punitive, exemplary, extracontractual or bad-faith damages awarded by a court judgment against an insurer;

D. "insolvent insurer" means an insurer:

(1) authorized to transact title insurance business in New Mexico at the time the title insurance policy was issued; and

(2) against which an order of liquidation with a finding of insolvency has been entered after the effective date of the Title Insurance Guaranty Act by a court of competent jurisdiction in the insurer's state of domicile, or in this state, which has not been stayed or been the subject of a writ of supersedeas or other comparable order;

E. "member insurer" means any insurer authorized to transact title insurance business in New Mexico;

F. "net written premiums" means gross premiums written in this state on title insurance policies. "Net written premiums" does not include premiums on contracts between insurers or reinsurers;

G. "person" means an individual or other legal entity;

H. "superintendent" means the superintendent of insurance; and

I. "title insurance policy" or "policy" means those terms as defined in Section 59A-30-3 NMSA 1978 with respect to policies issued on land located in New Mexico.


Effective dates. — Laws 1999, ch. 60 contains no effective date provision, but, pursuant to N.M.

All member insurers shall remain members of the association as a condition of their authority to transact insurance in this state. The association may take the form of any appropriate legal entity under New Mexico law, including a corporation, partnership or unincorporated association, as approved by the superintendent. For purposes of administration and assessment, the association shall have two separate accounts:

A. the administrative account; and
B. the title guaranty account.

History: Laws 1999, ch. 60, § 5.

Effective dates. — Laws 1999, ch. 60 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective on June 18, 1999, 90 days after adjournment of the legislature.


A. The association's board of directors shall consist of not less than five nor more than eleven appointed members serving terms as provided in the association's plan of operation, and the superintendent or his designated representative as an ex-officio member. Appointed board members shall be selected by member insurers, subject to the superintendent's approval. A majority of the appointed members shall be employed by member insurers. Vacancies shall be filled for the remaining term by majority vote of the remaining board members, subject to the superintendent's approval.

B. Board members may be reimbursed from the administrative account for any reasonable and necessary expenses incurred in their capacities as board members, but the amount of such reimbursement shall not exceed guidelines provided by the approved plan of operation.


Effective dates. — Laws 1999, ch. 60 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective on June 18, 1999, 90 days after adjournment of the legislature.


A. The association shall:

(1) be obligated to the extent of covered claims arising from policies of an insolvent insurer issued prior to the finding of insolvency, except that the association shall not be obligated as to policies replaced by another title insurance policy that covers the claim. In no event shall the association be obligated to a policyholder in an amount in excess of the obligation of the insolvent insurer under the policy;
(2) be deemed the insolvent insurer to the extent of the insurer's obligation on covered claims and to such extent shall have all rights, duties and obligations of the insurer as if the insurer had not become insolvent; provided that the association shall have no liability for any past claims based on negligence of the insurer or its agents in searching and reporting the condition of a title, on bad faith of the insolvent insurer, on the closing of any transaction or for exemplary or punitive damages;

(3) pay for the administration and operation of the association from the administrative account, through proceeds received from an annual guaranty fee to be collected in the amounts and manner established by rule of the superintendent;

(4) allocate claims payments, loss and adjustment expense and administrative expense to the appropriate accounts and assess member insurers, separately for each account, amounts necessary to pay the association's obligations subsequent to an insolvency. Assessments shall not be made in a year in which guaranty fee proceeds, together with unencumbered account balances and other assets, will be sufficient to satisfy the association's obligations. Assessments shall be made against each member insurer in the proportion that the member insurer's net written premiums for the last full calendar year bears to net written premiums of all member insurers for that calendar year. Each member insurer shall be notified of the assessment not later than thirty days before it is due. No member insurer may be assessed in a year an amount greater than two percent of that member insurer's net written premiums for the preceding calendar year. If it appears that the maximum assessment available, together with unencumbered account balances and other assets, will be insufficient in a year to make all necessary payments, the association's obligations shall be paid pro rata and the unpaid portion shall be paid as soon as additional assessment proceeds or other funds become available. The association may pay claims in an order that it deems reasonable, including payments as claims are received or by groups or categories of claims. The association may exempt or defer, in whole or in part, the assessment of a member insurer if the assessment would cause the member insurer's financial statement to reflect amounts of capital or surplus less than the minimum amounts required for a certificate of authority in any jurisdiction in which the member insurer is authorized to transact insurance. Each member insurer acting as a servicing facility may set off against an assessment any authorized payments made on covered claims and expenses incurred in the payment of the claims by such member insurer if they are chargeable to the account for which the assessment is made;

(5) investigate claims and adjust, compromise, settle and pay covered claims to the extent of the association's obligations, and deny all other claims. The association may review settlements, releases and judgments to which the insolvent insurer or its insureds are parties to determine the extent to which such settlements, releases and judgments may be properly contested;

(6) notify such persons as the superintendent may direct pursuant to Section 9 [59A-30A-9 NMSA 1978] of the Title Insurance Guaranty Act;

(7) receive, handle, adjust and pay claims through its employees or through one or
more insurers or other persons designated as servicing facilities, subject to the superintendent's approval; provided that a member insurer may decline any such designation;

(8) reimburse each servicing facility for obligations of the association paid by the facility and for reasonable expenses incurred by the facility for handling claims on behalf of the association, and pay other expenses of the association authorized by the Title Insurance Guaranty Act [59A-30A-1 to 59A-30A-18 NMSA 1978]; and

(9) refund excess funds in an account to member insurers in proportion to the contribution of each member insurer to that account, when the board of directors estimates that the assets in the account will exceed the liabilities for the coming year.

B. The association may:

(1) employ persons or contract with servicing facilities necessary to handle claims and to perform other association duties;

(2) borrow funds necessary to effectuate the purposes of the Title Insurance Guaranty Act in accordance with the plan of operation, subject to the superintendent's approval;

(3) sue or be sued, and intervene in any court or other forum having jurisdiction over an insolvent insurer or its insureds;

(4) negotiate and enter into contracts necessary to carry out the purposes of the Title Insurance Guaranty Act; and

(5) perform all other acts necessary or proper to effectuate the purposes of the Title Insurance Guaranty Act.


Effective dates. — Laws 1999, ch. 60 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective on June 18, 1999, 90 days after adjournment of the legislature.


A. The association shall submit to the superintendent a plan of operation and amendments to the plan necessary or suitable to ensure the fair, reasonable and equitable administration of the association. The plan of operation and amendments shall become effective upon the superintendent's written approval. If, at any time, the association fails to submit the plan or suitable amendments to the superintendent, he shall, after notice and hearing, adopt necessary or advisable rules to effectuate the provisions of the Title Insurance Guaranty Act [59A-30A-1 to 59A-30A-18 NMSA 1978]. The rules shall continue in force until the superintendent modifies them or they are superseded by a plan or amendments submitted by the association and approved by the superintendent.

B. All member insurers shall comply with the association's plan of operation.

C. The association's plan of operation, among other things, shall establish all procedures for conducting the association's business, for handling its assets, for receiving, handling, adjusting
and paying claims, for keeping records and for the conduct of other activities necessary to carry out the association's powers and duties.

D. The association's plan of operation may provide that any of the association's powers and duties, except those specified in Paragraph (3) of Subsection A and Paragraph (2) of Subsection B of Section 7 [59A-30A-7 NMSA 1978] of the Title Insurance Guaranty Act, be delegated to a corporation, association or other organization that performs or will perform functions similar to those of the association in two or more states. Such a corporation, association or organization shall be reimbursed as a servicing facility and paid for performing any other function.


Effective dates. — Laws 1999, ch. 60 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective on June 18, 1999, 90 days after adjournment of the legislature.


A. The superintendent shall:

(1) promptly forward to the association a copy of any complaint or petition seeking an order of liquidation with a finding of insolvency against a title insurer;

(2) notify the association that a title insurer has been found to be an insolvent insurer not later than three days after he receives notice of the finding; and

(3) upon request of the board of directors, provide the association with a statement of the net written premiums of each member insurer.

B. The superintendent may:

(1) require that the association or an insolvent insurer's licensed New Mexico agents notify the insurer's New Mexico insureds and other interested parties of the finding of insolvency and of their rights under the Title Insurance Guaranty Act [59A-30A-1 to 59A-30A-18 NMSA 1978]. Notification shall be made by mail at the last known address; provided that if sufficient information for notification by mail is not available, notice by publication in one or more newspapers of general circulation in the state shall be sufficient;

(2) suspend or revoke, after notice and hearing, a member insurer's certificate of authority if the insurer fails to pay any assessment within thirty days after it was due or fails to comply with the association's plan of operation. In the alternative, the superintendent may impose a civil penalty not to exceed five percent of the unpaid assessment per month; provided that no civil penalty shall be less than one hundred dollars ($100) per month; and

(3) revoke the designation of any servicing facility if he finds that claims are not being handled satisfactorily.


Effective dates. — Laws 1999, ch. 60 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective on June 18, 1999, 90 days after adjournment of the legislature.

A. A person recovering under the Title Insurance Guaranty Act [59A-30A-1 to 59A-30A-18 NMSA 1978] shall be deemed to have assigned his rights and claims under the insolvent insurer's policy to the association to the extent of his recovery from the association. Every insured seeking the protection of the Title Insurance Guaranty Act shall cooperate with the association to the same extent as required to cooperate with the insurer. The association shall have no cause of action against an insured for sums it has paid out except such causes of action as the insurer would have had. In the case of an insolvent insurer operating on a plan with assessment liability, payments of claims by the association do not operate to reduce the liability of the insured to the receiver, liquidator or statutory successor for unpaid assessments.

B. The court having jurisdiction shall grant claims assigned pursuant to Subsection A of this section and the claims expenses of the association or similar organization in another state the same priority as the claims had before assignment. The association may make application to the court for reimbursement of such claims and expenses and, upon proper application, the court shall order appropriate disbursement to be made.

C. The association shall, within the time set by the receivership court, file with the receiver or liquidator of the insolvent insurer, statements of paid claims and claims expense and reserves for unpaid claims and claims expense.

History: Laws 1999, ch. 60, § 10.

Effective dates. — Laws 1999, ch. 60 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective on June 18, 1999, 90 days after adjournment of the legislature.


A person having a claim under any other title insurance policy that is not an insolvent insurer's policy, which is also a covered claim, shall first exhaust his rights under such other title insurance policy. An amount payable for a covered claim shall be reduced by the amount of any recovery under such other title insurance policy.

History: Laws 1999, ch. 60, § 11.

Effective dates. — Laws 1999, ch. 60 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective on June 18, 1999, 90 days after adjournment of the legislature.


A. To aid in the detection and prevention of title insurer insolvencies, the association's board of directors may, upon majority vote:

(1) make recommendations to the superintendent for the detection and prevention of
insolvencies; and

(2) respond to requests by the superintendent to discuss and make recommendations regarding the status of a member insurer whose financial condition may be hazardous to policyholders or the public. Recommendations pursuant to this paragraph shall not be available for public inspection.

B. The superintendent shall report to the association's board of directors when he has reasonable cause to believe that a title insurer may be insolvent or in a financial condition hazardous to its policyholders or the public. The report, and subsequent meetings, activities, recommendations and decisions of the board of directors as required or permitted in this subsection, shall not be open to the public or available for public inspection.

C. At the conclusion of a domestic title insurer insolvency for which the association was obligated to pay covered claims, the association's board of directors may prepare a report on the history and causes of such insolvency, based on the information available to the association, and submit the report to the superintendent. The report, and subsequent meetings, activities, recommendations and decisions of the board of directors as required or permitted in this section, shall not be open to the public or available for public inspection.

History: Laws 1999, ch. 60, § 12.

Effective dates. — Laws 1999, ch. 60 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective on June 18, 1999, 90 days after adjournment of the legislature.


The association is subject to the superintendent's examination and regulation pursuant to Chapter 59A, Article 4 NMSA 1978. The board of directors shall submit, not later than June 30 each year, a financial report for the preceding calendar year prepared by an independent certified public accountant acceptable to the superintendent. The financial report shall be in a form approved by the superintendent.


Effective dates. — Laws 1999, ch. 60 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective on June 18, 1999, 90 days after adjournment of the legislature.


A. An insured whose claim is denied in whole or in part by the association may request the receivership court, or the ancillary receivership court in this state, to review the association's decision. The request for review shall be filed within thirty days after the date of denial. The receivership court and ancillary receivership court in this state shall have exclusive jurisdiction of all such claims. The decision of the court shall be binding on both the claimant and the association.
B. A member insurer may appeal to the superintendent from any action of the association's board of directors by filing a notice of appeal within thirty days after the date of the action appealed from.

C. A final order of the superintendent pursuant to Subsection B of this section is subject to judicial review by an action in the district court of Santa Fe county to set aside the order as unlawful or not supported by substantial evidence. If judicial review is not sought within thirty days after the date of the superintendent's order, the order shall be final and not subject to appeal.

**History:** Laws 1999, ch. 60, § 14.

**Effective dates.** — Laws 1999, ch. 60 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective on June 18, 1999, 90 days after adjournment of the legislature.


The title insurance rates and premiums promulgated by the superintendent shall include amounts sufficient to recoup within three years after assessment a sum equal to the amounts paid to the association by the member insurers, less amounts returned to the member insurers by the association. Rates shall not be deemed excessive because they contain an amount reasonably calculated to recoup assessments paid by the member insurers. The entire amount of any such recoupment shall be passed through to insurers.

**History:** Laws 1999, ch. 60, § 15.

**Effective dates.** — Laws 1999, ch. 60 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective on June 18, 1999, 90 days after adjournment of the legislature.


A. There shall be no liability on the part of, and no cause of action of any nature shall exist against, a member insurer, the association or its agents or employees, the board of directors, an individual director or the superintendent or his representative for an action taken by them in connection with carrying out their powers and duties under the Title Insurance Guaranty Act [59A-30A-1 to 59A-30A-18 NMSA 1978] or failure to prevent any insolvency. The association shall defend all actions alleging such liability except that the attorney general shall defend any such actions against the superintendent or his representatives.

B. The meetings, activities, recommendations and decisions of the board of directors pursuant to the Title Insurance Guaranty Act shall not be open to the public or available for public inspection; provided that no representative of a member insurer shall be excluded from a meeting of the board of directors, with the exception of a representative of an insolvent insurer.

**History:** Laws 1999, ch. 60, § 16.

**Effective dates.** — Laws 1999, ch. 60 contains no effective date provision, but, pursuant to N.M.

All proceedings in which the insolvent insurer is a party or is obligated to represent a party in a court in New Mexico shall be stayed for not to exceed six months from the date of a finding of insolvency to permit proper representation by the association of all pending causes of action. As to covered claims arising from a judgment under a decision, verdict or finding resulting from the default of the insolvent insurer or its failure to defend an insured, the association, either on its own behalf or on behalf of the insured, may apply to have the judgment, order, decision, verdict or finding set aside by the same court, administrator or arbitrator that made it and may defend against the claim on its merits.

History: Laws 1999, ch. 60, § 17.

Effective dates. — Laws 1999, ch. 60 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective on June 18, 1999, 90 days after adjournment of the legislature.


A. The superintendent shall by order terminate the operation of the association if he finds, after hearing, that there is in effect a statutory or voluntary plan that:

   (1) is a permanent plan that is adequately funded or for which an adequate means of funding is provided; and

   (2) extends or will extend, to New Mexico title insurance policyholders and residents, protection and benefits with respect to insolvent insurers not less favorable than the protection provided under the Title Insurance Guaranty Act [59A-30A-1 to 59A-30A-18 NMSA 1978].

B. If the association's operation is terminated, the association, as soon as possible, shall distribute the balance of money and assets remaining, after discharge of the functions of the association with respect to prior insurer insolvencies not covered by another plan, to member insurers that are then writing title insurance policies in this state, pro rata upon the basis of the aggregate of payments and assessments made by the respective insurers during the five years next preceding the date of the order.

History: Laws 1999, ch. 60, § 18.

Effective dates. — Laws 1999, ch. 60 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective on June 18, 1999, 90 days after adjournment of the legislature.

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ARTICLE 31
Surety Insurance Contracts

Section
59A-31-1 Scope of article.

59A-31-1. Scope of article.

This article [Chapter 59A, Article 31 NMSA 1978] shall apply only as to contracts of surety insurance, as defined in Section 114 [59A-7-8 NMSA 1978] of the Insurance Code. Such contracts are also subject to the applicable provisions of Article 18 [Chapter 59A, Article 18 NMSA 1978] (the insurance contract) of the Insurance Code.


Construction and effect of clause in fidelity bond or insurance policy excluding from coverage losses proved by "inventory computation" or "profit and loss computation," 45 A.L.R.4th 1049.

Computation of net "loss" for which fidelity insurer is liable, 5 A.L.R.5th 132.

ARTICLE 32
Motor Vehicle Insurance

Section
59A-32-1 Assigned risk plan, short title.
59A-32-2 Scope of article.
59A-32-3 Purpose of assigned risk plan.
59A-32-4 Assigned risk plan.
59A-32-5 Requirements of assigned risk plans.
59A-32-6 Review of proposed assigned risk plans.
59A-32-7 Disapproval of effective assigned risk plans.
59A-32-8 Failure to file plan; assigned risk plan prescribed.
59A-32-9 Appeal to governing committee.
59A-32-10 Appeal to superintendent.
59A-32-11 Action by superintendent.
59A-32-12 Action by superintendent; review.
59A-32-14 Insurance policies; appropriate reduction in premiums.
59A-32-15 Conditions for maintaining the discount.
59A-32-16 Certificate of course completion.
59A-32-17 Exceptions.
59A-32-18 Continued eligibility.
59A-32-19 Discounts or reductions in premiums.
59A-32-20 Rental car companies; insurance coverage.
59A-32-21 Discounts for comprehensive coverage.
59A-32-22 Freedom of choice; doctor of oriental medicine.
59A-32-23 Vehicle insurance; primary liability; assignment; notice.


Sections 520 through 532 [59A-32-1, 59A-32-3 to 59A-32-13 NMSA 1978] of this article comprise and may be cited as the "Motor Vehicle Assigned Risks Law".

History: Laws 1984, ch. 127, § 520.

ANNOTATION

Constitutionality of rate rollback legislation. — Legislature can constitutionally require insurers to roll back premium rates if the roll back does not result in the establishment of confiscatory rates or if there is a statutory mechanism to allow insurers to obtain rate relief in the event that confiscatory rates result. 1991 Op. Att'y Gen. No. 91-10.


What constitutes an "uninsured" or "unknown" vehicle or motorist, within uninsured motorist coverage, 26 A.L.R.3d 883, 24 A.L.R.4th 13, 24 A.L.R.4th 63.

What constitutes sufficiently serious personal injury, disability, impairment, or the like to justify recovery of damages outside of no-fault automobile insurance coverage, 33 A.L.R.4th 767.

Who is a "spouse" within clause of automobile liability, uninsured motorist, or no-fault insurance policy defining additional insured, 36 A.L.R.4th 588.

Construction and application of substitution provision of automobile liability policy, 42 A.L.R.4th 1145.

Consortium claim of spouse, parent or child of accident victim as within extended "per accident" coverage rather than "per person" coverage of automobile liability policy, 46 A.L.R.4th 735.

Uninsured motorist coverage: injuries to motorcyclists as within affirmative or exclusionary terms of automobile insurance policy, 46 A.L.R.4th 771.

Liability insurance: when is vehicle in "dead storage," 48 A.L.R.4th 591.

Automobile liability insurance policy flight from police exclusion: validity and effect, 49 A.L.R.4th 325.

Who is "employed or engaged in the automobile business" within exclusionary clause of liability policy, 55 A.L.R.4th 261.

Validity and construction of automobile insurance provision or statute automatically terminating coverage when insured obtains another policy providing similar coverage, 61 A.L.R.4th 1130.

What constitutes single accident or occurrence within liability policy limiting insurer's liability to a specified amount per accident or occurrence, 64 A.L.R.4th 668.

What constitutes "motor vehicle" for purposes of no-fault insurance, 73 A.L.R.4th 1053.

Application of automobile insurance "entitlement" exclusion to family member, 25 A.L.R.5th 60.
Validity and operation of "step-down" provision of automobile liability policy reducing coverage for permissive users, 29 A.L.R.5th 469.

What constitutes use of automobile "to carry persons or property for fee" within exclusion of automobile insurance policy, 57 A.L.R.5th 591.

Validity, construction, and application of exclusion of government vehicles from uninsured motorist provision, 58 A.L.R.5th 511.

59A-32-2. Scope of article.

This article shall apply only as to contracts of vehicle insurance, as defined in Section 113 [59A-7-7 NMSA 1978] of the Insurance Code. Such contracts shall also be subject to the applicable provisions of Article 18 [Chapter 59A, Article 18 NMSA 1978] (the insurance contract) of the Insurance Code.


Combining or "stacking" medical payment provisions of automobile liability policy or policies issued by one or more insurers to one insured, 29 A.L.R.4th 49.


The purpose of the assigned risk plan is to provide for the equitable distribution and apportionment among insurers authorized to transact in this state the business of automobile and motor vehicle bodily injury, property damage liability and physical damage insurance, of insurance afforded applicants who are in good faith entitled to, but who are unable to procure, such insurance through ordinary methods.


Every insurer referred to in Section 521 [59A-32-3 NMSA 1978] of this article shall cooperate in the formulation of a plan or plans for the equitable apportionment among such insurers of insurance afforded applicants who are in good faith entitled to, but who are unable to procure, such insurance through ordinary methods.


59A-32-5. Requirements of assigned risk plans.

Any such agreement or plan for the assignment of risks involving automobile and motor vehicle bodily injury and property damage liability insurance shall include provision for:
reasonable rules governing the equitable distribution of risks by direct insurance, reinsurance or otherwise, and by the assignment of risks to insurers participating in the plan; rates and reasonable rate modifications which shall be applicable to such risks and which shall not be excessive, inadequate or unfairly discriminatory; the limits of liability which any insurer to whom a risk is assigned shall be required to assume; and a method whereby applicants for insurance, persons insured and insurers under the plan may have a hearing on grievances and the right to appeal from the decision on any such grievance to the superintendent.


Every such plan for the assignment of risks involving automobile and motor vehicle bodily injury and property damage liability insurance shall be filed in writing with the superintendent. The superintendent shall review the plan as soon as reasonably possible after filing, to determine whether or not it meets the requirements of Section 523 [59A-32-5 NMSA 1978] of this article. Each plan shall be on file with the superintendent for a waiting period of thirty (30) days before it becomes effective, unless sooner approved in writing. Unless disapproved in writing by the superintendent within the thirty (30) day waiting period, a plan shall be deemed approved and shall become effective upon the expiration of that period.

_History:_ Laws 1984, ch. 127, § 524.


When any assigned risk plan has become effective as above provided, the superintendent may thereafter disapprove such plan or any portion thereof on the ground that it does not meet the requirements of Section 523 [59A-32-5 NMSA 1978] of this article, but only after a full hearing held upon not less than ten (10) days' written notice to every insurer affected, specifying the matters to be considered at such hearing, and only by an order specifying the respects in which the superintendent finds that such plan fails to meet the requirements imposed, and stating the date, within a reasonable period thereafter, when such plan, or portion thereof, shall be deemed to cease to be effective. No such order shall affect any assignment made or policy issued or made prior to the expiration of the period specified in the order. Amendments to any such plan or plans shall be prepared, filed and reviewed in the same manner as provided with respect to the original plan or plans.

_History:_ Laws 1984, ch. 127, § 525.


If no plan which meets the requirements of Section 523 [59A-32-5 NMSA 1978] of this article above has been filed with the superintendent within ninety (90) days after June 30, 1959, or within the period stated in any order which disapproves an existing plan, the superintendent
may formulate and prescribe a plan which does meet such requirements, after hearing or consultation with insurers authorized to transact in this state the business of automobile and motor vehicle bodily injury and property damage liability insurance. When any plan or plans or amendment thereto has or have been approved or prescribed, no insurer to which such plan is applicable shall thereafter issue any policy of such insurance, or undertake to transact such business in this state, unless the insurer participates in such plan.


Any person affected by the action or inaction of any insurer pursuant to the assigned risks plan may appeal to the governing committee of the assigned risk plan or plan may appeal to the governing committee of the assigned risk plan or plans to which such insurer is a subscriber.


Compiler's notes. — The repeated language "plan may appeal . . . the assigned risk plan or" so appeared in the section as enacted by Laws 1984, ch. 127, § 527.

59A-32-10. Appeal to superintendent.

Any person or subscribing insurer to the plan or plans affected by any ruling or decision of the governing committee of any assigned risk plan or decision of the governing committee of any assigned risk plan or plans pursuant to the Motor Vehicle Assigned Risks Law [59A-32-1, 59A-32-3 to 59A-32-13 NMSA 1978] may appeal to the superintendent from such ruling or decision.

History: Laws 1984, ch. 127, § 528.

Compiler's notes. — The repeated language, "decision of the governing committee of any assigned risk plan", appears in the section as enacted by Laws 1984, ch. 127, § 528.


The superintendent, whenever any matter is referred to him under the Motor Vehicle Assigned Risks Law [59A-32-1, 59A-32-3 to 59A-32-13 NMSA 1978], shall review all information available to him and relating to the matter, including information available to him and relating to the matter, including information available to him from his records, the records of the motor vehicle division of the transportation department and other sources, and based upon his consideration of such information and the record of any hearing which he may in his discretion call and conduct informally, the superintendent, in his reasonable discretion, may: refuse to approve any application for assignment of risk; approve the rejection of any application by any insurer concerned; refuse to approve the renewal to reassignment of an existing policy; or take such other action as he shall determine to be fair and reasonable under all the circumstances.
All testimony and other evidence on which the superintendent bases any action under the Motor Vehicle Assigned Risks Law shall be filed of record in the insurance department. Any such action by the superintendent shall be by order in writing, directed to the parties affected and filed of record in the insurance department.

**History:** Laws 1984, ch. 127, § 529.

**Compiler's notes.** — The repeated language, "and relating to the matter, including information available to him", in the first sentence, appears in the section as enacted by Laws 1984, ch. 127, § 529.


**History:** Laws 1984, ch. 127, § 530.


The superintendent may prescribe, amend, supplement and revoke from time to time regulations as he may deem warranted for the administration of the Motor Vehicle Assigned Risks Law [59A-32-1, 59A-32-3 to 59A-32-13 NMSA 1978].

**History:** Laws 1984, ch. 127, § 531.


A. Any rates, rating schedules or rating manuals for the liability, personal injury protection and collision coverages of a motor vehicle insurance policy submitted to or filed with the superintendent of insurance shall provide for an appropriate reduction in premium charges for a three-year consecutive period for such coverages when the principal operator of the covered vehicle:

1. is an insured driver fifty-five years or older; and
2. has successfully completed a motor vehicle accident prevention course approved by the traffic safety bureau of the state highway and transportation department.

B. Any discount used by the insurer pursuant to this section shall be presumed appropriate unless credible data demonstrates otherwise.

**History:** Laws 1987, ch. 18, § 1; 1989, ch. 131, § 1.

**ANNOTATION**

The premium reduction required by this section shall be effective for an insured for a three-year period after successful completion of the approved course, except that the insurer may require, as a condition of maintaining the discount, that the insured:

A. not be involved in an accident for which the insured is at fault; and
B. not be convicted or plead guilty or nolo contendere to a moving traffic violation.

History: Laws 1987, ch. 18, § 2.

ANNOTATION

Law reviews. — For annual survey of New Mexico insurance law, see 19 N.M.L. Rev. 717 (1990).


Upon successfully completing the approved course, each person shall be issued a certificate by the organization offering the course which shall be used to qualify for the premium discount required by Section 1 [59A-32-14 NMSA 1978] of this act.

History: Laws 1987, ch. 18, § 3.


The provisions of this act [59A-32-14 to 59A-32-19 NMSA 1978] do not apply in the event the approved course is ordered by a court or other governmental entity resulting from a moving traffic violation or made a condition of the dismissal of a moving traffic violation.


Each participant shall take an approved course every three years in order to continue to be eligible for the reduction in premiums.

History: Laws 1987, ch. 18, § 5.


Nothing in Sections 59A-32-14 through 59A-32-18 NMSA 1978 shall prohibit an insurer offering private passenger motor vehicle insurance to New Mexico residents from providing a
minimum twenty percent premium discount for bodily injury liability, property damage liability and collision coverages.

**History:** Laws 1987, ch. 18, § 6; 1991, ch. 135, § 1; 1993, ch. 194, § 1.

**The 1991 amendment,** effective June 14, 1991, rewrote this section, which read "Nothing in Sections 1 through 5 of this act shall prohibit an insurer from offering a discount or a reduction in premium for any reason."

**The 1993 amendment,** effective June 18, 1993, deleted the Subsection "A" designation; deleted former Subsections B through E, relating to a twenty percent premium discount to be provided for in any rating schedules submitted to the superintendent of insurance, provisions for circumstances under which the discount would be effective, regulations withholding the discount, and authorization to apply the discount for persons fifty-five years old, respectively.

**Temporary provisions.** — Laws 1993, ch. 194, § 2 provides that a person whose private passenger motor vehicle insurance premium was increased as a result of application of the provisions of Laws 1991, Chapter 135, Section 1 shall be refunded the amount of the increased premium or receive a credit for that amount against a renewal premium. If a refund is due to a policyholder who is no longer insured by the insurer, the insurer may satisfy the provisions of this section by making a good faith effort to deliver the refund to the policyholder at his last known address.

**ANNOTATION**

**No rate rollback required.** — The plain language of former Subsection B as it read prior to its deletion in 1993 merely required insurers to provide a minimum 20% premium differential between those policyholders who had been involved in an accident during the prior three-year period and those without such accidents. The statute did not state that premium rates must be set at any particular level or that the discount must be 20% below rates filed with the superintendent of insurance. Despite the legislature's use of the words "Discounts or Reductions in Premiums" in the title, a court would not construe the statute to require an insurance premium rate roll back because the plain meaning of the text did not require a 20% rate reduction. 1991 Op. Att'y Gen. No. 91-10.

**59A-32-20. Rental car companies; insurance coverage.**

Any rental car company offering for sale insurance coverage or collision damage waivers shall state clearly on the front page of the rental contract that the purchaser of the insurance coverage or collision damage waiver offered may be covered for such claims on his personal motor vehicle insurance policy and that if such insurance coverage exists under the renter's personal insurance policy, and the coverage is confirmed, the renter may require that the rental car company must submit any claims to the renter's personal insurance carrier as the renter's agent. The rental car company shall not make any written or oral representations that it will not present claims or negotiate with the renter's insurance carrier. For purposes of this section, confirmation of coverage includes telephone confirmation from an insurance company representative.

**History:** Laws 1987, ch. 303, § 1.

A. Any insurance company authorized to write private passenger automobile insurance within the state shall provide a minimum premium discount of ten percent for motor vehicles with passive anti-theft devices. These discounts shall apply to comprehensive coverage and shall be approved by the superintendent pursuant to Section 59A-17-13 NMSA 1978 as part of the insurer's rate filing. Some or all of the premium discounts required by this section may be omitted upon demonstration to the superintendent in an insurer's rate filing that the discounts are duplicative of other discounts provided by the insurer.

B. As used in this section, "passive anti-theft device" means any item or system installed in an automobile that is activated automatically when the operator turns the ignition key to the off position and that is designed to prevent unauthorized use, as prescribed by regulations of the superintendent. The "passive anti-theft device" does not include an ignition interlock provided as a standard anti-theft device by the original automobile manufacturer.


A. Within the area and limits of coverage offered an insured and selected by him in the application for insurance, for vehicle insurance medical payments as defined in Subsection D of Section 59A-7-7 NMSA 1978, the right of any person to exercise full freedom of choice in the selection of any licensed doctor of oriental medicine for treatment within his scope of practice shall not be restricted under any new policy of vehicle insurance issued after July 1, 1997 in this state or in the processing of any claim made pursuant to that policy. Any person insured or claiming benefits under the medical payments portion of such vehicle insurance policy providing within its coverage for payment of benefits or indemnity for any condition or circumstance described in Subsection D of Section 59A-7-7 NMSA 1978 shall be deemed to have complied with the requirements of the policy as to submission of proof of loss upon submitting written proof supported by any doctor of oriental medicine.

B. As used in this section, "doctor of oriental medicine" means a person licensed as a doctor of oriental medicine pursuant to the Acupuncture and Oriental Medicine Practice Act [Chapter 61, Article 14A NMSA 1978].

History: Laws 1997, ch. 84, § 1.
59A-32-23. Vehicle insurance; primary liability; assignment; notice.

A. When a vehicle owned by a licensed automobile dealer is loaned without a fee to a person for demonstration purposes, as a temporary substitute for that person's vehicle while it is being serviced or repaired, as a promotional courtesy vehicle or as a courtesy vehicle, primary insurance or self-insurance coverage shall be provided by the motor vehicle insurer providing coverage to the person using the demonstration vehicle, temporary substitute vehicle, promotional courtesy vehicle or a courtesy vehicle, and coverage provided by the dealer or the dealer's insurer applies only as excess coverage.

B. A person proposing to operate a motor vehicle for the purposes identified in Subsection A of this section may assume primary responsibility for the operator's vehicle insurance by signing the following statement:

"PRIMARY LIABILITY ASSIGNMENT

In consideration of the vehicle owner entrusting the motor vehicle elsewhere described to me, I agree that my vehicle insurance or self-insurance coverage shall be primarily responsible for any loss or damage caused by or to the motor vehicle."

C. The agreement set forth in Subsection B of this section shall be binding on all insurers and self-insurers transacting insurance in the state as a condition of doing the business of transacting insurance.


The 2002 amendment, effective May 15, 2002, deleted former Subsection A, which read: "Except as provided in Subsection B or C of this section, a motor vehicle insurance policy or self-insurance agreement of the owner or long-term lessee of a motor vehicle shall provide primary coverage for bodily injury or property damage claims, subject to the terms, conditions, limits and types of coverage included in the policy or agreement"; and redesignated the remaining subsections accordingly.

Effective dates. — Laws 2001, ch. 88 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective June 15, 2001, 90 days after adjournment of the legislature.

ARTICLE 32A
Rental Car Insurance Limited Producer License

Section
59A-32A-1 Short title.
59A-32A-2 Definitions.
59A-32A-4 Licensing rental car companies as rental car agents.

This act [59A-32A-1 to 59A-32A-9] may be cited as the "Rental Car Insurance Limited Producer License Act".


As used in the Rental Car Insurance Limited Producer License Act [59A-32A-1 NMSA 1978]:

A. "rental agreement" means a written master, corporate, group or individual agreement setting forth the terms and conditions governing the use of a rental car rented or leased by a rental car company;

B. "rental car" means a motor vehicle that is intended to be rented or leased for a period of ninety consecutive days or less by a driver who is not required to possess a commercial driver's license to operate the motor vehicle and the motor vehicle is one of the following:

   (1) a private passenger motor vehicle, including a passenger van, minivan or sports utility vehicle; or

   (2) a cargo vehicle, including a cargo van, pickup truck or truck with a gross vehicle weight of less than twenty-six thousand pounds;

C. "rental car agent" means a rental car company that is licensed to offer, sell, bind, effect, solicit or negotiate rental car insurance;

D. "rental car company" means a person or entity in the business of renting rental cars to the public, including a franchisee;

E. "rental car insurance" means insurance sold in connection with and incidental to the rental of vehicles, whether at the rental office or by a preselection of coverage in master, corporate, group or individual agreements, that is nontransferable, does not apply to any vehicle other than the rental car that is the subject of the rental agreement and is limited to the following kinds of insurance:

   (1) personal accident insurance for renters and other rental car occupants, for accidental death or dismemberment and reimbursement for medical expenses resulting from an accident that occurs with the rental car during the rental period;
(2) liability insurance that, at the exclusive option of the rental car company, may include uninsured and underinsured motorist coverage, whether offered separately or in combination with other liability insurance, and that provides protection to renters and other authorized drivers of rental cars for liability arising from the operation of the rental car during the rental period;

(3) personal effects insurance that provides coverage to renters and other vehicle occupants for loss of, or damage to, personal effects in the rental car during the rental period;

(4) roadside assistance and emergency sickness insurance; and

(5) any other travel or vehicle-related insurance coverage that a rental car company may offer in connection with and incidental to the rental of a rental car, as may be approved by the superintendent of insurance;

F. "rental car endorsee" means a rental car agent employee who offers, sells, binds, effects, solicits or negotiates rental car insurance; and

G. "renter" means a person who obtains the use of a vehicle from a rental car company under the terms of a rental agreement.


A. No rental car company and no officer, director, employee or agent of a rental car company shall offer, sell, bind, effect, solicit or negotiate the purchase of rental car insurance unless that company is licensed as an insurance producer pursuant to the New Mexico Insurance Code [59A-1-1 NMSA 1978] or has complied with the requirements of the Rental Car Insurance Limited Producer License Act [59A-32A-1 to 59A-32A-9 NMSA 1978].

B. The superintendent of insurance may issue to a rental car company that has complied with the requirements of the Rental Car Insurance Limited Producer License Act, a license that authorizes the rental car company to act as a rental car agent in accordance with the provisions of that act, in connection with and incidental to rental agreements, on behalf of any insurer authorized to write such insurance in this state.

History: Laws 2001, ch. 94, § 3.


59A-32A-4. Licensing rental car companies as rental car agents.

A rental car company may apply to be licensed as a rental car agent under the terms of the
Rental Car Insurance Limited Producer License Act [59A-32A-1 NMSA 1978] if it satisfies all of the requirements of that act and if it files the following documents with the superintendent of insurance:

A. a written application for licensure, signed by the applicant or by an officer of the applicant, in the form prescribed by the superintendent of insurance that includes a listing of all locations at which the rental car company intends to offer, sell, bind, effect, solicit or negotiate rental car insurance; and

B. a certificate filed by the insurer for the applicant stating that the insurer has satisfied itself that the applicant is trustworthy and competent to act as its insurance agent limited to this purpose; that the insurer has reviewed the employee training program required by Subsection D of Section 5 [59A-32A-5 NMSA 1978] of the Rental Car Insurance Limited Producer License Act and believes that it satisfies the statutory requirements; and that the insurer will appoint the applicant to act as its agent to transact the kinds of insurance that are permitted by the Rental Car Insurance Limited Producer License Act if the license for which the applicant is applying is issued by the superintendent of insurance. The certification shall be subscribed by an officer or managing agent of the insurer on a form prescribed by the superintendent of insurance.


A. An employee of a rental car agent may be a rental car endorsee authorized to offer, sell, bind, effect, solicit or negotiate rental car insurance under the authority of the rental car agent licensee if all of the following conditions have been satisfied:

(1) the employee is eighteen years of age or older;

(2) the employee has completed the training described in Subsection D of Section 5 of the Rental Car Insurance Limited Producer License Act [this section]; and

(3) the rental car agent, at the time it submits its rental car agent license application pursuant to Section 3 [59A-32A-3 NMSA 1978] of the Rental Car Insurance Limited Producer License Act, also establishes a list of the names of all of its rental car endorsees. The list shall be maintained by the rental car agent in a form prescribed by the superintendent of insurance and updated quarterly. Each list shall be retained by the rental car agent for three years and shall be made available to the superintendent of insurance for review and inspection upon request.

B. A rental car endorsee shall act on behalf of its rental car agent in the offering, sale, binding, effectuation, solicitation or negotiation of rental car insurance. A rental car agent is responsible for, and must supervise, all actions of its endorsees related to the offering, sale, binding, effectuation, solicitation or negotiation of rental car insurance. The conduct of a rental
car endorsee acting within the scope of his employment or agency shall be deemed the conduct of the rental car agent for purposes of the Rental Car Insurance Limited Producer License Act [59A-32A-1 to 59A-32A-9 NMSA 1978].

C. The manager at each location of a rental car agent or the direct supervisor of the rental car agent's endorses at each location shall be responsible for the supervision of each rental car endorsee at the location. A rental car agent shall identify the manager or direct supervisor at each location in the list that it maintains in compliance with Paragraph (3) of Subsection A of this section.

D. A rental car agent shall provide training for each rental car endorsee prior to allowing him to offer, sell, bind, effect, solicit or negotiate rental car insurance. The training program shall be submitted to the superintendent of insurance for approval prior to use and shall meet the following minimum standards:

(1) instruction about the kinds of insurance specified in the Rental Car Insurance Limited Producer License Act that are offered for sale to prospective renters; and

(2) disclosures to be given to prospective renters that are required under the Rental Car Insurance Limited Producer License Act, including:

(a) that the purchase of the rental car insurance is not required in order for the renter to rent a rental car; and

(b) that the renter may have insurance policies in place that already provide the coverage being offered by the rental car company.

E. A rental car endorsee's authorization to offer, sell, bind, effect, solicit or negotiate rental car insurance shall expire when the endorsee's employment with the rental car agent has terminated.


No insurance may be issued, offered, sold, solicited or negotiated pursuant to this section unless:

A. the rental period of the rental agreement is ninety consecutive days or less;

B. at every location where rental agreements are executed, brochures or other written materials are readily available to the prospective renter that:

(1) summarize, clearly and correctly, the material terms and conditions of coverage offered to renters, including the identify of the insurer;

(2) describe the process for filing a claim in the event the renter elects to purchase coverage, including a toll-free telephone number to report a claim;
(3) provide the rental car agent's name, address, telephone number and license number, as well as the consumer hotline number for the superintendent of insurance;

(4) state that the rental car insurance offered by the rental car agent or endorsee may provide a duplication of coverage already provided by a renter's personal automobile policy or by another source of coverage;

(5) state that the purchase by the renter of the rental car insurance is not required in order to rent a rental car;

(6) state that neither the rental car agent nor its endorsees are qualified to evaluate the adequacy of the renter's existing insurance coverages;

(7) set forth the costs for the rental car insurance in the rental agreement; and

(8) contain any additional information as the superintendent of insurance may prescribe; and

C. evidence of the rental car insurance purchased is disclosed on the face of the rental agreement.


A rental car agent or endorser shall not:

A. offer, sell, bind, effect, solicit or negotiate the purchase of rental car insurance except in conjunction with and incidental to rental agreements;

B. advertise, represent or otherwise portray itself or any of its employees or agents as licensed insurers, insurance agents or insurance brokers; or

C. pay any person, including a rental car endorsee, any compensation, fee or commission that is dependent solely on the placement of insurance under the license issued pursuant to the Rental Car Insurance Limited Producer License Act [59A-32A-1 to 59A-32A-9 NMSA 1978]. Nothing in this section shall prohibit production payments or incentive payments to a person that are not dependent solely upon the sale of insurance.


A. In the event a provision of the Rental Car Insurance Limited Producer License Act
[59A-32A-1 NMSA 1978] is violated by a rental car agent or endorsee, the superintendent of insurance may:

(1) after notice and hearing, revoke or suspend the license issued under the Rental Car Insurance Limited Producer License Act; or

(2) after notice and hearing, impose other penalties, including suspending the transaction of insurance at specific rental locations where violations of the Rental Car Insurance Limited Producer License Act have occurred.

B. If a person offers or sells insurance in connection with, or incidental to, rental agreements or holds himself or a company out as a rental car agent without satisfying the requirements of the Rental Car Insurance Limited Producer License Act, the superintendent of insurance shall be authorized to issue a cease and desist order.


Notwithstanding any provision of the Rental Car Insurance Limited Producer License Act [59A-32A-1 NMSA 1978] or any other rule or statute, a licensee pursuant to that act shall not be required to treat money collected from renters purchasing rental car insurance when renting rental cars as funds received in a fiduciary capacity or to hold the funds in separate trust accounts.


59A-33-8 Issuance of policy; annual report.
59A-33-9 Rules and regulations.
59A-33-9.1 Policyholders' duty to disclose; ratings experience.
59A-33-10 Authority of superintendent.
59A-33-11 Safety rules prescribed by the pool.
59A-33-12 Appeal to superintendent.
59A-33-13 Action by superintendent; review.
59A-33-14 Workers' compensation policies to provide for deductible provision at option of insured.
59A-33-15 Pool policyholder liability.


Chapter 59A, Article 33 NMSA 1978 may be cited as the "Workers' Compensation Assigned Risk Pool Law".


Pre-emption by Longshore and Harbor Workers' Compensation Act (33 USCS § 901 et seq.) of state law claims for bad-faith dealing by insurer or agent of insurer, 90 A.L.R. Fed. 723.

59A-33-2. Scope of article.

The Workers' Compensation Assigned Risk Pool Law [Chapter 59A, Article 33 NMSA 1978] shall apply only as to contracts of workers' compensation insurance. Such contracts shall also be subject to the applicable provisions of Chapter 59A, Article 18 NMSA 1978.


It is the purpose of the Workers' Compensation Assigned Risk Pool Law [Chapter 59A, Article 33 NMSA 1978] to provide for the insurance of workers' compensation insurance risks that have, in good faith but without success, sought insurance in the usual manner from any two or more insurers authorized to transact in New Mexico the business of workers' compensation insurance and to provide for the equitable distribution of risks among commercial line insurers.


The 1993 amendment, effective June 18, 1993, deleted "as determined by the superintendent" at the end of the section and made a minor stylistic change.

ANNOTATION

As used in the Workers' Compensation Assigned Risk Pool Law [Chapter 59A, Article 33 NMSA 1978]:

A. "board" means the governing board of the pool;

B. "commercial line insurer" means any foreign, alien or domestic stock or mutual insurer, or reciprocal or interinsurance exchange, or association or other corporation or organization authorized to transact workers' compensation insurance, commercial multiple peril insurance or commercial general liability insurance in this state. The superintendent may adopt rules and regulations to define commercial multiple peril insurance or commercial general liability insurance. For policy years beginning on or after January 1, 1994, "commercial line insurer" shall apply to workers' compensation only and shall not include commercial multiple peril insurance or commercial general liability insurance;

C. "person" means an individual, firm, association, corporation or a public or private agency or institution;

D. "policyholder" means a person or entity insured through or by the pool;

E. "pool" means the New Mexico workers' compensation assigned risk pool established pursuant to Section 59A-33-5 NMSA 1978;

F. "rejected risk" means an employer who is in good faith entitled to insurance but is unable to procure or retain insurance through ordinary methods in the voluntary market as evidenced by at least two written rejections. The term includes any legal entities that may be combined for experience-rating purposes according to the rules of the superintendent; and

G. "servicing carrier" means a person designated by the superintendent to issue a policy that evidences the insurance coverages provided to a rejected risk and to service the policyholder as provided in the Workers' Compensation Assigned Risk Pool Law.


The 1993 amendment, effective June 18, 1993, added the second and third sentences in Subsection B; and inserted "Assigned Risk" in Subsection G.


A. To carry into effect the provisions of the Workers' Compensation Assigned Risk Pool Law [Chapter 59A, Article 33 NMSA 1978], there shall be maintained a nonprofit
unincorporated association of commercial line insurers to be known as the "New Mexico workers' compensation assigned risk pool", and every commercial line insurer shall be a member of the pool.

B. The pool shall be governed by a board constituted of seven persons, appointed by the superintendent as follows:

(1) at least four members shall be knowledgeable and have experience in the field of workers' compensation insurance and be employed by or represent private, voluntary licensed insurance companies;

(2) all members shall be appointed for two-year terms; and

(3) all members shall be appointed and subject to removal by the superintendent.

C. The board shall adopt, amend and repeal bylaws, subject to the approval of the superintendent, to govern the board's and the pool's operation and administration and to provide for the self-sufficient, economic, fair and nondiscriminatory administration of the pool.

D. The pool shall pay all costs and expenses of operating and maintaining the pool, including any allowances for servicing policies issued through or reinsured by the pool. State funds shall not be appropriated or expended for payment of any costs or expenses incurred in the operation or maintenance of the pool.

E. There shall be no liability on the part of and no cause of action shall arise against the board, the pool, its executive director or any of its staff, agents, servants or employees or against any member of the pool or any of its officers, directors, agents, servants or employees, arising out of or in connection with any judgment or decision made in connection with the performance of the powers and duties under the Workers' Compensation Assigned Risk Pool Law. This shall include any inspections, safety engineering investigations performed, or recommendations made in good faith in any reports or in communications concerning employers due to their applying for or being provided insurance coverage by the pool, or at any administrative hearing or inquiry conducted in connection with insurance coverage provided by the pool pursuant to the purposes and objectives of the Workers' Compensation Assigned Risk Pool Law.


100 C.J.S. Workmen's Compensation § 372.


The pool shall operate towards being self-sufficient and shall be self-sufficient no later than July 1, 1995. The rates charged the policyholders shall be set so that the amount received in premiums, together with reasonable investment income earned on those premiums, is reasonably expected to be sufficient to pay claims and losses incurred and reasonable operating expenses of the servicing carriers.
59A-33-5.2. Pool deficit review.

A. The pool's efficient and self-sufficient operation is essential to the successful operation of the workers' compensation system in New Mexico. The effect of the pool's operation upon small employers is a particularly critical concern that merits continuing and close supervision by the state. The state should make all reasonable efforts to ensure that employers who are good risks, and particularly small employers who have established good safety records, are not penalized in the pool with higher than warranted workers' compensation premium charges.

B. For the reasons set forth in this section, the superintendent shall continuously and closely monitor the performance of the pool, paying special attention to small employers. The superintendent shall report quarterly to the legislative finance committee on the status of the assigned risk pool.


Compiler's notes. — This section was enacted as part of the "Assigned Risk Pool Law", but was assigned as part of the "Workers' Compensation Assigned Risk Pool Law" by the compiler.

59A-33-6. Powers of the pool; duty of member companies; servicing carriers.

A. The pool shall provide workers' compensation insurance, pursuant to the terms of the Workers' Compensation Assigned Risk Pool Law [Chapter 59A, Article 33 NMSA 1978], for any risk, under the laws of the state providing for workers' compensation, which risk in good faith has been tendered to and rejected by two or more insurers writing workers' compensation insurance. The pool may purchase reinsurance, either on a single occurrence or aggregate coverage basis.

B. In accordance with the bylaws of the pool, the board shall designate servicing carriers, that are willing to serve as such, the total number of which shall be determined by the board. Contracts with and compensation of servicing carriers shall be subject to the superintendent's approval. Contracts shall be for a term determined by the board subject to the superintendent's approval.

C. Following the adoption by the pool and approval by the superintendent of rules and regulations of the pool as provided for in Section 59A-33-9 NMSA 1978, the procedures and remedies established under the Workers' Compensation Assigned Risk Pool Law shall be the sole and exclusive procedures and remedies of any applicant for workers' compensation insurance in this state whose application for such insurance has in good faith been rejected in writing by two or more insurers writing workers' compensation insurance.


When any person makes application to two or more insurers writing workers' compensation insurance for workers' compensation insurance and the insurers in good faith reject in writing the application, that person may file with the pool an application for assignment of the risk to a servicing carrier. If it appears to the pool that the risk is, in good faith, entitled to insurance, the pool shall assign such risk to a servicing carrier.


A. The servicing carriers to which the pool assigns a workers' compensation insurance risk shall issue a policy, upon the payment of the premiums, in a form and for those limits of liability that are approved by the superintendent in accordance with the Workers' Compensation Assigned Risk Pool Law [Chapter 59A, Article 33 NMSA 1978]; but the undertakings of any issued policy shall be fully reinsured by all of the members of the pool, and the liability of the member issuing the policy shall be limited to its liability as a reinsurer. On any workers' compensation policy so issued, all members of the pool shall be reinsurers, as among themselves, in proportion to the amount that the net direct commercial line premiums on the insurance written in this state during the corresponding calendar year by the issuing member bears to the total of commercial line premiums written in this state during the corresponding calendar year by all members of the agency, and each policy may be endorsed to reflect the plan of reinsurance described in this section.

B. The superintendent may by regulation establish an incentive program for commercial line insurers to voluntarily write small employers outside of the assigned risk pool. In establishing the program, the superintendent may provide for credits or adjustments to the net direct commercial line premium for the purposes of determining the reinsurance share described in Subsection A of this section.


The 1993 amendment, effective June 18, 1993, added the Subsection "A" designation; substituted "corresponding" for "preceding" twice in the second sentence in Subsection A; and added Subsection B.

Existing forms and filings. — See same catchline in notes following 59A-5-21 NMSA 1978.


100 C.J.S. Workmen's Compensation § 354.

The pool shall adopt regulations to assure the fair, reasonable, equitable and nondiscriminatory assignment of workers' compensation insurance risks, the applicable rates and rate modifications and other matters necessary or advisable to carry into effect the provisions of the Workers' Compensation Assigned Risk Pool Law [Chapter 59A, Article 33 NMSA 1978]. Regulations shall have the prior approval of the superintendent before they become effective. If the pool for any reason has failed to adopt regulations as provided in this section, the superintendent may adopt and issue reasonable regulations assuring the fair, reasonable, equitable and nondiscriminatory assignment of workers' compensation insurance risks, the applicable rates and rate modifications and other matters necessary or advisable to carry into effect the provisions of the Workers' Compensation Assigned Risk Pool Law. Regulations adopted and issued by the superintendent shall continue in force until modified by the superintendent or superseded by regulations adopted by the pool and approved by the superintendent.


100 C.J.S. Workmen's Compensation § 372.

59A-33-9.1. Policyholders' duty to disclose; ratings experience.

A. Failure or refusal by any rejected risk to make full disclosure to the pool, servicing carrier or insurer writing a policy of information concerning the policyholder's true ownership, change of ownership, operations or payroll or any other failure to disclose fully any records pertaining to workers' compensation insurance, shall be sufficient grounds for the pool to terminate the insurance of the policyholder as one not in good faith.

B. Incurred experience shall be used in future ratings regardless of a change in ownership, control, management or operations, and leasing companies shall adopt the incurred experience of the insured, so that no employer shall evade the burdens imposed by an unfavorable or high-cost experience.


59A-33-10. Authority of superintendent.

A. The superintendent may approve amendments to policy forms, endorsements, rates, rating plans or minimum premiums different from those normally applicable to a risk in order to apply to each risk assigned by the pool the policy forms, endorsements, rates, rating plans and minimum premiums as are commensurate with the greater hazard of the risk, and expenses involved in insuring the risk, considering in that connection the experience and the physical and
other conditions of the risk.

B. Rates for any risk assigned by the pool shall be subject to approval by the superintendent in accordance with the applicable procedures provided in Chapter 59A, Article 17 NMSA 1978 so far as applicable. The superintendent may establish separate rates for any industry or workers' compensation classifications in the pool when the public interest so requires; provided that the rates established are fair, equitable and adequate.

C. If the pool or its governing board fails to act within a reasonable time or acts in a manner inconsistent with its rules, regulations, bylaws or articles of agreement or with statutory or case law, regulations of the superintendent or the public interest, the superintendent shall assume the power and duties of the pool and board and cause the pool to act in a manner conformable to law and the public interest.

D. The superintendent may direct the pool to release and make public any information he determines to be nonconfidential contained in applications for insurance from the pool and premium and loss information relating to individual risks.

E. The superintendent shall develop a marketing assistance plan to seek underwriters for risks assigned to the pool.

F. Members of the pool shall report all premium and loss information in a form and at the intervals required by the pool's regulations.

G. The superintendent shall adopt a surcharge program for any risks insured by the pool for the purpose of encouraging safety and fully funding any deficit caused by excessive losses. The surcharge program shall include a minimum surcharge of ten percent of the premium for all risks insured by the pool and shall include higher surcharges for risks with adverse loss experience.

H. The superintendent may adopt a retrospective rating plan for any risk insured by the pool that has an annual premium greater than twenty-five thousand dollars ($25,000). The superintendent may establish the criteria that determine when the retrospective rating plan applies to a particular risk. Any risk not eligible for such a plan within the pool shall be eligible for a surcharge based on its individual risk.

I. The superintendent shall adopt a schedule debit plan for any risks insured by the pool that do not comply with loss-control recommendations, have frequency or severity problems, employ underaged or temporary employees or have any exposure that is greater than average for the class.

J. The superintendent shall adopt a schedule credit plan for any risks insured by the pool that have a good loss record, as determined in regulations adopted by the superintendent, and that have made a special good-faith effort but have not been able to purchase insurance in the private voluntary market at any reasonable cost. For the purposes of this section, "special good-faith effort" means, in addition to securing at least two written rejections from insurers in the voluntary market, contacting at least one independent insurance agent who states in writing that the agent has made an independent good-faith effort to locate insurance for the rejected risk in the private voluntary market.

Any servicing carrier shall administer and enforce reasonable regulations adopted by the board, subject to the superintendent's approval, for the prevention of injuries to employees of its assigned policyholders or any applicant for assignment for workers' compensation insurance. For this purpose, the representatives of any servicing carrier shall have free access to the premises of any assigned policyholder or applicant for assignment during regular working hours. The failure or refusal by any policyholder or applicant to comply with the safety regulations or to permit such access shall be sufficient grounds for determining whether the policyholder or applicant is, in good faith, entitled to workers' compensation insurance or to a surcharge or retrospective [retrospective] rate for continued coverage.


Bracketed material. — The bracketed material in this section was inserted by the compiler. It was not enacted by the legislature, and it is not a part of the law.


Any person aggrieved by any ruling or decision of the pool with respect to any assigned risk policy of workers' compensation insurance may file a written appeal to the superintendent, within thirty days following the ruling or decision. Upon receipt of an appeal, the superintendent shall schedule and hold a full hearing, on at least ten days' written notice to the parties affected, of the subject matter of the appeal, and after consideration of all matters presented at the hearing, as well as information available to him from the records of the insurance department, the superintendent may affirm, annul or modify the appealed ruling or decision, or take any other action with respect thereto determined by him to be fair, reasonable and nondiscriminatory, under all the circumstances. All testimony and other evidence on which the superintendent bases any decision under the Workers' Compensation Assigned Risk Pool Law [Chapter 59A, Article 33 NMSA 1978] shall be in writing, directed to the parties affected and filed of record in the insurance department.


Any action by the superintendent pursuant to the Workers' Compensation Assigned Risk
Pool Law [Chapter 59A, Article 33 NMSA 1978] shall be subject to the review and appeal as provided in Chapter 59A, Article 4 NMSA 1978.


59A-33-14. Workers' compensation policies to provide for deductible provision at option of insured.

Any workers' compensation insurance policy issued to cover a risk in this state shall include provisions giving the insured employer the option of choosing a deductible based upon the employer's financial ability to repay the insurer any amounts expended by the insurer on behalf of the employer.

The deductible may be an amount ranging from five hundred dollars ($500) to two thousand five hundred dollars ($2,500), in increments of five hundred dollars ($500), or the amount of five thousand dollars ($5,000) or ten thousand dollars ($10,000). In exercising his authority to approve the form of the policy to be issued, the superintendent of insurance shall not approve any policy form that permits, directly or indirectly, any part of the deductible to be charged to or passed on to the worker.


No policyholder in the assigned risk pool shall be liable for any deficit incurred by the pool for the calendar year 1991 unless that policyholder's policy is issued or renewed in 1991. A policyholder in the pool as of January 1, 1991, shall not, therefore, be liable for any deficit incurred by the pool for 1991 unless that policyholder's policy is renewed with the pool in calendar year 1991.


ARTICLE 34
Domestic Stock and Mutual Insurers

Section
59A-34-1 Scope of article.
59A-34-2 Application of general corporation statutes.
59A-34-3 Insurance business exclusive; exceptions.
59A-34-4 Incorporation.
59A-34-5 Filing, recording of articles; authority to raise capital or transact insurance required.
59A-34-6 Amendment of articles of incorporation.
59A-34-7 Nonuser of corporate charter.
59A-34-8 Prohibited interest of officers, directors and employees in certain transactions.
59A-34-1. Scope of article.


History: Laws 1984, ch. 127, § 547.

The applicable statutes of this state relating to the powers and procedures of domestic private corporations formed for profit shall also apply to domestic stock insurers and to domestic mutual insurers except where in conflict with the express provisions of the Insurance Code and the reasonable implications of such provisions.


A. Except as provided in this section, no domestic insurer shall engage in any business other than the insurance business and in business activities reasonably and necessarily incidental to such insurance business.

B. A title insurer may also engage in business as an escrow agent.

C. Any insurer may also engage in business activities reasonably related to the management, supervision, servicing of and protection of its interests as to its lawful investments, and to full utilization of its facilities.

D. An insurer may own subsidiaries which may engage in such businesses as are provided for in Section 145 [59A-9-12 NMSA 1978] of the Insurance Code.

History: Laws 1984, ch. 127, § 549.

59A-34-4. Incorporation.

A. Seven (7) or more individuals who have reached the age of majority may incorporate a stock insurer; ten (10) or more such individuals may incorporate a mutual insurer. Not less than two-thirds of the incorporators shall be citizens of the United States and residents of New Mexico. The articles of incorporation shall be signed by all incorporators and acknowledged by not less than three (3) of the incorporators as deeds are required to be acknowledged.

B. The articles of incorporation shall state:

(1) the name of the corporation; if a mutual, the word "mutual" shall be part of the name;

(2) the duration of its existence, which may be perpetual;

(3) if a stock corporation, the number of shares of authorized capital stock and the par value of each such share;

authorized capital stock shall consist solely of one class of common stock with par value of
not less that five dollars ($5) per share, and shares without par value shall not be authorized; the extent, if any, to which each share shall be liable to assessment;

(4) if a mutual corporation, the maximum contingent liability of each member for payment of losses and expenses incurred, which liability shall be prominently stated in the articles of incorporation, and such conditions applicable to nonassessable policies as may be consistent with law;

(5) the limitations, if any, on the corporation's indebtedness;

(6) designation of the superintendent as an agent of the corporation upon whom may be served all process in any action or proceeding against the corporation;

(7) the kinds of insurance the corporation is formed to transact, according to the definitions set forth in Article 7 [Chapter 59A, Article 7 NMSA 1978] of the Insurance Code;

(8) the number of directors, not less than five (5), who shall conduct the corporation's affairs, and the names and addresses of the corporation's first directors and officers for a stated term of office of not less than six (6) months or more than one year's duration from date of incorporation;

(9) the date and time of the annual meeting of stockholders or members;

(10) the city or town in New Mexico in which is to be located the corporation's principal place of business;

(11) such other provisions, not inconsistent with law, as deemed appropriate by the incorporators; and

(12) the names and addresses of the incorporators.


44 C.J.S. Insurance § 115.

59A-34-5. Filing, recording of articles; authority to raise capital or transact insurance required.

A. When executed and acknowledged by the incorporators, the articles of incorporation shall be filed in the office of the corporation commission [public regulation commission], and copies thereof certified by the corporation commission [public regulation commission] shall be filed with the superintendent and recorded in the office of the county clerk in the county of New Mexico wherein the corporation proposes to have its principal place of business.

B. Upon completion of such filings and recording, the corporation commission [public regulation commission] shall issue to the corporation a certificate of incorporation, and incorporation shall be deemed effective as of date of issuance of such certificate.

C. The corporation shall not raise any capital through sale of shares or otherwise except in
compliance with Article 35 [Chapter 59A, Article 35 NMSA 1978] (sale of insurance securities) of the Insurance Code, and shall not transact business as an insurer until it has applied for and received from the superintendent a certificate of authority as provided for under Article 5 [Chapter 59A, Article 5 NMSA 1978] (authorization of insurers and general requirements) of the Insurance Code.

**History:** Laws 1984, ch. 127, § 551.

**Bracketed material.** — The bracketed material in this section was inserted by the compiler. It was not enacted by the legislature, and it is not part of the law. For references to state corporation commission being construed as references to the public regulation commission, see 8-8-21 NMSA 1978.

### 59A-34-6. Amendment of articles of incorporation.

A. The articles of incorporation of a stock insurer may be amended in accordance with the general statutes of New Mexico applying to corporations formed for profit. A copy of the amendment, certified by the corporation commission [public regulation commission], shall be filed with the superintendent, and a copy likewise certified shall be recorded in the county clerk's office of the county of the corporation's principal place of business. No amendment shall reduce authorized capital below the amount of paid-in capital stock required under Section 83 [59A-5-16 NMSA 1978] of the Insurance Code for the certificate of authority covering the kinds of insurance immediately thereafter to be transacted by the insurer.

B. The articles of incorporation of a mutual insurer may be amended by the affirmative vote of two-thirds of its members present in person or by proxy at a regular or special meeting of its members of which notice in writing of the proposed amendment was mailed to all members at least thirty (30) days in advance, unless notice shall otherwise be provided for as approved by the superintendent. A certificate of the amendment, signed and acknowledged by the president and attested by the secretary of the corporation, shall be filed and recorded as required of original articles of incorporation.

**History:** Laws 1984, ch. 127, § 552.

**Bracketed material.** — The bracketed material in this section was inserted by the compiler. It was not enacted by the legislature, and it is not part of the law. For references to state corporation commission being construed as references to the public regulation commission, see 8-8-21 NMSA 1978.


44 C.J.S. Insurance § 117.


A. Any domestic insurer which within one year from date of incorporation has not completed its organization and obtained a certificate of authority from the superintendent to transact insurance, shall unless granted an extension as hereinafter provided, forfeit its corporate
charter, and the superintendent shall thereupon commence a proceeding for liquidation and dissolution of the corporation pursuant to the applicable provisions of Article 41 [Chapter 59A, Article 41 NMSA 1978] (conservation, rehabilitation, liquidation) of the Insurance Code. Upon written request by the corporation filed with him prior to the expiration of one year from its date of incorporation and for good cause shown, the superintendent may extend for an additional year the period within which the corporation shall qualify for and secure its certificate of authority as an insurer.

B. Any insurer which ceases to write and issue new insurance business for a continuous period of two years shall forfeit its right to resume the writing of new business except with the prior written approval of the superintendent granted upon reasonable grounds. Unless such approval is granted, the superintendent shall commence a proceeding pursuant to Article 41 (conservation, rehabilitation, liquidation) of the Insurance Code to liquidate and dissolve the insurer.

History: Laws 1984, ch. 127, § 553.


44 C.J.S. Insurance § 19.

59A-34-8. Prohibited interest of officers, directors and employees in certain transactions.

A. No officer or director of an insurer, or any employee of the insurer shall accept, except for the insurer, or be beneficiary of, any fee, brokerage, gift or other emolument in addition to fixed salary or compensation, because of any investment, loan, deposit, purchase, sale, exchange, reinsurance or other similar transaction made by or for the insurer, or be pecuniarily interested therein in any capacity except on behalf of the insurer.

B. No insurer shall guarantee the financial obligation of any of its officers, directors, or employees.

C. This section shall not prohibit such a director, officer, or employee from:

1. being a policyholder of the insurer and enjoying the rights customarily provided for holders of such policies;

2. participating as beneficiary in any pension or deferred compensation plan, profit-sharing plan, stock option plan or similar plan authorized by the insurer and to which he may be eligible;

3. receiving a fee in reasonable amount, if a director and not a salaried officer or employee, for special services rendered to the insurer in the usual independent practice of the profession of the director as attorney, accountant or physician; or

4. owning shares in a mutual fund or similar pooled investment through which he possesses an indirect interest in other corporations with which the insurer may directly or indirectly transact business, so long as such investment is in kind or amount not material to such
transactions of the insurer.

**History:** Laws 1984, ch. 127, § 554.


44 C.J.S. Insurance §§ 119 to 122.


No insurer shall pay any salary, compensation or emolument to any officer or director thereof unless such payment has been duly authorized by the insurer's board of directors.

**History:** Laws 1984, ch. 127, § 555.

59A-34-10. Records and accounts.

A. Every domestic insurer shall keep at its principal place of business in this state its original books, records, documents, accounts and vouchers in such manner that its financial condition can be ascertained, its financial statements filed with the superintendent readily verified, and its compliance with law determined. A domestic insurer the records of which on January 1, 1983 and on the effective date of the Insurance Code were being lawfully maintained outside this state shall for good cause shown be allowed by the superintendent a reasonable period, not to exceed one (1) year after such effective date, to return such records to its principal place of business in this state.

B. The insurer may destroy records which have become obsolete in accordance with such classifications and schedule for destruction as may be adopted by the insurer and approved in writing by the superintendent.

C. This section shall not be deemed to prohibit safekeeping arrangements for computerized and other records of the insurer outside such principal place of business and in the same general locality of this state so long as readily available to the insurer, and, for purposes of examination, to the superintendent.

**History:** Laws 1984, ch. 127, § 556.


No insurer shall make any disbursement of one hundred dollars ($100) or more unless evidenced by a voucher or other document correctly describing the consideration for the payment and supported by a check or receipt endorsed or signed by or on behalf of the recipient. If the disbursement is for services and reimbursement the voucher or document or other writing referred to therein shall describe the services and itemize the expenditures. If the disbursement is
in connection with any matter pending before any legislature or public body or public officer, the voucher or other document shall also correctly describe the nature of the matter and of the insurer's interest therein.

**History:** Laws 1984, ch. 127, § 557.

59A-34-12. Assets to be kept in state; exceptions.

A. Every domestic insurer shall keep its assets within this state except as requisite for normal transaction of business.

B. An insurer may maintain in or in connection with its branch office located outside this state furniture, fixtures, supplies and funds normally required for operation of the branch office.

C. An insurer may maintain on deposit with or through the insurance supervisory officer of another state, province or country securities as required for authority to transact insurance therein.

D. An insurer may have on deposit temporarily with established securities brokerage firms outside this state securities as required for purchase or sale of securities on the insurer's account, and shall have in its records adequate written receipt evidencing such deposit.

E. An insurer may be owner of book-entry securities of the Federal Reserve Bank.

**History:** Laws 1984, ch. 127, § 558.


A. No person shall remove all or any material part of the records or assets of a domestic insurer from this state except pursuant to a plan of merger, consolidation or bulk reinsurance approved by the superintendent under this article, or for such other reasonable purposes and periods of time as may be permissible under Section 558 [59A-34-12 NMSA 1978] of this article, or as may have been approved by the superintendent in writing in advance of such removal.

B. No person shall conceal any such records or assets from the superintendent.

C. Any person who unlawfully removes or attempts to remove such records or assets or such material part thereof from its lawful location, or who unlawfully conceals or attempts to conceal the same from the insurer or superintendent, is upon conviction thereof guilty of a felony.

D. Upon any unlawful removal or attempted removal of such records or assets, or upon retention of such record [records] or assets or material part thereof outside this state in violation of this section, or upon any unlawful concealment of or attempt to conceal records or assets the superintendent may, in his discretion, institute delinquency proceedings against the insurer pursuant to Article 41 [Chapter 59A, Article 41 NMSA 1978] (conservation, rehabilitation, liquidation) of the Insurance Code.

**History:** Laws 1984, ch. 127, § 559.

A. This section and Sections 561 and 562 [59A-34-15 and 59A-34-16 NMSA] of this article apply to all domestic stock insurers except:

   (1) a domestic stock insurer having of record less than one hundred (100) holders of any class of equities securities; but if ninety-five percent or more of the insurer's equity securities are owned or controlled by a parent or an affiliated insurer, this section and the sections referred to in Subsection A, above, do not apply to the insurer unless its remaining securities are held of record by five hundred (500) or more persons; and

   (2) domestic stock insurers which, relative to voting or other securities involved, file with the Securities and Exchange Commission forms of proxies, consents and authorizations pursuant to the Securities Exchange Act of 1934, as amended.

B. The superintendent may promulgate reasonable rules and regulations for effectuation of this section and the sections referred to in Subsection A, above.


Every insurer to which Section 560 [59A-34-14 NMSA 1978] applies shall timely furnish to its stockholders, in advance of stockholder meetings, information in writing reasonably adequate to inform them relative to all matters to be presented by the insurer's management for consideration of stockholders at the meeting.


A. No person shall solicit a proxy, consent or authorization in respect of any stock or other voting security of such an insurer unless he furnishes the person so solicited with written information reasonably adequate as to:

   (1) the material matters in regard to which the powers so solicited are proposed to be used; and

   (2) the person or persons on whose behalf the solicitation is made and the interest of such person or persons in relation to such matters.

B. No person shall so furnish information which the informer knows or has reason to believe is false or misleading as to any material fact, or which fails to state any material fact reasonably necessary to prevent any other statement made from being misleading.
C. The form of all such proxies shall:

1. conspicuously state on whose behalf the proxy is solicited;
2. provide for dating the proxy;
3. impartially identify each matter or group of related matters intended to be acted upon;
4. provide means for the principal to instruct the vote of his shares as to approval or disapproval of each matter of [or] group, other than election to office; and
5. be legibly printed, with context suitably organized;

but a proxy may confer discretionary authority as to matters as to which a choice is not specified pursuant to Paragraph (4), above, if the form conspicuously states how it is intended to vote the proxy or authorization in each such case, and may confer discretionary authority as to other matters which may come before the meeting but [were] unknown for a reasonable time prior to the solicitation by the persons on whose behalf the solicitation is made.

D. No proxy shall confer authority to:

1. vote for election of any person to any office for which a bona fide nominee is not named in the proxy statement; or
2. vote in any annual meeting (or adjournments thereof) other than the annual meeting next following the date on which the proxy statement and form were furnished stockholders.

E. Any proxy, consent or authorization obtained in violation of, or which violates, this section or the lawful rules and regulations of the superintendent relating thereto, is void.


Bracketed material. — The bracketed words throughout this section were inserted by the compiler. They were not enacted by the legislature, and they are not a part of the law.

59A-34-17. Management, compensation and agency contracts.

A. No domestic insurer shall make, amend or renew any contract whereby any person is granted or is to enjoy in fact the management of the insurer to the material exclusion of its board of directors or to have the controlling or preemptive right to produce substantially all insurance business for the insurer, or, if an officer, director or otherwise part of the insurer's management, is to receive any commission, bonus or compensation based upon the volume of the insurer's business or transactions, unless the contract is filed with and not disapproved by the superintendent. The contract amendment or renewal shall become effective in accordance with its terms unless disapproved by the superintendent within thirty days after date of filing, subject to such reasonable extension of time as the superintendent may require by written notice given within such thirty days. Any disapproval shall be delivered to the insurer in writing stating the grounds therefor.
B. Any such contract when made, amended, or renewed shall provide that any such manager, producer of its business or contract holder shall within ninety days after expiration of each calendar year furnish the insurer's board of directors a written statement of amounts received under or on account of the contract and amounts expended thereunder during such calendar year, with specification of the emoluments received therefrom by the respective directors, officers, and other principal management personnel of the manager, producer, contract holder or insurer, and with such classification of items and further detail as the insurer's board of directors may reasonably require.

C. The superintendent shall disapprove any such contract, amendment or renewal thereof if he finds that the contract:

1. subjects the insurer to excessive charges;
2. is to extend for an unreasonable length of time;
3. does not contain fair and adequate standards of performance; or
4. contains other inequitable provisions or provisions which impair the reasonable and proper interests of the insurer's stockholders, policyholders or members.

D. The superintendent may, after a hearing held thereon, disapprove or withdraw his approval of any such contract theretofore permitted to become effective or amended or renewed, if he finds that the contract should be disapproved on any of the grounds specified in Subsection C of this section.

E. Any contract or relationship with and any person who is a managing general agent as defined in the Managing General Agents Law [Chapter 59A, Article 12B NMSA 1978], shall be subject to the provisions of that law.


The 1993 amendment, effective June 18, 1993, added Subsection E and made minor stylistic changes throughout the section.

59A-34-18. Dividends to stockholders.

A. A domestic stock insurer shall not pay any cash dividend to stockholders except out of that part of its available and accumulated surplus funds otherwise unrestricted and derived from realized net operation profits and realized capital gains.

B. A cash dividend otherwise lawful may be so paid out of the insurer's earned surplus which is in excess of the amount of surplus required to be maintained by it under the Insurance Code.

C. A stock dividend may be paid out of any available surplus. Upon payment of a stock dividend the insurer shall transfer to its paid-in capital stock account funds equal to the aggregate of the par value of shares so distributed.

D. No dividend shall be declared or paid which would reduce the insurer's surplus funds.
below an amount reasonably required to sustain the insurer's normal operations currently and for
the reasonably foreseeable future.

E. This section is subject to the provisions of Section 59A-37-22 NMSA 1978 relative to
dividends by insurers which are subject to The Insurance Holding Company Law [Article 37,
Chapter 59A NMSA 1978].


The 1993 amendment, effective June 18, 1993, substituted "Section 59A-37-22" for "Section 637 of
Article 37 of the Insurance Code" in Subsection E.


44 C.J.S. Insurance § 127 et seq.


A. If provided for in its articles of incorporation a stock or mutual insurer may issue any or
all of its policies with or without participation in profits, savings or unabsorbed portions of
premiums, may classify policies issued on a participating or nonparticipating basis and may
determine the right to participate and the extent of participation of any class or classes of
policies. Any such classification or determination shall be reasonable, and shall not unfairly
discriminate as between policyholders within the same classification.

B. A life insurer may issue both participating and nonparticipating policies only if the right
or absence of right to participate is reasonably related to the premium charged.

C. After the first policy year no dividend, otherwise earned, shall be made contingent upon
payment of the renewal premium on any policy or contract; but a participating life or health
insurance policy providing for participation at the end of the first or second policy year or the
first and second policy year may provide that such dividend or dividends will be paid subject to
payment of the premium for the year next ensuing such first or second policy year.

D. As to life insurance policies, this section is subject to Section 393 [59A-20-28 NMSA
1978] (special requirements as to participating policies) of the Insurance Code.


44 C.J.S. Insurance § 123 et seq.

59A-34-20. Dividends to policyholders.

A. The directors of a domestic mutual insurer may from time to time apportion and pay or
credit to its members dividends only out of that part of its surplus funds which represents net
realized savings, net realized earnings and net realized capital gains, all in excess of the surplus required by law to be maintained by the insurer.

B. Subject to Section 393 [59A-20-28 NMSA 1978] (special requirements as to participating policies) of the Insurance Code, a domestic stock insurer may pay dividends to holders of its participating policies out of its available surplus.

C. No such dividend shall be paid which is inequitable or which unfairly discriminates between classifications or policies within the same classification.

History: Laws 1984, ch. 127, § 566.


44 C.J.S. Insurance § 127 et seq.

59A-34-21. Illegal dividends; penalty.

A. Any director of a domestic stock or mutual insurer who wilfully votes for or concurs in declaration or payment of an illegal dividend to stockholders or members shall upon conviction thereof be guilty of a misdemeanor punishable by a fine not to exceed five hundred dollars ($500) and shall be jointly and severally liable, together with other such directors, for any loss thereby sustained by the insurer.

B. The stockholders or members receiving such an illegal dividend shall be liable in the amount thereof to the insurer.

C. The superintendent may revoke or suspend the certificate of authority of an insurer which has declared or paid an illegal dividend.


A. A domestic stock insurer shall have the right to purchase or acquire shares of its own stock only as follows:

1. for elimination of fractional shares;
2. incidental to enforcement of rights of the insurer as to lawful transactions previously entered into in good faith for purposes other than acquisition of such shares;
3. for purposes of a general savings and investment plan for the insurer's personnel;
4. for mutualization of the insurer as provided in Section 580 [59A-34-34 NMSA 1978] of this article;
5. for purposes of cancellation in connection with plan of recapitalization or reduction or reclassification of outstanding shares, or under other plan submitted to and approved in writing by the superintendent. The superintendent shall not approve a plan unless found by
him to be for reasonable purposes, to be equitable as to the remaining stockholders of the insurer and not materially adverse to protection of policyholders; or

(6) as result of gift or bequest of the shares to the insurer.

B. Its own shares held by the insurer shall be part of paid-in capital stock, but shall not be voted or constitute an asset for financial statement purposes.

**History:** Laws 1984, ch. 127, § 568.

### 59A-34-23. Borrowed capital funds.

A. A domestic insurer may without pledge of assets borrow money to defray expense of organization, provide surplus funds or for any purpose of its business, upon a written agreement that such money is required to be repaid only out of the insurer's surplus in excess of that stipulated in such agreement. The agreement may provide for interest on unpaid balance of principal at a reasonable rate approved by the superintendent, which interest shall or shall not constitute a liability of the insurer as to its funds other than such excess of surplus, as stipulated in the agreement. No commission or promotion expense shall be paid in connection with any such loan, except that if a public offering and sale is made of the loan securities the insurer may pay the reasonable costs thereof approved by the superintendent.

B. Money so borrowed, together with the interest thereon if so provided in the agreement, shall not be part of the insurer's legal liabilities except as to its surplus in excess of the amount of surplus stipulated in the agreement, or be basis of any setoff; but until repaid, financial statements filed or published by the insurer shall show as a footnote thereto the amount of the loan then unpaid together with any interest thereon accrued but unpaid.

C. Any such loan shall be subject to the superintendent's approval. The insurer, in advance of the loan, shall file with the superintendent a statement of the amount proposed to be so borrowed and the purposes thereof together with a copy of the proposed loan agreement. The loan and agreement shall be deemed approved unless within thirty (30) days after date of such filing the insurer is notified of the superintendent's disapproval and reasons therefor. The superintendent shall disapprove any proposed loan or agreement if he finds the loan unnecessary or excessive for purposes intended or that the terms of the agreement are not fair and equitable to the parties and to other similar lenders, if any, to the insurer, or that the information so filed by the insurer is inadequate.

D. Any such loan or substantial portion thereof shall be repaid by the insurer when no longer reasonably necessary for the purposes intended. No such repayment shall be made unless approved in advance by the superintendent upon his finding that repayment would not deprive the insurer of funds reasonably required for its operations or protection of its policyholders.

E. Such loan agreements when offered for purchase by the public shall for purposes of Article 35 [Chapter 59A, Article 35 NMSA 1978] (sale of insurance securities) of the Insurance Code be deemed to be securities.
F. This section does not apply to other kinds of loans obtained by the insurer in ordinary course of business, or to loans secured by pledge or mortgage of assets.

History: Laws 1984, ch. 127, § 569.


A. Each holder of one or more insurance policies of a domestic mutual insurer, other than holder of a reinsurance contract, is a member of the insurer with all the rights and obligations of such membership, and each such policy so issued shall so specify.

B. Any person, government or governmental agency, state or political subdivision thereof, public or private corporation, board, association, firm, estate, trustee or fiduciary may be a member of a mutual insurer.

History: Laws 1984, ch. 127, § 570.


44 C.J.S. Insurance § 118.


A. As to management, records and affairs of the insurer a member of a domestic mutual insurer shall have the same character of rights and relationship as a stockholder has toward a domestic stock insurer.

B. Subsection A above shall not be deemed to:

(1) subject the mutual insurer to requirements of Sections 560 [59A-34-14 NMSA 1978] (information to stockholders and proxy regulations), 561 [59A-34-15 NMSA 1978] (information in advance of stockholder meetings) or 562 [59A-34-16 NMSA 1978] (solicitation of proxies) of this article; or

(2) give mutual members the right of dissent and appraisal on any merger, consolidation, bulk reinsurance, or sale of assets of the insurer.

History: Laws 1984, ch. 127, § 571.


44 C.J.S. Insurance § 118.


A. The initial board of directors of a domestic mutual insurer shall adopt original bylaws for government of the corporation and conduct of its business. Such bylaws shall be subject to approval of the insurer's members at the next annual meeting of members and no bylaw
provision shall thereafter be effective which is not so approved. Bylaws shall be revoked or modified only by vote of the insurer's members at a meeting of which notice was given as provided in the bylaws.

B. The bylaws shall provide that each of the insurer's members is entitled to one vote in election of corporate directors and on each matter voted on at membership meetings, and that such right to vote may be exercised in person or pursuant to written proxy.

C. The insurer shall promptly file with the superintendent a copy, certified by the insurer's secretary, of such bylaws and of every modification thereof or addition thereto.

D. The bylaws and modifications thereof or additions thereto shall be subject to the superintendent's approval. The superintendent shall not disapprove any such bylaw, modification or addition unless found by him, after a hearing thereon, to be unlawful, unreasonable, inadequate, unfair or injurious to the proper interests or protection of the insurer's members or any class thereof. The insurer shall not, after receiving written notice of disapproval and during the existence thereof, effectuate any bylaw provision so disapproved.


44 C.J.S. Insurance § 117.


A domestic mutual insurer may in its bylaws adopt a reasonable provision for determining a quorum of members at any meeting thereof, but no provision recognizing a quorum of fewer than a simple majority in person or proxy of all the insurer's members shall be effective unless approved as reasonable by the superintendent. This section shall not affect any other provision of law requiring vote of a different percentage of members for a specified purpose.


A. Except as to nonassessable policies as provided for in Section 577 [59A-34-31 NMSA 1978] of this article, each member of a domestic mutual insurer shall have contingent liability, pro rata and not one for another, for discharge of the insurer's obligation incurred while the member was a policyholder, which liability shall be in such maximum amount, not less than one nor more than six (6) times the premium for the member's policy at the annual premium rate, as specified in the insurer's articles of incorporation.

B. Every policy issued by the insurer shall contain a statement of the contingent liability.

C. Termination of the policy shall not relieve the member of contingent liability as to
liabilities of the insurer incurred while the policy was in force.

D. Unrealized contingent liability of members does not constitute an asset of the insurer in any determination of financial condition.

History: Laws 1984, ch. 127, § 574.


A. If at any time the assets of a domestic mutual insurer are less than its liabilities and the minimum amount of surplus required of it under the Insurance Code for authority to transact the kinds of insurance being transacted, and the deficiency is not otherwise cured, its directors may, if approved by the superintendent as being reasonable and in the best interests of the insurer and its members, levy an assessment only on its members who held policies providing for contingent liability at any time within the twelve (12) months next preceding the date the levy was authorized by the board of directors, and such members shall be liable to the insurer for the amount so assessed.

B. The assessment shall be for the amount required to cure the deficiency and to provide working funds in reasonable amount above such minimum surplus.

C. As to the respective policies subject to the levy, the assessment shall be computed upon the basis of premium earned by the insurer thereon during such twelve (12) month period.

D. No member shall have an offset against any assessment on account of any claim for unearned premiums or loss payable.

E. As to life insurance, any part of the assessment upon a member which remains unpaid following notice of assessment, demand for payment and lapse of a reasonable waiting period as specified in the notice may, if approved by the superintendent as being in the best interest of the insurer and its members, be secured by placing a lien upon the cash surrender values and accumulated dividends held or to be held by the insurer to the credit of the member's policy.

History: Laws 1984, ch. 127, § 575.


59A-34-30. Mutual members, enforcement of contingent liability.

A. Upon levy of an assessment upon its members the mutual insurer shall notify each member of the amount of the assessment as to such member by written notice mailed to the member at his address last of record with the insurer. Failure of the member to receive the notice so mailed, within the time specified therein for payment of the assessment or at all, shall be no defense in any action to collect the assessment.

B. If a member fails to pay the assessment within the period specified in the notice, which period shall not be less than thirty (30) days after the mailing, the insurer may institute suit to collect the same.
59A-34-31. Mutual insurers; nonassessable policies.

A. A domestic mutual insurer while maintaining unimpaired surplus funds not less in amount than the minimum paid-in capital stock and surplus required to be maintained by a domestic stock insurer for authority to transact the same kind or kinds of insurance, may, upon receipt of the superintendent's order so authorizing, extinguish the contingent liability of members to assessment under all its policies then in force and, so long as such surplus is maintained, may omit provisions imposing contingent liability in all policies currently issued or renewed. Each such policy so issued or renewed shall contain a statement of nonassessability on its face or by endorsement attached.

B. The superintendent shall not authorize a domestic insurer to extinguish such contingent liability unless the extinction applies to all of the policies of the insurer.

C. The superintendent shall revoke the authority of a domestic mutual insurer to issued policies without contingent liability if:

1. the insurer's surplus is less than that required under Subsection A, above, or
2. the insurer, by resolution of its board of directors approved by a majority of the insurer's members at a meeting of the members of which the notice contained notice of the proposed change, requests that the authority to issue nonassessable policies be revoked.

D. During absence of such authority the insurer shall not issue any policy without providing therein for contingent liability of the policyholder, or renew or accept premium on any policy which is then in force without endorsing the same to provide for contingent liability.


44 C.J.S. Insurance § 118.


A. No domestic insurer shall participate in any underwriting of the purchase or sale of securities in advance of their issuance or enter into any transaction for such purchase or sale on account of the insurer jointly with any other person.

B. No domestic insurer shall enter into any agreement to withhold from sale any of its property. Except as to statutory deposits required to be made by the insurer, disposition of the insurer's property shall at all times be within control of its board of directors, in accordance with its charter and bylaws.

C. Except as otherwise specifically provided by law, no domestic insurer shall pledge or transfer any of its securities as collateral for a loan if such loan with all other outstanding loans
secured by pledge or deposit of its securities aggregates, or will aggregate if such a loan is made, more than five percent of its admitted assets as shown by its last sworn financial statement filed with the superintendent, unless the superintendent first gives his written permission for such loan as necessary in conduct of the business of the insurer; but in no event shall any pledge or transfer of securities for a loan be made by the insurer if the insurer does not receive the proceeds of the loan, or if such proceeds are to be used, directly or indirectly, for investment in other securities. Nothing in this subsection shall prohibit a domestic insurer:

(1) from depositing or maintaining a deposit of any of its securities with the authorities of any other state in accordance with the laws thereof, for authority to transact insurance in such state; or

(2) from depositing securities as collateral for any surety or fidelity bond required for the insurer's business; or

(3) from entering into an agreement with a securityholder's protective committee or from depositing any of its securities with a depository under such agreement or under a plan of reorganization, for the purpose of protecting the insurer's interests.

D. No domestic insurer shall purchase its own stock, except as provided in Section 568 [59A-34-22 NMSA 1978] of this article.

E. No domestic insurer shall in connection with sale of any property agree to repurchase such property or any part thereof.

F. Subsections D and E of this section shall not apply as to purchase or sale of directors' qualifying shares.

G. No domestic insurer shall make any loan or other advance of funds if the insurer knows or reasonably should have known that the proceeds of such loan or advance in whole or part are to be used directly or indirectly for purchase of any stock or other securities of the insurer.

H. No domestic insurer shall dispose or attempt to dispose of more than ten percent of its assets out of regular course of business without advance written approval of the superintendent.

History: Laws 1984, ch. 127, § 578.

59A-34-33. Unauthorized business in other states.

A. No domestic insurer shall transact insurance in any other state without first being legally authorized to do so under the laws of such state.

B. Subsection A above shall not apply to:

(1) contracts entered into where the prospective insured when he signs the application for the insurance is personally present in a state in which the insurer is then authorized to transact the kind of insurance involved;

(2) issuance of certificates under a lawfully transacted group life or group health insurance policy where the master policy or contract was entered into in a state in which the
insurer was then authorized to transact the insurance involved and in which the policyholder was then domiciled or otherwise had a bona fide situs; or

(3) renewal or continuance in force, with or without modification, of policies and insurance contracts otherwise lawful and not originally issued in violation of Subsection A above.

C. The superintendent may revoke the certificate of authority of an insurer which violates this section, and may require the insurer to pay to the state in which the business was so unlawfully written the premium taxes otherwise applicable as provided by the laws of such state.


59A-34-34. Mutualization of stock insurer.

A. A stock insurer other than title insurer may become a mutual insurer under such plan and procedure as may be approved by the superintendent after a hearing thereon.

B. The superintendent shall not approve any such plan, procedure or mutualization unless he finds that:

(1) it is equitable to stockholders and policyholders;

(2) it is subject to approval by holders of not less than two-thirds of the insurer's outstanding capital stock having voting rights, and by not less than two-thirds of those of the insurer's policyholders who vote on such plan in person or by proxy or by mail pursuant to such notice, information and procedure as approved by the superintendent;

(3) if a life insurer, right to vote thereon is limited to holders of policies other than term or group policies, and whose policies have been in force for more than one (1) year;

(4) the plan provides for purchase of the shares of any nonconsenting stockholders in the same manner and subject to the same applicable conditions as provided by the general business corporation laws of this state as to rights of nonconsenting stockholders with respect to merger or consolidation of business corporations;

(5) mutualization will result in retirement of the insurer's outstanding capital stock at a price not in excess of the fair market value thereof as determined by competent disinterested appraiser;

(6) the plan provides for definite conditions to be fulfilled by a designated reasonable date upon which such mutualization shall become effective; and

(7) mutualization would leave the insurer with competent and trustworthy management and surplus funds reasonably adequate for the security of its policyholders and to enable the insurer, in the states in which it is then authorized to transact insurance, to continue in business for the same kinds of insurance included in its certificates of authority in such states.

C. No director, officer, agent or employee of the insurer, nor any other person, shall receive any fee, commission or other valuable consideration whatsoever, other than customary salary or
other regular compensation, for in any manner aiding, promoting or assisting in the
mutualization, except as set forth in the plan of mutualization as approved by the superintendent.

D. This section does not apply to mutualization under order of court pursuant to Article 41
[Chapter 59A, Article 41 NMSA 1978] (conservation, rehabilitation, liquidation) of the
Insurance Code.


A. A domestic stock insurer may convert to and become a New Mexico ordinary business
corporation through the following procedures:

(1) the insurer must give the superintendent written notice of its intent to convert to
an ordinary business corporation;

(2) the insurer must bulk reinsure all its insurance in force, if any, with another
insurer authorized to transact such insurance in this state, under a bulk reinsurance agreement
approved by the superintendent as provided in Section 586 [59A-34-40 NMSA 1978] of this
article. The approval of bulk reinsurance may be made contingent upon approval of the
stockholders as provided in Paragraph (4) below;

(3) the insurer must set aside in a special reserve fund in such amount and subject to
such administration as may be found by the superintendent to be adequate and reasonable for the
purpose, for payment of all obligations, if any, of the insurer incurred under its insurance
contracts prior to the effective date of such bulk reinsurance and remaining unpaid, or make
other reasonable arrangement for payment of such obligations as may be approved by the
superintendent;

(4) the proposed conversion must be approved by affirmative vote of not less than
two-thirds of each class of outstanding securities of the insurer having voting rights, at a special
meeting of the holders of such securities called and held for the purpose; and at such meeting
and by a like vote the articles of incorporation of the corporation must be amended to remove
therefrom the power to transact insurance business as an insurer and to provide for such new
powers and purposes as may be consistent with the purposes for which the corporation is
thereafter to exist;

(5) security holders of the corporation who dissent from the proposed conversion
shall have the same applicable rights as exist under the general corporation laws of this state as
to dissent from proposed merger of business corporations; and

(6) upon compliance with the requirements of this section and filing of the amended
articles of incorporation as required of ordinary business corporations, together with a copy of
such amendment filed with the superintendent, the conversion shall thereupon become effective.

B. An insurer which has once converted to an ordinary business corporation shall not have
power thereafter to convert to an insurer.

A. Subject to the provisions of this section a domestic stock insurer may merge or consolidate with one or more domestic or foreign stock insurers by complying with the applicable provisions of the statutes of this state governing merger or consolidation of stock corporations formed for profit. A domestic stock insurer may, as the surviving corporation resulting therefrom, so merge with a domestic general business corporation formed for profit under the general corporation laws of this state if the assets of such general business corporation are in major part such as the insurer could invest its funds in under Article 9 [Chapter 59A, Article 9 NMSA 1978] (investments) of the Insurance Code.

B. No such merger or consolidation shall be effectuated unless in advance thereof the plan and agreement therefor have been filed with the superintendent and approved in writing by him after a hearing thereon after notice to the stockholders of each corporation involved. Prior to or at time of filing the plan, a foreign insurer party to the proposed merger or consolidation if not then an authorized insurer shall file with the superintendent the documents and information required as for application for certificate of authority under Paragraphs (1), (3), (4), (5) and (7) of Subsection A, and under Subsection B, of Section 88 [59A-5-21 NMSA 1978] of the Insurance Code. The superintendent shall give his approval within a reasonable time after such filing unless he finds such plan or agreement [agreement]:

1. contrary to law; or
2. unfair or inequitable to the stockholders of any corporation involved; or
3. would substantially reduce the security of and service to policyholders of the domestic insurer, or result in a surviving insurer which does not meet paid-in capital stock requirements for certificate of authority of a like insurer under Section 83 [59A-5-16 NMSA 1978] of the Insurance Code or is otherwise inadequately financed for reasonable continuing conduct of its business; or
4. would materially tend to lessen competition in the insurance business in this state or elsewhere as to the kinds of insurance involved, or would materially tend to create a monopoly as to such business; or
5. is subject to other material and reasonable objections.

C. No director, officer, agent or employee of any corporation party to such merger or consolidation or any other person shall receive any fee, commission, special compensation or other valuable consideration whatsoever for in any manner aiding, promoting, or assisting therein except as set forth in such plan or agreement.

D. Nothing in the Insurance Code shall be deemed to prohibit merger or consolidation between insurers heretofore transacting different kinds of insurance, if the certificate of authority of the surviving and continuing corporation as originally issued or amended covers all
the kinds of insurance to be transacted after effectuation of merger or consolidation.

History: Laws 1984, ch. 127, § 582.

Bracketed material. — The bracketed material in Subsection B was inserted by the compiler. It was not enacted by the legislature, and it is not part of the law.


A. In any merger or consolidation of a foreign stock or mutual insurer into or with a domestic insurer under Chapter 59A, Article 34 NMSA 1978, the continuing New Mexico corporation shall for all purposes be deemed to be continuation of the corporate existence of the foreign corporation, with New Mexico as the adoptive state of domicile and with date of corporate origin the same as the original date of incorporation of the foreign insurer in its original domiciliary state or country, subject to the following conditions:

(1) the plan and agreement of merger or consolidation shall provide for such continuation of corporate existence, with designation of New Mexico as the state of domicile of the foreign corporation by adoption, and shall specify the original date of incorporation of the foreign corporation in its original domiciliary state or country as being the date of incorporation of the New Mexico corporation pursuant to this section;

(2) the articles of corporation of the New Mexico corporation shall provide, or be amended to provide, that the corporation is a continuance of the corporate existence, through adoption of New Mexico as the corporate domicile, of the foreign corporation, and shall specify the original date of incorporation of the foreign corporation in its original domiciliary state or country as being the date of incorporation of the New Mexico corporation pursuant to this section; and

(3) the continuing New Mexico corporation shall as of merger or consolidation effective date have paid-in capital stock and additional surplus in amount not less than as required of a newly-authorized foreign stock insurer under Section 59A-5-16 NMSA 1978 to transact the same kinds of insurance, and shall have all the rights and obligations of, and be given recognition in all respects as, a corporation formed under the laws of this state as of the date of incorporation of the foreign corporation in its original domiciliary state or country. This provision shall not be deemed to impose upon the continuing New Mexico corporation any liability or obligation as to filings, fees, taxes or otherwise that might have accrued prior to effective date of the merger or consolidation.

B. This section shall not be deemed in any manner to preserve, after effective date of merger or consolidation, the corporate existence of the foreign corporation as a corporation of its original domiciliary state or country.

Bracketed material. — The bracketed material in Subsection A was inserted by the compiler. It was not enacted by the legislature, and it is not part of the law.

Compiler’s notes. — As enacted, this section contained no Subsection B.

The 2007 amendment, effective June 15, 2007, requires the continuing corporation to have additional surplus not less than required of a foreign stock insurer under 59A-5-16 NMSA 1978.


A. A domestic mutual insurer shall not merge or consolidate with a stock insurer.

B. A domestic mutual insurer may merge or consolidate with another domestic or foreign mutual insurer under applicable procedures prescribed by the laws of this state governing private business corporations as modified by this section.

C. If the insurer is then unimpaired, the plan and agreement for merger or consolidation shall be submitted to and approved by at least two-thirds of the members of each mutual insurer voting thereon at meetings called for the purpose pursuant to reasonable notice and procedure. The plan and agreement may provide for giving such notice to members by publishing the same once a week for two (2) consecutive weeks in newspapers of general circulation in two (2) out of the four (4) cities of greatest population according to the last preceding national census by an agency of the United States government, in each of the states in which the insurer is authorized to transact insurance; or notice may be given by depositing the same in the United States mail, postage prepaid, addressed to the member at his address last of record with the insurer, or by personal delivery. As to a life insurer, the right to vote may be limited to members whose policies are other than term or group and have been in effect for more than one year.

D. No such merger or consolidation shall be effectuated unless in advance thereof the plan and agreement therefor have been filed with the superintendent and approved by him in writing. Prior to or at time of filing the plan a foreign insurer party to the plan if not then an authorized insurer shall file with the superintendent the documents and information required as for application for certificate of authority under Paragraphs (1), (3), (4), (5) and (7) of Subsection A, and under Subsection B, of Section 88 [59A-5-21 NMSA 1978] of the Insurance Code. The superintendent shall not act upon the plan and agreement until after a hearing thereon. The superintendent shall give such approval unless he finds such plan or agreement:

(1) inequitable to policyholders of any insurer involved; or

(2) would substantially reduce the security of and service to policyholders of the insurers, or result in a surviving insurer which does not meet the basic surplus requirements for certificate of authority of a like insurer under Section 83 [59A-5-16 NMSA 1978] of the Insurance Code or is otherwise inadequately financed for reasonable continuing conduct of its business; or

(3) would materially tend to lessen competition in the insurance business in this state or elsewhere as to the kinds of insurance involved or would materially tend to create a monopoly.
as to such business; or

(4) is unlawful or subject to other material and reasonable objections.

E. No director, officer, agent or employee of any insurer party to such merger or consolidation, or any other person, shall receive any fee, commission or other special valuable consideration whatsoever for in any manner aiding, promoting or assisting therein except as set forth in the plan and agreement as approved by the superintendent.

F. Subsection D of Section 582 [59A-34-36 NMSA 1978] (merger, consolidation of domestic stock insurers) of this article shall also apply as to merger or consolidation under this section.

History: Laws 1984, ch. 127, § 584.


A. A domestic mutual insurer may become a stock insurer under such reasonable plan and procedure as may be approved by the superintendent after a hearing thereon of which notice was given to the insurer, its directors or trustees, its officers, employees and its members, all of whom shall have right to appear and be heard at the hearing.

B. The superintendent shall not approve any such plan or procedure unless:

(1) it is lawful, fair and equitable, and free of reasonable objections; and

(2) it is subject to approval by vote of not less than two-thirds of those of the insurer's current members who are entitled to vote and vote thereon in person, by proxy, or by mail at a meeting of members called for the purpose pursuant to reasonable notice and procedure approved by the superintendent. As to a life insurer the right to vote may be limited to members who hold policies other than group policies or term policies for terms of less than twenty (20) years, and whose policies have been in force for not less than one (1) year; and

(3) the equity of each member in the insurer's surplus is determinable under a fair and reasonable formula approved by the superintendent, which formula may exclude any member whose equity would in amount fall below a reasonable sum stated therein; and

(4) the plan gives to each member of the insurer preemptive right to acquire his proportionate part of all of the proposed capital stock of the insurer within a designated reasonable period, as such part is determinable under the plan of conversion, and to apply upon the purchase price thereof his equity in the insurer as determined under Paragraph (3) above; and

(5) the members entitled to participate in purchase of stock shall include not less than all current policyholders of the insurer and each existing person who had been a policyholder of the insurer within three (3) years prior to the date the plan was submitted to the superintendent; and

(6) shares are to be offered to members at a price not greater than to be thereafter offered under the plan to others; and
the plan provides for payment of cash to each member not electing to purchase the shares to which preemptively entitled, in an amount found by the superintendent to be reasonable but not in excess of fifty percent (50%) of the amount of his equity, and which cash payment shall constitute payment and discharge in full of the member's equity or property interest in the mutual insurer. A member shall not have preemptive right to purchase less than all of the shares to which preemptively entitled; and

the plan, when completed, would provide for the converted insurer paid-in capital stock and surplus in amount not less than minimum paid-in capital stock and surplus required of a new domestic stock insurer upon initial authorization to transact like kinds of insurance; and

the superintendent finds that the insurer's management has not, through reduction in volume of new business written, or cancellations or other means sought to reduce, limit or affect the number or identity of the insurer's members to be entitled to participate in such plan or to secure for individuals comprising management any unfair advantage through such plan.

C. Subsection B above shall not be deemed to prohibit inclusion in the plan of provisions under which individuals comprising the insurer's management, employee and agency personnel may be entitled to purchase for cash at the same price as offered to the insurer's members, shares of stock not purchased by members on the preemptive offering to members, in accordance with such reasonable classification of such individuals as may be included in the plan and approved by the superintendent.

D. No director, officer, agent or employee of the insurer, or any other person, shall receive any fee, commission or other valuable consideration whatsoever, other than usual and regular salaries and compensation, for in any manner aiding, promoting or assisting in such conversion except as set forth in the plan approved by the superintendent. This provision shall not be deemed to prohibit payment of reasonable fees and compensation to attorneys, accountants, actuaries and other specialists whose services are reasonably required under the plan and performed in the independent practice of their professions even though also directors of the insurer.


Bracketed material. — The bracketed material in Subsection D was inserted by the compiler. It was not enacted by the legislature, and it is not part of the law.

59A-34-40. Bulk reinsurance.

A. A domestic insurer shall not reinsure with another insurer all or substantially all of its insurance business in force, or of a major class thereof, except under an agreement of bulk reinsurance and in compliance with this section. No such agreement shall become effective unless filed with the superintendent and approved by him in writing.

B. The superintendent shall approve such agreement within a reasonable time after filing if he finds that:
(1) the plan and agreement of bulk reinsurance are fair and equitable to each insurer and to the policyholders involved; and

(2) the reinsurance if effectuated would not materially reduce the protection or service to policyholders of the insurers; and

(3) the agreement embodies adequate provisions by which the assuming reinsurer becomes liable to the original insureds for protection and benefits under policies reinsured in accordance with the terms of such policies; and

(4) the assuming reinsurer is authorized to transact such insurance in this state, or is qualified as for such authorization and will appoint the superintendent and his successors as its irrevocable attorney for service of process so long as any policy so reinsured or liability thereunder remains in force or outstanding; and

(5) the reinsurance would not materially tend to lessen competition in the insurance business in this state or elsewhere as to the kinds of insurance involved and would not materially tend to create any monopoly as to such business; and

(6) the proposed bulk reinsurance is free of other reasonable objections.

C. If the superintendent does not so approve he shall forthwith notify each insurer involved in writing specifying the reasons therefor.

D. If for reinsurance of all or substantially all of the business in force of a mutual insurer at a time when the insurer's surplus is not impaired, the plan and agreement for reinsurance must be approved by vote of not less than two-thirds of the mutual insurer's members who vote thereon in person or by proxy at a meeting of members called for the purpose pursuant to such reasonable notice by mail or publication as may be provided for in the plan. For a life insurer, the right to vote may be limited to members whose policies are other than term policies for term of less than twenty (20) years or group policies, and have been in effect for more than one year.


Bracketed material. — The bracketed material in this section was inserted by the compiler. It was not enacted by the legislature, and it is not part of the law.

59A-34-41. Bulk reinsurance; fees and commissions.

No director, officer, employee, agent or other representative of an insurer party to a bulk reinsurance plan or agreement, nor any other person, shall be paid or receive any fee, commission or other special or valuable consideration for in any manner aiding, promoting or assisting in negotiation or effectuation of such bulk reinsurance, except as stated in the plan and agreement of such reinsurance as approved by the superintendent. This section does not apply as to regular salaries or other regular compensation received or to be received by directors, officers, employees or agents for services rendered in ordinary and regular course of business.

59A-34-42. Expense to be borne by parties.

Costs of mailing or otherwise giving notice of any public hearing required in connection with merger, consolidation, or bulk reinsurance of an insurer, and of furnishing to stockholders or members information relative thereto, shall be borne by the insurers parties to the proposed merger, consolidation or bulk reinsurance. As security for payment of such expenses the superintendent may require such insurers to file with him an acceptable surety bond or other deposit in reasonable amount determined by him.


59A-34-43. Mutual member's share of assets on liquidation.

A. Upon any liquidation of a domestic mutual insurer its assets remaining after discharge of its indebtedness, policy obligations, repayment of contributed or borrowed surplus, if any, and expense of administration shall be distributed to currently existing persons who had been members of the insurer for at least one year and who were its members at any time within thirty-six (36) months next preceding the date such liquidation was authorized or ordered, or the date of the last termination of the insurer's certificate of authority in this state, whichever date is the earlier; except that if the superintendent believes that the insurer's management has caused or encouraged reduction of the number or changed the identity of members of the insurer in anticipation of liquidation he may enlarge the thirty-six (36) month qualification period as he may deem reasonable.

B. The insurer shall make a reasonable classification of its policies held by such members and a formula based upon such classification and premiums earned for determination of the distributive share of each member participating in the distribution of assets. The classification and formula shall be subject to the superintendent's approval.


59A-34-44. Material transactions; report.

A. Every domestic insurer, including health maintenance organizations, nonprofit health care plans and fraternal benefit societies, shall file a report with the superintendent disclosing material acquisitions and dispositions of assets or material nonrenewals, cancellations or revisions of ceded reinsurance programs unless such transactions have been submitted to the superintendent for review, approval or information purposes pursuant to other provisions of the Insurance Code, laws, regulations or other requirements.

B. The report required in Subsection A of this section is due within fifteen days after the end of the calendar month in which any of the foregoing transactions occur.

C. One complete copy of the report, including any exhibits or other attachments filed as part thereof, shall be filed with the national association of insurance commissioners.

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59A-34-45. Acquisition and disposition of assets; materiality; scope; reporting requirements.

A. No acquisition or disposition of assets need be reported pursuant to Section 59A-34-44 NMSA 1978 if the acquisition or disposition is not material. For purposes of this section and Section 59A-34-44 NMSA 1978, a material acquisition, or aggregate of any series of acquisitions during any thirty-day period, or disposition, or aggregate of any series of dispositions during any thirty-day period, is one that involves more than five percent of the reporting insurer's total admitted assets as reported in its most recent financial statement filed with the superintendent.

B. Asset acquisitions subject to the provisions of Section 59A-34-44 NMSA 1978 include every purchase, lease, exchange, merger, consolidation, succession or other acquisition other than the construction or development of real property by or for the reporting insurer or the acquisition of materials for such purpose. Asset dispositions subject to Section 59A-34-44 NMSA 1978 include every sale, lease, exchange, merger, consolidation, mortgage, hypothecation, assignment, whether for the benefit of creditors or otherwise, abandonment, destruction or other disposition.

C. The following information is required to be disclosed in the report of a material acquisition or disposition of assets:
   (1) the date of the transaction;
   (2) the manner of acquisition or disposition;
   (3) a description of the assets involved;
   (4) the nature and amount of the consideration given or received;
   (5) the purpose of, or reason for, the transaction;
   (6) the manner by which the amount of consideration was determined;
   (7) the amount of any gain or loss recognized or realized as a result of the transaction; and
   (8) the names of the persons from whom the assets were acquired or to whom they were disposed.

D. Such insurers are required to report acquisitions and dispositions on a non-consolidated basis unless the insurer is part of a consolidated group of insurers which utilizes an intercompany pooling agreement or arrangement or a one hundred percent reinsurance agreement under which the ceding company has ceded substantially all of its direct and assumed business to a pool, and the group reports in accordance with Section 59A-34-44 NMSA 1978 on behalf of the members.
of the group on a consolidated basis. For purposes of this section, an insurer is deemed to have ceded substantially all of its direct and assumed business to a pool if the insurer has less than one million dollars ($1,000,000) of total direct plus assumed written premiums during a calendar year that are not subject to the pooling agreement or arrangement and the net income of the business not subject to the pooling agreement or arrangement represents less than five percent of the insurer's capital and surplus. If a group of insurers reports on a consolidated basis as allowed by this subsection, the report shall identify every insurer that is a member of the group.


59A-34-46. Nonrenewals, cancellations or revisions of ceded reinsurance programs; materiality; scope; reporting requirements.

A. No nonrenewal, cancellation or revision of a ceded reinsurance program need be reported pursuant to Section 59A-34-44 NMSA 1978 if the nonrenewal, cancellation or revision is not material. For purposes of this section and Section 59A-34-44 NMSA 1978, a material nonrenewal, cancellation or revision is one that, on an annualized basis as indicated in the insurer's most recently filed financial statement, affects more than fifty percent of an insurer's ceded written premium for property or casualty business, including accident and health business when written by a casualty insurer, or affects more than fifty percent of the total reserve credit taken for business ceded for life, annuity, or accident and health business written by an insurer other than a casualty insurer; but the transaction is not material if the insurer's ceded written premium or the total reserve credit taken for business ceded represents, on an annualized basis, less than ten percent of direct plus assumed written premium or ten percent of the statutory reserve requirement prior to any cession, respectively.

B. Notwithstanding the provisions of Subsection A of this section, and without regard to which part has initiated the nonrenewal, cancellation or revision of ceded reinsurance, a report is to be filed whenever:

1. the entire cession has been canceled, nonrenewed or revised, and ceded indemnity and loss adjustment expense reserves after any nonrenewal, cancellation or revision represent less than fifty percent of the comparable reserves that would have been ceded had the nonrenewal, cancellation or revision not occurred;

2. an authorized or accredited reinsurer has been replaced on an existing cession by an unauthorized or nonaccredited reinsurer; or

3. previously established collateral requirements for unauthorized or nonaccredited reinsurers have been reduced or waived, either as to an existing reinsurer or reinsurers or to one or more reinsurers newly participating in an existing cession.

C. The following information is required to be disclosed in the report of a material nonrenewal, cancellation or revision of a ceded reinsurance program:

1. the effective date of the nonrenewal, cancellation or revision;
(2) a description of the transaction with an identification of the initiator thereof;
(3) the purpose of, or reason for, the transaction; and
(4) if applicable, the identity of the replacement reinsurers.

D. Insurers are required to report all material nonrenewals, cancellations or revisions of ceded reinsurance programs on a non-consolidated basis unless the insurer is part of a consolidated group of insurers which utilizes an intercompany pooling agreement or arrangement or a one hundred percent reinsurance agreement under which the ceding company has ceded substantially all of its direct and assumed business to a pool, and the group reports in accordance with Section 59A-34-44 NMSA 1978 on behalf of the members of the group on a consolidated basis. For purposes of this subsection an insurer is deemed to have ceded substantially all of its direct and assumed business to a pool if the insurer has less than one million dollars ($1,000,000) of total direct plus assumed written premiums during a calendar year that are not subject to the pooling agreement or arrangement and the net income of the business not subject to the pooling agreement or arrangement represents less than five percent of the insurer's capital and surplus. If a group of insurers reports on a consolidated basis as allowed by this subsection, the report shall identify every insurer that is a member of the group.


This article [Chapter 59A, Article 35 NMSA 1978] constitutes and may be cited as the "Sale of Insurance Securities Law".


ANNOTATION


59A-35-2. Scope of article.

This article shall apply as to sale or offer of sale in this state of any insurance security issued or proposed to be issued by any corporation or person whether or not organized under the laws of this state or authorized to transact business in this state.

History: Laws 1984, ch. 127, § 590.


For the purposes of this article and except as context requires otherwise, "security" means any note, stock, treasury stock, share, bond, debenture, evidence of indebtedness, surplus note, contribution certificate, certificate of deposit for a security, certificate of interest or participation, voting trust certificate, reorganization certificate, investment contract (whether or not included as a provision in an insurance policy), or other similar instrument of an insurer or other person for financing formation or operations or management or acquisition of an insurer or interest therein, whether stock, mutual, reciprocal, Lloyds plan or other type of insurer.

History: Laws 1984, ch. 127, § 592.


For the purposes of this article an "affiliate" is a person controlling or controlled by or under common control with an insurer or issuer of securities.

History: Laws 1984, ch. 127, § 593.

For the purposes of this article a "promoter" is any person who, acting alone or with others, initiates or participates in founding an insurer or organization to acquire financial interest in or to finance, manage or control an insurer, other than as policyholder.


59A-35-6. Registration of security; permit required.

No person shall sell or offer for sale in this state any security not exempt under Section 596 [59A-35-7 NMSA 1978] of this article, unless registered with the superintendent, covered by a subsisting securities permit issued by the superintendent and otherwise in compliance with requirements of this article.

History: Laws 1984, ch. 127, § 595.

Cross references. — For treatment of investment securities in the Uniform Commercial Code, see 55-8-101 to 55-8-511 NMSA 1978.

Compiler's notes. — The annotations appearing below were abstracted from attorney general opinions decided under the prior Sale of Insurance Securities Act (former 59-13-1 NMSA 1978 et seq.).

ANNOTATION

Legislative intent. — The legislative intention was to preclude the sale of insurance securities to New Mexico residents by persons not licensed by the New Mexico superintendent of insurance where any portion of the negotiation took place in New Mexico. 1961-62 Op. Att'y Gen. No. 62-57.

Sales outside state. — As to sales consummated outside the state, the governing language is that portion of this section which provides that no unlicensed person shall "sell or propose to sell to the public in this state" any insurance securities. 1961-62 Op. Att'y Gen. No. 62-57.


A person licensed to sell insurance securities under this act (former 59-13-1 NMSA 1978 et seq.) does not have to be registered under the Securities Act (now see 58-13B-1 NMSA 1978, et seq.) in order to sell this particular type of securities. 1961-62 Op. Att'y Gen. No. 62-57.

Dealers and salesmen to be licensed. — Since this statute (former 59-13-2 NMSA 1978) obviously covers all types of insurance company stocks and securities, the dealer and salesmen who sell insurance securities must be licensed by the superintendent of insurance. 1961-62 Op. Att'y Gen. No. 62-57.

No such registration or permit shall be required as to:

A. isolated sales of securities in private transactions, whether or not effected through a broker-dealer;

B. non-issuer distribution of an outstanding security by a registered broker-dealer;

C. transactions in due and regular discharge of responsibilities and duties by an executor, administrator, sheriff, marshal, receiver, trustee in bankruptcy, guardian or conservator;

D. securities distributed to existing holders of securities of the distributing entity as a dividend, stock split or reverse stock split, paid in whole or in part in such distributed securities;

E. securities distributed to existing holders of securities of the distributing entity without payment of additional consideration pursuant to a right of conversion, or exchange, or pursuant to reclassification, recapitalization, reorganization, sale of assets, or liquidation of the distributing entity;

F. offer and sale of securities by a newly-formed domestic corporation not involving a public offering and so offered and sold to not over twenty-five (25) persons if:

   (1) upon completion of such offering and sale the domestic corporation has not in excess of twenty-five (25) security holders;

   (2) all purchasers of the securities do so for investment purposes only and not with a view to further distribution, and so declare in writing to the domestic corporation;

   (3) no commission or other compensation is paid or to be paid in connection with any such sale; and

   (4) prior to any such offer and sale the domestic corporation files with the superintendent in writing the plan, purposes, and manner of conduct of the proposed offer and sale, uses to be made of proceeds thereof, and information in writing proposed to be given offerees, and such filing is not disapproved by the superintendent within twenty (20) days after filing. The superintendent may disapprove the filing upon reasonable grounds. Failure of the superintendent so to disapprove shall not be deemed, inferred, or represented to be an approval of the proposal;

G. sales of securities by an insurance holding corporation for purposes which do not include the financing, directly or indirectly, of an insurer;

H. securities issued or proposed to be issued pursuant to any merger, consolidation, bulk reinsurance, conversion, or mutualization approved by the superintendent under Article 34 [Chapter 59A, Article 34 NMSA 1978] (domestic stock and mutual insurers) of the Insurance Code; or

I. fractional share interests in stock of the issuer offered and sold for purpose of rounding out to whole shares in connection with any stock dividend or other distribution of shares to existing security holders of the issuer.

A. The person desiring to register a security under this article shall file with the superintendent a registration statement in form as prescribed and furnished by the superintendent appropriate to the proposed offering. In prescribing the registration statement form the superintendent shall give due consideration to the circumstances of the offering, whether by a newly-formed domestic corporation or entity, whether covered by registration or other appropriate filing with the Securities and Exchange Commission under which an offering may be made of the securities, and to practices of administrators of state laws governing offer and sale of corporate securities relative to registration by coordination, or qualification, or upon notification.

B. As to registrants in general the registration statement and documents required to be filed therewith may, and as to newly-formed proposed insurers or newly-formed entities shall, require disclosure of:

(1) name and address of proposed issuer, business in which engaged or to engage, business history and financial condition;

(2) name and residence address of each promoter, director, officer and other management personnel and ultimate controlling stockholder or owner of the issuer, insurer or registrant, together with business experience, biographical information and proof of identity;

(3) affiliates, if any, of registrant or issuer, business in which engaged, financial condition, and material arrangements and transactions between such affiliates and registrant or issuer;

(4) use to be made of proceeds of proposed sale of securities;

(5) underwriting arrangements, if any, of the securities, or plan under which securities are proposed to be offered and sold, together with copies of contracts made or proposed to be made relating thereto;

(6) information proposed to be furnished offerees as shown by copy of any proposed prospectus or other printed information to be given offerees;

(7) management or agency contracts, whether or not exclusive, existing or proposed as to issuer or registrant;

(8) description of the securities, number and price thereof proposed to be sold and sales costs; and

(9) such other reasonably pertinent information as required by the superintendent.

C. When filed, the registration statement shall be accompanied by payment of the applicable filing fee as specified in Section 598 [59A-35-9 NMSA 1978] of this article.

History: Laws 1984, ch. 127, § 596.

A. With filing of the registration statement the superintendent shall collect, and the registrant shall pay to the superintendent the applicable registration statement filing fee in amount as follows:

(1) for registration by coordination or similar thereto, one hundred dollars ($100);
(2) for registration by notification or similar thereto, one hundred dollars ($100);
(3) for registration by qualification or similar thereto, fee computed upon gross proposed offering price of all securities covered by the registration as follows:
   (a) one-tenth \((\frac{1}{10})\) of one percent of first million dollars ($1,000,000); and
   (b) one-twentieth \((\frac{1}{20})\) of one percent of amounts in excess of the first one million dollars ($1,000,000).

B. All such fees shall be deemed earned when paid and shall not be subject to refund.

History: Laws 1984, ch. 127, § 598.

59A-35-10. Issuance, denial of permit.

A. The superintendent shall expeditiously examine a newly-filed registration statement and make such investigation of the registrant and related matters as he deems advisable.

B. Unless the superintendent finds that the permit should be denied on any of the grounds stated in Subsection C of this section, he shall promptly issue to the registrant a securities permit in appropriate form covering the offering of securities.

C. The superintendent may deny a permit on the ground that:

(1) the registration statement is incomplete and has not been completed within a reasonable time allowed therefor by the superintendent and communicated to the registrant;
(2) the proposed sale or issuance of securities would be in violation of law;
(3) the conditions or circumstances of the registrant or insurer, or the terms and conditions of the offering, would make the offering unfair or inequitable as to existing or proposed security holders or investors;
(4) funds proposed to be secured by the offering are inadequate or excessive for the purposes intended;
(5) proposed costs of the offering are excessive;
(6) any of the individuals associated or to be associated in the registrant or insurer or any affiliate thereof, or the ultimate controlling stockholder or owner of the registrant, issuer or insurer is not of good reputation as to business affairs or financial responsibility;
(7) the existing or proposed insurer would not be able to qualify for or continue to
hold a certificate of authority to transact insurance in this state for any of the reasons stated in Section 59A-5-13 NMSA 1978;

(8) if an insurance holding corporation, its plan of capitalization or security options or financing are such as would be prohibited under the Insurance Code as to a newly formed domestic stock insurer;

(9) there is material variance, adverse to the registrant, as between information furnished by the registrant in the registration statement and that determined by the superintendent on investigation;

(10) information proposed to be furnished investors is incomplete, untrue, or would tend to mislead; or

(11) grant of the permit would be contrary to the best interest of the people of New Mexico, for reasons stated in the order denying the permit.

D. The superintendent shall deny the permit if the securities are of, or for financing, a foreign insurer not qualified for authority to transact insurance in New Mexico.

E. The superintendent's order denying a permit shall state the grounds therefor and be delivered to the registrant or mailed addressed to registrant at its address last of record with the superintendent.


A. Each such securities permit issued by the superintendent shall, or may, contain provisions, as applicable, as follows:

(1) it shall state the securities which are to be offered, the number and selling price thereof;

(2) it may require that the purchase price shall be payable in lawful money of the United States or in such other securities as may be specified by class or description in the permit;

(3) it may require that all securities offered shall be offered and sold at the same price to all parties, subject, at the option of the registrant, as to subscriptions to be paid in installments, to a reasonable additional charge to cover expense and loss of interest earnings attributable to such installment subscriptions;

(4) it shall limit the portion of funds received for the securities which may be used for organization, securities sales and promotion expenses to such amount as the superintendent deems reasonably adequate under the proposed plan of sale, but in no event to exceed fifteen percent of such funds when and as actually received;

(5) it may require the founders, promoters, incorporators, or other persons directly
involved in the proposed insurer or offering to subscribe and pay for immediately and in cash, at
the proposed public offering price, a reasonable proportion of the same securities, and to
withhold resale, transfer, assignment, or encumbrance of securities so purchased for a reasonable
period, as specified in the permit, after completion of the offering, except by an executor or
administrator of the estate of a deceased purchaser;

(6) it may prohibit, limit or control the granting of options to buy the securities or any
of them for such reasonable period as is specified in the permit;

(7) it may require impoundment of funds received on sale of the securities, after
deduction therefrom of applicable organization and sales expense as allowed under the permit,
until the offering is completed, or, as to a proposed new insurer, the insurer has qualified for and
received a certificate of authority to transact insurance as proposed in the registration statement,
or for other reasonable period;

(8) it may make reasonable requirements as to accounting, reports, deposits and other
matters as the superintendent deems advisable for protection of existing or prospective investors
or policyholders;

(9) it shall specify an expiration date of the permit. In the case of a proposed new
domestic insurer, the expiration date shall be one (1) year from date of incorporation, subject to
extension by the superintendent for an additional one year upon good cause shown;

(10) it may require filing of a surety bond in adequate principal sum as determined by
the superintendent for protection of investors or other reasonable purposes as specified by the
superintendent; and

(11) it may contain other reasonable provisions which the superintendent deems
advisable.

B. The registrant and all associated or affiliated directors, officers, employees, agents,
founders, promoters, incorporators, and representatives shall comply with the terms of the
permit.

History: Laws 1984, ch. 127, § 600.


A. The granting of a securities permit is permissive only, and shall not constitute an
endorsement or approval by the superintendent, public regulation commission or any other
agency or department of the state of New Mexico of any person or thing related to the offering of
securities, or constitute evidence of the completeness or accuracy of information presented in
any prospectus or other sales publicity or literature, or a recommendation of purchase of any
securities offered. The existence of the permit shall not be advertised or used as an inducement
in any solicitation.

B. Each permit issued by the superintendent shall state conspicuously in boldface type the
substance of Subsection A of this section in terminology prescribed by the superintendent.

A. No registrant, issuer, or other person proposing to sell in this state any securities covered by a securities permit issued by the superintendent under this article shall publish or disseminate in this state in any manner any advertising, announcement or literature regarding the offering unless the proposed advertising, announcement or literature has first been filed with and not disapproved by the superintendent.

B. The proposed advertising, announcement or literature may be used after expiration of thirty (30) days after filing with the superintendent unless disapproved in writing by the superintendent within such thirty (30) day period. The superintendent shall disapprove any such advertising, announcement, or literature if found by him to be untrue, misleading, or likely to deceive the public. Failure of the superintendent to disapprove shall not constitute or be deemed to constitute an approval of the advertising, announcement or literature.

C. The superintendent may require insertion in any such advertising, announcement, or literature of a disclaimer similar to that required for securities permit under Section 601 [59A-35-12 NMSA 1978] of this article in terminology prescribed or accepted by the superintendent.


The 1999 amendment, effective June 18, 1999, substituted "public regulation commission" for "corporation commission, state insurance board" in the first sentence of Subsection A.


The superintendent may for cause modify a securities permit theretofore issued; and may after a hearing thereon revoke the permit for violation of law or the terms of the permit or any proper order of the superintendent, or for material misrepresentation or practices injurious to the public interest in the offering or sale of the securities.

History: Laws 1984, ch. 127, § 603.


Securities registered with the superintendent under this article shall not be subject to registration or similar filing with any other governmental department or agency, or under any other law, of this state.


No person shall in this state solicit subscription to or purchase of any security covered by a securities permit issued under this article unless such securities salesperson is licensed therefor. If the security is not one to be issued by a newly-formed or proposed new domestic insurer or holding company proposing to acquire or form a domestic insurer, the license shall be one issued by the securities division of the department of financial institutions under the laws of this state applying to public offering and sale of securities in general; otherwise, the license shall be one issued by the superintendent under the provisions of this article.

History: Laws 1984, ch. 127, § 605.


A. Applicants for license as securities salesperson shall be qualified as follows:

1. be an individual not less than twenty-one years of age;
2. be honest and trustworthy, of good personal and business reputation and financially responsible;
3. take and pass an examination as given by the superintendent, reasonably testing the knowledge of the applicant of the securities to be sold, the responsibilities of a salesperson relative thereto and competence of the applicant to act as a securities salesperson; and
4. file with the superintendent along with application for license and thereafter maintain in force while so licensed, a surety bond issued by an authorized surety insurer or deposit of cash or cash-equivalent in lieu of the bond, in reasonable penal sum fixed by the superintendent but not less than ten thousand dollars ($10,000), for protection of the registrant, persons purchasing securities through the salesperson and the state of New Mexico and to assure compliance with law and the applicable regulations of the superintendent.

B. Procedure for application for license, examination of applicant, issuance, terms, duration and suspension or revocation of license and related matters shall be as provided by applicable provisions of Chapter 59A, Article 11 NMSA 1978. Fee for license and examination shall be as fixed in Section 59A-6-1 NMSA 1978.

C. This section shall not apply as to securities broker-dealers registered as such under the Securities Exchange Act of 1934, as amended, or as to securities the sale of which is underwritten (other than on a best efforts basis) by such a broker-dealer.


1999 amendments.—Identical amendments to this section were enacted by Laws 1999, ch. 272, § 20, effective June 18, 1999, approved April 8, 1999, and Laws 1999, ch. 289, § 29, effective June 18, 1999, and approved April 8, 1999, which, in Subsection A, substituted "shall be qualified" for "must be
qualified therefor”, deleted "must" from the beginning of Paragraphs A(1) to A(4), deleted "resident in this state and" following "an individual" in Paragraph A(1), and substituted "securities" for "securities" near the end of Paragraph A(3). The section is set out as amended by Laws 1999, ch. 289, § 29. See 12-1-8 NMSA 1978.


**59A-35-18. Penalty for violation.**

Any person violating any of the following provisions of this article shall upon conviction thereof be guilty of a felony punishable by a fine of not less than five hundred dollars ($500) or more than twenty thousand dollars ($20,000):

A. Section 595 [59A-35-6 NMSA 1978] (registration of security, permit required);
B. Subsection B of Section 600 [59A-35-11 NMSA 1978] (terms of permit; compliance);
C. Section 601 [59A-35-12 NMSA 1978] (permit as inducement);
D. Section 602 [59A-35-13 NMSA 1978] (public announcements of offering); and
E. Section 605 [59A-35-16 NMSA 1978] (securities salesmen, license required).

**History:** Laws 1984, ch. 127, § 607.


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**ARTICLE 36**

**Insider Trading in Equity Security of Domestic Insurer**

Section

59A-36-1 "Equity security" defined.
59A-36-2 Ownership statements; filing.
59A-36-3 Recovery of profits.
59A-36-4 Sale and delivery.
59A-36-5 Sales by dealers.
59A-36-6 Arbitrage transactions.
59A-36-7 Exemptions.
59A-36-8 Regulations.

**59A-36-1. "Equity security" defined.**

The term "equity security" when used in this article means any stock or similar security; or any security convertible, with or without consideration, into such a security, or carrying any warrant or right to subscribe to or purchase such a security; or any such warrant or right; or any
other security which the superintendent shall deem to be of similar nature and consider necessary or appropriate, by such rules and regulations as he may prescribe in the public interest or for the protection of investors, to treat as an equity security.

**History:** Laws 1984, ch. 127, § 608.

### 59A-36-2. Ownership statements; filing.

Every person who is directly or indirectly the beneficial owner of more than ten percent of any class of any equity security of a domestic stock insurer, or who is a director or an officer of such insurer, shall file with the superintendent within ten (10) days after he becomes such beneficial owner, director or officer a statement, in such form as the superintendent may prescribe, or the amount of all equity securities of such insurer of which he is the beneficial owner; and within ten (10) days after the close of each calendar month thereafter, if there has been a change in such ownership during such month, shall file with the superintendent a statement, in such form as the superintendent may prescribe, indicating his ownership at the close of the calendar month and such changes in his ownership as have occurred during such calendar month.

**History:** Laws 1984, ch. 127, § 609.


For the purpose of preventing the unfair use of information which may have been obtained by such beneficial owner, director or officer by reason of his relationship to such insurer, any profit realized by him from any purchase and sale, or any sale and purchase, of any equity security of such insurer within any period of less than six (6) months, unless such security was acquired in good faith in connection with a debt previously contracted, shall inure to and be recoverable by the insurer, irrespective of any intention on the part of such beneficial owner, director or officer in entering into such transaction of holding the security purchased or of not repurchasing the security sold for a period exceeding six (6) months. Suit to recover such profit may be instituted at law or in equity in any court of competent jurisdiction by the insurer, or by the owner of any security of the insurer or by the superintendent in the name and in behalf of the insurer if the insurer shall file or refuse to bring such suit within sixty (60) days after request or shall fail diligently to prosecute the same thereafter; but no such suit shall be brought more than two (2) years after the date such profit was realized. This section shall not be construed to cover any transaction where such beneficial owner was not such both at the time of the purchase and sale, or the sale and purchase of the security involved, or any transaction or transactions which the superintendent by rules and regulations may exempt as not comprehended within the purpose of this section.

**History:** Laws 1984, ch. 127, § 610.

**Am. Jur. 2d, A.L.R. and C.J.S. references.** — Proper measure and elements of recovery for

No such beneficial owner, director or officer shall directly or indirectly sell any equity security of such insurer if the person selling the security or his principal:

A. does not own the security sold; or

B. if owning the security, does not deliver it against such sale within twenty (20) days thereafter, or does not within five (5) days after such sale deposit it in the mails or other usual channels of transportation; but no person shall be deemed to have violated this section if he proves that notwithstanding the exercise of good faith he was unable to make such delivery or deposit within such time, or that to do so would cause undue inconvenience or expense.

History: Laws 1984, ch. 127, § 611.

59A-36-5. Sales by dealers.

Section 610 [59A-36-3 NMSA 1978] (recovery of profits) of this article shall not apply to any purchase and sale, or sale and purchase, and Section 611 [59A-36-4 NMSA 1978] (sale and delivery) of this article shall not apply to any sale, of any equity security of a domestic stock insurer not then or theretofore held by him in an investment account, by a dealer in the ordinary course of his business and incident to the establishment or maintenance by him of a primary or secondary market (otherwise than on an exchange as defined in the Securities Exchange Act of 1934) for such security. The superintendent may, by such rules and regulations as he deems necessary or appropriate in the public interest, define and prescribe terms and conditions with respect to securities held in an investment account and transactions made in the ordinary course of business and incident to the establishment or maintenance of a primary or secondary market.


59A-36-6. Arbitrage transactions.

This article shall not apply to foreign or domestic arbitrage transactions unless made in contravention of such rules and regulations as the superintendent may adopt in order to carry out the purposes of this article.


NMSA 1978] (recovery of profits) and 611 [59A-36-4 NMSA 1978] (sale and delivery) of this article shall not apply to equity securities of a domestic stock insurer if:

A. such securities are registered, or are required to be registered, pursuant to Section 12 of the Securities Exchange Act of 1934; or if

B. such domestic insurer does not have any class of its equity securities held of record by one hundred (100) or more persons on the last business day of the year next preceding the year in which equity securities of the insurer would be subject to those provisions of this article referred to above except for the provisions of this Subsection B.


The superintendent may make such rules and regulations as he deems advisable for execution of functions vested in him under this article, and may for such purpose classify domestic stock insurers, securities and other persons or matters within his jurisdiction.

History: Laws 1984, ch. 127, § 615.

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ARTICLE 37

Insurance Holding Companies

Section

59A-37-1 Short title.
59A-37-2 Definitions.
59A-37-3 Subsidiaries of insurers.
59A-37-4 Acquisition of control of domestic insurer.
59A-37-5 Contents of statement.
59A-37-6 Approval by superintendent; review.
59A-37-7 Mailings to shareholders; expenses.
59A-37-8 Exemptions.
59A-37-9 Violations.
59A-37-10 Jurisdiction; consent to service of process.
59A-37-11 Registration of insurer member of holding company system.
59A-37-12 Registration; information; form.
59A-37-13 Materiality.
59A-37-14 Summary of registration.
59A-37-15 Termination of registration.
59A-37-16 Consolidated filing.
59A-37-17 Alternative registration.
59A-37-18 Registration exemptions.
59A-37-19 Disclaimer.
59A-37-19.1 Reporting of dividends to shareholders.
59A-37-19.2 Information of insurers.
59A-37-20 Transactions with affiliates.
59A-37-21 Adequacy of surplus.
59A-37-22 Dividends and other distributions.
59A-37-23 Examinations.
59A-37-25 Enforcement; voting securities; civil proceedings.
59A-37-26 Enforcement, criminal proceedings; penalty.
59A-37-27 Receivership; recovery of distributions.
59A-37-28 Suspension, revocation, noncontinuance of certificate of authority.


This article [Chapter 59A, Article 37 NMSA 1978] may be cited as "The Insurance Holding Company Law".

History: Laws 1984, ch. 127, § 616.


As used in Chapter 59A, Article 37 NMSA 1978:

A. "acquire" means to come into possession or control of, and "acquisition" means any agreement, arrangement or activity the consummation of which results in a person acquiring directly or indirectly the control of another person and includes the acquisition of voting securities or assets, bulk reinsurance and mergers;

B. "affiliate" means a person that directly or indirectly is controlled by, is under common control with or controls another person;

C. "control" means the possession of the power to direct or cause the direction of the management and policies of a person, whether directly or indirectly, through the ownership of voting securities, through licensing or franchise agreements, by contract other than a commercial contract for goods or nonmanagement services, or otherwise, unless the power is the result of an official position with or corporate office held by an individual. Control shall be presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote or holds ten or more percent of the voting securities of any other person. This presumption may be rebutted by a showing, in the manner provided by Section 59A-37-19 NMSA 1978, that control does not in fact exist. The superintendent may determine, after furnishing all persons in interest notice and an opportunity to be heard, that control exists in fact, notwithstanding the absence of a presumption to that effect, provided the determination is based on specific findings of fact in its support;

D. "insurance holding company" is a person that controls an insurer; "insurance
holding company system" means a combination of two or more affiliated persons, at least one of which is an insurer;

E. "insurer" means a person that undertakes, under contract, to indemnify a person against loss, damage or liability arising from an unknown or contingent future event. The term does not include agencies, authorities or instrumentalities of the United States, its possessions or territories, the commonwealth of Puerto Rico, the District of Columbia, a state or any of its political subdivisions or a fraternal benefit society;

F. "person" means an individual, corporation, association, partnership, joint stock company, trust, unincorporated organization or any similar entity or combination of entities;

G. "securityholder" means the owner of any security of a person, including common stock, preferred stock, debt obligations and any other security convertible into or evidencing the right to acquire any of the foregoing;

H. "subsidiary" means an affiliate of a person controlled by the person either directly or indirectly through one or more intermediaries;

I. "voting security" means a certificate evidencing the ownership or indebtedness of a person, to which is attached a right to vote on the management or policymaking of that person and includes any security convertible into or evidencing a right to acquire such a voting security; and

J. "health maintenance organization" means any person that undertakes to provide or arrange for the delivery of basic health care services to enrollees on a prepaid basis, except for enrollee responsibility for co-payments or deductibles.


The 1993 amendment, effective June 18, 1993, rewrote the introductory language; added Subsection A; redesignated former Subsection A as Subsection B; deleted former Subsection B, which defined "business entity"; substituted "Section 59A-37-19 NMSA 1978" for "Section 634 of this article" in Subsection C; inserted "joint stock company" in Subsection F; substituted "of that person" for "of that entity" in Subsection I; substituted "person" for "business entity" and "persons" for "business entities" throughout the section; and made minor stylistic changes throughout the section.


The 1997 amendment, in Subsection A, deleted "but is not limited to" following "includes", inserted "through licensing or franchise agreements," near the middle of the first sentence of Subsection C, and made minor stylistic changes throughout the section. Laws 1997, ch. 248 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective on June 20, 1997, 90 days after adjournment of the legislature. See Volume 14 NMSA 1978 for "Adjournment Dates of Sessions of Legislature" table.

The 1999 amendment, effective June 18, 1999, deleted "or a nonprofit medical and hospital service

A. Any domestic insurer, either by itself or in cooperation with one or more persons, may organize or acquire one or more subsidiaries engaged in the following kinds of business:

1. an insurance business authorized by the jurisdiction in which it is incorporated;
2. acting as an insurance broker or as an insurance agent for its parent or for any of its parent's insurer subsidiaries;
3. investing, reinvesting or trading in securities for its own account, that of its parent, any subsidiary of its parent, or any affiliate or subsidiary;
4. management of any investment company subject to or registered pursuant to the federal Investment Company Act of 1940, as amended, including related sales and services;
5. acting as a broker-dealer subject to or registered pursuant to the federal Securities Exchange Act of 1934, as amended;
6. rendering investment advice to governments, government agencies, corporations or other organizations or groups;
7. rendering other services relating to the operations of an insurance business;
8. owning and managing assets that the parent corporation could itself own or manage;
9. acting as administrative agent for a governmental instrumentality that is performing an insurance function;
10. financing of insurance premiums, agents and other forms of consumer financing;
11. any other business activity determined by the superintendent to be reasonably ancillary to an insurance business; and
12. owning a corporation or corporations engaged or organized to engage exclusively in one or more of the businesses specified in this section.

B. In addition to investments in common stock, preferred stock, debt obligations and other securities permitted pursuant to the federal [sic] Insurance Holding Company Law [59A-37-1 NMSA 1978], a domestic insurer may also:

1. invest, in common stock, preferred stock, debt obligations and other securities of one or more subsidiaries, amounts which do not exceed the lesser of ten percent of such insurer's assets or fifty percent of the insurer's surplus as regards policyholders, provided that after the investments, the insurer's surplus as regards policyholders shall be reasonable in relation to the insurer's outstanding liabilities and adequate to its financial needs. In calculating the amount of the investments, investments in domestic or foreign insurance subsidiaries shall be excluded, and there shall be included:

   (a) total net money or other consideration expended and obligations assumed in the
acquisition or formation of a subsidiary, including all organizational expenses and contributions to capital and surplus of the subsidiary whether or not represented by the purchase of capital stock or issuance of other securities; and

(b) all amounts expended in acquiring additional common stock, preferred stock, debt obligations and other securities and all contributions to the capital or surplus of a subsidiary subsequent to its acquisition or formation;

(2) invest any amount in common stock, preferred stock, debt obligations and other securities of one or more subsidiaries engaged or organized to engage exclusively in the ownership and management of assets authorized as investments for the insurer, provided that each subsidiary agrees to limit its investments in any asset so that the investments will not cause the amount of the total investment of the insurer to exceed any of the investment limitations specified in Paragraph (1) of this subsection or in Chapter 59A, Article 9 NMSA 1978 applicable to the insurer. For the purpose of this paragraph, "the total investment of the insurer" includes:

(a) any direct investment by the insurer in an asset; and

(b) the insurer's proportionate share of any investment in an asset by any subsidiary of the insurer, which shall be calculated by multiplying the amount of the subsidiary's investment by the percentage of the ownership of the subsidiary; or

(3) with the approval of the superintendent, invest any greater amount in common stock, preferred stock, debt obligations, or other securities of one or more subsidiaries, provided that after the investment the insurer's surplus as regards policyholders will be reasonable in relation to the insurer's outstanding liabilities and adequate to its financial needs.

C. Investments in common stock, preferred stock, debt obligations or other securities of subsidiaries made pursuant to Subsection B of this section shall not be subject to any of the otherwise applicable restrictions or prohibitions contained in the Insurance Code [59A-1-1 NMSA 1978] applicable to the investments of the insurer.

D. Whether any investment pursuant to Subsection B of this section meets the applicable requirements of that subsection shall be determined before the investment is made, by calculating the applicable investment limitations as though the investment had already been made, taking into account the then outstanding principal balance on all previous investments in debt obligations and the value of all previous investments in equity securities as of the day they were made, net of any return of capital invested and not including dividends.

E. If an insurer ceases to control a subsidiary, it shall dispose of any investment made in it pursuant to this section within three years from the time of the cessation of control or within such further time as the superintendent may prescribe, unless at any time after the investment is made, the investment meets the requirements for investment under any other section of the Insurance Code, and the insurer has so notified the superintendent.


Repeals and reenactments. — Laws 1993, ch. 320, § 72 repeals former 59A-37-3 NMSA 1978, as
enacted by Laws 1984, ch. 127, § 618, relating to the purpose of Article 37, and enacts the above section, effective June 18, 1993. For provisions of former section, see 1992 Replacement Pamphlet.

Bracketed material. — The word "federal", seemingly, was inadvertently inserted prior to "Insurance Holding Company Law" in Subsection B. The bracketed word "[sic]" was inserted by the compiler. It was not enacted by the legislature and is not part of the law.

The 2001 amendment, effective July 1, 2001, inserted "federal" preceding the act names in Paragraphs A(4), A(5) and Subsection B, and deleted "including, but not limited to, actuarial, loss prevention, safety engineering, data processing, accounting, claims, appraisal and collection services" from the end of Paragraph A(7).


The Investment Company Act of 1940, referenced in Subsection A(4), is codified at 15 U.S.C. § 80a-1 et seq.


59A-37-4. Acquisition of control of domestic insurer.

A. No person other than the issuer shall make a tender, offer for or a request or invitation for tenders of, or enter into any agreement to exchange securities for, acquire, seek to acquire, in the open market or otherwise, any voting security of a domestic insurer if, after the consummation thereof, such person would, directly or indirectly or by conversion or by exercise of any right to acquire, be in control of such insurer, and no person shall enter into an agreement to merge with or otherwise to acquire control of a domestic insurer unless, at the time any such offer, request or invitation is made or any such agreement is entered into, or prior to the acquisition of such securities if no offer or agreement is involved, such person has filed with the superintendent and has sent to such insurer, and such insurer has sent to its shareholders, a statement containing the information required by Section 59A-37-5 NMSA 1978, and such offer, request, invitation, agreement or acquisition has been approved by the superintendent in the manner hereinafter prescribed.

B. For the purposes of this section and Sections 59A-37-5 through 59A-37-10 NMSA 1978:

(1) a domestic insurer includes any other person controlling a domestic insurer unless such other person is either directly or through its affiliates primarily engaged in business other than the business of insurance; and

(2) "person" shall not include any securities broker holding, while in the performance of his usual and customary broker's function, less than twenty percent of the voting securities of an insurer, or of any person which controls an insurer.


The 1993 amendment, effective June 18, 1993, in Subsection A inserted "merge with or otherwise to" preceding "acquire control of a domestic insurer" near the middle of the subsection and substituted "Section 59A-37-5 NMSA 1978" for "Section 620 of this article"; designated the former second sentence

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of Subsection A as Subsection B; in present Subsection B, added the paragraph "(1)" designation, substituted "person" for "business entity" in Paragraph (1), added "and", and added Paragraph (2); and deleted former Subsection B, which read: "This section does not apply as to merger, consolidation or bulk reinsurance of an insurer."


A. The statement to be filed with the superintendent under Section 59A-37-4 NMSA 1978, shall be made under oath or affirmation and shall contain the following information:

(1) the name and address of each person, hereinafter called "acquiring party", by whom or on whose behalf the merger or other acquisition of control referred to in Section 59A-37-4 NMSA 1978 is to be effected, and:

(a) if the acquiring party is an individual, his principal occupation and all offices and positions held by him during the past five years, and any conviction of crime other than minor traffic violations during the past ten years; or

(b) if the acquiring party is not an individual, a report of the nature of its business operations during the past five years or for such lesser period as it and any of its predecessors shall have been in existence; an informative description of the business intended to be done by it and its subsidiaries; and a list of all individuals who are or who have been selected to become its directors or executive officers, or who perform or will perform functions appropriate to such positions. The list shall include for each individual the information required by Subparagraph (a) of this paragraph;

(2) the source, nature and amount of the consideration used or to be used in effecting the merger or other acquisition of control, a description of any transaction where funds were or are to be obtained for any such purpose including any pledge of the insurer's stock, or the stock of any of its subsidiaries or controlling affiliates, and the identity of persons furnishing such consideration. However, where a source of such consideration is a loan made in the lender's ordinary course of business, the identity of the lender shall remain confidential if the person filing the statement so requests;

(3) fully audited financial information as to the earnings and financial condition of each acquiring party for the preceding five fiscal years of each acquiring party, or for such lesser period that the acquiring party and any of its predecessors shall have been in existence if less than five years, and similar unaudited information as of a date not earlier than ninety days prior to the date of the filing of the statement;

(4) any plans or proposals which each acquiring party may have to liquidate the insurer, to sell its assets or merge or consolidate it with any other person, or to make any other material change in its business or corporate structure or management;

(5) the number of shares of any security which each acquiring party proposes to acquire, the terms of the offer, request, invitation, agreement or acquisition, and a statement as to
the method by which the fairness of the proposal was determined;

(6) the amount of each class of any security referred to in Section 59A-37-4 NMSA 1978, which is beneficially owned or concerning which there is a right to acquire beneficial ownership by each acquiring party;

(7) a full description of any contracts, arrangements or understandings with respect to any security referred to in Section 59A-37-4 NMSA 1978 in which any acquiring party is involved, including but not limited to transfer of any of the securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits, or the giving or withholding of proxies. The description shall identify the persons with whom the contracts, arrangements or understandings have been entered into;

(8) a description of the purchase of any security referred to in Section 59A-37-4 NMSA 1978 during the twelve calendar months preceding the filing of the statement by any acquiring party, including the dates of purchase, names of the purchasers and consideration paid or agreed to be paid;

(9) a description of any recommendations to purchase any security referred to in Section 59A-37-4 NMSA 1978 made during the twelve calendar months preceding the filing of the statement, by any acquiring party, or by anyone based upon interviews or at the suggestion of any acquiring party;

(10) copies of all tender offers for, requests or invitations for tenders of exchange offers for and agreements to acquire or exchange any securities referred to in Section 59A-37-4 NMSA 1978 and, if distributed, of additional soliciting material relating thereto;

(11) the terms of any agreement, contract or understanding made with or proposed to be made with any broker-dealer as to solicitation of securities referred to in Section 59A-37-4 NMSA 1978 for tender, and the amount of any fees, commissions or other compensation to be paid to broker-dealers with regard thereto; and

(12) such additional information as the superintendent may by rule or regulation prescribe as necessary or appropriate for the protection of policyholders and securityholders of the insurer or in the public interest.

B. If the person required to file the statement referred to in Section 59A-37-4 NMSA 1978 is a partnership, limited partnership, syndicate or other group, the superintendent may require that the information called for by Subsection A of this section shall be given with respect to each partner of the partnership or limited partnership, each member of the syndicate or group and each person who controls the partner or member. If any partner, member or person is a corporation or the person required to file the statement referred to in Section 59A-37-4 NMSA 1978 is a corporation, the superintendent may require that the information called for by Subsection A of this section shall be given with respect to the corporation, each officer and director of the corporation and each person who is directly or indirectly the beneficial owner of more than ten percent of the outstanding voting securities of the corporation.
C. If any material change occurs in the facts set forth in the statement filed with the superintendent and sent to such insurer pursuant to Section 59A-37-4 NMSA 1978, an amendment setting forth the change, together with copies of all documents and other material relevant to the change, shall be filed with the superintendent and sent to the insurer within two business days after the person learns of the change, and the insurer shall send the amendment to its shareholders without delay.

D. If any offer, request, invitation, agreement or acquisition referred to in Section 59A-37-4 NMSA 1978 is proposed to be made by means of a registration statement under the Securities Act of 1933 or in circumstances requiring the disclosure of similar information under the Securities Exchange Act of 1934, or under a state law requiring similar registration or disclosure, the person required to file the statement referred to in Section 59A-37-4 NMSA 1978 may utilize such documents in furnishing the information called for by that statement.


The 1993 amendment, effective June 18, 1993, substituted "Section 59A-37-4 NMSA 1978" for "Section 619 of this article" throughout the section; in Subsection A, inserted "merger or other" in Paragraphs (1) and (2), substituted "the acquiring party" for "such person" in Paragraphs (1)(a) and (1)(b), inserted "including any pledge of the insurer's stock, or the stock of any of its subsidiaries or controlling affiliates", inserted "if less than five years" in Paragraph (3), in Paragraph (5), deleted "referred to in Section 619 of this article" following both "security" and "acquisition" and substituted "determined" for "arrived at", inserted "or proposed to be made with" in Paragraph (11); added "without delay" at the end of Subsection C; and made stylistic changes throughout the section.


59A-37-6. Approval by superintendent; review.

A. The superintendent shall approve any merger or other acquisition of control referred to in Section 59A-37-4 NMSA 1978 unless, after a public hearing thereon, he finds that:

(1) after the change of control, the domestic insurer would not be able to satisfy the requirements for the issuance of a certificate of authority to write the line or lines of insurance for which it is presently authorized;

(2) the effect of the merger or other acquisition of control would be substantially to lessen competition in insurance in this state or tend to create a monopoly therein;

(3) the financial condition of any acquiring party is such as might jeopardize the financial stability of the insurer, or prejudice the interests of its policyholders or the interests of any remaining security holders who are unaffiliated with the acquiring party;

(4) the plans or proposals which the acquiring party has to liquidate the insurer, sell its assets or consolidate or merge it with any other person, or to make any other material change
in its business or corporate structure or management, are unfair and unreasonable to policyholders of the insurer and not in the public interest;

(5) the competence, experience and integrity of those persons who would control the operation of the insurer are such that it would not be in the interest of policyholders of the insurer and of the public to permit the merger or other acquisition of control;

(6) the applicable provisions of Chapter 59A, Article 34 NMSA 1978 would be violated; or

(7) the acquisition is likely to be hazardous or prejudicial to the insurance-buying public.

B. The superintendent may retain at the acquiring party's expense any attorneys, actuaries, accountants and other experts not otherwise a part of the superintendent's staff reasonably necessary to assist the superintendent to review the proposed acquisition of control.

C. The superintendent shall ensure, by imposition of conditions, if necessary, that New Mexico charitable assets are protected and preserved for the benefit of the people of New Mexico.


The 1993 amendment, effective June 18, 1993, designated the former introductory language as Subsection A; in the introductory language in Subsection A, inserted "merger or other" and substituted "Section 59A-37-4 NMSA 1978" for "Section 619 of this article"; redesignated former Subsections A through E as Paragraphs (1) through (5) of Subsection A and added a Paragraph (6); substituted "authorized" for "licensed" in Paragraph (1); inserted "merger or other" in Paragraph (2); substituted "condition" for "position" in Paragraph (3); substituted "person" for "business entity" in Paragraph (4); inserted "merger or other" in Paragraph (5); added Subsection B; and made stylistic changes throughout the section.

The 1999 amendment, effective June 18, 1999, added Subsection A(6), redesignated former Subsection A(6) as Subsection A(7), and added Subsection C.


44 C.J.S. Insurance § 15 et seq.

59A-37-7. Mailings to shareholders; expenses.

All statements, amendments or other material filed pursuant to Section 619 or 620 [59A-37-4 or 59A-37-5 NMSA 1978] of this article, and all notices of public hearings held pursuant to Section 621 [59A-37-6 NMSA 1978] of this article shall be mailed by the insurer to its shareholders within five (5) days after the insurer has received such statements, amendments, other material or notices. The expenses of mailing shall be borne by the person making the filing. As security for the payment of the expenses, the person shall file with the superintendent an acceptable bond or other deposit in an amount to be determined by the superintendent.


Sections 619 through 621 [59A-37-4 to 59A-37-6 NMSA 1978] of this article shall not apply to:

A. any transaction which is subject to the provisions of Sections 582 and 585 [59A-34-36 and 59A-34-39 NMSA 1978] of the Insurance Code dealing with the merger, consolidation or conversion of insurers; or

B. any offer, request, invitation, agreement or acquisition which the superintendent by order shall exempt therefrom as:

(1) not having been made or entered into for the purpose and not having the effect of changing or influencing the control of a domestic insurer; or

(2) as otherwise not comprehended within the purpose of Sections 619 through 621 of this article.


The following acts shall be violations of Sections 619 through 621 [59A-37-4 to 59A-37-6 NMSA 1978] of this article:

A. the failure to file any statement, amendment or other material required to be filed pursuant to Sections 619 or 620 [59A-37-4 or 59A-37-5 NMSA 1978] of this article; or

B. the effectuation or any attempt to effectuate an acquisition of control of a domestic insurer unless the superintendent has given his approval thereto.


59A-37-10. Jurisdiction; consent to service of process.

The courts of this state are hereby vested with jurisdiction over any person not resident, domiciled or authorized to do business in this state, who files a statement with the superintendent under Sections 619 through 622 [59A-37-4 to 59A-37-7 NMSA 1978] of this article, and over all actions involving such person arising out of violations of such sections, and each such person shall be deemed to have performed acts equivalent to and constituting an appointment by such person of the superintendent to be his true and lawful attorney upon whom may be served all lawful process in any action, suit or proceeding arising out of a violation of such sections. Copies of all such lawful process shall be served on the superintendent and transmitted by registered or certified mail by the superintendent to such person at his address last of record with the superintendent. Service of process fee shall be paid at time of service on the superintendent in

**History:** Laws 1984, ch. 127, § 625.

**Cross references.** — For New Mexico's "long-arm" statute, see 38-1-16 NMSA 1978.

### 59A-37-11. Registration of insurer member of holding company system.

A. Every insurer which is authorized to do business in this state and which is a member of an insurance holding company system shall register with the superintendent, except a foreign insurer subject to disclosure requirements and standards adopted by statute or regulation in the jurisdiction of its domicile which are substantially similar to those contained in:

3. Sections 59A-37-21 and 59A-37-22 NMSA 1978; and
4. either:
   a. Subsection B of Section 59A-37-20 NMSA 1978; or
   b. a provision requiring each registered insurer to keep current the information required to be disclosed in its registration statement by reporting all material changes or additions within fifteen days after the end of the month in which it learns of each change or addition.

B. Any insurer which is subject to registration under this section shall register within fifteen days after it becomes subject to registration, and annually thereafter by the fifteenth day of April each year, unless the superintendent for good cause shown extends the time for registration, and then within such extended time. The superintendent may require any authorized insurer which is a member of a holding company system and which is not subject to registration under this section to furnish a copy of the registration statement or other information filed by such insurer with the insurance regulatory authority of its domiciliary jurisdiction.

**History:** Laws 1984, ch. 127, § 626; 1993, ch. 320, § 76.

**Bracketed material.** — The bracketed word "Section" in Paragraph (2) of Subsection A was inserted by the compiler. It was not enacted by the legislature, and it is not a part of the law.

**The 1993 amendment,** effective June 18, 1993, added the subsection designations; substituted the language following "similar to those contained in" for "Section 626 through 634 of this article" at the end of Subsection A; in Subsection B, in the first sentence, inserted "under this section" and "and annually thereafter by the fifteenth day of April each year", inserted "under this section" in the second sentence, and made minor stylistic changes throughout the subsection.

### 59A-37-12. Registration; information; form.

Every insurer subject to registration shall file a registration statement on a form provided by
the superintendent, which shall contain current information about:

A. the capital structure, general financing condition, ownership and management of the insurer and any person controlling the insurer;

B. the identity of every member of the insurance holding company system;

C. the following agreements in force, relationships subsisting and transactions currently outstanding between such insurer and its affiliates:
   (1) loans, other investments or purchases, sales or exchanges of securities of the affiliates by the insurer or of the insurer by its affiliates;
   (2) purchases, sales or exchanges of assets;
   (3) transactions not in the ordinary course of business;
   (4) guarantees or undertakings for the benefit of an affiliate which result in an actual contingent exposure of the insurer's assets to liability, other than insurance contracts entered into in the ordinary course of the insurer's business;
   (5) all management and service contracts and all cost-sharing arrangements;
   (6) reinsurance agreements;
   (7) dividends and other distributions to shareholders; and
   (8) consolidated tax allocation agreements;

D. any pledge of the insurer's stock, including stock of any subsidiary or controlling affiliate, for a loan made to any member of the insurance holding company system; and

E. other matters concerning transactions between registered insurers and any affiliates as may be included from time to time in any registration forms adopted or approved by the superintendent.


The 1993 amendment, effective June 18, 1993, in Subsection C, deleted "other than cost allocation arrangements based upon generally accepted accounting principles; and" at the end of Paragraph (5), deleted "covering all or substantially all of one or more lines of insurance of the ceding company; and" at the end of Paragraph (6), and added Paragraphs (7) and (8); added Subsection D; and redesignated former Subsection D as Subsection E.


44 C.J.S. Insurance § 20.


No information need be disclosed on the registration statement filed pursuant to Sections 619 and 620 [59A-37-4 and 59A-37-5 NMSA 1978] of this article, if such information is not material for the purposes of Section [Sections] 626 through 634 [59A-37-11 to 59A-37-19 NMSA 1978] of this article. Unless the superintendent by rule, regulation or order provides otherwise, sales,
purchases, exchanges, loans or extensions of credit or investments, involving one-half of one percent or less of an insurer's admitted assets as of December 31 next preceding, shall not be deemed material for the purposes of such section.


All registration statements shall contain a summary outlining all items in the current registration statement representing changes from the prior registration statement.


Repeals and reenactments. — Laws 1993, ch. 320, § 78 repeals former 59A-37-14 NMSA 1978, as enacted by Laws 1984, ch. 127, § 629, relating to amendments to registration statements, and enacts the above section, effective June 18, 1993. For provisions of former section, see 1992 Replacement Pamphlet.


The superintendent shall terminate the registration of any insurer which demonstrates that it no longer is a member of an insurance holding company system.

History: Laws 1984, ch. 127, § 630.


The superintendent may require or allow two or more affiliated insurers subject to registration to file a consolidated registration statement.


The 1993 amendment, effective June 18, 1993, deleted "or consolidated reports amending their consolidated registration statement or their individual registration statements" at the end of the section and made a stylistic change.


The superintendent may allow an insurer which is authorized to do business in this state and which is part of an insurance holding company system to register on behalf of any affiliated insurer which is required to register under Section 626 [59A-37-11 NMSA 1978] of this article, and to file all information and material required to be filed under Sections 626 through 634 [59A-37-11 to 59A-37-19 NMSA 1978] of this article.


Sections 59A-37-11 through 59A-37-19.2 NMSA 1978 shall not apply to any insurer, information or transaction if and to the extent that the superintendent by rule, regulation or order shall exempt the same from the provisions of such sections.

**History:** Laws 1984, ch. 127, § 633; 1993, ch. 320, § 80.

The 1993 amendment, effective June 18, 1993, substituted "Sections 59A-37-11 through 59A-37-19.2 NMSA 1978" for "Sections 626 through 634 of this article" at the beginning of the section.


Any person may file with the superintendent a disclaimer of affiliation with any authorized insurer or such a disclaimer may be filed by such insurer or any member of an insurance holding company system. The disclaimer shall fully disclose all material relationships and bases for affiliation between the person and the insurer as well as the basis for disclaiming an affiliation. After a disclaimer has been filed, the insurer shall be relieved of any duty to register or report which may arise out of the insurer's relationship with such person unless and until the superintendent disallows the disclaimer. The superintendent shall disallow such a disclaimer only after furnishing all parties in interest with notice and opportunity to be heard, and after making specific findings of fact to support the disallowance.

**History:** Laws 1984, ch. 127, § 634.


Subject to the provisions of Section 59A-37-22 NMSA 1978, each registered insurer shall report to the superintendent all dividends and other distributions to shareholders within fifteen business days following the declaration thereof.


Any person within an insurance holding company system subject to registration shall be required to provide complete and accurate information to an insurer, where such information is reasonably necessary to enable the insurer to comply with the provisions of Chapter 59A, Article 37 NMSA 1978.


A. Transactions within a holding company system to which an insurer subject to registration is a party shall be subject to the following standards:
(1) the terms shall be fair and reasonable;

(2) charges or fees for services performed shall be reasonable;

(3) expenses incurred and payment received shall be allocated to the insurer in conformity with customary insurance accounting practices consistently applied;

(4) the books, accounts and records of each party to all such transactions shall be so maintained as to clearly and accurately disclose the nature and details of the transactions, including such accounting information as is necessary to support the reasonableness of the charges or fees to the respective parties; and

(5) the insurer's surplus as regards policyholders following any dividends or distributions to shareholder affiliates shall be reasonable in relation to the insurer's outstanding liabilities and adequate to its financial needs.

B. The following transactions involving a domestic insurer and any person in its holding company system may not be entered into unless the insurer has notified the superintendent in writing of its intention to enter into such transactions at least thirty days prior thereto, or such shorter period as the superintendent may permit, and the superintendent has not disapproved it within that period:

(1) sales, purchases, exchanges, loans or extensions of credit, guarantees or investments, provided the transactions are equal to or exceed:

   (a) with respect to nonlife insurers, the lesser of three percent of the insurer's admitted assets or twenty-five percent of surplus as regards policyholders as of December 31 next preceding; or

   (b) with respect to life insurers, three percent of the insurer's admitted assets as of December 31 next preceding;

(2) loans or extensions of credit to any person who is not an affiliate, where the insurer makes loans or extensions of credit with the agreement or understanding that the proceeds of the transactions, in whole or in substantial part, are to be used to make loans or extensions of credit to, to purchase assets of, or to make investments in, any affiliate of the insurer making the loans or extensions of credit, provided the transactions are equal to or exceed:

   (a) with respect to nonlife insurers, the lesser of three percent of the insurer's admitted assets or twenty-five percent of surplus as regards policyholders as of December 31 next preceding; or

   (b) with respect to life insurers, three percent of the insurer's admitted assets as of December 31 next preceding;

(3) reinsurance agreements or modifications thereto in which the reinsurance premium or a change in the insurer's liabilities equals or exceeds five percent of the insurer's surplus as regards policyholders, as of December 31 next preceding, including those agreements which may require as consideration the transfer of assets from an insurer to a non-affiliate, if an agreement or understanding exists between the insurer and non-affiliate that any portion of such
assets will be transferred to one or more affiliates of the insurer;

(4) all management agreements, service contracts and all cost-sharing arrangements; and

(5) any material transactions, specified by regulation, which the superintendent determines may adversely affect the interests of the insurer's policyholders.

Nothing contained in this subsection shall be deemed to authorize or permit any transactions which, in the case of an insurer not a member of the same holding company system, would be otherwise contrary to law.

C. A domestic insurer may not enter into transactions which are part of a plan or series of like transactions with persons within the holding company system if the purpose of those separate transactions is to avoid the statutory threshold amount and thus avoid the review that would occur otherwise. If the superintendent determines that such separate transactions were entered into over any twelve-month period for that purpose, he may exercise his authority under Section 59A-37-26 NMSA 1978.

D. The superintendent, in reviewing transactions pursuant to Subsection B of this section, shall consider whether the transactions comply with the standards set forth in Subsection A of this section and whether they may adversely affect the interests of policyholders.

E. The superintendent shall be notified within thirty days of any investment of the domestic insurer in any one corporation if the total investment in such corporation by the insurance holding company system exceeds ten percent of the corporation's voting securities.


For the purpose of this article, in determining whether an insurer's surplus as regards policyholders is reasonable in relation to the insurer's outstanding liabilities and adequate to its financial needs, the following factors, among others, shall be considered:

A. the size of the insurer as measured by its assets, capital and surplus, reserves, premium writings, insurance in force and other appropriate criteria;

B. the extent to which the insurer's business is diversified among the several lines of insurance;

C. the number and size of risks insured in each line of business;

D. the extent of the geographical dispersion of the insurer's insured risks;

E. the nature and extent of the insurer's reinsurance program;
F. the quality, diversification and liquidity of the insurer's investment portfolio;
G. the recent past and projected future trend in the size of the insurer's surplus as regards policyholders;
H. the surplus as regards policyholders maintained by other comparable insurers;
I. the adequacy of the insurer's reserves; and
J. the quality and liquidity of investments in subsidiaries made pursuant to Section 145 [59A-9-12 NMSA 1978] of the Insurance Code. The superintendent may treat any such investment as a disallowed asset for purposes of determining the adequacy of surplus as regards policyholders whenever in his judgment such investment warrants.


A. No domestic stock insurer shall declare or distribute any dividend to shareholders, other than a pro rata distribution of any class of the insurer's own securities, except out of earned surplus. For purposes of this section, "earned surplus" means the portion of the surplus that represents the net earnings, gains or profits, after deduction of all losses, that have not been distributed to the shareholders as dividends or transferred to stated capital or capital surplus or applied to other purposes permitted by law, but does not include twenty-five percent of the unrealized appreciation of assets.

B. No domestic insurer shall pay an extraordinary dividend or make any other extraordinary distribution to its shareholders until:

(1) thirty days after the superintendent has received notice of the declaration thereof and has not within such period disapproved such payment; or

(2) the superintendent shall have approved such payment within the thirty-day period.

C. For the purposes of Sections 59A-37-20 through 59A-37-22 NMSA 1978, an extraordinary dividend or distribution includes any dividend or distribution of cash or other property, whose fair market value together with that of other dividends or distributions made within the preceding twelve months exceeds the lesser of ten percent of the insurer's surplus as regards policyholders as of December 31 next preceding or the net gain from operations of the insurer, if the insurer is either a life insurer or a health maintenance organization, or the net investment income, if the insurer is not a life insurer or a health maintenance organization, not including realized capital gains, for the twelve-month period ending December 31 next preceding, but shall not include pro rata distributions of any class of the insurer's own securities.

D. In determining whether a dividend or distribution is extraordinary:

(1) an insurer other than a life insurer or a health maintenance organization may carry forward net income from the previous three calendar years that has not already been paid out as dividends, which carry-forward shall be computed by taking the net income from the second,
third and fourth preceding calendar years, not including realized capital gains, less dividends paid in the third, second and immediate preceding calendar years; and

(2) a life insurer or a health maintenance organization may carry forward net gains from operations not including realized capital gains from the previous two calendar years that have not already been paid out as dividends, which carry-forward shall be computed by taking the net gain from the second and third preceding calendar years, not including realized capital gains, less dividends paid in the second and immediate preceding calendar years.

E. Notwithstanding any other provision of law, an insurer may declare an extraordinary dividend or distribution which is conditioned upon the superintendent's approval thereof, and such a declaration shall confer no rights upon shareholders until:

(1) the superintendent has approved the payment of the dividend or distribution; or

(2) the superintendent has not disapproved the payment within thirty days after he has received notice of the declaration.


The 1993 amendment, effective June 18, 1993, added Subsection A; redesignated former Subsection A as Subsection B; in Subsection B, substituted "No domestic insurer shall" for "No insurer subject to registration under Sections 626 through 634 of this article shall" in the introductory language and made a stylistic change; redesignated former Subsection B as Subsection C; in Subsection C, substituted "Sections 59A-37-20 through 59A-37-22 NMSA 1978" for "Sections 635 through 637 of this article", substituted "exceeds the lesser of ten percent of the insurer's" for "exceeds the greater of ten percent of each insurer's", inserted "not including realized capital gains", and made stylistic changes; added Subsection D; redesignated former Subsection C as Subsection E; in Subsection E, substituted "conditioned" for "conditional" in the introductory language and made a stylistic change.

The 1996 amendment, inserted "or a health maintenance organization" throughout Subsections C and D, and inserted "either" following "insurer is" near the middle of Subsection C. Laws 1996, ch. 73 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective May 15, 1996, 90 days after adjournment of the legislature.


A. Pursuant to general powers of investigation and examination vested in the superintendent under Chapter 59A, Article 4 NMSA 1978, the superintendent may order any insurer registered under Section 59A-37-11 NMSA 1978 to produce such records, books or other information papers in the possession of the insurer or its affiliates as are necessary to ascertain the insurer's financial condition or its compliance with Chapter 59A, Article 37 NMSA 1978. If the insurer fails to comply with the order the superintendent may examine its affiliates to obtain the information.

B. The examination shall be conducted and otherwise be subject to applicable provisions of Chapter 59A, Article 4 NMSA 1978.

The 1993 amendment, effective June 18, 1993, rewrote the first sentence in Subsection A; deleted former Subsection B, relating to the circumstances under which the superintendent exercised his power under Subsection A; redesignated former Subsection C as Subsection B; and substituted "Chapter 59A, Article 4 NMSA 1978" for "Sections 48 through 58 of the Insurance Code" in Subsection B.


All information, documents and copies thereof obtained by or disclosed to the superintendent or any other person in course of an examination or investigation made pursuant to Sections 635 through 637 [59A-37-20 to 59A-37-22 NMSA 1978] of this article and all information reported pursuant to Section 619 [59A-37-4 NMSA 1978] of this article, shall be given confidential treatment, shall not be subject to subpoena and shall not be made public by the superintendent or any other person except to insurance departments of other states, without the prior written consent of the insurer to which it pertains unless the superintendent, after giving the insurer and its affiliates who would be affected thereby, notice and an opportunity to be heard, determines that the interests of the policyholders, shareholders or the public will be served by the publication thereof, in which event he may publish all or any part thereof in such manner as he deems appropriate.


59A-37-25. Enforcement; voting securities; civil proceedings.

A. Whenever it appears to the superintendent that any insurer or any director, officer, employee or agent thereof has committed or is about to commit a violation of Chapter 59A, Article 37 NMSA 1978 or of any rule, regulation or order of the superintendent hereunder, the superintendent may apply to the district court for the county in which the principal office of the insurer is located or, if such insurer has no such office in this state, then to the district court for Santa Fe county, for an order enjoining the insurer or the director, officer, employee or agent thereof from violating or continuing to violate that article or any rule, regulation or order, and for such other equitable relief as the nature of the case and the interest of the insurer's policyholders, creditors and shareholders or the public may require.

B. No security which is the subject of any agreement or arrangement regarding acquisition, or which is acquired or to be acquired, in contravention of the provisions of Chapter 59A, Article 37 NMSA 1978 or of any rule, regulation or order of the superintendent hereunder may be voted at any shareholders' meeting, or may be counted for quorum purposes, and any action of shareholders requiring the affirmative vote of a percentage of shares may be taken as though such securities were not issued and outstanding; but no action taken at any such meeting shall be invalidated by the voting of such securities, unless the action would materially affect control of the insurer or unless the courts of this state have so ordered. If an insurer or the superintendent has reason to believe that any security of the insurer has been or is about to be acquired in contravention of the provisions of that article or of any rule, regulation or order of the
superintendent hereunder, the insurer or the superintendent may apply to the district court for Santa Fe county or to the district court for the county in which the insurer has its principal place of business to enjoin any offer, request, invitation, agreement or acquisition made in contravention of Sections 59A-37-4 through 59A-37-10 NMSA 1978, or any rule, regulation or order of the superintendent hereunder, to enjoin the voting of any security so acquired, to void any vote of such security already cast at any meeting of shareholders, and for such other equitable relief as the nature of the case and the interests of the insurer's policyholders, creditors and shareholders or the public may require.

C. In any case where a person has acquired or is proposing to acquire any voting securities in violation of Chapter 59A, Article 37 NMSA 1978 or any rule, regulation or order of the superintendent hereunder, the district court for the county in which the insurer has its principal place of business may, on such notice as the court deems appropriate, upon the application of the insurer or the superintendent, seize or sequester any voting securities of the insurer owned directly or indirectly by the person, and issue such orders with respect thereto as may be appropriate to effectuate the provisions of that article. Notwithstanding any other provisions of law, for the purpose of that article, the situs of the ownership of the securities of domestic insurers shall be deemed to be in this state.


The 1993 amendment, effective June 18, 1993, substituted “Chapter 59A, Article 37 NMSA 1978” for “this article” in Subsections A, B, and C; substituted “that article” for “this article” near the end in Subsection A; in Subsection B, in the second sentence, substituted “that article” for “this article” and substituted “Sections 59A-37-4 through 59A-37-10 NMSA 1978” for “Sections 626 through 634 of this article”; in Subsection C, substituted “owned directly or indirectly by the person” for “owned directly by such person” in the first sentence and substituted “that article” for “this article” in the first and second sentences.


A. Any insurer failing, without just cause, to file any registration statement as required in Chapter 59A, Article 37 NMSA 1978 shall be required, after notice and hearing, to pay a penalty of fifty dollars ($50.00) for each day's delay, not to exceed a total penalty of ten thousand dollars ($10,000). The superintendent may reduce the penalty if the insurer demonstrates to the superintendent that the imposition of the penalty would constitute a financial hardship to the insurer.

B. Every director or officer of an insurance holding company system who knowingly violates, participates in, or assents to, or who knowingly permits any officer or agent of the insurer to engage in transactions or make investments which have not been properly reported or submitted pursuant to Section 59A-37-11 NMSA 1978, Subsection B of Section 59A-37-20 NMSA 1978, or Section 59A-37-22 NMSA 1978, or which violate Chapter 59A, Article 37 NMSA 1978, shall pay, in their individual capacity, a penalty of not more than ten thousand
dollars ($10,000) per violation, after notice and hearing before the superintendent. In determining the amount of the penalty, the superintendent shall take into account the appropriateness of the penalty with respect to the gravity of the violation, the history of previous violations, and such other matters as justice may require.

C. Whenever it appears to the superintendent that any insurer subject to the provisions of Chapter 59A, Article 37 NMSA 1978 or any director, officer, employee or agent thereof has engaged in any transaction or entered into a contract which is subject to the provisions of Sections 59A-37-20 through 59A-37-22 NMSA 1978 and which would not have been approved had the approval been requested, the superintendent may order the insurer to cease and desist immediately any further activity under that transaction or contract. After notice and hearing the superintendent may also order the insurer to void any contracts and restore the status quo if the action is in the best interest of the policyholders, creditors or the public.

D. Whenever it appears to the superintendent that any insurer or any director, officer, employee or agent thereof has committed a willful violation of Chapter 59A, Article 37 NMSA 1978, the superintendent may cause criminal proceedings to be instituted in the district court for the county in which the principal office of the insurer is located or if such insurer has no such office in the state, then in the district court for Santa Fe county against the insurer or the responsible director, officer, employee or agent thereof. Any insurer which willfully violates that article may be fined not more than twenty thousand dollars ($20,000). Any individual who willfully violates that article may be fined not more than ten thousand dollars ($10,000).

E. Any officer, director, or employee of an insurance holding company system who willfully and knowingly subscribes to or makes or causes to be made any false statements or false reports or false filings with the intent to deceive the superintendent in the performance of his duties under Chapter 59A, Article 37 NMSA 1978, upon conviction thereof, shall be imprisoned for not more than twenty years or fined not more than one million [dollars] ($1,000,000), or both. Any fines imposed shall be paid by the officer, director or employee in his individual capacity.


Bracketed material. — The bracketed word "dollars" in Subsection E was inserted by the compiler. It was not enacted by the legislature, and it is not a part of the law.

The 1993 amendment, effective June 18, 1993, added Subsections A, B, and C; designated the former section as Subsection D; in Subsection D, in the first sentence, substituted "committed a willful violation of Chapter 59A, Article 37, NMSA 1978" for "committed a willful violation of this article" and made a stylistic change, and rewrote the second and third sentences; and added Subsection E.


44 C.J.S. Insurance §§ 96, 97.

A. Whenever it appears to the superintendent that any person has committed a violation of Chapter 59A, Article 37 NMSA 1978 which so impairs the financial condition of a domestic insurer as to threaten insolvency or make the further transaction of business by it hazardous to its policyholders, creditors, shareholders or the public, then the superintendent may proceed as provided in Chapter 59A, Article 41 NMSA 1978, to take possession of the property of such domestic insurer and to conduct the business thereof.

B. If an order for liquidation or rehabilitation of a domestic insurer has been entered for any reason, the receiver appointed under such order shall have a right to recover on behalf of the insurer:

(1) from any parent corporation or holding company or person or affiliate who otherwise controlled the insurer, the amount of distributions, other than distributions of shares of the same class of stock, paid by the insurer on its capital stock;

(2) any payment in the form of a bonus, termination settlement or extraordinary lump-sum salary adjustment made by the insurer or its subsidiary to a director, officer or employee; or

(3) any payment on a surplus note entered into pursuant to Section 59A-34-23 NMSA 1978, where the distribution or payment pursuant to Paragraph (1), (2) or (3) of this subsection is made at any time during the two years preceding the petition for liquidation, conservation or rehabilitation, as the case may be, subject to the limitations of Subsections C, D, and E of this section.

C. No such distribution shall be recoverable if the parent or affiliate shows that when paid, the distribution was lawful and reasonable, and that the insurer did not know and could not reasonably have known that the distribution might adversely affect the ability of the insurer to fulfill its contractual obligations.

D. Any person who was a parent corporation or holding company or a person who otherwise controlled the insurer or affiliate at the time such distributions were paid shall be liable up to the amount of distributions or payments under Subsection B of this section which the person received. Any person who otherwise controlled the insurer at the time the distributions were declared shall be liable up to the amount of distributions he would have received if they had been paid immediately. If two or more persons are liable with respect to the same distributions, they shall be jointly and severally liable.

E. The maximum amount recoverable under this section shall be the amount needed in excess of all other available assets of the impaired or insolvent insurer to pay the contractual obligations of the impaired or insolvent insurer and to reimburse any guaranty associations.

F. To the extent that any person liable under Subsection D of this section is insolvent or otherwise fails to pay claims due from it pursuant to this section, its parent corporation or holding company or person who otherwise controlled it at the time the distribution was paid shall be liable for any resulting deficiency in the amount recovered from its subsidiary.

The 1993 amendment, effective June 18, 1993, added the subsection "A" designation; in Subsection A, substituted "Chapter 59A, Article 37 NMSA 1978" for "this article" and substituted "Chapter 59A, Article 41 NMSA" for "Article 41 of the Insurance Code"; and added Subsections B through F.


44 C.J.S. Insurance § 200 et seq.


Whenever it appears to the superintendent that any person has violated a provision of Chapter 59A, Article 37 NMSA 1978 which makes the continued operation of an insurer contrary to the interests of policyholders or the public, the superintendent may, after giving notice and an opportunity to be heard, suspend, revoke or refuse to continue the insurer's certificate of authority to do business in this state for such period as he finds necessary for protection of policyholders or the public. Any such order shall be accompanied by specific findings of fact and conclusions of law.


The 1993 amendment, effective June 18, 1993, substituted "Chapter 59A, Article 37 NMSA 1978 which" for "this article and which" in the first sentence; and substituted "order" for "determination" in the second sentence.


44 C.J.S. Insurance §§ 96, 97.

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ARTICLE 38
Lloyds Plan Automobile Insurance

Section
59A-38-1 Lloyds Plan automobile insurance authorized.
59A-38-2 Approval of policies; attorney-in-fact.
59A-38-3 Application for certificate of authority.
59A-38-4 Cash or security deposit.
59A-38-5 Surplus required.
59A-38-6 Limit on volume of insurance written.
59A-38-7 Determining solvency; investments.
59A-38-8 Distribution of profits; how determined.
59A-38-9 Impairment.
59A-38-10 Withdrawal of underwriters.
59A-38-11 Lloyds Plan agents and solicitors; licensing.
59A-38-12 Lloyds Plan an "insurer.".
59A-38-13 Illegal transactions; penalty.
59A-38-1. Lloyds Plan automobile insurance authorized.

A. Individuals, partnerships or associations of individuals, hereby designated underwriters, are authorized to make or write fire, theft, collision and comprehensive insurance on motor vehicles, on the Lloyds Plan, by executing articles of agreement expressing their purpose so to do and complying with the requirements of this article.

B. Insurers formed under this article are authorized to transact vehicle insurance as defined in Section 113 [59A-7-7 NMSA 1978] of the Insurance Code if they meet the capital fund requirements specified in Section 83 [59A-5-16 NMSA 1978] of the Insurance Code and other reasonably applicable requirements for domestic stock vehicle insurers formed and qualified under the Insurance Code.


Combining or "stacking" of "no fault" or personal injury protection (PIP) coverages in automobile liability policy or policies, 29 A.L.R.4th 12.

Combining or "stacking" medical payment provisions of automobile liability policy or policies issued by one or more insurers to one insured, 29 A.L.R.4th 49.

Validity and construction of automobile insurance provision or statute automatically terminating coverage when insured obtains another policy providing similar coverage, 61 A.L.R.4th 1130.

46A C.J.S. Insurance § 1709 et seq.


All forms of policies proposed to be issued shall, before the issuance thereof, be approved by the superintendent. Such policies may be executed by an attorney-in-fact, which attorney-in-fact may be an individual, partnership or corporation, authorized by and acting for such underwriters under power of attorney. The principal office of the attorney-in-fact shall be located in New Mexico at such place as shall be designated by the underwriters in their articles of agreement.


46A C.J.S. Insurance §§ 1712, 1720, 1721.


The attorney-in-fact shall file with the superintendent an application for certificate of
authority as provided in Section 88 [59A-5-21 NMSA 1978] of the Insurance Code and also accompanied by:

A. the name of the attorney-in-fact, the name under which policies or contracts of insurance are to be made, and the title under which the business is to be conducted, which title shall contain the name of Lloyds;
B. the location of the principal office of the attorney-in-fact;
C. a copy of each form of policy or contract by which such insurance is to be effected;
D. the classes of vehicle insurance to be issued;
E. a copy of the articles of agreement entered into between underwriters themselves and the attorney-in-fact;
F. the names and addresses of all underwriters, whose number shall not be less than five (5);
G. a statement that executed contracts or bona fide applications to be concurrently effective have been made for the issuance of not less than one hundred (100) separate policies of insurance; and
H. an instrument executed by each and all of the underwriters especially empowering the attorney-in-fact and the superintendent of insurance to accept service of process for each and all of the underwriters in any action on any policy or contract of insurance.

History: Laws 1984, ch. 127, § 646.


59A-38-4. Cash or security deposit.

Prior to issuance of certificate of authority applied for, the attorney-in-fact or underwriters shall deposit with the state treasurer through the superintendent for the benefit of all policies and insurance contracts issued covering risks in this state, the sum of twenty-five thousand dollars ($25,000) in cash or securities of like value to be approved by the superintendent; or, in lieu of deposit of cash or securities, the attorney-in-fact may file with the state treasurer through the superintendent a surety bond issued by an authorized surety insurer, in penal sum of twenty-five thousand dollars ($25,000) and in form as prescribed by the attorney general of New Mexico, conditioned for the benefit of all such policies and insurance contracts. Any such deposit shall be subject to the applicable provisions of Article 10 [Chapter 59A, Article 10 NMSA 1978] (administration of deposits) of the Insurance Code.

History: Laws 1984, ch. 127, § 647.

59A-38-5. Surplus required.

The superintendent shall not issue or continue a certificate of authority as to a Lloyds Plan underwriters under this article unless it has initially and thereafter maintained a surplus, over all liabilities, of admitted assets in amount of not less than fifty thousand dollars ($50,000). The initial such surplus as contributed to the attorney-in-fact shall consist of cash or of securities approved by the superintendent, and shall include the amount of cash, securities, or surety bond deposited pursuant to Section 647 [59A-38-4 NMSA 1978] of this article.


46A C.J.S. Insurance §§ 1710, 1719.


A. A Lloyds Plan underwriters shall not assume nor write insurance on risks in this state or for New Mexico residents which produces a net premium income in excess of ten (10) times the underwriters' surplus. If at any time insurance in force produces a net premium income greater than ten (10) times such surplus, the underwriters shall not write any new insurance business until they can do so without exceeding such limit of net premiums to surplus.

B. While the underwriters' surplus is in amount not less than the minimum amount of capital funds (paid-in capital stock) required to be maintained under the Insurance Code by a domestic stock insurer transacting the same kind of insurance, the limit upon volume of business written otherwise applicable under this action shall not apply.

C. If in the superintendent's judgment the underwriters have effected and maintain reinsurance or other contracts with insurers authorized to transact insurance in this state, and which reduces the net insurance risk retained by the underwriters so that their operations are safe and solvency not endangered, then the superintendent may continue the certificate of authority to the underwriters without regard to the limitation upon volume of insurance business in force otherwise provided for in this section.


A. In determining solvency of a Lloyds Plan underwriters there shall be considered all funds contributed to the guaranty fund by the underwriters and funds accumulated from insurance
business transacted and held for the underwriters by the attorney-in-fact. Underwriters shall be deemed solvent when the admitted assets meet the requirements of this article, after deducting from gross admitted assets all outstanding liabilities, including reserve liabilities; and when the guaranty fund, at least to the minimum required amount, is unimpaired.

B. Funds of underwriters shall be invested in such property and securities as are eligible under Article 9 [Chapter 59A, Article 9 NMSA 1978] (investments) of the Insurance Code for investment of funds of a domestic stock insurer authorized to transact the same kind of insurance.


No profits out of a Lloyds Plan insurance operation shall accrue to an underwriter or underwriters except on the basis of his or their actual investment in cash or eligible securities, and no such profits shall be paid except out of surplus and in proportion to such investment. Such surplus shall be determined by the superintendent in the following manner:

A. he shall charge as liabilities the same reserves as are required of authorized stock insurers transacting the same kind of insurance;

B. he shall allow the surplus deposits of underwriters as an asset, except that if an underwriter's premium deposit is due and unpaid for ninety (90) days, the premium deposit shall first be charged against such surplus;

C. the surplus deposits of underwriters shall not be charged as liabilities;

D. all premium deposits due and unpaid for a period not exceeding ninety (90) days shall be allowed as assets; and

E. the amount of surplus shall otherwise be determined in accordance with similar determination, as applicable, of the surplus of other authorized stock and mutual insurers.

History: Laws 1984, ch. 127, § 651.


A. Whenever it is found by the superintendent that the minimum surplus required of a Lloyds Plan underwriters under this article has become impaired, the superintendent shall immediately give notice to the attorney-in-fact to appear and show cause why the certificate of authority of the attorney-in-fact should not be revoked; and if within thirty (30) days from the
giving of such notice the impairment has not been made good by the underwriters or the
attorney-in-fact or otherwise, the superintendent shall forthwith revoke the certificate of
authority.

B. If the attorney-in-fact or other person makes any advancement of funds to make good the
impairment of surplus, the claim for funds so advanced shall as to assets be deferred to claims
for losses under policies or insurance contracts.

C. If the impairment of surplus is not made good within the time prescribed, the
superintendent, in addition to revocation of the certificate of authority, shall commence
delinquency proceedings against the underwriters as provided for as to insurers in general under
Article 41 [Chapter 59A, Article 41 NMSA 1978] (conservation, rehabilitation, liquidation) of
the Insurance Code.


Insurance §§ 1857 to 1867.


If the underwriters of a Lloyds Plan insurance operation desire to withdraw from the
insurance business they may do so if and when they have satisfied the superintendent that
adequate provision has been made through reinsurance or otherwise for payment of all unpaid
losses and for reinsurance of all outstanding risks of New Mexico residents or covering property
located in New Mexico. Upon being so satisfied the superintendent shall release any bond of the
attorney-in-fact and release to the underwriters the deposit and remaining assets.


Insurance §§ 1857 to 1867.


The provisions of the Insurance Code as to qualifications, appointment, licensing and
regulation of insurance agents and solicitors apply neither to the attorney-in-fact at Lloyds nor to
the salaried representative of Lloyds who receives no commission, but do apply to any agent or
solicitor who receives any commission.


Am. Jur. 2d, A.L.R. and C.J.S. references. — Agents or brokers, public regulation or control, 10
A.L.R.2d 950.
59A-38-12. Lloyds Plan an "insurer."

For the purposes of the Insurance Code a Lloyds Plan insurance operation is subject to applicable provisions of this code, and may be therein referred to as an "insurer".


Any attorney-in-fact of Lloyds Plan underwriters or representative of such attorney-in-fact who exchanges or solicits or negotiates the exchange of any automobile insurance contract without compliance by the attorney-in-fact with the provisions of this article, shall be deemed guilty of a misdemeanor and upon conviction shall be punished by a fine of not to exceed five thousand dollars ($5,000).

History: Laws 1984, ch. 127, § 656.


Actions against the attorney-in-fact or underwriters of a domestic Lloyds Plan insurance operation may be brought either in the county in which the person or property insured is resident or located, or in which the attorney-in-fact has his principal office or place of business in this state.


ARTICLE 39
Reciprocal Insurers

Section
59A-39-1 "Reciprocal" insurance defined.
59A-39-2 Scope of chapter; existing insurers.
59A-39-3 Insuring powers of reciprocals.
59A-39-4 Name; suits.
59A-39-6 Organization of reciprocal insurer.

As used in the Insurance Code, "reciprocal" insurance is that resulting from an interchange among persons, known as "subscribers," of reciprocal agreements of indemnity, the interchange being effectuated through an attorney-in-fact common to all such persons.


A. All authorized reciprocal insurers shall be governed by those sections of this article not expressly made applicable to domestic reciprocals.

B. After the effective date of the Insurance Code existing authorized reciprocal insurers shall comply with the provisions of this article, and shall make such amendments to their subscribers' agreement, power of attorney, policies and other documents and accounts and perform such other acts as may be required for such compliance.


A. A reciprocal insurer may, upon qualifying therefor as provided for by the Insurance
Code, transact any kind or kinds of insurance defined by the Insurance Code other than life or title insurances.

B. Such an insurer may purchase reinsurance upon the risk of any subscriber, and may grant reinsurance as to any kind of insurance it is authorized to transact direct.

**History:** Laws 1984, ch. 127, § 660.

**Insurance Code.** — See 59A-1-1 NMSA 1978 and notes thereto.


A reciprocal insurer shall:

A. have and use a business name. The name shall include the word "reciprocal" or "interinsurer," or "interinsurance," or "exchange," or "underwriters," or "underwriting," or "association"; and

B. sue and be sued in its own name.

**History:** Laws 1984, ch. 127, § 661.


A. "Attorney," as used in this article, refers to the attorney-in-fact of a reciprocal insurer. The attorney may be an individual, firm or corporation.

B. The attorney of a foreign reciprocal insurer, which insurer is duly authorized to transact insurance in this state, shall not, by virtue of the discharge of its duties as such attorney with respect to the insurer's transactions in this state, be thereby deemed to be doing business in this state within the meaning of any laws of this state applying to foreign persons, firms or corporations.

C. The subscribers and the attorney-in-fact comprise a reciprocal insurer and single entity for the purposes of Sections 102 to 106 [59A-6-2 to 59A-6-6 NMSA 1978] (premium tax and related provisions), inclusive, of the Insurance Code as to all operations under the insurer's certificate of authority.

**History:** Laws 1984, ch. 127, § 662.


A. Twenty-five (25) or more persons domiciled in this state may organize a domestic reciprocal insurer and make application to the superintendent for a certificate of authority to transact insurance.

B. The proposed attorney shall fulfill the requirements of and shall execute and file with the superintendent when applying for a certificate of authority a declaration setting forth:
(1) the name of the insurer;
(2) the location of the insurer's principal office, which shall be the same as that of the attorney and shall be maintained within this state;
(3) the kinds of insurance proposed to be transacted;
(4) the names and addresses of the original subscribers;
(5) the designation and appointment of the proposed attorney and a copy of the power of attorney;
(6) the names and addresses of the officers and directors of the attorney, if a corporation, or its members, if a firm;
(7) the powers of the subscribers' advisory committee, and the names and terms of office of the members thereof;
(8) that all moneys paid to the reciprocal shall, after deducting therefrom any sum payable to the attorney, be held in the name of the insurer and for the purposes specified in the subscribers' agreement;
(9) a statement that each of the original subscribers had in good faith applied for insurance of a kind proposed to be transacted, and that the insurer has received from each such subscriber the full premium or premium deposit required for the policy applied for, for a term of not less than six (6) months at an adequate rate theretofore filed with and approved by the superintendent;
(10) a statement of the financial condition of the insurer, a schedule of its assets, and a statement that the surplus as required by Section 83 [59A-5-16 NMSA 1978] of the Insurance Code is on hand; and
(11) a copy of each policy, endorsement and application form it then proposes to issue or use.

C. The declaration shall be acknowledged by the attorney in the manner required for the acknowledgment of deeds.

History: Laws 1984, ch. 127, § 663.


A. The certificate of authority of a reciprocal insurer shall be issued to its attorney in the name of the insurer.

B. The superintendent may refuse, suspend or revoke the certificate of authority, in addition to other grounds therefor, for failure of the attorney to comply with any applicable provision of the Insurance Code.


A. The rights and powers of the attorney of a reciprocal insurer shall be as provided in the power of attorney given it by the subscribers.

B. The power of attorney must set forth:
   (1) the powers of the attorney;
   (2) if a domestic insurer, that the attorney is empowered to accept service of process on behalf of the insurer in actions against the insurer upon contracts exchanged;
   (3) the general services to be performed by the attorney;
   (4) the maximum amount, if any, to be deducted from advance premiums or deposits to be paid to the attorney and the general items of expense, if any, in addition to losses, to be paid by the insurer; and
   (5) except as to nonassessable policies, a provision for a contingent several liability of each subscriber in a specified amount which amount shall be not less than one nor more than ten (10) times the premium or premium deposit stated in the policy.

C. The power of attorney may:
   (1) provide for the right of substitution of the attorney and revocation of the power of attorney and rights thereunder;
   (2) impose such restrictions upon the exercise of the power as are agreed upon by the subscribers;
   (3) provide for the exercise of any right reserved to the subscribers directly or through their advisory committee; and
   (4) contain other lawful provisions deemed advisable.

D. The terms of any power of attorney or agreement collateral thereto shall be reasonable and equitable, and no such power or agreement shall be used or be effective in this state until approved by the superintendent.


Modifications of the terms of the subscribers' agreement or of the power of attorney of a domestic reciprocal insurer shall be made jointly by the attorney and the subscribers' advisory committee. No such modification shall be effective retroactively, or as to any insurance contract issued prior thereto.

History: Laws 1984, ch. 127, § 666.

A. Concurrently with the filing of the declaration provided for in Section 663 [59A-39-6 NMSA 1978] of this article, the attorney of a domestic reciprocal insurer shall file with the superintendent a bond in favor of this state for the benefit of all persons damaged as a result of breach by the attorney of the conditions of this bond as set forth in Subsection B, below. The bond shall be executed by the attorney and by an authorized corporate surety, and shall be subject to the superintendent's approval.

B. The bond shall be in the penal sum of fifty thousand dollars ($50,000), aggregate in form, conditioned that the attorney will faithfully account for all moneys and other property of the insurer coming into his hands, and that he will not withdraw or appropriate to his own use from the funds of the insurer any moneys or property to which he is not entitled under the power of attorney.

C. The bond shall provide that [it] is not subject to cancellation unless thirty (30) days' advance notice in writing of cancellation is given both the attorney and the superintendent.


Existing deposits and bonds. — Laws 1984, ch. 127, § 993, provides that any deposit or surety bond filed in lieu thereof with or through the superintendent or state treasurer by any insurer in conjunction with authority to transact business in the state immediately prior to the effective date of the act (January 1, 1985) shall be given effect to the extent it complies with similar bonds required by the act after that date.


In lieu of the bond required under Section 667 [59A-39-10 NMSA 1978] of this article, the attorney may maintain on deposit through the superintendent, a like amount in cash or in market value of United States government bonds, subject to the same conditions as the bond.

History: Laws 1984, ch. 127, § 668.

Existing deposits and bonds. — Laws 1984, ch. 127, § 993, provides that any deposit or surety bond filed in lieu thereof with or through the superintendent or state treasurer by any insurer in conjunction with authority to transact business in the state immediately prior to the effective date of the act (January 1, 1985) shall be given effect to the extent it complies with similar bonds required by the act after that date.


An action on the attorney's bond or to recover against any such deposit made in lieu thereof may be brought by one or more subscribers suffering loss through a violation of its conditions, or by a receiver or liquidator of the insurer. Amounts recovered on the bond shall be deposited in and become part of the insurer's funds. The total aggregate liability of the surety shall be limited
to the amount of the penalty of such bond.


A. Legal process shall be served upon a domestic reciprocal insurer by serving the insurer's attorney at his principal office or by serving the superintendent as the insurer's process agent under Sections 98 and 99 [59A-5-31 and 59A-5-32 NMSA 1978] of the Insurance Code.

B. Any judgment based upon legal process so served shall be binding upon each of the insurer's subscribers as their respective interests may appear, but in an amount not exceeding their respective contingent liabilities, if any, the same as though personal service of process was had upon each such subscriber.


A. The attorney or other parties may advance to a domestic reciprocal insurer upon reasonable terms such funds as it may require from time to time in its operations. Sums so advanced shall not be treated as a liability of the insurer and, except upon liquidation of the insurer, shall not be withdrawn or repaid except out of the insurer's realized earned surplus in excess of its minimum required surplus. No such withdrawal or repayment shall be made without the advance approval of the superintendent.

B. This section does not apply to bank loans or to other loans made upon security.


In determining the financial condition of a reciprocal insurer the superintendent shall apply the following rules:

A. He shall charge as liabilities the same reserves as are required of incorporated insurers issuing nonassessable policies on a reserve basis;

B. The surplus deposits of subscribers shall be allowed as assets except that any premium deposits delinquent for ninety (90) days shall first be charged against such surplus deposit;

C. The surplus deposits of subscribers shall not be charged as a liability;

D. All premium deposits delinquent less than ninety (90) days shall be allowed as assets;

E. An assessment levied upon subscribers, and not collected, shall not be allowed as an asset;
F. the contingent liability of subscribers shall not be allowed as an asset; and
G. the computation of reserves shall be based upon premium deposits other than

**History:** Laws 1984, ch. 127, § 672.

### 59A-39-16. Who may be subscribers.

A. Individuals, partnerships and corporations of this state may make application, enter into
an agreement for and hold policies or contracts in or with and be a subscriber of any domestic,
foreign or alien reciprocal insurer. Any corporation organized under the laws of this state prior to
or after the effective date of the Insurance Code shall, in addition to the rights, powers, and
franchises specified in its articles of incorporation, have full power and authority as a subscriber
to exchange insurance contracts through such reciprocal insurer. The right to exchange such
contracts is hereby declared to be incidental to the purposes for which such corporations are
organized and to be as fully granted as the rights and powers expressly conferred upon such
corporations.

B. Government or governmental agencies, a state or political subdivisions thereof, boards,
associations, estates, trustees or fiduciaries are authorized to exchange nonassessable reciprocal
interinsurance contracts with each other and with individuals, partnerships and corporations to
the same extent that individuals, partnerships and corporations are authorized in this article to
exchange reciprocal interinsurance contracts.

C. Any officer, representative, trustee, receiver or legal representative of any such
subscriber shall be recognized as acting for or on its behalf for the purpose of such contract but
shall not be personally liable upon such contract by reason of acting in such representative
capacity.

**History:** Laws 1984, ch. 127, § 673.

**Effective date of Insurance Code.** — Laws 1984, ch. 127, § 999, makes the Insurance Code
effective on January 1, 1985.


A. The advisory committee of a domestic reciprocal insurer exercising the subscribers' rights
shall be selected under such rules as the subscribers adopt.

B. Not less than two-thirds of such committee shall be subscribers other than the attorney, or
any person employed by, representing or having a financial interest in the attorney.

C. The committee shall:

1. supervise the finances of the insurer;
2. supervise the insurer's operations to such extent as to assure conformity with the
subscribers' agreement and the power of attorney;

(3) procure the audit of the accounts and records of the insurer and of attorney at the expense of the insurer; and

(4) have such additional powers and functions as may be conferred in the subscribers' agreement.


A. The liability of each subscriber, other than as to a nonassessable policy, for the obligations of the reciprocal insurer shall be an individual, several and proportionate liability, and not joint.

B. Except as to a nonassessable policy, each subscriber shall have a contingent assessment liability, in the amount provided for in the power of attorney or in the subscribers' agreement, for payment of actual losses and expenses incurred while his policy was in force. Such contingent liability may be at the rate of not less than one nor more than ten (10) times the premium or premium deposit stated in the policy, and the maximum aggregate thereof shall be computed in the manner set forth in Section 679 [59A-39-22 NMSA 1978] of this article.

C. Each assessable policy issued by the insurer shall contain a statement of the contingent liability, set in type of not less prominence than the insuring clause.

History: Laws 1984, ch. 127, § 675.


A. No action shall lie against any subscriber upon any obligation claimed against the insurer until a final judgment has been obtained against the insurer and remains unsatisfied for thirty (30) days.

B. Any such judgment shall be binding upon each subscriber only in such proportion as his interests may appear and in an amount not exceeding his contingent liability, if any.

History: Laws 1984, ch. 127, § 676.


A. Assessments may from time to time be levied upon subscribers of a domestic reciprocal insurer liable therefor under the terms of their policies by:

(1) the attorney upon approval in advance by the subscribers' advisory committee and the superintendent; or

(2) the superintendent in liquidation of the insurer.

B. Each subscriber's share of a deficiency for which an assessment is made, but not
exceeding in any event his aggregate contingent liability as computed in accordance with Section 679 [59A-39-22 NMSA 1978] of this article, shall be computed by applying to the premium earned on the subscriber's policy or policies during the period to be covered by the assessment, the ratio of the total deficiency to the total premiums earned during such period upon all policies subject to the assessment.

C. In computing the earned premiums for the purposes of this section, the gross premium received by the insurer for the policy shall be used as a base, deducting therefrom solely charges not recurring upon the renewal or extension of the policy.

D. No subscriber shall have an offset against any assessment for which he is liable, on account of any claim for unearned premium or losses payable.


Every subscriber of a domestic reciprocal insurer having contingent liability shall be liable for, and shall pay his share of any assessment as computed and limited in accordance with this article, if:

A. while his policy is in force or within one year after its termination, he is notified by either the attorney or the superintendent of his intentions to levy such assessment; or

B. if an order to show cause why a receiver, conservator, rehabilitator or liquidator of the insurer should not be appointed is issued while his policy is in force or within one year after its termination.

History: Laws 1984, ch. 127, § 678.


No one policy or subscriber to such policy, shall be assessed or charged with an aggregate of contingent liability as to obligations incurred by a domestic reciprocal insurer in any one calendar year, in excess of the amount provided for in the power of attorney or in the subscribers' agreement, computed solely upon the premium earned on such policy during that year.


A. If a reciprocal insurer has a surplus of assets over all liabilities at least equal to the minimum capital stock required to be maintained by a domestic stock insurer authorized to transact like kinds of insurance, upon application of the attorney and as approved by the subscribers' advisory committee the superintendent shall issue his certificate authorizing the insurer to extinguish the contingent liability of subscribers under its policies then in force in this state, and to omit provisions imposing contingent liability in all policies delivered or issued for
delivery in this state for so long as all such surplus remains unimpaired.

B. Upon impairment of such surplus, the superintendent shall forthwith revoke the certificate. Such revocation shall not render subject to contingent liability any policy then in force and for the remainder of the period for which the premium has theretofore been paid; but after such revocation no policy shall be issued or renewed without providing for contingent assessment liability of the subscriber.

C. The superintendent shall not authorize a domestic reciprocal insurer so to extinguish the contingent liability of any of its subscribers or in any of its policies to be issued, unless it qualifies to and does extinguish such liability of all its subscribers and in all such policies for all kinds of insurance transacted by it; but if required by the laws of another state in which the insurer is transacting insurance as an authorized insurer, the insurer may issue policies providing for the contingent liability of such of its subscribers as may acquire such policies in such state and need not extinguish the contingent liability applicable to policies theretofore in force in such state.


Upon the liquidation of a domestic reciprocal insurer, its assets remaining after the discharge of its indebtedness and policy obligations, the return of any contributions of the attorney or other persons to its surplus, and the return of any unused premiums, savings or credits then standing on subscribers' accounts shall be distributed to its subscribers who were such within the twelve (12) months prior to the last termination of its certificate of authority, according to such reasonable formula as the superintendent may approve.


A. A domestic reciprocal insurer upon the affirmative vote of not less than two-thirds of its subscribers who vote on such merger pursuant to due notice, and the approval of the superintendent of the terms therefor after a hearing thereon may merge with another reciprocal insurer or be converted to a stock or mutual insurer.

B. Such a stock or mutual insurer shall be subject to the same capital or surplus requirements and shall have the same rights as a like domestic insurer transacting like kinds of insurance.

C. The superintendent shall not approve any plan for such merger or conversion which is unfair or inequitable to subscribers, or in violation of law or subject to reasonable obligation, or which, if for conversion to a stock insurer, does not give each subscriber preferential right to acquire stock of the proposed insurer proportionate to his interest in the reciprocal insurer as determined in accordance with Section 681 [59A-39-24 NMSA 1978] of this article and a
reasonable length of time within which to exercise such right.

**History:** Laws 1984, ch. 127, § 682.


A. Subject to the limitation set forth in the power of attorney or policy, if the assets of a domestic reciprocal insurer are at any time insufficient to discharge its liabilities, other than any liability on account of funds contributed by the attorney or others, and to maintain the required surplus, its attorney shall forthwith make up the deficiency or levy an assessment upon the subscribers for the amount needed to make up the deficiency.

B. If the attorney fails to make up such deficiency or to make the assessment within thirty (30) days after the superintendent orders him to do so, or if the deficiency is not fully made up within sixty (60) days after the date the assessment was made, the insurer shall be deemed insolvent and shall be proceeded against as authorized by the Insurance Code.

C. If liquidation of such an insurer is ordered, an assessment shall be levied upon the subscribers for such an amount, subject to the limits provided by this article, as the superintendent determines to be necessary to discharge all liabilities of the insurer, exclusive of any funds contributed by the attorney or other persons, but including the reasonable cost of the liquidation.

**History:** Laws 1984, ch. 127, § 683.

**Insurance Code.** — See 59A-1-1 NMSA 1978 and notes thereto.

### ARTICLE 40
Mexican Casualty Insurers

#### Section

- **59A-40-1** May be licensed to write certain insurance effective in Mexico.
- **59A-40-2** Application for license.
- **59A-40-3** Deposit or bond.
- **59A-40-4** Service of process.
- **59A-40-5** Fees, taxes and reports.
- **59A-40-6** Premium rates.
- **59A-40-7** Examination.
- **59A-40-8** Acceptance of laws; suspension, revocation, nonrenewal of license.
- **59A-40-9** Licensed agents required.

### 59A-40-1. May be licensed to write certain insurance effective in Mexico.

A. Any insurer lawfully organized under the laws of the republic of Mexico, or under the laws of any state thereof, and duly authorized by such laws and by its charter or articles of
association and by current license of the appropriate insurance regulatory authority of such republic or any state thereof to underwrite risks of the kinds and in the circumstances hereinafter mentioned, may issue in New Mexico, under license of the superintendent, policies of insurance affording any and all kinds of automobile insurance coverage, health insurance and other casualty insurance coverage, upon persons and personal property, to be in force only while such persons and personal property shall be physically within the boundaries of the republic of Mexico, by complying with the requirements of this article.

B. For the purposes of general provisions of the Insurance Code such license shall be deemed to be a "certificate of authority" to transact such insurance in this state, but subject to the provisions of this article.


A. Such insurer shall file with the superintendent its written application for license to do business in this state, accompanied by a correct English translation of its charter and bylaws, duly certified by two (2) of its principal officers and by the insurance regulatory officials under whose supervision it operates in the republic of Mexico, and all of its policy forms, application forms, claim forms and other forms of every nature which it uses or expects to use in underwriting the coverage hereby authorized to be written in New Mexico, all of which shall be subject to the approval of the superintendent.

B. Before licensing and annually thereafter, the insurer shall also file with the superintendent a copy of its current license or licenses to operate in the republic of Mexico, and shall file a copy of its latest financial reports or statements, and of the latest examination reports of its affairs and financial condition by the insurance regulatory authorities under which it operates in Mexico, with money amounts therein shown, or accompanied by statement of the amounts thereof, in United States dollars, together with statement of the basis on and date as of which pesos were so converted to dollars.

History: Laws 1984, ch. 127, § 685.

Existing deposits and bonds. — Laws 1984, ch. 127, § 993, provides that any deposit or surety bond filed in lieu thereof with or through the superintendent or state treasurer by any insurer in conjunction with authority to transact business in the state immediately prior to the effective date of the act (January 1, 1985) shall be given effect to the extent it complies with similar bonds required by the act after that date.

59A-40-3. Deposit or bond.
A. Before license is issued the insurer shall deposit with the treasurer of the state of New Mexico through the superintendent at least twenty-five thousand dollars ($25,000) in lawful money of the United States or in securities eligible for investment of funds of domestic casualty insurers and approved by the superintendent, which deposit shall be liable for all lawful claims and final judgments against such insurer, including taxes due New Mexico, and policy claims and other debts and obligations incurred in the course of operations as provided herein, and such deposit shall be kept replenished from time to time with like cash or approved securities to maintain a minimum total deposit of twenty-five thousand dollars ($25,000).

B. In lieu of such deposit of cash or securities, the insurer may file with the superintendent and thereafter maintain in force a surety bond in like amount and for like purposes issued by a surety insurer authorized to transact such business in this state and acceptable to the superintendent.

C. Such deposit or the unincumbered balance thereof shall be returned to the insurer with approval of the superintendent, or such bond may be terminated, upon withdrawing from the business authorized hereby and upon a showing to the superintendent that all of its policies written in New Mexico hereunder have expired or have been cancelled and that all of the claims against such deposits or bond have been satisfied.

D. The superintendent, upon the approval of the court, shall pay from the deposit required herein, or require payment by the surety under such bond, any unsatisfied final judgment obtained against the insurer in any court of competent jurisdiction in New Mexico based upon service of process as authorized in this article.


Prior to issuance of license, the insurer shall file with the superintendent a power of attorney, in a form designated by the superintendent, designating the superintendent and his successors in office as attorney-in-fact for such insurer upon whom service of process may be had upon suits for any alleged liability incurred in operations of the insurer pursuant to this article, with like effect as if such process had been served personally upon the appropriate persons, representatives or officials of such insurer within its home jurisdiction in Mexico. In [the] event process is served upon the superintendent, as provided above, he shall immediately give written notice thereof to such insurer and shall forward such process by registered mail, postage prepaid, and properly addressed to the president of such insurer at its home office as furnished to the superintendent; and no judgment by default shall be taken in any such cause until after the expiration of forty (40) days after the process and notice have been received at such home office. Until rebutted, the presumption shall obtain that such notice and process was received at the home office of the insurer on the tenth (10th) day after being deposited in the mail at Santa Fe, New Mexico, as herein provided.

59A-40-5. Fees, taxes and reports.

The insurer shall pay to New Mexico annually a premium tax based solely upon its gross premium receipts from insurance policies issued by it in New Mexico which cover residents of New Mexico or property or risks principally domiciled or located in this state, as shown by reports of the insurer filed with the superintendent each year, upon the same percentage rate and in the same manner as apply to authorized insurers transacting in New Mexico the same kinds of insurance. The insurer shall also pay such other applicable fees, charges and taxes as are required under the Insurance Code to be paid by such other authorized insurers. The insurer shall make the same reports to the superintendent and the National Association of Insurance Commissioners as are required of such other authorized insurers, but in such adapted forms as may for the purpose be prescribed by the superintendent.


Premiums charged by insurers licensed under this article shall be at rates filed with the superintendent and not disapproved by him, in the same manner as to premium rates of authorized insurers transacting in this state the same kinds of insurance.


The superintendent may examine at any and all times, at the expense of the insurer, the affairs and conditions and all books and records of the insurer for the purpose of ascertaining its financial condition and solvency, and its compliance with applicable laws of this state and of its home jurisdiction. Any such examination shall be conducted, as far as reasonably possible, in the same manner and subject to the same requirements of the insurer and staff and matters related to the examination, as provided by the Insurance Code as to examination of insurers in general.

History: Laws 1984, ch. 127, § 690.


Prior to issuance of license under this article the insurer shall file with the superintendent a document in English as prescribed by the superintendent and executed by the insurer's appropriate officials expressly accepting the terms of this article and agreeing that the superintendent may at any time in his lawful discretion suspend, revoke or refuse to grant or
continue the license of the insurer to do business in this state as in this article authorized, upon a
determination by the superintendent that the insurer is insolvent or in dangerous financial
condition, or that it has violated any law of this state or of its home jurisdiction.

History: Laws 1984, ch. 127, § 691.


The insurer shall write business in New Mexico only through its resident United States
agents duly appointed by it in writing and duly licensed by the superintendent under provisions
of the Insurance Code applicable to insurance agents of authorized insurers. The appointment of
agents shall specifically authorize the licensee to write for the Mexican insurer the insurance
coverages as specified in Chapter 59A, Article 40 NMSA 1978.


1999 amendments. — Identical amendments to this section were enacted by Laws 1999, ch. 272, §
21, effective June 18, 1999, approved April 8, 1999, and by Laws 1999, ch. 289, § 31, effective June 18,
1999, approved April 8, 1999, which substituted "resident United States agents" for "resident New Mexico
agents thereunto" in the first sentence, deleted "such" preceding "agents" in the second sentence, and
updated the statutory reference in the last sentence. The section is set out as amended by Laws 1999,


ARTICLE 41
Conservation, Rehabilitation and Liquidation

Section
59A-41-1 Short title.
59A-41-2 Scope of article.
59A-41-3 Definitions.
59A-41-4 "Ancillary state" defined.
59A-41-5 "Creditor" defined.
59A-41-6 "Delinquency proceeding" defined.
59A-41-7 "Domiciliary state" defined.
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This article [Chapter 59A, Article 41 NMSA 1978] constitutes and may be cited as the Insurers Conservation, Rehabilitation, and Liquidation Law.

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What constitutes insolvency of insurance company justifying state dissolution proceedings and the like, 17 A.L.R.4th 16.

44 C.J.S. Insurance § 135 et seq.

59A-41-2. Scope of article.

The provisions of Chapter 59A, Article 41 NMSA 1978 as applicable shall apply as to:

A. all insurers that are transacting or have transacted insurance in this state and against whom claims arising from that business may exist now or in the future;

B. all insurers that purport to do insurance business in this state;

C. all insurers having insureds resident in this state;

D. all persons in process of organization, or holding themselves out as organizing, or proposing to organize in this state for the purpose of becoming an insurer;

E. all nonprofit health care plans and fraternal benefit societies;

F. all title insurance companies;

G. all health maintenance organizations and prepaid dental or other prepaid health care delivery plans;

H. all Lloyds insurers, mandatory state pooling plans, mutual assessment companies, insurance exchanges, stipulated premium insurance companies, prearranged funeral plans, motor clubs, reciprocal insurers, surplus lines insurers, alien insurers or reinsurers with assets in trust or located in New Mexico, multiple employer welfare arrangements, risk retention groups, risk purchasing groups or surety companies; and

I. all other persons to whom such provisions may otherwise be made expressly applicable by law.


The 1991 amendment, effective April 3, 1991, substituted "Chapter 59A, Article 41 NMSA 1978" for "this article" in the introductory paragraph; rewrote Subsection A, which read "all insurers authorized to transact insurance in this state"; rewrote Subsection B, which read "all nonprofit health care plans, prepaid dental plans, motor clubs and similar organizations and plans authorized to transact business in this state; and for the purpose of such applicability all such plans, clubs and organizations may in this article be referred to as 'insurers' "; substituted "insureds" for "policyholders" in Subsection C; deleted former Subsection D, which read "all insurers against whom a claim under an insurance contract may arise in this state"; redesignated former Subsection E as Subsection D; added Subsections E to H; and redesignated former Subsection F as Subsection I.

Severability clauses. — Laws 1991, ch. 125, § 30 provides for the severability of the act if any part or application thereof is held invalid.

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As used in this article and unless context otherwise requires, the words and terms defined in Sections 696 through 708 [59A-41-4 to 59A-41-16 NMSA 1978] of this article shall have the meanings ascribed to them respectively in such sections.

**History:** Laws 1984, ch. 127, § 695.


"Ancillary state" means any state other than a domiciliary state.

**History:** Laws 1984, ch. 127, § 696.

59A-41-5. "Creditor" defined.

"Creditor" means a person having a claim, whether matured or unmatured, liquidated or unliquidated, secured or unsecured, or absolute, fixed or contingent.

**History:** Laws 1984, ch. 127, § 697.


"Delinquency proceeding" means any proceeding commenced against an insurer pursuant to this article for the purpose of conserving, rehabilitating, reorganizing or liquidating the insurer.

**History:** Laws 1984, ch. 127, § 698.


"Domiciliary state" means the state in which an insurer is incorporated or organized or, as to an alien insurer, the state in which at commencement of delinquency proceedings the larger amount of the insurer's assets are held in trust or on deposit for the benefit of its policyholders and creditors in the United States.

**History:** Laws 1984, ch. 127, § 699.


"Foreign country" means territory not in any state.

**History:** Laws 1984, ch. 127, § 700.

"General assets" means all property, real, personal or otherwise, not specifically mortgaged, pledged, deposited or otherwise encumbered for the security or benefit of specified persons or a limited class or classes of persons, and as to such specifically encumbered property the term includes all such property or its proceeds in excess of the amount necessary to discharge the sums secured thereby. Assets held in trust or on deposit for the security or benefit of all policyholders or all policyholders and creditors in the United States are deemed general assets.


59A-41-10. "Impairment" defined.

"Impairment" exists as to:

A. a stock, mutual, reciprocal, or foreign Lloyds insurer, when its basic capital is less than that required to be maintained by it under Section 83 [59A-5-16 NMSA 1978] of the Insurance Code;

B. a domestic Lloyds insurer, when its surplus is less than as required under Section 83 or Article 38 [Chapter 59A, Article 38 NMSA 1978] of the Insurance Code;

C. a nonprofit health care plan, when its assets are in amount less than the sum of its required trust deposit, required reserves and other liabilities;

D. a prepaid dental care plan, when its assets are in amount less than the sum of its required bond or deposit in lieu thereof, its required reserves, and its other liabilities;

E. a motor club, when its assets are in amount less than the sum of its required bond or deposit in lieu thereof, its required reserves, and its other liabilities; and

F. any other corporation, when its assets are in amount less than the sum of its surplus required, if any, to be maintained, its paid-in capital stock, if any, and its other liabilities.


"Insolvency" exists as to:

A. any organization, when it is unable to meet its obligations as they mature; or

B. a stock insurer or other stock corporation, when its assets are in amount less than its liabilities, exclusive of paid-in capital stock; or

C. a mutual, reciprocal, or foreign Lloyds insurer, when its assets are in amount less than its liabilities exclusive of the minimum paid-in basic capital required under Section 83 [59A-5-16 NMSA 1978] of the Insurance Code for its authority to transact insurance; or

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D. a domestic Lloyds insurer, nonprofit health care plan, prepaid dental care plan, motor club, or other corporation other than any referred to in Subparagraphs B or C, above, when its assets are in amount less than its liabilities, exclusive of surplus, guaranty fund or deposit required to be maintained under the Insurance Code for its authority to transact insurance in this state.

**History:** Laws 1984, ch. 127, § 703.

**Insurance Code.** — See 59A-1-1 NMSA 1978 and notes thereto.


"Preferred claim" means any claim accorded priority of payment from the insurer's or organization's general assets under applicable law.

**History:** Laws 1984, ch. 127, § 704.


"Receiver" means a receiver, liquidator, rehabilitator or conservator, as context may require.

**History:** Laws 1984, ch. 127, § 705.


"Reciprocal state" means any state other than this state in which in substance and effect the provisions of the Uniform Insurers Liquidation Act [59A-41-17 to 59A-41-23 NMSA 1978] are in force, including provisions requiring that the commissioners, director, superintendent of insurance or the equivalent insurance supervisory officer be the receiver of a delinquent insurer; and in which effective provisions exist for avoidance of fraudulent conveyances and unlawful preferential transfer.

**History:** Laws 1984, ch. 127, § 706.


"Secured claim" means any claim secured by mortgage, trust deed, pledge, deposit as security, escrow or otherwise, but not including special deposit claims or claims against general assets. "Secured claims" also include claims which more than four (4) months prior to commencement of delinquency proceedings in the state of the insurer's domicile have become liens upon specific assets through judicial process and not invalidated.

**History:** Laws 1984, ch. 127, § 707.

"Special deposit claim" means any claim secured by a deposit made under a statute for the security or benefit of a limited class or classes of persons, but not including any general assets.


A. Sections 695 [709] through 715 [59A-41-17 to 59A-41-23 NMSA 1978] of this article comprise and may be cited as the Uniform Insurers Liquidation Act.

B. If any provision of the Uniform Insurers Liquidation Act or the application thereof to any person or circumstances is held invalid, such invalidity shall not affect other provisions or applications of the act which can be given effect without the invalid provision or application, and to this end the provisions of the act are declared to be severable.

C. The Uniform Insurers Liquidation Act shall be so interpreted as to effectuate its general purpose to make uniform the laws of those states which enact it. To the extent that its provisions, when applicable, conflict with other provisions of the Insurance Code, the provisions of the Uniform Insurers Liquidation Act shall control.


Bracketed material. — The reference in Subsection A to Section 695 is apparently erroneous. The intended reference is probably to Section 709, which appears as this section. The bracketed material was inserted by the compiler. It was not enacted by the legislature, and it is not a part of the law.


Validity, construction, and application of uniform insurers liquidation act, 44 A.L.R.5th 683.


A. Whenever under the laws of this state a receiver is to be appointed in delinquency proceedings for an insurer domiciled in this state, the court shall appoint the superintendent as such receiver. The court shall direct the superintendent forthwith to take possession of the assets of the insurer and to administer the same under the orders of the court.

B. As domiciliary receiver the superintendent and his successors in office shall be vested by operation of law with the title to all of the property, contracts and rights of action, and all of the books and records of the insurer wherever located, as of the date of entry of the order directing him to liquidate a domestic insurer or the United States branch of an alien insurer domiciled in the state and he shall have the right to recover the same and reduce the same to possession;
except that ancillary receivers in reciprocal states shall have, as to assets located in their respective states, the rights and powers which are hereinafter prescribed for ancillary receivers appointed in this state as to assets located in this state. The filing or recording of the order directing possession to be taken, or a certified copy thereof, in the office where instruments affecting title to property are required to be filed or recorded shall impart the same notice as would be imparted by a deed, bill of sale or other evidence of title duly filed or recorded. The superintendent as domiciliary [domiciliary] receiver shall be responsible on his official bond for the proper administration of all assets coming into his possession or control. The court may at any time require an additional bond from him or his deputies if deemed desirable for the protection of the assets.

C. Upon taking possession of the assets of a delinquent insurer the domiciliary receiver shall, subject to the direction of the court, immediately proceed to conduct the business of the insurer or to take such steps as are authorized by the laws of this state for the purposes of liquidating, rehabilitating, reorganizing or conserving the affairs of the insurer. In connection with delinquency proceedings he may appoint one or more special deputy superintendents to act for him, and may employ such counsel, clerks and assistants as he deems necessary. The compensation of the special deputies, counsel, clerks or assistants and all expenses of taking possession of the delinquent insurer and of conducting the delinquency proceedings shall be fixed by the receiver, subject to the approval of the court, and shall be paid out of the funds or assets of the insurer. Within the limits of the duties imposed upon them special deputies shall possess all the powers given to, and, in the exercise of those powers, shall be subject to all of the duties imposed upon the receiver with respect to delinquency proceedings.

D. Upon the issuance of an order of liquidation with a finding of insolvency against a domestic insurer, the superintendent shall make application to the court requesting authority to disburse funds to the life insurance guaranty association or the property and casualty insurance guaranty association, as applicable, from time to time out of the insurer's marshalled assets as funds become available in amounts equal to disbursements made by the association for claims handling expense and covered claims obligations on the presentation of evidence that such disbursements have been made by the guaranty association. Such application shall request authority for the superintendent to make disbursements to similar associations or state funds in other states provided the life insurance guaranty association or the property and casualty insurance guaranty association, as applicable, is entitled to like payment under the laws of the association's or state fund's state of domicile in respect to insolvent insurers domiciled in the state.

E. The superintendent in determining the amounts available for disbursements to the life insurance guaranty association or property and casualty insurance guaranty association, as applicable, and similar associations or funds in other states shall reserve sufficient assets for the payment of the expenses of administration. The superintendent shall establish procedures for the ratable allocation of disbursements to the life insurance guaranty association or property and casualty insurance guaranty association and similar associations or funds in other states, and shall secure from the life insurance guaranty association or property and casualty guaranty
association and each eligible similar association or fund in other states as a condition to advances in reimbursement of covered claims obligations and claim handling expenses, an agreement to return to the superintendent on demand funds previously advanced as may be required to pay the expenses of administration.

**History:** Laws 1984, ch. 127, § 710.

**Bracketed material.** — The bracketed material in Subsection B was inserted by the compiler. It was not enacted by the legislature, and it is not part of the law.

44 C.J.S. Insurance § 163 et seq.

59A-41-19. Conduct of delinquency proceedings against nondomestic insurers; domiciliary receiver may sue.

A. Whenever under the laws of this state an ancillary receiver is to be appointed in delinquency proceedings for an insurer not domiciled in this state, the court shall appoint the superintendent as ancillary receiver. The superintendent shall file a petition requesting the appointment:

(1) if he finds that there are sufficient assets of such insurer located in this state to justify the appointment of an ancillary receiver; or

(2) if ten (10) or more persons resident in this state having claims against such insurer file a petition with the superintendent requesting the appointment of such ancillary receiver.

B. The domiciliary receiver for the purpose of liquidating an insurer domiciled in a reciprocal state, shall be vested by operation of law with the title to all of the property, contracts and rights of action, and all of the books and records of the insurer located in this state, and he shall have the immediate right to recover balances due from the local agents and to obtain possession of any books and records of the insurer found in this state. He shall also be entitled to recover the other assets of the insurer located in this state except that upon the appointment of an ancillary receiver in this state, the ancillary receiver shall during the ancillary receivership proceedings have the sole right to recover such other assets. The ancillary receiver shall, as soon as practicable, liquidate from their respective securities those special deposit claims and secured claims which are proved and allowed in the ancillary proceedings in this state, and shall pay the necessary expenses of the proceedings. All remaining assets he shall promptly transfer to the domiciliary receiver. Subject to the foregoing provisions the ancillary receiver and his deputies shall have the same powers and be subject to the same duties with respect to the administration of such assets, as a receiver of an insurer domiciled in this state.

C. The domiciliary receiver of an insurer domiciled in a reciprocal state may sue in this state to recover any assets of such insurer to which he may be entitled under the laws of this state.
59A-41-20. Filing, proving claims of nonresidents against delinquent domestic insurers.

A. In a delinquency proceeding begun in this state against an insurer domiciled in this state, claimants residing in reciprocal states may file claims either with the ancillary receivers, if any, in their respective states, or with the domiciliary receiver. All such claims must be filed on or before the last date fixed for the filing of claims in the domiciliary delinquency proceedings.

B. Controverted claims belonging to claimants residing in reciprocal states may either:
   (1) be proved in this state as provided by law; or
   (2) if ancillary proceedings have been commenced in such reciprocal states, may be proved in those proceedings.

In the event a claimant elects to prove his claim in ancillary proceedings, if notice of the claim and opportunity to appear and be heard is afforded the domiciliary receiver of this state as provided in Section 713 [59A-41-21 NMSA 1978] of this article with respect to ancillary proceedings in this state, the final allowance of such claim by the courts in the ancillary state shall be accepted in this state as conclusive as to its amount, and shall also be accepted as conclusive as to its priority, if any, against special deposits or other security located within the ancillary state.


59A-41-21. Filing, proving claims of residents against delinquent insurers domiciled in reciprocal states.

A. In a delinquency proceeding in a reciprocal state against an insurer domiciled in that state, claimants against such insurer who reside within this state or an insurance guaranty fund of this state, may file claims either with the ancillary receiver, if any, appointed in this state, or with the domiciliary receiver. All such claims must be filed on or before the last date fixed for the filing of claims in the domiciliary delinquency proceeding.

B. Controverted claims belonging to claimants residing in this state may either:
   (1) be proved in the domiciliary state as provided by the law of that state; or
   (2) if ancillary proceedings have been commenced in this state, be proved in those proceedings.
In the event that any such claimant elects to prove his claim in this state, he shall file his claim with the ancillary receiver in the manner provided by the law of this state for the proving of claims against insurers domiciled in this state, and he shall give notice in writing to the receiver in the domiciliary state, either by registered mail or by personal service at least forty (40) days prior to the date set for the hearing. The notice shall contain a concise statement of the amount of the claim, the facts on which the claim is based and the priorities asserted, if any. If the domiciliary receiver, within thirty (30) days after the giving of such notice, shall give notice in writing to the ancillary receiver and to the claimant, either by registered mail or by personal service, of his intention to contest such claim, he shall be entitled to appear or to be represented in any proceeding in this state involving the adjudication of the claim. The final allowance of the claim by the courts of this state shall be accepted as conclusive as to its priority, if any, against special deposits or other security located within this state.

History: Laws 1984, ch. 127, § 713.

ANNOTATION

Notice to insurance guaranty association not required. — Subsection A does not require notice to the property and casualty insurance guaranty association; it requires notice only to the domiciliary receiver or the ancillary receiver. Aztec Well Servicing Co. v. Property & Cas. Ins. Guar. Ass'n, 115 N.M. 475, 853 P.2d 726 (1993).


59A-41-22. Priority of preferred claims, special deposit claims and secured claims.

A. In a delinquency proceeding against an insurer domiciled in this state, claims owing to residents of ancillary states shall be preferred claims if like claims are preferred under the laws of that state. All such claims, whether owing to residents or nonresidents, shall be given equal priority of payment from general assets regardless of where such assets are located.

B. In a delinquency proceeding against an insurer domiciled in a reciprocal state, claims owing to residents of this state shall be preferred if like claims are preferred by the laws of that state.

C. The owners of special deposit claims against an insurer for which a receiver is appointed in this or any other state shall be given priority against their several special deposits in accordance with the provisions of the statutes governing the creation and maintenance of such deposits. If there is a deficiency in any such deposit so that the claims secured thereby are not fully discharged therefrom, the claimants may share in the general assets, but such sharing shall be deferred until general creditors, and also claimants against other special deposits who have received smaller percentages from their respective special deposits, have been paid percentages of their claims equal to the percentage paid from the special deposit.
D. The owner of a secured claim against an insurer for which a receiver has been appointed in this or any other state may surrender his security and file his claim as a general creditor, or the claim may be discharged by resort to the security, in which case the deficiency, if any, shall be treated as a claim against the general assets of the insurer on the same basis as claims of unsecured creditors. If the amount of the deficiency has been adjudicated in ancillary proceedings as provided in this act, or if it has been adjudicated by a court of competent jurisdiction in proceedings in which the domiciliary receiver has had notice and opportunity to be heard, such amount shall be conclusive; otherwise the amount shall be determined in the delinquency proceeding in the domiciliary state.

E. The claims of policyholders and subrogated claims of a guaranty fund shall be preferred over the claims of unsecured creditors.

History: Laws 1984, ch. 127, § 714.

Bracketed material. — The bracketed word "delinquency" in Subsection A was inserted by the compiler. It was not enacted by the legislature, and it is not a part of the law.


Right of policyholder having matured claim to priority over other policyholders in the distribution of assets of insolvent insurance company, 1 A.L.R. 598.

59A-41-23. Attachment, garnishment of assets.

During pendency of delinquency proceedings in this or any reciprocal state no action or proceeding in the nature of an attachment, garnishment or execution shall be commenced or maintained in the courts of this state against the delinquent insurer or its assets. Any lien obtained by any such action or proceeding within four (4) months prior to the commencement of any such delinquency proceeding or at any time thereafter shall be void as against any rights arising in such delinquency proceeding.


A. For the purposes of Sections 59A-41-25 and 59A-41-26 NMSA 1978, an insurer may be deemed to be in a hazardous financial condition when the superintendent has determined, after notice and hearing, that the loss experience of the insurer, when reviewed in conjunction with the kinds and characteristics of risks insured, or the insurer's financial condition, or its ownership, or the ratio of its annual premium volume in relation to its policyholders' surplus, would make further assumption of risks by the insurer hazardous to those persons doing business with the insurer or to the general public.

B. The following items may be considered by the superintendent to determine whether the continued operation of any insurer transacting an insurance business in this state is hazardous to
the policyholders, creditors or the general public:

1. findings reported in financial condition and market conduct examination reports;
2. the national association of insurance commissioners insurance regulatory information system and its related reports;
3. ratios of commission expense, general insurance expense, policy benefits and reserve increases to annual premium and net investment income;
4. the value, liquidity or diversity of the insurer's asset portfolio when viewed in light of current economic conditions with regard to assuring the company's ability to meet its outstanding obligations as they mature;
5. the adequacy, reliability and soundness of the insurer's reinsurance program as well as the financial condition of the assuming reinsurer and the ability of the assuming reinsurer to perform under its reinsurance agreements;
6. the insurer's operating loss in the last twelve-month period or any shorter period of time, including net capital gain or loss, change in non-admitted assets, and cash dividends paid to shareholders, in comparison to such insurer's remaining surplus as regards policyholders in excess of the minimum required;
7. whether any affiliate, subsidiary or reinsurer is insolvent, threatened with insolvency or delinquent in payment of its monetary or other obligation;
8. contingent liabilities, pledges or guaranties which may affect the solvency of the insurer;
9. whether any person having control of an insurer is delinquent in transmitting or paying net premiums to such insurer;
10. the age and collectibility of receivables;
11. whether the management of an insurer, including officers, directors or any other person who directly or indirectly controls the operation of such insurer, fails to possess and demonstrate the competence, fitness and reputation deemed necessary to serve the insurer in such position;
12. whether management of an insurer has failed to respond to inquiries relative to the condition of the insurer or has furnished false or misleading information concerning an inquiry;
13. whether management of an insurer has filed with any regulatory authority or released to lending institutions or to the general public any false or misleading financial statements, or has made a false or misleading entry or has omitted an entry of material amount in the books of the insurer;
14. whether the insurer has grown so rapidly and to such an extent that it lacks adequate financial and administrative capacity to meet its obligations in a timely manner;
15. whether the company has experienced or will experience in the foreseeable future
cash flow or liquidity problems;

(16) risk-based capital reports and other information obtained pursuant to the Risk-Based Capital Act [Chapter 59A, Article 5A NMSA 1978]; or

(17) such other material information and data as the superintendent may deem relevant.

C. For the purposes of making a determination of an insurer's financial condition under this section, the superintendent may:

(1) disregard any credit or amount receivable resulting from transactions with a reinsurer which is insolvent, impaired or otherwise subject to a delinquency proceeding;

(2) make appropriate adjustments to asset values attributable to investments in or transactions with parents, subsidiaries or affiliates;

(3) refuse to recognize the stated value of accounts receivable if the ability to collect receivables is highly speculative in view of the age of the account or the financial condition of the debtor; or

(4) increase the insurer's liability in an amount equal to any contingent liability, pledge or guarantee not otherwise included if there is a substantial risk that the insurer will be called upon to meet the obligation undertaken within the next twelve-month period.


The 1993 amendment, effective June 18, 1993, added the subsection "A" designation; in Subsection A, substituted "Sections 59A-41-25 and 59A-41-26 NMSA 1978" for "Sections 717 and 718 of this article" and substituted "business with the insurer or to the general public" for "business with its insurer"; and added Subsections B and C.

The 1995 amendment, effective June 16, 1995, in Subsection B, added Paragraph (16) and redesignated former Paragraph (16) as Paragraph (17).


A. Whenever he finds an insurer authorized to transact insurance in this state to be in hazardous financial condition, as referred to in Section 59A-41-24 NMSA 1978, the superintendent may order the insurer to take such action as he deems reasonably necessary to rectify the hazardous condition, including but not limited to one or more of the following measures:

(1) require the insurer to reduce the volume of new business being accepted to an amount, for the period of time, and in a manner prescribed in the superintendent's order;

(2) require submission of reinsurance contracts for approval and make such further requirements as to the insurer's reinsurance arrangements as the superintendent deems necessary;

(3) require the insurer to bulk-reinsure all or any part of its New Mexico business
with another insurer authorized to transact such business in this state;

(4) require a contribution to the insurer's surplus on such terms, in such amount, and in such manner as the superintendent deems necessary;

(5) require the insurer to maintain with the superintendent a special deposit in cash or securities eligible for investment of funds of a like domestic insurer under Chapter 59A, Article 9 NMSA 1978 and in amount not less than the lesser of:

(a) the amounts required to be maintained as: 1) reserves for losses and loss adjustment expenses on New Mexico business; and 2) reserves for unearned premiums on New Mexico business. In determining the amount of deposit required, the reserves for losses, loss adjustment expenses and unearned premiums shall be reduced only for reinsurance ceded to authorized or accredited reinsurers which maintain with an independent custodian cash or marketable securities in amount not less than the sum of the reinsurer's reserves for losses, loss adjustment expenses and unearned premiums as to reinsurance assumed; or

(b) five hundred thousand dollars ($500,000). Any deposit required by this paragraph shall be for the protection and benefit only of New Mexico policyholders or claimants, or both, and shall not be withdrawn until the superintendent terminates the requirement of the deposit. This paragraph shall not apply as to any domestic insurer, and Subparagraph (b) of this paragraph shall not apply as to any life insurer;

(6) require the insurer to reduce general insurance and commission expenses by specified methods;

(7) require the insurer to suspend or limit the declaration and payment of dividends to its stockholders or to its policyholders;

(8) require the insurer to file reports in a form acceptable to the superintendent concerning the market value of an insurer's assets;

(9) require the insurer to limit or withdraw from certain investments or discontinue certain investment practices to the extent the superintendent deems necessary;

(10) require the insurer to document the adequacy of premium rates in relation to the risks insured; or

(11) require the insurer to file, in addition to regular annual statements, interim financial reports on the form adopted by the national association of insurance commissioners or on such format as required by the superintendent.

B. The insurer may request a hearing to review the order in accordance with Chapter 59A, Article 4 NMSA 1978; however, the superintendent shall give written notice of the hearing not less than ten days in advance of the hearing, and the hearing shall be held privately unless the insurer requests a public hearing, in which case the hearing shall be public.


The 1993 amendment, effective June 18, 1993, added the subsection "A" designation; redesignated
former Subsections A through E as Paragraphs (1) through (5) of Subsection A; in Subsection A, substituted "Section 59A-41-24 NMSA 1978" for "Section 716 of this article" in the introductory language, in Paragraph (5), rewrote the introductory language, in Paragraph (5)(a), deleted "by the above subparagraphs" following "the amount of deposit required" and substituted "authorized and accredited" for "approved", made stylistic changes throughout the paragraph and added Paragraphs (6) through (11); and added Subsection B.


59A-41-26. Hazardous financial condition; failure of insurer to comply with requirements.

If an insurer found by the superintendent to be in hazardous financial condition and subjected to certain requirements by the superintendent pursuant to Section 717 [59A-41-25 NMSA 1978] of this article fails to comply with any such requirement, the superintendent may suspend, revoke, or refuse to continue the insurer's certificate of authority, and take such further lawful action as he may deem advisable, including, but not limited to, commencement of delinquency proceedings against the insurer.

History: Laws 1984, ch. 127, § 718.


59A-41-27. Deposit of foreign insurer during examination; impoundment of assets.

A. This section shall apply as to any foreign insurer authorized to transact insurance in this state, which as shown by its most recent annual statement filed with the superintendent has thirty-five percent or more of its insurance in force issued on New Mexico risks or that thirty-five percent or more of its required reserves are applicable to New Mexico risks.

B. If during an examination of the insurer by the superintendent or by any other state the superintendent cannot pending completion of the examination determine with certainty that the insurer is financially sound, and in the superintendent's opinion additional protection for New Mexico policyholders should be required, the superintendent may require the insurer to deposit with the state treasurer assets of kinds eligible for investment of funds of a like domestic insurer and in amount equal to the total required reserves of the insurer applicable to its New Mexico risks.

C. If the insurer fails to make the deposit within thirty (30) days after such demand to do so, the superintendent may record in the office of the county clerk of any county in this state in which assets of the insurer may be located a notice to the effect that all assets of the insurer located in such county are impounded by the superintendent, and thereafter all transactions involving such assets, including release of mortgages and transfers of title to real estate, shall be invalid unless approved and consented to in writing on the face of the instrument by the superintendent. The superintendent may thereafter, as a condition precedent to approval of a transaction, require the entire proceeds of the transaction to be deposited with the state treasurer for the further protection of the insurer's policyholders in this state.

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The superintendent may apply under Chapter 59A, Article 41 NMSA 1978 for an order directing him to rehabilitate or liquidate a domestic insurer or the United States branch of an alien insurer having trusteed assets in this state upon any one or more of the following grounds, that the insurer:

A. is insolvent as determined from an examination of the insurer conducted by the superintendent;

B. has refused to submit its books, papers, accounts or affairs to the reasonable inspection of the superintendent or his deputy or examiner;

C. has failed or refused to comply, within the time designated by the superintendent, with an order of the superintendent, pursuant to law, to make good an impairment of its capital, if a stock insurer, or an impairment of its minimum surplus, if a mutual, reciprocal or Lloyds insurer;

D. has, by contract of reinsurance or otherwise, transferred or attempted to transfer substantially its entire property or business or entered into any transaction the effect of which is to merge substantially its entire property or business in the property or business of any other person, without having first obtained the written approval of the superintendent;

E. is found, after an examination, to be in such condition that its further transaction of business will be hazardous to its policyholders, or to its creditors, or to the public;

F. has willfully violated its charter or any law of the state;

G. has an officer who has refused to be examined under oath, concerning its affairs;

H. after examination, is found to no longer meet the requirements for organization and incorporation to do business under the laws of this state;

I. has ceased to do business for a period of two years;

J. has commenced voluntary liquidation or dissolution, or attempts to commence or prosecute any action or proceeding to liquidate its business or affairs, or to dissolve its corporate charter, or to procure the appointment of a receiver, trustee, custodian or sequestrator under any law except Chapter 59A, Article 41 NMSA 1978;

K. has been the subject of an application for the appointment of a receiver, trustee, custodian or sequestrator of the insurer or its property, or if a receiver, trustee, custodian or sequestrator is appointed by a federal court or if such appointment is imminent;

L. has consented to such an order through a majority of its directors, stockholders or members;

M. has not organized or completed its organization and obtained a certificate authorizing it to commence the doing of an insurance business within one year from the date of
its incorporation or within such further period as may have been allowed under Section 59A-34-7 NMSA 1978;

N. has failed or refused to take such steps as may be necessary to remove from office any officer or director whom the superintendent has found, after notice to and hearing of such insurer and of such officer or director, to be a dishonest or untrustworthy person; or

O. has failed to maintain adequate risk-based capital levels as determined by the superintendent pursuant to the Risk-Based Capital Act [Chapter 59A, Article 5A NMSA 1978].


The 1995 amendment, effective June 16, 1995, substituted "Chapter 59A, Article 41 NMSA 1978" for "this article" in the introductory paragraph and in Subsection J; substituted "Section 59A-34-7 NMSA 1978" for "Section 553 of the Insurance Code" at the end in Subsection M; added Subsection O; and made minor stylistic changes.


59A-41-29. Order of rehabilitation; termination.

A. An order to rehabilitate a domestic insurer shall direct the superintendent and his successors in office forthwith to take possession of the property of such insurer and to conduct the business thereof, and to take such steps toward the removal of the causes and conditions which have made such proceeding necessary as the court shall direct.

B. If at any time the superintendent shall deem that further efforts to rehabilitate the insurer would be futile, he may apply to the court for an order of liquidation.

C. The superintendent or any interested person upon due notice to the superintendent, at any time may apply for an order terminating any rehabilitation proceeding and permitting such insurer to resume possession of its property and the conduct of its business, but no such order shall be granted except when, after a full hearing, the court shall determine that the purposes of the proceeding have been fully accomplished.

D. The superintendent may apply for an order directing him to liquidate the business of a domestic insurer or the United States branch of an alien insurer having in this state, upon any one or more of the grounds specified in Section 720 [59A-41-28 NMSA 1978] of this article regardless of whether or not there has been a prior order directing him to rehabilitate such insurer.


A. An order to liquidate the business of a domestic insurer shall direct the superintendent...
and his successors in office forthwith to take possession of the property of such insurer and to liquidate the business of the same and to deal with the property and business of such insurer in their own names as superintendents or in the name of the insurer as the court before whom such order is returnable may direct, and to give notice to all creditors who may have claims against such insurers to present the same.

B. The superintendent and his successors shall be vested by operations of law with the title to all of the property, contracts and rights of action of such insurer as of the date of the entry of the order so directing them to liquidate. The filing or recording of such order in the office of the clerk of any county shall impart the same notice that a deed, bill of sale or other evidence of title duly filed or recorded by such insurer would have imparted. The rights and liabilities of any such insurer and of its creditors, policyholders, stockholders, members and all other persons interested in its estate shall, unless otherwise directed by the court, be fixed as of the date of the entry of the order directing the liquidation of such insurer in the office of the clerk of the county where such insurer had its principal office for the transaction of business upon the date of the institution of proceedings under this article.

C. An order to liquidate the business of the United States [States] branch of an alien insurer having trusteed assets in this state shall be in the same terms as those hereinbefore prescribed, except that only the assets of the business of such United States branch shall be included therein.

D. Where the trustee or trustees of a mortgage series consisting in whole or in part of certified mortgage investments guaranteed by such domestic insurer have distributed all of the trust estate collateral, or have been permitted by court order to abandon all or part of such collateral not distributed, the court, by order, may, upon the consent of the superintendent as liquidator of such domestic insurer, direct that the superintendent, upon being furnished with a list of certificate holders certified to by the trustee or trustees, record subsequent transfers of certificates and charge and collect a reasonable fee therefor, and distribute dividends applicable thereto upon liquidation of insurer assets in his hands, to the record owners of such certificates, and make and deduct from such dividend payments a reasonable charge for such services.

The duty of the superintendent under such order shall terminate upon the termination of the liquidation proceedings of such domestic insurer.


The superintendent may apply under Chapter 59A, Article 41 NMSA 1978 for an order directing him to conserve the assets within the state of a foreign insurer upon any one or more of the grounds specified in Subsection A, B, C, D, E, F, G, J, K or O of Section 59A-41-28 NMSA 1978 or upon the ground that such foreign insurer has consented to such an order through a majority of its directors, stockholders or members, or has had its property sequestrated in its domiciliary country or state or in any other country or state. The superintendent may apply
under Chapter 59A, Article 41 NMSA 1978 for an order directing him to conserve the assets within this state of an alien insurer, other than one which has its trusteed assets in this state, on any one or more of the grounds specified in Subsections A, B, C, D, E, F, G, J, K or O of Section 59A-41-28 NMSA 1978 or upon the ground that such alien insurer has failed or refused to comply, within the time designated by the superintendent, with an order of the superintendent, pursuant to law, to make good an impairment of its trusteed surplus, or that such alien insurer has consented to such an order through a majority of its directors, stockholders or members, or that it has had its property sequestrated in its domiciliary country or elsewhere.

**History:** Laws 1984, ch. 127, § 723; 1995, ch. 149, § 17.

The 1995 amendment, effective June 16, 1995, in the first and second sentences, substituted "Chapter 59A, Article 41 NMSA 1978" for "this article" and "Subsections A, B, C, D, E, F, G, J, K or O of Section 59A-41-28 NMSA 1978" for "Section 720 of this article, in Paragraphs A, B, C, D, E, F, G, J, or K".

### 59A-41-32. Order of conservation or ancillary liquidation of foreign or alien insurer.

An order to conserve the assets of a foreign or alien insurer shall direct the superintendent and his successors in office forthwith to take possession of the property of the insurer within this state and to conserve the same subject to further direction of the court. Whenever a domiciliary receiver is appointed for the insurer in its domiciliary state which is also a reciprocal state as defined in Section 706 [59A-41-14 NMSA 1978] of this article, the court may on the superintendent's application appoint the superintendent an ancillary receiver in this state, subject to the provisions of Section 711 [59A-41-19 NMSA 1978] of this article and other provisions of the Uniform Insurers Liquidation Act [59A-41-17 to 59A-41-23 NMSA] included within this article. Subject to the provisions of the Uniform Insurers Liquidation Act the rights and duties of the superintendent as to the insurer and its assets shall include those exercised by and imposed upon ancillary receivers of foreign corporations under the general corporation laws of this state.

**History:** Laws 1984, ch. 127, § 724.


### 59A-41-33. Grounds for dissolution of domestic insurer.

The superintendent may apply under this article for an order dissolving the corporate existence of a domestic insurer:

A. upon his application for an order for liquidation, or at any time after such order has been granted; or

B. upon the grounds specified in Section 720 [59A-41-28 NMSA 1978] of this article whether or not an order of liquidation is sought or has been obtained.

**History:** Laws 1984, ch. 127, § 725.
59A-41-34. Commencement of a delinquency proceeding.

A. The superintendent, the attorney general or an insurance department staff attorney representing him, shall commence any proceeding under this article by an application to the district court in the judicial district in which the principal office of the insurer or organization involved is located, for an order directing the superintendent to proceed with delinquency proceedings provided for in this article. Such order with a copy of the petition therein shall be served upon the insurer or organization named in such order, if it be a domestic corporation by delivering to the president or other head of the corporation, secretary or clerk to the corporation, the cashier, the treasurer or any director or managing agent; if it be a foreign or alien corporation by delivering to the president, vice president, treasurer or assistant treasurer, secretary or assistant secretary, or any director of or managing agent, or, if the corporation lacks any of those officers within the state, to the officer performing corresponding functions under another name; if it be a voluntary, unincorporated or a joint stock association, order or society, by delivering to the president, vice president, treasurer, director, trustee or other officer or a member with managerial powers; if it be a reciprocal insurer or Lloyds underwriters, by delivering to the duly designated attorney-in-fact, a true copy of said order and petition and leaving the same with any such person within the state.

B. When it is satisfactorily proved by the verified report of the examiner made to the superintendent or by affidavit of any other person familiar with the facts that the officers, directors, trustees or managing agents or members of the corporation, association, order or society named in such order, upon whom service is required to be made as provided, or if a reciprocal insurer or Lloyds underwriters be named in the order, that the duly designated attorney-in-fact or its officers and managing agents have departed from the state or have kept themselves concealed therein or if such of the persons residing in this state and upon whom service is required to be made as above provided have resigned from their offices within forty (40) days prior to the application for an order under the provisions of this article, or that service cannot be made immediately by the exercise of reasonable diligence, such an order may provide for service thereof in such manner as the court or justice by whom the same is made, shall direct.

C. Failure of any such insurer to appear or plead before the court within five (5) days after proper service of the order and petition shall be deemed a waiver to the right to have a hearing upon the allegation contained in the petition.

History: Laws 1984, ch. 127, § 726.


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At any time after commencement of a proceeding under this article the superintendent may apply to the court for an order changing the venue of the proceedings to any other county of this state when good cause is shown. Upon the filing of such an application for removal, the court shall direct the clerk of the county wherein such proceeding is then pending to transmit all of the papers filed therein with such clerk to the clerk of the county to which such proceeding is removed and the proceeding shall thereafter be conducted in such other county as though it has been commenced in such county.

**History:** Laws 1984, ch. 127, § 727.

59A-41-36. Right of guaranty association to participate in delinquency proceeding.

A. A guaranty association referred to in Article 42 [Chapter 59A, Article 42 NMSA 1978] (life and health insurance guaranty fund) or in Article 43 [Chapter 59A, Article 43 NMSA 1978] (property and casualty insurance guaranty fund) of the Insurance Code may be made a party to a delinquency proceeding by the superintendent in commencing the proceeding or by its intervention thereafter. If the superintendent does not make the association a party at the commencement of the proceedings, the superintendent shall give written notice of the commencement of the proceedings to the association.

B. A guaranty association shall not be required to bear any of the costs of such a proceeding other than such expenses for its attorney and expense related to its participation in the proceeding as are directly incurred by it.

C. The association shall have the right at any time during the delinquency proceedings to apply to the court for an appropriate order dismissing it as a party to the proceeding on such terms as the court finds proper.

**History:** Laws 1984, ch. 127, § 728.

59A-41-37. Exemption from filing fees.

The superintendent shall not be required to pay any fee to any public officer in this state for filing, recording, issuing a transcript or certificate or authenticating any paper or instrument pertaining to the exercise by the superintendent of any of the powers or duties conferred upon him under this article, whether or not such paper or instrument be executed by the superintendent or his deputies, employees or attorneys of record and whether or not it is connected with the commencement of an action or proceeding by or against the superintendent, or with the subsequent conduct of such an action or proceeding.

**History:** Laws 1984, ch. 127, § 729.

59A-41-38. Deposit of monies collected.

The superintendent shall from time to time deposit in one or more state or national banks,
The superintendent may deposit such monies or any part thereof in a national bank or trust company as a trust fund.

**History:** Laws 1984, ch. 127, § 730.


For the purpose of facilitating the rehabilitation, liquidation, conservation or dissolution of an insurer pursuant to this article, the superintendent may, subject to the approval of the court, borrow money and execute, acknowledge and deliver notes or other evidences of indebtedness therefor and secure the repayment of the same by the mortgage, pledge, assignment, transfer in trust or hypothecation of any or all of the property whether real, personal or mixed of such insurer, and the superintendent, subject to the approval of the court, may take any and all other action necessary and proper to consummate any such loans and to provide for the repayment thereof. The superintendent shall be under no obligation personally or in his official capacity as superintendent to repay any loan made pursuant to this section.

**History:** Laws 1984, ch. 127, § 731.


### 59A-41-40. Sale, disposition of assets and compromise of certain claims.

**A.** The superintendent may, subject to the approval of the court:

1. sue or be sued;
2. sell or otherwise dispose of the real or personal property, or any part thereof, of an insurer against whom a proceeding has been brought under this article; and
3. sell or compound all doubtful or uncollectible debts or claims owed by or owing to such insurer including claims based upon assessment levied against a member of a mutual or reciprocal insurer.

**B.** Whenever the amount of any such debt or claim owed by or owing to such insurer does not exceed two hundred dollars ($200), the superintendent may compromise or compound the same upon such terms as he may deem for the best interests of the insurer without obtaining the approval of the court. The superintendent may, subject to the approval of the court, sell or agree to sell, or offer to sell, any assets of such an insurer to such of its creditors who may desire to participate in the purchase thereof, to be paid for, in all or in part, out of dividends payable to such creditors, and, upon the application of the superintendent, the court may designate representatives to act for such creditors in the purchase, holding and/or management of such assets, and the superintendent may, subject to the approval of the court, advance the expenses of such representatives against the security of the claims of such creditors.

**History:** Laws 1984, ch. 127, § 732.
59A-41-41. Time to file claims.

A. If upon entry of an order of liquidation of a domestic insurer or United States branch of an alien insurer domiciled in this state under Chapter 59A, Article 41 NMSA 1978 or at any time thereafter during liquidation proceedings the insurer is not clearly solvent, the court shall, upon a hearing after such notice as it deems proper, make and enter an order adjudging the insurer to be insolvent.

B. After entry of order of insolvency and regardless of any prior notice given to creditors, the superintendent shall notify all persons who may have claims against the insurer to file such claims, at a place and within the time specified in the notice, or that such claims may be forever barred. The time specified in the notice shall be fixed by the court for filing of claims, which shall be not less than six months after entry of the order of insolvency. The notice shall be given in such manner and for such reasonable period of time as the court may order.

C. The liquidator may permit a claimant making a late filing to share in distributions, whether past or future, as if he were not late, to the extent that any such payment will not prejudice the orderly administration of the liquidation, under the following circumstances:

(1) the existence of the claim was not known to the claimant and the claim was filed as promptly thereafter as reasonably possible after learning of it;

(2) a transfer to a creditor was avoided under Sections 59A-41-42 through 59A-41-43.1 NMSA 1978, or was voluntarily surrendered under Section 59A-41-43.3 NMSA 1978 and the filing satisfies the conditions of Section 59A-41-43.3 NMSA 1978;

(3) the valuation of security held by a secured creditor shows a deficiency, which is filed within thirty days after the valuation and deficiency is determined by the court in accordance with the provisions of Subsection D of Section 59A-41-22 NMSA 1978; or

(4) the claim is from a guaranty association for reimbursement of covered claims paid or expenses incurred subsequent to the last day for filing where such payments were made and expenses incurred as provided by law.


The 1993 amendment, effective June 18, 1993, substituted "Chapter 59A, Article 37 NMSA 1978" for "this article" in Subsection A; in Subsection B, substituted "claims may be forever barred" for "claims shall be forever barred" in the first sentence and made a stylistic change in the second sentence; and added Subsection C.

59A-41-42. Fraudulent transfers prior to petition.

A. Every transfer made or suffered and every obligation incurred by an insurer within one
(1) year prior to the filing of a successful petition for rehabilitation or liquidation under the Insurance Code is fraudulent as to then existing and future creditors if made or incurred without fair consideration, or with actual intent to hinder, delay, or defraud either existing or future creditors. A transfer made or an obligation incurred by an insurer ordered to be rehabilitated or liquidated under the Insurance Code, which is fraudulent under this section, may be avoided by the receiver, except as to a person who in good faith is a purchaser, lienor, or obligee for a present fair equivalent value, and except that any purchaser, lienor, or obligee, who in good faith has given a consideration less than fair for such transfer, lien, or obligation, may retain the property, lien or obligation as security for repayment. The court may, on due notice, order any such transfer or obligation to be preserved for the benefit of the estate, and in that event, the receiver shall succeed to and may enforce the rights of the purchaser, lienor, or obligee.

B.

(1) A transfer of property other than real property shall be deemed to be made or suffered when it becomes so far perfected that no subsequent lien obtainable by legal or equitable proceedings on a simple contract could become superior to the rights of the transferee.

(2) A transfer of real property shall be deemed to be made or suffered when it becomes so far perfected that no subsequent bona fide purchaser from the insurer could obtain rights superior to the rights of the transferee.

(3) A transfer which creates an equitable lien shall not be deemed to be perfected if there are available means by which a legal lien could be created.

(4) Any transfer not perfected prior to the filing of a petition for liquidation shall be deemed to be made immediately before the filing of the successful petition.

(5) The provisions of this subsection apply whether or not there are or were creditors who might have obtained any liens or persons who might have become bona fide purchasers.

C. Any transaction of the insurer with a reinsurer shall be deemed fraudulent and may be avoided by the receiver under Subsection A if:

(1) the transaction consists of the termination, adjustment, or settlement of a reinsurance contract in which the reinsurer is released from any part of its duty to pay the originally specified share of losses that had occurred prior to the time of the transaction, unless the reinsurer gives a present fair equivalent value for the release; and

(2) any part of the transaction took place within one year prior to the date of filing of the petition through which the receivership was commenced.

History: Laws 1984, ch. 127, § 734.


59A-41-43. Fraudulent transfer after petition.

A. After a petition for rehabilitation or liquidation has been filed a transfer of any of the real
property of the insurer made to a person acting in good faith shall be valid against the receiver if made for a present fair equivalent value, or, if not made for a present fair equivalent value, then to the extent of the present consideration actually paid therefor, for which amount the transferee shall have a lien on the property so transferred. The commencement of a proceeding in rehabilitation or liquidation shall be constructive notice upon the recording of a copy of the petition for or order of rehabilitation or liquidation with the recorder of deeds in the county where any real property in question is located. The exercise by a court of the United States or any state or jurisdiction to authorize or effect a judicial sale of real property of the insurer within any county in any state shall not be impaired by the pendency of such a proceeding unless the copy is recorded in the county prior to the consummation of the judicial sale.

B. After a petition for rehabilitation or liquidation has been filed and before either the receiver takes possession of the property of the insurer or an order of rehabilitation or liquidation is granted:

(1) a transfer of any of the property of the insurer, other than real property, made to a person acting in good faith shall be valid against the receiver if made for a present fair equivalent value, or, if not made for a present fair equivalent value, then to the extent of the present consideration actually paid therefor, for which amount the transferee shall have a lien on the property so transferred;

(2) a person indebted to the insurer or holding property of the insurer may, if acting in good faith, pay the indebtedness or deliver the property, or any part thereof, to the insurer or upon his order, with the same effect as if the petition were not pending;

(3) a person having actual knowledge of the pending rehabilitation or liquidation shall be deemed not to act in good faith; and

(4) a person asserting the validity of a transfer under this section shall have the burden of proof. Except as elsewhere provided in this section, no transfer by or on behalf of the insurer after the date of the petition for liquidation by any person other than the liquidator shall be valid against the liquidator.

C. Nothing in Chapter 59A, Article 41 NMSA 1978 shall impair the negotiability of currency or negotiable instruments.

D. Nothing in this section shall be constructed to give authority to any person to act on behalf of a receiver.


The 1993 amendment, effective June 18, 1993, substituted "shall have a lien" for "shall gave a lien" in the first sentence of Subsection A; substituted "Chapter 59A, Article 41 NMSA 1978" for "this article" in Subsection C; and added Subsection D.


A. (1) A preference is a transfer of any of the property of an insurer to or for the benefit of a
creditor, for or on account of an antecedent debt, made or suffered by the insurer within one year before the filing of a successful petition for rehabilitation or liquidation under Chapter 59A, Article 41 NMSA 1978, the effect of which transfer may be to enable the creditor to obtain a greater percentage of this debt than another creditor of the same class would receive. If a liquidation order is entered while the insurer is already subject to a rehabilitation order, then such transfers shall be deemed preferences if made or suffered within one year before the filing of the petition for rehabilitation, or within two years before the filing of the petition for liquidation, whichever time is shorter.

(2) Any preference may be avoided by the rehabilitator or liquidator if:

(a) the insurer was insolvent at the time of the transfer;

(b) the transfer was made within four months before the filing of the petition;

(c) the creditor receiving it or to be benefited thereby or his agent acting with reference thereto had, at the time when the transfer was made, reasonable cause to believe that the insurer was insolvent or was about to become insolvent; or

(d) the creditor receiving it was an officer, or any employee or attorney or other person who was in fact in a position of comparable influence in the insurer to an officer, whether or not he held such position, or any shareholder holding directly or indirectly more than five percent of any class of any equity security issued by the insurer, or any other person, firm, corporation, association or aggregation of persons with whom the insurer did not deal at arm's length.

(3) Where the preference is voidable, the rehabilitator or liquidator may recover the property or, if it has been converted, its value from any person who has received or converted the property; except where a bona fide purchaser or lienor has given less than fair equivalent value, he shall have a lien upon the property to the extent of the consideration actually given by him. Where a preference by way of lien or security title is voidable, the court may on due notice order the lien or title to be preserved for the benefit of the estate, in which event the lien or title shall pass to the liquidator.

B. (1) A transfer of property other than real property shall be deemed to be made or suffered when it becomes so far perfected that no subsequent lien obtainable by legal or equitable proceedings on a simple contract could become superior to the rights of the transferee.

(2) A transfer of real property shall be deemed to be made or suffered when it becomes so far perfected that no subsequent bona fide purchaser from the insurer could obtain rights superior to the rights of the transferee.

(3) A transfer which creates an equitable lien shall not be deemed to be perfected if there are available means by which a legal lien could be created.

(4) A transfer not perfected prior to the filing of a petition for liquidation shall be deemed to be made immediately before the filing of the successful petition.

(5) The provisions of this subsection apply whether or not there are or were creditors
who might have obtained liens or persons who might have become bona fide purchasers.

C. (1) A lien obtainable by legal or equitable proceedings upon a simple contract is going one [sic] arising in the ordinary course of such proceedings upon the entry or docketing of a judgment or decree, or upon attachment, garnishment, execution, or like process, whether before, upon, or after judgment or decree and whether before or upon levy. It does not include liens which under applicable law are given a special priority over other liens which are prior in time.

(2) A lien obtainable by legal or equitable proceedings could become superior to the rights of a transferee, or a purchaser could obtain rights superior to the rights of transferee within the meaning of Subsection B of this section, if such consequences would follow only from the lien or purchase itself, or from the lien or purchase followed by any step wholly within the control of the respective lienholder or purchaser, with or without the aid of ministerial action by public officials. Such a lien could not, however, become superior and such a purchase could not create superior rights for the purpose of Subsection B of this section through any acts subsequent to the obtaining of such a lien or subsequent to such a purchase which require the agreement or concurrence of any third party or which require any further judicial action or ruling.

D. A transfer of property for or on account of a new and contemporaneous consideration which is deemed under Subsection B of this section to be made or suffered after the transfer because of delay in perfecting it does not thereby become a transfer for or on account of an antecedent debt if any acts required by the applicable law to be performed in order to perfect the transfer as against liens or bona fide purchasers' rights are performed within twenty-one days or any period expressly allowed by law, whichever is less. A transfer to secure a future loan, if such a loan is actually made, or a transfer which becomes security for a future loan, shall have the same effect as a transfer for [sic] on account of a new and contemporaneous consideration.

E. If any lien deemed voidable under Paragraph (2) of Subsection A of this section has been dissolved by the furnishing of a bond or other obligation, the surety on which has been indemnified directly or indirectly by the transfer of or the creation of a lien upon any property of an insurer before the filing of a petition under Chapter 59A, Article 41 NMSA 1978 which results in a liquidation order, the indemnifying transfer or lien shall also be deemed voidable.

F. The property affected by any lien deemed voidable under Subsections A and E of this section shall be discharged from such lien, and that property and any of the indemnifying property transferred to or for the benefit of a surety shall pass to the liquidator, except that the court may on due notice order any such lien to be preserved for the benefit of the estate and the court may direct that such conveyance be executed as may be proper or adequate to evidence the title of the liquidator.

G. The court before which the rehabilitation or liquidation proceeding is pending shall have summary jurisdiction of any proceeding by the liquidator to hear and determine the rights of any parties under this section. Reasonable notice of any hearing in the proceeding shall be given to all parties in interest, including the obligee of a releasing bond or other like obligation. Where an order is entered for the recovery of indemnifying property in kind or for the avoidance of an indemnifying lien, the court, upon application of any party in interest, shall in the same
proceeding ascertain the value of the property or lien, and if the value is less than the amount for which the property is indemnity or less than the amount of the lien, the transferee or lienholder may elect to retain the property or lien upon payment of its value, as ascertained by the court, to the rehabilitator or liquidator, within such reasonable times as the court shall fix.

H. The liability of the surety under a releasing bond or other like obligation shall be discharged to the extent of the value of the indemnifying property recovered or the indemnifying lien nullified and avoided by the rehabilitator or liquidator, or where the property is retained under Subsection G of this section to the extent of the amount paid to the rehabilitator or liquidator.

I. If a creditor has been preferred, and afterward in good faith gives the insurer further credit without security of any kind, for property which becomes a part of the insurer's estate, the amount of the new credit remaining unpaid at the time of the petition may be set off against the preference which would otherwise be recoverable from him.

J. If an insurer shall, directly or indirectly, within four months before the filing of a successful petition for rehabilitation or liquidation under Chapter 59A, Article 41 NMSA 1978, or at any time in contemplation of a delinquency proceeding, pay money or transfer property to an attorney-at-law for services rendered or to be rendered, the transactions may be examined by the court on its own motion or shall be examined by the court on petition of the rehabilitator or liquidator and shall be held valid only to the extent of a reasonable amount to be determined by the court, and the excess may be recovered by the rehabilitator or liquidator for the benefits of the estate; provided that where the attorney is in a position of influence in the insurer or an affiliate thereof payment of any money or the transfer of any property to the attorney-at-law for services rendered or to be rendered shall be governed by the provisions of Subparagraph (d) of Paragraph (2) of Subsection A.


Bracketed material. — The bracketed word "sic" in Paragraph (1) of Subsection C and in Subsection D was inserted by the compiler. It was not enacted by the legislature, and it is not a part of the law.

59A-41-43.2. Liability for participation in fraudulent transfer or voidable preference.

A. Every officer, manager, employee, shareholder, member, subscriber, attorney or any other person acting on behalf of the insurer who knowingly participates in giving any preference or in any fraudulent transfer when he has reasonable cause to believe the insurer is or is about to become insolvent at the time of the preference or transfer shall be personally liable to the rehabilitator or liquidator for the amount of the preference or transfer. It shall be a rebuttable presumption that such was the case if the transfer was made within four months before the date of filing of a successful petition for rehabilitation or liquidation.

B. Every person receiving any property from the insurer or the benefit thereof as a voidable preference or as a fraudulent transfer shall be personally liable therefor and shall be bound to account to the rehabilitator or liquidator.
C. Nothing in this section shall prejudice any other claim by the rehabilitator or liquidator against any person.


59A-41-43.3. Claims of holders of void or voidable rights.

A. No claims of a creditor who has received or acquired a preference, lien, conveyance, transfer, assignment or encumbrance voidable under Chapter 59A, Article 41 NMSA 1978 shall be allowed unless he surrenders the preference, lien, conveyance, transfer, assignment or encumbrance. If the avoidance is effected by a proceeding in which a final judgment has been entered, the claim shall not be allowed unless the money is paid or the property is delivered to the rehabilitator or liquidator within thirty days from the date of the entering of the final judgment, except that the court having jurisdiction over the rehabilitation or liquidation may allow further time if there is an appeal or other continuation of the proceeding.

B. A claim allowable under Subsection A of this section by reason of the avoidance, whether voluntary or involuntary, or a preference, lien, conveyance, transfer, assignment or encumbrance may be filed as an excused late filing under Section 59A-41-41 NMSA 1978 if filed within thirty days from the date of the avoidance, or within the further time allowed by the court under Subsection A of this section.


59A-41-44. Priorities in distribution.

The priority of claims and order of distribution of the insurer's assets on liquidation shall be as stated in this section. The first fifty dollars ($50.00) of the amount allowed on each property, casualty or fidelity claim in the classes under Subsections B through F of this section, shall be deducted from the claim and included in the class under Subsection I of this section. Claims may not be cumulated by assignment to avoid application of the fifty dollar ($50.00) deductible provision. Subject to the fifty dollar ($50.00) deduction, every claim in each class shall be paid in full or adequate funds retained for payment before the members of the next class receive any payment. No subclasses shall be established within any class. Subject to the foregoing, the order of distribution and of priority shall be as follows:

A. administration costs. The costs and expenses of administration, including but not limited to the actual and necessary costs of preserving or recovering the assets of the insurer, compensation for all services rendered in the liquidation, necessary filing fees, fees and mileage payable to witnesses, attorney's fees in reasonable amount and the reasonable expenses of a guaranty association for unallocated loss adjustment expense;

B. wages. Debts due to employees of the insurer for services performed, not to exceed one thousand dollars ($1,000) to each employee, and earned within three months before commencement of delinquency proceedings. The insurer's officers shall not be entitled to the
benefit of this priority. Such priority shall be in lieu of any other similar priority authorized by law as to wages or compensation of employees;

C. Loss claims. All claims under policies or contracts for losses incurred, including third party claims and all claims of guaranty associations not specified in Subsection A of this section. That portion of any loss for which indemnification is provided by other benefits or advantages recovered or recoverable by the claimant shall not be included in this class, other than benefits or advantages recovered or recoverable in discharge of familial obligations of support or by way of succession at death or as proceeds of life insurance, or as gratuities. No payment made by an employer to his employee shall be treated as a gratuity;

D. Unearned premiums. Claims under nonassessable policies for unearned premiums or other premium refunds;

E. Residual classification. All other claims, including claims of the federal or any state or local government, not falling within other classes under this section. Claims, including those of any governmental body, for a penalty or forfeiture, shall be allowed in this class only to the extent of the pecuniary loss sustained from the act, transaction or proceeding out of which the penalty or forfeiture arose, with reasonable and actual costs occasioned thereby. The remainder of such claims shall be postponed to the class of claims under Subsection K of this section;

F. Judgments. Claims based solely on judgments. If a claimant files a claim and bases it both on the judgment and on the underlying facts, the claim shall be considered by the liquidator, who shall give the judgment such weight as he deems appropriate. The claim as allowed shall receive the priority it would receive in absence of the judgment. If the judgment is larger than the allowance on the underlying claim, the remaining portion of the judgment shall be treated as if it were a claim based solely on a judgment, except that, to the extent such judgment was obtained through fraud or collusion, it shall be disallowed;

G. Interest on claims already paid. Interest at the legal rate compounded annually on all claims in the classes under Subsections A through I of this section, from date of petition for liquidation or the date on which the claim becomes due, whichever is later, until the date on which the dividend is declared. The liquidator, with the court's approval, may make reasonable classifications of claims for purposes of computing interest, may make approximate computations and may ignore certain classifications and time periods as de minimis;

H. Miscellaneous subordinated claims. The remaining claims or portions of claims not already paid, with interest as in Subsection G of this section:

1. the first fifty dollars ($50.00) of each claim in the classes under Subsections B through F of this section, subordinated under this section;

2. claims subordinated by Section 59A-41-45 NMSA 1978;

3. claims filed late except as provided otherwise in Subsection C of Section 59A-41-41 NMSA 1978;

4. portions of claims subordinated under Subsection E of this section;
(5) claims or portions of claims payment of which is provided by other benefits or advantages recovered or recoverable by the claimant; and

(6) claims not otherwise provided for in this section;

I. preferred ownership claims. Surplus or contribution notes, or similar obligations, and premium refunds on assessable policies. Interest at the legal rate shall be added to each claim, as in Subsections G and H of this section; and

J. proprietary claims. The claims of shareholders or other owners.


The 1993 amendment, effective June 18, 1993, in the introductory language, deleted the next-to-last sentence, which related to funds to be reserved where a guanary association is obligated as to the insurer's claims; added the language beginning "and the reasonable expenses" at the end of Subsection A; rewrote the first sentence in Subsection C; rewrote Subsection D; added the language beginning "except that" at the end of Subsection F; in Subsection H, substituted "Section 59A-41-45 NMSA 1978" for "Section 737 of this article" in Paragraph (2), and added the language beginning "except as provided" in Paragraph (3); substituted references to "subsections" for references to "paragraphs" throughout the section; and made stylistic changes throughout the section.

Compiler's notes. — Paragraph E contains a reference to a Paragraph K; however, as enacted and amended, this section does not contain a Paragraph K.


44 C.J.S. Insurance § 200 et seq.


A. In all cases of mutual debts or mutual credits between the insurer and another person in connection with any action or proceeding under this article, such credits and debts shall be set off and the balance only shall be allowed or paid, except as provided in Subsection B of this section.

B. No offset shall be allowed in favor of any such person where:

(1) the obligation of the insurer to such person would not at the date of entry of any liquidation order, or otherwise, as provided in Section 722 [59A-41-30 NMSA 1978] of this article entitle him to share as a claimant in the assets of the insurer; or

(2) the obligation of the insurer to such person was purchased by or transferred to such person with a view to its being used as an offset;

(3) the obligation of such person is to pay an assessment levied against the members of a mutual insurer, or against the subscribers of a reciprocal insurer, or is to pay a balance upon a subscription to the capital stock of a stock insurer; or

(4) the obligation of the person is to pay premiums, whether earned or unearned, to the insurer.
**History:** Laws 1984, ch. 127, § 737.

**59A-41-46. Report for assessment; domestic mutual, reciprocal insurers.**

Within three (3) years from the date an order of rehabilitation or liquidation of a domestic mutual insurer or domestic reciprocal insurer was filed in the office of the clerk of the court by which such order was made, the superintendent may make a report to the court setting forth:

A. the reasonable value of the assets of the insurer;
B. the insurer's probable liabilities; and
C. the probable necessary assessment, if any, to pay all claims and expenses in full, including expenses of administration.

**History:** Laws 1984, ch. 127, § 738.

**59A-41-47. Levy of assessment; domestic mutual, reciprocal insurers.**

A. Upon the basis of the report provided for in Section 738 [59A-41-46 NMSA 1978] of this article including any amendments thereof, the court, ex parte, may levy one or more assessments against all persons who, as shown by the record of the insurer, were members (if a mutual insurer) or subscribers (if a reciprocal insurer) at any time within one year prior to the date of issuance of the court's order under Section 725 [59A-41-33 NMSA 1978] of this article.

B. Such assessment shall cover the excess of the probable liabilities over the reasonable value of the assets, together with the estimated cost of collection and percentage of incollectibility thereof. The total of all assessments against any member or subscriber with respect to any policy, whether levied pursuant to this article or pursuant to any other provisions of the laws of New Mexico, shall be for no greater amount than specified in the policy or policies of the member or subscriber and as limited under the laws of New Mexico; except that if the court finds that the policy was issued at a rate of premium below the minimum rate lawfully permitted for the risk insured, the court may determine the upper limit of such assessment upon the basis of such minimum rate.

C. No assessment shall be levied against any member or subscriber with respect to any nonassessable policy issued in accordance with the Insurance Code.

D. Where the insurer has levied an assessment prior to the court's order under the proceeding in Section 725 of this article and the superintendent has ratified such assessment with the court's approval such ratification shall in no way be deemed an assessment as set out in Subsections A, B and C of this section.

**History:** Laws 1984, ch. 127, § 739.

**Insurance Code.** — See 59A-1-1 NMSA 1978 and notes thereto.


After levy of assessment as provided in Section 739 [59A-41-47 NMSA 1978] of this article, upon the filing of a further detailed report by the superintendent, the court shall issue an order directing each member (if a mutual insurer) or each subscriber (if a reciprocal insurer) if he shall not pay the amount assessed against him to the superintendent on or before the day to be specified in the order, to show cause why he should not be held liable to pay such assessment together with costs as set out in Section 742 [59A-41-50 NMSA 1978] of this article and why the superintendent should not have judgment therefor.


59A-41-49. Assessment order, publication and transmittal.

The superintendent shall cause a notice of an assessment order, issued pursuant to Section 740 [59A-41-48 NMSA 1978] of this article, setting forth a brief summary of the contents of such order to be:

A. published in such manner as shall be directed by the court; and

B. enclosed in a sealed envelope, addressed and mailed postage prepaid to each member or subscriber liable thereunder at his address last of record with the insurer, at least twenty (20) days before the return day of the order to show cause provided for in Section 740 of this article.


A. On the return day of the order to show cause provided for in Section 740 [59A-41-48 NMSA 1978] of this article if the member or subscriber does not appear and serve verified objections upon the superintendent, the court shall make an order adjudging that such member or subscriber is liable for the amount of the assessment against him together with ten dollars ($10) costs, and that the superintendent may have judgment against the member or subscriber therefor.

B. If on such return day the member or subscriber shall appear and serve verified objections upon the superintendent there shall be a full hearing before the court or a referee to hear and determine, who, after such hearing, shall make an order either negating or affirming his liability to pay the whole or some part thereof together with twenty-five dollars ($25) costs and the necessary disbursements incurred at such hearing, and directing that the superintendent in the latter case may have judgment therefor.

C. A judgment upon any such order shall have the same force and effect, and may be entered and docketed, and may be appealed from as if it were a judgment in an original action brought in the court in which the proceeding is pending.
59A-41-51. Summary proceedings; superintendent's corrective orders authorized.

A. If the superintendent determines after a hearing that any insurer has committed or engaged in, or is committing or engaging in, or is about to commit or engage in any act, practice or transaction that would subject it to formal delinquency proceedings under this article, he shall make and serve upon the insurer and other persons involved, such orders (other than seizure orders under Sections 746 and 747 [59A-41-54 and 59A-41-55 NMSA 1978] of this article) as he deems reasonably necessary to correct, eliminate, or remedy such conduct, condition or ground. Orders to cure impairment of capital or surplus are subject to Section 92 [59A-5-25 NMSA 1978] of the Insurance Code.

B. If the superintendent believes that irreparable harm to the insurer or its policyholders, creditors or the public may occur unless his order is issued with immediate effect, he may make and serve his order without notice and before hearing, and shall simultaneously therewith serve upon the insurer and other persons involved a notice of hearing.

C. The superintendent's order and notice of hearing shall be served by personal service in any manner provided by the New Mexico Rules of Civil Procedure.

D. This section, and Sections 744 through 749 [59A-41-52 to 59A-41-57 NMSA 1978] of this article, are supplemental to and not in contradiction or modification of Sections 716 through 718 [59A-41-24 to 59A-41-26 NMSA 1978] or any other sections of this article as to insurers in hazardous financial condition.


Cross references.—For Rules of Civil Procedure, see Rule 1-001 NMRA et seq.

59A-41-52. Summary proceedings; appeal from superintendent's order.

If the superintendent has issued a summary order before hearing as provided in Subsection B of Section 743 [59A-41-51 NMSA 1978] of this article, any person upon whom such order is served may waive the superintendent's hearing and apply for an immediate judicial relief available under law and without first exhausting his administrative remedies.


59A-41-53. Summary proceedings; enforcement; penalty.

A. The superintendent may apply for and the district court for Santa Fe county or the county
in which the insurer has its principal office may grant such restraining orders, temporary and permanent injunctions and other orders as may be deemed necessary to enforce the superintendent's order.

B. Violation of any order of the superintendent issued under Section 59A-41-51 NMSA 1978 by any person as to whom the order is in effect shall subject such person to a penalty of not more than ten thousand dollars ($10,000), to be collected in a civil action brought by the attorney general in the name of the state of New Mexico. The attorney general shall deposit all funds so collected with the state treasurer for credit as provided for insurance department receipts in general under Section 59A-6-5 NMSA 1978.

**History:** Laws 1984, ch. 127, § 745; 1987, ch. 259, § 25.

### 59A-41-54. Summary proceedings; seizure under court order.

A. Upon filing by the superintendent in the district court for Santa Fe county or the county in which the insurer has its principal office of his verified petition alleging any ground for a formal delinquency proceeding against an insurer under this article and that the interests of the insurer's policyholders or creditors or the public will be jeopardized by delay, and setting forth the order deemed necessary by the superintendent, the court shall, ex parte and without notice or hearing, issue the requested order. The requested order may:

   1. direct the superintendent to take possession and control of all or part of the property, books, accounts and records of the insurer and the premises occupied by it for transaction of its business in this state; and

   2. until further order of the court, enjoin the insurer and its officers, managers, agents and employees from removal, concealment or other disposition of its property, and from transaction of its business, except with the superintendent's written consent.

B. The court's order shall be for such duration, specified in the order, as the court deems necessary to enable the superintendent to ascertain the insurer's condition. On motion of any party or on its own motion, the court may hold such hearings as it deems desirable after such notice as it deems appropriate, and extend or shorten the duration or modify the terms of the order. The court shall vacate the seizure order if the superintendent fails to commence a formal proceeding under this article after reasonable opportunity to do so; and a seizure order is automatically terminated by issuance of the court's order pursuant to formal delinquency proceedings under this article.

C. Entry of a seizure order under this section does not constitute an anticipatory breach of any contract of the insurer.

**History:** Laws 1984, ch. 127, § 746.

### 59A-41-55. Summary proceedings; seizure under superintendent's order.

A. If it appears to the superintendent that the interests of policyholders, creditors or the
public will be jeopardized by delay incident to requesting a court seizure order, then on any
ground which would justify a court seizure order under Section 59A-41-54 NMSA 1978, and
without notice and without applying to the court, the superintendent may issue a seizure order
which must contain a statement verified by him of the grounds for his action. As directed by the
seizure order, the superintendent's representatives shall forthwith take possession and control of
all or part of the property, books, accounts and records of the insurer and of the premises in this
state occupied by the insurer for transaction of its business. The superintendent shall retain
possession and control until the order is vacated or is replaced by an order of court pursuant to
Subsection B of this section, or pursuant to a formal proceeding under Chapter 59A, Article 41
NMSA 1978.

B. At any time after seizure under Subsection A of this section, the insurer may apply to the
district court for Santa Fe county. The court shall thereupon order the superintendent to appear
forthwith and shall thereafter proceed as if the order were a court seizure order issued under
Section 59A-41-54 NMSA 1978.

C. Every peace officer of this state shall assist the superintendent in making and enforcing
any such seizure, and every sheriff and police department shall furnish the superintendent with
such deputies, patrolmen or officers as may be necessary for the purpose.

D. Entry of a seizure order under this section does not constitute an anticipatory breach of
any contract of the insurer.


59A-41-56. Summary proceedings; conduct of administrative and judicial hearings.

A. The superintendent shall hold all hearings in summary proceedings privately unless the
insurer requests a public hearing, in which case the hearing shall be public.

B. The court may hold all hearings in summary proceedings and judicial reviews thereof
privately in chambers, and shall do so on request of the insurer proceeded against.

C. In all summary proceedings and judicial reviews thereof, all records of the insurer, other
documents, and all insurance department files and court records and papers, so far as they pertain
to or are part of the record of the summary proceedings, shall be and remain confidential except
as necessary to obtain compliance therewith, unless the court after hearing arguments by the
parties in chambers, orders otherwise, or unless the insurer requests that the matter be made
public. Until the court otherwise orders, all papers filed with the clerk of the court in the matter
shall be held by him in a confidential file.

D. If at any time it appears to the court that any person whose interest is or will be
substantially affected by an order did not appear at the hearing and has not been served, the court
may order that notice be given and the proceedings be adjourned to give such person an
opportunity to appear, on such terms as may be reasonable.

History: Laws 1984, ch. 127, § 748.
59A-41-57. Summary proceedings; penalty for refusal to deliver property, records.

Any person having possession or custody of and refusing to deliver to the superintendent or his representative upon request any of the property, books, accounts, documents or other records of an insurer against which a seizure order has been issued by the superintendent or by the court, as provided in Sections 743 through 748 [59A-41-51 to 59A-41-56 NMSA 1978] of this article, unless a greater monetary or other applicable penalty is provided by other law, is upon conviction thereof guilty of a misdemeanor punishable by a fine not to exceed five hundred dollars ($500).

**History:** Laws 1984, ch. 127, § 749.

### ARTICLE 42

**Life and Health Insurance Guaranty Fund**

#### Section

59A-42-1  Short title.
59A-42-2  Purpose.
59A-42-3  Scope of article.
59A-42-4  Definitions.
59A-42-5  Organization of association; participation.
59A-42-6  Board of directors.
59A-42-7  Powers and duties of association.
59A-42-8  Assessments.
59A-42-9  Plan of operation.
59A-42-10 Duties and powers of the superintendent.
59A-42-12 Appeals.
59A-42-13 Miscellaneous provisions.
59A-42-14 Examination of association; annual report.
59A-42-16 Stay of proceedings; reopening default judgments.


This article [59A-42-1 to 59A-42-16 NMSA 1978] may be cited as the "Life and Health Insurance Guaranty Law".

**History:** Laws 1984, ch. 127, § 750.

**Liberal interpretation.** — Laws 1984, ch. 127, § 766, provides that this article shall be liberally construed to effect its purpose.


The purpose of this article is to provide a mechanism to facilitate continuation of coverage, payment of covered claims under certain insurance policies, to avoid excessive delay in payment and avoid financial loss to claimants or policyholders because of insolvency of an insurer, to assist in detection and prevention of insurer insolvencies and provide an association to assess the cost of such protection among insurers.

History: Laws 1984, ch. 127, § 751.


A. Chapter 59A, Article 42 NMSA 1978 applies to direct life insurance policies, health insurance policies, annuity contracts and contracts supplemental to life and health insurance policies and annuity contracts, issued or assumed by an authorized insurer, or assumed by an unauthorized insurer directly or indirectly from an authorized insurer.

B. Chapter 59A, Article 42 NMSA 1978 shall not apply as to:

(1) that portion or part of a variable life insurance or variable annuity contract not guaranteed by an insurer;
(2) that portion or part of any policy or contract under which the risk is borne by the policyholder;
(3) any policy or contract or part thereof assumed by the impaired or insolvent insurer under a contract of reinsurance, other than reinsurance for which assumption certificates have been issued to policyholders;
(4) any such policy or contract issued or assumed by:
   (a) fraternal benefit societies;
   (b) health care plans whether or not nonprofit;
   (c) prepaid dental plans;
   (d) health maintenance organizations; or
   (e) any insurer which was insolvent or unable to fulfill its contractual obligations as of April 9, 1975; or
(5) any policy or contract otherwise excluded under provisions of that article.

The 1993 amendment, effective June 18, 1993, in Subsection A, substituted "Chapter 59A, Article 42 NMSA 1978" for "This article" and added the language beginning "or assumed by"; and in Subsection B, substituted "Chapter 59A, Article 42 NMSA 1978" for "This article" and substituted "that article" for "this article" at the end of Paragraph (5).

ANNOTATION

Nonprofit health plans not "member insurers". — Since nonprofit health care plans are service benefit organizations, as distinguished from the indemnity benefit nature of commercial insurers, they are not "member insurers" within the meaning of the Life Insurance Guaranty Act (former 59-22-1 NMSA 1978 et seq.), and they are not engaged in "any kind of insurance" to which the act applies. New Mexico Life Ins. Guar. Ass'n v. Moore, 93 N.M. 47, 596 P.2d 260 (1979).

Guaranteed investment contracts not "annuities" subject to article. — Guaranteed investment contracts were not annuities entitled to coverage under the Life and Health Insurance Guaranty Law because they did not provide periodic payments dependent on the continuation of human life. Krahling v. First Trust Nat'l Ass'n, 1997-NMCA-082, 123 N.M. 685, 944 P.2d 914.


As used in Chapter 59A, Article 42 NMSA 1978:

A. "account" means any one of the three accounts created by Section 59A-42-5 NMSA 1978;

B. "association" means the life insurance guaranty association;

C. "covered policy" means any policy or contract within the scope of Chapter 59A, Article 42 NMSA 1978;

D. "contractual obligation" means any obligation under covered policies;

E. "insolvent insurer" means an insurer:

(1) authorized to transact in this state insurance covered by Chapter 59A, Article 42 NMSA 1978 either at the time the policy was issued or when the insured event occurred; and

(2) against which an order of liquidation with a finding of insolvency has been entered after the effective date of the Insurance Code by a court of competent jurisdiction in the insurer's state of domicile, or of this state under the provisions of Section 59A-41-30 NMSA 1978, and which order of liquidation has not been stayed or been the subject of a writ of supersedeas or other comparable order;

F. "member insurer" means any person who:

(1) holds a certificate of authority to transact in this state any kind of insurance to which Chapter 59A, Article 42 NMSA 1978 applies, including any insurer whose certificate of
authority in this state may have been suspended, revoked, not renewed or voluntarily withdrawn; or

(2) assumes directly or indirectly from an insurer described in Paragraph (1) of this subsection a contract or policy of insurance to which Chapter 59A, Article 42 NMSA 1978 applies, or issues an assumption certificate pertaining to such a contract or policy of insurance;

G. "premiums" means direct gross insurance premiums and annuity considerations written on covered policies, less return premiums and considerations thereon and dividends paid or credited to policyholders on such direct business. "Premiums" does not include premiums and considerations on contracts between insurers and reinsurers;

H. "person" means any individual, corporation, partnership, association or voluntary organization; and

I. "resident" means any person who resides in this state at the time the insolvency is determined and to whom contractual obligations are owed.


The 1993 amendment, effective June 18, 1993, substituted "Chapter 59A, Article 42 NMSA 1978" for "this article" throughout the section; substituted "Section 59A-42-5 NMSA 1978" for "Section 754 of this article" in Subsection A; substituted "Section 59A-41-30 NMSA 1978" for " Section 722 of Article 41 (conservation, rehabilitation, liquidation) of the Insurance Code" in Subsection E(2); rewrote Subsection F; and made stylistic changes throughout the section.


ANNOTATION

Nonprofit health plans not liable for assessments. — Where nonprofit health plans and health maintenance organizations do not write any kind of "insurance" to which the Life Insurance Guaranty Act (former 59-22-1 NMSA 1978 et seq.) applies, defendants are not "member insurers" within the meaning of the act, and they are, therefore, not liable for any assessments levied by the Life Insurance Guaranty Association. New Mexico Life Ins. Guar. Ass'n v. Moore, 93 N.M. 47, 596 P.2d 260 (1979).


59A-42-5. Organization of association; participation.

All insurers shall organize and remain members of the association as a condition of their authority to transact insurance business covered by Section 752 [59A-42-3 NMSA 1978] of this article. The association may take any appropriate form of legal entity available under the laws of this state and approved by the superintendent. The association shall perform its functions under the plan of operation established and approved pursuant to this article and shall exercise its powers through a board of directors. For purposes of assessment and administration the
association shall maintain three (3) accounts:

A. the health insurance account;
B. the life insurance account; and
C. the annuity account.

History: Laws 1984, ch. 127, § 754.


A. The board of directors of the association shall consist of not less than five nor more than nine persons serving terms as established in the plan of operation. The members of the board shall be selected by member insurers subject to the approval of the superintendent. Vacancies on the board shall be filled for the remaining period of the term by a majority vote of the remaining board members, subject to approval of the superintendent.

B. In approving selections the superintendent shall consider among other things whether all member insurers are fairly represented.

C. Members of the board may be reimbursed from the assets of the association for any reasonable and necessary expenses incurred by them as members of the board of directors, but the amount of such reimbursement shall not exceed the guidelines provided by the approved plan of operation.


The 1993 amendment, effective June 18, 1993, in Subsection A, made stylistic changes in the first sentence, and inserted "board" preceding "members" in the second sentence; and, in Subsection C, substituted "approved plan of operation" for "Per Diem and Mileage Act (10-8-1 to 10-8-7 NMSA 1978)."


A. If a member insurer is insolvent, the association, with respect to domestic insurers or covered policies of residents issued by foreign or alien insurers, shall, subject to any conditions imposed by the association other than those which impair the contractual obligations of the insolvent insurer and subject to approval of the superintendent:

(1) guarantee or reinsure or cause to be guaranteed or reinsured, all the covered policies of the insolvent insurer;

(2) provide money, pledges, notes, guarantees or other means to assure payment of the contractual obligations of the insolvent insurer, or

(3) loan money to the insolvent insurer.

If the association fails to act within a reasonable time, the superintendent shall assume the powers and duties of the association and cause it to act.

B. The association may take action as provided in Subsection A of this section prior to a
member insurer being declared insolvent by a court where the insurer may be potentially unable to fulfill its contractual obligations and the superintendent has so reported that status under Section 760 [59A-42-11 NMSA 1978] of this article.

C. The association shall have no liability under this section for any covered policy of a foreign or alien insurer whose domiciliary jurisdiction or state of entry provides, by statute or regulation, for residents of this state protection substantially similar to that provided by this article for residents of other states.

D. The association may:

1. employ or retain persons or designate servicing facilities necessary to handle claims and perform other duties of the association;
2. borrow funds necessary to effect the purposes of this article in accord with the plan of operation;
3. sue or be sued and intervene in any court having jurisdiction over an insolvent insurer;
4. negotiate and become a party to contracts necessary to carry out the purpose of this article;
5. perform other acts necessary or proper to effectuate the purpose of this article; and
6. refund to the member insurers in proportion to the contribution of each member insurer to that account that amount by which the assets of the account exceed the liabilities if, at the end of any calendar year, the board of directors finds that the assets of the association in any account exceed the liabilities of that account as estimated by the board of directors for the coming year.

E. Any person receiving benefits under this article shall be deemed to have assigned his rights under the covered policy to the association to the extent of the benefits received whether the benefits are payments of contractual obligations or continuation of coverage. The association may require an assignment to it of such rights by any payee, beneficiary, insured or annuitant as a condition precedent to the receipt of any rights or benefits conferred by this article. The association shall be subrogated to these rights against the assets of any insolvent insurer. The subrogation rights shall have the same priority against the assets of the insolvent insurer as that possessed by the person entitled to receive benefits under this article.

F. The contractual obligations of the insolvent insurer for which the association becomes or may become liable shall be as great as but no greater than the contractual obligations would have been in the absence of insolvency, but the aggregate liability of the association shall not exceed one hundred thousand dollars ($100,000) in cash or cash surrender value, or three hundred thousand dollars ($300,000) for all benefits, including cash or cash surrender values, with respect to any one life or such higher amounts as the superintendent may set by regulation.

**History:** Laws 1984, ch. 127, § 756.
ANNOTATION

Subsection E construed. — Subsection E does not impair the authority of the association to require, as a condition of settling a disputed claim, an assignment of any rights or interests the policyholder may have as purchaser or owner of the policy. The provision should be read not as a limitation, but as an authorization for the association to precondition payments required under the Guaranty Law. New Mexico Life Ins. Guar. Ass'n v. Quinn & Co., 111 N.M. 750, 809 P.2d 1278 (1991).


A. For the purpose of providing the funds necessary to carry out the powers and duties of the association, the board of directors shall assess the member insurers, separately for each account, at such times and for such amounts as the board finds necessary. The board shall collect the assessments after thirty (30) days' written notice to the member insurers before payment is due.

B. There are three (3) classes of assessments:

(1) class A assessments shall be made for the purpose of meeting administrative costs and other general expenses not related to a particular insolvent insurer;

(2) class B assessments shall be made to the extent necessary to carry out the powers and duties of the association with regard to domestic insurers; and

(3) class C assessments shall be made to the extent necessary to carry out the powers and duties of the association with regard to foreign and alien insurers.

C. Computations of assessments are as follows:

(1) the amount of any class A assessment for each account shall be determined by the board. The amount of any class B or C assessment shall be divided among the accounts in the proportion that the premiums received by the insolvent insurer on the policies covered by each account bear to the premiums received by such insurer on all covered policies;

(2) class C assessments against member insurers for each account shall be in the proportion that the premiums received on business in this state by each assessed member insurer on policies covered by each account bear to such premiums received on business in this state by all assessed member insurers;

(3) class B assessments for each account shall be made separately for each state in which the insolvent domestic insurer was authorized to transact insurance at any time, in the proportion that the premiums received on business in that state by the insolvent insurer on policies covered by such account bear to such premiums received in all the states. The assessments against member insurers shall be in the proportion that the premiums received on business in each state by each assessed member insurer on policies covered by each account bear to such premiums received on business in each state by all assessed member insurers;

(4) assessments for funds to meet the requirements of the association with respect to an insolvent insurer shall not be made until necessary to implement the purposes of this article.
Classification of assessments under Subsection B of this section and computation of assessments under this subsection shall be made with a reasonable degree of accuracy, recognizing that exact determinations may not always be possible.

D. The association may abate or defer, in whole or in part, the assessment of a member insurer if, in the opinion of the board, payment of the assessment would endanger the ability of the member insurer to fulfill its contractual obligations. The total of all assessments upon a member insurer for each account shall not in any one calendar year exceed two percent of the member insurer's premiums in this state on the policies covered by the account.

E. In the event an assessment against a member insurer is abated or deferred in whole or in part because of the limitations set forth in Subsection D of this section, the amount by which the assessment is abated or deferred shall be assessed against the other member insurers in a manner consistent with the basis for assessments set forth in this section. If the maximum assessment, together with the other assets of the association in any account, does not provide in any one year in any account an amount sufficient to carry out the responsibilities of the association, the necessary additional funds shall be assessed as soon thereafter as permitted by this article.

F. The board may, by an equitable method as established in the plan of operation, refund to member insurers, in proportion to the contribution of each member insurer to that account, the amount by which the assets of the account exceed the amount the board finds is necessary to carry out during the coming year the obligations of the association, including assets accruing from net realized gains and income from investments. A reasonable amount may be retained in any account to provide funds for the continuing expenses of the association and for future losses.

G. The association shall issue to each insurer paying an assessment under this article a certificate of contribution in a form prescribed by the superintendent for the amount paid. All outstanding certificates are of equal dignity and priority without reference to amounts or dates of issue.

H. The accumulation of class A assessments beyond the amount necessary to meet current obligations under this article shall be maintained as trust funds deposited in one or more federally insured financial institutions. These funds may be securely invested so as to generate income. The superintendent shall be a party to the deposit, and no withdrawal shall be made without his authorization, either specifically or on a standing basis pursuant to a written plan.

I. As used in this section, "premiums" means those for the calendar year preceding the determination of impairment.


Bracketed material. — The bracketed word "association" in Subsection E was inserted by the compiler. It was not enacted by the legislature, and it is not a part of the law.

ANNOTATION
Nonprofit health plans not liable for assessments. — Where nonprofit health plans and health maintenance organizations do not write any kind of "insurance" to which the Life Insurance Guaranty Act (former 59-22-1 NMSA 1978 et seq.) applies, defendants are not "member insurers" within the meaning of the act, and they are, therefore, not liable for any assessments levied by the Life Insurance Guaranty Association. New Mexico Life Ins. Guar. Ass'n v. Moore, 93 N.M. 47, 596 P.2d 260 (1979).


A. The association shall submit to the superintendent a plan of operation and any amendments thereto necessary or suitable to assure the fair, reasonable and equitable administration of the association. The plan of operation and any amendments thereto shall become effective upon approval in writing by the superintendent.

B. If the association at any time fails to submit suitable amendments to the plan, the superintendent shall, after notice and hearing, adopt and promulgate reasonable rules necessary or advisable to effectuate the provisions of this article. The rules shall continue in force until modified by the superintendent or superseded by amendments submitted by the association and approved by the superintendent.

C. All member insurers shall comply with the plan of operation.

D. The plan of operation, among other things, shall establish all procedures for conducting the business of the association, for handling its assets, for the receiving of claims, for the keeping of records and for the conduct of other activities necessary for the execution of the powers and duties of the association.

E. The plan of operation may provide that any or all powers and duties of the association, except those under Subsections A and B of Section 756 [59A-42-7 NMSA 1978] of this article, are delegated to a corporation, association or other organization which performs or will perform functions similar to those of this association, or its equivalent, in two (2) or more states. Such a corporation, association or organization shall be reimbursed as a servicing facility would be reimbursed and shall be paid for its performance of any other functions of the association. A delegation under this subsection shall take effect only with the approval of both the board of directors and the superintendent, and may be made only to a corporation, association or organization which extends protection not substantially less favorable and effective than that provided by this article.

History: Laws 1984, ch. 127, § 758.

59A-42-10. Duties and powers of the superintendent.

A. The superintendent shall:

(1) notify the association of the existence of an insolvent insurer not later than three
(3) days after he receives notice of the determination of the insolvency; and

(2) upon request of the board of directors, provide the association with a statement of the net direct written premiums of each member insurer.

B. The superintendent may:

(1) require that the association notify the insureds of the insolvent insurer and any other interested parties of the determination of insolvency and of their rights under this article. The notification shall be by mail at their last known address, where available, but if sufficient information for notification by mail is not available, notice by publication in a newspaper of general circulation shall be sufficient;

(2) suspend or revoke, after notice and hearing, the certificate of authority to transact insurance in this state of any member insurer which fails to pay an assessment when due or fails to comply with the plan of operation. As an alternative, the superintendent may levy a fine on any member insurer which fails to pay an assessment when due. Such fine shall not exceed five percent of the unpaid assessment per month, except that no fine shall be less than one hundred dollars ($100) a month; and

(3) revoke the designation of any servicing facility if he finds claims are being handled unsatisfactorily.

History: Laws 1984, ch. 127, § 759.


To aid in the detection and prevention of insurance insolvencies:

A. the board of directors shall, upon majority vote, notify the superintendent of any information indicating any member insurer may be insolvent or in a financial condition where it will be unable to fulfill its contractual obligations and hazardous to the policyholders or the public;

B. the board of directors may, upon majority vote, request that the superintendent order an examination of any member insurer which the board in good faith believes may be in such financial condition. Within thirty (30) days of the receipt of the request, the superintendent shall begin the examination. The examination may be conducted as a National Association of Insurance Commissioners examination or may be conducted by persons the superintendent designates. The cost of examination shall be paid by the association and the examination report shall be treated as other examination reports. In no event shall the examination report be released to the board of directors prior to its release to the public, but this shall not preclude the superintendent from complying with Subsection C of this section. The superintendent shall notify the board of directors when the examination is completed. The request for an examination shall be kept on file by the superintendent but it shall not be open to public inspection prior to the release of the examination report to the public;

C. the superintendent shall report to the board of directors when he has reasonable
cause to believe that any member insurer examined or being examined at the request of the board of directors may be insolvent, potentially insolvent or in a financial condition hazardous to the policyholders or the public;

D. the board of directors may, upon majority vote, make reports and recommendations to the superintendent upon any matter germane to the solvency, liquidation, rehabilitation, or conservation of any member insurer. The reports and recommendations shall not be considered public documents;

E. the board of directors may, upon majority vote, make recommendations to the superintendent for the detection and prevention of insurers' insolvencies; and

F. the board of directors shall, at the conclusion of any insurance insolvency in which the association was obligated to pay covered contractual obligations or claims, prepare a report on the history and causes of the insolvency based on information available to the association and submit the report to the superintendent.

History: Laws 1984, ch. 127, § 760.


A. A member insurer may appeal to the superintendent from an action of the board of directors of the association by filing with the superintendent a notice of appeal within thirty days after the action appealed from.

B. A final order of the superintendent on appeal is subject to judicial review by an action in the district court pursuant to the provisions of Section 39-3-1.1 NMSA 1978.


Cross references. — For procedures governing administrative appeals to the district court, see Rule 1-074 NMRA.

The 1998 amendment, effective September 1, 1998, in Subsection A, deleted "(30)" following "thirty"; rewrote Subsection B, and made minor stylistic changes throughout the section.

The 1999 amendment, effective July 1, 1999, substituted "Section 39-3-1.1" for "Section 12-8A-1" in Subsection B.


A. Nothing in this article shall be construed to reduce the liability for unpaid assessments of the insureds of an insolvent insurer operating under a plan with assessment liability.

B. Records shall be kept of all negotiations and meetings in which the association or its representatives are involved to discuss the activities of the association in carrying out its powers.
and duties. Records of the negotiations or meetings shall be made public only upon the termination of a liquidation, rehabilitation or conservation proceeding involving the insolvent insurer, upon the termination of the insolvency of the insurer or upon the order of a court of competent jurisdiction. Nothing in this subsection limits the duty of the association to render a report of its activities under Section 763 [59A-42-14 NMSA 1978] of this article.

C. Prior to the termination of any liquidation, rehabilitation or conservation proceeding the court may take into consideration the contributions of the respective parties, including the association, the shareholders and policyowners of the insolvent insurer and any other party with a bona fide interest in making an equitable distribution of the ownership rights of the insolvent insurer. In such a determination, consideration shall be given the welfare of the policyholders of the continuing or successor insurer.

D. No distribution to stockholders, if any, of an insolvent insurer shall be made until the total amount of assessments levied by the association with respect to the insurer has been fully recovered by the association.

E. It is a prohibited unfair trade practice for any person to make use in any manner of the protection afforded by this article in the sale of insurance.


ANNOTATION

Constitutionality of Subsection E. — Subsection E is unconstitutional and void as applied to information that is in all respects truthful, and which is not deceptive or misleading. New Mexico Life Ins. Guar. Ass'n v. Quinn & Co., 111 N.M. 750, 809 P.2d 127 8 (1991).


The association is subject to examination and regulation by the superintendent. The board of directors shall submit to the superintendent, not later than May 1 each year, a financial report for the preceding calendar year in form approved by the superintendent and a report of its activities during the preceding calendar year.


There shall be no liability on the part of, and no cause of action of any nature shall arise against, any member insurer or its agents or employees, the association or its agents or employees, members of the board of directors or the superintendent or his representatives for any action taken by them in the performance of their powers and duties under this article.


All proceedings in which the insolvent insurer is a party in any court in this state shall be stayed sixty (60) days from the date an order of liquidation, rehabilitation or conservation is final to permit proper legal action by the association on any matters germane to its powers or duties. As to a judgment under any decision, order, verdict or finding based on the default, the association may apply to have the judgment set aside by the same court that made the judgment and shall be permitted to defend against the suit on the merits.

center, a skilled nursing center, a residential treatment center, a home health agency, a diagnostic, laboratory or imaging center and a rehabilitation or other therapeutic health setting;

D. "health care insurer" means a person that has a valid certificate of authority in good standing under the New Mexico Insurance Code to act as an insurer, health maintenance organization, nonprofit health care plan or prepaid dental plan;

E. "health care professional" means a physician or other health care practitioner, including a pharmacist, who is licensed, certified or otherwise authorized by the state to provide health care services consistent with state law;

F. "health care services" includes physical health services or community-based mental health or developmental disability services, including services for developmental delay;

G. "person" means an individual or other legal entity;

H. "provider" means a person that is licensed or otherwise authorized by the state to furnish health care services, including health care professionals and health care facilities; and

I. "provider service network" means two or more providers affiliated for the purpose of providing health care services on a capitated or similar prepaid, flat-fee basis.


A. Except as provided otherwise in this section, a provider service network shall obtain and maintain a certificate of authority under the New Mexico Insurance Code.

B. A provider service network is not required to obtain or maintain a certificate of authority in connection with health care coverage for which the risk of loss is directly and fully underwritten by a health care insurer, subject to any applicable deductible, coinsurance or copayment provisions.

C. A provider service network that obtains and maintains a certificate of authority as a health care insurer may contract directly with government agencies to provide goods and services to persons receiving public assistance, including medicare and medicaid.

D. A provider service network that does not obtain or maintain a certificate of authority as a health care insurer may contract in appropriate circumstances, including membership and participation in the association, directly with government agencies to provide goods and services to persons receiving public assistance, including medicare and medicaid. The contract shall incorporate and be subject to specific financial, quality-of-service and consumer-protection standards that the contracting agency shall specify by regulation.

E. This section does not abrogate any other New Mexico Insurance Code requirements that may be applicable to provider service networks, including requirements relating to third-party administrators and examinations. This section does not bar or restrict the right of a provider
service network to obtain and maintain a certificate of authority.

**History:** Laws 1997, ch. 107, § 3.

**Insurance Code.** — See 59A-1-1 NMSA 1978 and notes thereto.

### 59A-42A-4. Guaranty association and board; created; membership.

A. The "provider service network guaranty association" is created as an independent public nonprofit corporation. The association's purpose is to guarantee health care services obligations of its members in the event of financial insolvency, bankruptcy or other inability or failure to perform based on financial difficulties. All provider service networks contracting to provide services to public assistance recipients pursuant to Subsection D of Section 3 [59A-42A-3 NMSA 1978] of the Provider Service Network Act shall organize and be members of the association. The association is not and shall not be deemed a governmental agency or instrumentality for any purpose.

B. The "provider service network guaranty board" is created. The board shall consist of the superintendent of insurance or his designee, who shall be a nonvoting, ex-officio member, and five voting members as follows:

1. the secretary of human services or his designee;
2. two representatives of the provider service network industry, who shall be appointed by majority vote of the association's members; and
3. two representatives of the health insurance industry, who shall be appointed by majority vote of the association's members.

C. The association shall operate subject to the board's supervision and approval. The board is a state government entity for purposes of the Tort Claims Act [41-4-1 to 41-4-27 NMSA 1978].

D. The secretary of human services shall notify the superintendent of insurance and the association of each contract signed pursuant to Subsection D of Section 3 of the Provider Service Network Act.

E. The superintendent of insurance shall give notice at least sixty days before the proposed effective date of the first contract entered into pursuant to Subsection D of Section 3 of the Provider Service Network Act, to each provider service network so contracting, stating the time and place of the association's initial organizational meeting.

F. At the organizational meeting and at all successive meetings, each association member shall be entitled to one vote. At the organizational meeting and any subsequent meeting at which board members are to be appointed, the association members shall elect the appointive board members by majority vote. At the organizational meeting, the members shall instruct the board concerning preparation of a proposed plan of operation for the association.

G. Appointive board members shall have initial terms of three years or less, staggered so
that the term of at least one such board member expires on June 30 of each year. Following the initial terms, appointive board members shall have three-year terms. When a vacancy occurs in the position of an appointive board member, the remaining board members shall appoint a successor who meets the required qualifications for that position for the balance of the unexpired term. Board members may be reimbursed by the association as provided in the Per Diem and Mileage Act [10-8-1 to 10-8-8 NMSA 1978] but shall receive no other compensation, perquisite or allowance.

**History:** Laws 1997, ch. 107, § 4.


A. The board shall submit to the superintendent of insurance for approval a plan of operation and any subsequent amendments necessary or suitable to assure proper and fair operation of the association.

B. After notice and hearing, the superintendent of insurance shall approve or disapprove the plan of operation or any subsequent amendments. The superintendent shall approve the plan or an amendment only if he finds that it provides for administering the association on a fair, reasonable and equitable basis and for sharing the association's losses on an equitable basis. The plan of operation or amendment shall become effective upon the superintendent's written approval.

C. If the board fails to submit a plan of operation satisfactory to the superintendent of insurance within ninety days after the initial board is appointed or fails in a timely manner to submit any amendment the superintendent deems necessary at any time thereafter, the superintendent shall adopt and promulgate such plan of operation or amendment by rule. Any such rule shall continue in force until the superintendent modifies it or approves a plan of operation or an amendment submitted by the board that he deems to supersede the rule.

D. The plan of operation submitted to the superintendent of insurance shall:

1. establish procedures for handling and accounting of the association's money, other assets and property;
2. provide for payment of claims or provision of alternative health care services to public assistance recipients;
3. establish regular times and places for board meetings;
4. establish procedures for records to be kept of all financial transactions and for annual fiscal reporting to the superintendent;
5. establish procedures for the determination and collection of assessments from members to pay claims or to provide alternative health care services and administrative expenses incurred or estimated to be incurred during the period for which the assessment is made;
6. establish penalties for nonpayment or late payment of assessments; and
7. contain any additional provisions necessary and proper for the execution of the plan.
association's powers and duties.

**History:** Laws 1997, ch. 107, § 5.

### 59A-42A-6. Board; powers and duties.

The board has the power and authority to:

A. enter into contracts necessary or proper to carry out the provisions and purposes of the Provider Service Network Act [59A-42A-1 to 59A-42A-9 NMSA 1978], including contracts with independent contractors for the performance of the association's administrative functions;

B. sue or be sued;

C. determine and pay the association's obligations, including its obligation to pay claims or to provide alternative health care services to public assistance recipients on behalf of an insolvent or financially troubled provider service network;

D. borrow money to satisfy the association's obligations;

E. assess association members in accordance with the provisions of the Provider Service Network Act and make initial and interim assessments as may be reasonable and necessary for organizational or interim operating expenses. Interim expense assessments shall be credited as offsets against any regular assessments due following the close of the calendar year;

F. recoup expenditures on behalf of an insolvent or financially troubled provider service network from that provider service network or any other available source, including a governmental agency, and be subrogated to that provider service network's rights to payment to the extent of such expenditures;

G. employ or contract with appropriate legal, actuarial, clerical and other personnel as necessary to provide assistance in the operation of the association;

H. conduct periodic audits to assure the general accuracy of the financial data submitted to the association. The board shall cause the association to undergo an annual audit on a calendar-year basis of its financial records and operations by an independent certified public accountant;

I. take all other actions, whether like or unlike the foregoing, necessary or appropriate to carry out the board's or the association's duties;

J. reinsure any or all of the risk of the association; and

K. assess each original and new provider service network an initial administrative fee of five thousand dollars ($5,000) times the number of providers in the provider service network. If a provider service network adds new members to increase the number of providers, then that provider service network shall pay an additional administrative fee of five thousand dollars ($5,000) for each additional provider. An employee of a provider shall not be used in computing the administrative fee due under this subsection.

A. The association is subject to and responsible to pay the cost of examination by the superintendent of insurance on a periodic basis, pursuant to Chapter 59A, Article 4 NMSA 1978.

B. Not later than March 31 of each year, the board shall submit to the superintendent an audited financial report for the preceding calendar year in a form approved by the superintendent.


A. The "provider service network guarantee fund" is created in the state treasury. The fund shall be administered by the board and money in the fund is appropriated to the board to carry out the provisions of the Provider Service Network Act [59A-42A-1 to 59A-42A-9 NMSA 1978]. Money in the fund shall be invested by the state treasurer as other state funds are invested; provided that interest on the fund shall be credited to the fund. Any unexpended or unencumbered balance remaining in the fund at the end of any fiscal year shall not revert.

B. The secretary of human services shall report to the board within thirty days of the close of each calendar quarter the amounts paid each member for services to public assistance recipients during that calendar quarter.

C. The proportion of participation of each member shall be determined annually by the board based on the secretary of human services' report, together with members' annual statements and other reports deemed necessary by the board.

D. The assessment for each member shall be determined by multiplying the member's income from services to public assistance recipients pursuant to Subsection D of Section 3 [59A-42A-3 NMSA 1978] of the Provider Service Network Act for the preceding calendar quarter by a percentage set by the board not to exceed five percent.

E. The board shall notify each member of the amount of the assessment within forty-five days of the close of a calendar quarter. The member shall pay the assessment within sixty days of the close of a calendar quarter.

F. The board may abate or defer, in whole or in part, the assessment of a member if, in the opinion of the board, payment of the assessment would endanger the ability of the member to fulfill its contractual obligations. In the event an assessment against a member is abated or deferred in whole or in part, the amount by which such assessment is abated or deferred may be assessed against the other members in a manner consistent with the basis for assessments set forth in Subsection A of this section. The member receiving the abatement or deferment shall remain liable to the association for the deficiency for four years.

G. If assessments exceed actual expenses in any year, the excess shall be held at interest and
used by the board to offset future expenses. Any deficit incurred shall be recouped by assessments apportioned among the association's members pursuant to the assessment formula provided by Subsection D of this section.

H. If it appears that the maximum assessment available, together with unencumbered money and other assets, will be insufficient in any year to make all necessary payments, the association's obligations shall be paid pro rata. The unpaid portion shall be paid as soon as additional assessment proceeds or other assets become available. Notwithstanding the foregoing, the association may pay its obligations in any order it deems reasonable.


59A-42A-9. Notification to pay claims or provide services.

A. The association shall be liable to pay claims or to provide alternative health care services for insolvent or financially troubled members who are not fulfilling obligations to provide such services to public assistance recipients under contracts pursuant to Subsection D of Section 3 [59A-42A-3 NMSA 1978] of the Provider Service Network Act. The association's obligation shall commence on the date the secretary of human services gives the association notice that a member is failing, because of insolvency or financial difficulties, to provide some or all of such services.

B. Nothing [in] the Provider Service Network Act [59A-42A-1 to 59A-42A-9 NMSA 1978] shall be deemed to authorize or obligate the association to pay or otherwise assume any obligation of a provider service network prior to the date of notification, or any obligation thereafter other than the obligation to provide services to public assistance recipients under a contract pursuant to Subsection D of Section 3 of the Provider Service Network Act. In no event shall the association be liable to the creditors of a provider service network.


Bracketed material. — The bracketed word "in" in Subsection B was inserted by the compiler. It was not enacted by the legislature, and it is not a part of the law.

ARTICLE 43
Property and Casualty Insurance Guaranty Fund

Section
59A-43-1 Short title.
59A-43-2 Purpose.
59A-43-3 Scope.
59A-43-4 Definitions.
59A-43-5 Organization of association.
59A-43-6 Board of directors.

This article [Chapter 59A, Article 43 NMSA 1978] may be cited as the "Property and Casualty Insurance Guaranty Law".


Liberal interpretation. — Laws 1984, ch. 127, § 785, provides that this article shall be liberally construed to carry out its purposes.


Products liability insurance coverage as extending only to product-caused injury to person or other property, as distinguished from mere product failure, 91 A.L.R.3d 921.

Running of statute of limitations on products liability claim against manufacturer as affected by plaintiff's lack of knowledge of defect allegedly causing personal injury or disease, 91 A.L.R.3d 991.

Property damage insurance: what constitutes "contamination" within policy clause excluding coverage, 72 A.L.R.4th 633.

Products liability of endorser, trade association, certifier, or similar party who expresses approval of product, 1 A.L.R.5th 431.

Liability policy coverage for insured's injury to third party's investments, anticipated profits, goodwill, or the like, unaccompanied by physical property damage, 18 A.L.R.5th 187.

44 C.J.S. Insurance §§ 111, 126.


The purpose of this article is to provide a mechanism for payment of covered claims under certain insurance policies to avoid excessive delay in payment and financial loss to claimants or policyholders because of insolvency of an insurer, to assist in detection and prevention of insurer insolvencies and provide an association to assess the cost of such protection among insurers.

History: Laws 1984, ch. 127, § 768.

A. This article applies to all kinds of direct insurance except life, health, annuities, title guaranty, surety (other than fidelity), credit, mortgage guaranty, ocean marine, surplus line and other coverages written by insurers other than authorized insurers or written by Mexican casualty insurers pursuant to Article 40 [Chapter 59A, Article 40 NMSA 1978] of the Insurance Code.

B. This article also does not apply as to motor club coverages or services nor as to any coverage issued by any person not organized under laws providing expressly for formation of insurers nor engaged in business as such an insurer.


ANNOTATION

Self-insured employer claiming against insolvent insurer. — A self-insured employer who has a claim against an insolvent insurer may qualify such claim as a covered claim within the scope of this article. In re Mission Ins. Co., 112 N.M. 433, 816 P.2d 502 (1991).

Excess workers' compensation insurance policies are not reinsurance policies or indemnity policies excluded from the Property and Casualty Insurance Guaranty Law (this article). In re Mission Ins. Co., 112 N.M. 433, 816 P.2d 502 (1991).


As used in Chapter 59A, Article 43 NMSA 1978:

A. "account" means any one of the three accounts created by Section 59A-43-5 NMSA 1978;

B. "association" means the insurance guaranty association;

C. "covered claims" means an unpaid claim of an insured or of a liability claimant in excess of twenty-five dollars ($25.00), including one for unearned premiums, that arises out of and within the coverage and not in excess of the applicable limits of an insurance policy to which Chapter 59A, Article 43 NMSA 1978 applies, issued by an insurer authorized to transact insurance in this state, if such insurer becomes an insolvent insurer after April 4, 1973; and

(1) the liability claimant or insured is a resident of this state at the time of the insured event; or
(2) the property from which the claim arises is permanently located in this state.

Subject to policy limits if lower, individual "covered claims" shall be limited to one hundred thousand dollars ($100,000) and shall not include any amount in excess of one hundred thousand dollars ($100,000), and the total amount of covered claims which may be asserted by any claimant, including also covered claims brought by any party on behalf of such claimant or as a result of injuries to such claimant shall not exceed one hundred thousand dollars ($100,000) per occurrence; except that the association shall pay the full amount of any covered claim arising under a workmen's compensation policy and that the superintendent may set a higher limit by regulation. "Covered claim" shall not include any amount due any reinsurer, insurer, insurance pool or underwriting association, as subrogation recoveries or otherwise; provided, that a claim for any such amount, asserted against a person insured under a policy issued by an insurer which has become an insolvent insurer, which if it were not a claim by or for the benefit of a reinsurer, insurer, insurance pool or underwriting association would be a "covered claim," may be filed directly with the receiver of the insolvent insurer, but in no event may any such claim be asserted in any legal action against the insured of such insolvent insurer. Covered claim shall not include any amount of an unpaid claim paid to an insured or liability claimant of an insolvent insurer by any person, including but not limited to an agent or broker whether or not an assignment is taken by such person, agent or broker. Covered claim shall not include supplementary payment obligations, including but not limited to adjustment fees and expenses, attorneys' fees and expenses, court costs, interest and bond premiums incurred prior to the determination that an insurer is an insolvent insurer;

D. "insolvent insurer" means:

(1) an insurer licensed to transact business in this state, either at the time the policy was issued or when the insured event occurred, and

(2) against which an order of liquidation with a finding of insolvency has been entered after the effective date of the Insurance Code by a court of competent jurisdiction in the insurer's state of domicile, or of this state under the provisions of Section 59A-41-30 NMSA 1978, and which order of liquidation has not been stayed or been the subject of a writ of supersedeas or other comparable order;

E. "member insurer" means any person who:

(1) writes any kind of insurance to which Chapter 59A, Article 43 NMSA 1978 applies, including the exchange of reciprocal or inter-insurance contracts; and

(2) is authorized to transact insurance in this state;

F. "net direct written premiums" means direct gross premiums written in this state on insurance policies to which Chapter 59A, Article 43 NMSA 1978 applies, less return premiums thereon and dividends paid or credited to policyholders on the direct business. Net direct written premiums do not include premiums on contracts between insurers or reinsurers;

G. "person" means any individual, corporation, partnership, association or voluntary organization; and
H. "authorized to transact insurance" means that the insurer is an "authorized insurer" as defined in Section 59A-1-8 NMSA 1978.


ANNOTATION


Excess workers' compensation insurance policies are not reinsurance policies or indemnity policies excluded from the Property and Casualty Insurance Guaranty Law (this article). In re Mission Ins. Co., 112 N.M. 433, 816 P.2d 502 (1991).

Payment of a premium tax, properly or otherwise, is not a condition precedent to asserting a "covered claim" under Subsection C. In re Mission Ins. Co., 112 N.M. 433, 816 P.2d 502 (1991).

Prejudgment interest not "covered claim". — Prejudgment interest is not included within the definition of "covered claims" in Subsection C so as to be limited or excluded by the Property and Casualty Insurance Guaranty Law liability cap of $100,000 per occurrence on individual "covered claims." Also, no specific authority within the Guaranty Law is necessary to award prejudgment interest. The trial court has that authority under either 56-8-3 or 56-8-4B NMSA 1978. Aztec Well Servicing Co. v. Property & Cas. Ins. Guar. Ass'n, 115 N.M. 475, 853 P.2d 726 (1993).


All member insurers shall remain members of the association as a condition of their authority to transact insurance in this state. The association may take any appropriate form of legal entity available under the laws of this state and approved by the superintendent. For purposes of administration and assessment, the association shall be divided into three (3) separate accounts:

A. the workmen's compensation insurance account;
B. the automobile insurance account; and
C. the account for all other insurance to which this article applies.


44 C.J.S. Insurance § 15 et seq.

A. The board of directors of the association shall consist of not less than five (5) nor more than nine (9) persons serving terms as established in the plan of operation. The members of the board shall be selected by member insurers subject to the approval of the superintendent. Vacancies on the board shall be filled for the remaining period of the term by a majority vote of the remaining board members, subject to the approval of the superintendent.

B. In approving selections to the board, the superintendent shall consider among other things whether all member insurers are fairly represented.

C. Members of the board of directors may be reimbursed from the assets of the association for expenses incurred by them as members of the board of directors.

History: Laws 1984, ch. 127, § 772.


A. The association shall:

(1) be obligated to the extent of the covered claims existing prior to the determination of insolvency and arising within thirty (30) days after the determination, or before the insured replaces the policy or causes its cancellation. In no event shall the association be obligated to a policyholder or claimant in an amount in excess of the obligation of the insolvent insurer under the policy from which the claim arises;

(2) be deemed the insurer to the extent of its obligation on the covered claims and to such extent shall have all rights, duties and obligations of the insolvent insurer as if the insurer had not become insolvent;

(3) allocate claims paid and expenses incurred among the three (3) accounts separately, and assess member insurers separately for each account, amounts necessary to pay the obligation of the association under Paragraph (1) of this subsection subsequent to an insolvency, expenses of handling claims, the cost of examinations and other expenses authorized by this article. The assessments of each member insurer shall be in the proportion that the net direct written premiums of the member insurer for the calendar year preceding the assessment on the kinds of insurance in the account bears to the net direct written premiums of all member insurers for the calendar year preceding the assessment on the kinds of insurance in the account. Each member insurer shall be notified of the assessment not later than thirty (30) days before it is due. No member insurer may be assessed in any year on any account an amount greater than two percent of that member insurer's net direct written premiums for the preceding calendar year on the kinds of insurance in the account. If the maximum assessment, together with the other assets of the association in any account, does not provide in any one year, in any account, an amount sufficient to make all necessary payments from that account, the funds available may be prorated and the unpaid portion shall be paid as soon thereafter as funds become available. The
association shall pay claims in any order which it may deem reasonable, including the payment of claims as such are received from the claimants or in groups or categories of claims. The association may exempt or defer, in whole or in part, the assessment of any member insurer if the assessment would cause the member insurer's financial statement to reflect amounts of capital or surplus less than the minimum amounts required for a certificate of authority by any jurisdiction in which the member insurer is authorized to transact insurance. Each member insurer serving as a servicing facility may set off against any assessment any authorized payments made on covered claims and expenses incurred in the payment of the claims by such member insurer if they are chargeable to the account for which the assessment is made;

(4) investigate claims brought against the association and adjust, compromise, settle and pay covered claims to the extent of the association's obligation and deny all other claims and may review settlements, releases and judgments to which the insolvent insurer or its insureds were parties to determine the extent to which such settlements, releases and judgments may be properly contested;

(5) notify persons as the superintendent directs under Paragraph 1 of Subsection B of Section 775 [59A-43-9 NMSA 1978] of this article;

(6) handle claims through its employees or through one or more insurers or other persons designated as servicing facilities. Designation of a servicing facility is subject to the approval of the superintendent, but the designation of such insurer may be declined by the member insurer; and

(7) reimburse each servicing facility for obligations of the association paid by the facility and for expenses incurred by the facility while handling claims on behalf of the association and shall pay the other expenses of the association authorized by this article.

B. The association may:

(1) employ or retain persons necessary to handle claims and perform other duties of the association. Though not a covered claim as defined in Paragraph C of Section 770 [59A-43-4 NMSA 1978] of this article, the association may, if it determines it necessary to the settlement and disposition of claims, pay adjustment fees and expenses, and attorney's fees and expenses incurred prior to the determination that an insurer is an insolvent insurer;

(2) borrow funds necessary to effect the purpose of this article in accordance with the plan of operation;

(3) sue or be sued and intervene in any court having jurisdiction over an insolvent insurer;

(4) negotiate and become a party to contracts necessary to carry out the purpose of this article;

(5) perform other acts necessary or proper to effectuate the purpose of this article; and

(6) refund to the member insurers in proportion to the contribution of each member
insurer to that account that amount by which the assets of the account exceed the liabilities if, at
the end of any calendar year, the board of directors finds that the assets of the association in any
account exceed the liabilities of that account as estimated by the board of directors for the
coming year.

History: Laws 1984, ch. 127, § 773.


A. The association shall submit to the superintendent a plan of operation and any
amendments thereto necessary or suitable to assure the fair, reasonable and equitable
administration of the association. The plan of operation and any amendments thereto shall
become effective upon approval in writing by the superintendent. If at any time the association
fails to submit suitable amendments to the plan, the superintendent shall, after notice and
hearing, adopt rules necessary or advisable to effectuate the provisions of this article. The rules
shall continue in force until modified by the superintendent or superseded by a plan or
amendments submitted by the association and approved by the superintendent.

B. All member insurers shall comply with the plan of operation.

C. The plan of operation, among other things, shall establish all procedures for conducting
the business of the association, for handling its assets, for receiving claims, for keeping records
and for the conduct of other activities necessary for execution of the powers and duties of the
association.

D. The plan of operation may provide that any or all powers and duties of the association,
except those under Paragraph (3) of Subsection A and Paragraph (2) of Subsection B of Section
773 [59A-43-7 NMSA 1978] of this article, are delegated to a corporation, association or other
organization which performs or will perform functions similar to those of the association, or its
equivalent, in two (2) or more states. Such a corporation, association or organization shall be
reimbursed as a servicing facility would be reimbursed and shall be paid for its performance of
any other functions of the association. A delegation under this subsection shall take effect only
with the approval of both the board of directors and the superintendent, and may be made only to
a corporation, association or organization which extends protection not substantially less
favorable and effective than that provided by this article.

History: Laws 1984, ch. 127, § 774.


A. The superintendent shall:

(1) serve on the association a copy of any complaint seeking an order of liquidation
with a finding of insolvency against a member insurer at the same time that such complaint is
filed with a court of competent jurisdiction;

(2) notify the association of the existence of an insolvent insurer not later than three
(3) days after he receives notice of the determination of the insolvency; and

(3) upon request of the board of directors, provide the association with a statement of the net direct written premiums of each member insurer.

B. The superintendent may:

(1) require that the association, and agents of the insurer in New Mexico as to policyholders of the insurer in this state, notify the insureds of the insolvent insurer and any other interested parties of the determination of insolvency and of their rights under this article. Such notification shall be by mail at their last known address, where available, but if sufficient information for notification by mail is not available, notice by publication in a newspaper of general circulation shall be sufficient;

(2) suspend or revoke, after notice and hearing, the certificate of authority to transact insurance in this state of any member insurer which fails to pay an assessment when due or fails to comply with the plan of operation. As an alternative, the superintendent may levy a civil penalty on any member insurer which fails to pay an assessment when due. The civil penalty shall not exceed five percent of the unpaid assessment per month, except that no civil penalty shall be less than one hundred dollars ($100) a month; and

(3) revoke the designation of any servicing facility if he finds claims are being handled unsatisfactorily.

History: Laws 1984, ch. 127, § 775.


44 C.J.S. Insurance § 15 et seq.


A. Any person recovering under Chapter 59A, Article 43 NMSA 1978 shall be deemed to have assigned his rights under the policy to the association to the extent of his recovery from the association. Every insured or claimant seeking the protection of that article shall cooperate with the association to the same extent as he would have been required to cooperate with the insolvent insurer. The association shall have no cause of action against the insured of the insolvent insurer for any sums it has paid out except such causes of action as the insolvent insurer would have had if such sums had been paid by the insolvent insurer. In the case of an insolvent insurer operating on a plan with assessment liability, payments of claims of the association do not operate to reduce the liability of the insured to the receiver, liquidator or statutory successor for unpaid assessments.

B. The receiver, liquidator or statutory successor of an insolvent insurer is bound by settlements of covered claims by the association or a similar organization in another state. The association may make application to the court for reimbursement of such claims and expenses and upon proper application the court shall order appropriate disbursements to be made in
accordance with the provisions of Chapter 59A, Article 41 NMSA 1978 in effect at the time the application is acted upon by the court.

C. The association shall, within the time set by the receivership court, file with the receiver or liquidator of the insolvent insurer, statements of the covered claims paid by the association and estimates of anticipated claims on the association.


The 1993 amendment, effective June 18, 1993, in Subsection A, substituted "Chapter 59A, Article 43 NMSA 1978" for "this article" and made a stylistic change; and in Subsection B, deleted the former second sentence, relating to the priority of claims and expenses of the association in another state, and added the language beginning "in accordance with" at the end of the subsection.


A. Any person having a claim against any insurer under any provision in an insurance policy including but not limited to uninsured motorist coverage other than a policy of an insolvent insurer which is also a covered claim, shall be required to exhaust first his rights under the policy. An insured of an insolvent insurer and possessing no other insurance coverage applicable to a specific claim shall be deemed to be "uninsured" for uninsured motorist coverage purposes. Any amount payable on a covered claim under this article shall be reduced by the amount of any recovery available under such insurance policy. No action against an insured of an insolvent insurer shall be tried prior to the exhaustion of all other available sources of recovery.

B. Any person having a claim which may be recovered under more than one insurance guaranty association or its equivalent shall seek recovery first from the association of the place of residence of the insured except that, if it is a first party claim for damage to property with a permanent location, he shall seek recovery first from the association of the location of the property, and, if it is a workmen's compensation claim, he shall seek recovery first from the association of the residence of the claimant. Any recovery under this article shall be reduced by the amount of recovery from any other insurance guaranty association or its equivalent.


ANNOTATION

Offset of proceeds from another insurance policy. — Subsection A requires an offset of proceeds available to the claimant from another insurance policy that is not insolvent and does not constitute a "covered claim" under this article. In addition, the offset is applied against the insured's liability, or against the claimant's damages as the case may be, not against the statutory amount of liability of the association. Aztec Well Servicing Co. v. Property & Cas. Ins. Guar. Ass'n, 115 N.M. 475, 853 P.2d 726 (1993).

Am. Jur. 2d, A.L.R. and C.J.S. references. — Uninsured or underinsured motorist insurance:
validity and construction of policy provision purporting to reduce recovery by amount of social security disability benefits or payments under similar disability benefits law, 24 A.L.R.5th 766.

Validity, construction, and application of exclusion of government vehicles from uninsured motorist provision, 58 A.L.R.5th 511.


To aid in the detection and prevention of insurance insolvencies:

A. the board of directors shall, upon majority vote, notify the superintendent of any information indicating any member insurer may be insolvent or in a financial condition hazardous to the policyholders or the public;

B. the board of directors may, upon majority vote, request that the superintendent order an examination of any member insurer which the board in good faith believes may be in a financial condition hazardous to the policyholders or the public. Within thirty (30) days of the receipt of such request, the superintendent shall begin the examination. The examination may be conducted as a national association of insurance commissioners examination or may be conducted by persons designated by the superintendent. The cost of the examination shall be paid by the association and the examination report shall be treated as are other examination reports. In no event shall the examination report be released to the board of directors prior to its release to the public, but this does not preclude the superintendent from complying with Subsection C of this section. The superintendent shall notify the board of directors when the examination is completed. The request for an examination shall be kept on file by the superintendent but it shall not be open to public inspection prior to the release of the examination report to the public;

C. the superintendent shall report to the board of directors when he has reasonable cause to believe that any member insurer examined or being examined at the request of the board of directors may be insolvent or in a financial condition hazardous to the policyholders or the public;

D. the board of directors may, upon majority vote, make reports and recommendations to the superintendent upon any matter germane to the solvency, liquidation, rehabilitation or conservation of any member insurer. Such reports and recommendations shall not be considered public documents;

E. the board of directors may, upon majority vote, make recommendations to the superintendent for the detection and prevention of insurers' insolvencies; and

F. the board of directors shall, at the conclusion of any insurance insolvency in which the association was obligated to pay covered claims, prepare a report on the history and causes of the insolvency based on information available to the association and submit such report to the superintendent.


The association is subject to examination and regulation by the superintendent. The board of directors shall submit, not later than June 30 each year, a financial report for the preceding calendar year in a form approved by the superintendent.

**History:** Laws 1984, ch. 127, § 779.


A. A claimant whose claim is denied in whole or in part by the association may, pursuant to Chapter 59A, Article 43 NMSA 1978, request the receivership court to review the decision of the association. A request for review shall be filed within thirty days of the denial. The receivership court shall have jurisdiction of all claims and the decision of the court shall be binding on both the claimant and the association.

B. A member insurer may appeal to the superintendent from an action of the board of directors of the association by filing with the superintendent a notice of appeal within thirty days after the action appealed from.

C. A final order of the superintendent on appeal is subject to judicial review by an action in the district court pursuant to the provisions of Section 39-3-1.1 NMSA 1978.

**History:** Laws 1984, ch. 127, § 780; 1998, ch. 55, § 67; 1999, ch. 265, § 70.

**Cross references.** — For procedures governing administrative appeals to the district court, see Rule 1-074 NMRA.

The 1998 amendment, effective September 1, 1998, in Subsection A, substituted "Chapter 59A, Article 43 NMSA 1978" for "this article", deleted "(30)" following "thirty" in Subsections A and B, rewrote Subsection C, and made minor stylistic changes throughout the section.

The 1999 amendment, effective July 1, 1999, substituted "Section 39-3-1.1" for "Section 12-8A-1" in Subsection C.


The rates and premiums charged for insurance policies to which this article apply [applies] shall include amounts sufficient to recoup a sum equal to the amounts paid to the association by the member insurer, less any amounts returned to the member insurer by the association, and such rates shall not be deemed excessive because they contain an amount reasonably calculated to recoup assessments paid by the member insurer.

**History:** Laws 1984, ch. 127, § 781.

There shall be no liability on the part of and no cause of action of any nature shall arise against, any member insurer, the association or its agents or employees, the board of directors or the superintendent or his representative for any action taken by them in the performance of their powers and duties under this article. The meetings, activities, recommendations and decisions of the board of directors of the association as required or permitted in this article shall not be open to public inspection, nor considered public documents, nor subject to Sections 10-15-1 through 10-15-4 NMSA 1978.


67 C.J.S. Officers and Public Employees, § 206 et seq.

59A-43-17. Stay of proceedings; reopening of default judgments.

All proceedings in which the insolvent insurer is a party or is obligated to defend a party in any court in this state shall be stayed for not to exceed six (6) months from the date the insolvency is determined to permit proper defense by the association of all pending causes of action. As to any covered claims arising from a judgment under any decision, verdict or finding based on the default of the insolvent insurer or its failure to defend an insured, the association either on its own behalf or on behalf of the insured may apply to have the judgment, order, decision, verdict or finding set aside by the same court or administrator that made it and may defend against the claim on the merits.

History: Laws 1984, ch. 127, § 783.


A. The superintendent shall by order terminate the operation of the association as to any kind of insurance covered by this article with respect to which he has found, after hearing, that there is in effect a statutory or voluntary plan which:

1. is a permanent plan which is adequately funded or for which adequate funding is provided; and
2. extends, or will extend to the New Mexico policyholders and residents protection and benefits with respect to insolvent insurers not substantially less favorable and effective to the policyholders and residents than the protection and benefits provided with respect to such kinds of insurance under this article.

B. The superintendent shall by the same order authorize discontinuance of future payments
by insurers to the association with respect to the same kinds of insurance, but assessments and payments shall continue, as necessary, to liquidate covered claims of insurers adjudged insolvent prior to the order and the related expenses not covered by the other plan.

C. If operation of the association is terminated as to all kinds of insurance otherwise within its scope, the association, as soon as possible thereafter, shall distribute the balance of money and assets remaining, after discharge of the functions of the association, with respect to prior insurer insolvencies not covered by another plan, together with related expenses, to the insurers which are then writing in this state policies of the kinds of insurance covered by this article and which had made payments to the association, pro rata upon the basis of the aggregate of such payments made by the respective insurers during the period of five (5) years next preceding the date of the order. Upon completion of the distribution with respect to all of the kinds of insurance covered by this article, this shall be deemed to have expired.

History: Laws 1984, ch. 127, § 784.

ARTICLE 44
Fraternal Benefit Societies

Section
59A-44-1 Fraternal benefit societies.
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59A-44-1. Fraternal benefit societies.

Any incorporated society, order or supreme lodge, without capital stock, including one exempted under the provisions of Paragraph (2) of Subsection A of Section 59A-44-40 NMSA 1978, whether incorporated or not, conducted solely for the benefit of its members and their beneficiaries and not for profit, operated on a lodge system with ritualistic form of work, having a representative form of government, and which provides benefits in accordance with Chapter 59A, Article 44 NMSA 1978, is hereby declared to be a fraternal benefit society.


ANNOTATION

Insurance only incidental part of organization's purpose. — The fraternal benefit societies and the insurance available to a member of such fraternal society is contemplated in the law to be an incidental part of the operation of a lodge or fraternal organization. It is not contemplated that a lodge or fraternal organization set itself up with the sole purpose of insuring members. This would be in direct contravention of the statutes relating to the fraternal benefit societies and lodges, which organizations and lodges frequently provide insurance for the members of that organization as an additional service to the members. 1953-54 Op. Att'y Gen. No. 53-5671.


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10 C.J.S. Beneficial Associations § 2.

59A-44-2. Lodge system.

A society is operating on the lodge system if it has a supreme governing body and subordinate lodges into which members are elected, initiated or admitted in accordance with its laws, rules and ritual. Subordinate lodges shall be required by the laws of the society to hold regular meetings at least once in each month in furtherance of the purposes of the society.

B. A society may, at its option, organize and operate lodges for children under the minimum age for adult membership. Membership and initiation in local lodges shall not be required of such children, nor shall they have a voice or vote in the management of the society.


ANNOTATION

Effect of admitting foreign corporations as fraternal benefit societies. — The state cannot admit foreign corporations as fraternal benefit societies and license them as such, and then convert them into old line insurance companies by determining that they have written some nonallowable classes of insurance. State ex rel. Biel v. Royal Neighbors of Am., 44 N.M. 8, 96 P.2d 705 (1939).


10 C.J.S. Beneficial Associations § 7 et seq.


A society has a representative form of government when:

A. it has a supreme governing body constituted as:

(1) an assembly composed of delegates elected directly by the members or at intermediate assemblies or conventions of members or their representatives, together with other delegates as may be prescribed in the society's laws. A society may provide for election of delegates by mail. The elected delegates shall constitute a majority in number and shall not have less than two-thirds of the votes and not less than the number of votes required to amend the society's laws. The assembly shall be elected and shall meet at least once every four years and shall elect a board of directors to conduct the business of the society between meetings of the assembly. Vacancies on the board of directors between elections may be filled in the manner prescribed by the society's laws; or
(2) a board composed of persons elected by the members, either directly or by their representatives in intermediate assemblies, and any other persons prescribed in the society's laws. A society may provide for election of the board by mail. Each term of a board member shall not exceed four years. Vacancies on the board between elections shall be filled in the manner prescribed by the society's laws. Those persons elected to the board shall constitute a majority in number and not less than the number of votes required to amend the society's laws. A person filling the unexpired term of an elected board member shall be considered to be an elected member. The board shall meet at least quarterly to conduct the business of the society;

B. the officers of the society are elected either by the supreme governing body or by the board of directors;

C. only benefit members are eligible for election to the supreme governing body, the board of directors or any intermediate assembly; and

D. each voting member shall have one vote and no vote shall be cast by proxy.


As used in Chapter 59A, Article 44 NMSA 1978:

A. "benefit contract" means the agreement as described in Subsection A of Section 59A-44-19 NMSA 1978;

B. "benefit member" means an adult member who is designated by the laws or rules of the society to be a benefit member under a benefit contract;

C. "certificate" means a contract which sets forth the insurance benefits as authorized by Section 59A-44-16 NMSA 1978, to whom benefits are payable, the insuring provisions and the terms and conditions of the certificate;

D. "law" means the society's articles of incorporation, constitution and bylaws, however designated;

E. "lodge" means subordinate member units of the society, known as camps, courts, councils, branches or by any other designation;

F. "premium" means premiums, rates, dues, certificate fees or other required contributions by whatever name known, which are payable under the certificate;

G. "rule" means all rules, regulations or resolutions adopted by the supreme governing body or board of directors which are intended to have general application to the members of the society; and
H. "society" means a fraternal benefit society, unless otherwise indicated.


59A-44-5. Purposes and powers.

A. A society shall operate for the benefit of members and their beneficiaries by:

(1) providing benefits as specified in Section 59A-44-16 NMSA 1978; and

(2) lawfully operating for one or more social, intellectual, educational, charitable, benevolent, moral, fraternal, patriotic or religious purposes for the benefit of its members, which may also be extended to member dependents.

Such purposes may be carried out directly by the society, or indirectly through subsidiary corporations or affiliated organizations.

B. Every society shall have the power to adopt laws and rules for the government of the society, the admission of its members and the management of its affairs. It shall have the power to change, alter, add to or amend such laws and rules and shall have other powers as are necessary and incidental to carrying into effect the objects and purposes of the society.


A. A society shall specify in its laws or rules:

(1) eligibility standards for each and every class of membership, provided that if benefits are provided on the lives of children, the minimum age for adult membership shall be set at not less than fifteen years and not greater than twenty-one years;

(2) the process for admission to membership for each membership class; and

(3) the rights and privileges of each membership class, provided that only benefit members shall have the right to vote on the management of the insurance affairs of the society.

B. A society may also admit social members who shall have no voice or vote in the management of the insurance affairs of the society.
C. Membership rights in the society are personal to a member and are not assignable.


### 59A-44-7. Location of office; meetings; communications to members; grievance procedures.

A. The principal office of any domestic society shall be located in this state. The meetings of its supreme governing body may be held in any state, district, province or territory wherein such society has at least one subordinate lodge, or in such other location as determined by the supreme governing body. All business transacted at such meetings shall be as valid in all respects as if such meetings were held in this state. The minutes of the proceedings of the supreme governing body and of the board of directors shall be in the English language.

B. A society may provide in its laws for an official publication in which any notice, report or statement required by law to be given to members, including notice of election, may be published. Such required reports, notices and statements shall be printed conspicuously in the publication. If the records of a society show that two or more members have the same mailing address, an official publication mailed to one member is deemed to be mailed to all members at the same address unless a member requests a separate copy.

Not later than June 1 of each year, a synopsis of the society's annual statement providing an explanation of the facts concerning the condition of the society thereby disclosed shall be printed and mailed to each benefit member of the society or, in lieu thereof, such synopsis may be published in the society's official publication.

C. A society may provide in its laws or rules grievance or complaint procedures for members.


**Repeals and reenactments.** — Laws 1989, ch. 388, § 7, repeals 59A-44-7 NMSA 1978, as enacted by Laws 1984, ch. 127, § 792, relating to location of office and place of meeting, and enacts the above section, effective January 1, 1990. For provisions of former section, see 1988 Replacement Pamphlet.

### 59A-44-8. No personal liability.

A. The officers and members of the supreme governing body or any subordinate body of a society shall not be personally liable for any benefits provided by a society.

B. Any person may be indemnified and reimbursed by any society for expenses reasonably incurred by, and liabilities imposed upon, such person in connection with or arising out of any
action, suit or proceeding, whether civil, criminal, administrative or investigative, or threat thereof, in which the person may be involved by reason of the fact that he is or was a director, officer, employee or agent of the society or of any firm, corporation or organization in which he served in any capacity at the request of the society. A person shall not be so indemnified or reimbursed:

(1) in relation to any matter in such action, suit or proceeding as to which he shall finally be adjudged to be or have been guilty of breach of duty as a director, officer, employee or agent of the society; or

(2) in relation to any matter in such action, suit or proceeding, or threat thereof, which has been made the subject of a compromise settlement, unless in either such case the person acted in good faith for a purpose the person reasonably believed to be in or not opposed to the best interests of the society and, in a criminal action or proceeding, in addition, he had no reasonable cause to believe that his conduct was unlawful. The determination whether the conduct of such person met the standard required in order to justify indemnification and reimbursement in relation to any matter in Paragraph (1) or (2) of this subsection may only be made by the supreme governing body or board of directors by a majority vote of a quorum consisting of persons who were not parties to such action, suit or proceeding by a court of competent jurisdiction. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of no contest as to such person shall not in itself create a conclusive presumption that the person did not meet the standard of conduct required in order to justify indemnification and reimbursement. The foregoing right of indemnification and reimbursement shall not be exclusive of other rights to which such person may be entitled as a matter of law and shall inure to the benefit of his heirs, executors and administrators.

C. A society shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the society or who is or was serving at the request of the society as a director, officer, employee or agent of any other firm, corporation or organization against any liability asserted against such person and incurred by him in any such capacity or arising out of his status as such, whether or not the society would have the power to indemnify the person against such liability under this section.


The laws of the society may provide that no subordinate body or any of its subordinate officers or members shall have the power or authority to waive any of the provisions of the laws of the society. Such provision shall be binding on the society and every member and beneficiary of a member.


A domestic society organized on or after the effective date of this act shall be formed as follows:

A. ten or more citizens of the United States, a majority of whom are citizens of this state, who desire to form a society, may make, sign and acknowledge before some officer competent to take acknowledgment of deeds, articles of incorporation, in which shall be stated:

(1) the proposed corporate name of the society, which shall not so closely resemble the name of any society or insurance company as to be misleading or confusing;

(2) the purposes for which it is being formed and the mode in which its corporate powers are to be exercised. Such purposes shall not include more liberal powers than are granted by this article; and

(3) the names and residences of the incorporators and the names, residences and official titles of all the officers, trustees, directors or other persons who are to have and exercise the general control of the management of the affairs and funds of the society for the first year or until the ensuing election at which all such officers shall be elected by the supreme governing body, which election shall be held no later than one year from the date of issuance of the permanent certificate of authority.

B. Such articles of incorporation, duly certified copies of the society's bylaws and rules, copies of all proposed forms of certificates, applications therefor and circulars to be issued by the society and a bond conditioned upon the return to applicants of the advanced payments if the organization is not completed within one year shall be filed with the superintendent, who may require such further information as the superintendent deems necessary. The bond with sureties approved by the superintendent shall be in such amount, not less than three hundred thousand dollars ($300,000) nor more than one million five hundred thousand dollars ($1,500,000), as required by the superintendent. All documents filed shall be in the English language. If the purposes of the society conform to the requirements of this article and all provisions of the law have been complied with, the superintendent shall so certify, retain and file the articles of incorporation and furnish to the incorporators a preliminary certificate of authority authorizing the society to solicit members as hereinafter provided.

C. No preliminary certificate of authority granted under the provisions of this section shall be valid after one year from its date or after such further period, not exceeding one year, as may be authorized by the superintendent upon cause shown, unless the five hundred applicants hereinafter required have been secured and the organization has been completed as herein
provided. The articles of incorporation and all other proceedings thereunder shall become null and void in one year from the date of the preliminary certificate of authority, or at the expiration of the extended period, unless the society shall have completed its organization and received a certificate of authority to do business as hereinafter provided.

D. Upon receipt of a preliminary certificate of authority from the superintendent, the society may solicit members for the purpose of completing its organization, shall collect from each applicant the amount of not less than one regular monthly premium in accordance with its table of rates and shall issue to each such applicant a receipt for the amount so collected. No society shall incur any liability other than for the return of such advance premium, issue any certificate, pay, allow or offer or promise to pay or allow any benefit to any person until:

1. actual bona fide applications for benefits have been secured on not less than five hundred applicants, and any necessary evidence of insurability has been furnished to and approved by the society;

2. at least ten subordinate lodges have been established into which the five hundred applicants have been admitted;

3. there has been submitted to the superintendent, under oath of the president or secretary or corresponding officer of the society, a list of such applicants giving their names, addresses, date each was admitted, name and number of the subordinate lodge of which each applicant is a member, amount of benefits to be granted and premiums therefor; and

4. it shall have been shown to the superintendent, by sworn statement of the treasurer or corresponding officer of such society, that at least five hundred applicants have each paid in cash at least one regular monthly premium as herein provided, which premiums in the aggregate shall amount to at least one hundred fifty thousand dollars ($150,000). The advance premium shall be held in trust during the period of organization and if the society has not qualified for a certificate of authority within one year, as herein provided, the premiums shall be returned to said applicants.

E. The superintendent may make such examination and require such further information as the superintendent deems advisable. Upon presentation of satisfactory evidence that the society has complied with all the provisions of law, the superintendent shall issue to the society a certificate of authority to that effect and that the society is authorized to transact business pursuant to the provisions of Chapter 59A, Article 44 NMSA 1978. The certificate of authority shall be prima facie evidence of the existence of the society at the date of such certificate. The superintendent shall cause a record of such certificate of authority to be made. A certified copy of such record may be given in evidence with like effect as the original certificate of authority.

F. Any incorporated society authorized to transact business in this state at the time this article becomes effective shall not be required to reincorporate.


A. A domestic society may amend its laws in accordance with the provisions thereof by action of its supreme governing body at any regular or special meeting thereof or, if its laws so provide, by referendum. Such referendum may be held in accordance with the provisions of its laws by the vote of the voting members of the society, by the vote of delegates or representatives of voting members or by the vote of local lodges. A society may provide for voting by mail. No amendment submitted for adoption by referendum shall be adopted unless, within six months from the date of submission thereof, a majority of the members voting shall have signified their consent to such amendment by one of the methods herein specified.

B. No amendment to the laws of any domestic society shall take effect unless approved by the superintendent who shall approve such amendment if the superintendent finds that it has been duly adopted and is not inconsistent with any requirement of the laws of this state or with the character, objects and purposes of the society. Unless the superintendent shall disapprove any such amendment within sixty days after the filing of same, such amendment shall be considered approved. The approval or disapproval of the superintendent shall be in writing and mailed to the secretary or corresponding officer of the society at its principal office. In case the superintendent disapproves such amendment, the reasons therefor shall be stated in such written notice.

C. Within ninety days from the approval of an amendment by the superintendent, all such amendments, or a synopsis thereof, shall be furnished to all members of the society either by mail or by publication in full in the official publication of the society. The affidavit of any officer of the society or of anyone authorized by it to mail any amendments or synopsis thereof, stating facts which show that same have been duly addressed and mailed, shall be prima facie evidence that such amendments or synopsis thereof have been furnished the addressee.

D. Every foreign or alien society authorized to do business in this state shall file with the superintendent a duly certified copy of all amendments of, or additions to, its laws within ninety days after the enactment of same.

E. Printed copies of the laws as amended, certified by the secretary or corresponding officer of the society shall be prima facie evidence of the legal adoption thereof.

Replacement Pamphlet.


Age, incorrect statement of, in application as affected by provisions of constitution or bylaws fixing age limit, 1 A.L.R. 459, 160 A.L.R. 295.

Validity of bylaw of mutual benefit association preventing recovery upon presumption of death from seven years’ absence, 36 A.L.R. 982, 40 A.L.R. 1274.

Validity of constitution, by-law or provision of contract of mutual benefit association purporting to make conclusive the decisions of its tribunals or officers directly on claim for benefits, 51 A.L.R. 1420.

Lapse of policy or certificate in event of disappearance of insured or his failure to report to insurer, amendment as to, 65 A.L.R. 1039.

Changes in regard to benefits by subsequent amendments of bylaws or constitution of mutual benefit society, 171 A.L.R. 7


A. A society may create, maintain and operate, or may establish organizations to operate, not for profit institutions to further the purposes permitted by Paragraph (2) of Subsection A of Section 59A-44-5 NMSA 1978. Such institutions may furnish services free or at a reasonable charge. Any real or personal property owned, held or leased by the society for this purpose shall be reported in every annual statement but shall not be allowed as an admitted asset of such society.

B. No society shall own or operate funeral homes or any establishments related to undertaking.


A. A domestic society may by a reinsurance agreement cede any individual risk or risks in whole or in part to an insurer, other than to another fraternal benefit society, having the power to make such reinsurance and authorized to do business in this state, or if not so authorized, one which is approved by the superintendent, but no such society may reinsure substantially all of its insurance in force without the written permission of the superintendent. It may take credit for the reserves on such ceded risks to the extent reinsured, but no credit shall be allowed as an admitted asset or as a deduction from liability, to a ceding society for reinsurance made, ceded, renewed or otherwise becoming effective after the effective date of this act, unless the reinsurance is payable by the assuming insurer on the basis of the liability of the ceding society under the
contract or contracts reinsured without diminution because of the insolvency of the ceding society.

B. Notwithstanding the limitation in Subsection A of this section, a society may reinsure the risks of another society in a consolidation or merger approved by the superintendent under Section 59A-44-14 NMSA 1978.


Effective date of this act. — The phrase "effective date of this act", referred to in Subsection A, means January 1, 1990, the effective date of Laws 1989, ch. 388.


A. A domestic society may consolidate or merge with any other society by complying with the provisions of this section.

B. A domestic society shall file with the superintendent:

(1) a certified copy of the written contract containing in full the terms and conditions of the consolidation or merger;

(2) a sworn statement by the president and secretary or corresponding officers of each society showing the financial condition thereof on a date fixed by the superintendent but not earlier than December 31 next preceding the date of the contract;

(3) a certificate of such officers, duly verified by their respective oaths, that the consolidation or merger has been approved by a two-thirds vote of the supreme governing body of each society, such vote being conducted at a regular or special meeting of each body, or, if the society's laws so permit, by mail; and

(4) evidence that at least sixty days prior to the action of the supreme governing body of each society, the text of the contract has been furnished to all members of each society either by mail or by publication in full in the official publication of each society.

C. If the superintendent finds that the contract is in conformity with the provisions of this section, that the financial statements are correct and that the consolidation or merger is just and equitable to the members of each society, the superintendent shall approve the contract and issue a certificate to such effect. Upon such approval, the contract shall be in full force and effect unless any society which is a party to the contract is incorporated under the laws of any other state or territory. In such event the consolidation or merger shall not become effective unless and until it has been approved as provided by the laws of such state or territory and a certificate of such approval filed with the superintendent of this state, or, if the laws of such state or territory contain no such provision, then the consolidation or merger shall not become effective unless and until it has been approved by the superintendent of such state or territory and a certificate of
such approval filed with the superintendent. In case such contract is not approved it shall be inoperative, and the fact of submission and its contents shall not be disclosed by the superintendent.

D. Upon the consolidation or merger becoming effective as herein provided, all the rights, franchises and interests of the consolidated or merged societies in and to every species of property, real, personal or mixed, and things in action thereunto belonging, shall be vested in the society resulting from or remaining after the consolidation or merger without any other instrument, except that conveyances of real property may be evidenced by proper deeds, and the title to any real estate or interest therein, vested under the laws of this state in any of the societies consolidated or merged, shall not revert or be in any way impaired by reason of the consolidation or merger, but shall vest absolutely in the society resulting from or remaining after such consolidation or merger.

E. The affidavit of any officer of the society or of anyone authorized by it to mail any notice or document, stating that such notice or document has been duly addressed and mailed, shall be prima facie evidence that such notice or document has been furnished the addressees.


Any society may be converted and licensed as a mutual or stock life insurance company by compliance with all the requirements of the general insurance laws pertaining to such life insurers. A plan of conversion shall be prepared in writing by the board of directors setting forth in full the terms and conditions of conversion. The affirmative vote of two-thirds of all members of the supreme governing body at a regular or special meeting shall be necessary for the approval of such plan. No such conversion shall take effect unless and until approved by the superintendent who may give such approval if he finds that the proposed change is in conformity with the requirements of law and not prejudicial to the certificateholders of the society.


A. A society authorized to do business in this state may provide the following contractual benefits in any form:

(1) life insurance, endowment benefits and annuity benefits as defined in Section
59A-7-2 NMSA 1978;

(2) health insurance benefits as defined in Section 59A-7-3 NMSA 1978;
(3) monument or tombstone benefits to the memory of deceased members; and
(4) such other benefits as authorized for life, accident and health insurers and which are not inconsistent with Chapter 59A, Article 44 NMSA 1978, as approved by the superintendent.

B. A society shall specify in its rules those persons who may be issued, or covered by, the contractual benefits in Subsection A of this section, consistent with providing benefits to members and their dependents. A society may provide benefits on the lives of children under the minimum age for adult membership upon application of an adult person having an insurable interest as defined in Section 59A-18-4 NMSA 1978.


59A-44-17. Beneficiaries.

A. The owner of a certificate shall have the right at all times to change the beneficiary or beneficiaries in accordance with the laws or rules of the society unless the owner waives this right by specifically requesting in writing that the beneficiary designation be irrevocable. A society may, through its laws or rules, limit the scope of beneficiary designations and shall provide that no revocable beneficiary shall have or obtain any vested interest in the proceeds of any certificate until the certificate has become due and payable in conformity with the provisions of the certificate.

B. A society may make provision for the payment of funeral benefits to the extent of such portion of any payment under a certificate as might reasonably appear to be due to any person equitably entitled thereto by reason of having incurred expense occasioned by the burial of the member, provided the portion so paid shall not exceed the sum of one thousand dollars ($1,000).

C. If, at the death of any person insured under a certificate, there is no lawful beneficiary to whom the proceeds shall be payable, the amount of such benefit, except to the extent that funeral benefits may be paid as hereinbefore provided, shall be payable to the estate of the deceased insured the same as other property not exempt, provided, however, that if the owner of the certificate is other than the insured, such proceeds shall be payable to such owner.


No money or other benefit, charity, relief or aid to be paid, provided or rendered by any society shall be liable to attachment, garnishment or other process, or to be seized, taken, appropriated or applied by any legal or equitable process or operation of law to pay any debt or liability of a member or beneficiary or any other person who may have a right thereunder, either before or after payment by the society.


Cross references. — For rules governing garnishment and writs of execution in the district, magistrate, and metropolitan courts, see Rules 1-065.1, 2-801, and 3-801 NMRA, respectively.

For form for claim of exemptions on executions, see Rule 4-803 NMRA.

For form for order on claim of exemption and order to pay in execution proceedings, see Rule 4-804 NMRA.

For form for application for writ of garnishment and affidavit, see Rule 4-805 NMRA.

For form for notice of right to claim exemptions from execution, see Rule 4-808A NMRA.

For form for claim of exemption from garnishment, see Rule 4-809 NMRA.


A. Every society authorized to do business in this state shall issue to each owner of a benefit contract a certificate specifying the amount of benefits provided thereby. The certificate, together with any riders or endorsements attached thereto, the laws of the society, the application for membership, the application for insurance and declaration of insurability, if any, signed by the applicant, and all amendments to each thereof, shall constitute the benefit contract, as of the date of issuance, between the society and the owner, and the certificate shall so state. A copy of the application for insurance and declaration of insurability, if any, shall be endorsed upon or attached to the certificate. All statements on the application shall be representations and not warranties. Any waiver of this provision shall be void.

B. Any changes, additions or amendments to the laws of the society duly made or enacted subsequent to the issuance of the certificate shall bind the owner and the beneficiaries, and shall govern and control the benefit contract in all respects the same as though such changes, additions or amendments had been made prior to and were in force at the time of the application for insurance, except that no change, addition or amendment shall destroy or diminish benefits which the society contracted to give the owner as of the date of issuance.
C. Any person upon whose life a certificate is issued prior to attaining the age of majority shall be bound by the terms of the application and certificate and by all the laws and rules of the society to the same extent as though the age of majority had been attained at the time of application.

D. A society shall provide in its laws that if its reserves as to all or any class of certificates become impaired, its board of directors or corresponding body shall require that there shall be paid by the owner to the society the amount of the owner's equitable proportion of such deficiency as ascertained by its board, and that if the payment is not made either:

1. it shall stand as an indebtedness against the certificate and draw interest not to exceed the rate specified for certificate loans under the certificates; or

2. in lieu of or in combination with the provisions of Paragraph (1) of this subsection, the owner may accept a proportionate reduction in benefits under the certificate. The society may specify the manner of the election and which alternative is to be presumed if no election is made.

E. Copies of any of the documents mentioned in this section, certified by the secretary or corresponding officer of the society, shall be received in evidence of the terms and conditions thereof.

F. No certificate shall be delivered or issued for delivery in this state unless a copy of the form and rates and rate increases applicable to accident and health insurance have been filed with and approved by the superintendent in accordance with Sections 59A-18-12, 59A-18-13 and 59A-18-14 NMSA 1978. Every life or accident and health insurance certificate and every annuity certificate issued on or after one year from the effective date of this act shall meet the standard contract provision requirements consistent with Chapter 59A, Article 44 NMSA 1978, as specified in Chapter 59A, Articles 20 and 22 NMSA 1978, except that a society may provide for a grace period for payment of premiums of one full month in its certificates. The certificate shall also contain a provision stating the amount of premiums which are payable under the certificate and a provision reciting or setting forth the substance of any sections of the society's laws or rules in force at the time of issuance of the certificate which, if violated, will result in the termination or reduction of benefits payable under the certificate. If the laws of the society provide for expulsion or suspension of a member, the certificate shall also contain a provision that any member so expelled or suspended, except for nonpayment of a premium or within the contestable period for material misrepresentation in the application for membership or insurance, shall have the privilege of maintaining the certificate in force by continuing payment of the required premium.

G. Certificates issued on the lives of persons below the society's minimum age for adult membership may provide for transfer of control of ownership to the insured at an age specified in the certificate. A society may require approval of an application for membership in order to effect this transfer and may provide in all other respects for the regulation, government and control of such certificates and all rights, obligations and liabilities incident thereto and connected therewith. Ownership rights prior to such transfer shall be specified in the certificate.
H. A society may specify the terms and conditions on which certificates may be assigned.


Validity of by-law of mutual benefit association preventing recovery upon presumption of death from seven years' absence, 36 A.L.R. 982, 40 A.L.R. 1274.

Conclusiveness of decisions of tribunals or officers of benefit associations, validity of constitution or by-laws as to, 51 A.L.R. 1420.

Lapse of policy or certificate in event of disappearance of insured or his failure to report to the insurer, amendment as to, 65 A.L.R. 1039.

**59A-44-20. Nonforfeiture benefits; cash surrender values; certificate loans and other options.**

A. For certificates issued prior to one year after the effective date of this act, the value of every paid-up nonforfeiture benefit and the amount of any cash surrender value, loan or other option granted shall comply with the provisions of law applicable immediately prior to the effective date of this act.

B. For certificates issued on or after one year from the effective date of this act for which reserves are computed on the commissioner's 1941 standard ordinary mortality table, the commissioner's 1941 standard industrial table, the commissioner's 1958 standard ordinary mortality table, or the commissioner's 1980 standard mortality table or any more recent table made applicable to life insurers, every paid-up nonforfeiture benefit and the amount of any cash surrender value, loan or other option granted shall not be less than the corresponding amount ascertained in accordance with the laws of this state applicable to life insurers issuing policies containing like benefits based upon such tables.


**Effective date of this act.** — The phrase "effective date of this act", referred to throughout this section, means January 1, 1990, the effective date of Laws 1989, ch. 388.

**59A-44-21. Investments.**

A society shall invest its funds only in such investments as are authorized by Chapter 59A,
Article 9 NMSA 1978 for the investment of assets of life insurers and subject to the limitations thereon. Any foreign or alien society permitted or seeking to do business in this state which invests its funds in accordance with the laws of the state, district, territory, country or province in which it is incorporated, shall be held to meet the requirements of this section for the investment of funds.


### 59A-44-22. Funds.

A. All assets shall be held, invested and disbursed for the use and benefit of the society and no member or beneficiary shall have or acquire individual rights therein or become entitled to any apportionment on the surrender of any part thereof, except as provided in the benefit contract.

B. A society may create, maintain, invest, disburse and apply any special fund or funds necessary to carry out any purpose permitted by the laws of such society.

C. A society may, pursuant to resolution of its supreme governing body, establish and operate one or more separate accounts and issue contracts on a variable basis, subject to the provisions of law regulating life insurers establishing such accounts and issuing such contracts. To the extent the society deems it necessary in order to comply with any applicable federal or state laws, or any rules issued thereunder, the society may adopt special procedures for the conduct of the business and affairs of a separate account, may, for persons having beneficial interests therein, provide special voting and other rights, including without limitation special rights and procedures relating to investment policy, investment advisory services, selection of certified public accountants and selection of a committee to manage the business and affairs of the account, and may issue contracts on a variable basis to which Subsections B and D of Section 59A-44-19 NMSA 1978 shall not apply.


### 59A-44-23. Exemptions.

Except as herein provided, societies shall be governed by Chapter 59A, Article 44 NMSA 1978 and shall be exempt from all other provisions of the insurance laws of this state unless they are expressly designated therein, or unless it is specifically made applicable by that article.


Every society organized or licensed under Chapter 59A, Article 44 NMSA 1978 is hereby declared to be a charitable and benevolent institution, and all of its funds shall be exempt from all and every state, county, district, municipal and school tax other than taxes on real estate and office equipment.


A. Standards of valuation for certificates issued prior to one year after the effective date of this act shall be those provided by the laws applicable immediately prior to the effective date of this act.

B. The minimum standards of valuation for certificates issued on or after one year from the effective date of this act shall be based on the following tables:

   (1) for certificates of life insurance, the commissioner's 1941 standard ordinary mortality table, the commissioner's 1941 standard industrial mortality table, the commissioner's 1958 standard ordinary mortality table, the commissioner's 1980 standard ordinary mortality table or any more recent table made applicable to life insurers; and

   (2) for annuity and pure endowment certificates, for total and permanent disability benefits, for accidental death benefits and for noncancelable accident and health benefits, such tables as are authorized for use by life insurers in this state.

Paragraphs (1) and (2) of this subsection shall be under valuation methods and standards, including interest assumptions, in accordance with the laws of this state applicable to life insurers issuing policies containing like benefits.

C. The superintendent may in his discretion accept other standards for valuation if the superintendent finds that the reserves produced thereby will not be less in the aggregate than reserves computed in accordance with the minimum valuation standard herein prescribed. The superintendent may in his discretion vary the standards of mortality applicable to all benefit contracts on substandard lives or other extrahazardous lives by any society authorized to do business in this state.
D. Any society, with the consent of the superintendent of the state of domicile of the society, and under such conditions, if any, which the superintendent may impose, may establish and maintain reserves on its certificates in excess of the reserves required thereunder, but the contractual rights of any benefit member shall not be affected thereby.


**Effective date of this act.** — The phrase "effective date of this act", referred to throughout Subsections A and B, means January 1, 1990, the effective date of Laws 1989, ch. 388.

### 59A-44-26. Reports.

Reports shall be filed in accordance with the provisions of this section as follows:

A. every society transacting business in this state shall annually, on or before the first day of March, unless for cause shown such time has been extended by the superintendent, file with the superintendent a true statement of its financial condition, transactions and affairs for the preceding calendar year and pay the fee specified in Section 59A-14-36 [59A-44-36] NMSA 1978. The statement shall be in general form and context as approved by the national association of insurance commissioners for fraternal benefit societies and as supplemented by additional information required by the superintendent;

B. as part of the annual statement herein required, each society shall, on or before the first day of March, file with the superintendent a valuation of its certificates in force on December 31 last preceding, provided the superintendent may in his discretion for cause shown extend the time for filing such valuation for not more than two calendar months. Such valuation shall be done in accordance with the standards specified in Section 59A-44-25 NMSA 1978. Such valuation and underlying data shall be certified by a qualified actuary or, at the expense of the society, verified by the actuary of the department of insurance of the state of domicile of the society; and

C. a society neglecting to file the annual statement in the form and within the time provided by this section shall forfeit one hundred dollars ($100) for each day during which such neglect continues, and, upon notice by the superintendent to that effect, its authority to do business in this state shall cease while such default continues.


Bracketed material. — The bracketed reference in Subsection A was inserted by the compiler, as the reference to Section 59A-14-36 NMSA 1978 is apparently erroneous. The bracketed material was not enacted by the legislature, and it is not part of the law.


Societies which are now authorized to transact business in this state may continue such business until March 1 next succeeding the effective date of this act. The authority of such societies and all societies thereafter licensed shall continue in force as long as the society is entitled thereto under that article and until suspended or revoked by the superintendent or terminated at the society's request; subject, however, to the payment of the annual continuation fee specified in Section 59A-44-36 NMSA 1978. A duly certified copy or duplicate of such certificate of authority shall be prima facie evidence that such society is a fraternal benefit society within the meaning of Chapter 59A, Article 44 NMSA 1978.


Effective date of this act. — The phrase "effective date of this act", referred to in the first sentence, means January 1, 1990, the effective date of Laws 1989, ch. 388.

Meaning of "that article". — The phrase "that article", referred to in the second sentence, apparently means present Article 44 (59A-44-1 to 59A-44-45 NMSA 1978).

59A-44-28. Examination of societies; no adverse publications.

A. The superintendent, or any person he may appoint, may examine any domestic, foreign or alien society transacting or applying for admission to transact business in this state in the same manner as authorized for examination of domestic, foreign or alien insurers. Requirements of notice and an opportunity to respond before findings are made public as provided in Section 59A-4-10 NMSA 1978 shall be applicable to the examination of societies.

B. The expense of each examination and of each valuation, including compensation and actual expense of examiners, shall be paid by the society examined for whose certificates are valued, upon statements furnished by the superintendent.


59A-44-29. Foreign or alien society.

A. No foreign or alien society shall transact business in this state without a license issued by the superintendent. Any such society desiring admission to this state shall comply substantially with the requirements and limitations of Chapter 59A, Article 44 NMSA 1978 applicable to domestic societies. Any such society may be licensed to transact business in this state upon filing with the superintendent:

1. a duly certified copy of its articles of incorporation;
2. a copy of its bylaws, certified by its secretary or corresponding officer;
3. a power of attorney to the superintendent as prescribed in Section 59A-44-35 NMSA 1978;
4. a statement of its business under oath of its president and secretary or corresponding officers in a form prescribed by the superintendent, duly verified by an examination made by the supervising insurance official of its home state or other state, territory, province or country, satisfactory to the superintendent of this state;
5. certification from the proper official of its home state, territory, province or country that the society is legally incorporated and licensed to transact business therein;
6. copies of its certificate forms and accident and health rates; and
7. such other information as the superintendent may deem necessary; and upon a showing that its assets are invested in accordance with the provisions of Chapter 59A, Article 44 NMSA 1978.

B. Any foreign or alien society desiring admission to this state shall have the qualifications required of domestic societies organized under Chapter 59A, Article 44 NMSA 1978.


59A-44-30. Injunction; liquidation; receivership of domestic society.

A. When the superintendent upon investigation finds that a domestic society:

1. has exceeded its powers;
2. has failed to comply with any provision of Chapter 59A, Article 44 NMSA 1978;
3. is not fulfilling its contracts in good faith;
4. has a membership of less than four hundred after an existence of one year or more; or
(5) is conducting business in a fraudulent manner or in a manner hazardous to its members, creditors, the public or the business;

the superintendent shall notify the society of any deficiency and state in writing the reasons for his dissatisfaction. The superintendent shall at once issue a written notice to the society requiring that any deficiency that exists be corrected. After such notice the society shall have a thirty-day period in which to comply with the superintendent's request for correction, and if the society fails to comply, the superintendent shall notify the society of such findings of noncompliance and require the society to show cause on a date named why it should not be enjoined from carrying on any business until the violation complained of shall have been corrected, or why an action in quo warranto should not be commenced against the society.

B. If on such date the society does not present good and sufficient reasons why it should not be so enjoined or why such action should not be commenced, the superintendent may present the facts relating thereto to the attorney general who shall, if he deems the circumstances warrant, commence an action to enjoin the society from transacting business or in quo warranto.

C. The court shall thereupon notify the officers of the society of a hearing. If after a full hearing it appears that the society should be so enjoined or liquidated or a receiver appointed, the court shall enter the necessary order. No society so enjoined shall have the authority to do business until:

   (1) the superintendent finds that the violation complained of has been corrected;
   (2) the costs of such action shall have been paid by the society if the court finds that the society was in default as charged;
   (3) the court has dissolved its injunction; and
   (4) the superintendent has reinstated the certificate of authority.

D. If the court orders the society liquidated, it shall be enjoined from carrying on any further business, whereupon the receiver of the society shall proceed at once to take possession of the books, papers, money and other assets of the society and, under the direction of the court, proceed forthwith to close the affairs of the society and to distribute its funds to those entitled thereto.

E. No action under this section shall be recognized in any court of this state unless brought by the attorney general upon request of the superintendent. Whenever a receiver is to be appointed for a domestic society, the court shall appoint the superintendent as such receiver.

F. The provisions of this section relating to hearing by the superintendent, action by the attorney general at the request of the superintendent, hearing by the court, injunction and receivership shall be applicable to a society which shall voluntarily determine to discontinue business.


Repeals and reenactments. — Laws 1989, ch. 388, § 30, repeals 59A-44-30 NMSA 1978, as
59A-44-31. Suspension, revocation or refusal of license of foreign or alien society.

A. When the superintendent upon investigation finds that a foreign or alien society transacting or applying to transact business in this state:
   (1) has exceeded its powers;
   (2) has failed to comply with any of the provisions of Chapter 59A, Article 44 NMSA 1978;
   (3) is not fulfilling its contracts in good faith; or
   (4) is conducting its business fraudulently or in a manner hazardous to its members or creditors or the public,

   the superintendent shall notify the society of any deficiency and state in writing the reasons for his dissatisfaction. The superintendent shall at once issue a written notice to the society requiring that any deficiency that exists be corrected. After such notice the society shall have a thirty-day period in which to comply with the superintendent's request for correction, and if the society fails to comply the superintendent shall notify the society of such findings of noncompliance and require the society to show cause on a date named why its license should not be suspended, revoked or refused. If on such date the society does not present good and sufficient reason why its authority to do business in this state should not be suspended, revoked or refused, the superintendent may suspend or refuse the license of the society to do business in this state until satisfactory evidence is furnished to the superintendent that such suspension or refusal should be withdrawn or the superintendent may revoke the authority of the society to do business in this state.

B. Nothing contained in this section shall be taken or construed as preventing any such society from continuing in good faith all contracts made in this state during the time such society was legally authorized to transact business therein.


No application or petition for injunction against any domestic, foreign or alien society, or lodge thereof, shall be recognized in any court of this state unless made by the attorney general upon request of the superintendent.


59A-44-33. Licensing of agents.

A. Agents of societies shall be licensed in accordance with the applicable provisions of Chapter 59A, Articles 11 and 12 NMSA 1978 regulating the licensing, revocation, suspension or termination of license of agents, but shall not be subject to the provisions of Section 59A-12-26 NMSA 1978.

B. No examination or license shall be required of any regular salaried officer, employee or member of a licensed society who devotes or intends to devote fifty percent or more of his services to activities other than the solicitation of fraternal insurance contracts from the public and who receives for the solicitation of such contracts no commission or other compensation directly dependent upon the amount of business obtained.

C. Any person who in the preceding calendar year has solicited and procured life insurance contracts on behalf of any society in an amount of insurance in excess of fifty thousand dollars ($50,000) or, in the case of any other kind of insurance that the society might write, on the persons of more than twenty-five individuals and who has received or will receive a commission or other compensation therefor shall be presumed to be devoting or intending to devote fifty percent of his time to the solicitation or procurement of insurance contracts for such society.


The 1991 amendment, effective June 14, 1991, added "but shall not be subject to the provisions of Section 59A-12-26 NMSA 1978" at the end in Subsection A; substituted "or intends to devote fifty percent or more" for "substantially" in Subsection B; and, in Subsection C, deleted the former first sentence, which read "Any agent or representative of a society who devotes or intends to devote less than fifty percent of his time to the solicitation and procurement of insurance contracts for such society," and made a minor stylistic change.

1999 amendments. — Identical amendments to this section were enacted by Laws 1999, ch. 272, § 22, effective June 18, 1999, approved April 8, 1999, and by Laws 1999, ch. 289, § 32, effective June 18, 1999, approved April 8, 1999, which deleted "resident and nonresident" preceding "agents, but shall not" in Subsection A and deleted "or kinds" following "any other kind" in Subsection C. The section is set out as amended by Laws 1999, ch. 289, § 32. See 12-1-8 NMSA 1978.

Every society authorized to do business in this state shall be subject to the provisions of Chapter 59A, Article 16 NMSA 1978 relating to trade practices and frauds; provided, however, that nothing in such provisions shall be construed as applying to or affecting the right of any society to determine its eligibility requirements for membership or be construed as applying to or affecting the offering of benefits exclusively to members or persons eligible for membership in the society by a subsidiary corporation.

**History:** 1978 Comp., § 59A-44-34, enacted by Laws 1989, ch. 388, § 34.


### 59A-44-35. Service of process.

A. Every society authorized to do business in this state shall appoint in writing the superintendent and each successor in office to be its true and lawful attorney upon whom all lawful process in any action or proceeding against it shall be served and shall agree in such writing that any lawful process against it which is served on said attorney shall be the same legal force and validity as if served upon the society, and that the authority shall continue in force so long as any liability remains outstanding in this state. Copies of such appointment, certified by said superintendent, shall be deemed sufficient evidence thereof and shall be admitted in evidence with the same force and effect as the original thereof might be admitted.

B. Service shall only be made upon the superintendent, or if absent, upon the person in charge of the superintendent's office. It shall be made in duplicate and shall constitute sufficient service upon the society. When legal process against a society is served upon the superintendent, the superintendent shall forthwith forward one of the duplicate copies by registered mail, prepaid, directed to the secretary or corresponding officer. No such service shall require a society to file its answer, pleading or defense in less than thirty days from the date of mailing the copy of the service to a society. Legal process shall not be served upon a society except in the manner herein provided. At the time of serving any process upon the superintendent, the plaintiff or complainant in the action shall pay to the superintendent a fee of ten dollars ($10.00).


### 59A-44-36. Fee schedule.

A. Except as provided in Subsection B of this section, every society authorized to transact business in New Mexico shall pay to the superintendent the following fees:
(1) for annual certificate of authority continuation .......... $100.00;
(2) for filing annual statement ............................... 100.00;
(3) for each license of agent or annual continuation thereof .......................................................... 30.00;
(4) for annual continuation of appointment ............. 20.00;
and
(5) for each signature of the superintendent affixed to any instrument .................................................. 10.00.

B. Every society which:

(1) issues certificates providing benefits strictly in accordance with the provisions of Chapter 59A, Article 44 NMSA 1978;

(2) limits its membership to members of one religious faith or to persons engaged in one or more hazardous occupations in the same or similar lines of business;

(3) does not employ paid solicitors or salesmen either on salary, commission or fee basis for procuring new insurance or members; and

(4) does not solicit insurance applications from the general public, but limits such solicitation to members in good standing in such society; shall be exempt from the fees specified in Subsection A of this section and in lieu thereof shall pay to the superintendent fees as follows:

(a) for annual license to transact business .............. $50.00;

(b) for filing annual statement ............................ 50.00;
and

(c) for each seal and signature of the superintendent affixed to any instrument ........................................... 10.00.

C. Failure to pay any fees imposed under Chapter 59A, Article 44 NMSA 1978 shall render the society liable to this state for the amount thereof and to the applicable penalties provided by Section 59A-6-4 NMSA 1978 as though such a society were an insurer.


The 1993 amendment, effective June 18, 1993, in Subsection A, revised the fee schedule; inserted present Paragraph (4) and redesignated former Paragraph (4) as Paragraph (5); revised the fee schedule in Subsection B(4); and substituted "Section 59A-6-4 NMSA 1978" for "Section 59A-6-42" in Subsection C.

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The superintendent shall pay to the state treasurer, and the state treasurer shall convert into the fund of the Carrie Tingley crippled children's hospital, located in Bernalillo county, all money collected by the superintendent from or as to fraternal benefit societies under Chapter 59A, Article 44 NMSA 1978.


59A-44-38. Review.

All decisions and findings of the superintendent made under the provisions of Chapter 59A, Article 44 NMSA 1978 shall be subject to review as provided in Section 59A-4-20 NMSA 1978.


A. Any person who willfully makes a false or fraudulent statement in or relating to an application for membership or for the purpose of obtaining money from or a benefit in any society, shall upon conviction be fined not less than one hundred dollars ($100) or more than one thousand dollars ($1,000).

B. Any person who willfully makes a false or fraudulent statement in any verified report or declaration under oath required or authorized by Chapter 59A, Article 44 NMSA 1978, or of any material fact or thing contained in a sworn statement concerning the death or disability of a member for the purpose of procuring payment of a benefit named in the certificate, shall be guilty of a fourth degree felony and shall be sentenced pursuant to the provisions of Section 31-18-15 NMSA 1978.

C. Any person who solicits membership for, or in any manner assists in procuring membership in, any society not licensed to do business in this state shall upon conviction be fined not less than one hundred dollars ($100) or more than five hundred dollars ($500).

D. Any person guilty of a willful violation of, or neglect or refusal to comply with, the provisions of Chapter 59A, Article 44 NMSA 1978 for which a penalty is not otherwise prescribed shall upon conviction be subject to a fine not to exceed one thousand dollars ($1,000).
59A-44-40. Exemption of certain societies.

A. Nothing contained in Chapter 59A, Article 44 NMSA 1978 shall be so construed as to effect or apply to:

1. grand or subordinate lodges of societies, orders or associations now doing business in this state that provide benefits exclusively through local or subordinate lodges;

2. orders, societies or associations that admit to membership only persons engaged in one or more crafts or hazardous occupations, in the same or similar lines of business, insuring only their own members and their families and the ladies' societies or ladies' auxiliaries to such orders, societies or associations;

3. domestic societies that limit their membership to employees of a particular city or town, designated firm, business house or corporation or that provide for a death benefit of not more than four hundred dollars ($400) or disability benefits of not more than three hundred dollars ($300) to any person in any one year, or both; or

4. domestic societies or associations of a purely religious, charitable or benevolent description, that provide for a death benefit of not more than four hundred dollars ($400) or for disability benefits of not more than three hundred fifty dollars ($350) to any one person in any one year, or both.

B. Any such society or association described in Paragraph (3) or (4) of Subsection A of this section that provides for death or disability benefits for which benefit certificates are issued, and any such society or association included in Paragraph (4) of Subsection A of this section that has more than one thousand members, shall not be exempted from the provisions of Chapter 59A, Article 44 NMSA 1978 but shall comply with all requirements thereof.

C. No society which, by the provisions of this section, is exempt from the requirements of Chapter 59A, Article 44 NMSA 1978, except any society described in Paragraph (2) of Subsection A of this section, shall give or allow, or promise to give or allow, to any person any compensation for procuring new members.

D. Every society that provides for benefits in case of death or disability resulting solely from accident and that does not obligate itself to pay natural death or sick benefits shall have all of the privileges and be subject to all the applicable provisions and regulations of Chapter 59A, Article 44 NMSA 1978 except that the provisions thereof relating to medical examination, valuations of benefit certificates and incontestability, shall not apply to such society.

E. The superintendent may require from any society or association, by examination or otherwise, such information as will enable the superintendent to determine whether such society
or association is exempt from the provisions of Chapter 59A, Article 44 NMSA 1978.

F. Societies exempted under the provisions of this section shall also be exempt from all other provisions of the general insurance laws of this state.


To the extent not in conflict with the express provisions of Chapter 59A, Article 44 NMSA 1978 and the reasonable implications thereof, the following provisions of the Insurance Code [59A-1-1 NMSA 1978] shall also apply as to fraternal benefit societies, and for such purpose a society may therein be referred to as an "insurer":

A. Chapter 59A, Article 1 NMSA 1978;
B. Chapter 59A, Article 2 NMSA 1978;
C. Chapter 59A, Article 4 NMSA 1978;
D. Sections 59A-8-1 and 59A-8-2 NMSA 1978;
E. Section 59A-12-22 NMSA 1978;
F. the Insurance Fraud Act [59A-16C-1 NMSA 1978];
G. Chapter 59A, Article 18 NMSA 1978;
H. the Policy Language Simplification Law [Chapter 59A, Article 19 NMSA 1978];
I. the Medicare Supplement Act [Chapter 59A, Article 24A NMSA 1978];
J. Chapter 59A, Articles 20 and 22 NMSA 1978; and
K. the Insurers Conservation, Rehabilitation and Liquidation Law [Chapter 59A, Article 41 NMSA 1978].


**The 1999 amendment,** effective June 18, 1999, substituted "Article 24A" for "Article 24" in Subsection H.

**The 2001 amendment,** effective June 15, 2001, inserted current Subsection F and redesignated the remaining paragraphs accordingly, substituting article titles for statutory citation.
59A-44-42. Severability.

If any provision of Chapter 59A, Article 44 NMSA 1978 or the application of such provision to any circumstance is held invalid, the remainder of the article or the application of the provision to other circumstances shall not be affected thereby.


59A-44-46. Fraternal benefit societies; certificate provisions relating to individuals who are eligible for medical benefits under the medicaid program.

A. Each individual or group policy or certificate of accident or health insurance issued by a society that is delivered, issued for delivery or renewed in this state shall include provisions that require benefits paid on behalf of a child or other insured person under the policy or certificate to be paid to the human services department when:

(1) the human services department has paid or is paying benefits on behalf of the child or other insured person under the state's medicaid program pursuant to Title XIX of the federal Social Security Act, 42 U.S.C. 1396, et seq.;

(2) payment for the services in question has been made by the human services department to the medicaid provider; and

(3) the society is notified that the insured individual receives benefits under the medicaid program and that benefits must be paid directly to the human services department.

B. The notice required under Paragraph (3) of Subsection A of this section may be accomplished through an attachment to the claim by the human services department for insurance benefits when the claim is first submitted by the human services department to the society.

C. Notwithstanding any other provisions of law, checks in payment for claims pursuant to any individual or group policy or certificate of accident or health insurance for health care services provided to persons who are also eligible for benefits under the medicaid program and provided by medical providers qualified to participate under the policy or certificate shall be made payable to the provider. The society may be notified that the insured individual is eligible
for medicaid benefits through an attachment to the claim by the provider for insurance benefits when the claim is first submitted by the provider to the society.

D. No individual or group policy or certificate of accident or health insurance issued by a society that is delivered, issued for delivery or renewed in this state on or after the effective date of this section shall contain any provision denying or limiting insurance benefits because services are rendered to an insured who is eligible for or who has received medical assistance under the medicaid program of this state.


ARTICLE 45
Premium Financing

Section
59A-45-1 Short title.
59A-45-2 Definitions.
59A-45-3 Licensing requirements.
59A-45-4 Bonding requirements for licensees.
59A-45-5 Exemptions.
59A-45-6 Books and records.
59A-45-7 Form of premium finance agreement.
59A-45-8 Additional requirements.
59A-45-9 Assignee subject to defenses.
59A-45-10 Delinquency charges.
59A-45-11 Cancellation of insurance contract upon default.
59A-45-12 Exemption from any filing requirement.
59A-45-13 Revocation and suspension of licenses.
59A-45-14 Cease and desist order from the superintendent.
59A-45-15 Civil penalties.
59A-45-16 Other code provisions applicable.


This article [Chapter 59A, Article 45 NMSA 1978] may be cited as the "Insurance Premium Financing Law".

History: Laws 1984, ch. 127, § 831.

44 C.J.S. Insurance § 15 et seq.


As used in this article:
A. "person" means any individual, corporation, association, partnership or any other legal entity;

B. "insurance policy" or "insurance contract" means any contract of insurance, indemnity, medical or hospital services, suretyship or annuity issued, proposed for issuance or intended for issuance by any person;

C. "insurance premium finance agreement" means an agreement by which an insured or a prospective insured promises to pay to any person engaged in the business of premium financing, the amount advanced or to be advanced under the agreement to an insurer or to an insurance agent or broker in payment of premiums on an insurance contract; and

D. "insurance premium finance company" means a person engaged in the business of entering into insurance premium finance agreements.

History: Laws 1984, ch. 127, § 832.

59A-45-3. Licensing requirements.

A. No person shall engage in the business of financing insurance premiums in this state without first having obtained an insurance premium financing license from the superintendent.

B. The annual license fee shall be as stated in Section 101 [59A-6-1 NMSA 1978] (fee schedule) of the Insurance Code. Licenses may be renewed from year to year as of the first day of May of each year upon payment of the fee specified in such Section 101.

C. Licensing procedures and requirements shall be established by the superintendent by rule and regulation.

History: Laws 1984, ch. 127, § 833.


A. Prior to the issuance of an insurance premium financing license, the applicant shall file with the superintendent a surety bond or a bank certificate of deposit in favor of the superintendent in a total aggregate amount of not less than ten thousand dollars ($10,000), conditioned to pay the actual damages resulting to the state, to any policyholder or to any member of the public from violation by the licensee of the provisions of this article. The bond shall be executed by a surety insurer authorized to do business in this state. The certificate of deposit shall be issued from a bank licensed to do business in this state.

B. Bonds and certificates of deposit shall remain in effect during the term of the license. Without prejudice to any liability accrued prior to a cancellation, sureties may cancel their bonds by giving written notice to the superintendent at least thirty (30) days prior to the effective date of the cancellation.

C. The superintendent may increase the required amount of the bond or certificate of deposit according to a business volume scale which shall be established by the superintendent through
Existing deposits and bonds. — Laws 1984, ch. 127, § 993, provides that any deposit or surety bond filed in lieu thereof with or through the superintendent or state treasurer by any insurer in conjunction with authority to transact business in the state immediately prior to the effective date of the act (January 1, 1985) shall be given effect to the extent it complies with similar bonds required by the act after that date.

59A-45-5. Exemptions.

A. The provisions of this article shall not limit the authority of the following institutions to engage in insurance premium financing or apply to:
   (1) any life insurer authorized to do business in the state;
   (2) any national banking institution;
   (3) any state bank;
   (4) any savings and loan association;
   (5) any small loan company; or
   (6) any credit union.

B. The licensing and bonding provisions of this article shall not apply to:
   (1) any insurer, other than those exempt from this article pursuant to Paragraph A(1); and
   (2) any insurance agent licensed by this state.

C. This article shall not apply to the financing of insurance premiums in connection with a transaction under the Motor Vehicle Sales Finance Act, or under Sections 56-1-1 to 56-1-15 NMSA 1978.


A. Every person engaged in the business of financing insurance premiums shall maintain records of his premium finance transactions and the records shall be open to examination and investigation by the superintendent. The superintendent may at any time require any such persons to bring such records as he may direct to the superintendent's office for examination.

B. Every person who is engaged in the business of financing insurance premiums shall preserve his records of premium finance transactions, including cards used in a card system, for at least three (3) years after making the final entry in respect to any premium finance agreement.
The preservation of records in photographic forms shall constitute compliance with this requirement.


59A-45-7. Form of premium finance agreement.

A premium finance agreement shall:
A. comply with all existing federal laws;
B. comply with any requirements established by the superintendent by way of rule or regulation; and
C. contain a statement that the Insurance Premium Financing Law [Chapter 59A, Article 45 NMSA 1978] does not require a person to enter into an insurance premium financing agreement as a condition of the purchase of any insurance policy.

History: Laws 1984, ch. 127, § 837.

59A-45-8. Additional requirements.

The following additional provisions shall be applicable to an insurance premium finance agreement:
A. a premium finance company shall not charge, contract for, receive or collect a rate other than permitted pursuant to this article;
B. the rate is to be computed on the balance of the premium due, after subtracting the down payment made by the insured in accordance with the premium finance agreement, from the effective date of the insurance coverage for which premiums are being advanced, to and including the date when the final installment of the premium finance agreement is payable;
C. nothing contained in this article shall limit or restrict the manner of calculating the interest charges whether by way of add-on, discount, simple annual rate or otherwise, so long as the rate of interest charge does not exceed that permitted pursuant to this article. If the loan is a precomputed loan transaction:
   (1) the interest charge may be calculated on the assumption that all scheduled payments will be made when due; and
   (2) the effect of prepayment is governed by the provisions on rebate upon prepayment in this section;
D. if the entire unpaid balance outstanding on a precomputed loan transaction is paid by cash, renewal or otherwise, at any time prior to maturity, the premium finance company shall give a refund or credit of the unearned portion of such charge, according to the rule commonly known as "the rule of 78's", which refund or credit shall represent at least as great a portion of the original charge as the sum of the consecutive balances of the contract scheduled to be outstanding after the date of prepayment bears to the sum of all the consecutive monthly
balances of the contract scheduled to be outstanding under the schedule of payments in the
original instrument or instruments evidencing the loan; except, that if the contract is prepaid in
cash rather than renewed or refinanced, the premium finance company shall not be required to
make a refund or credit if the amount, computed as herein set forth, would be less than one dollar
($1) for each loan prior to the maturity;

E. in precomputed loan transactions where the insurer and the premium finance
company execute an extension agreement for the deferral of an installment payment, the
premium finance company may make an interest charge on the monthly installment that is
deferred at a rate not exceeding one percent per month for each month or portion thereof that the
payment has been deferred; and

F. for repayment in greater or lesser periods or amounts, or in unequal, irregular or
other than monthly installment, the rate may be computed at an equivalent effective rate having
due regard for the installments as scheduled.


An assignee of the rights of a creditor under an insurance premium finance agreement, for
the purchase of insurance primarily for personal, family or household purposes, is a holder
within the meaning of the Uniform Commercial Code (55-1-101 to 55-9-507 NMSA 1978) and
is subject to all defenses of the insured notwithstanding that there is an agreement to the
contrary.


Cross references. — For negotiable instrument provisions of Uniform Commercial Code, see
55-3-101 NMSA 1978, et seq.

59A-45-10. Delinquency charges.

A premium finance agreement may provide for the payment by the insured of a delinquency
charge on each installment in default for a period of more than ten days and in an amount not to
exceed five percent of each installment, or five dollars ($5.00), whichever is less, or in lieu
thereof, interest after maturity of each such installment not to exceed the highest lawful contract
rate; except that with respect to agreements financing coverages for other than personal, family
or household purposes, the delinquency charge shall be an amount equal to five percent of the
unpaid installment, but in no event more than five hundred dollars ($500). In addition, such
contract may provide for the payment of an attorney's reasonable fee, where it is referred for
collection to an attorney not a salaried employee of the person to whom the installment payment
is due, and for court costs and disbursements.

The 1999 amendment, effective June 18, 1999, inserted the language beginning "except that" in the first sentence, and made minor stylistic changes.


A. When a premium finance agreement contains a power of attorney enabling the premium finance company to cancel any insurance contract or contracts listed in the agreement, the insurance contract or contracts shall not be cancelled by the premium finance company unless such cancellation is made in accordance with this article.

B. Not less than ten (10) days written notice shall be mailed to the insured of the intent of the premium finance company to cancel the insurance contract unless the default is cured within the ten-day period.

C. After expiration of the ten-day period, the premium finance company may thereafter request, in the name of the insured, cancellation of such insurance contract or contracts by mailing to the insurer or its licensed agent a notice of cancellation, and the insurance contract shall be cancelled as if such notice of cancellation had been submitted by the insured himself, but without requiring the return of the insurance contract or contracts. The premium finance company shall also mail a notice of cancellation to the insured at his last known address.

D. All statutory, regulatory and contractual restrictions providing that the insurance contract may not be given to a governmental agency, mortgagee or other third party, shall apply where cancellation is made under this section. The insurer or its licensed agent shall give the prescribed notice on behalf of itself or the insured to any governmental agency, mortgagee or other third party on or before the tenth (10) [10th] business day after the day it receives the notice of cancellation from the premium finance company and shall determine the effective date of cancellation, taking into consideration the number of days' notice required to complete the cancellation.

E. Whenever an insurance contract is cancelled in accordance with this section, the insurer or its licensed agent shall return whatever gross unearned premiums are due under the insurance contract to the premium finance company effecting the cancellation for the account of the insured or insureds.

F. In the event that the crediting of return premiums to the account of the insured results in a surplus over the amount due from the insured, the premium finance company shall refund such excess to the insured provided that no such refund shall be required if it amounts to less than one dollar ($1).

History: Laws 1984, ch. 127, § 842.

This section requires an insurer to return unearned premiums before the cancellation of an insurance policy financed by a premium finance company becomes effective. Rodeo, Inc. v. Columbia Cas. Co., 2007-NMCA-013, 141 N.M. 32, 150 P.3d 982, cert. denied, 2007-NMCERT-001, ____ N.M. _____, ____ P.3d ____.

No filing of the premium finance agreement shall be necessary to perfect the validity of such agreement as a secured transaction as against creditors, subsequent purchasers, pledges and encumbrances, successor or assigns.


A. The superintendent may revoke or suspend the insurance premium financing license of any person when after investigation it appears to the superintendent that:
   (1) any license issued to such person was obtained by fraud;
   (2) there was any misrepresentation in the application of the license;
   (3) the holder of such license has otherwise shown himself untrustworthy or incompetent to act as a premium finance company;
   (4) such person has violated any of the provisions of this article; or
   (5) such person has been rebating part of any valid service charge to an insurance agent, his employee or to any other person as an inducement to the financing of any insurance policy.

B. The procedures for revocation and suspension of licenses shall be established by the superintendent through rule and regulation.


59A-45-14. Cease and desist order from the superintendent.

Upon a determination by hearing that a person has violated any provision of this article or any rules or regulations adopted thereunder, the superintendent may issue an order requiring the person to cease and desist from engaging in such violation. If the alleged violator fails to comply with the cease and desist order from the superintendent, the superintendent shall bring action for injunction in the district court in the county of Santa Fe.


Cross references. — For injunctions, see Rule 1-066 NMRA.


In addition to any penalties imposed pursuant to Sections 844 or 845 [59A-45-13 or 59A-45-14 NMSA 1978] of this article, the district court may, in an action filed by the superintendent, impose the following civil penalties:
A. for each violation of this article a penalty of not more than one thousand dollars ($1,000) but not to exceed an aggregate penalty of ten thousand dollars ($10,000) in any six-month period; and

B. for each violation of an order issued by the superintendent pursuant to Section 845 of this article, a penalty of not more than ten thousand dollars ($10,000).


59A-45-16. Other code provisions applicable.

The following additional articles and provisions of the Insurance Code shall also apply, as applicable, to insurance premium finance companies and their operations:

A. Article 1 [Chapter 59A, Article 1 NMSA 1978] (scope of code, initial definitions, general penalty);

B. Article 2 [Chapter 59A, Article 2 NMSA 1978] (department of insurance);

C. Article 4 [Chapter 59A, Article 4 NMSA 1978] (examination, hearings and appeals);

D. Article 10 [Chapter 59A, Article 10 NMSA 1978] (administration of deposits);

E. Article 16 [Chapter 59A, Article 16 NMSA 1978] (trade practices and frauds);

and

F. Article 53 [not codified] (transitory provisions).

History: Laws 1984, ch. 127, § 847.

Bracketed material. — The reference in Subsection F to "Article 53 (transitory provisions)" apparently refers to the uncodified article 53 of Laws 1984, ch. 127, which contains sections 989 to 997 of the act pertaining to repeals of sections of the former Insurance Code in Chapter 59 NMSA 1978, continuation of certain departments, boards and offices, continuation under Chapter 59A NMSA 1978 of certificates of authority, licenses, bonds, forms, etc. granted or approved under provision in the former Insurance Code in Chapter 59 NMSA 1978, and other transitory provisions. The bracketed material was not enacted by the legislature, and it is not a part of the law.


ARTICLE 46
Health Maintenance Organizations

Section
59A-46-1 Short title.
59A-46-2 Definitions.
59A-46-3 Establishment of health maintenance organizations.
59A-46-5  Powers of health maintenance organizations.
59A-46-6  Fiduciary responsibilities; fidelity bond.
59A-46-7  Quality assurance program.
59A-46-8  Requirements for group contract, individual contract and evidence of coverage.
59A-46-9  Annual report.
59A-46-10 Information to enrollees or subscribers.
59A-46-11 Grievance procedures.
59A-46-12 Investments.
59A-46-13 Protection against insolvency.
59A-46-14 Uncovered expenditures insolvency deposit.
59A-46-15 Enrollment period; replacement coverage in the event of insolvency.
59A-46-16 Filing requirements for rating information.
59A-46-17 Regulation of health maintenance organization agents.
59A-46-19 Examinations.
59A-46-20 Suspension or revocation of certificate of authority.
59A-46-21 Rehabilitation, liquidation or conservation of health maintenance organizations.
59A-46-22 Summary orders and supervision.
59A-46-22.1 Repealed.
59A-46-23 Regulations.
59A-46-24 Fees.
59A-46-25 Penalties and enforcement.
59A-46-26 Filings and reports as public documents.
59A-46-27 Confidentiality of medical information and limitation of liability.
59A-46-28 Authority to contract.
59A-46-29 Health maintenance organizations; contract or certificate provisions relating to individuals who are eligible for medical benefits under the medicaid program.
59A-46-30 Statutory construction and relationship to other laws.
59A-46-31 Coordination of benefits.
59A-46-32 Continuation of coverage and conversion rights; health care plans.
59A-46-32.1 Recompiled.
59A-46-33 Governing body.
59A-46-34 Prohibited practices.
59A-46-35 Provider discrimination prohibited.
59A-46-36 Doctor of oriental medicine; discrimination prohibited.
59A-46-38 Newly born children coverage.
59A-46-38.1 Coverage of children.
59A-46-38.2 Childhood immunization coverage required.
59A-46-38.3 Maximum age of dependent.
59A-46-38.4 Coverage of circumcision for newborn males.
59A-46-38.5 Hearing aid coverage for children required.
59A-46-40 Home health care service option required.
59A-46-41 Coverage for mammograms.
59A-46-41.1 Mastectomies and lymph node dissection; minimum hospital stay coverage required.
59A-46-42.1 Coverage for the human papillomavirus vaccine.
59A-46-43 Coverage for individuals with diabetes.
59A-46-43.2 Coverage for medical diets for genetic inborn errors of metabolism.
59A-46-44 Coverage for prescription contraceptive drugs or devices.
59A-46-48 Coverage of colorectal cancer screening.


Chapter 59A, Article 46 NMSA 1978 may be cited as the "Health Maintenance Organization Law".


The 1993 amendment, effective January 1, 1994, substituted "Chapter 59A, Article 46 NMSA 1978" for "This article" and substituted "Law" for "Act.".


As used in the Health Maintenance Organization Law [59A-46-1 NMSA 1978]:

A. "basic health care services":

(1) means medically necessary services consisting of preventive care, emergency care, inpatient and outpatient hospital and physician care, diagnostic laboratory, diagnostic and therapeutic radiological services and services of pharmacists and pharmacist clinicians; but

(2) does not include mental health services or services for alcohol or drug abuse, dental or vision services or long-term rehabilitation treatment;

B. "capitated basis" means fixed per member per month payment or percentage of premium payment wherein the provider assumes the full risk for the cost of contracted services without regard to the type, value or frequency of services provided and includes the cost associated with operating staff model facilities;

C. "carrier" means a health maintenance organization, an insurer, a nonprofit health care plan or other entity responsible for the payment of benefits or provision of services under a group contract;

D. "copayment" means an amount an enrollee must pay in order to receive a specific service that is not fully prepaid;

E. "deductible" means the amount an enrollee is responsible to pay out-of-pocket before the health maintenance organization begins to pay the costs associated with treatment;
F. "enrollee" means an individual who is covered by a health maintenance organization;

G. "evidence of coverage" means a policy, contract or certificate showing the essential features and services of the health maintenance organization coverage that is given to the subscriber by the health maintenance organization or by the group contract holder;

H. "extension of benefits" means the continuation of coverage under a particular benefit provided under a contract or group contract following termination with respect to an enrollee who is totally disabled on the date of termination;

I. "grievance" means a written complaint submitted in accordance with the health maintenance organization's formal grievance procedure by or on behalf of the enrollee regarding any aspect of the health maintenance organization relative to the enrollee;

J. "group contract" means a contract for health care services that by its terms limits eligibility to members of a specified group and may include coverage for dependents;

K. "group contract holder" means the person to whom a group contract has been issued;

L. "health care services" means any services included in the furnishing to any individual of medical, mental, dental, pharmaceutical or optometric care or hospitalization or nursing home care or incident to the furnishing of such care or hospitalization, as well as the furnishing to any person of any and all other services for the purpose of preventing, alleviating, curing or healing human physical or mental illness or injury;

M. "health maintenance organization" means any person who undertakes to provide or arrange for the delivery of basic health care services to enrollees on a prepaid basis, except for enrollee responsibility for copayments or deductibles;

N. "health maintenance organization agent" means a person who solicits, negotiates, effects, procures, delivers, renews or continues a policy or contract for health maintenance organization membership or who takes or transmits a membership fee or premium for such a policy or contract, other than for himself, or a person who advertises or otherwise holds himself out to the public as such;

O. "individual contract" means a contract for health care services issued to and covering an individual and it may include dependents of the subscriber;

P. "insolvent" or "insolvency" means that the organization has been declared insolvent and placed under an order of liquidation by a court of competent jurisdiction;

Q. "managed hospital payment basis" means agreements in which the financial risk is related primarily to the degree of utilization rather than to the cost of services;

R. "net worth" means the excess of total admitted assets over total liabilities, but the liabilities shall not include fully subordinated debt;

S. "participating provider" means a provider as defined in Subsection U of this section who, under an express contract with the health maintenance organization or with its
contractor or subcontractor, has agreed to provide health care services to enrollees with an expectation of receiving payment, other than copayment or deductible, directly or indirectly from the health maintenance organization;

T. "person" means an individual or other legal entity;

U. "provider" means a physician, pharmacist, pharmacist clinician, hospital or other person licensed or otherwise authorized to furnish health care services;

V. "replacement coverage" means the benefits provided by a succeeding carrier;

W. "subscriber" means an individual whose employment or other status, except family dependency, is the basis for eligibility for enrollment in the health maintenance organization or, in the case of an individual contract, the person in whose name the contract is issued;

X. "uncovered expenditures" means the costs to the health maintenance organization for health care services that are the obligation of the health maintenance organization, for which an enrollee may also be liable in the event of the health maintenance organization's insolvency and for which no alternative arrangements have been made that are acceptable to the superintendent;

Y. "pharmacist" means a person licensed as a pharmacist pursuant to the Pharmacy Act [61-11-1 NMSA 1978]; and

Z. "pharmacist clinician" means a pharmacist who exercises prescriptive authority pursuant to the Pharmacist Prescriptive Authority Act [61-11B-1 NMSA 1978].


The 2007 amendment, effective June 15, 2007, includes the services of pharmacists and pharmacists clinicians as providers of basic health care services and adds the definitions of "pharmacist" and "pharmacist clinician" in Subsections Y and Z.


A. Notwithstanding any law of this state to the contrary, any person may apply to the superintendent for a certificate of authority to establish and operate a health maintenance organization in compliance with Chapter 59A, Article 46 NMSA 1978. No person shall establish or operate a health maintenance organization in this state without obtaining a certificate of authority under Chapter 59A, Article 46 NMSA 1978. A foreign corporation may qualify under Chapter 59A, Article 46 NMSA 1978, subject to its registration to do business in this state as a foreign corporation pursuant to Chapter 53, Article 17 NMSA 1978 and compliance with all provisions of Chapter 59A, Article 46 NMSA 1978 and other applicable state laws.

B. Any health maintenance organization that has not previously received a certificate of
authority to operate as a health maintenance organization as of January 1, 1994 shall submit an
application for a certificate of authority under Subsection C of this section no later than March 1,
1993. Each such applicant may continue to operate until the superintendent acts upon the
application. In the event that an application is denied under Section 59A-46-4 NMSA 1978, the
applicant shall thereafter be treated as a health maintenance organization whose certificate of
authority has been revoked.

C. Each application for a certificate of authority shall be verified by an officer or authorized
representative of the applicant, shall be in a form prescribed by the superintendent and shall set
forth or be accompanied by the following:

1. a copy of the organizational documents of the applicant, such as the articles of
incorporation, articles of association, partnership agreement, trust agreement or other applicable
documents and all amendments thereto;

2. a copy of the bylaws, rules and regulations or similar document, if any, regulating
the conduct of the internal affairs of the applicant;

3. a list of the names, addresses and official positions and biographical information
on forms acceptable to the superintendent of the persons who are to be responsible for the
conduct of the affairs and day to day operations of the applicant, including all members of the
board of directors, board of trustees, executive committee or other governing board or committee
and the principal officers in the case of a corporation or the partners or members in the case of a
partnership or association;

4. a copy of any contract form made or to be made between any class of providers
and the health maintenance organization and a copy of any contract made or to be made between
third party administrators, marketing consultants or persons listed in Paragraph (3) of this
subsection and the health maintenance organization;

5. a copy of the form of evidence of coverage to be issued to the enrollees;

6. a copy of the form of group contract, if any, to be issued to employers, unions,
trustees or other organizations;

7. financial statements showing the applicant's assets, liabilities and sources of
financial support, including both a copy of the applicant's most recent, regular certified financial
statement and an unaudited current financial statement;

8. a financial feasibility plan that includes detailed enrollment projections, the
methodology for determining premium rates to be charged during the first twelve months of
operations certified by an actuary or other person determined by the superintendent to be
qualified, a three-year projection of balance sheets, a three-year projection of cash flow
statements showing any capital expenditures, purchase and sale of investments and deposits with
the state and income and expense statements anticipated from the start of operations for three
years or until the organization has had net income for at least one year, if longer, a description of
the proposed method of marketing and a statement of the sources of working capital as well as
any other sources of funding;
(9) a power of attorney duly executed by the applicant, if not domiciled in this state, appointing the superintendent, his successors in office and duly authorized deputies as the true and lawful attorney of such applicant in and for this state upon whom all lawful process in any legal action or proceeding against the health maintenance organization on a cause of action arising in this state may be served;

(10) a statement or map reasonably describing the geographic area or areas to be served;

(11) a description of the internal grievance procedures to be utilized for the investigation and resolution of enrollee complaints and grievances;

(12) a description of the proposed quality assurance program, including the formal organizational structure, methods for developing criteria, procedures for comprehensive evaluation of the quality of care rendered to enrollees and processes to initiate corrective action and reevaluation when deficiencies in provider or organizational performance are identified;

(13) a description of the procedures to be implemented to meet the protection against insolvency requirements in Section 59A-46-13 NMSA 1978;

(14) a list of the names, addresses and license numbers of all providers with which the health maintenance organization has agreements; and

(15) such other information as the superintendent may require to make the determinations required in Section 59A-46-4 NMSA 1978.

D. A health maintenance organization shall, unless otherwise provided for in Chapter 59A, Article 46 NMSA 1978, file a notice describing any substantial modification of the operation set out in the information required by Subsection C of this section. Such notice shall be filed with the superintendent prior to the modification. If the superintendent does not disapprove within thirty days of filing, such modification shall be deemed approved.


A. Upon receipt of an application for issuance of a certificate of authority, the superintendent may transmit copies of such application and accompanying documents to the secretary of health.

B. If requested by the superintendent, the secretary of health shall determine whether the applicant for a certificate of authority, with respect to health care services to be furnished, has complied with Section 59A-46-7 NMSA 1978.

C. If requested by the superintendent, the secretary of health shall certify to the
superintendent, within forty-five days of receipt of the application for issuance of a certificate of authority, that the proposed health maintenance organization meets the requirements of Section 59A-46-7 NMSA 1978 or notify the superintendent that the health maintenance organization does not meet such requirements and specify in what respects it is deficient.

D. The superintendent shall within forty-five days of receipt of certification or notice of deficiencies from the secretary of health pursuant to Subsection C of this section, or within sixty days of receipt of the application indicated in Subsection A of this section if no request has been made of the secretary of health, issue a certificate of authority to any person filing a completed application upon receiving the prescribed fees and upon the superintendent being satisfied that:

   (1) the persons responsible for the conduct of the affairs of the applicant are competent, trustworthy and possess good reputations;

   (2) any deficiencies identified by the secretary of health pursuant to Subsection C of this section have been corrected and the secretary of health has certified to the superintendent that the health maintenance organization's proposed plan of operation meets the requirements of Section 59A-46-7 NMSA 1978;

   (3) the health maintenance organization will effectively provide or arrange for the provision of basic health care services on a prepaid basis, through insurance or otherwise, except to the extent of reasonable requirements for copayments or deductibles, or both; and

   (4) the health maintenance organization is in compliance with Sections 59A-46-13 and 59A-46-15 NMSA 1978.

E. A certificate of authority shall be denied only after the superintendent complies with the requirements of Section 59A-46-20 NMSA 1978.


A. The powers of a health maintenance organization include, but are not limited to, the following:

   (1) the purchase, lease, construction, renovation, operation or maintenance of hospitals, medical facilities, or both, and their ancillary equipment, and such property as may reasonably be required for its principal office or for such purposes as may be necessary in the transaction of the business of the organization;

   (2) transactions between or among affiliated entities, including loans and the transfer of responsibility under all contracts, including without limitation provider and subscriber contracts between or among affiliates or between the health maintenance organization and its parent;
(3) the furnishing of health care services through providers, provider associations or agents for providers that are under contract with or employed by the health maintenance organization;

(4) the contracting with any person for the performance on its behalf of certain functions such as marketing, enrollment and administration;

(5) the contracting with an authorized insurer in this state for the provision of insurance, indemnity or reimbursement against the cost of health care services provided by the health maintenance organization;

(6) the offering of other health care services, in addition to basic health care services; and

(7) the joint marketing of products with an insurer authorized to do business in this state as long as the company that is offering each product is clearly identified.

B. A health maintenance organization shall file notice, with adequate supporting information, with the superintendent prior to the exercise of any power granted in Paragraph (1), (2) or (4) of Subsection A of this section that may affect the financial soundness of the health maintenance organization. The superintendent shall disapprove such exercise of power only if in his opinion it would substantially and adversely affect the financial soundness of the health maintenance organization and endanger its ability to meet its obligations. If the superintendent does not disapprove within thirty days of the filing, it shall be deemed approved, but the superintendent may in his sole discretion postpone the action for an additional thirty days as necessary for proper consideration of the effects of the proposed action.

C. The superintendent may adopt rules and regulations exempting from the filing requirement of Subsection B of this section those activities having a de minimis effect.


A. Any director, officer, employee or partner of a health maintenance organization who receives, collects, disburses or invests funds in connection with the activities of the organization shall be responsible for such funds in a fiduciary relationship to the organization.

B. A health maintenance organization shall maintain in force a fidelity bond or fidelity insurance on the employees and officers, directors and partners described in Subsection A of this section in an amount not less than two hundred fifty thousand dollars ($250,000) for each health maintenance organization or a maximum of five million dollars ($5,000,000) in aggregate maintained on behalf of health maintenance organizations owned by a common parent corporation, or such sum as may be prescribed by the superintendent.

A. A health maintenance organization shall establish procedures to assure that the health care services provided to enrollees shall be rendered under reasonable standards of quality of care consistent with prevailing professionally recognized standards of medical practice. Such procedures shall include mechanisms to assure availability, accessibility and continuity of care.

B. A health maintenance organization shall have an ongoing internal quality assurance program to monitor and evaluate its health care services, including primary and specialist physician services, and ancillary and preventive health care services, across all institutional and non-institutional settings. The program shall include, at a minimum, the following:

(1) a written statement of goals and objectives that emphasizes improved health status in evaluating the quality of care rendered to enrollees;

(2) a written quality assurance plan that describes the following:
   (a) the health maintenance organization's scope and purpose in quality assurance;
   (b) the organizational structure responsible for quality assurance activities;
   (c) contractual arrangements, where appropriate, for delegation of quality assurance activities;
   (d) confidentiality policies and procedures;
   (e) a system of ongoing evaluation activities;
   (f) a system of focused evaluation activities;
   (g) a system for credentialing providers and performing peer review activities; and
   (h) duties and responsibilities of the designated physician responsible for the quality assurance activities;

(3) a written statement describing the system of ongoing quality assurance activities, including:
   (a) problem assessment, identification, selection and study;
   (b) corrective action, monitoring, evaluation and reassessment; and
   (c) interpretation and analysis of patterns of care rendered to individual patients by individual providers;

(4) a written statement describing the system of focused quality assurance activities based on representative samples of the enrolled population that identifies method of topic...
selection, study, data collection, analysis, interpretation and report format; and

(5) written plans for taking appropriate corrective action whenever, as determined by the quality assurance program, inappropriate or substandard services have been provided or services that should have been furnished have not been provided.

C. A health maintenance organization shall record proceedings of formal quality assurance program activities and maintain documentation in a confidential manner. Quality assurance program minutes shall be available for examination by the superintendent and by the secretary of health if requested by the superintendent but shall not be disclosed to third parties except as permitted by the provisions of Chapter 59A, Article 46 NMSA 1978.

D. A health maintenance organization shall ensure the use and maintenance of an adequate patient record system that will facilitate documentation and retrieval of clinical information for the purpose of the health maintenance organization evaluating continuity and coordination of patient care and assessing the quality of health and medical care provided to enrollees.

E. Except as otherwise restricted or prohibited by state or federal law, enrollee clinical records shall be available to the superintendent or an authorized designee for examination and review to ascertain compliance with this section or as deemed necessary by the superintendent.

F. A health maintenance organization shall establish a mechanism for periodic reporting of quality assurance program activities to the governing body, providers and appropriate organization staff.


59A-46-8. Requirements for group contract, individual contract and evidence of coverage.

A. Every group and individual contract holder is entitled to a group or individual contract. The contract shall not contain provisions or statements that are unjust, unfair, inequitable, misleading, deceptive or that encourage misrepresentation as described in Section 59A-16-4 NMSA 1978. The contract shall contain a clear statement of the following:

(1) name and address of the health maintenance organization;
(2) eligibility requirements;
(3) benefits and services within the service area;
(4) emergency care benefits and services;
(5) out-of-area benefits and services, if any;
(6) copayments, deductibles or other out-of-pocket expenses;
(7) limitations and exclusions;
(8) enrollee termination;
(9) enrollee reinstatement, if any;
(10) claims procedures;
(11) enrollee grievance procedures;
(12) continuation of coverage;
(13) conversion;
(14) extension of benefits, if any;
(15) coordination of benefits, if applicable;
(16) subrogation, if any;
(17) description of the service area;
(18) entire contract provision;
(19) term of coverage;
(20) cancellation of group or individual contract holder;
(21) renewal;
(22) reinstatement of group or individual contract holder, if any;
(23) grace period; and
(24) conformity with state law.

B. An evidence of coverage may be filed as part of the group contract to describe the provisions required in Paragraphs (1) through (17) and (20) of Subsection A of this section.

C. In addition to those provisions required in Paragraphs (1) through (24) of Subsection A of this section, an individual contract shall provide for a ten-day period to examine and return the contract and have the premium refunded. If services were received during the ten-day period, and the person returns the contract to receive a refund of the premium paid, he or she must pay for such services.

D. Every subscriber shall receive an evidence of coverage from the group contract holder or the health maintenance organization. The evidence of coverage shall not contain provisions or statements that are unfair, unjust, inequitable, misleading, deceptive or that encourage misrepresentation as described in Section 59A-16-4 NMSA 1978. The evidence of coverage shall contain a clear statement of the provisions required in Paragraphs (1) through (17) and (20) of Subsection A of this section.

E. The superintendent may adopt regulations establishing readability standards for individual contract, group contract and evidence of coverage forms.

F. No group or individual contract, evidence of coverage or amendment thereto shall be delivered or issued for delivery in this state, unless its form has been filed with and approved by the superintendent, subject to Subsections G and H of this section.
G. If an evidence of coverage issued pursuant to and incorporated in a contract issued in this state is intended for delivery in another state and the evidence of coverage has been approved for use in the state in which it is to be delivered, the evidence of coverage need not be submitted to the superintendent for approval.

H. Every form of group or individual contract, evidence of coverage or amendment thereto required to be filed pursuant to the provisions of Subsection F of this section shall be filed with the superintendent not less than thirty days prior to delivery or issue for delivery in this state. At any time during the initial thirty day period, the superintendent may extend the period for review for an additional thirty days. Notice of an extension shall be in writing. At the end of the review period, the form is deemed approved if the superintendent has taken no action. The filer must notify the superintendent in writing prior to using a form that is deemed approved.

I. At any time, after thirty days notice and for cause shown, the superintendent may withdraw approval of any form of group or individual contract, evidence of coverage or amendment thereto, effective at the end of the thirty-day notice period.

J. When a filing is disapproved or approval of a form of group or individual contract, evidence of coverage or amendment thereto is withdrawn, the superintendent shall give the health maintenance organization written notice of the reasons for disapproval and in the notice shall inform the health maintenance organization that within thirty days of receipt of the notice the health maintenance organization may request a hearing. A hearing shall be conducted within thirty days after the superintendent has received the request for hearing.

K. The superintendent may require the submission of whatever relevant information he deems necessary in determining whether to approve or disapprove a filing made pursuant to this section.


A. Every health maintenance organization shall annually, on or before the first day of March, file a report, verified by at least two principal officers, with the superintendent covering the preceding calendar year.

B. The report shall be on forms prescribed by the superintendent and shall include:

(1) a financial statement of the organization prepared pursuant to forms prescribed by the superintendent, including its balance sheet and receipts and disbursements for the preceding year;

(2) any material changes in the information submitted pursuant to Subsection C of

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Section 59A-46-3 NMSA 1978;

(3) the number of persons enrolled during the year and the number of enrollees as of the end of the year; and

(4) such other reasonable information materially relating to the performance of the health maintenance organization as is necessary to enable the superintendent to carry out his duties under the Insurance Code.

C. In addition, the health maintenance organization shall file by the dates indicated:

(1) audited financial statements as of the end of the preceding calendar year on or before June 1, or within one hundred twenty days following the end of its fiscal year, whichever is later;

(2) a list of the providers who have executed a contract that complies with Subsection D of Section 59A-46-13 NMSA 1978 on or before March 1; and

(3) a description of the grievance procedures and the total number of grievances handled through such procedures, a compilation of the causes underlying those grievances and a summary of the final disposition of those grievances, on or before March 1.

D. The superintendent may require such additional reports as are deemed necessary and appropriate to enable the superintendent to carry out his duties under the Health Maintenance Organization Law [Chapter 59A, Article 46 NMSA 1978].


59A-46-10. Information to enrollees or subscribers.

A. A health maintenance organization shall provide to its subscribers or to its group contract holders for distribution to subscribers a list of providers upon enrollment and re-enrollment.

B. Every health maintenance organization shall notify its subscribers within thirty days of any material change in the operation of the organization that will affect the service to subscribers directly.

C. An enrollee shall be notified in writing by the health maintenance organization of the termination of any designated primary care provider who provided health care services to that enrollee. The health maintenance organization shall provide assistance to the enrollee in transferring to another participating primary care provider.

D. The health maintenance organization shall provide to subscribers information on how services may be obtained, where additional information on access to services may be obtained and a number where the enrollee may contact the health maintenance organization at no cost to
the enrollee.

**History:** 1978 Comp., § 59A-46-10, enacted by Laws 1993, ch. 266, § 10.


A. Every health maintenance organization shall establish and maintain a grievance procedure that has been approved by the superintendent to provide procedures for the resolution of grievances initiated by enrollees. The health maintenance organization shall maintain records regarding grievances received since the date of its last examination of such grievances.

B. The superintendent or his designee may examine such grievance procedures and records.


### 59A-46-12. Investments.

With the exception of investments made in accordance with Paragraph (1) of Subsection A of Section 59A-46-5 NMSA 1978, the funds of a health maintenance organization shall be invested only in accordance with Chapter 59A, Article 9 NMSA 1978 and such regulations as the superintendent may promulgate consistent with that article and the provisions of the Health Maintenance Organization Law [Chapter 59A, Article 46 NMSA 1978].

**History:** 1978 Comp., § 59A-46-12, enacted by Laws 1993, ch. 266, § 12.


A. Health maintenance organizations shall be subject to the following net worth requirements:

1. before any certificate of authority is issued to a health maintenance organization, it shall have an initial net worth of one million five hundred thousand dollars ($1,500,000) and shall thereafter maintain the minimum net worth required under Paragraph (2) of this subsection;

2. except as provided in Paragraphs (3) and (4) of this subsection, every health...
maintenance organization shall maintain a minimum net worth equal to the greater of:

(a) one million dollars ($1,000,000);

(b) two percent of annual premium revenues as reported on the most recent annual financial statement filed with the superintendent on the first one hundred fifty million dollars ($150,000,000) of premium revenues and one percent of annual premium on the premium in excess of one hundred fifty million dollars ($150,000,000);

(c) an amount equal to the sum of three months uncovered health care expenditures as reported on the most recent financial statement filed with the superintendent; or

(d) an amount equal to the sum of: 1) eight percent of annual health care expenditures for enrollees under prepaid contracts except those paid on a capitated basis or managed hospital payment basis as reported on the most recent financial statement filed with the superintendent; and 2) four percent of annual hospital expenditures for enrollees under prepaid contracts paid on a capitated basis and a managed hospital payment basis as reported on the most recent financial statement filed with the superintendent;

(3) a health maintenance organization licensed before the effective date of Chapter 59A, Article 46 NMSA 1978 shall maintain a minimum net worth of:

(a) twenty-five percent of the amount required by Paragraph (2) of this subsection by December 31, 1994;

(b) fifty percent of the amount required by Paragraph (2) of this subsection by December 31, 1995;

(c) seventy-five percent of the amount required by Paragraph (2) of this subsection by December 31, 1996; and

(d) one hundred percent of the amount required by Paragraph (2) of this subsection by December 31, 1997; and

(4) in determining net worth for the purposes of Paragraph (3) of this subsection:

(a) no debt shall be considered fully subordinated unless the subordination clause is in a form acceptable to the superintendent and any interest obligation relating to the repayment of any subordinated debt must be similarly subordinated;

(b) the interest expenses relating to the repayment of any fully subordinated debt shall be considered covered expenses;

(c) any debt incurred by a surplus note meeting the requirements of Section 59A-34-23 NMSA 1978, and otherwise acceptable to the superintendent, shall not be considered a liability and shall be recorded as equity; and

(d) preferred stock shall not be considered debt.

B. Health maintenance organizations shall be subject to the following deposit requirements:

(1) unless otherwise provided below, each health maintenance organization shall deposit with the superintendent or, at the discretion of the superintendent, with any organization
or trustee acceptable to him through which a custodial or controlled account is utilized, cash, securities or any combination of these or other measures that are acceptable to him that at all times shall have a value of not less than three hundred thousand dollars ($300,000);

(2) a health maintenance organization that is in operation on the effective date of this section shall make a deposit equal to one hundred fifty thousand dollars ($150,000) and, in the second year, the amount of the additional deposit for a health maintenance organization that is in operation on the effective date of this section shall be equal to one hundred fifty thousand dollars ($150,000), for a total of three hundred thousand dollars ($300,000);

(3) the deposit shall be an admitted asset of the health maintenance organization in the determination of net worth;

(4) all income from deposits shall be an asset of the organization, but a health maintenance organization that has made a securities deposit may withdraw that deposit or any part thereof after making a substitute deposit of cash, securities or any combination of these or other assets of equal amount and value;

(5) any securities deposited pursuant to the provisions of this subsection shall be approved by the superintendent before being deposited or substituted;

(6) the deposit shall be used to protect the interests of the health maintenance organization's enrollees and to assure continuation of health care services to enrollees of a health maintenance organization that is in rehabilitation or conservation;

(7) the superintendent may use a deposit made pursuant to the provisions of this subsection for administrative costs directly attributable to a receivership or liquidation, and if the health maintenance organization is placed in receivership or liquidation, the deposit shall be an asset subject to the provisions of the applicable liquidation law; and

(8) the superintendent may reduce or eliminate the deposit requirement if the health maintenance organization deposits with the state treasurer, insurance superintendent or other official body of the state or jurisdiction of domicile for the protection of all subscribers and enrollees, wherever located, of such health maintenance organization, cash, acceptable securities or surety, and delivers to the superintendent a certificate to such effect, duly authenticated by the appropriate state official holding the deposit.

C. Every health maintenance organization shall include when determining liabilities an amount estimated in the aggregate to provide for:

(1) any unearned premium;

(2) the payment of all claims for health care expenditures that have been incurred, whether reported or unreported, which are unpaid and for which the health maintenance organization is or may be liable;

(3) the expense of adjustment or settlement of the claims described in Paragraph (2) of this subsection; and

(4) contract liabilities for continuation of coverage or conversion rights not covered
by future premiums or hold harmless agreements.

D. Liabilities described in Subsection C of this section shall be computed in accordance with regulations adopted by the superintendent upon reasonable consideration of the ascertained experience and character of the health maintenance organization.

E. Every contract between a health maintenance organization and a participating provider of health care services shall be in writing and shall set forth that in the event the health maintenance organization fails to pay for health care services as set forth in the contract, the subscriber or enrollee shall not be liable to the provider for any sums owed by the health maintenance organization. In the event that the participating provider contract has not been reduced to writing or the contract fails to contain the required prohibition, the participating provider shall not collect or attempt to collect from the subscriber or enrollee sums owed by the health maintenance organization. No participating provider or agent, trustee or assignee thereof, may maintain any action at law against a subscriber or enrollee to collect sums owed by the health maintenance organization.

F. The superintendent shall require that each health maintenance organization have a plan for handling insolvency that allows for continuation of benefits for the duration of the contract period for which premiums have been paid and continuation of benefits to members who are confined on the date of insolvency in an inpatient facility until their discharge or expiration of benefits. In considering the plan, the superintendent may require:

1. insurance to cover the expenses to be paid for continued benefits after an insolvency;
2. provisions in provider contracts that obligate the provider to provide services for the duration of the period after the health maintenance organization's insolvency for which premium payment has been made and until the enrollees' discharge from inpatient facilities;
3. insolvency reserves;
4. acceptable letters of credit; or
5. any other arrangements to assure that benefits are continued as specified above.

G. An agreement to provide health care services between a provider and a health maintenance organization shall require that if the provider terminates the agreement, the provider shall give the organization at least sixty days' advance notice of termination.


A. If at any time uncovered expenditures exceed ten percent of total health care expenditures, a health maintenance organization shall place an uncovered expenditures insolvency deposit with the superintendent, with any organization or trustee acceptable to the superintendent through which a custodial or controlled account is maintained, cash or securities that are acceptable to the superintendent. Such deposit shall at all times have a fair market value in an amount of one hundred twenty percent of the health maintenance organization's outstanding liability for uncovered expenditures for enrollees in this state, including incurred but not reported claims, and shall be calculated as of the first day of the month and maintained for the remainder of the month. If a health maintenance organization is not otherwise required to file a quarterly report, it shall file a report within forty-five days of the end of the calendar quarter with information sufficient to demonstrate compliance with this subsection.

B. The deposit required under Subsection A of this section is in addition to the deposit required under Section 59A-46-13 NMSA 1978 and is an admitted asset of the health maintenance organization in the determination of net worth. All income from such deposits or trust accounts shall be assets of the health maintenance organization and may be withdrawn from such deposit or account quarterly with the approval of the superintendent.

C. A health maintenance organization that has made a deposit may withdraw that deposit or any part of the deposit if a substitute deposit of cash or securities of equal amount and value is made, the fair market value of the deposit exceeds the amount of the required deposit, or the required deposit under Subsection A of this section is reduced or eliminated. Deposits, substitutions or withdrawals may be made only with the prior written approval of the superintendent.

D. The deposit required under Subsection A of this section is in trust and may be used only as provided under this section. The superintendent may use the deposit of an insolvent health maintenance organization for administrative costs associated with administering the deposit and payment of claims of enrollees of this state for uncovered expenditures in this state. Claims for uncovered expenditures shall be paid on a pro rata basis based on assets available to pay such ultimate liability for incurred expenditures. Partial distribution may be made pending final distribution. Any amount of the deposit remaining shall be paid into the liquidation or receivership of the health maintenance organization.

E. The superintendent may by regulation prescribe the time, manner and form for filing claims under Subsection D of this section.

F. The superintendent may by regulation or order require health maintenance organizations to file annual, quarterly or more frequent reports as he deems necessary to demonstrate compliance with this section. The superintendent may require that the reports include liability for uncovered expenditures as well as an audit opinion.


59A-46-15. Enrollment period; replacement coverage in the event of insolvency.

A. In the event of an insolvency of a health maintenance organization, upon order of the superintendent, all other carriers that participated in the enrollment process with the insolvent health maintenance organization at a group's last regular enrollment period shall offer such group's enrollees of the insolvent health maintenance organization a thirty-day enrollment period commencing upon the date of insolvency. Each carrier shall offer such enrollees of the insolvent health maintenance organization the same coverages and rates that it had offered to the enrollees of the group at its last regular enrollment period.

B. If no other carrier had been offered to some groups enrolled in the insolvent health maintenance organization, or if the superintendent determines that the other health benefit plans lack sufficient health care delivery resources to assure that health care services will be available and accessible to all of the group enrollees of the insolvent health maintenance organization, then the superintendent shall allocate equitably the insolvent health maintenance organization's group contracts for such groups among all health maintenance organizations that operate within a portion of the insolvent health maintenance organization's service area, taking into consideration the health care delivery resources and total membership of each health maintenance organization. Each health maintenance organization to which a group or groups are so allocated shall offer such group or groups the health maintenance organization's existing coverage that is most similar to each group's coverage with the insolvent health maintenance organization at rates determined in accordance with the successor health maintenance organization's existing rating methodology.

C. The superintendent shall also allocate equitably the insolvent health maintenance organization's nongroup enrollees that are unable to obtain other coverage among all health maintenance organizations that operate within a portion of the insolvent health maintenance organization's service area, taking into consideration the health care delivery resources of each such health maintenance organization. Each health maintenance organization to which nongroup enrollees are allocated shall offer such nongroup enrollees the health maintenance organization's existing coverage for individual or conversion coverage as determined by his type of coverage in the insolvent health maintenance organization at rates determined in accordance with the successor health maintenance organization's existing rating methodology. Successor health maintenance organizations that do not offer direct nongroup enrollment may aggregate all of the allocated nongroup enrollees into one group for rating and coverage purposes.

D. Any carrier providing replacement coverage with respect to group hospital, medical or surgical expense or service benefits within a period of sixty days from the date of discontinuance of a prior health maintenance organization contract or policy providing such hospital, medical or
surgical expense or service benefits shall cover immediately all enrollees who were covered validly under the previous health maintenance organization contract or policy at the date of discontinuance and who would otherwise be eligible for coverage under the succeeding carrier's contract, regardless of any provisions of the contract relating to active employment or hospital confinement or pregnancy. For purposes of this section "discontinuance" means the termination of the contract between the group contract holder and a health maintenance organization due to the insolvency of the health maintenance organization, and does not refer to the termination of any agreement between any individual enrollee and the health maintenance organization.

E. Except to the extent benefits for the condition would have been reduced or excluded under the prior carrier's contract or policy, no provision in a succeeding carrier's contract of replacement coverage that would operate to reduce or exclude benefits on the basis that the condition giving rise to benefits existed before the effective date of the succeeding carrier's contract shall be applied with respect to those enrollees validly covered under the prior carrier's contract or policy on the date of discontinuance.


A. No premium rate may be used until either a schedule of premium rates or methodology for determining premium rates has been filed with and approved by the superintendent. At the time the health maintenance organization files the rate with the superintendent it shall also file a schedule of benefits to which the rate applies.

B. Either a specific schedule of premium rates, or a methodology for determining premium rates, shall be established in accordance with actuarial principles for various categories of enrollees; provided that the premium applicable to an enrollee shall not be individually determined based on the status of the enrollee's health. A certification by a qualified actuary or other qualified person acceptable to the superintendent as to the appropriateness of the rates or of the use of the methodology, based on reasonable assumptions, shall accompany the filing along with adequate supporting information.

C. The superintendent may disapprove any such rates, or methodology for determining rates, found by him to be excessive, inadequate or unfairly discriminatory, considering the benefits to be provided. If the superintendent disapproves such filing, he shall notify the health maintenance organization, specifying the reasons for his disapproval. A hearing shall be conducted within thirty days after a request in writing by the person filing. The schedule or methodology shall be deemed approved if the superintendent does not disapprove the filing within thirty days, but the superintendent in his sole discretion may postpone taking action for an additional thirty days as
necessary for proper consideration of the filing.

**History:** 1978 Comp., § 59A-46-16, enacted by Laws 1993, ch. 266, § 16.


A. Requirements and procedures for licensing of health maintenance organization agents shall be governed by the provisions of Chapter 59A, Articles 11 and 12 NMSA 1978 and any regulations adopted by the superintendent pertaining thereto.

B. None of the following shall be required to hold a health maintenance organization agent license:

1. any regular salaried officer or employee of a health maintenance organization who devotes substantially all of his time to activities other than the taking or transmitting of applications or membership fees or premiums for health maintenance organization membership, or who receives no commission or other compensation directly dependent upon the business obtained and who does not solicit or accept from the public applications for health maintenance organization membership;

2. employers or their officers or employees or the trustees of any employee benefit plan to the extent that such employers, officers, employees or trustees are engaged in the administration or operation of any program of employee benefits involving the use of health maintenance organization memberships, if those employers, officers, employees or trustees are not compensated directly or indirectly by the health maintenance organization issuing such health maintenance organization memberships;

3. banks or their officers and employees to the extent that such banks, officers and employees collect and remit charges by charging same against accounts of depositors on the orders of such depositors; or

4. any person or the employee of any person who has contracted to provide administrative, management or health care services to a health maintenance organization and who is compensated for those services by the payment of an amount calculated as a percentage of the revenues, net income or profit of the health maintenance organization, if that method of compensation is the sole basis for subjecting that person or the employee of the person to the provisions of the Health Maintenance Organization Law [Chapter 59A, Article 46 NMSA 1978].

C. The superintendent may by rule exempt certain classes of persons from the requirement of obtaining a license if:

1. the functions they perform do not require special competence, trustworthiness or the regulatory surveillance made possible by licensing; or

2. other existing safeguards make regulation unnecessary.

A. An authorized insurer may either directly or through a subsidiary or affiliate organize and operate a health maintenance organization under the provisions of the Health Maintenance Organization Law [Chapter 59A, Article 46 NMSA 1978]. Notwithstanding any other law that may be inconsistent with the cited law, any two or more such insurance companies, or subsidiaries or affiliates thereof, may jointly organize and operate a health maintenance organization. The business of insurance is deemed to include the providing of health care by a health maintenance organization owned or operated by an insurer or a subsidiary thereof.

B. An authorized insurer may contract with a health maintenance organization to provide insurance or similar protection against the cost of care provided through health maintenance organizations and to provide coverage in the event of the failure of the health maintenance organization to meet its obligations. Among other things, under such contracts the insurer may make benefit payments to health maintenance organizations for health care services rendered by providers.


A. The superintendent may make an examination of the affairs of any health maintenance organization and providers with whom such organization has contracts, agreements or other arrangements as often as is reasonably necessary for the protection of the interests of the people of this state but not less frequently than once every three years.

B. The superintendent may make or request the secretary of health to make an examination concerning the quality assurance program of the health maintenance organization and of any providers with whom such organization has contracts, agreements or other arrangements as often as is reasonably necessary for the protection of the interests of the people of this state.

C. Every health maintenance organization and provider shall submit its books and records for such examinations and in every way facilitate the completion of the examination. Medical records of individuals and contract providers shall not be subject to such examination. For the
purpose of examinations, the superintendent and the secretary of health may administer oaths to and examine the officers and agents of the health maintenance organization and the principals of such providers concerning their business.

D. The expenses of examinations under this section shall be assessed against the health maintenance organization being examined and remitted to the superintendent.

E. In lieu of such examination, the superintendent may accept the report of an examination made by the superintendent or secretary of health of another state.

F. Examination procedures shall be governed by the applicable provisions of Chapter 59A, Article 4 NMSA 1978.


59A-46-20. Suspension or revocation of certificate of authority.

A. Any certificate of authority issued under the provisions of the Health Maintenance Organization Law [Chapter 59A, Article 46 NMSA 1978] may be suspended or revoked, and any application for a certificate of authority may be denied if the superintendent finds that:

(1) the health maintenance organization is operating significantly in contravention of its basic organizational document or in a manner contrary to that described in any other information submitted under Section 59A-46-3 NMSA 1978, unless amendments to such submissions have been filed with and approved by the superintendent;

(2) the health maintenance organization issues an evidence of coverage or uses a schedule of charges for health care services that does not comply with the requirements of Sections 59A-46-8 and 59A-46-16 NMSA 1978;

(3) the health maintenance organization does not provide or arrange for basic health care services;

(4) the secretary of health has certified to the superintendent that:

(a) the health maintenance organization does not meet the requirements of Paragraph (2) of Subsection A of Section 59A-46-4 NMSA 1978; or

(b) the health maintenance organization is unable to fulfill its obligations to furnish health care services;

(5) the health maintenance organization is no longer financially responsible and may reasonably be expected to be unable to meet its obligations to enrollees or prospective enrollees;

(6) the health maintenance organization has failed to correct, within the time prescribed by Subsection C of this section, any deficiency occurring due to the health maintenance organization's prescribed minimum net worth being impaired;
(7) the health maintenance organization has failed to implement the grievance procedures required by Section 59A-46-11 NMSA 1978 in a reasonable manner to resolve valid complaints;

(8) the health maintenance organization, or any person on its behalf, has engaged in any practice that under Chapter 59A, Article 16 NMSA 1978 is defined or prohibited as, or determined to be, an unfair method of competition, or an unfair or deceptive act or practice, or fraudulent;

(9) the continued operation of the health maintenance organization would be hazardous to its enrollees; or

(10) the health maintenance organization has otherwise failed substantially to comply with the provisions of the Health Maintenance Organization Law.

B. In addition to or in lieu of suspension or revocation of a certificate of authority pursuant to this section, the applicant or health maintenance organization may be subjected to an administrative penalty of up to five thousand dollars ($5,000) for each cause for suspension or revocation, but if the violation is willful or intentional, the administrative penalty may be up to ten thousand dollars ($10,000).

C. Whenever the superintendent finds that the net worth maintained by any health maintenance organization subject to the provisions of the Health Maintenance Organization Law is less than the minimum net worth required to be maintained pursuant to the provisions of Section 59A-46-13 NMSA 1978, he shall give written notice to the health maintenance organization of the amount of the deficiency and require the health maintenance organization to:

(1) file with the superintendent a plan for correction of the deficiency acceptable to the superintendent; and

(2) correct the deficiency within a reasonable time, not to exceed sixty days, unless an extension of time, not to exceed sixty additional days, is granted by the superintendent.

D. A deficiency found to exist by the superintendent pursuant to the provisions of Subsection C of this section shall be deemed an impairment, and failure to correct the impairment in the prescribed time shall be grounds for suspension or revocation of the certificate of authority of the health maintenance organization or for placing it in conservation, rehabilitation or liquidation.

E. Unless allowed by the superintendent no health maintenance organization or person acting on its behalf may, directly or indirectly, renew, issue or deliver any certificate, agreement or contract of coverage in this state, for which a premium is charged or collected, when the health maintenance organization writing such coverage is impaired, and the fact of such impairment is known to the health maintenance organization or to such person. However, the existence of an impairment shall not prevent the issuance or renewal of a certificate, agreement or contract when the enrollee exercises an option granted under the plan to obtain a new, renewed or converted coverage.
F. A certificate of authority shall not be suspended or revoked or an application for a certificate of authority denied or an administrative penalty imposed unless:

(1) the suspension, revocation, denial or imposition is by written order and is sent to the health maintenance organization or applicant by certified or registered mail; and

(2) the written order states the grounds, charges or conduct on which the suspension, revocation, denial or imposition is based.

G. The health maintenance organization or applicant may in writing request a hearing within thirty days from the date of mailing of an order suspending or revoking a certificate of authority, denying an application or imposing an administrative penalty. If no written request is made, such order shall be final upon the expiration of the thirty days.

H. If the health maintenance organization or applicant requests a hearing pursuant to the provisions of Subsection G of this section, the superintendent shall issue a written notice of hearing and send it to the health maintenance organization or applicant by certified or registered mail stating:

(1) a specific time for the hearing, which may not be less than twenty nor more than thirty days after mailing of the notice of hearing; and

(2) a specific place for the hearing, which may be either in Santa Fe county or in the county where the health maintenance organization's or applicant's principal place of business is located.

I. After a hearing held pursuant to the provisions of Subsection H of this section or upon failure of the health maintenance organization to appear at the hearing, the superintendent shall take whatever action he deems necessary based on written findings and shall mail his decision to the health maintenance organization or applicant.

J. The provisions of Chapter 59A, Article 4 NMSA 1978 shall apply to proceedings under this section to the extent they are not in conflict with Subsection H of this section.

K. When the certificate of authority of a health maintenance organization is suspended, the health maintenance organization shall not, during the period of such suspension, enroll any additional enrollees except newborn children or other newly acquired dependents of existing enrollees, and shall not engage in any advertising or solicitation whatsoever.

L. When the certificate of authority of a health maintenance organization is revoked, that organization shall proceed, immediately following the effective date of the order of revocation, to wind up its affairs, and shall conduct no further business except as may be essential to the orderly conclusion of the affairs of the organization. It shall engage in no further advertising or solicitation whatsoever. The superintendent may, by written order, permit such further operation of the organization as he may find to be in the best interest of enrollees, to the end that enrollees will be afforded the greatest practical opportunity to obtain continuing health care coverage.


A. Any rehabilitation, liquidation or conservation of a health maintenance organization shall be deemed to be the rehabilitation, liquidation or conservation of an insurer and shall be conducted under the supervision of the superintendent pursuant to the law governing the rehabilitation, liquidation or conservation of insurers. The superintendent may apply for an order directing him to rehabilitate, liquidate or conserve a health maintenance organization upon any one or more grounds set out in Chapter 59A, Article 41 NMSA 1978 or when in his opinion the continued operation of the health maintenance organization would be hazardous either to the enrollees or to the people of this state. Enrollees shall have the same priority in the event of liquidation or rehabilitation as the law provides to policyholders of an insurer.

B. For purpose of determining the priority of distribution of general assets, claims of enrollees and enrollees' beneficiaries shall have the same priority as established by Subsection C of Section 59A-41-44 NMSA 1978 for policyholders and beneficiaries of insureds of insurance companies. If an enrollee is liable to any provider for services provided pursuant to and covered by the health care plan, that liability shall have the status of an enrollee claim for distribution of general assets.

C. Any provider who is obligated by statute or agreement to hold enrollees harmless from liability for services provided pursuant to and covered by a health care plan shall have a priority of distribution of the general assets immediately following that of enrollees and enrollees' beneficiaries as described in Subsection B of this section and immediately preceding the priority of distribution described in Subsection D of Section 59A-41-44 NMSA 1978.


A. Whenever the superintendent determines that the financial condition of any health maintenance organization is such that its continued operation might be hazardous to its enrollees, creditors or the general public, or that it has violated any provision of the Health Maintenance Organization Law [Chapter 59A, Article 46 NMSA 1978], he may, after notice and hearing, order the health maintenance organization to take such action as may be reasonably necessary to rectify such condition or violation, including but not limited to one or more of the following:
reduce the total amount of present and potential liability for benefits by reinsurance or other method acceptable to the superintendent;

(2) reduce the volume of new business being accepted;

(3) reduce expenses by specified methods;

(4) suspend or limit the writing of new business for a period of time;

(5) increase the health maintenance organization’s capital and surplus by contribution; or

(6) take such other steps as the superintendent may deem appropriate under the circumstances, including suspension or revocation of the certificate or authority or assessment of administrative penalties as provided in Section 59A-46-20 NMSA 1978.

B. For purposes of this section, the violation by a health maintenance organization of any law of this state to which such health maintenance organization is subject shall be deemed a violation of the provisions of the Health Maintenance Organization Law.

C. The superintendent is authorized to make rules and regulations setting uniform standards and criteria for early warning that the continued operation of any health maintenance organization might be hazardous to its enrollees, creditors or the general public and setting standards for evaluating the financial condition of any health maintenance organization, which standards shall be consistent with the purposes expressed in Subsection A of this section.

D. The remedies and measures available to the superintendent under this section shall be in addition to, and not in lieu of, the remedies and measures available to the superintendent under the provisions of Chapter 59A, Article 41 NMSA 1978.

History: Laws 1993, ch. 266, § 22.


Every health maintenance organization subject to the provisions of the Health Maintenance Organization Law [Chapter 59A, Article 46 NMSA 1978] shall pay to the superintendent all applicable fees specified in Section 59A-6-1 NMSA 1978.


A. The superintendent may, in lieu of suspension or revocation of a certificate of authority pursuant to the provisions of Section 59A-46-20 NMSA 1978, levy an administrative penalty in an amount up to five thousand dollars ($5,000), except that if the violation is willful or intentional, the administrative penalty may be up to ten thousand dollars ($10,000). The superintendent may augment this penalty by an amount equal to the sum that he calculates to be the damages suffered by enrollees or other members of the public.

B. If the superintendent shall for any reason have cause to believe that any violation of the provisions of the Health Maintenance Organization Law [Chapter 59A, Article 46 NMSA 1978] has occurred or is threatened, the superintendent may give notice to the health maintenance organization and to the representatives, or other persons who appear to be involved in such suspected violation, to arrange a conference with the alleged violators or their authorized representatives for the purpose of attempting to ascertain the facts relating to such suspected violation and, in the event it appears that any violation has occurred or is threatened, to arrive at an adequate and effective means of correcting or preventing such violation.

C. A conference arranged under the provisions of Subsection B of this section shall not be governed by any formal procedural requirements, and may be conducted in such manner as the superintendent may deem appropriate under the circumstances.

D. The superintendent may issue an order directing a health maintenance organization or a representative of a health maintenance organization to cease and desist from engaging in any act or practice in violation of the provisions of the Health Maintenance Organization Law. Within thirty days after service of the cease and desist order, the respondent may request a hearing on the question of whether acts or practices in violation of that law have occurred. Such hearings shall be governed by the provisions of Chapter 59A, Article 4 NMSA 1978.
E. In the case of any violation of the provisions of the Health Maintenance Organization Law, if the superintendent elects not to issue a cease and desist order, or in the event of noncompliance with a cease and desist order issued pursuant to Subsection D of this section, the superintendent may institute a proceeding to obtain injunctive or other appropriate relief in the Santa Fe county district court.

F. Notwithstanding any other provisions of the Health Maintenance Organization Law, if a health maintenance organization fails to comply with the net worth requirement of that law, the superintendent is authorized to take appropriate action to assure that the continued operation of the health maintenance organization will not be hazardous to its enrollees.


All applications, filings and reports required under the Health Maintenance Organization Law [Chapter 59A, Article 46 NMSA 1978] shall be treated as public documents, except those that are trade secrets or privileged or confidential quality assurance, commercial or financial information, other than any annual financial statement that may be required under Section 59A-46-9 NMSA 1978.


Employer claims information, including utilization and loss experience under health insurance provided under Chapter 59A, Article 46 NMSA 1978 shall be made available by the carrier only upon the written request of and to employers of enrollees with such coverage within thirty days of an employer's written request for such information to the carrier, provided the employer's coverage extends to no less than twenty-five individual enrollees, regardless of whether family coverage is included. Each carrier shall provide to the employer claims information that provides sufficient detail, subject to state and federal privacy laws, to enable the employer to obtain and compare rates from multiple carriers or establish a plan of self-insurance.


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The 2007 amendment, effective June 15, 2007, requires insurers to provide claims experience information to employers to permit the employer to obtain and compare group health care rates and coverage from other carriers.


A. Any data or information pertaining to the diagnosis, treatment or health of any enrollee or applicant obtained from such person or from any provider by any health maintenance organization shall be held in confidence and shall not be disclosed to any person except:

(1) to the extent that it may be necessary to carry out the purposes of the Health Maintenance Organization Law [Chapter 59A, Article 46 NMSA 1978];

(2) upon the express consent of the enrollee or applicant;

(3) pursuant to statute or court order for the production of evidence or the discovery thereof; or

(4) in the event of claim or litigation between such person and the health maintenance organization in which such data or information is pertinent.

B. A health maintenance organization shall be entitled to claim any statutory privileges against disclosure of information described in Subsection A of this section that the provider who furnished the information to the health maintenance organization is entitled to claim.

C. A person who, in good faith and without malice, takes any action or makes any decision or recommendation as a member, agent or employee of a health care review committee or who furnishes any records, information or assistance to such a committee shall not be subject to liability for civil damages or any legal action in consequence of such action, nor shall the health maintenance organization that established such committee or the officers, directors, employees or agents of such health maintenance organization be liable for the activities of any such person. The provisions of this subsection do not relieve any person of liability arising from treatment of a patient.

D. The information considered by a health care review committee and the records of their actions and proceedings shall be confidential and not subject to subpoena or order to produce except in proceedings before the appropriate state licensing or certifying agency, or in an appeal, if permitted, from the committee's findings or recommendations. No member of a health care review committee, or officer, director or other member of a health maintenance organization or its staff engaged in assisting such committee, or any person assisting or furnishing information to such committee may be subpoenaed to testify in any judicial or quasi-judicial proceeding if such subpoena is based solely on such activities.

E. Information considered by a health care review committee and the records of its actions and proceedings that are used pursuant to Subsection D of this section by a state licensing or certifying agency or in an appeal shall be kept confidential and shall be subject to the same provision concerning discovery and use in legal actions as are the original information and
records in the possession and control of a health care review committee.

F. To fulfill its obligations under Section 59A-46-7 NMSA 1978, the health maintenance organization shall have access to treatment records and other information pertaining to the diagnosis, treatment or health status of any enrollee.


The secretary of health, in carrying out his obligations as requested by the superintendent under the provisions of the Health Maintenance Organization Law [Chapter 59A, Article 46 NMSA 1978], may contract with qualified persons to make recommendations concerning the determinations required to be made by him, which recommendations may be accepted in full or in part or rejected entirely.


59A-46-29. Health maintenance organizations; contract or certificate provisions relating to individuals who are eligible for medical benefits under the medicaid program.

A. Each individual or group contract or certificate that is delivered, issued for delivery or renewed in this state shall include provisions that require any indemnity benefits payable by a health maintenance organization on behalf of an enrollee under the contract or certificate to be paid to the human services department when:

1. the human services department has paid or is paying benefits on behalf of the enrollee under the state's medicaid program pursuant to Title XIX of the federal Social Security Act, 42 U.S.C. 1396, et seq.;

2. payment for the services in question has been made by the human services department to the medicaid provider; and

3. the health maintenance organization is notified that the enrollee receives benefits under the medicaid program and that any indemnity benefits payable by the health maintenance organization must be paid directly to the human services department.

B. The notice required under Paragraph (3) of Subsection A of this section may be accomplished through an attachment to the claim by the human services department for any
indemnity benefits payable by the health maintenance organization when the claim is first submitted by the human services department to the health maintenance organization.

C. Notwithstanding any other provisions of law, checks in payment for claims for any indemnity benefits payable by a health maintenance organization pursuant to any individual or group contract or certificate for health care services provided to persons who are also eligible for benefits under the medicaid program and provided by medical providers not contracting with the health maintenance organization shall be made payable to the provider. The health maintenance organization may be notified that the enrollee is eligible for medicaid benefits through an attachment to the claim by the provider for health maintenance organization benefits when the claim is first submitted by the provider to the health maintenance organization.

D. No health maintenance organization group or individual contract or certificate delivered, issued for delivery or renewed in this state on or after the effective date of this section shall contain any provision denying or limiting health maintenance organization benefits because services are rendered to an enrollee who is eligible for or who has received medical assistance under the medicaid program of this state.

E. To the extent that payment for covered expenses has been made pursuant to the state medicaid program for health care items or services furnished to an individual, in any case where a health maintenance organization has a legal liability to make payments, the state is considered to have acquired the rights of the individual to payment by the health maintenance organization for those health care items or services.


Cross references. — For the Minimum Healthcare Protection Act, see 59A-23B-1 NMSA 1978.

The 1994 amendment, effective July 1, 1994, added Subsection E.


A. The provisions of the Insurance Code [59A-1-1 NMSA 1978] other than Chapter 59A, Article 46 NMSA 1978 shall not apply to health maintenance organizations except as expressly provided in the Insurance Code and that article. To the extent reasonable and not inconsistent with the provisions of that article, the following articles and provisions of the Insurance Code shall also apply to health maintenance organizations and their promoters, sponsors, directors, officers, employees, agents, solicitors and other representatives. For the purposes of such applicability, a health maintenance organization may therein be referred to as an "insurer":

(1) Chapter 59A, Article 1 NMSA 1978;
(2) Chapter 59A, Article 2 NMSA 1978;
(3) Chapter 59A, Article 4 NMSA 1978;
(4) Subsection C of Section 59A-5-22 NMSA 1978;
(5) Sections 59A-6-2 through 59A-6-4 and 59A-6-6 NMSA 1978;
(6) Chapter 59A, Article 8 NMSA 1978;
(7) Chapter 59A, Article 10 NMSA 1978;
(8) Section 59A-12-22 NMSA 1978;
(9) Chapter 59A, Article 16 NMSA 1978;
(10) Chapter 59A, Article 18 NMSA 1978;
(11) the Policy Language Simplification Law [59A-19-1 NMSA 1978];
(12) Section 59A-22-14 NMSA 1978;
(13) the Insurance Fraud Act [59A-16C-1 NMSA 1978];
(14) Section 59A-22-43 NMSA 1978;
(15) the Minimum Healthcare Protection Act [59A-23B-1 NMSA 1978];
(17) The Insurance Holding Company Law [59A-37-1 NMSA 1978]; and
(18) the Patient Protection Act [59A-57-1 NMSA 1978].

B. Solicitation of enrollees by a health maintenance organization granted a certificate of authority, or its representatives, shall not be construed as violating any provision of law relating to solicitation or advertising by health professionals, but health professionals shall be individually subject to the laws, rules and ethical provisions governing their individual professions.

C. Any health maintenance organization authorized under the provisions of the Health Maintenance Organization Law [59A-46-1 NMSA 1978] shall not be deemed to be practicing medicine and shall be exempt from the provisions of laws relating to the practice of medicine.


The 1997 amendment made a stylistic change in the second sentence in Subsection A and inserted "59A-34-17" in Paragraph A(14). Laws 1997, ch. 248 contained no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective on June 20, 1997, 90 days after adjournment of the legislature.

The 1998 amendment, effective July 1, 1998, added Paragraph A(13), redesignated the following paragraphs accordingly, and added Paragraph A(17).

The 1999 amendment, effective June 18, 1999, in Subsection A deleted Paragraph (3) which read


The 2009 amendment, effective June 19, 2009, added Paragraph (14) of Subsection A.


A. Health maintenance organizations are permitted, but not required, to adopt coordination of benefits provisions to avoid overinsurance and to provide for the orderly payment of claims when a person is covered by two or more group health insurance or health care plans.

B. If health maintenance organizations adopt coordination of benefits, the provisions shall be consistent with the coordination of benefits provisions that are in general use in the state for coordinating coverage between two or more group health insurance or health care plans.

C. To the extent necessary for health maintenance organizations to meet their obligations as secondary carriers under the regulations established by the superintendent, health maintenance organizations shall make payments for services that are:

1. received from non-participating providers;
2. provided outside their service areas; or
3. not covered under the terms of their group contracts or evidence of coverage.


59A-46-32. Continuation of coverage and conversion rights; health care plans.

A. Every individual or group contract entered into by a health maintenance organization and that is delivered, issued for delivery or renewed in this state on or after January 1, 1985 shall provide covered family members of subscribers the right to continue such coverage through a converted or separate contract upon the death of the subscriber or upon the divorce, annulment or
dissolution of marriage or legal separation of the spouse from the subscriber. Where a continuation of coverage or conversion is made in the name of the spouse of the subscriber, such coverage may, at the option of the spouse, include coverage to dependent children for whom the spouse has responsibility for care and support.

B. The right to a continuation of coverage or conversion pursuant to this section shall not exist with respect to any covered family member of a subscriber in the event the coverage terminates for nonpayment of premium, nonrenewal of the contract or the expiration of the term for which the contract is issued. With respect to any covered family member who is eligible for medicare or any other similar federal or state health insurance program, the right to a continuation of coverage or conversion shall be limited to coverage under a medicare supplement insurance contract as defined by the rules and regulations adopted by the superintendent of insurance.

C. Coverage continued through the issuance of a converted or separate contract shall be provided at a reasonable, nondiscriminatory rate to the insured and shall consist of a form of coverage then being offered by the health maintenance organization as a conversion contract. Continued and converted coverages shall contain renewal provisions that are not less favorable to the subscriber than those contained in the contract from which the conversion is made, except that the person who exercises the right of conversion is entitled only to have included a right to coverage under a medicare supplement insurance contract, as defined by the rules and regulations adopted by the superintendent of insurance, after the attainment of the age of eligibility for medicare or any other similar federal or state health insurance program.

D. At the time of inception of coverage, the health maintenance organization shall provide each covered family member eighteen years of age or older a statement setting forth in summary form the continuation of coverage and conversion provisions of the subscriber's contract.

E. The eligible covered family member exercising the continuation or conversion right and must notify the health maintenance organization and make payment of the applicable premium within thirty days following the date such coverage otherwise terminates as specified in the contract from which continuation or conversion is being exercised.

F. Coverage shall be provided through continuation or conversion without additional evidence of insurability and shall not impose any preexisting condition, limitations or other contractual time limitations other than those remaining unexpired under the contract from which continuation or conversion is exercised.

G. Any probationary or waiting period set forth in the converted or separate contract is deemed to commence on the effective date of the applicant's coverage under the original contract.


The governing body of any health maintenance organization may include providers or other individuals, or both. Such governing body shall establish a mechanism to afford the enrollees an opportunity to participate in matters of policy and operation through the establishment of advisory panels, by the use of advisory referenda on major policy decisions or through the use of other mechanisms.


59A-46-34. Prohibited practices.

A. No health maintenance organization, or representative thereof, may cause or knowingly permit the use of advertising which is untrue or misleading, solicitation which is untrue or misleading, or any form of evidence of coverage which is deceptive. For purposes of this article:

(1) a statement or item of information is deemed to be untrue if it does not conform to fact in any respect which is or may be significant to an enrollee of, or person considering enrollment in a health maintenance organization;

(2) a statement or item of information is deemed to be misleading, whether or not it may be literally untrue, if, in the total context in which such statement is made or such item of information is communicated, such statement or item of information may be reasonably understood by a reasonable person, not possessing special knowledge regarding health care coverage, as indicating any benefit or advantage or the absence of any exclusion, limitation or disadvantage of possible significance to an enrollee of, or person considering enrollment in, a health maintenance organization, if such benefit or advantage or absence of limitation, exclusion, or disadvantage does not in fact exist; and

(3) an evidence of coverage is deemed to be deceptive if the evidence of coverage taken as a whole, and with consideration given to typography and format, as well as language,
shall be such as to cause a reasonable person, not possessing special knowledge regarding health care coverage and evidences of coverage therefor, to expect benefits, services, charges, or other advantages which the evidence of coverage does not provide or which the health maintenance organization issuing such evidence of coverage does not regularly make available for enrollees covered under such evidence of coverage.

B. An enrollee may not be canceled or nonrenewed on the basis of the status of his health.

C. No health maintenance organization, unless licensed as an insurer, may use in its name, contracts or literature any of the words "insurance," "casualty," "surety," "mutual" or any other words descriptive of the insurance, casualty or surety business if such words are used in a manner to imply that such coverages are being illegally offered by the health maintenance organization or if deceptively similar to the name or description of any insurance or surety corporation doing business in the state.

D. Any person not in possession of a valid certificate of authority issued pursuant to this article shall not use the phrase "health maintenance organization" or "HMO" in the course of operation.


No class of licensed individual providers willing to meet the terms and conditions offered by a health maintenance organization shall be excluded from a health maintenance organization. For purposes of this section, "providers" means those persons licensed pursuant to:

A. the Optometry Act [61-2-1 NMSA 1978];
B. Section 61-3-23.2 NMSA 1978;
C. the Chiropractic Physician Practice Act [61-4-1 NMSA 1978];
D. the Dental Health Care Act [61-5A-1 NMSA 1978];
E. the Medical Practice Act [61-6-1 NMSA 1978];
F. the Podiatry Act [61-8-1 NMSA 1978];
G. the Professional Psychologist Act [61-9-1 NMSA 1978];
H. Chapter 61, Article 10 NMSA 1978; or
I. the Pharmacy Act [61-11-1 NMSA 1978].

ch. 343, § 3.

The 1998 amendment, substituted "pursuant to Section 61-3-23.2 NMSA 1978 or Article" for "under Articles" and "5A" for "5" near the end of the section. Laws 1998, ch. 39 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective on May 20, 1998, 90 days after adjournment of the legislature.

The 2003 amendment, effective June 20, 2003, changed references to the chapter and article to the named acts in Subsections A through I.


Applicability. — Laws 1987, ch. 335, § 2, effective June 19, 1987, makes the provisions of the act applicable to provide a contract entered into by a health maintenance organization that are delivered, issued for delivery, revised or renewed in this state on or after June 30, 1987.


Doctors of oriental medicine as a class of licensed providers willing to meet the terms and conditions offered by a health maintenance organization shall not be excluded from a health maintenance organization and shall not be discriminated against relative to other classes of licensed providers regarding services provided within their scope of practice that are in compliance with nationally recognized coding systems. Health maintenance organizations may determine the specific procedure codes that a doctor of oriental medicine is contracted to provide. Health maintenance organizations may choose to contract a doctor of oriental medicine as a primary care provider.


The 1993 amendment, effective June 18, 1993, substituted "Doctor of Oriental Medicine" for "Acupuncture Practitioner" in the section heading and substituted "Doctors of oriental medicine" for "Acupuncture practitioners" at the beginning of the section.

The 2003 amendment, effective June 20, 2003, inserted "and shall not be discriminated against relative to other classes of licensed providers regarding services provided within their scope of practice that are in compliance with nationally recognized coding systems." following "health maintenance organization" and added the last two sentences.


A. No individual or group health maintenance organization contract shall be offered, issued or renewed in New Mexico on or after July 1, 1988, unless the contract covers adopted children of the subscriber or enrollee on the same basis as other dependents.

B. The coverage required by this section is effective from the date of placement for the purpose of adoption and continues unless the placement is disrupted prior to legal adoption and the child is removed from placement. Coverage shall include the necessary care and treatment of medical conditions existing prior to the date of placement.

C. As used in this section, "placement" means in the physical custody of the adoptive parent.


A. All individual and group health maintenance organization contracts delivered or issued for delivery in this state shall also provide that the health benefits applicable for children shall be payable with respect to a newly born child of the subscriber or the subscriber's spouse from the moment of birth.

B. All individual and group health maintenance organization contracts delivered or issued for delivery in this state that do not provide health benefits applicable for children shall provide for an option to add to the coverage any newly born child of the insured provided that the requirements of Subsection D of this section have been met.

C. The coverage for newly born children shall consist of coverage of injury or sickness, including the necessary care and treatment of medically diagnosed congenital defects and birth abnormalities and, where necessary to protect the life of the infant, transportation, including air transport, to the nearest available tertiary care facility for newly born infants.

D. If a specific payment is required to provide coverage for a child, the contract may require that a notification of birth of a newly born child and payment must be furnished to the health maintenance organization within thirty-one days after the date of birth in order to have the coverage from birth.

E. As used in this section and in Section 59A-46-28 NMSA 1978 [59A-46-39 NMSA 1978], "tertiary care facility" means a hospital unit which provides complete perinatal care and intensive care of intrapartum and perinatal high-risk patients with responsibilities for coordination of transport, communication, education and data analysis systems for the geographic area served.


The 1993 amendment, effective June 18, 1993, added Subsection B; redesignated former Subsections B through D as Subsections C through E; substituted "from birth" for "continue beyond such thirty-one day period" in Subsection D; and substituted "Section 59A-46-28 NMSA 1978" for "Section 875
Applicability. — Laws 1993, ch. 169, § 3 provides that the provisions of the act apply to policies, plans, contracts and certificates delivered or issued for delivery or renewed, extended or amended in the state on or after July 1, 1993.


A. An insurer shall not deny enrollment of a child under the health plan of the child's parent on the grounds that the child:

1. was born out of wedlock;
2. is not claimed as a dependent on the parent's federal tax return; or
3. does not reside with the parent or in the insurer's service area.

B. When a child has health coverage through an insurer of a noncustodial parent, the insurer shall:

1. provide such information to the custodial parent as may be necessary for the child to obtain benefits through that coverage;
2. permit the custodial parent or the provider, with the custodial parent's approval, to submit claims for covered services without the approval of the noncustodial parent; and
3. make payments on claims submitted in accordance with Paragraph (2) of this subsection directly to the custodial parent, the provider or the state medicaid agency.

C. When a parent is required by a court or administrative order to provide health coverage for a child and the parent is eligible for family health coverage, the insurer shall be required:

1. to permit the parent to enroll, under the family coverage, a child who is otherwise eligible for the coverage without regard to any enrollment season restrictions;
2. if the parent is enrolled but fails to make application to obtain coverage for the child, to enroll the child under family coverage upon application of the child's other parent, the state agency administering the medicaid program or the state agency administering 42 U.S.C. Sections 651 through 669, the child support enforcement program; and
3. not to disenroll or eliminate coverage of the child unless the insurer is provided satisfactory written evidence that:
   a. the court or administrative order is no longer in effect; or
   b. the child is or will be enrolled in comparable health coverage through another insurer that will take effect not later than the effective date of disenrollment.

D. An insurer shall not impose requirements on a state agency that has been assigned the rights of an individual eligible for medical assistance under the medicaid program and covered for health benefits from the insurer that are different from requirements applicable to an agent or assignee of any other individual so covered.
E. An insurer shall provide coverage for children, from birth through three years of age, for or under the family, infant, toddler program administered by the department of health, provided eligibility criteria are met, for a maximum benefit of three thousand five hundred dollars ($3,500) annually for medically necessary early intervention services provided as part of an individualized family service plan and delivered by certified and licensed personnel as defined in 7.30.8 NMAC who are working in early intervention programs approved by the department of health. No payment under this subsection shall be applied against any maximum lifetime or annual limits specified in the policy, health benefits plan or contract.


The 2005 amendment, effective July 1, 2005, adds Subsection E to require coverage for children from birth through three years of age under the family, infant, toddler program for a maximum benefit of $3,500 for medically necessary early intervention services.

**59A-46-38.2. Childhood immunization coverage required.**

A. Each individual and group health maintenance contract delivered or issued for delivery in this state shall provide coverage for childhood immunizations, in accordance with the current schedule of immunizations recommended by the American academy of pediatrics, including coverage for all medically necessary booster doses of all immunizing agents used in childhood immunizations.

B. Coverage for childhood immunizations and necessary booster doses may be subject to deductibles and coinsurance consistent with those imposed on other benefits under the same contract.


**59A-46-38.3. Maximum age of dependent.**

Each individual or group health maintenance organization contract delivered or issued for delivery or renewed in New Mexico that provides coverage for an enrollee's dependents shall not terminate coverage of an unmarried dependent by reason of the dependent's age before the dependent's twenty-fifth birthday, regardless of whether the dependent is enrolled in an educational institution; provided that this requirement does not apply to the medicaid managed care system.


**Effective dates.** — Laws 2003, ch. 391 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective June 20, 2003, 90 days after adjournment of the legislature.

The 2005 amendment, effective July 1, 2005, provides that individual and group health maintenance organization contracts delivered or renewed in New Mexico that provide coverage for an enrollee's dependents shall not terminate coverage of unmarried dependents by reason of age before the
twenty-fifth birthday.

Cross references. — For age of dependents see also Section 59A-22-2 NMSA 1978 and Section 59A-22-34.2 NMSA 1978.


An individual or group health maintenance organization policy, health care plan or certificate of health insurance that is delivered, issued for delivery or renewed in the state shall provide coverage for circumcision for newborn males.


A. An individual or group health maintenance organization contract delivered, issued for delivery or renewed in this state shall provide coverage for a hearing aid and any related service for the full cost of one hearing aid per hearing-impaired ear up to two thousand two hundred dollars ($2,200) every thirty-six months for hearing aids for insured children under eighteen years of age or under twenty-one years of age if still attending high school. The insured may choose a higher priced hearing aid and may pay the difference in cost above the two-thousand-two-hundred-dollar ($2,200) limit as provided in this subsection without financial or contractual penalty to the insured or to the provider of the hearing aid.

B. An insurer that delivers, issues for delivery or renews in this state an individual or group health maintenance organization contract may make available to the policyholder the option of purchasing additional hearing aid coverage that exceeds the services described in this section.

C. Hearing aid coverage offered shall include fitting and dispensing services, including providing ear molds as necessary to maintain optimal fit, provided by an audiologist, a hearing aid dispenser or a physician, licensed in New Mexico. A health maintenance organization has the discretion to determine the provider of hearing aids with which it contracts. Nothing in this section shall be construed to preclude a health maintenance organization from conducting medical necessity or utilization review for hearing aids and related services.

D. The provisions of this section do not apply to short-term travel, accident-only or limited or specified disease policies.

E. Coverage for hearing aids may be subject to deductibles and coinsurance consistent with those imposed on other benefits under the same policy, plan or certificate.

F. For the purposes of this section, "hearing aid" means durable medical equipment that is of a design and circuitry to optimize audibility and listening skills in the environment commonly experienced by children.


All individual and group health maintenance organization contracts delivered or issued for delivery in this state which provide maternity coverage shall also provide, where necessary to protect the life of the infant or mother, coverage for transportation, including air transport, for the medically high-risk pregnant woman with an impending delivery of a potentially viable infant to the nearest available tertiary care facility as defined in Section 874 [59A-46-38 NMSA 1978] of this article for newly born infants.


A. Each health maintenance organization which delivers or issues for delivery in this state an individual or group contract shall make available to the contract holder the option of home health care coverage which includes benefits for the services described in this section.

B. Home health care coverage offered shall include:
   (1) services provided by a registered nurse or a licensed practical nurse;
   (2) health services provided by physical, occupational and respiratory therapists and speech pathologists; and
   (3) health services provided by a home health aide.

C. Home health care coverage may be limited to:
   (1) services provided on the written order of a licensed physician, provided such order is renewed at least every sixty days;
   (2) services provided, directly or through contractual agreements, by a home health agency licensed in the state in which the home health services are delivered; and
   (3) services, as set forth in Subsection B of this section, without which the insured would have to be hospitalized.

D. Coverage shall be provided for at least one hundred home visits per enrollee per year, with each home visit including up to four hours of home health care services.

E. For the purposes of this section, "home health care" means health services provided on a part-time, intermittent basis to an individual confined to his home due to physical illness.


A. Each individual and group health maintenance organization contract delivered or issued for delivery in this state shall provide coverage for low-dose screening mammograms for determining the presence of breast cancer. Such coverage shall make available one baseline mammogram to persons age thirty-five through thirty-nine, one mammogram biennially to persons age forty through forty-nine and one mammogram annually to persons age fifty and over. After July 1, 1992, coverage shall be available only for screening mammograms obtained on equipment designed specifically to perform low-dose mammography in imaging facilities that have met American college of radiology accreditation standards for mammography.

B. Coverage for mammograms may be subject to deductibles and coinsurance consistent with those imposed on other benefits under the same contract.


**Applicability.** — Laws 1990, ch. 5, § 5 makes the act applicable to policies, plans, contracts and certificates delivered or issued for delivery or renewed, extended or amended in this state on or after July 1, 1990.

**59A-46-41.1. Mastectomies and lymph node dissection; minimum hospital stay coverage required.**

A. Each individual and group health maintenance contract delivered or issued for delivery in this state shall provide coverage for not less than forty-eight hours of inpatient care following a mastectomy and not less than twenty-four hours of inpatient care following a lymph node dissection for the treatment of breast cancer.

B. Nothing in this section shall be construed as requiring the provision of inpatient coverage where the attending physician and patient determine that a shorter period of hospital stay is appropriate.

C. Coverage for minimum inpatient hospital stays for mastectomies and lymph node dissections for the treatment of breast cancer may be subject to deductibles and co-insurance consistent with those imposed on other benefits under the same contract.


**59A-46-42. Coverage for cytologic and human papillomavirus screening.**

A. Each individual and group health maintenance organization contract delivered or issued for delivery in this state shall provide coverage for cytologic and human papillomavirus screening to determine the presence of precancerous or cancerous conditions and other health problems. The coverage shall make available cytologic screening, as determined by the health care provider in accordance with national medical standards, for women who are eighteen years of age or older and for women who are at risk of cancer or at risk of other health conditions that
can be identified through cytologic screening. The coverage shall make available human papillomavirus screening once every three years for women aged thirty and older.

B. Coverage for cytologic and human papillomavirus screening may be subject to deductibles and coinsurance consistent with those imposed on other benefits under the same contract.

C. For the purposes of this section:
   (1) "cytologic screening" means a Papanicolaou test and pelvic exam for asymptomatic as well as symptomatic women;
   (2) "health care provider" means any person licensed within the scope of his practice to perform cytologic and human papillomavirus screening, including physicians, physician assistants, certified nurse-midwives and certified nurse practitioners; and
   (3) "human papillomavirus screening" means a test approved by the federal food and drug administration for detection of the human papillomavirus.


The 2005 amendment, effective June 17, 2005, provides in Subsection A that each health maintenance organization contract shall provide coverage for human papillomavirus and shall make available human papillomavirus screening every three years for women aged thirty and older and in Subsection B that coverage for human papillomavirus screening may be subject to deductibles and coinsurance, and in Subsection C defines "health care provider" to include any person who performs human papillomavirus screening and "human papillomavirus screening" to mean a test for detection of human papillomavirus.


A. An individual or group health maintenance organization contract delivered, issued for delivery or renewed in this state shall provide coverage for the human papillomavirus vaccine to females nine to fourteen years of age.

B. Coverage for the human papillomavirus vaccine may be subject to deductibles and coinsurance consistent with those imposed on other benefits under the same policy, plan or certificate.

C. The provisions of this section shall not apply to short-term travel, accident-only or limited or specified disease policies.

D. For the purposes of this section, "human papillomavirus vaccine" means a vaccine approved by the federal food and drug administration used for the prevention of human papillomavirus infection and cervical precancers.

History: Laws 2007, ch. 278, § 3.

Effective dates. — Laws 2007, ch. 278 contains no effective date provision, but, pursuant to N.M.

A. Each individual and group health maintenance organization contract delivered or issued for delivery in this state shall provide coverage for individuals with insulin-using diabetes, with non-insulin-using diabetes and with elevated blood glucose levels induced by pregnancy. This coverage shall be a basic health care service and shall entitle each individual to the medically accepted standard of medical care for diabetes and benefits for diabetes treatment as well as diabetes supplies, and this coverage shall not be reduced or eliminated.

B. Coverage for individuals with diabetes may be subject to deductibles and coinsurance consistent with those imposed on other benefits under the same contract, as long as the annual deductibles or coinsurance for benefits are no greater than the annual deductibles or coinsurance established for similar benefits within a given contract.

C. When prescribed or diagnosed by a health care practitioner with prescribing authority, all individuals with diabetes as described in Subsection A of this section enrolled under an individual or group health maintenance organization contract shall be entitled to the following equipment, supplies and appliances to treat diabetes:

1. blood glucose monitors, including those for the legally blind;
2. test strips for blood glucose monitors;
3. visual reading urine and ketone strips;
4. lancets and lancet devices;
5. insulin;
6. injection aids, including those adaptable to meet the needs of the legally blind;
7. syringes;
8. prescriptive oral agents for controlling blood sugar levels;
9. medically necessary podiatric appliances for prevention of feet complications associated with diabetes, including therapeutic molded or depth-inlay shoes, functional orthotics, custom molded inserts, replacement inserts, preventive devices and shoe modifications for prevention and treatment; and
10. glucagon emergency kits.

D. When prescribed or diagnosed by a health care practitioner with prescribing authority, all individuals with diabetes as described in Subsection A of this section enrolled under an individual or group health maintenance organization contract shall be entitled to the following basic health care services:

1. diabetes self-management training that shall be provided by a certified, registered or licensed health care professional with recent education in diabetes management, which shall be limited to:
(a) medically necessary visits upon the diagnosis of diabetes;
(b) visits following a physician diagnosis that represents a significant change in the patient's symptoms or condition that warrants changes in the patient's self-management; and
(c) visits when re-education or refresher training is prescribed by a health care practitioner with prescribing authority; and
(2) medical nutrition therapy related to diabetes management.

E. When new or improved equipment, appliances, prescription drugs for the treatment of diabetes, insulin or supplies for the treatment of diabetes are approved by the food and drug administration, each individual or group health maintenance organization contract shall:

(1) maintain an adequate formulary to provide these resources to individuals with diabetes; and
(2) guarantee reimbursement or coverage for the equipment, appliances, prescription drug, insulin or supplies described in this subsection within the limits of the health care plan, policy or certificate.

F. The provisions of Subsections A through E of this section shall be enforced by the superintendent.

G. The provisions of this section shall not apply to short-term travel, accident-only or limited or specified disease policies.


Duplicate laws. — Laws 1997, ch. 7 § 3 and Laws 1997, ch. 255, § 3 enact identical provisions of law. Both have been compiled at this location.


As of July 1, 2003, each health maintenance organization that delivers or issues for delivery in the state an individual or group contract shall provide coverage for the treatment of genetic inborn errors of metabolism as set forth in Chapter 59A, Article 22 NMSA 1978.

History: Laws 2003, ch. 192, § 2.

Effective dates. — Laws 2003, ch. 192 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective June 20, 2003, 90 days after adjournment of the legislature.

59A-46-44. Coverage for prescription contraceptive drugs or devices.

A. Each individual and group health maintenance organization contract delivered or issued for delivery in this state that provides a prescription drug benefit shall provide coverage for prescription contraceptive drugs or devices approved by the food and drug administration.
B. Coverage for food and drug administration-approved prescription contraceptive drugs or devices may be subject to deductibles and coinsurance consistent with those imposed on other benefits under the same contract.

C. A religious entity purchasing individual or group health maintenance organization coverage may elect to exclude prescription contraceptive drugs or devices from the health coverage purchased.


**The 2003 amendment,** effective June 20, 2003, in Subsection A, substituted "that provides" for "and which offers" following "in this state" and substituted "provide" for "offer" following "drug benefit shall".

**Effective dates.** — Laws 2001, ch. 14 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective June 15, 2001, 90 days after adjournment of the legislature.

**Applicability.** — Laws 2001, ch. 14, § 5 makes the provisions of this section apply to policies, plans, contracts and certificates delivered or issued for delivery or renewed, extended or amended in this state on or after July 1, 2001.


A. An individual or group health maintenance organization contract that is delivered or issued for delivery in this state and that offers maternity benefits shall offer coverage for smoking cessation treatment.

B. Coverage for smoking cessation treatment may be subject to deductibles and coinsurance consistent with those imposed on other benefits under the same contract.

**History:** Laws 2003, ch. 337, § 4.

**Effective dates.** — Laws 2003, ch. 337 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective June 20, 2003, 90 days after adjournment of the legislature.

**Applicability.** — Laws 2003, ch. 337 § 7, effective June 20, 2003, makes the provisions of the act apply on and after July 1, 2003.


An individual or group health maintenance organization policy, health care plan or certificate of health insurance that is delivered, issued for delivery or renewed in the state shall provide coverage for an alpha-fetoprotein IV screening test for pregnant women, generally between sixteen and twenty weeks of pregnancy, to screen for certain genetic abnormalities in the fetus.

**History:** Laws 2004, ch. 122, § 7.


A health maintenance organization that provides coverage for health care services pursuant to the Health Maintenance Organization Law [59A-46-1 NMSA 1978] shall make available, upon an employer's request prior to issuance, delivery or renewal, coverage for regular part-time employees who work or are expected to work an average of at least twenty hours per week over a six-month period. Nothing in this section shall be construed to require an employer to offer or provide coverage for regular part-time employees.

History: Laws 2005, ch. 42, § 3.


A. An individual or group health maintenance organization contract that is delivered, issued for delivery or renewed in this state shall provide coverage for colorectal screening for determining the presence of precancerous or cancerous conditions and other health problems. The coverage shall make available colorectal cancer screening, as determined by the health care provider in accordance with the evidence-based recommendations established by the United States preventive services task force.

B. Coverage for colorectal screening may be subject to deductibles and coinsurance consistent with those imposed on other benefits under the same policy, plan or certificate.

History: Laws 2007, ch. 17, § 3.

Effective dates. — Laws 2007, ch. 17, contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective June 15, 2007, 90 days after the adjournment of the legislature.


A. An individual or group health maintenance organization contract delivered, issued for delivery or renewed in this state shall provide coverage for hospitalization and general anesthesia provided in a hospital or ambulatory surgical center for dental surgery for the following:

1. Insureds exhibiting physical, intellectual or medically compromising conditions for which dental treatment under local anesthesia, with or without additional adjunctive techniques and modalities, cannot be expected to provide a successful result and for which dental treatment under general anesthesia can be expected to produce superior results;

2. Insureds for whom local anesthesia is ineffective because of acute infection, anatomic variation or allergy;

3. Insured children or adolescents who are extremely uncooperative, fearful, anxious or uncommunicative with dental needs of such magnitude that treatment should not be postponed
or deferred and for whom lack of treatment can be expected to result in dental or oral pain or infection, loss of teeth or other increased oral or dental morbidity;

(4) insureds with extensive oral-facial or dental trauma for which treatment under local anesthesia would be ineffective or compromised; or

(5) other procedures for which hospitalization or general anesthesia in a hospital or ambulatory surgical center is medically necessary.

B. The provisions of this section do not apply to short-term travel, accident-only or limited or specified disease policies.

C. Coverage for dental surgery may be subject to copayments, deductibles and coinsurance subject to network and prior authorization requirements consistent with those imposed on other benefits under the same policy, plan or certificate.


Effective dates. — Laws 2007, ch. 218, § 6 makes this section effective on July 1, 2007.


A. An individual or group health maintenance contract that is delivered, issued for delivery or renewed in this state shall provide coverage to an eligible individual who is nineteen years of age or younger, or an eligible individual who is twenty-two years of age or younger and is enrolled in high school, for:

(1) well-baby and well-child screening for diagnosing the presence of autism spectrum disorder; and

(2) treatment of autism spectrum disorder through speech therapy, occupational therapy, physical therapy and applied behavioral analysis.

B. Coverage required pursuant to Subsection A of this section:

(1) shall be limited to treatment that is prescribed by the insured's treating physician in accordance with a treatment plan;

(2) shall be limited to thirty-six thousand dollars ($36,000) annually and shall not exceed two hundred thousand dollars ($200,000) in total lifetime benefits. Beginning January 1, 2011, the maximum benefit shall be adjusted annually on January 1 to reflect any change from the previous year in the medical component of the then-current consumer price index for all urban consumers published by the bureau of labor statistics of the United States department of labor;

(3) shall not be denied on the basis that the services are habilitative or rehabilitative in nature;

(4) may be subject to other general exclusions and limitations of the insurer's policy or plan, including, but not limited to, coordination of benefits, participating provider
requirements, restrictions on services provided by family or household members and utilization review of health care services, including the review of medical necessity, case management and other managed care provisions; and

(5) may be limited to exclude coverage for services received under the federal Individuals with Disabilities Education Improvement Act of 2004 and related state laws that place responsibility on state and local school boards for providing specialized education and related services to children three to twenty-two years of age who have autism spectrum disorder.

C. The coverage required pursuant to Subsection A of this section shall not be subject to dollar limits, deductibles or coinsurance provisions that are less favorable to an insured than the dollar limits, deductibles or coinsurance provisions that apply to physical illnesses that are generally covered under the individual or group health maintenance contract, except as otherwise provided in Subsection B of this section.

D. An insurer shall not deny or refuse to issue health insurance coverage for medically necessary services or refuse to contract with, renew, reissue or otherwise terminate or restrict health insurance coverage for an individual because the individual is diagnosed as having autism spectrum disorder.

E. The treatment plan required pursuant to Subsection B of this section shall include all elements necessary for the health insurance plan to pay claims appropriately. These elements include, but are not limited to:

(1) the diagnosis;
(2) the proposed treatment by types;
(3) the frequency and duration of treatment;
(4) the anticipated outcomes stated as goals;
(5) the frequency with which the treatment plan will be updated; and
(6) the signature of the treating physician.

F. This section shall not be construed as limiting benefits and coverage otherwise available to an insured under a health insurance plan.

G. The provisions of this section shall not apply to policies intended to supplement major medical group-type coverages such as medicare supplement, long-term care, disability income, specified disease, accident only, hospital indemnity or other limited-benefit health insurance policies.

H. As used in this section:

(1) "autism spectrum disorder" means a condition that meets the diagnostic criteria for the pervasive developmental disorders published in the Diagnostic and Statistical Manual of Mental Disorders, fourth edition, text revision, also known as DSM-IV-TR, published by the American psychiatric association, including autistic disorder; Asperger's disorder; pervasive development disorder not otherwise specified; Rett's disorder; and childhood disintegrative disorder;
(2) "habilitative or rehabilitative services" means treatment programs that are necessary to develop, maintain and restore to the maximum extent practicable the functioning of an individual; and

(3) "high school" means a school providing instruction for any of the grades nine through twelve.

History: Laws 2009, ch. 74, § 3.

Effective dates. — Laws 2009, ch. 74 contained no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, was effective June 19, 2009, 90 days after the adjournment of the legislature.

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ARTICLE 47
Nonprofit Health Care Plans

Section
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Chapter 59A, Article 47 NMSA 1978 may be cited as the "Nonprofit Health Care Plan Law".


The 2003 amendment, effective June 20, 2003, substituted "Chapter 59A, Article 47 NMSA 1978" for "This article" at the beginning.

ANNOTATION


59A-47-2. Purpose; exemptions.

A. The purpose of this article is to provide for the reasonable regulation of membership corporations organized for the purpose of making health care expense payments on a service benefit basis or on an indemnity benefit basis, or both, for persons who become subscribers under contracts with such corporation.
B. Nothing in this article shall apply to any professional or hospital association which accepts health care expense payments for health care on a service basis or on an indemnity basis, or both, which are underwritten by any authorized insurer.

History: Laws 1984, ch. 127, § 879.


As used in Chapter 59A, Article 47 NMSA 1978:

A. "health care" means the treatment of persons for the prevention, cure or correction of any illness or physical or mental condition, including optometric services;

B. "item of health care" includes any services or materials used in health care;

C. "health care expense payment" means a payment for health care to a purveyor on behalf of a subscriber, or such a payment to the subscriber;

D. "purveyor" means a person who furnishes any item of health care and charges for that item;

E. "service benefit" means a payment that the purveyor has agreed to accept as payment in full for health care furnished the subscriber;

F. "indemnity benefit" means a payment that the purveyor has not agreed to accept as payment in full for health care furnished the subscriber;

G. "subscriber" means any individual who, because of a contract with a health care plan entered into by or for the individual, is entitled to have health care expense payments made on the individual's behalf or to the individual by the health care plan;

H. "underwriting manual" means the health care plan's written criteria, approved by the superintendent, that defines the terms and conditions under which subscribers may be selected. The underwriting manual may be amended from time to time, but amendment will not be effective until approved by the superintendent. The superintendent shall notify the health care plan filing the underwriting manual or the amendment thereto of the superintendent's approval or disapproval thereof in writing within thirty days after filing or within sixty days after filing if the superintendent shall so extend the time. If the superintendent fails to act within such period, the filing shall be deemed to be approved;

I. "acquisition expenses" includes all expenses incurred in connection with the solicitation and enrollment of subscribers;

J. "administration expenses" means all expenses of the health care plan other than the cost of health care expense payments and acquisition expenses;

K. "health care plan" means a nonprofit corporation authorized by the superintendent to enter into contracts with subscribers and to make health care expense payments;

L. "agent" means a person appointed by a health care plan authorized to transact business in this state to act as its representative in any given locality for soliciting health care
policies and other related duties as may be authorized;

M. "solicitor" means a person employed by the licensed agent of a health care plan for the purpose of soliciting health care policies and other related duties in connection with the handling of the business of the agent as may be authorized and paid for the person's services either on a commission basis or salary basis or part by commission and part by salary;

N. "chiropractor" means any person holding a license provided for in the Chiropractic Physician Practice Act [61-4-1 NMSA 1978];

O. "doctor of oriental medicine" means any person licensed as a doctor of oriental medicine under the Acupuncture and Oriental Medicine Practice Act [61-14A-1 NMSA 1978];

P. "pharmacist" means a person licensed as a pharmacist pursuant to the Pharmacy Act [61-11-1 NMSA 1978]; and

Q. "pharmacist clinician" means a pharmacist who exercises prescriptive authority pursuant to the Pharmacist Prescriptive Authority Act [61-11B-1 NMSA 1978].


The 1993 amendment, effective June 18, 1993, in Subsection D, substituted "means a person" for "means any person" and substituted "and charges for that item" for "and who charges therefor, whether located within or without the state"; substituted "that" for "which" in Subsections E, F, and H; deleted "which is" preceding "authorized" in Subsection K; substituted "and other related duties as may be authorized" for "and such other duties in connection therewith as may be authorized" in Subsection L; substituted "and other related duties" for "and such other duties" in Subsection M; and rewrote Subsection O.

The 2007 amendment, effective June 15, 2007, adds the definitions of "pharmacist" and "pharmacist clinician" in new Subsections P and Q.

Chiropractic Practice Act. — See 61-4-1 NMSA 1978 and notes thereto.

ANNOTATIONS


59A-47-4. Organization; profit corporations prohibited; merger and consolidation of health care plans.

A. A corporation may be organized under the laws of this state which provide for the organization of nonprofit corporations, as a nonprofit corporation organized for making health care expense payments on a service benefit basis or an indemnity basis, or both, for subscribers under contract with such corporation.

B. The articles of incorporation of each domestic health care plan shall have endorsed thereon or annexed thereto the consent of the superintendent prior to filing. The amendment of
the articles of incorporation of any domestic health care plan shall have endorsed thereon or annexed thereto the consent of the superintendent prior to filing.

C. The directors of a domestic health care plan shall be chosen in accordance with the bylaws of the corporation, subject to the following:

   (1) at least twenty-five percent of the directors shall be members of the general public; and

   (2) the balance of the directors shall be either representatives of purveyors or members of the general public.

D. No domestic health care plan shall be converted into a corporation organized for pecuniary profit; and any such plan shall be maintained and operated primarily for the benefit of its subscribers.

E. A domestic health care plan may merge only with another domestic health care plan in accordance with applicable provisions of the Insurance Holding Company Law [Chapter 59A, Article 37 NMSA 1978] and the Nonprofit Corporation Act [Chapter 53, Article 8 NMSA 1978].


The 1999 amendment, effective June 18, 1999, added "Merger and Consolidation of Health Care Plans" in the section heading; inserted "domestic" throughout the section; rewrote former Subsection E which read: "No health care plan shall furnish or contract to furnish health care expense payments in this state unless organized under the laws of this state as above provided and so authorized to operate under the provisions of this article. No foreign health care plan may be authorized to conduct business in this state".

ANNOTATION


The superintendent shall not authorize any proposed health care plan to solicit preliminary applications from subscribers or to transact business as a health care plan unless he finds after such investigation and hearings as he deems advisable that the proposed health care plan is qualified therefor as follows:

A. it shall be duly incorporated as a health care plan under the laws of a state governing incorporation of nonprofit corporations;

B. its sponsors shall have financial stability and its directors and officers shall be individuals of good personal and business reputation and integrity;

C. its proposed management shall possess experience and competence as to the business in which to engage;
D. it shall have ready access to health care facilities in this state reasonably sufficient to provide the health care services to be covered by its subscriber contracts, whether on service or indemnity bases;

E. it shall actually or prospectively have sufficient funds to finance preliminary solicitation of subscribers and to conduct its operations with reasonable margin of financial safety;

F. its proposed contracts to be offered subscribers shall be well drafted and provide substantial health care coverage and benefits at reasonable premium rates;

G. operation of the health care plan in the area of this state proposed to be served would be in the public interest and of convenience to its residents; and

H. if it [is] a newly formed health care plan, prior to being granted an initial certificate of authority to engage in business, it shall have applied for and received from the superintendent a preliminary permit to solicit subscribers' applications for health care contracts as proposed to be offered, and thereunder have solicited and received, within one year from date of the preliminary permit, applications for coverage of not less than one thousand individuals under such contracts together with payment in advance of one month's premium therefor or if it is a foreign health care plan with a certificate of authority from its state of domicile, it must already cover not less than one thousand individuals.


Bracketed material. — The bracketed word "is" in Subsection H was inserted by the compiler. It was not enacted by the legislature, and it is not part of the law.

The 1999 amendment, effective June 18, 1999, substituted "shall" for "must" throughout the section; substituted "a" for "this" in Subsection A; inserted "if it a newly formed health care plan" at the beginning of Subsection H and added the language following "premium therefor" at the end of Subsection H.


A. A newly-formed health care plan shall not solicit any subscriber or enter into any proposed contract for health care expense payments unless and until it obtains from the superintendent a preliminary permit to do so. The proposed health care plan shall file with the superintendent its application in writing for the permit in form as prescribed and furnished by the superintendent and calling for information as follows:

(1) name and business address of applicant;

(2) area of this state proposed to be served;

(3) names, residence addresses, occupations, business experience, biographical data, and such proof of identity as the superintendent may require of the incorporators, sponsors, directors, officers and proposed management personnel;

(4) health care coverage proposed to be provided and premium rates therefor, as
shown by two (2) copies of proposed subscribers' contracts and premium rate schedules filed with the application;

(5) financial resources, present or prospective, of applicant; and

(6) such other information as to applicant's qualifications as the superintendent may reasonably require.

The application shall be accompanied by a copy of applicant's articles of incorporation and its bylaws, its current financial statement, and such other documentation as the form of application may require. Upon filing the application the applicant shall pay to the superintendent the filing fee specified therefor in Section 101 [59A-6-1 NMSA 1978] (fee schedule) of the Insurance Code.

B. If after such investigation of the applicant and its sponsors and personnel, and hearings held, as he deems advisable the superintendent finds that the applicant meets the qualifications stated in Section 879.3 [59A-47-5 NMSA 1978] of this article and is otherwise in compliance with this article, he shall issue a preliminary permit in appropriate terms; otherwise he shall deny the permit by his written order stating the reasons for the denial.

History: Laws 1984, ch. 127, § 879.4.


With its application for a preliminary permit as provided for in Section 879.4 [59A-47-6 NMSA 1978] of this article the applicant shall file with the superintendent documentation of an escrow arrangement made by applicant and satisfactory to the superintendent adequate to insure return to applicants for subscribers' health care contracts of advance premium payments made, if within one year from date of issuance of the preliminary permit an initial certificate of authority to do business as a health care plan has not been issued to the applicant by the superintendent.

History: Laws 1984, ch. 127, § 879.5.

59A-47-8. Certificate of authority required; application and conditions; exceptions.

A. No health care plan shall make health care expense payments unless and until it has obtained from the superintendent a certificate of authority to do business. Violation of this provision shall constitute a misdemeanor punishable upon conviction by a fine of not to exceed one thousand dollars ($1,000).

B. A newly formed health care plan's application for initial certificate of authority must be filed with the superintendent prior to expiration of one year from date of issuance of the preliminary permit referred to in Section 59A-47-6 NMSA 1978.

C. The application for certificate of authority shall be in the form prescribed and furnished by the superintendent consistent with Chapter 59A, Article 47 NMSA 1978, and be verified by two of the applicant's officers. The application shall include or be accompanied by such proof as
the superintendent may reasonably require that the applicant is qualified for the certificate of authority under this article. At filing of the application the applicant shall pay to the superintendent the applicable filing fee as specified in Section 59A-6-1 NMSA 1978. The filing fee shall not be refundable.

D. No such certificate of authority shall be required for a health care plan formerly so authorized, to enable it to investigate and settle losses under its contracts lawfully written in New Mexico, or to liquidate assets and liabilities (other than collection of new premiums) resulting from its former authorized operations in this state. A health care plan not transacting new business in this state but continuing collection of premiums on and servicing contracts remaining in force as to residents of or risks located in this state, is transacting business in New Mexico for the purpose of premium tax requirements only and is not required to have a certificate of authority.


The 1999 amendment, effective June 18, 1999, subdivided former Subsection B into Subsections B and C; substituted "A newly formed" for "The" and "Section 59A-47-6 NMSA 1978" for "Section 879.4 of this article" in Subsection B; inserted "for certificate of authority", substituted "Chapter 59A, Article 47 NMSA 1978" for "this article", inserted "the" preceding "applicant's", and substituted "Section 59A-6-1 NMSA 1978" for "Section 101 (fee schedule) of the Insurance Code" in Subsection C, and redesignated former Subsection C as Subsection D.


A. If after such investigation as he deems advisable the superintendent finds that the applicant is in sound financial condition and is otherwise qualified therefor, he shall issue to the applicant a certificate of authority as a health care plan.

B. If the superintendent does not so find, he shall deny issuance of the certificate of authority and notify the applicant thereof in writing stating the reasons for such denial.


The 1999 amendment, effective June 18, 1999, inserted "and" in the section heading; deleted "prior to expiration of one year from date of issuance of the preliminary permit referred to in Section 879.4 of this article the newly-formed health care plan has filed and completed its application to the superintendent for an initial certificate of authority as required under Section 879.6 of this article, and" following "If", and substituted "a" for "an initial" in Subsection A; and substituted "the certificate" for "an initial certificate" in Subsection B.

59A-47-10. Trust deposit.

A. Every health care plan shall make and thereafter maintain a deposit in trust with the state treasurer through the superintendent for the benefit and protection of all of its subscribers, as a condition to being authorized to transact business. The deposit shall consist of United States treasury bonds or other securities of the United States government or agency thereof, or in bonds
or obligations of any state, county or other political subdivision in the United States, or in certificates of deposit of solvent financial institutions located in New Mexico, purchased within this state and having at all times a market value of not less than one hundred thousand dollars ($100,000).

B. Any such trust deposit shall be released in the following instances only:

(1) upon extinguishment of all liabilities of the health care plan for the security of which the deposit is held;

(2) upon the health care plan ceasing to transact business in New Mexico, and all fixed or contingent liabilities for which the deposit was a security have been satisfied or terminated, or have been assumed by some other company authorized to transact business in New Mexico; or

(3) upon proper order of a court of competent jurisdiction, the trust deposit may be released to the receiver, conservator, rehabilitator or liquidator of the health care plan for whose account the deposit is held.

No such release shall be made except on application and written order of the superintendent made upon proof satisfactory to him of the existence of one or more of such grounds. Before directing the release of any securities the superintendent may require such evidence as he deems satisfactory that the health care plan is entitled to the release and return of the securities or a part thereof. The superintendent shall have no personal liability for any such release of any trust deposit or any part thereof so made in good faith.


The certificate of authority of a health care plan issued under this article shall be subject to continuation or expiration upon the same applicable procedures and time periods as provided in Article 5 [Chapter 59A, Article 5 NMSA 1978] (authorization of insurers and general requirements) of the Insurance Code with respect to authorized insurers, and upon payment of the applicable fees specified in Section 101 [59A-6-1 NMSA 1978] (fee schedule) of the Insurance Code.

History: Laws 1984, ch. 127, § 879.9.

59A-47-12. Suspension, revocation or refusal to continue certificate of authority.

The superintendent may suspend, revoke or refuse to continue the certificate of authority of any health care plan if the health care plan no longer fulfills the qualifications therefor as stated in this article or on any applicable ground, procedure and conditions on which he could suspend, revoke or refuse continuance of the certificate of authority of an insurer under Article 5 [Chapter 59A, Article 5 NMSA 1978] (authorization of insurers and general requirements) of the Insurance Code.

Prior to issuance of its initial certificate of authority, the health care plan shall appoint the superintendent and his successors as its true and lawful attorney upon whom may be served all lawful process in any action or legal proceedings against it by a resident of New Mexico or where the cause of action arises in this state. In the appointment the health care plan shall agree that any such process so served shall be of the same effect and validity as if served on the health care plan direct. The appointment shall continue in force irrevocably so long as any liability of the health care plan under a subscriber's contract in this state remains outstanding. Process shall be served upon the superintendent in the same manner and subject to the same conditions as provided in Section 99 [59A-5-32 NMSA 1978] of the Insurance Code as for service of process against insurers.

History: Laws 1984, ch. 127, § 879.10.


As prerequisite to continuance of its certificate of authority each health care plan shall on or before March 1st each year file with the superintendent and with the National Association of Insurance Superintendents its financial statement for the year ending December 31st immediately preceding, on form as prescribed and furnished without charge by the superintendent. The form shall conform as nearly as may be to the form of annual statement of insurers as from time to time adopted by the National Association of Insurance Superintendents. The statement shall be verified by the oaths of the president and secretary of the health care plan, or in the absence of either of them, by other principal officers.

History: Laws 1984, ch. 127, § 879.11.


In determining the financial condition of a health care plan there shall be allowed as assets only such assets allowed as to life or health insurers under Sections 118 [59A-8-1 NMSA 1978] ("assets" defined) and 119 [59A-8-2 NMSA 1978] (assets not allowed) of the Insurance Code.


A health care plan shall establish and maintain reserves in amount clearly adequate, as determined by the superintendent, to cover all liabilities for losses incurred and unpaid.

59A-47-17. Examination.

A health care plan, or organization proposing or purporting to be a health care plan, shall be subject to investigation and examination by the superintendent upon the same bases, in the same manner and subject to the same provisions as to conduct of the examination, payment of expense or costs of the examination, making, approval and filing of examination report, and all related provisions, as apply as to investigation or examination of insurers under Article 4 [Chapter 59A, Article 4 NMSA 1978] (examinations, hearings and appeals) of the Insurance Code.

History: Laws 1984, ch. 127, § 879.15.

Bracketed material. — The bracketed word "organization" was inserted by the compiler. It was not enacted by the legislature, and it is not a part of the law.


A health care plan shall invest its funds only in such securities and assets as are eligible for investment of the funds of health insurers under Article 9 [Chapter 59A, Article 9 NMSA 1978] (investments) of the Insurance Code, and subject to the provisions of that article as to investments and assets of such insurers.

History: Laws 1984, ch. 127, § 879.16.

59A-47-19. Limitation upon acquisition and administration expenses.

No health care plan shall during any one calendar year incur expense for acquisition of its business more than ten percent of its premium income earned during that year; nor incur during any such year for expense of administration more than twenty percent of such earned premiums.

History: Laws 1984, ch. 127, § 879.17.

59A-47-20. Conflicts of interest as to certain transactions.

A. No director or officer of any health care plan, or employee of such plan having authority for investment or expenditure of funds, shall accept except for the health care plan or be beneficiary of any fee, brokerage, gift or other emolument in addition to his fixed salary or compensation, because of any investment, loan, deposit, purchase, sale, exchange, reinsurance or other similar transaction made by or for the health care plan, or be pecuniarily interested therein in any capacity except on behalf of the health care plan.

B. No health care plan shall guarantee the financial obligation of any of its officers, directors or employees.

C. This section shall not prohibit such a director, officer or employee from becoming a
subscriber of the health care plan and enjoying thereunder the rights customarily provided to such subscribers, nor shall it prevent any director, officer or employee from being a purveyor or from being associated with or employed by a purveyor, who receives in ordinary course of business health care expense payments made by the health care plan for services or materials furnished to subscribers.

History: Laws 1984, ch. 127, § 879.18.


Two (2) or more health care plans may enter into and carry out cooperative agreements under which subscribers may subscribe jointly to and receive the benefits of all such plans; and any health care plan may enter into and carry out reinsurance agreements.


A. A health care plan may enter into agreements with another health care plan or mutual company similarly engaged in this state or another state or country for transfer of subscribers from one such plan to the other, subject to prior approval of any such agreement by the superintendent. The superintendent shall disapprove any such agreement if he finds on basis of such investigation as he deems advisable that the agreement in reasonable probability would result in loss to the health care plan authorized to do business in this state or is otherwise unfair or inequitable. The superintendent shall approve the agreement if he finds that the transfer of subscribership is to be accompanied by transfer of funds representing reserves in amount adequate to cover all liabilities to be incurred by the assuming health care plan through such transfer, that the transfer meets the applicable requirements of Chapter 59A, Article 34 NMSA 1978 and of the Nonprofit Corporation Act [Chapter 53, Article 8 NMSA 1978] for disposition or distribution of assets and that the agreement is otherwise fair and equitable to the insurers and subscribers involved.

B. The superintendent shall ensure, by imposition of conditions, if necessary, that New Mexico charitable assets are protected and preserved for the benefit of the people of New Mexico.


The 1999 amendment, effective June 18, 1999, in Subsection A, substituted “another health care plan or mutual company” for “a similar corporation” and inserted “this state or” preceding “another state” in the first sentence, and inserted “that the transfer meets the applicable requirements of Chapter 59A, Article 34 NMSA 1978 and of the Nonprofit Corporation Act for disposition or distribution of assets” and substituted “insurers” for “health care plans” in the last sentence, and added Subsection B.

59A-47-23. Subscriber contracts; coverage period.
Every health care expense payments contract made by a health care plan under this article shall provide coverage for the subscribers thereunder for a period of not less than one month; and no such contract shall be made which provides for an effective date which is more than six (6) months prior to or after the date when the contract was actually issued by the health care plan.

**History:** Laws 1984, ch. 127, § 879.21.

### 59A-47-24. Subscriber contracts; requirements and provisions.

Every health care expense payments contract issued under this article shall be in writing and comply with requirements and contain provisions in substance as follows:

A. a provision that the policy, the application of the policyholder (if it or a copy thereof is attached to the policy) and the individual applications, if any, submitted in connection with such policy by the employees or members, constitutes the entire contract between the parties, that no statement therein is a warranty in the absence of fraud and that no such statement shall avoid the obligation of the health care plan provided in the policy or reduce benefits thereunder unless contained in a written application for such contract, attached to and made part of the policy;

B. if such contract is a group contract, a provision that the health care plan will furnish to the subscriber, for delivery to each employee or member of any covered group, an individual certificate, or an identification card, or other evidence of such coverage, setting forth in summary form a statement of the essential features of the contract of all persons included in the coverage;

C. if such contract is a group contract, a provision that eligible new employees or members or dependents, as the case may be, may be added from time to time to the group originally covered, in accordance with the terms of the contract;

D. the amount payable to the health care plan by the subscriber, and the time at which and manner in which such amount is to be paid;

E. the nature of the benefits which will be furnished and the period during which they will be furnished and, if there are any benefits to be excepted, a detailed statement of such exceptions;

F. any specific term or condition to the effect that the contract may be canceled or otherwise terminated by the health care plan, including the manner and time of such termination; provided a contract may not be canceled during the period for which the premium has been paid unless written notice is delivered to the insured, or mailed to his last address as shown by the records of the health care plan, stating when, not less than five days thereafter such cancellation shall be effective;

G. that the contract includes the endorsements thereon and attached papers, if any, and constitutes the entire contract;

H. that after two years no statement (except a fraudulent statement) by the subscriber
in the application for a contract shall void the contract or be used against the subscriber in any legal action or proceedings relating to the contract unless such application or a true copy thereof is included in or attached to such contract; a statement that no change in the contract shall be valid until approved by an executive officer of the health care plan and unless such approval and countersignature be endorsed on or attached to such contract; and a statement that no agent has authority to change the contract or waive any of its provisions. No claim for loss incurred or disability (as defined in the policy) shall be reduced or denied on the ground that a disease or physical condition not excluded from coverage by name or a specific description effective on the date of loss had existed prior to the effective date of coverage of such policy;

I. that if the subscriber defaults in making any payment under the contract, the subsequent acceptance of an application for reinstatement and accompanying payment or its failure to take any action with respect thereto within thirty days following receipt of such application for reinstatement, by such health care plan or any duly authorized agent thereof reinstates the contract. The reinstated policy shall cover only loss resulting from such accidental injury as may [be] sustained after the date of reinstatement and loss due to such sickness as may begin more than ten days after such date. In all other respects the subscriber and the health care plan shall have the same rights thereunder as they had under the policy immediately before the due date of the defaulted premium, subject to any provisions endorsed thereon or attached thereto in connection with the reinstatement. Any premium accepted in connection with a reinstatement shall be applied to a period for which a premium has not been previously paid, but not to any period more than sixty days prior to the date of reinstatement. (The last sentence of the above provision may be omitted from any policy which the insured has the right to continue in force subject to its terms by the timely payment of premiums (1) until at least age fifty (50) or (2) in the case of a policy issued after age forty-four (44), for at least five (5) years from the date of its issue); and

J. the period of grace which will be allowed the subscriber for making any payment due under the contract, which period shall not be less than ten (10) days.

History: Laws 1984, ch. 127, § 879.22.

Bracketed material. — The bracketed word "be" in Subsection I was inserted by the compiler. It was not enacted by the legislature, and it is not a part of the law.

59A-47-25. Subscriber contracts; filing, approval.

No health care plan shall make or issue any health care expense payments contract or certificate therefor unless it has first filed with the superintendent a copy of the form of the proposed contract or certificate and a copy of all applications, riders and endorsements to be used in connection with or for renewal thereof, and the same have been approved by the superintendent. If the superintendent finds that the proposed forms are in compliance with applicable requirements of this article and are not to be disapproved by him as stated below, he shall approve the forms. The superintendent may disapprove any such form on any of the
grounds for disapproval of a health insurance policy under Section 344 [59A-18-14 NMSA 1978] of the Insurance Code. The superintendent shall notify the health care plan of his approval or disapproval within thirty (30) days after such filing, or within sixty (60) days after such filing if he so extends the time; and if the superintendent fails to act within such period the form shall be deemed approved.

History: Laws 1984, ch. 127, § 879.23.

59A-47-26. Premium rates; filing and approval.

A. No health care plan shall enter into any contract with a subscriber unless it has first filed with the superintendent a full schedule of premium rates to be paid by the subscribers. The superintendent shall notify the health care plan of his approval or disapproval of such rates within fifteen (15) days after the filing thereof, or within thirty (30) days after such filing if he shall so extend the time, and if the superintendent fails to act within such period, the rates shall be deemed approved.

B. At the time the health care plan files such rates with the superintendent, it shall also file a full schedule of all health care expense payments to be made under the contracts.

C. The superintendent may disapprove any such rate found by him to be excessive, inadequate or unfairly discriminatory, considering the health care expense payments to be made.


Subscriber contracts of a health care plan shall also be subject to coverage as required of health insurers under Sections 59A-22-34 through 59A-22-36 NMSA 1978.


An individual or group health insurance policy, health care plan or certificate of health insurance that is delivered, issued for delivery or renewed in the state shall provide coverage for circumcision for newborn males.


All individual and group subscriber contracts delivered or issued for delivery in New Mexico, which, on a service basis or on an indemnity basis, or both, provide for treatment of persons for the prevention, cure or correction of any illness or physical or mental condition shall include coverage for the services of a chiropractor.

**History:** Laws 1984, ch. 127, § 879.26.

**Compiler's notes.** — Laws 1984, ch. 127, § 879.27, reads "The provisions of this section shall be repealed effective July 1, 1987." However, Laws 1984, ch. 127, § 879.27, contains no provisions other than those quoted above and as such has not been codified.


A. Any individual and group subscriber contracts delivered in New Mexico which provide for obstetrical and/or maternity benefits on a service basis or an indemnity basis, or both, provide for treatment of persons for the prevention, cure or correction of any illness or physical or mental condition shall include coverage for the services of a certified nurse-midwife or registered lay midwife as defined in Subsection B of this section. Deductibles, limits of coverage or other terms and conditions of coverage for such services shall not differ substantially from coverage for the same or similar services provided by other practitioners.

B. As used in this section:

1. "certified nurse-midwife" means any person who is licensed by the board of nursing as a registered nurse and who is registered with the health services division of the health and environment department [department of health] as a certified nurse-midwife; and

2. "registered lay midwife" means any person who practices lay midwifery and who is registered as a registered lay midwife by the health services division of the health and environment department [department of health].


**Cross references.** — For freedom of choice of hospital and practitioner, see 59A-22-32 NMSA 1978.

**Bracketed material.** — The bracketed reference to the department of health was inserted by the compiler, as Laws 1991, ch. 25, § 16 repeals former 9-7-4 NMSA 1978, relating to the health and environment department, and enacts a new 9-7-4 NMSA 1978, creating the department of health. The bracketed material was not enacted by the legislature, and it is not part of the law.

**Applicability.** — Laws 1985, ch. 192, § 3 makes the provisions of the act applicable to any policy or contract which is delivered or issued for delivery in this state on or after July 1, 1985, and to any existing policy, contract or plan on its anniversary or renewal date after June 30, 1985, or at the expiration of the applicable collective bargaining contract, if any, whichever is later.


All individual and group subscriber contracts delivered or issued for delivery in New Mexico
by a nonprofit health care plan that, on a service or indemnity basis, or both, provide for treatment of persons for the prevention, cure or correction of any illness or physical or mental condition shall not contain any provisions that exclude a licensed doctor of oriental medicine as a provider of oriental medical services and shall not discriminate in the reimbursement levels for such services between types of licensed health care providers.


**Cross references.** — For prohibition against discrimination against acupuncture practitioner, see 59A-46-36 NMSA 1978.

For Acupuncture Practice Act, see Chapter 61, Article 14A NMSA 1978.

**The 1993 amendment,** effective June 18, 1993, substituted "Doctor of Oriental Medicine" for "Oriental Medical Doctor" in the section heading and substituted "licensed doctor of oriental medicine" for "licensed oriental medical doctor" near the end of the section.


All individual and group subscriber contracts delivered or issued for delivery in New Mexico that, on a prepaid, service or indemnity basis, or all of them, provide for treatment of persons for the prevention, cure or correction of an illness or physical or mental condition shall include coverage for the services of a physician assistant and a certified nurse practitioner. Deductibles, limits of coverage or other terms and conditions of coverage for certified nurse practitioners and physician assistants shall not differ substantially from coverage for the same or similar services provided by other practitioners. Nothing in this section shall restrict a health care plan from including in the terms of its coverage any benefit differences based on differences in the scope of practice of health care practitioners.


**The 2008 amendment,** effective May 14, 2008, added "physician assistant".


An individual or group subscriber contract delivered or issued for delivery in New Mexico that, on a prepaid, service or indemnity basis provides for treatment of persons for the prevention, cure or correction of any illness or physical or mental condition shall include coverage for the services of a dental hygienist in a collaborative practice pursuant to the Dental Health Care Act [61-5A-1 NMSA 1978].

**History:** Laws 2003, ch. 343, § 4.

**Effective dates.** — Laws 2003, ch. 343 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective June 20, 2003, 90 days after adjournment of the legislature.

The parties to a dispute between a health care plan and a purveyor arising out of a health care expense payments contract may submit the dispute to the superintendent for his final decision and his final decision shall then be binding upon the parties to the contract. A party to the contract may seek review of the superintendent's decision by filing an appeal in the district court pursuant to the provisions of Section 39-3-1.1 NMSA 1978.


The 1998 amendment, effective September 1, 1998, rewrote this section to the extent that a detailed comparison is impracticable.

The 1999 amendment, effective July 1, 1999, substituted "Section 39-3-1.1" for "Section 12-8A-1" in the last sentence.

59A-47-30. Licensed agents or solicitors required; qualifications, licensing procedures and conditions.

A. Solicitation of subscriberships for a health care plan shall be made only by agents of such plan or solicitors of such agents, who are duly qualified, appointed and licensed as such under the Insurance Code. This provision shall not apply as to salaried officers or employees of health care plans who are visiting or instructing their licensed agents, and who do not receive any part of the commission for any business written by such agents with their assistance.

B. No person shall be appointed or licensed as a health care plan agent or solicitor unless qualified therefor as follows:

   (1) is an individual at least eighteen years of age;
   (2) has had, or will receive, reasonable experience or instruction in the health care plan for which license is applied;
   (3) is be [sic] trustworthy and of good business reputation;
   (4) intends to engage in a bona fide way in the business of the health care plan; and
   (5) passes to the superintendent's satisfaction an examination for license as given by or under authorization of the superintendent.

C. A health care plan agent shall be appointed by and at any one time represent only one such plan.

D. Subject to the other provisions of this section, procedures for appointment and licensing such agents and solicitors, examination, issuance or denial of license, continuation or expiration, suspension, revocation or refusal to continue license and other applicable matters relating to such licensing and licenses shall be as provided as to licenses of agents and solicitors as to health insurance under Chapter 59A, Article 11 NMSA 1978. Fee for application for license and
continuation of license shall be as specified in Section 59A-6-1 NMSA 1978, and neither fee shall be refundable.


Bracketed material. — The bracketed word "sic" in Subsection B(3) was inserted by the compiler. It was not enacted by the legislature, and it is not part of the law.

1999 amendments. — Identical amendments to this section were enacted by Laws 1999, ch. 272, § 23, effective June 18, 1999, approved April 8, 1999, and Laws 1999, ch. 289, § 35, also effective June 18, 1999, approved later on April 8, 1999, which deleted former Paragraph B(2), which read "must be a resident of New Mexico", redesignated the subsequent paragraphs accordingly, updated the statutory references in Subsection D and made minor stylistic changes. The section is set out as amended by Laws 1999, ch. 289, § 35. See 12-1-8 NMSA 1978.


59A-47-31. Rehabilitation, liquidation or dissolution.

If the superintendent finds that expenses incurred by a health care plan for acquisition of business or administration exceed the limits prescribed under Section 879.17 [59A-47-19 NMSA 1978] of this article, or that the health care plan is at any time unable or prospectively unable to fulfill its outstanding contracts and also to meet the requirements of this article as to expenses, reserves, deposit and surplus funds, or is otherwise insolvent or likely to become insolvent, the superintendent may institute and maintain proceedings to conserve, rehabilitate, liquidate or dissolve such health care plan pursuant to the provisions of Article 41 [Chapter 59A, Article 41 NMSA 1978] (conservation, rehabilitation, liquidation) of the Insurance Code as applicable to insurers.


59A-47-32. Unauthorized contract or adjustment transactions; penalty.

A. Any person writing or attempting to write, solicit or procure health care plan contracts within this state without a certificate of authority or license duly issued in accordance with the Insurance Code and then required and subsisting, and any person adjusting, settling or knowingly accepting adjustment or settlement of any loss covered by a contract written or issued by any health care plan not holding a subsisting certificate of authority issued by the superintendent, shall be guilty of a misdemeanor, and upon conviction thereof shall be fined not less than one hundred dollars ($100) nor more than one thousand dollars ($1,000), or imprisoned in the county jail for not less than thirty (30) nor more than sixty (60) days, or both such fine and imprisonment in the court's discretion.

B. The exemptions from certificate of authority requirements of insurers as provided in Section 78 [59A-5-11 NMSA 1978] of the Insurance Code shall to the extent applicable also apply as to health care plans and their contracts under this section.
59A-47-33. Other provisions applicable.

The provisions of the Insurance Code [59A-1-1 NMSA 1978] other than Chapter 59A, Article 47 NMSA 1978 shall not apply to health care plans except as expressly provided in the Insurance Code and that article. To the extent reasonable and not inconsistent with the provisions of that article, the following articles and provisions of the Insurance Code shall also apply to health care plans, their promoters, sponsors, directors, officers, employees, agents, solicitors and other representatives; and, for the purposes of such applicability, a health care plan may therein be referred to as an "insurer":

A. Chapter 59A, Article 1 NMSA 1978;
B. Chapter 59A, Article 2 NMSA 1978;
C. Chapter 59A, Article 4 NMSA 1978;
D. Subsection C of Section 59A-5-22 NMSA 1978;
E. Sections 59A-6-2 through 59A-6-4 and 59A-6-6 NMSA 1978;
F. Section 59A-7-11 NMSA 1978;
G. Chapter 59A, Article 8 NMSA 1978;
H. Chapter 59A, Article 10 NMSA 1978;
I. Section 59A-12-22 NMSA 1978;
J. Chapter 59A, Article 16 NMSA 1978;
K. Chapter 59A, Article 18 NMSA 1978;
L. the Policy Language Simplification Law [59A-19-1 NMSA 1978];
M. Subsections B through E of Section 59A-22-5 NMSA 1978;
N. Section 59A-22-14 NMSA 1978;
O. Section 59A-22-34.1 NMSA 1978;
P. Section 59A-22-39 NMSA 1978;
Q. Section 59A-22-40 NMSA 1978;
R. Section 59A-22-40.1 NMSA 1978;
S. Section 59A-22-41 NMSA 1978;
T. Section 59A-22-42 NMSA 1978;
U. Section 59A-22-43 NMSA 1978;
V. Section 59A-22-44 NMSA 1978;
Y. Section 59A-46-15 NMSA 1978; and
Z. the Patient Protection Act [59A-57-1 NMSA 1978].


The 1992 amendment, effective May 20, 1992, added Subsection O.

The 1993 amendment, effective June 18, 1993, rewrote the introductory language; substituted references to "section" for references to "chapter" in Subsections N and O; deleted "and" at the end of Subsection N; and added Subsections P through R.


The first 1997 amendment inserted "59A-34-17 and" in Subsection Q. Laws 1997, ch. 248 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective on June 20, 1997, 90 days after adjournment of the legislature.

The second 1997 amendment. — Identical amendments to this section were enacted by Laws 1997, ch. 7, § 4 and Laws 1997, ch. 255, § 4, which, effective January 1, 1998, added Subsection Q and redesignated former Subsections Q through S as Subsections R through T.

The 1998 amendment, effective July 1, 1998, added Subsection N, redesignated the following subsections accordingly, added Subsection V, and made a minor stylistic change in the section.


The 2003 amendment, effective June 20, 2003, deleted the references to Chapter 59A, Article 19, Section 59A-22-2.1, and Chapter 59A, Article 37 being former Subsections L, M and U; inserted present Subsections L, S and T redesignated the subsequent subsections accordingly; inserted “The Insurance Holding Company Law” in Subsection V.

The 2007 amendment, effective June 15, 2007, adds Subsection R.

The 2009 amendment, effective June 19, 2009, added Subsection U.

Applicability. — Laws 1992, ch. 56, § 5 makes the provisions of this act applicable to policies, plans, contracts, and certificates delivered or issued for delivery or renewed, extended or amended in the state on or after July 1, 1992.

Laws 1994, ch. 75, § 36 makes the provisions of §§ 26 to 34 of the act applicable to all plans and policies delivered, issued for delivery or renewed on or after January 1, 1995.

59A-47-34. Continuation of coverage and conversion rights; health care plans.

A. Every individual or group contract entered into by a health care plan that provides for health care expense payments on a service benefit basis or an indemnity benefit basis or both and that is delivered, issued for delivery or renewed in this state on or after July 1, 1984 shall provide covered family members of subscribers the right to continue such coverage through a converted or separate contract upon the death of the subscriber or upon the divorce, annulment or dissolution of marriage or legal separation of the spouse from the subscriber. Where a continuation of coverage or conversion is made in the name of the spouse of the subscriber, such coverage may, at the option of the spouse, include coverage to dependent children for whom the spouse has responsibility for care and support.

B. The right to a continuation of coverage or conversion pursuant to this section shall not exist with respect to any covered family member of a subscriber in the event the coverage terminates for nonpayment of premium, nonrenewal of the contract or the expiration of the term for which the contract is issued. With respect to any covered family member who is eligible for medicare or any other similar federal or state health insurance program, the right to a continuation of coverage or conversion shall be limited to coverage under a medicare supplement insurance contract as defined by the rules and regulations adopted by the superintendent of insurance.

C. Coverage continued through the issuance of a converted or separate contract shall be provided at a reasonable, nondiscriminatory rate to the insured and shall consist of a form of coverage then being offered by the health care plan as a conversion contract in the jurisdiction where the person exercising the conversion right resides that most nearly approximates the coverage of the contract from which conversion is exercised. Continued and converted coverages shall contain renewal provisions that are not less favorable to the subscriber than those contained in the policy from which the conversion is made, except that the person who exercises the right of conversion is entitled only to have included a right to coverage under a medicare supplement insurance contract, as defined by the rules and regulations adopted by the superintendent of
insurance, after the attainment of the age of eligibility for medicare or any other similar federal or state health insurance program.

D. At the time of inception of coverage, the health care plan shall provide each covered family member eighteen years of age or older a statement setting forth in summary form the continuation of coverage and conversion provisions of the subscriber's contract.

E. The eligible covered family member exercising the continuation or conversion right must notify the health care plan and make payment of the applicable premium within thirty days following the date such coverage otherwise terminates as specified in the contract from which continuation or conversion is being exercised.

F. Coverage shall be provided through continuation or conversion without additional evidence of insurability and shall not impose any preexisting condition, limitations or other contractual time limitations other than those remaining unexpired under the contract from which continuation or conversion is exercised.

G. Any probationary or waiting period set forth in the converted or separate contract is deemed to commence on the effective date of the applicant's coverage under the original contract.

History: Laws 1984, ch. 127, § 879.33.

59A-47-35. Alcohol dependency coverage.

A. Each health care plan that delivers or issues for delivery in this state a group contract providing for health care expense payments on a service benefit basis or an indemnity benefit basis or both shall offer and make available benefits for the necessary care and treatment of alcohol dependency. Such benefits shall:

1. be subject to annual deductibles and coinsurance consistent with those imposed on other benefits within the same contract;

2. provide no less than thirty days necessary care and treatment in an alcohol dependency treatment center and thirty outpatient visits for alcohol dependency treatment; and

3. be offered for benefit periods of no more than one year and may be limited to a lifetime maximum of no less than two benefit periods.

Such offer of benefits shall be subject to the rights of the group contract holder to reject the coverage or to select any alternative level of benefits if that right is offered by or negotiated with that health care plan.

B. For purposes of this section, "alcohol dependency treatment center" means a facility that contracts with the health care plan and that provides a program for the treatment of alcohol dependency pursuant to a written treatment plan approved and monitored by a physician or meeting the quality standards of the department of health and which facility also:

1. is affiliated with a hospital under a contractual agreement with an established system for patient referral;
is accredited as such a facility by the joint commission on accreditation of hospitals; or

(3) meets at least the minimum standards adopted by the department of health.

C. This section applies to contracts delivered or issued for delivery or renewed, extended or amended in this state on or after July 1, 1983 or upon expiration of a collective bargaining agreement applicable to a particular contract holder, whichever is later; provided that this section does not apply to blanket, short-term travel, accident-only, limited or specified disease, individual conversion contracts or contracts designed for issuance to persons eligible for coverage under Title 18 of the Social Security Act, known as medicare, or any other similar coverage under state or federal governmental plans. With respect to any contract forms approved by the insurance division prior to the effective date of this section, an insurer is authorized to comply with this section by the use of endorsements or riders, provided such endorsements or riders are approved by the insurance division as being in compliance with this section and applicable provisions of the Insurance Code.

D. If an organization offering group health benefits to its members makes more than one health care plan or health insurance plan policy available to its members on a member option basis, the organization shall not require alcohol dependency coverage from one health care plan or health insurer without requiring the same level of alcohol dependency coverage for all other health care plans or health insurance policies that the organization makes available to its members.


Bracketed material. — The bracketed reference to the department of health was inserted by the compiler, as Laws 1991, ch. 25, § 16 repeals former 9-7-4 NMSA 1978, relating to the health and environment department, and enacts a new 9-7-4 NMSA 1978, creating the department of health. The bracketed material was not enacted by the legislature, and it is not part of the law.

The 1999 amendment, effective July 1, 1999, in Subsection B, substituted "department of health" for "substance abuse bureau of the behavioral health services division of the health and environment department" in the introductory language and for "substance abuse bureau pursuant to Section 43-3-4 NMSA 1978 for treatment of alcoholism in regional treatment centers as defined in Section 43-3-3 NMSA 1978" in Paragraph (3); and substituted "insurance division" for "department of insurance" twice in Subsection C.


Social Security Act. — Title 18 of the federal Social Security Act, referred to in Subsection C, is compiled as 42 U.S.C.A. § 1395 et seq.

59A-47-36. Nonprofit health care plans; contract or certificate provisions relating to individuals who are eligible for medical benefits under the medicaid program.

A. Each individual or group contract for health care expense payments or certificate therefor that is delivered, issued for delivery or renewed in this state by a health care plan shall include
provisions that require benefits paid on behalf of a subscriber under the contract or certificate to be paid to the human services department when:

(1) the human services department has paid or is paying health care expenses on behalf of the subscriber under the state's medicaid program pursuant to Title XIX of the federal Social Security Act, 42 U.S.C. 1396, et seq.;

(2) payment for the expenses in question has been made by the human services department to the medicaid provider; and

(3) the health care plan is notified that the subscriber receives benefits under the medicaid program and that benefits must be paid directly to the human services department.

B. The notice required under Paragraph (3) of Subsection A of this section may be accomplished through an attachment to the claim by the human services department for health care expense payments when the claim is first submitted by the human services department to the health care plan.

C. Notwithstanding any other provisions of law, checks in payment for claims pursuant to any individual or group contract for health care expense payments or certificate therefor for health care services provided to subscribers who are also eligible for benefits under the medicaid program and provided by medical providers qualified to participate under the contract or certificate shall be made payable to the provider. The health care plan may be notified that the subscriber is eligible for medicaid benefits through an attachment to the claim by the provider for health care expense payments when the claim is first submitted by the provider to the health care plan.

D. No individual or group contract for health care expense payments or certificate therefor delivered, issued for delivery or renewed in this state on or after the effective date of this section shall contain any provision denying or limiting contract benefits because services are rendered to a subscriber who is eligible for or who has received medical assistance under the medicaid program of this state.

E. To the extent that payment for covered expenses has been made pursuant to the state medicaid program for health care items or services furnished to an individual, in any case where a health care plan has a legal liability to make payments, the state is considered to have acquired the rights of the individual to payment by the health care plan for those health care items or services.


The 1994 amendment, effective July 1, 1994, added Subsection E.


A. An insurer shall not deny enrollment of a child under the health plan of the child's parent on the grounds that the child:
(1) was born out of wedlock;
(2) is not claimed as a dependent on the parent's federal tax return; or
(3) does not reside with the parent or in the insurer's service area.

B. When a child has health coverage through an insurer of a noncustodial parent, the insurer shall:
   (1) provide such information to the custodial parent as may be necessary for the child to obtain benefits through that coverage;
   (2) permit the custodial parent or the provider, with the custodial parent's approval, to submit claims for covered services without the approval of the noncustodial parent; and
   (3) make payments on claims submitted in accordance with Paragraph (2) of this subsection directly to the custodial parent, the provider or the state medicaid agency.

C. When a parent is required by a court or administrative order to provide health coverage for a child, and the parent is eligible for family health coverage, the insurer shall be required:
   (1) to permit the parent to enroll, under the family coverage, a child who is otherwise eligible for the coverage without regard to any enrollment season restrictions;
   (2) if the parent is enrolled but fails to make application to obtain coverage for the child, to enroll the child under family coverage upon application of the child's other parent, the state agency administering the medicaid program or the state agency administering 42 U.S.C. Sections 651 through 669, the child support enforcement program; and
   (3) not to disenroll or eliminate coverage of the child unless the insurer is provided satisfactory written evidence that:
      (a) the court or administrative order is no longer in effect; or
      (b) the child is or will be enrolled in comparable health coverage through another insurer that will take effect not later than the effective date of disenrollment.

D. An insurer shall not impose requirements on a state agency that has been assigned the rights of an individual eligible for medical assistance under the medicaid program and covered for health benefits from the insurer that are different from requirements applicable to an agent or assignee of any other individual so covered.

E. An insurer shall provide coverage for children, from birth through three years of age, for or under the family, infant, toddler program administered by the department of health, provided eligibility criteria are met, for a maximum benefit of three thousand five hundred dollars ($3,500) annually for medically necessary early intervention services provided as part of an individualized family service plan and delivered by certified and licensed personnel as defined in 7.30.8 NMAC who are working in early intervention programs approved by the department of health. No payment under this subsection shall be applied against any maximum lifetime or annual limits specified in the policy, health benefits plan or contract.

Compiler's notes. — As enacted by Laws 1994, ch. 64, § 12, this section was designated as 59A-47-38 NMSA 1978. Since there was no 59A-47-37 NMSA 1978, this section was compiled at this location in 1994.

The 2005 amendment, effective July 1, 2005, adds Subsection E to require coverage for children from birth through three years of age under the family, infant, toddler program for a maximum benefit of $3,500 for medically necessary early intervention services.


A. An individual or group health insurance policy, health care plan or certificate of health insurance delivered or issued for delivery in this state shall provide coverage for a hearing aid and any related service for the full cost of one hearing aid per hearing-impaired ear up to two thousand two hundred dollars ($2,200) every thirty-six months for hearing aids for insured children under eighteen years of age or under twenty-one years of age if still attending high school. The insured may choose a higher priced hearing aid and may pay the difference in cost above the two-thousand-two-hundred-dollar ($2,200) limit as provided in this subsection without financial or contractual penalty to the insured or to the provider of the hearing aid.

B. An insurer that delivers, issues for delivery or renews in this state an individual or group health insurance policy, health care plan or certificate of health insurance may make available to the policyholder the option of purchasing additional hearing aid coverage that exceeds the services described in this section.

C. Hearing aid coverage offered shall include fitting and dispensing services, including providing ear molds as necessary to maintain optimal fit, provided by an audiologist, a hearing aid dispenser or a physician, licensed in New Mexico.

D. The provisions of this section do not apply to short-term travel, accident-only or limited or specified disease policies.

E. Coverage for hearing aids may be subject to deductibles and coinsurance consistent with those imposed on other benefits under the same policy, plan or certificate.

F. For the purposes of this section, "hearing aid" means durable medical equipment that is of a design and circuitry to optimize audibility and listening skills in the environment commonly experienced by children.


As of July 1, 2003, subscriber contracts of a health care plan shall also be subject to coverage for special medical diets for genetic inborn errors of metabolism as required of health insurers in Chapter 59A, Article 22 NMSA 1978.
History: Laws 2003, ch. 192, § 3.

Effective dates. — Laws 2003, ch. 192 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective June 20, 2003, 90 days after adjournment of the legislature.


Employer claims information, including utilization and loss experience under health insurance provided under Chapter 59A, Article 47 NMSA 1978 shall be made available by the carrier only upon the written request of and to employers of subscribers with such coverage within thirty days of an employer's written request to the carrier for such information, provided the employer's coverage extends to no less than twenty-five individual subscribers, regardless of whether family coverage is included. Each carrier shall provide to the employer claims information that provides sufficient detail, subject to state and federal privacy laws, to enable the employer to obtain and compare rates from multiple carriers or establish a plan of self-insurance.


The 2007 amendment, effective June 15, 2007, requires insurers to provide claims experience information to employers to permit the employer to obtain and compare group health care rates and coverage from other carriers.


An individual or group health care coverage, including any form of self-insurance, offered, issued or renewed under the Health Care Purchasing Act [13-7-1 NMSA 1978] that offers coverage of an insured's dependent shall not terminate coverage of an unmarried dependent by reason of the dependent's age before the dependent's twenty-fifth birthday, regardless of whether the dependent is enrolled in an educational institution.

History: Laws 2003, ch. 391, § 7; 2005, ch. 41, § 3.

Effective dates. — Laws 2003, ch. 391 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective June 20, 2003, 90 days after adjournment of the legislature.

The 2005 amendment, effective July 1, 2005, provides that an individual or group health care coverage under the Health Care Purchasing Act [13-7-1 NMSA 1978] shall not terminate coverage of unmarried dependents by reason of age before the twenty-fifth birthday.

Cross references. — For age of dependents see also Section 59A-22-2 NMSA 1978 and Section 59A-22-34.2 NMSA 1978.


An individual or group health insurance policy, health care plan or certificate of health insurance that is delivered, issued for delivery or renewed in the state shall provide coverage for
an alpha-fetoprotein IV screening test for pregnant women, generally between sixteen and twenty weeks of pregnancy, to screen for certain genetic abnormalities in the fetus.


59A-47-42. Coverage of part-time employees.

A health care plan that provides coverage for health care pursuant to the Nonprofit Health Care Plan Law [59A-47-1 NMSA 1978] shall make available, upon an employer's request prior to issuance, delivery or renewal, coverage for regular part-time employees who work or are expected to work an average of at least twenty hours per week over a six-month period. Nothing in this section shall be construed to require an employer to offer or provide coverage for regular part-time employees.


A. An individual or group health policy, health care plan or certificate of health insurance that is delivered, issued for delivery or renewed in this state shall provide coverage for colorectal screening for determining the presence of precancerous or cancerous conditions and other health problems. The coverage shall make available colorectal cancer screening, as determined by the health care provider in accordance with the evidence-based recommendations established by the United States preventive services task force.

B. Coverage for colorectal screening may be subject to deductibles and coinsurance consistent with those imposed on other benefits under the same policy, plan or certificate.

C. The provisions of this section shall not apply to short-term travel, accident-only or limited or specified-disease policies.


Effective dates. — Laws 2007, ch. 17, contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective June 15, 2007, 90 days after the adjournment of the legislature.


A. An individual or group health insurance policy, health care plan or certificate of health insurance delivered or issued for delivery in this state shall provide coverage for hospitalization and general anesthesia provided in a hospital or ambulatory surgical center for dental surgery for the following:
insureds exhibiting physical, intellectual or medically compromising conditions for which dental treatment under local anesthesia, with or without additional adjunctive techniques and modalities, cannot be expected to provide a successful result and for which dental treatment under general anesthesia can be expected to produce superior results;

(2) insureds for whom local anesthesia is ineffective because of acute infection, anatomic variation or allergy;

(3) insured children or adolescents who are extremely uncooperative, fearful, anxious or uncommunicative with dental needs of such magnitude that treatment should not be postponed or deferred and for whom lack of treatment can be expected to result in dental or oral pain or infection, loss of teeth or other increased oral or dental morbidity;

(4) insureds with extensive oral-facial or dental trauma for which treatment under local anesthesia would be ineffective or compromised; or

(5) other procedures for which hospitalization or general anesthesia in a hospital or ambulatory surgical center is medically necessary.

B. The provisions of this section do not apply to short-term travel, accident-only or limited or specified disease policies.

C. Coverage for dental surgery may be subject to copayments, deductibles and coinsurance subject to network and prior authorization requirements consistent with those imposed on other benefits under the same policy, plan or certificate.

History: Laws 2007, ch. 218, § 5.

Effective dates. — Laws 2007, ch. 218, § 6 makes this section effective on July 1, 2007.


A. An individual or group health insurance policy, health care plan or certificate of health insurance delivered or issued for delivery in this state shall provide coverage to an eligible individual who is twenty-two years of age or younger and is enrolled in high school, for:

(1) well-baby and well-child screening for diagnosing the presence of autism spectrum disorder; and

(2) treatment of autism spectrum disorder through speech therapy, occupational therapy, physical therapy and applied behavioral analysis.

B. Coverage required pursuant to Subsection A of this section:

(1) shall be limited to treatment that is prescribed by the insured's treating physician in accordance with a treatment plan;

(2) shall be limited to thirty-six thousand dollars ($36,000) annually and shall not exceed two hundred thousand dollars ($200,000) in total lifetime benefits. Beginning January 1, 2011, the maximum benefit shall be adjusted annually on January 1 to reflect any change from
the previous year in the medical component of the then-current consumer price index for all urban consumers published by the bureau of labor statistics of the United States department of labor;

(3) shall not be denied on the basis that the services are habilitative or rehabilitative in nature;

(4) may be subject to other general exclusions and limitations of the insurer's policy or plan, including, but not limited to, coordination of benefits, participating provider requirements, restrictions on services provided by family or household members and utilization review of health care services, including the review of medical necessity, case management and other managed care provisions; and

(5) may be limited to exclude coverage for services received under the federal Individuals with Disabilities Education Improvement Act of 2004 and related state laws that place responsibility on state and local school boards for providing specialized education and related services to children three to twenty-two years of age who have autism spectrum disorder.

C. The coverage required pursuant to Subsection A of this section shall not be subject to dollar limits, deductibles or coinsurance provisions that are less favorable to an insured than the dollar limits, deductibles or coinsurance provisions that apply to physical illnesses that are generally covered under the individual or group health maintenance contract, except as otherwise provided in Subsection B of this section.

D. An insurer shall not deny or refuse to issue health insurance coverage for medically necessary services or refuse to contract with, renew, reissue or otherwise terminate or restrict health insurance coverage for an individual because the individual is diagnosed as having autism spectrum disorder.

E. The treatment plan required pursuant to Subsection B of this section shall include all elements necessary for the health insurance plan to pay claims appropriately. These elements include, but are not limited to:

(1) the diagnosis;

(2) the proposed treatment by types;

(3) the frequency and duration of treatment;

(4) the anticipated outcomes stated as goals;

(5) the frequency with which the treatment plan will be updated; and

(6) the signature of the treating physician.

F. This section shall not be construed as limiting benefits and coverage otherwise available to an insured under a health insurance plan.

G. The provisions of this section shall not apply to policies intended to supplement major medical group-type coverages such as medicare supplement, long-term care, disability income, specified disease, accident only, hospital indemnity or other limited-benefit health insurance policies.
H. As used in this section:

(1) "autism spectrum disorder" means a condition that meets the diagnostic criteria for the pervasive developmental disorders published in the Diagnostic and Statistical Manual of Mental Disorders, fourth edition, text revision, also known as DSM-IV-TR, published by the American psychiatric association, including autistic disorder; Asperger's disorder; pervasive development disorder not otherwise specified; Rett's disorder; and childhood disintegrative disorder;

(2) "habilitative or rehabilitative services" means treatment programs that are necessary to develop, maintain and restore to the maximum extent practicable the functioning of an individual; and

(3) "high school" means a school providing instruction for any of the grades nine through twelve.


Effective dates. — Laws 2009, ch. 74 contained no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, was effective June 19, 2009, 90 days after the adjournment of the legislature.

ARTICLE 48
Prepaid Dental Plans

Section
59A-48-1 Short title.
59A-48-2 Definitions.
59A-48-3 Certificate of authority required.
59A-48-4 Application for certificate of authority.
59A-48-5 Issuance of certificate of authority.
59A-48-6 Deposit requirement; exception.
59A-48-7 Reserve requirement; exception.
59A-48-8 Membership coverage.
59A-48-9 Examination of prepaid dental plan organization.
59A-48-10 Annual report to superintendent.
59A-48-11 Repealed.
59A-48-12 Operational expenses.
59A-48-14 Agents and solicitors.
59A-48-15 Suspension or revocation of certificate of authority.
59A-48-16 Approval of advertising and sales material.
59A-48-17 Solicitation not violation of certain laws relating to providers.
59A-48-18 Conservation, rehabilitation, liquidation.
59A-48-19 Other provisions applicable.

This article [Chapter 59A, Article 48 NMSA 1978] may be cited as the "Prepaid Dental Plan Law".

History: Laws 1984, ch. 127, § 880.


As used in this article:
A. "member" means an individual who is enrolled in a group prepaid dental plan as a principal subscriber together with such person's dependents who are entitled to dental care services under the plan solely because of their status as dependents of the principal subscriber;
B. "membership coverage" means any certificate or contract issued to a member setting out the dental coverage to which such member is entitled;
C. "prepaid dental plan" means any contractual arrangement whereby any prepaid dental plan organization undertakes to provide directly or to arrange for prepaid dental services and to pay or make reimbursement for any remaining portion of such prepaid dental services on a prepaid basis through insurance or otherwise;
D. "prepaid dental plan organization" means any person who undertakes to conduct one or more prepaid dental plans providing only dental services; provided, that this article shall not apply to nonprofit health care plans or accident and health insurance programs;
E. "prepaid dental services" means services included in the practice of dentistry as defined in the Dental Act; and
F. "provider" means any person licensed under the Dental Act or otherwise authorized to furnish prepaid dental services in New Mexico.


Compiler's notes. — The Dental Act, referred to in Subsection E, was repealed in 1994. For present comparable provisions, see 61-5A-1 NMSA 1978 et seq.


No person may establish or operate a prepaid dental plan organization in New Mexico, or sell or offer to sell or solicit offers to purchase, or receive advance or periodic consideration in conjunction with a prepaid dental plan without obtaining and maintaining a certificate of authority pursuant to the provisions of this article.


A. An application for a certificate of authority to operate as a prepaid dental plan
organization shall be filed with the superintendent in form prescribed by the superintendent, shall be verified by an officer or authorized representative of the applicant and shall set forth or be accompanied by the following:

(1) a copy of any basic organizational document of the applicant, such as the articles of incorporation, articles of association, partnership agreement, trust agreement or other applicable documents together with all amendments to such documents;

(2) a copy of any bylaws, rules and regulations or similar document regulating the internal affairs of the applicant;

(3) a list of the names, addresses and official positions of the persons who are responsible for the conduct of the affairs of the applicant, including all members of the board of directors, board of trustees, executive committee or other governing board or committee, the principal officers in the case of a corporation and the partners or members in the case of a partnership or association;

(4) if the prepaid dental plan organization is a corporation, evidence that the corporation's board of directors includes:
   (a) dentists, duly licensed pursuant to the provisions of the Dental Act, who have contracted with the corporation to render dental services to members;
   (b) members of the prepaid dental plan, who shall comprise at least one-third of the members of the board; and
   (c) at least one director who is a licensed dentist who has not contracted to render dental services to members;

(5) a copy of any contract made or to be made between any providers or persons listed in Paragraph (3) of this subsection and the applicant;

(6) a statement generally describing the prepaid dental plan organization, its dental plan or plans, facilities and personnel, as approved by the director of the health services division of the health and environmental department [department of health];

(7) a copy of the form of membership coverage to be issued to members;

(8) a copy of the form of any group contract which is to be issued to employers, unions, trustees or other applicants;

(9) financial statements showing the applicant's assets, liabilities and sources of financial support. If the applicant's financial affairs are audited by independent certified accountants, a copy of the applicant's most recent regular certified financial statement shall satisfy this requirement unless the superintendent determines that additional or more recent financial information is required for the proper administration of this article;

(10) a description of the proposed method of marketing the plan, a financial plan which includes a three-year projection of the initial operating results anticipated and a statement as to the sources of working capital as well as any other sources of funding;

(11) a power of attorney duly executed by the applicant, if not domiciled in New Mexico.
Mexico, which appoints the superintendent, his successors in office and his duly authorized
deputies as the true and lawful attorney of such applicant in and for this state, upon whom all
lawful process in any legal action or proceeding against any prepaid dental plan organization
may be served in any cause of action arising in New Mexico;

(12) a statement reasonably describing the geographic area or areas to be served, as
approved by the director of health services division of the health and environment department
[department of health];

(13) a fee for filing application for certificate of authority as specified in Section 101
[59A-6-1 NMSA 1978] (fee schedule) of the Insurance Code; and

(14) such other information as the superintendent may require.

B. Within ten (10) days following any significant modification of information previously
furnished pursuant to Subsection A of this section, a prepaid dental plan organization shall file
notice of such modification with the superintendent.


Bracketed material. — The bracketed reference to the department of health was inserted by the
compiler, as Laws 1991, ch. 25, § 16 repeals former 9-7-4 NMSA 1978, relating to the health and
environment department, and enacts a new 9-7-4 NMSA 1978, creating the department of health. The
bracketed material was not enacted by the legislature, and it is not part of the law.

Compiler's notes. — The Dental Act, referred to in Subparagraph A(4)(a) was repealed in 1994. For
present comparable provisions, see 61-5A-1 NMSA 1978 et seq.


A. Issuance of a certificate of authority shall be granted by the superintendent if the
superintendent is satisfied that the following conditions are met:

(1) the persons responsible for conducting the affairs of the prepaid dental plan
organization are competent and trustworthy and are professionally capable of providing or
arranging for the provision of services offered;

(2) the prepaid dental plan organization constitutes an appropriate mechanism to
achieve an effective prepaid dental plan, in accordance with regulations issued by the director of
the health services division of the health and environment department [department of health],
which shall include at least the basic dental services appropriate to such plan as determined by
the director of the health services division of the health and environment department;

(3) the prepaid dental plan organization is financially responsible and may reasonably
be expected to meet its obligations to members and prospective members. In making this
determination, the superintendent shall consider at least:

(a) the financial soundness of the prepaid dental plan's arrangement for services and
the schedule of charges used;
(b) any agreement with an insurer, a hospital or a medical service corporation, a government or any other organization for insuring the payment of the cost of prepaid dental services or the provisions for automatic applicability of an alternative coverage in the event of the discontinuance of the plan; and

(c) the sufficiency of an agreement with providers for the provision of prepaid dental services; and

(4) each officer responsible for conducting the affairs of the prepaid dental plan organization is covered under an individual or blanket fidelity bond in the amount of fifty thousand dollars ($50,000), and such bond has been filed with and approved by the superintendent.

B. A certificate of authority shall be subject to continuance, expiration, termination, suspension or revocation on the same applicable bases as provided under Article 5 [Chapter 59A, Article 5 NMSA 1978] of the Insurance Code as to insurers in general.

History: Laws 1984, ch. 127, § 884.

Bracketed material. — The bracketed reference to the department of health was inserted by the compiler, as Laws 1991, ch. 25, § 16 repeals former 9-7-4 NMSA 1978, relating to the health and environment department, and enacts a new 9-7-4 NMSA 1978, creating the department of health. The bracketed material was not enacted by the legislature, and it is not part of the law.

59A-48-6. Deposit requirement; exception.

A. A prepaid dental plan organization shall maintain on deposit with the state treasurer through the superintendent a surety bond guaranteeing services under the plan, or cash or securities eligible for investments of capital funds of health insurers under Chapter 59A, Article 9 NMSA 1978, in the following amounts depending on the number of members entitled to dental care services pursuant to contracts issued by the plan:

<table>
<thead>
<tr>
<th>Number of Members</th>
<th>Deposit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,500 or less</td>
<td>$ 25,000</td>
</tr>
<tr>
<td>2,501 - 5,000</td>
<td>30,000</td>
</tr>
<tr>
<td>5,001 - 7,500</td>
<td>40,000</td>
</tr>
<tr>
<td>7,501 - 10,000</td>
<td>50,000</td>
</tr>
<tr>
<td>10,001 - 15,000</td>
<td>75,000</td>
</tr>
<tr>
<td>15,001 - 20,000</td>
<td>100,000</td>
</tr>
<tr>
<td>20,001 - 25,000</td>
<td>125,000</td>
</tr>
<tr>
<td>25,001 - 30,000</td>
<td>150,000</td>
</tr>
<tr>
<td>30,001 - 40,000</td>
<td>175,000</td>
</tr>
<tr>
<td>40,001 and above</td>
<td>200,000</td>
</tr>
</tbody>
</table>

B. The deposit prescribed by Subsection A of this section shall be held by the state treasurer in trust for the benefit and protection of persons covered by a prepaid dental plan.

C. Any securities within the description of Subsection A of this section, with the approval of the superintendent may be exchanged for similar securities or cash of equal amount. Interest on securities deposited shall be payable to the prepaid dental plan organization.
D. An unpaid final judgment arising from a membership coverage shall be a lien on the deposit described in Subsection A of this section, subject to execution after thirty days from the entry of final judgment. If the deposit is reduced, it shall be replenished within ninety days by the prepaid dental plan organization.

E. Upon liquidation or dissolution of a prepaid dental plan organization and the satisfaction of all its debts and liabilities, any balance remaining of the cash or securities deposit prescribed in Subsection A of this section, together with any other assets of the prepaid dental plan organization, shall be returned by the superintendent to the prepaid dental plan organization.

F. The deposit prescribed by Subsection A of this section shall not apply with respect to a prepaid dental plan organization which is funded by the federal, state or a municipal government or any political subdivision or body to the extent and for such period of time that the prepaid dental plan organization can demonstrate to the superintendent the presence of operational commitments from such sources equivalent to such deposit.

**History:** Laws 1984, ch. 127, § 885; 1993, ch. 320, § 104.

**The 1993 amendment,** effective June 18, 1993, in Subsection A, substituted "Chapter 59A, Article 9 NMSA 1978" for "Article 9 (investments) of the Insurance Code", revised the "Number of Members" table, and made stylistic changes in Subsection D.

**Severability clauses.** — Laws 1993, ch. 320, § 106 provides for the severability of the act if any part or application thereof is held invalid.

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59A-48-7. Reserve requirement; exception.

A. A prepaid dental plan organization at all times shall maintain for protection of the members a financial reserve consisting of two percent of prepaid charges collected from members for the plan, until such reserve totals five hundred thousand dollars ($500,000). Such reserve shall be in addition to the deposit prescribed by Section 885 [59A-48-6 NMSA 1978] of this article.

B. The reserve prescribed by Subsection A of this section shall not apply with respect to a prepaid dental plan organization which is funded by the federal, state or a municipal government or any political subdivision or body and meets the requirement of Subsection F of Section 885 of this article.

**History:** Laws 1984, ch. 127, § 886.


A. Every member in a prepaid dental plan shall be issued a membership coverage form by the prepaid dental plan organization.

B. Any contract applied for that provides family coverage shall, as to such coverage of
individuals in the family, also provide that the benefits applicable for children shall be payable with respect to a newly-born child of the insured from the instant of such child's birth to the same extent that such coverage applies to other individuals in the family. If payment of a specific premium is required to provide coverage for a child, the contract may require that notification of birth of a newly-born child and payment of the required premium shall be furnished to the insurer within thirty-one (31) days after the date of birth in order to have the coverage continue beyond the thirty-one-day period.

C. No membership coverage or amendment shall be issued or delivered to any person in this state until a copy of the form of the membership coverage or amendment has been filed with and approved by the superintendent.

D. A membership coverage shall contain a clear and complete statement of a contract, or a reasonably complete summary if a certificate of contract, of:

(1) the prepaid dental services or other benefits to which the member is entitled under the prepaid dental plan;
(2) any limitations of the services, kinds of services or benefits to be provided, including any deductible or copayment feature;
(3) where and in what manner information is available as to how services may be obtained; and
(4) the member's obligation respecting charges for the prepaid dental plan.

E. A membership coverage shall contain no provisions or statements which are unjust, unfair, inequitable, misleading, deceptive or which encourage misrepresentation or which are untrue.

F. The superintendent shall approve any form of membership coverage if the requirements of Subsections D and E of this section are met and the prepaid dental plan is able in the judgment of the superintendent to meet its financial obligations under the membership coverage. It is unlawful to issue such form until approved. If the superintendent does not disapprove any such form within thirty (30) days after the filing, it shall be deemed approved. If the superintendent disapproves a form of membership coverage, the superintendent shall notify the prepaid dental plan organization, specifying the reasons for disapproval. The superintendent shall grant a hearing on such disapproval within fifteen (15) days after a request in writing is received from the prepaid dental plan organization.

History: Laws 1984, ch. 127, § 887.


A. The superintendent may once in each six (6) months for the first three (3) years after organization and once each year thereafter, or more often if deemed necessary by the superintendent or director of the health services division of the health and environmental [environment] department [department of health], visit each prepaid dental plan organization.
organized under the law of this state and examine its financial condition, its ability to meet its liabilities and its compliance with the laws of this state affecting the conduct of its business. The superintendent may annually visit and examine each prepaid dental plan organization not organized under the laws of this state but authorized to transact business in this state.

B. The superintendent may in like manner examine each prepaid dental plan organization applying for an initial certificate of authority to do business in this state.

C. In lieu of making an examination, the superintendent may accept a full report of the most recent examination of a foreign or alien prepaid dental plan organization, certified to by the appropriate examining official of another state.

D. The director of the health services division of the health and environment department [department of health] may participate in the examinations and visits described in this section to verify the existence of an effective prepaid dental plan and to review the delivery of services by the prepaid dental plan organization.

E. The examination and all related matters shall otherwise be subject to the applicable provisions of Article 4 [Chapter 59A, Article 4 NMSA 1978] (examination, hearings and appeals) of the Insurance Code.

History: Laws 1984, ch. 127, § 888.

Bracketed material. — The bracketed reference to the department of health was inserted by the compiler, as Laws 1991, ch. 25, § 16 repeals former 9-7-4 NMSA 1978, relating to the health and environment department, and enacts a new 9-7-4 NMSA 1978, creating the department of health. The bracketed material was not enacted by the legislature, and it is not part of the law.

59A-48-10. Annual report to superintendent.

A. Every prepaid dental plan organization annually on or before the first day of March shall file with the superintendent a report covering its activities for the preceding calendar year in form as prescribed by the superintendent, verified by at least two (2) principal officers of the corporation. A copy of the report shall be sent by the prepaid dental plan organization to the director of the health services division of the health and environment department [department of health].

B. Such reports shall be on forms prescribed by the superintendent and shall include:
   (1) a financial statement of the organization, including its balance sheet and receipts and disbursements for the preceding year certified as required by the form of the annual report;
   (2) any material changes in the information;
   (3) the number of persons who become members during the year, the number of members as of the end of the year and the number of memberships terminated during the year;
   (4) the costs of all care provided and the number of units of care provided; and
   (5) such other information relating to the performance of the prepaid dental plan
organization as is necessary to enable the superintendent to carry out the duties prescribed by this article.

C. Fee for filing the annual report shall be as specified in Section 101 [59A-6-1 NMSA 1978] (fee schedule) of the Insurance Code.


Bracketed material. — The bracketed reference to the department of health was inserted by the compiler, as Laws 1991, ch. 25, § 16 repeals former 9-7-4 NMSA 1978, relating to the health and environment department, and enacts a new 9-7-4 NMSA 1978, creating the department of health. The bracketed material was not enacted by the legislature, and it is not part of the law.


No more than thirty percent of prepaid charges in the first year of operation, twenty-five percent in the second year of operation and twenty percent of prepaid charges in any subsequent year shall be used for the marketing and administrative expenses of a prepaid dental plan organization, including costs related to soliciting members and providers.

History: Laws 1984, ch. 127, § 891.


Article 16 [Chapter 59A, Article 16 NMSA 1978] of the Insurance Code relating to unfair trade practices and frauds shall apply to prepaid dental plan organizations, except as to the extent the superintendent determines that the nature of prepaid dental plan organizations render particular provisions of such law inappropriate.


Solicitation of memberships in a prepaid dental plan shall be conducted by agents duly appointed by the dental plan organization or solicitors duly appointed by such agents, while licensed as such agents or solicitors under the same provisions and requirements of Articles 11 [Chapter 59A, Article 11 NMSA 1978] (licensing procedures) and 12 [Chapter 59A, Article 12 NMSA 1978] (insurance agents, brokers and solicitors) of the Insurance Code as apply to health insurance agents and solicitors. The fees for such licensing shall be the same as for such insurance agents and as specified in Section 101 [59A-6-1 NMSA 1978] (fee schedule) and

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**History:** Laws 1984, ch. 127, § 893.


A. The superintendent may suspend or revoke any certificate of authority of a prepaid dental plan organization if he finds that any of the following conditions exist:

1. the prepaid dental plan organization is operating contrary to its basic organizational documents or in a manner contrary to that described in, and reasonably inferred from, any other information submitted pursuant to Section 883 [59A-48-4 NMSA 1978] of this article;

2. the prepaid dental plan organization issued membership coverage which does not comply with the requirements of Section 887 [59A-48-8 NMSA 1978] of this article;

3. the prepaid dental plan does not provide or arrange for basic dental services appropriate to such plan as determined by the director of the health services division of the health and environment department [department of health];

4. the prepaid dental plan organization can no longer be expected to meet the obligations to members or prospective members;

5. the prepaid dental plan organization, or any authorized person on its behalf, has advertised or merchandised its services in an untrue, misleading, deceptive or unfair manner; or

6. the prepaid dental plan organization has failed to substantially comply with this article or any rules and regulations promulgated thereunder.

B. When the certificate of authority of a prepaid dental plan organization is suspended the organization shall not, during the period of such suspension, accept any additional members except newborn children or other newly acquired dependents of existing members and shall not engage in any advertising or solicitation.

C. When the certificate of authority of a prepaid dental plan organization is revoked, such organization shall proceed immediately following the effective date of the order of revocation, to conclude its affairs and shall conduct no further business except as may be essential to the orderly conclusion of solicitation. The superintendent by written order, may permit such further operation of the organization as the superintendent finds to be in the best interest of members to the end that members shall be afforded the greatest practical opportunity to obtain continuing prepaid dental plan coverage.

D. Notwithstanding the provisions of Subsections B and C of this section, a prepaid dental plan organization which has had its certificate of authority denied, suspended or revoked, or has suffered an adverse decision by the superintendent shall be entitled to a hearing pursuant to Article 4 [Chapter 59A, Article 4 NMSA 1978] (examinations, hearings and appeals) of the Insurance Code.
History: Laws 1984, ch. 127, § 894.

Bracketed material. — The bracketed reference to the department of health was inserted by the compiler, as Laws 1991, ch. 25, § 16 repeals former 9-7-4 NMSA 1978, relating to the health and environment department, and enacts a new 9-7-4 NMSA 1978, creating the department of health. The bracketed material was not enacted by the legislature, and it is not part of the law.

59A-48-16. Approval of advertising and sales material.

A. The prepaid dental plan organization shall prior to use thereof file with the superintendent for his approval all advertising and sales material proposed to be used by it, through agents, solicitors, or otherwise, in advertising solicitation or sale of membership coverage to be offered by such organization.

B. Within thirty (30) days after such filing the superintendent shall either approve or disapprove the advertising matter or sales material so filed; and if not disapproved within such period or within such extension of not to exceed an additional thirty (30) days as may be requested by the superintendent and communicated by him in writing to the prepaid dental plan organization, the advertising matter and sales material shall be deemed approved.

C. The superintendent shall disapprove any such advertising matter or sales material if found by him to be in whole or part untrue, deceptive, misleading, or conducive to misrepresentation.

D. The superintendent may withdraw any previous approval, or negate any prior failure to disapprove within the applicable period, as to any advertising matter or sales material found by him to be subject to disapproval on any of the grounds stated in this section. Any such withdrawal of a prior approval or negation of prior failure to disapprove, shall allow a reasonable period for withdrawal of the advertising matter or sales material involved.

E. Any such disapproval, withdrawal, or negation shall be by the superintendent's order stating the grounds therefor.

F. No prepaid dental plan organization and no representative thereof shall use or permit to be outstanding, any advertising matter or sales material as to which the superintendent's disapproval then exists. In addition to other applicable penalties for violation of this section, the superintendent may without additional cause withdraw approval of any membership coverage or other form as to which such advertising or sales material is used.

History: Laws 1984, ch. 127, § 895.

59A-48-17. Solicitation not violation of certain laws relating to providers.

Solicitation by prepaid dental plan organizations or anyone acting on their behalf to educate members and potential members of the coverage and operation of the organization's plan shall not be construed to be a violation of any provisions of law relating to solicitation or advertising by prepaid dental plan providers, if such solicitation including advertising and sales material:
A. is approved in advance by the superintendent as provided for in Section 895 [59A-48-16 NMSA 1978] of this article;
B. does not identify the providers nor describe their professional qualifications, except upon the request of the person being solicited;
C. does not describe the professional experience or attainments of such providers individually or as a group or contain language that directly or indirectly states, evaluates or lauds the professional competence, skills or reputations of such providers; and
D. shall not otherwise cause any of such providers to violate any professional ethics or laws prohibiting the solicitation of patients, except as permitted in this article.

History: Laws 1984, ch. 127, § 896.


Any conservation, rehabilitation or liquidation of a prepaid dental plan organization shall be deemed to be that of an insurer and shall be conducted pursuant to Article 41 [Chapter 59A, Article 41 NMSA 1978] of the Insurance Code.

History: Laws 1984, ch. 127, § 897.

59A-48-19. Other provisions applicable.

In addition to those referred to in Chapter 59A, Article 48 NMSA 1978, the following articles and provisions of the Insurance Code [59A-1-1 NMSA 1978] shall also apply, to the extent reasonably applicable and subject to the provisions of that article, as to prepaid dental plan organizations, their sponsors, directors, officers, personnel and representatives and member contracts. For the purposes of this provision, such organizations may be referred to as "insurers" and such contracts as "policies":

A. Chapter 59A, Article 1 NMSA 1978;
B. Chapter 59A, Article 2 NMSA 1978;
C. Chapter 59A, Article 4 NMSA 1978;
D. Subsection C of Section 59A-5-22 NMSA 1978;
E. Section 59A-5-33 NMSA 1978;
F. Sections 59A-6-1, 59A-6-3, 59A-6-4 and 59A-6-6 NMSA 1978;
G. Section 59A-7-11 NMSA 1978;
H. Chapter 59A, Article 8 NMSA 1978;
I. Chapter 59A, Article 10 NMSA 1978;
J. Section 59A-12-22 NMSA 1978;
K. the Insurance Fraud Act [59A-16C-1 NMSA 1978]
L. Chapter 59A, Article 18 NMSA 1978;
M. the Policy Language Simplification Law [59A-19-1 NMSA 1978];
N. Section 59A-34-10 NMSA 1978, as to domestic prepaid dental plans; and


The 2001 amendment, effective June 15, 2001, inserted current Subsection K; redesignated former Subsection K as L; redesignated former Subsection L as updated Subsection M; deleted former Subsection N, listing Article 53 and substituted the citation of the provision for the title throughout the section.

The 2007 amendment, effective June 15, 2007, adds Subsection O.

ARTICLE 49
Prearranged Funeral Plans

Section
59A-49-1 Short title.
59A-49-2 Purpose of article.
59A-49-3 Prearranged funeral plans and purchases; regulation and control.
59A-49-4 Definitions.
59A-49-5 Restrictions on persons, places for sale of funeral plans.
59A-49-6 Trust fund; accounting; deposit, reserves and premium tax.
59A-49-7 May not enforce contract sold in violation; insurer may not pay to restricted persons without consent.
59A-49-8 Criminal penalties.


This article [Chapter 59A, Article 49 NMSA 1978] may be cited as the "Prearranged Funeral Plan Regulatory Law".

History: Laws 1984, ch. 127, § 899.


What are necessary funeral expenses within coverage of medical payment and funeral expense provision of insurance policy, 87 A.L.R.3d 497.

Construction and effect of contracts or insurance policies providing pre-need coverage of burial expense or services, 67 A.L.R.4th 36.

44 C.J.S. Insurance §§ 10 et seq., 43.
59A-49-2. Purpose of article.

Money for funeral and burial purposes usually comes from one or more sources, such as the proceeds of life insurance, allowances of governmental agencies, union and fraternal organization benefits and savings and estate funds. Sometimes funeral insurance is also sold for such purposes. Experience in this and other states has proven that contract payments for funeral insurance are customarily to be made within a short period of time as compared to the average lapse of time until performance of the funeral insurance; that during the long interval between full receipt of the purchase price and contract performance, the possibilities for fraud are great and risk of insolvency, with consequent inability to perform, are inherent; and that, in addition to regulation of funeral plans in the same manner as life insurance, providing for the establishment of trust funds to require reserves sufficient to assure the purchasers that the sellers of funeral plans will be able to complete their contracts when the time for performance arrives and other restrictions are required to protect the public welfare, health and safety. The purpose of this article is to regulate funeral plans and related matters as experience has proven necessary in order to protect against fraud and deceit and otherwise to accomplish and promote the protection and welfare of the public.


Contracts entered into before death, relating to burial or cremation, or steps incident thereto, as opposed to public policy, or as proper subject of regulation by statute, 68 A.L.R. 1525.

Validity of statutes regulating pre-need contracts for the sale or furnishing of burial services and merchandise, 68 A.L.R. 2d 1251.

59A-49-3. Prearranged funeral plans and purchases; regulation and control.

The superintendent shall regulate and control, in the same manner and with the same powers as he regulates the business of life insurance, the granting, sale or offering for sale of prearranged funeral plans. Provided however, that the provisions governing prearranged funeral plans contained in this article that require stricter control or higher obligations on the part of the seller shall control.

History: Laws 1984, ch. 127, § 901.


Contracts entered into before death, relating to burial or cremation, or steps incident thereto, as opposed to public policy, or as proper subject of regulation by statute, 68 A.L.R. 1525.

Validity of statutes regulating pre-need contracts for the sale or furnishing of burial services and

As used in this article:

A. "funeral plan" means any contract, agreement, certificate, share, membership, right or interest or other form of instrument which is sold, providing for the future delivery of one or any combination of the following:

(1) any personal property customarily furnished in connection with funerals or other services attending the disposition of human bodies after death;

(2) the use of any facilities customarily furnished in connection with funerals or other services attending the disposition of human bodies after death;

(3) any services customarily furnished in connection with funerals or other services attending the disposition of human bodies after death; or

(4) any amount of money designated for any of the property, facilities or services mentioned in this subsection, if there is named in the instrument evidencing the prearranged funeral plan any person who furnishes or aids in the furnishing of any of such property, facilities or services or any condition or designation which designation would deprive or tend to deprive the person desiring to acquire such property, facilities or services of the advantages of competition in connection with their acquisition;

B. "funeral plan" shall not be construed to include the present sale of land for burial space, the sale of a lot, grave, crypt, niche or vault or the sale of the special care of any lot, grave, crypt or niche, or the family mausoleum, memorial, marker or monument, which is controlled under the provisions of the Endowed Care Cemetery Act of 1961 [58-17-1 to 58-17-17 NMSA 1978], provided that the seller thereof is in compliance with the provisions of that act, or which is specifically exempted from the provisions of this article;

C. "future delivery" means delivery which is or may be contingent upon the death of any person for whose benefit, or for the disposition of the remains of whom, the funeral plan was obtained. The fact that the instrument provides for the possibility of immediate delivery at the option of either party does not exclude the instrument from the provisions of this article, if the delivery contingent on death is a possible option;

D. "trustee" means any bank or savings and loan association located in New Mexico whose deposits or accounts are insured by an agency of the United States;

E. "depositor" means any person to whom money has been paid by or on behalf of a purchaser of a funeral plan and who is obligated under this article to place it in trust;

F. "beneficiary" shall be the person for whom a trust fund required by this article was established; and

G. "person" means any individual, estate, trust, receiver, association, cooperative, club, corporation, company, firm, partnership, joint venture or syndicate, and includes an officer
or employee of a corporation, a member or employee of a partnership or any individual who, as such, is under a duty to perform any act or to refrain from any act by reason of which a violation occurs.

History: Laws 1984, ch. 127, § 902.


59A-49-5. Restrictions on persons, places for sale of funeral plans.

A. No person who works in, or owns any interest in, any business which sells or furnishes any of the property, facilities or services customarily furnished in connection with funerals, burials or other services attending the disposition of human bodies after death may be licensed or otherwise authorized to sell prearranged funeral plans, but may be licensed or otherwise authorized to sell life insurance specifically designed to fund funeral plans.

B. No person licensed or otherwise authorized to sell funeral plans may pay any retainer, salary, commission or premium to any person who sells or furnishes any personal property, facilities or services customarily furnished in connection with funerals or other services attending the disposition of human bodies after death for soliciting or otherwise promoting the sale of funeral plans.


ANNOTATION

Sale of life insurance. — A person licensed to sell life insurance specifically designed to fund funeral plans need not be licensed to practice “funeral service.” 1987 Op. Att'y Gen. No. 87-60.

If the seller of life insurance specifically designed to fund funeral plans is a funeral practitioner, the seller must be sure to conduct the sale in a way that does not deprive or tend to deprive a person desiring to acquire funeral services of the advantages of competition in their acquisition, such as representing that his particular funeral establishment must be the beneficiary, or that the funds generated by the policy can be used only at his establishment; such practice would cause the life insurance to become a “funeral plan” under 59A-49-4A NMSA 1978, which a funeral practitioner is forbidden to prearrange. 1987 Op. Att'y Gen. No. 87-60.


Contracts entered into before death, relating to burial or cremation, or steps incident thereto, as opposed to public policy, or as proper subject of regulation by statute, 68 A.L.R. 1525.

Validity of statutes regulating pre-need contracts for the sale or furnishing of burial services and merchandise, 68 A.L.R.2d 1251.
59A-49-6. Trust fund; accounting; deposit, reserves and premium tax.

A. In all cases where funeral plans are sold, all money paid, directly or indirectly, under such agreement, or under any agreement collateral thereto, shall be held in trust for the purpose for which it was paid until the obligation is fulfilled according to its terms; provided, however, that any payment made pursuant to this section shall be released upon death of the person for whose benefit such payment was made, and no payments so made shall be subject to forfeiture. Accruals of interest upon this money shall be subject to the same trust.

B. All funds received as herein provided shall be placed in trust with a trustee pursuant to an agreement executed by the depositor and trustee which shall provide that the trustee shall hold the same in trust for the purposes for which deposited; that the trustee shall pay the same to the depositor upon the filing of a certified copy of the death certificate or other satisfactory evidence of the death of the beneficiary; and that the beneficiary or his duly appointed guardian may, in writing, demand the return of the money, together with accrued interest, if any, less cost incurred in the operation of such trust, and the depositor shall be entitled to receive such money from the trustee for payment to the beneficiary upon delivery of such written demand to the trustee. The payment of such funds and accumulated interest, pursuant to the terms of this article and the agreement herein referred to, shall relieve the trustee of any further liabilities with regard to such funds or interest thereon.

C. Each seller of funeral plans shall submit such accounting or accountings of all monies collected or received on account of or in connection with the sale of funeral plans, and of all money deposited or withdrawn from a trustee, as the superintendent may reasonably direct, by regulation or order.

D. The premium tax as levied in Section 102 [59A-6-2 NMSA 1978] of the Insurance Code shall not be applicable to money collected and placed in trust pursuant to this section, nor shall funds collected and placed in such a trust be used as the basis for the calculation of the capital and surplus, general deposits and fees otherwise required under Section 83 [59A-5-16 NMSA 1978] of the Insurance Code.

History: Laws 1984, ch. 127, § 904.

59A-49-7. May not enforce contract sold in violation; insurer may not pay to restricted persons without consent.

A. No person may enforce in any court of this state any asserted obligation of a purchaser of a funeral plan sold in violation of this article.

B. No authorized insurer shall pay or permit to be paid any money accruing as a benefit of a policy to any person restricted from selling funeral plans under Subsection A of Section 903 [59A-49-5 NMSA 1978] of this article without the written consent of the person or persons entitled to such benefit after accrual thereof.
History: Laws 1984, ch. 127, § 905.


Any seller of prearranged funeral plans who sells any such plan without having been properly licensed to do so, or who violates any of the requirements of this article or any lawful regulation or order of the superintendent in connection with the sale of funeral plans, is guilty of a misdemeanor, and upon conviction shall be punished by a fine not less than one hundred dollars ($100) nor more than one thousand dollars ($1,000). Each sale of each instrument shall be considered a separate offense, and each day in which any seller fails to comply with a lawful order of the superintendent is a separate offense. The penalties contained in this section shall be in addition to and not in lieu of any other penalties which may apply.

History: Laws 1984, ch. 127, § 906.

Am. Jur. 2d, A.L.R. and C.J.S. references. — Contracts entered into before death, relating to burial or cremation, or steps incidental thereto, as opposed to public policy, or as proper subject of regulation by statute, 68 A.L.R. 1525.

Validity of statutes regulating pre-need contracts for the sale or furnishing of burial services and merchandise, 68 A.L.R.2d 1251.

ARTICLE 50
Motor Clubs

Section
59A-50-1 Short title.
59A-50-2 Definitions.
59A-50-3 Certificate of authority required; fees.
59A-50-4 Requirements and application for certificate of authority.
59A-50-5 Issuance, refusal of certificate of authority; continuance or expiration.
59A-50-6 Additional security.
59A-50-7 Service contracts.
59A-50-8 Investigations, examinations.
59A-50-9 Suspension, revocation or refusal to continue certificate of authority.
59A-50-10 Name, trademarks, emblems.
59A-50-11 Violation hearings.
59A-50-12 Service of process; superintendent appointed attorney.
59A-50-13 Registered representatives required; qualifications for registration.
59A-50-14 Registration procedure and matters relating to registration of representatives.
59A-50-16 Representing unauthorized motor club prohibited.
59A-50-17 Limitations upon advertising.
59A-50-18 Service contract and membership card.
59A-50-19 Administrative penalty.
59A-50-20 Civil penalties.

This article [Chapter 59A, Article 50 NMSA 1978] may be cited as the "Motor Club Law".


Constitutionality, construction and application of statutes relating to motor club service, 89 A.L.R. 930.

Combining or "stacking" of "no fault" or personal injury protection (PIP) coverages in automobile liability policy or policies, 29 A.L.R.4th 12.

Combining or "stacking" medical payment provisions of automobile liability policy or policies issued by one or more insurers to one insured, 29 A.L.R.4th 49.


As used in this article and unless context otherwise requires:

A. "motor club" means a person engaged, directly or indirectly either as principal or agent, in selling or offering for sale, furnishing or procuring motor club service to members or subscribers. The definition of a motor club does not include any person whose services are provided predominately on a reimbursable basis since these services constitute insurance and are subject to the insurance laws of this state;

B. "licensee" means a motor club to which a certificate of authority has been issued under this article;

C. "applicant" means any person, firm, association, partnership, corporation or other legal entity, applying for a certificate of authority or renewal thereof under this article;

D. "bail bond service" means the furnishing of or arranging for a cash deposit, bond or undertaking, required and acceptable by law, for a member or subscriber accused of a violation of any motor vehicle or traffic law or ordinance so as to obtain his release from custody pending trial;

E. "emergency road service" means the adjustment, repair or replacement of the equipment, tires or mechanical parts of a motor vehicle so that such motor vehicle may be operated under its own powers;

F. "financial service" means the arranging for loans or other advances of money to members or subscribers in connection with providing any other motor club service;

G. "legal fee reimbursement service" means the payment for or reimbursing of members or subscribers for fees charged by an attorney for his advice or services rendered to them in defense of a traffic offense;
H. "motor club service" means the rendering, furnishing or procuring of or the payment or reimbursement for, in whole or in part, such services as community traffic safety services, travel and touring service, theft or reward service, map service, towing service, emergency road service, legal fee reimbursement service in the defense of traffic offenses, license and title service, notary service, check cashing service, discount service, financial service and ticket and reservation service, or any one or more thereof, to any person, in connection with the ownership, operation, use or maintenance of a motor vehicle by such person, in consideration of such other person being or becoming a member or subscriber of any motor club, or being or becoming in any manner affiliated therewith, or being or becoming entitled to receive membership or other motor club service therefrom by virtue of any agreement or understanding with any such person;

I. "insurance service" means the selling or making available, of individual or group insurance policies or certificates other than service contracts as a result of membership in or affiliation with a motor club; such policies, if sold or made available, shall be issued only by an insurer duly authorized to do business in this state;

J. "theft service" means the offering of assistance in locating, identifying or recovering stolen or missing motor vehicles owned by members or subscribers, or the offering of a reward for the purpose of detecting or apprehending the person guilty of the theft;

K. "towing service" means the furnishing to members or subscribers of means to move a motor vehicle, under power other than its own, from one place to another, by any lawful wrecker service;

L. "representative" or "motor club representative" means any salesman or other individual who, for compensation, solicits or sells memberships, subscriptions or franchises on behalf of any motor club. This definition does not include any person performing only work of a clerical nature in the office of the motor club;

M. "service contract" means an agreement whereby a motor club, for a consideration, promises to render, furnish, procure or reimburse club members or subscribers specified services; and

N. "discount service" means obtaining merchandise for members or subscribers at a discount.


No person shall provide motor club services or do business as a motor club in this state without having first met the requirements of this article, and having obtained a certificate of authority from the superintendent. The fee for such certificate shall be as specified in Section 101 [59A-6-1 NMSA 1978] (fee schedule) of the Insurance Code.

59A-50-4. Requirements and application for certificate of authority.

A. Each motor club shall obtain a certificate of authority by filing written application therefor with the superintendent as hereinafter provided and otherwise in such form and manner as the superintendent shall require.

B. The applicant shall furnish to the superintendent such data and information as the superintendent may deem reasonably necessary to enable him to determine, in accordance with the provisions of this article, whether or not a certificate of authority should be issued to the applicant. It shall be executed under oath by the applicant, or if other than an individual, by an authorized officer of the applicant, and the information filed with the application shall include the following:

1. If such applicant is a corporation, a certificate of good standing from the state corporation commission [public regulation commission], together with the names and addresses of all officers and directors, and the names and addresses of all persons owning in excess of ten percent of the capital stock of the corporation issued and outstanding;

2. If not incorporated, a list of all persons owning an interest in the applicant, the officers thereof and the parties to any operating or management agreement affecting the applicant, together with a copy of such agreement;

3. A financial statement certified by a registered or certified public accountant, as of the end of the next preceding calendar year, presenting fairly, in accordance with generally accepted accounting principles, the financial position of the applicant and containing such other information as the superintendent may prescribe;

4. A copy of its service contract, the terms of which shall not:

   - Contain inconsistent, ambiguous or misleading clauses or exceptions or conditions which deceptively affect the risk purported to be assumed or the service to be performed;

   - Contain any inequitable provision or provisions without substantial benefit to the member or subscriber; or

   - Provide for the payment of fees which are unreasonable in relation to the services agreed to be performed;

5. Security in the form of a deposit or bond of not less than twenty-five thousand dollars ($25,000) nor more than two hundred thousand dollars ($200,000) with the amount to be based upon annual membership fees collected from state residents at the following rates:

<table>
<thead>
<tr>
<th>Annual Resident Fees</th>
<th>Amount of Deposit or Bond</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 1.00 to 150,000.00</td>
<td>$ 25,000.00</td>
</tr>
<tr>
<td>150,001.00 to 250,000.00</td>
<td>40,000.00</td>
</tr>
<tr>
<td>250,001.00 to 500,000.00</td>
<td>80,000.00</td>
</tr>
<tr>
<td>500,001.00 to 1,000,000.00</td>
<td>150,000.00</td>
</tr>
<tr>
<td>1,000,001.00 to [and] Up</td>
<td>200,000.00</td>
</tr>
</tbody>
</table>

The security shall be deposited with the superintendent in trust or in any other manner he
may direct, and the applicant may deposit either government securities having a market value equal to the amount of security required, or a corporate surety bond in the proper amount in such form as the superintendent may prescribe. The bond shall be issued by a surety insurer authorized to do business in this state, and conditioned upon faithful performance by the applicant of its obligations under this article, including payment of any fines, fees or penalties imposed on it or restitution ordered, but the aggregate liability of the surety for all breaches of the conditions of the bond shall in no event exceed the amount of the bond. The surety on the bond shall have the right to cancel the bond by giving thirty (30) days' notice to the superintendent and thereafter shall be relieved of liability for any breach of condition occurring after the effective date of cancellation. The superintendent may promulgate rules and regulations specifying conditions concerning the bond and providing methods for its termination; and

(6) the bond or deposit provided for in Paragraph (5) shall be maintained so long as the licensee has any outstanding liability or obligation in this state. Upon proof satisfactory to the superintendent that the licensee has ceased to do business and that all its liabilities and obligations have been satisfied, the superintendent shall return the security to the licensee.


Bracketed material. — The bracketed material in this section was inserted by the compiler. It was not enacted by the legislature, and it is not a part of the law. For references to state corporation commission being construed as references to the public regulation commission, see 8-8-21 NMSA 1978.

59A-50-5. Issuance, refusal of certificate of authority; continuance or expiration.

A. Within a reasonable time after application for certificate of authority is filed, the superintendent shall either issue or refuse to issue the certificate. The superintendent shall issue the certificate to the applicant unless:

(1) the applicant has not met all requirements of this article; or

(2) the applicant does not, in the superintendent's judgment, have sufficient financial responsibility to engage in business as a motor club; or

(3) the applicant has failed to make a reasonable showing that all of its owners, managers, officers, directors or representatives are persons of reliability and integrity.

B. If the superintendent refuses to issue the certificate of authority he shall notify the applicant as soon as practicable, stating the reasons for such refusal, and inform the applicant of its right to a hearing on the matter as provided in Section 59 [59A-4-15 NMSA 1978] (hearings, in general) of the Insurance Code.

C. All certificates of authority issued under this article shall be subject to continuance and expiration in the same applicable manner and on dates as provided in Article 5 [Chapter 59A, Article 5 NMSA 1978] of the Insurance Code with respect to certificates of authority of insurers, and for the purpose thereof a motor club may be referred to as an "insurer" therein. As prerequisite to continuance of the certificate of authority the superintendent may require the
motor club to file with him its financial statement for the previous calendar year in such form as he may prescribe or accept.

**History:** Laws 1984, ch. 127, § 911.

### 59A-50-6. Additional security.

A. In addition to the security deposited by a motor club at the time application for certificate of authority is made, the superintendent may require the motor club to establish and maintain reserves out of the receipts from the sale of motor club services under contract. The amount required, if any, may be established from time to time as the superintendent determines is reasonable and necessary for the protection of motor club members but in any event shall not exceed fifty percent of the receipts collected for the period of the service contract. Funds received under this section shall be placed in trust and released as directed by regulation or order of the superintendent.

B. Notwithstanding the provisions of Section 910 [59A-50-4 NMSA 1978] of this article and Subsection A of this section the superintendent may require additional general deposits, in a reasonable amount and in admitted assets of the types of securities authorized by law, whenever he deems it necessary.

**History:** Laws 1984, ch. 127, § 912.

### 59A-50-7. Service contracts.

A. Any motor club service contract form, amendment thereof and agreement collateral thereto shall be filed with the superintendent before final execution of any such document. The superintendent shall prohibit the use of any language, condition or requirement in such service contracts, amendments and collateral agreements which is false, misleading, unfair, inequitable or otherwise contrary to public interest. Any prohibition of language, condition or requirement shall be made by the superintendent within thirty (30) days after the date the document is filed or shall be made anytime thereafter pursuant to the administrative hearing procedures provided for in Article 4 [Chapter 59A, Article 4 NMSA 1978] of the Insurance Code.

B. Each service contract shall contain a provision that if the motor club is unable to perform a contract obligation either on a service or indemnity basis the cash retail equivalent shall be paid to the member.

**History:** Laws 1984, ch. 127, § 913.


The superintendent shall have the same powers and authority under this article to conduct investigations, and to conduct examinations of books, records and accounts at the expense of the person so examined, as vested in him with respect to insurers and other persons under Article 4
59A-50-9. Suspension, revocation or refusal to continue certificate of authority.

The superintendent may suspend, revoke, or refuse to continue the certificate of authority of a motor club upon finding, after notice and opportunity for hearing, that the motor club has:

A. violated any provision of this article;
B. failed to maintain the standards required for issuance of its original certificate of authority as specified in this article;
C. become insolvent;
D. liabilities in excess of its assets;
E. engaged in one or more fraudulent or deceptive acts; or
F. entered into a service contract the form of which has not been filed with the superintendent, or containing language, condition or requirement prohibited by the superintendent pursuant to Section 913 [59A-50-7 NMSA 1978] of this article.

History: Laws 1984, ch. 127, § 915.

59A-50-10. Name, trademarks, emblems.

The superintendent may disapprove the name, trademarks and emblems which a motor club employs or proposes to employ in connection with its business. If such a name, trademarks or emblems are distinctive and are not similar to or in conflict with a local organization or a nationally registered or copyrighted name, emblem or insignia and not likely to confuse or mislead the public as to the nature or identity of the motor club using or proposing to use it, and will not interfere with the transactions of a motor club already operating in this state, then they shall be approved. Otherwise, the superintendent may disapprove their use and order that the motor club cease to use them.

History: Laws 1984, ch. 127, § 916.


A. If as a result of investigation or examination the superintendent has cause to believe that any person is violating any provision of this article, he shall send notice of the violation by certified mail to the person so believed to be in violation. The notice shall state the time and place for a hearing to be held on the alleged violation, within not less than thirty (30) days from the date of the notice.

B. The hearing shall be conducted and be subject to provisions relative to hearings of the

History: Laws 1984, ch. 127, § 917.


A. Every authorized motor club shall file with the superintendent its appointment of the superintendent in writing, on form as prescribed and furnished by the superintendent, as its true and lawful attorney, upon whom all lawful process in any action or proceeding against the motor club may be served. In the power of attorney the motor club shall stipulate and agree that all such process served upon the superintendent, or, in his absence, upon any employee in apparent charge of his office, shall be of the same legal force and validity as if served on the motor club itself, and that the authority shall continue in force so long as any liability or obligation remains outstanding in this state against the motor club by reason of its operations under this article.

B. Whenever such process is served upon the superintendent three (3) copies thereof shall be furnished. The superintendent shall forthwith forward by certified mail (return receipt requested) one copy of the process to the motor club and one copy to its resident manager or other similar official, if any, in this state, directed to the address of the motor club, manager or official at address thereof last of record with the superintendent. The server of the process shall at time of such service pay to the superintendent the service of process fee in amount specified in Section 101 [59A-6-1 NMSA 1978] (fee schedule) of the Insurance Code, taxable as costs in the action or proceeding.

C. Process so served upon the superintendent and copies mailed as hereinabove required shall constitute effective service of such process upon the motor club.

History: Laws 1984, ch. 127, § 918.

Cross references. — For service of process, see Rule 1-004 NMRA.

59A-50-13. Registered representatives required; qualifications for registration.

A. No person shall be, act as or purport to be a representative of a motor club in this state unless then registered as such with the superintendent by the motor club.

B. To qualify for registration the applicant shall:

(1) be an individual not less than eighteen years of age;
(2) be of good personal and business reputation;
(3) not previously have been refused registration or had registration revoked;
(4) be suitable and competent to act as such representative; and
(5) intend in good faith to act and hold himself out as such a representative.

C. As part of an application for registration, a nonresident applicant shall appoint the
superintendent, on a form prescribed and furnished by the superintendent, as agent on whom may be served all legal process issued by a court in this state in any action involving the nonresident registrant. The appointment is irrevocable and continues for so long as an action involving the nonresident registrant could arise. Duplicate copies of process shall be served upon the superintendent or other person in apparent charge of the insurance division during the superintendent's absence, accompanied by payment of the process service fee specified in Section 59A-6-1 NMSA 1978. Upon service the superintendent shall promptly forward a copy by certified mail, return receipt requested, to the nonresident registrant at his last address of record with the superintendent. Process served and copy forwarded as so provided constitutes personal service upon the nonresident registrant.

D. A nonresident registrant shall also file with the superintendent a written agreement to appear before the superintendent pursuant to a notice of hearing, show cause order or subpoena issued by the superintendent and deposited, postage paid, by certified mail in a letter depository of the United States post office, addressed to the nonresident registrant at his last address of record with the superintendent, and that upon failure of the nonresident registrant to appear, the nonresident registrant consents to subsequent suspension, revocation or refusal of the superintendent to continue the license.


1999 amendments. — Identical amendments to this section were enacted by Laws 1999, ch. 272, § 24, effective June 18, 1999, approved April 8, 1999, and Laws 1999, ch. 289, § 37, also effective June 18, 1999, approved later on April 8, 1999, which deleted former Paragraph B(2), which read "be a resident of New Mexico", redesignated the subsequent paragraphs accordingly, and added Subsections C and D. The section is set out as amended by Laws 1999, ch. 289, § 37. See 12-1-8 NMSA 1978.

59A-50-14. Registration procedure and matters relating to registration of representatives.

Appointment of representatives, issuance or refusal of certificate of registration, continuance or expiration of registration, suspension, revocation or refusal to continue registration, and all related matters shall be governed by the applicable provisions of Article 11 [Chapter 59A, Article 11 NMSA 1978] (licensing procedures) of the Insurance Code as though registration of a motor club representative were the same as licensing of an agent by a casualty insurer, except that applicant for registration as motor club representative shall not be required to take and pass an examination, whether written or oral, as a qualification for registration. The fee for filing application for registration and annual continuance of registration shall be as specified in Section 101 [59A-6-1 NMSA 1978] (fee schedule) of the Insurance Code.

History: Laws 1984, ch. 127, § 920.


The motor club shall be bound by the acts of its representative while so registered and acting within his actual or apparent authority.

No person shall in this state be, act as, or purport to be a salesman, solicitor or representative of a motor club doing business in this state and not then holding certificate of authority issued by the superintendent.


59A-50-17. Limitations upon advertising.

Motor clubs shall make no reference to their certificate of authority or approval from the superintendent or the state in any advertising, circular, contract or membership card nor shall any such motor club advertise or describe its services in such a manner as would lead the public to believe that such services include motor vehicle insurance.


Every motor club shall furnish to its members a service contract and membership card together with the following information:

A. the exact name of the motor club;
B. the exact location of the motor club's home office, and of its usual place or places of business in this state, giving telephone numbers, street numbers, city and zip code; and
C. a description of the services or benefits to which the member or subscriber is entitled. The completed application and the description of services shall constitute the service contract unless the motor club otherwise provides and the superintendent approves another form of service contract.

History: Laws 1984, ch. 127, § 924.


Upon a determination by hearing that this article has been violated, the superintendent may issue an order requiring the person to cease and desist from engaging in such violation or, if such conduct is in violation of the express provisions of this article, the superintendent may suspend or revoke the person's certificate of authority or registration.

History: Laws 1984, ch. 127, § 925.

In addition to any penalties imposed pursuant to other provisions of this article, the district court of the county in which the violation occurred may, in an action filed by the superintendent, impose the following civil penalties:

A. for each violation of this article which the person knew or reasonably should have known was such a violation, a penalty of not more than five thousand dollars ($5,000) for each violation but not to exceed an aggregate penalty of fifty thousand dollars ($50,000) in any six-month period;

B. for each violation of this article which the person did not know nor reasonably should have known was such a violation, a penalty of not more than one thousand dollars ($1,000) for each violation but not to exceed an aggregate penalty of ten thousand dollars ($10,000) in any six-month period; and

C. for each violation of an order issued by the superintendent pursuant to Section 925 [59A-50-19 NMSA 1978] of this article, while such order is in effect, a penalty of not more than ten thousand dollars ($10,000).

History: Laws 1984, ch. 127, § 926.

59A-50-21. Other provisions applicable.

In addition to those referred to in Chapter 59A, Article 50 NMSA 1978 as to particular matters, the following articles and provisions of the Insurance Code [59A-1-1 NMSA 1978] shall also, to the extent reasonably applicable and not in conflict with the provisions of Chapter 59A, Article 50 NMSA 1978 and the reasonable implications thereof, apply as to motor clubs, their sponsors, directors, officers, representatives, personnel and operations. For the purposes of such applicability, a motor club may be referred to in such articles and provisions as an "insurer":

A. Chapter 59A, Article 1 NMSA 1978;
B. Chapter 59A, Article 2 NMSA 1978;
C. Chapter 59A, Article 4 NMSA 1978;
D. Chapter 59A, Article 10 NMSA 1978;
E. Section 59A-12-22 NMSA 1978;
F. Chapter 59A, Article 16 NMSA 1978;
G. the Insurance Fraud Act [59A-16C-1 NMSA 1978]; and
H. the Insurers Conservation, Rehabilitation and Liquidation Law [59A-41-1 NMSA 1978].


The 2001 amendment, effective June 15, 2001, added Subsection G; redesignated former Subsection G as Subsection H; deleted former Subsection H, which listed Article 54; and substituted the citation of the provision for the title throughout the section; and made a stylistic change.
ARTICLE 51
Bail Bondsmen Licensing

Section
59A-51-1 Short title.
59A-51-2 Definitions.
59A-51-3 License required; exemption.
59A-51-4 Qualifications for license.
59A-51-4.1 Educational requirements.
59A-51-5 Application for license.
59A-51-6 Licensing fees.
59A-51-7 Examination for license.
59A-51-8 Bonding requirements, property bondsmen.
59A-51-9 Issuance, refusal of license.
59A-51-10 Duration, continuation, expiration of license.
59A-51-11 Return of license; property bondsman notice to courts.
59A-51-12 Appointment or termination of solicitors.
59A-51-14 Denial, suspension, revocation or refusal to continue license.
59A-51-15 Duration of suspension; relicensing after revocation.
59A-51-16 Administrative fine in lieu.
59A-51-17 Probation.
59A-51-18 Penalty.
59A-51-19 Other provisions applicable.


Chapter 59A, Article 51 NMSA 1978 may be cited as the "Bail Bondsmen Licensing Law".


Cross references. — For acceptance of bail by designee, see 31-3-1 NMSA 1078.

For justification of compensated sureties, see Rule 5-401B NMRA.

The 2005 amendment, effective April 6, 2005, adds the statutory reference of the act.


Validity, construction, and application of statutes regulating bail bond business, 13 A.L.R.3d 618.


As used in this article:
A. "bail bondsman" means a limited surety agent or a property bondsman as hereafter defined:

B. "insurer" means any surety insurer which is authorized to transact surety business in this state;

C. "limited surety agent" means any individual appointed by an insurer by power of attorney to execute or countersign bail bonds in connection with judicial proceedings and [who] receives or is promised money or other things of value therefor;

D. "property bondsman" means any person who pledges United States currency, United States postal money orders or cashier's checks or other property as security or surety for a bail bond in connection with a judicial proceeding and receives or is promised therefor money or other things of value; and

E. "solicitor" means a person employed by a bail bondsman for the purpose of assisting the bail bondsman in presenting the defendant in court when required, or to assist in the apprehension and surrender of defendant to the court or keeping the defendant under necessary surveillance, and to solicit bail bond business, to sign property bonds and assist in other conduct of the business all as authorized by the employer bail bondsman. This does not affect the right of a bail bondsman to hire counsel or to ask assistance of law enforcement officers.


59A-51-3. License required; exemption.

A. No person shall act as property bondsman, limited surety agent or solicitor, or perform any functions or duties or exercise any of the powers prescribed for bail bondsmen or solicitors in Chapter 59A, Article 51 NMSA 1978 unless such person is qualified and licensed as provided in that article.

B. Nothing in Chapter 59A, Article 51 NMSA 1978 shall be construed as to prevent any duly licensed and appointed agent of a surety insurer authorized to transact such business in this state from writing bail bonds for such insurer, and such agent shall be subject to and governed by all laws, rules and regulations relating to bail bondsmen under that article while engaged in the activities thereof.

C. Any bail bondsman licensed under the provisions of the Bail Bondsmen Licensing Law [Chapter 59A, Article 51 NMSA 1978] shall be entitled to post bail bonds in any court in New Mexico subject to court rules regulating the posting of bonds in that court.

History: Laws 1984, ch. 127, § 930; 1987, ch. 228, § 3.


Applicants for license as bail bondsman or solicitor pursuant to the provisions of the Bail Bondsmen Licensing Law [59A-51-1 NMSA 1978] shall be qualified as follows:
A. be an individual not less than eighteen years of age;
B. be a citizen of the United States;
C. not have been convicted of a felony, with the exception of a conditional discharge of a felony conviction, or anyone properly licensed as of January 1, 2005;
D. not be a law enforcement, adjudication, jail, court or prosecution official or an employee thereof or an attorney, official authorized to admit to bail, or state or county officer;
E. if for license as bondsman, pass a written examination testing the applicant's knowledge and competence to engage in the bail bondsman business;
F. be of good personal and business reputation;
G. if to act as a property bondsman, be financially responsible and provide the surety bond or deposit in lieu thereof as required in accordance with Section 59A-51-8 NMSA 1978;
H. if to act as a limited surety agent, be appointed by an authorized surety insurer;
and
I. if for license as a solicitor, have been so appointed by a licensed bail bondsman subject to issuance of the solicitor license.


1999 amendments. — Identical amendments to this section were enacted by Laws 1999, ch. 272, § 25, effective June 18, 1999, approved April 8, 1999, and Laws 1999, ch. 289, § 38, also effective June 18, 1999, approved later on April 8, 1999, which updated the statutory references in the introductory language and in Subsections E and F, and deleted language from the end of Subsection B, which related to residency in New Mexico. The section is set out as amended by Laws 1999, ch. 289, § 38. See 12-1-8 NMSA 1978.

The 2005 amendment, effective April 6, 2005, adds Subsection C to provide that an applicant must have not been convicted of a felony, with the exception of a conditional discharge or any one licensed as of January 1, 2005; moves the provision that law enforcement, adjudication or prosecution officials or their employees, attorneys, officials authorized to admit to bail, or state or county officers cannot apply for licensure as a bail bondsman or solicitor to Subsection D; and deletes the provision in former Subsection F that a limited surety agent must meet all applicable qualification for licensing as an agent of an authorized insurer pursuant to Section 59A-12-12 NMSA 1978.

ANNOTATION

County officers as bail bondsmen. — The prohibitions against county officers acting as bail bondsmen in this section and 59A-51-13C NMSA 1978 fail to satisfy heightened rational-basis scrutiny; that element of the statutes is invalid under the equal protection clause of the New Mexico Constitution. Alvarez v. Chavez, 118 N.M. 732, 886 P.2d 461 (Cl. App. 1994), overruled on other grounds, Trujillo v. City of Albuquerque, 1998-NMSC-031, 125 N.M. 721, 965 P.2d 305.

59A-51-4.1. Educational requirements.
A. In order to be eligible to take the examination required to be licensed as a bail bondsman, the applicant shall complete not less than thirty clock hours of formal classroom education in subjects pertinent to the duties and responsibilities of a bail bondsman, including ethics and all laws and rules related to the bail bond business. In addition, the applicant shall complete one hundred twenty hours of on-the-job training under the direct supervision of a sponsoring bail bondsman who shall certify in writing that he has taught the applicant the subjects pertinent to the duties and responsibilities of a bail bondsman, including ethics and all laws and rules related to the bail bond business, and that the applicant is prepared to take the examination. The scope of the examination shall be as broad as the bail bond business.

B. Instead of the education requirement in Subsection A of this section, an applicant may become eligible to take the examination required to be licensed as a bail bondsman by apprenticing for a minimum of six months with a sponsoring bail bondsman. The sponsoring bail bondsman shall certify in writing that he has taught the applicant the subjects pertinent to the duties and responsibilities of a bail bondsman, including ethics and all laws and rules related to the bail bond business, and that the applicant is prepared to take the examination. The scope of the examination shall be as broad as the bail bond business.

C. In order to be eligible to take the examination required to be licensed as a solicitor, each person shall complete not less than ten clock hours of formal classroom education in subjects pertinent to the duties and responsibilities of a solicitor, including ethics and all laws and rules related to the bail bond business. In addition, the applicant for a solicitor's license shall complete thirty hours of on-the-job training under the direct supervision of a sponsoring bail bondsman who shall certify in writing that he has taught the applicant the subjects pertinent to the duties and responsibilities of a solicitor, including ethics and all laws and rules related to the bail bond business, and that the applicant is prepared to take the examination. The scope of the examination shall be as broad as the bail bond business.

D. Prior to renewal of a bail bondsman's or solicitor's license, a licensee shall complete annually not less than fifteen clock hours of continuing education in subjects pertinent to the duties and responsibilities of a bail bondsman or solicitor, including ethics and all laws and rules related to the bail bond business. Such continuing education shall not include a written or oral examination.

E. A provider approved by the superintendent to offer prelicensing classroom education for bail bondsmen or continuing education classes for bail bondsmen and solicitors shall be required to offer such classes in at least two geographic areas of the state until such time as the superintendent determines that sufficient classes are available statewide.

F. It is a violation of the New Mexico Insurance Code for a person to falsely represent to the superintendent that the education requirements of this section have been complied with.

G. The superintendent shall adopt and promulgate such rules as are necessary for the effective administration of this section.

History: Laws 1999, ch. 296, § 1.
Effective dates. — Laws 1999, ch. 296 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective on June 18, 1999, 90 days after adjournment of the legislature.


59A-51-5. Application for license.

A. An individual desiring to be licensed as bail bondsman or solicitor under Chapter 59A, Article 51 NMSA 1978 shall file with the superintendent written application on a form as prescribed and furnished by the superintendent, together with application for qualifying examination if for bail bondsman license.

B. With application for license to act as property bondsman the applicant shall file with the superintendent his detailed financial statement under oath and a schedule of charges and the rating plan proposed to be used in writing bail bonds. The schedule shall conform to rules and regulations promulgated by the superintendent.

C. Application for a solicitor's license must be endorsed by the appointing bail bondsman, who shall therein obligate himself to supervise the solicitor's activities in the bondsman's behalf.

D. The application shall be accompanied by a recent credential-sized full-face photograph of the applicant together with such additional proof of identity as the superintendent may reasonably require.

E. As part of an application for a license, a nonresident applicant shall appoint the superintendent, on a form prescribed and furnished by the superintendent, as agent on whom may be served all legal process issued by a court in this state in any action involving the nonresident licensee. The appointment is irrevocable and continues for so long as an action involving the nonresident licensee could arise. Duplicate copies of process shall be served upon the superintendent or other person in apparent charge of the insurance division during the superintendent's absence, accompanied by payment of the process service fee specified in Section 59A-6-1 NMSA 1978. Upon service the superintendent shall promptly forward a copy by certified mail, return receipt requested, to the nonresident licensee at his last address of record with the superintendent. Process served and copy forward as so provided constitutes personal service upon the nonresident licensee.

F. A nonresident licensee shall also file with the superintendent a written agreement to appear before the superintendent pursuant to a notice of hearing, show cause order or subpoena issued by the superintendent and deposited, postage paid, by certified mail in a letter depository of the United States post office, addressed to the nonresident licensee at his last address of record with the superintendent, and that upon failure of the nonresident licensee to appear, the nonresident licensee consents to subsequent suspension, revocation or refusal of the superintendent to continue the license.


Fees for filing application for license and examination and for continuance of license shall be paid to the superintendent in advance and shall be in respective amounts as specified in Section 101 [59A-6-1 NMSA 1978] (fee schedule) of the Insurance Code.

**History:** Laws 1984, ch. 127, § 933.


Examination of an applicant for license as bail bondsman shall be given and conducted by or under authorization of the superintendent and shall otherwise be subject to the provisions governing examination of applicants for license set forth in Article 11 [Chapter 59A, Article 11 NMSA 1978] (licensing procedures) of the Insurance Code.

**History:** Laws 1984, ch. 127, § 934.


A. Prior to the issuance of a license to act as property bondsman the applicant therefor shall deposit with the superintendent a surety bond in favor of the superintendent, or in lieu thereof a certificate of deposit, securities or a letter of credit issued by an institution, acceptable to the superintendent, and which letter is irrevocable for the term of the license, in a total aggregate amount of not less than twenty-five thousand dollars ($25,000), conditioned to pay the actual damages resulting to the state or to any member of the public from any violation by the property bondsman of the provisions of this article or any other insurance laws. Surety bonds shall be executed by a surety insurer authorized to do business in this state.

B. The bond or deposit shall be maintained for the duration of the license, or, in the case of a surety bond, until the surety is released from liability by the superintendent or until the bond is canceled by the surety. Without prejudice to any liability incurred prior to expiration or cancellation, the bond may expire, or the surety may cancel a bond by giving written notice to the superintendent at least thirty (30) days prior to the effective date of the cancellation. The licensee shall immediately replace a bond expired or so cancelled or make the required deposit in lieu thereof.

**History:** Laws 1984, ch. 127, § 935.

Existing deposits and bonds. — Laws 1984, ch. 127, § 993, provides that any deposit or surety
bond filed in lieu thereof with or through the superintendent or state treasurer by any insurer in conjunction with authority to transact business in the state immediately prior to the effective date of the act (January 1, 1985) shall be given effect to the extent it complies with similar bonds required by the act after that date.


The superintendent shall act upon application for license under this article within a reasonable period after the application has been filed with him. If the superintendent finds that the application is complete, that the applicant has taken and passed any required examination, has paid all applicable fees and is otherwise qualified for the license, he shall issue to the applicant in appropriate form the license applied for. Otherwise, the superintendent shall refuse to issue the license and shall promptly notify the applicant thereof in writing stating the grounds for the refusal.

History: Laws 1984, ch. 127, § 936.

59A-51-10. Duration, continuation, expiration of license.

A. Every bail bondsman and solicitor license issued under this article shall be dated and become effective as of date of issue, and shall continue in force for so long as the licensee remains qualified therefor, unless terminated by the licensee or suspended or revoked, subject to continuation annually by payment in advance of the continuation fee specified therefor in Section 101 [59A-6-1 NMSA 1978] (fee schedule) of the Insurance Code. Unless so continued the license shall expire as of midnight on April 30th of the current license effective period.

B. Prior to continuation of license of a property bondsman the superintendent may require filing of the licensee's financial statement as of the end of the calendar year next preceding, and may require of all licensees such information in writing concerning operations under the license during the next preceding calendar year as the superintendent deems advisable.


59A-51-11. Return of license; property bondsman notice to courts.

A. Every license issued under the article is at all times the property of the state of New Mexico, and upon any expiration, termination, suspension or revocation thereof the licensee shall promptly return the license to the superintendent for holding (in case of suspension) or cancellation.

B. Any property bondsman who discontinues writing bail bonds during the period for which he is licensed shall notify the clerks of the courts with whom he is registered of such discontinuance. Within thirty (30) days after such discontinuance the licensee shall return his license to the superintendent for cancellation.

History: Laws 1984, ch. 127, § 938.
59A-51-12. Appointment or termination of solicitors.

A. Every licensed bail bondsman may appoint as solicitor any individual who holds or has qualified for a solicitor's license. Each bail bondsman shall annually, prior to March 1, file with the superintendent an alphabetical list of all solicitors whose appointment and license in this state is to be continued in effect, accompanied by payment of the applicable continuation fees.

B. A bail bondsman terminating the appointment of a solicitor shall, within thirty (30) days, file written notice thereof with the superintendent, together with a statement that he has given or mailed notice to the solicitor. Such notice filed with the superintendent shall state the reasons, if any, for such termination. Information so furnished to the superintendent shall be privileged and shall not be used as evidence in any action against the bail bondsman.


A. A bail bondsman or solicitor shall not:

   (1) suggest or advise the employment of or name for employment any particular attorney to represent his principal;

   (2) pay a fee or rebate or give or promise anything of value to a jailer, policeman, peace officer, committing magistrate or any other person who has power to arrest or to hold in custody or to any public official or public employee in order to secure a settlement, compromise, remission or reduction of the amount of any bail bond or estreatment thereof or to secure delay or other advantage;

   (3) pay a fee or rebate or give anything of value to an attorney in bail bond matters, except in defense of any action on a bond;

   (4) pay a fee or rebate or give or promise anything of value to the principal or anyone in his behalf;

   (5) participate in the capacity of an attorney at a trial or hearing of one on whose bond he is surety;

   (6) except for the premium received for the bond, fail to return any collateral security within a reasonable time after the termination of liability on the bond; or

   (7) charge or accept anything of value except the premium on the bond and any extraterritorial recovery expenses, but the bondsman may accept collateral security or other indemnity if:

      (a) such collateral security or other indemnity is reasonable in relation to the amount of the bond;

      (b) no collateral or security in tangible property is taken by pledge or debt instrument that allows retention, sale or other disposition of such property upon default of premium
payment;

(c) no collateral or security interest in real property is taken by deed or any other instrument unless the bail bondsman's interest in the property is limited to one hundred percent of the amount of the bond;

(d) the collateral or security taken by the bondsman is not pledged directly to any court as security for an appearance bond; and

(e) the person from whom the collateral or security is taken is given a receipt describing the condition of the collateral or security at the time it is taken into the custody of the bondsman.

B. When a bail bondsman accepts cash as collateral, the bondsman shall deposit the cash in the bondsman's trust account and give a written receipt for same, and this receipt shall give in detail a full account of the collateral received.

C. Law enforcement, adjudication and prosecution officials and their employees, attorneys-at-law, officials authorized to admit to bail and state and county officers shall not directly or indirectly receive any benefits from the execution of any bail bond.

D. A bail bondsman shall not sign nor countersign in blank any bond, nor shall the bondsman give a power of attorney to or otherwise authorize anyone to countersign the bondsman's name to bonds unless the person so authorized is a licensed bondsman directly employed by the bondsman giving such power of attorney.

E. No bail bond agency shall advertise as or hold itself out to be a surety insurer.

F. Every bail bondsman shall have a permanent street address and all bail bond business shall be conducted from that address.

G. Every bail bondsman shall transact all bail bond business, surety or property, in the bondsman's proper individual name or one agency name as stated on the application for license and on the license as issued by the superintendent.


The 2005 amendment, effective April 6, 2005, adds Subsection A(6) to provide that a bail bondsman or solicitor shall not, except for the premium received for the bond, fail to return any collateral security within a reasonable time after termination of liability on the bond; provides in Subsection A(7) that a bail bondsman or solicitor shall not charge anything except the premium on the bond and any extraterritorial recovery expenses, but may accept security or indemnity; deletes the former provision in Subsection A(7) that a bail bondsman or solicitor could not accept anything from a principal except the premium which could be paid in cash or property and that a bondsman could accept security or indemnity from a principal; adds Subsection A(7)(b) through (e) to provide conditions for taking collateral security or other indemnity; and adds Subsection G to provide that every bondsman shall conduct business in the bondsman's name or agency name as stated on the bondsman's license.

ANNOTATION
County officers as bail bondsmen. — The prohibitions against county officers acting as bail bondsmen in 59A-51-4 NMSA 1978 and Subsection C of this section fail to satisfy heightened rational-basis scrutiny; that element of the statutes is invalid under the equal protection clause of the New Mexico Constitution. Alvarez v. Chavez, 118 N.M. 732, 886 P.2d 461 (Ct. App. 1994), overruled on other grounds, Trujillo v. City of Albuquerque, 1998-NMSC-031, 125 N.M. 721, 965 P.2d 305.

59A-51-14. Denial, suspension, revocation or refusal to continue license.

A. The superintendent may deny, suspend, revoke or refuse to continue any license issued under the Bail Bondsmen Licensing Law [59A-51-1 NMSA 1978] for any of the following reasons:

1. any cause for which issuance of the license could have been refused had it then existed and been known to the superintendent;
2. a material misstatement, misrepresentation or fraud in obtaining the license;
3. any violation of the laws of this state relating to bail or the bail bond business;
4. conviction of any felony, regardless of whether the conviction resulted from conduct related to the bail bond business with the exception of a conditional discharge of a felony conviction;
5. misappropriation, conversion or unlawful withholding of money belonging to insurers or others and received in the conduct of business under the license;
6. fraudulent or dishonest practices in the conduct of business under the license;
7. failure to comply with, or willful violation of any provision of the Bail Bondsmen Licensing Law or proper order, rule or regulation of the superintendent or any court of this state;
8. any activity prohibited in Section 59A-51-13 NMSA 1978;
9. failure or refusal, upon demand, to pay over to any insurer he represented, any money coming into his hands belonging to the insurer;
10. failure to preserve without use and retain separately or to return collateral taken as security on any bond to the principal, indemnitor or depositor of collateral when the principal, indemnitor or depositor is entitled to such collateral;
11. for knowingly having in the bail bondsman's employ a person whose bail bond business license has been revoked, suspended or denied in this or any other state; or
12. failure, neglect or refusal to supervise a solicitor's activities on the bail bondsman's behalf.

B. When, in the judgment of the superintendent, the licensee in the conduct of affairs under the license has demonstrated incompetency, untrustworthiness, conduct or practices rendering him unfit to engage in the bail bond business, or making his continuance in such business detrimental to the public interest, or that he is no longer in good faith engaged in the bail bond business, or that he is guilty of rebating, or offering to rebate his commissions in the case of...
limited surety agents or premiums in the case of professional bondsmen, and for such reasons is found by the superintendent to be a source of detriment, injury or loss to the public, he shall revoke or suspend the license.

C. In case of the suspension or revocation of license of any bail bondsman, the license of any or all other bail bondsmen who are members of the same agency and any or all solicitors employed by such agency, who knowingly were parties to the act that formed the ground for the suspension or revocation shall likewise be suspended or revoked, except for the purpose of completing pending matters, and those persons who knowingly were parties to the act are prohibited from being licensed as a member of or bail bondsman or solicitor for some other agency.

D. No license under the Bail Bondsmen Licensing Law shall be issued, renewed or permitted to exist when the same is used directly or indirectly to circumvent the provisions of the Bail Bondsmen Licensing Law.


The 2003 amendment, effective June 20, 2003, substituted "Chapter 59A, Article 51 NMSA 1978" for "this article" following "license issued under" in Subsections A and D; substituted "willful" for "wilful" in Paragraphs A(5), (7) and (9); and deleted Subsection E which read: "The Uniform Licensing Act [61-1-1 to 61-1-31 NMSA 1978] shall apply with regard to the procedure for denial, revocation, suspension or refusal to continue a license pursuant to this article."

The 2005 amendment, effective April 6, 2005, adds Subsection A(3), (4), and (8) to provide grounds upon which a license may be denied, suspended, revoked or discontinued; provides in Subsection A(7) that a license may be denied, suspended, revoked or discontinued for willful violation of any order of any court of this state; deletes former Subsection A(7) which provides that a license could be denied, suspended, revoked or discontinued for willful failure to return collateral security to the principal when the principal is entitled to the security; adds Subsection A(10) to provide that a license may be denied, suspended, revoked or discontinued for failure to preserve without use and retain separately or to return collateral security to a person who is entitled to the security.


A. The superintendent in his order suspending a license, shall specify the period during which the suspension is to be in effect, but such period shall not exceed one year subject to modification in the superintendent's discretion. A license which has been suspended shall not be reinstated except upon request for such reinstatement, but the superintendent shall not grant reinstatement if he finds that the circumstances for which the previous license was revoked still exist or are likely to recur.

B. When an individual's license has been revoked, the superintendent shall have the right to refuse to accept an application for another license under this article for a period of one year from the effective date of such revocation, or, if judicial review of such revocation is sought, within two (2) years from the date of final court order or decree affirming the revocation. The superintendent shall not, however, grant a new license to any individual if he finds that the
circumstances for which the previous license was revoked still exist or are likely to recur.

C. If licenses as bail bondsman or solicitor as to the same individual have been revoked at two (2) separate times, the superintendent shall not thereafter grant or issue any license to such individual under this article.

D. During the period of suspension or after revocation of the license, the former licensee shall not engage in or attempt or profess to engage in any transaction or business for which a license is required under this article, except that the former licensee may collect premiums on business written prior to the date of the suspension or revocation.

History: Laws 1984, ch. 127, § 942.


A. The superintendent may, in his discretion, in lieu of license suspension, revocation or refusal, and except on a second offense, impose upon the licensee an administrative penalty of one hundred dollars ($100), or, if the superintendent has found wilful misconduct or wilful violation on the part of the licensee, an administrative penalty of five hundred dollars ($500).

B. The superintendent may allow the licensee a reasonable period, not to exceed thirty (30) days, within which to pay to superintendent the amount of the penalty so imposed. If the licensee fails to pay the penalty in its entirety to the superintendent within the period so allowed, the license of the licensee shall stand suspended or revoked, or continuation refused, as the case may be, upon expiration of such period and without any further proceedings.

History: Laws 1984, ch. 127, § 943.

59A-51-17. Probation.

If the superintendent finds that one or more causes exist for the suspension, revocation or refusal to continue any license issued under this article the superintendent may, in his discretion, in lieu of such suspension, revocation or refusal, or in connection with any administrative monetary penalty imposed, place the offending licensee on probation for a period not to exceed two (2) years, as specified by the superintendent in his order.


Any person violating any of the provisions of this article shall upon conviction thereof be fined not more than one thousand dollars ($1,000).

History: Laws 1984, ch. 127, § 945.

59A-51-19. Other provisions applicable.
In addition to other provisions of the Insurance Code applicable as to licensing and licensees as referred to in Chapter 59A, Article 51 NMSA 1978, the following provisions of the Insurance Code shall also apply, subject to the provisions of that article and to extent reasonably so applicable, as though the bail bond business was also an insurance business and licensees were also agents or representatives:

A. Chapter 59A, Article 1 NMSA 1978;
B. Chapter 59A, Article 2 NMSA 1978;
C. Chapter 59A, Article 4 NMSA 1978;
D. Chapter 59A, Article 10 NMSA 1978;
E. Section 59A-12-22 NMSA 1978;
F. Chapter 59A, Article 16 NMSA 1978; and

History: Laws 1984, ch. 127, § 946; 1988, ch. 74, § 3.


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ARTICLE 52
State Fire Marshal

Section
59A-52-1 State fire marshal created.
59A-52-2 State fire marshal to administer article.
59A-52-3 Deputy state fire marshal and other employees; qualifications of deputy.
59A-52-4 Bonding of employees.
59A-52-5 Cooperation with other agencies for prevention and control of fires.
59A-52-6 Fire protection training programs.
59A-52-7 Teaching fire prevention and control in public schools; rules for school building evacuation.
59A-52-8 Investigation of fire hazards; abatement.
59A-52-9 May enter upon premises.
59A-52-10 Investigation of fires and explosions; hearings; use of state police laboratory.
59A-52-11 Witnesses; per diem and mileage.
59A-52-12 Records of fires open to public.
59A-52-13 Transmittal of evidence indicating criminal acts.
59A-52-14 Appropriations.
59A-52-15 Fire prevention; public occupancies regulations.
59A-52-16 Flammable liquids rules; nationwide standards; savings clause; definition.
59A-52-17 Regulations; public hearing.
59A-52-18 Rules and regulations; statewide effect; reserved power of municipalities.
59A-52-19 Police power of marshal; cooperation of state officers.
59A-52-20 Cease and desist orders; certain violations are misdemeanors.
59A-52-24. Penalty for violation of law or regulations.

59A-52-1. State fire marshal created.

The position of "state fire marshal" is created as the director of the fire marshal division under the public regulation commission.


Cross references. — For forest fire protection, see 68-2-8 NMSA 1978 et seq.

The 1998 amendment, effective January 1, 1999, rewrote this section to the extent that a detailed comparison is impracticable.

The 2007 amendment, effective June 15, 2007, places the fire marshal division under the public regulation commission.


Validity, construction, and application of the uniform fire code, 46 A.L.R.5th 479.

36A C.J.S. Fires §§ 17, 18.

59A-52-2. State fire marshal to administer article.

The state fire marshal shall administer the provisions of Chapter 59A, Article 52 NMSA 1978.


The 1998 amendment, effective January 1, 1999, inserted "state fire" preceding "marshal" at the beginning of the section, and substituted "Chapter 59A, Article 52 NMSA 1978" for "this article under the supervision of the state fire board" at the end of the section.


59A-52-3. Deputy state fire marshal and other employees; qualifications of deputy.

The state fire marshal may employ, with the consent of the chief of staff of the public regulation commission, deputy state fire marshals and other employees to assist in the execution of the marshal's duties.


The 1998 amendment, effective January 1, 1999, inserted "state fire" in two places; substituted
"may, with the approval of the commission" for "shall have the power to"; deleted "and to set their compensation, subject to state laws and regulations concerning classification and compensation of state employees" near the middle of the section; deleted "as herein provided" following "shall be" near the end of the section; deleted "person" following "experienced in fire" near the end; and deleted "who" following "have completed" near the end of the section.

The 2007 amendment, effective June 15, 2007, permits the state fire marshal to employ deputy fire marshals and other employees with the consent of the chief of staff of the public regulation commission.


The marshal shall require the bonding of those employees whose duties in his opinion require such bonds and in amount determined by him. The premiums of such bonds shall be paid out of the appropriation hereinafter made to the marshal.

History: Laws 1984, ch. 127, § 950.

59A-52-5. Cooperation with other agencies for prevention and control of fires.

The marshal is authorized to cooperate with all other groups, organizations and agencies in this state or in other states in the collection, dissemination and evaluation of information, statistics and suggestions for prevention or control of fires.

History: Laws 1984, ch. 127, § 951.

59A-52-6. Fire protection training programs.

The marshal shall establish and conduct training programs throughout the state for demonstrating and teaching firemen proper methods of preventing and extinguishing fires. The marshal shall have available, from funds included in the general appropriation act of each legislature, money for use by him in establishing and conducting such training programs.


The marshal shall prescribe reasonable rules and regulations and programs for the teaching to all school children in the state, whether in public or private schools, the proper methods of fire prevention and control. Such rules, regulations and programs shall be submitted to the department of education on or before August first of each year. Among other things, such rules, regulations and programs shall prescribe drills for evacuating school buildings.

59A-52-8. Investigation of fire hazards; abatement.

The marshal is authorized to make investigations or require his deputy to make investigations and reports of existing conditions in the state which are fire hazards, and to make reasonable orders for the alleviation of such situations as he may deem necessary. If the orders of the marshal are not carried out by persons to whom they are directed, he shall institute proper proceedings under municipal ordinances or state laws to require compliance with his orders, as he may deem necessary.

History: Laws 1984, ch. 127, § 954.


The marshal, his deputy, his authorized officer or designated agent shall have authority at all normal hours of operation to enter in and upon all buildings and premises subject to this article for the purpose of examination and inspection.


59A-52-10. Investigation of fires and explosions; hearings; use of state police laboratory.

The marshal, or his deputies or employees are authorized to make investigations deemed necessary of any fire or explosion, or attempt to cause any fire or explosion in the state, and to require reports from his deputies concerning all fires and explosions in their districts. For the purpose of such investigations, the marshal and his deputies or designated persons are authorized to conduct hearing, subpoena witnesses, take testimony and enter upon and examine any building or premises where any fire or explosion or attempt to cause a fire or explosion shall have occurred, or which at the time may be burning. The marshal or his deputies or designated persons shall also have the power to cause to be produced before them such papers as they may require in making such examination. In addition the marshal or his deputies or designated persons may, in their discretion, take full control and custody of such buildings and premises, and place such person in charge thereof as they may deem proper, until their examination and investigation is completed. For evaluation of the evidence the marshal shall have access to the facilities and personnel of the state police laboratory, and the executive head of such laboratory shall cooperate fully with the marshal.


Expert and opinion evidence as to cause or origin of fire, 88 A.L.R.2d 230.
59A-52-11. Witnesses; per diem and mileage.

Witnesses or persons subpoenaed under this article shall be paid as to time and expense from the fire marshal's fund at per diem and mileage rates on the same bases and at the same rates as currently apply as to state employees in general.

History: Laws 1984, ch. 127, § 957.

59A-52-12. Records of fires open to public.

The marshal shall keep open to public inspection, at reasonable hours, all records of fires occurring within the state.

History: Laws 1984, ch. 127, § 958.


The marshal shall furnish to the proper law enforcement officers any evidence he may discover in his investigations which indicates criminal acts.

History: Laws 1984, ch. 127, § 959.


For the purposes of this article an appropriation shall be included in the general appropriation act of each legislature, the appropriation to be made from the fire protection fund, which funds are to be paid out by the secretary of finance and administration on vouchers signed by the marshal.


A. For prevention and control of fires the state fire board shall formulate, adopt and promulgate, and amend or revise regulations for fire prevention and safe conduct or use of public occupancies. For the purposes of this provision "public occupancies" consist of places of assembly, educational occupancies, institutional occupancies, residential occupancies consisting of four (4) or more family units, mercantile occupancies, office occupancies, industrial occupancies, storage occupancies and miscellaneous structures consisting of towers, underground structures and windowless buildings and all buildings owned or occupied by the state government or any political subdivision thereof or by municipal governments; and
regulations concerning the sale, servicing or use of fire safety, prevention, detection or suppression equipment or materials. The regulations shall be adopted after notice and public hearing. The notice shall be entitled "notice of proposed rule making" and it shall contain the date of the hearing and shall state the subject of the hearing. A copy of the notice, along with a copy of the proposed regulations, shall be filed with the supreme court librarian at least twenty (20) days prior to the hearing. In addition, the board shall make available for inspection at its offices, a copy of the proposed regulations.

B. The rules and regulations shall follow nationwide standards except in the area of life safety codes which shall be compatible with the Uniform Building Code, as revised from time to time, issued by the international conference of building officials.

C. The rules and regulations shall allow reasonable provision under which facilities in service prior to the effective date of the rules and regulations and not in strict conformity therewith may be continued in service. Nonconforming facilities in service prior to the adoption of regulations which are found by the marshal to constitute a distinct hazard to life or property shall not be exempt from regulations nor permitted to continue in service.


59A-52-16. Flammable liquids rules; nationwide standards; savings clause; definition.

A. The commission shall adopt rules for the safe vehicular transportation, storage, handling and use of flammable and combustible liquids; provided that the commission shall not adopt any rule conflicting with the jurisdiction of the department of environment over the regulation of storage tanks pursuant to the Hazardous Waste Act [74-4-1 NMSA 1978] or the Ground Water Protection Act [74-6B-1 NMSA 1978].

B. The rules shall be in keeping with the latest generally recognized safety standards for flammable and combustible liquids. Rules in substantial conformity with the published standards of the national fire protection association for vehicular transportation, storage, handling and use of flammable and combustible liquids shall be deemed to be in substantial conformity with the generally accepted and recognized standards of safety concerning the same subject matter.

C. The rules shall include reasonable provisions under which facilities in service prior to the effective date of the rules and not in strict conformity therewith may be continued in service. Nonconforming facilities in service prior to the adoption of the rules that are found by the state fire marshal to constitute a distinct hazard to life or property may not be excepted from the rules or permitted to continue in service. For guidance in enforcement, the rules may delineate those types of nonconformities that should be considered distinctly hazardous and those nonconformities that should be evaluated in the light of local conditions. If the need for compliance with any rule is conditioned on local factors, the rules shall provide that reasonable notice be given to the proprietor of the facility affected of intention to evaluate the need for compliance and of the time and place at which he may appear and offer evidence thereon.

D. As used in Chapter 59A, Article 52 NMSA 1978, the term "flammable liquid" shall mean
any liquid having a flash point below one hundred degrees Fahrenheit, and "combustible liquid" shall mean any liquid having a flash point at or above one hundred degrees Fahrenheit and below two hundred degrees Fahrenheit.

**History:** Laws 1984, ch. 127, § 962; 2001, ch. 325, § 1.

**The 2001 amendment,** effective July 1, 2001, substituted "The commission shall adopt rules" for "The state fire board shall formulate, adopt and promulgate and amend or revise rules and regulations" in Subsection A; inserted the proviso at the end of Subsection A; and made stylistic changes.


Gasoline, validity of regulations as to keeping or storage of, 43 A.L.R. 858, 128 A.L.R. 364.

59A-52-17. Regulations; public hearing.

No rule or regulation shall be adopted or revised under Section 962 [59A-52-16 NMSA 1978] of this article or made effective until after public hearing thereon, of which at least twenty (20) days' written notice shall be given by certified mail to each motor carrier, producer, refiner, distributor or other person who or which shall have registered his or its name and mailing address with the marshal as a party interested in such proceedings, and at which any such interested party may appear and present testimony. Every such notice shall contain a copy of each rule and regulation proposed for adoption or revision pursuant to such hearing.

**History:** Laws 1984, ch. 127, § 963.

59A-52-18. Rules and regulations; statewide effect; reserved power of municipalities.

The rules and regulations promulgated pursuant to this article shall have uniform force and effect throughout the state and no municipality or subdivision shall enact or enforce any ordinances, rules or regulations inconsistent with the statewide rules and regulations promulgated pursuant to this article. Nothing in this article shall in any way impair the power of any municipality to regulate the use of its land by zoning, building codes or restricted fire district regulations.

**History:** Laws 1984, ch. 127, § 964.


A. The marshal, his deputy or his authorized officer or designated agent shall have full powers as peace officers to enforce the provisions of this article and all rules and regulations issued pursuant to this article.

B. The revenue officers and law enforcement officers of the state shall cooperate with the marshal, his deputy or authorized officer or designated agent whenever called upon by them for assistance in enforcing this article.
59A-52-20. Cease and desist orders; certain violations are misdemeanors.

A. When the marshal, his deputy or his authorized officer or designated agent finds any violation of the regulations issued in compliance with this article, he or they shall issue an order to the owner or his agent to cease and desist such violations.

B. When there is so found any violation of any statute or rules and regulations concerning flammable liquids a cease and desist order shall issue if the violation constitutes an immediate and distinct hazard to life or property, and any such violation shall constitute a misdemeanor punishable by a fine not to exceed five hundred dollars ($500). Each day such violation continues constitutes a separate offense.


Any person aggrieved by any order of the state fire marshal, his deputy or authorized officer or his designated agent may appeal to the commission within ten days from the date of the service of such order. The commission shall hear such party within twenty days after receipt of an appeal request and shall give not less than ten days' written notice of the hearing. Within fifteen days after such hearing, the commission shall file its decision and, unless by its authority the order is revoked or modified, it shall be complied with within the time fixed in the decision, with such time to be not less than thirty days.


Cross references. — For rules governing civil actions, see Rule 1-001 NMRA et seq.

For rules governing appeals, see Rule 12-101 NMRA et seq.

The 1998 amendment, effective January 1, 1999, substituted "commission" for "state fire board" in two places; in the second sentence, deleted "or parties" preceding "within twenty" and deleted "(20)" following "days after receipt"; substituted "commission" for "state fire board" in the last sentence; and made minor stylistic changes throughout the section.


A person aggrieved by a decision of the state fire marshal may appeal to the district court pursuant to the provisions of Section 39-3-1.1 NMSA 1978.


Cross references. — For procedures governing administrative appeals to the district court, see Rule 1-074 NMRA.
The 1998 amendment, effective September 1, 1998, rewrote this section to the extent that a detailed comparison is impracticable.

The 1999 amendment, effective July 1, 1999, substituted “fire marshal” for “fire board” and “Section 39-3-1.1” for “Section 12-8A-1”.


After expiration of time for an administrative appeal, and if no such appeal has been taken, the state fire marshal may commence an action in the district court for Santa Fe county to enforce the cease and desist order by injunction or other appropriate remedy as the district court may adjudge. The commission may likewise commence an action in the district court for Santa Fe county to enforce its decision rendered on appeal from the cease and desist order of the state fire marshal.


The 1998 amendment, effective January 1, 1999, inserted "state fire" in the first sentence and substituted "commission" for "state fire board" in the second sentence.

59A-52-24. Penalty for violation of law or regulations.

Violation of any of the provisions of this article or of any of the regulations lawfully enacted pursuant thereto shall constitute a misdemeanor for which the punishment shall be a fine of not more than five hundred dollars ($500). Each day any such violation continues shall constitute a separate offense.

History: Laws 1984, ch. 127, § 970.


Any person, firm or corporation that violates any final cease and desist order shall be subject to a penalty in the sum of five hundred dollars ($500) for each day such violation continues. The attorney general is empowered to bring a civil suit for the enforcement of this section on the relation of the marshal. Any penalty collected under the provisions of this section shall be credited to the fire protection fund.

History: Laws 1984, ch. 127, § 971.
Fire Protection Fund

Section
59A-53-1  Short title.
59A-53-2  Purpose.
59A-53-3  Determination and certification of needs.
59A-53-4  Criteria for determination of needs.
59A-53-5  Establishment of county fire districts.
59A-53-5.1  Maximum amounts to be certified.
59A-53-5.2  Appropriations and transfers from the fire protection fund.
59A-53-6  Appeal and review of determination.
59A-53-7  Distribution of fire protection fund.
59A-53-8  Expenditure of fire protection fund money.
59A-53-9  Limitations on expenditures.
59A-53-10 Purchase of land or buildings.
59A-53-12 Promulgation of rules and regulations.
59A-53-14 Closure of fire department.
59A-53-16 New fire departments.
59A-53-17 Mutual assistance.
59A-53-18 Fire protection grant fund; created; uses.
59A-53-19 Fire protection grant council; duties.


Chapter 59A, Article 53 NMSA 1978 may be cited as the "Fire Protection Fund Law".


It is the purpose of the Fire Protection Fund Law [Chapter 59A, Article 53 NMSA 1978] to provide for distribution of funds from the fire protection fund referred to in Section 59A-6-5 NMSA 1978 to incorporated cities, towns and villages, and to county fire districts, in proportion to their respective needs, for use in operation, maintenance and betterment of local fire departments, to the end that the hazard of loss by fire and fire insurance rates may be reduced and the public safety thereby promoted.


ANNOTATION

Legislature intended to specifically delineate areas within which the distributed moneys of the fire protection fund could be used. 1964 Op. Att'y Gen. No. 64-30.

A. Annually, on or before the last day of May, the marshal shall consider and determine, in his reasonable discretion, the relative needs of incorporated cities, towns and villages and county fire districts for money in the fire protection fund, based upon the information available to him, and shall certify to the state treasurer the names of the incorporated cities, towns, villages and county fire districts that he determines need the assistance of a distribution from the money in the fire protection fund, and the amount required by each, in accordance with the provisions of Chapter 59A, Article 53 NMSA 1978. In making this determination and certification, the marshal will consider the intent and purpose of that article that no incorporated city, town or village or county fire district shall receive money distributed from the fire protection fund merely for the purpose of accumulation when the money is not required to accomplish the purposes of that article.

B. In making a determination and certification of needs, the marshal shall consider and provide for any debt obligations of existing or previously existing fire departments or fire districts.

C. For the purposes of Chapter 59A, Article 53 NMSA 1978, "marshal" means the state fire marshal, as further identified in Chapter 59A, Article 52 NMSA 1978.


The 1995 amendment, effective April 5, 1995, added Subsection B, redesignated former Subsection B as Subsection C, and made a minor stylistic change in Subsection A.


In making the determination of needs pursuant to Section 59A-53-3 NMSA 1978, the marshal shall first determine that each incorporated municipality to be certified has maintained an official fire department created by and regulated in accordance with a duly enacted ordinance for a period of at least one year prior to the date of certification and possesses fire equipment and apparatus in serviceable condition to respond to a fire incident. The marshal shall also determine the number of fire stations and substations located in each municipality to be certified and shall certify to the state treasurer the amount to be distributed to each municipality for the purpose of maintaining each fire station and each substation, if any, that meets the requirements of the marshal and the requirements of this section. Unless adjusted pursuant to Section 59A-53-5.1 NMSA 1978, the amounts distributed in a fiscal year for a class insurance rating shall equal the following:

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<thead>
<tr>
<th>class</th>
<th>main static</th>
</tr>
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<tbody>
<tr>
<td>number 1</td>
<td>$ 82,55</td>
</tr>
<tr>
<td>number 2</td>
<td>77,08</td>
</tr>
</tbody>
</table>
number 3 70,91
number 4 64,75
number 5 61,66
number 6 58,55
number 7 55,50
number 8 52,41
number 9 39,05
number 10 34,94


The 1996 amendment, effective April 30, 1996, substituted "determination of needs pursuant to Section 59A-53-3 NMSA" for "foregoing determination of needs" in the first sentence and substituted new amounts for the main station and substation allocations in the table.

The 1998 amendment rewrote this section. Laws 1998, ch. 76 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective on May 20, 1998, 90 days after adjournment of the legislature.

The 2006 amendment, effective May 17, 2006, adds "unless adjusted pursuant to 59A-53-5.1 NMSA 1978" and increases the amount to be distributed to each main station and substation.


A. The county commissioners of any county may establish one or more county fire districts within the county but outside the corporate limits of any municipality. The marshal shall determine the number of fire stations and substations located in each county fire district to be certified and shall certify to the state treasurer the amount to be distributed to each county fire district for the purpose of maintaining each fire station and each substation, if any, that meets the requirements of the marshal and the requirements of this section. Unless adjusted pursuant to Section 59A-53-5.1 NMSA 1978, the amounts distributed in a fiscal year for a class insurance rating shall equal the following:

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<thead>
<tr>
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<td>number 6</td>
<td>58,55</td>
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<tr>
<td>number 7</td>
<td>55,50</td>
</tr>
</tbody>
</table>
B. Additionally, prior to the disbursement of any funds, the following must be established to the satisfaction of the marshal:

(1) the county fire district has maintained an official fire department for a period of at least one year, established and governed by appropriate resolution of the board of county commissioners of the county in which the county fire district is located, and possesses fire apparatus and equipment in serviceable condition to respond to a fire incident;

(2) the geographic limits and boundaries of the county fire district have been clearly defined and established by the board of county commissioners of the county in which the county fire district is located, and a plat showing the geographic limits and boundaries has been accepted by the board of county commissioners and filed as part of the official record of proceedings of the board and a certified copy thereof filed with the marshal; and

(3) there is available within the geographic limits and boundaries of the county fire district an adequate water supply to be used in connection with the firefighting facilities of the county fire district.

C. The county commissioners of any county may permit a county fire district located in the county to service an area adjacent and contiguous to the district but within another county; provided that the county commissioners of the other county shall consent by resolution duly adopted to the service and to the boundaries of the other area serviced. Before commencement of service, a plat showing the geographic limits and boundaries of the county fire district and of the additional area to be serviced shall be filed with and approved by the marshal. The county commissioners of either the county in which the county fire district is located or of the county in which the area being serviced is located may terminate the service but only with the approval of the marshal.


**Repeals and reenactments.** — Laws 1989, ch. 312, repeals 59A-53-5 NMSA 1978, as enacted by Laws 1984, ch. 127, § 976, relating to determination of needs and allocations, and establishment of independent fire districts, and enacts the above section, effective July 1, 1990. For provisions of former section, see 1988 Replacement Pamphlet.

The 1996 amendment, effective April 30, 1996, in Subsection A, inserted "fire district" following "county" in two locations and substituted new amounts for main station and substation fire districts in the table; and, in Subsection B, inserted "fire" preceding "district" in the second and third sentences.

The 1998 amendment rewrote Subsection A; redesignated former Paragraphs A(1) to A(3) as Paragraphs B(1) to B(3), and redesignated the remaining subsections accordingly; and added the
introductory language in Subsection B. Laws 1998, ch. 76 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective on May 20, 1998, 90 days after adjournment of the legislature.

The 2006 amendment, effective May 17, 2006, provides the amounts to be distributed in each fiscal year for a class insurance rating unless adjusted pursuant to 59A-53-5.1 NMSA 1978 and increases the amount to be distributed for each main station and substation.

59A-53-5.1. Maximum amounts to be certified.

A. For fiscal year 2007 and each fiscal year thereafter, the marshal shall certify a total amount equal to the higher of the amount that would be certified pursuant to Sections 59A-53-4 and 59A-53-5 NMSA 1978 or an amount to be determined by adding:

(1) the total increase in the fire protection fund receipts in the previous fiscal year minus the appropriations, from all sources, to the volunteer firefighters retirement fund in the current fiscal year; and

(2) the total distribution pursuant to Sections 59A-53-4 and 59A-53-5 NMSA 1978 for the previous fiscal year.

B. The marshal shall adjust the distributions for each class in proportion to the increase in the total distribution.


Compiler's notes. — The House Appropriations and Finance Committee amendments to House Bill 279 (Laws 1998, ch. 76) inserted a new Section 59A-53-5.1 NMSA 1978 into the bill, with the caption, "Section 3. A new Section 59A-53-5.1 NMSA 1978 is enacted to read:.". The enrolled and engrossed version of ch. 76 omitted this caption, making it appear that this section was enacted as part of Section 2 of the Act, which amended Section 59A-53-5 NMSA 1978. Section 59A-53-5.1 NMSA 1978 has been compiled as a separate section rather than as part of the amendments to Section 59A-53-5.

The 2006 amendment, effective May 17, 2006, in Subsection A, changes the fiscal year from 2000 to 2007; deletes the provision that the amount shall not exceed the greater of the total distribution pursuant to 59A-53-4 and 59A-53-5 NMSA 1978 for the previous fiscal year and deletes "one-half of" at the beginning of the sentence.

59A-53-5.2. Appropriations and transfers from the fire protection fund.

A. For each fiscal year, the amount to be distributed by the marshal pursuant to Sections 59A-53-4, 59A-53-5 and 59A-53-5.1 NMSA 1978 is appropriated from the fire protection fund to the commission for the purpose of making the distributions.

B. For the purposes of Subsections C and D of this section, the "remaining balance in the fire protection fund" shall be calculated on June 30 of each year and shall equal the balance of the fund on that date less the sum of:

(1) the total amount to be distributed during the succeeding fiscal year pursuant to Sections 59A-53-4, 59A-53-5 and 59A-53-5.1 NMSA 1978; and
the total amount of other appropriations from the fire protection fund for the succeeding fiscal year.

C. On the following dates, the following percentages of the remaining balance in the fire protection fund shall be transferred from the fire protection fund to the fire protection grant fund:

1. on June 30, 2007, six and seven-tenths percent;
2. on June 30, 2008, thirteen and four-tenths percent;
3. on June 30, 2009, thirteen and four-tenths percent;
4. on June 30, 2010, thirteen and four-tenths percent;
5. on June 30, 2011, twenty and one-tenth percent;
6. on June 30, 2012, twenty-six and eight-tenths percent;
7. on June 30, 2013, thirty-three and five-tenths percent;
8. on June 30, 2014, forty and two-tenths percent;
9. on June 30, 2015, forty-six and nine-tenths percent;
10. on June 30, 2016, fifty-three and six-tenths percent;
11. on June 30, 2017, sixty and three-tenths percent;
12. on June 30, 2018, sixty-seven percent;
13. on June 30, 2019, seventy-three and seven-tenths percent;
14. on June 30, 2020, eighty and four-tenths percent;
15. on June 30, 2021, eighty-seven and one-tenth percent;
16. on June 30, 2022, ninety-three and eight-tenths percent; and
17. on June 30, 2023 and on each subsequent June 30, one hundred percent.

D. On June 30 of each year, the remaining balance in the fire protection fund, less the amount to be transferred on that date pursuant to Subsection C of this section, shall be transferred to the general fund; provided that no transfer shall be made pursuant to this subsection after June 30, 2022.


Effective dates. — Laws 2007, ch. 152, contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective June 15, 2007, 90 days after the adjournment of the legislature.

The 2009 amendment, effective February 6, 2009, added Paragraphs (3) and (4) of Subsection C; advanced the transfer dates in Paragraphs (5) through (17) by two years each; and advanced the date in Subsection D from June 30, 2020 to June 30, 2022.


The marshal shall promptly notify each incorporated city, town, village and county fire
district affected of his determination of needs, and an incorporated city, town, village or county fire district may appeal from the determination of the marshal to the commission, within ten days after the determination of needs. The commission shall review the determination of the marshal in such informal and summary proceedings as it deems proper and shall certify to the state treasurer annually, on or before the last day of June, the results of all appeals from the determinations of the marshal. The certification by the commission, or by the marshal if no appeal is taken, shall be final and binding on all concerned and not subject to any further review.


The 1998 amendment, effective January 1, 1999, substituted "an incorporated" for "any" in the first sentence, substituted "commission" for "state fire board" in two places, and, in the second sentence, substituted "commission" for "state insurance board" and "it deems" for "it may deem".


A. Annually on or before the last day of July, the state treasurer shall distribute from the money in the fire protection fund, to each incorporated municipality and to each county fire district, the amount the marshal or the commission, as the case may be, has certified to the state treasurer. Payment shall be made to the treasurer of any incorporated municipality and to the county treasurer of the county in which any county fire district is located for credit to the county fire district.

B. The state treasurer is authorized to redirect a distribution to the New Mexico finance authority in the amount the marshal or the commission, as the case may be, has certified to the state treasurer pursuant to an ordinance or a resolution passed by the municipality or county and a written agreement of the municipality or county in which any county fire district is located and the New Mexico finance authority.

C. In addition to the distributions made pursuant to Subsections A and B of this section, upon certification by the marshal that the balance of the firefighters' survivors fund is less than fifty thousand dollars ($50,000), the state treasurer shall distribute an amount from the fire protection fund to the firefighters' survivors fund so that the balance of the firefighters' survivors fund equals fifty thousand dollars ($50,000).


The 1994 amendment, effective May 18, 1994, designated the previously undesignated language as Subsection A, and substituted "of the county" for "or the county" in the second sentence thereof; and added Subsection B.

The 1996 amendment, effective March 4, 1996, inserted "an ordinance or a resolution passed by the municipality or county and" in Subsection B.

The 1998 amendment, effective January 1, 1999, in Subsection A, deleted "as" preceding "the marshal", substituted "commission" for "state fire board" and substituted "has" for "shall have"; and in
Subsection B, substituted "commission" for "state fire board" near the beginning and substituted "has" for "shall have" near the end.

The 2007 amendment, effective June 15, 2007, adds Subsection C.


Any amount so distributed from the fire protection fund to any incorporated municipality or to any county fire district shall be expended only for the maintenance of its fire department, the purchase, construction, maintenance, repair and operation of its fire stations, including substations, fire apparatus and equipment, and the financing or refinancing thereof, the payment of insurance premiums on fire stations, substations, fire apparatus and equipment and insurance premiums for injuries or deaths of firefighters as otherwise provided by law. Provided, however, that no money shall be expended from the fund for any purpose relating to the water supply systems of any incorporated municipality or district nor for the improvement or construction of the systems nor for purchase, rental, installation or maintenance of fire hydrants nor for any other appurtenances relating to the distribution or use of the water supply system. Funds so distributed from the fire protection fund to any incorporated municipality or any county fire district may also be expended for the expense of any firefighters for attending any fire schools and conventions approved by the marshal.


The 1994 amendment, effective May 18, 1994, in the first sentence, inserted "and the financing or refinancing thereof", and substituted "stations, substations" for "station, substation" and substituted "deaths" for "death".

Appropriations. — Laws 2005 (1st S.S.), ch. 2, § 3, effective October 13, 2005, appropriates $2,000,000 from the general fund to the state fire marshal for expenditure in fiscal year 2006 for increased fuel and heating costs of volunteer and predominantly volunteer fire departments, provides that the distribution of funds is based on ten percent of each department's current-year distribution from the fire protection fund and provides that any unexpended or unencumbered balance remaining at the end of fiscal year 2006 shall revert to the general fund.

ANNOTATION

Fire protection funds cannot be used for salaries for "firemen" as such. 1964 Op. Att'y Gen. No. 64-30.

Payment of employees. — Where a person is employed to maintain, repair or operate fire department or its equipment, his payment from moneys distributed from the fire protection fund is within the purview of this section. 1964 Op. Att'y Gen. No. 64-30.

Repair of leased property. — Under former 59-15-9 NMSA 1978 it was permissible to "repair" leased property, but to "reconstruct" it would do violence to the authority given by the statute. 1964 Op. Att'y Gen. No. 64-30.

Rental payments. — In view of the strict language used by the legislature, recipients of fire
Fire protection funds may not be expended for drilling water well to supplement the village water supply if the well is connected to such system only for the purpose of assuring sufficient water for fighting fires. 1961-62 Op. Att'y Gen. No. 62-95.

Funds available for drilling water wells. — Under the provisions of former 59-15-9 NMSA 1978 a village was not precluded from drilling water wells or in otherwise obtaining water essential for fire protection purposes where the funds utilized for such expenditures were obtained from other sources; limitation contained in former 59-15-9 NMSA 1978 had application only insofar as it restricted the use of fire protection funds for such purposes. 1961-62 Op. Att'y Gen. No. 62-95.


No amount so distributed from the fire protection fund to any incorporated city, town or village, or to any county fire district, shall be expended in connection with the construction, purchase or equipment of any fire station or substation in addition to those existing upon the date of distribution by the state treasurer, during the year following such distribution, without the prior written approval of the marshal.


No amount so distributed from the fire protection fund to any incorporated city, town or village, or to any county fire district, shall be expended or obligated for the purchase of land or the construction of buildings for fire stations or substations unless all obligations previously incurred for those purposes and to be paid from money distributed from the fire protection fund by the city, town, village or district shall have been fully paid and satisfied; and no amount shall be expended or obligated for the construction of buildings for fire stations or substations unless the city, town, village or county fire district proposing to expend or obligate for that purpose money distributed from the fire protection fund holds fee simple title, not encumbered by any lien, to the land on which it proposes to construct any such building; provided, however, that this provision shall not prohibit construction or location of a fire station or substation on land donated in whole or in part to the city, town, village or county fire district for the purpose, and use of fire protection fund money for the construction or location, where the donor has reserved right of reversion of the land under stated conditions, if the use of money is approved by the marshal in advance and after full investigation and determination that the use would be appropriate and reasonable.


ANNOTATION
Fee simple title. — Recipient of fire protection fund moneys must have fee simple title, unencumbered, before the moneys can be used to construct buildings. 1964 Op. Att'y Gen. No. 64-30.

County to hold title to land for fire stations. — It is the county, and not the independent fire district, which must hold clear title to the land on which fire stations are to be constructed. 1980 Op. Att'y Gen. No. 80-35.


Amounts so distributed from the fire protection fund to any incorporated city, town or village or to any county fire district shall be expended under the direction of the chief of the fire department of the city, town, village or district, upon duly executed vouchers approved as required by law; and in no event is any amount to be expended for any purpose which does not relate directly to the permitted purposes specifically stated in Sections 59A-53-8 and 59A-53-9 NMSA 1978.


The marshal has authority to promulgate, modify, amend and revoke from time to time rules and regulations, including those for mutual aid among and between fire departments; provided, that no such rules and regulations shall allow any fire department to extend its service in any manner that would jeopardize the fire insurance rates within its city, town, village and county fire district, as he may determine, in his discretion, to be necessary, advisable or proper to accomplish the objectives of the Fire Protection Fund Law [this article]. Among other things, these rules and regulations shall include, but not be limited to, a list of fire-fighting equipment, apparatus and other items which may properly be purchased by any incorporated city, town or village or by any county fire district from funds distributed from the fire protection fund, and standards of quality, construction and performance to be met by major fire-fighting appliances, training requirements, fire fighting protective clothing and equipment standards, and by fire stations and substations, proposed to be purchased or constructed by any city, town, village or district from money distributed from the fire protection fund. All rules and regulations shall be filed and published as required by law. Regulations of this nature heretofore promulgated by the superintendent and now in effect shall continue in effect until hereafter revoked or modified. Nothing in this section shall be construed to grant regulatory authority over the Volunteer Firefighters Retirement Act [Chapter 10, Article 11A NMSA 1978] to the marshal.


Any person who shall expend, or direct or permit the expenditure of, any money distributed from the fire protection fund, for purposes not expressly authorized by Chapter 59A, Article 53
NMSA 1978, or by rules and regulations duly promulgated by the marshal pursuant to that article, shall be personally liable to the state of New Mexico for the full amount of the money wrongfully expended, together with interest thereon and costs. An action to recover the amount of any wrongful expenditure may be commenced by the attorney general or the district attorney in the county in which the wrongful expenditure was made, upon the filing with the officer of a verified statement describing the wrongful expenditure.


A. If any fire department operated by any incorporated city, town or village or by any county fire district should go out of existence or for any reason cease to operate and function for a period of ninety days, title to all fire-fighting equipment and apparatus paid for in whole with distributions from the fire protection fund and held by or for the benefit of the fire department shall vest in the marshal and all money distributed from the fire protection fund and held by or for the fire department shall revert to the fire protection fund. Any person having custody or control of any such fire-fighting equipment and apparatus shall forthwith deliver it as directed by the marshal, and any person having custody or control of the money shall forthwith remit it to the state treasurer, who shall again deposit the money in the state treasury to the credit of the fire protection fund. An action to recover the possession and control of such fire-fighting equipment and apparatus, or the money, may be commenced by the attorney general or the district attorney in the county in which the equipment and apparatus or money are situate upon the filing with the officer of a verified statement of the circumstances.

B. Notwithstanding the provisions of Subsection A of this section, money distributed from the fire protection fund needed to pay debt service on bonds or other obligations issued by or on behalf of a fire department or fire district may be used to pay such debt service, and the marshal and the state treasurer shall continue to make distributions from the fire protection fund for and on behalf of the fire department or fire district until the bonds or other obligations are paid in full.


The 1995 amendment, effective April 5, 1995, designated the existing provisions as Subsection A and added Subsection B.

The 2006 amendment, effective May 17, 2006, provides in Subsection A that title to equipment and apparatus paid for in whole with distributions from the fire protection fund shall vest in the marshal if the district ceases to operate.


986, as amended, relating to appropriation of fire protection funds from the state treasury, effective June 15, 2007. For provisions of former section, see 2006 NMSA 1978 on New Mexico One Source of Law DVD.


Whenever the marshal, after the last day of May in any year, determines that any incorporated city, town or village or county fire district, operating a new fire department, has met the requirements of Chapter 59A, Article 3 NMSA 1978 for the first time, he may certify to the state treasurer the name of the city, town, village or county fire district and the amount required, on the same basis as provided in that article, but not to exceed an amount commensurate with the period of time for which such pro rata distribution is made; and distribution of the amount certified shall be made as otherwise provided in that article.


Notwithstanding the provisions of Sections 59A-53-5 and 59A-53-12 NMSA 1978, or any other provision of law to the contrary, fire districts may render assistance to other fire districts, and equipment of fire districts may be used outside the district, if the use is authorized by the county fire marshal, and the county fire marshal before he authorizes the use, provides for standby equipment or move-up equipment, so that the assisting district which goes to the aid of another district has equipment available from an adjacent district for use in the assisting district in the event of a fire in the assisting district.


The 2006 amendment, effective May 17, 2006, changes "Sections 976 and 983 of this article" to "Sections 59A-53-5 and 59A-53-12 NMSA 1978", and changes "independent fire districts" to "fire districts".

59A-53-18. Fire protection grant fund; created; uses.

The "fire protection grant fund" is created in the state treasury. The fund shall consist of transfers, distributions, appropriations, gifts, grants, donations and bequests made to the fund. Income from the fund shall be credited to the fund, and money in the fund shall not revert or be transferred to any other fund at the end of a fiscal year. Money in the fund is appropriated to the fire protection grant council for the purposes of making distributions approved by the council for the critical needs of municipal and county fire districts. Expenditures from the fund shall be made on warrant of the secretary of finance and administration pursuant to vouchers signed by the marshal.

History: Laws 2006, ch. 103, § 7.
Effective dates. — Laws 2006, ch. 103 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective May 17, 2006, 90 days after adjournment of the legislature.


A. The "fire protection grant council" is created. Subject to the requirements of Subsection B of this section, the council shall consist of:

(1) a representative of the New Mexico municipal league;
(2) a representative of the New Mexico association of counties;
(3) two members appointed by the public regulation commission who shall serve at the pleasure of the commission;
(4) three members, one from each congressional district, appointed by the governor who shall serve at the pleasure of the governor; and
(5) the marshal, who shall serve as a nonvoting advisory member. The council shall elect a chair and vice chair from its membership.

B. No appointee to the council shall be a member of the public regulation commission, the superintendent of insurance or any other employee of the commission.

C. The public members shall receive per diem and mileage as provided in the Per Diem and Mileage Act [10-8-1 NMSA 1978] and shall receive no other compensation, perquisite or allowance.

D. The council shall develop criteria for assessing the critical needs of municipal and county fire districts for fire apparatus and equipment, communications equipment, equipment for wildfires, fire station construction or expansion or equipment for hazardous material response.

E. Applications for grant assistance from the fire protection grant fund shall be made by fire districts to the council in accordance with the requirements of the council. Using criteria developed by the council, the council shall evaluate applications and prioritize those applications most in need of grant assistance from the fund. To the extent that money in the fund is available, the council shall award grant assistance for those prioritized applications.

F. In awarding grant assistance, the council may require conditions and procedures necessary to ensure that the money is expended in the most prudent manner.

History: Laws 2006, ch. 103, § 8; 2009, ch. 266, § 1.

Effective dates. — Laws 2006, ch. 103 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective May 17, 2006, 90 days after adjournment of the legislature.

Compiler's notes. — Subparagraphs (5) and (6) of Subsection A were vetoed by the governor.

The 2009 amendment, effective June 19, 2009, in Subsection B, after "employee of the commission", deleted "or an active member of a municipal fire department or a county fire district".

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ARTICLE 54
Medical Insurance Pool

Section
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59A-54-1. Short title.

Chapter 59A, Article 54 NMSA 1978 may be cited as the "Medical Insurance Pool Act". Any reference in any law, rule, division bulletin or other legal document to the Comprehensive Health Insurance Pool Act shall be deemed to refer to the Medical Insurance Pool Act.


ANNOTATION

Law reviews. — For annual survey of New Mexico insurance law, see 19 N.M.L. Rev. 717 (1990).

59A-54-2. Purpose.
The purpose of the Medical Insurance Pool Act [59A-54-1 NMSA 1978] is to provide access to health insurance coverage to all residents of New Mexico who are denied adequate health insurance and are considered uninsurable.


**59A-54-3. Definitions.**

As used in the Medical Insurance Pool Act [59A-54-1 NMSA 1978]:

A. "board" means the board of directors of the pool;

B. "creditable coverage" means, with respect to an individual, coverage of the individual pursuant to:
   - (1) a group health plan;
   - (2) health insurance coverage;
   - (3) Part A or Part B of Title 18 of the Social Security Act;
   - (4) Title 19 of the Social Security Act except coverage consisting solely of benefits pursuant to Section 1928 of that title;
   - (5) 10 USCA Chapter 55;
   - (6) the Medical Insurance Pool Act;
   - (7) a health plan offered pursuant to 5 USCA Chapter 89;
   - (8) a public health plan as defined in federal regulations; or
   - (9) a health benefit plan offered pursuant to Section 5(e) of the federal Peace Corps Act;

C. "federally defined eligible individual" means an individual:
   - (1) for whom, as of the date on which the individual seeks coverage under the Medical Insurance Pool Act, the aggregate of the periods of creditable coverage is eighteen or more months;
   - (2) whose most recent prior creditable coverage was under a group health plan, governmental plan, church plan or health insurance coverage, as those plans or coverage are defined in Section 59A-23E-2 NMSA 1978, offered in connection with that plan;
   - (3) who is not eligible for coverage under a group health plan, Part A or Part B of Title 18 of the Social Security Act or a state plan under Title 19 or Title 21 of the Social Security Act or a successor program and who does not have other health insurance coverage;
   - (4) with respect to whom the most recent coverage within the period of aggregate
creditable coverage was not terminated based on a factor relating to nonpayment of premiums or fraud;

(5) who, if offered the option of continuation of coverage under a continuation provision pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985 or a similar state program, elected this coverage; and

(6) who has exhausted continuation coverage under this provision or program, if the individual elected the continuation coverage described in Paragraph (5) of this subsection;

D. "health care facility" means an entity providing health care services that is licensed by the department of health;

E. "health care services" means services or products included in the furnishing to an individual of medical care or hospitalization, or incidental to the furnishing of that care or hospitalization, as well as the furnishing to a person of other services or products for the purpose of preventing, alleviating, curing or healing human illness or injury;

F. "health insurance" means a hospital and medical expense-incurred policy; nonprofit health care service plan contract; health maintenance organization subscriber contract; short-term, accident, fixed indemnity or specified disease policy; disability income contracts; limited benefit insurance; credit insurance; or as defined by Section 59A-7-3 NMSA 1978. "Health insurance" does not include insurance arising out of the Workers' Compensation Act [52-1-1 NMSA 1978] or similar law, automobile medical payment insurance or insurance under which benefits are payable with or without regard to fault and that is required by law to be contained in a liability insurance policy;

G. "health maintenance organization" means a person who provides, at a minimum, either directly or through contractual or other arrangements with others, basic health care services to enrollees on a fixed prepayment basis and who is responsible for the availability, accessibility and quality of the health care services provided or arranged, or as defined by Subsection M of Section 59A-46-2 NMSA 1978;

H. "health plan" means an arrangement by which persons, including dependents or spouses, covered or making application to be covered under the pool have access to hospital and medical benefits or reimbursement, including group or individual insurance or subscriber contract; coverage through health maintenance organizations, preferred provider organizations or other alternate delivery systems; coverage under prepayment, group practice or individual practice plans; coverage under uninsured arrangements of group or group-type contracts, including employer self-insured, cost-plus or other benefits methodologies not involving insurance or not subject to New Mexico premium taxes; coverage under group-type contracts that are not available to the general public and can be obtained only because of connection with a particular organization or group; and coverage by medicare or other governmental benefits. "Health plan" includes coverage through health insurance;

I. "insured" means an individual resident of this state who is eligible to receive benefits from an insurer or other health plan;
J. "insurer" means an insurance company authorized to transact health insurance business in this state, a nonprofit health care plan, a health maintenance organization and self-insurers not subject to federal preemption. "Insurer" does not include an insurance company that is licensed under the Prepaid Dental Plan Law [59A-48-1 NMSA 1978] or a company that is solely engaged in the sale of dental insurance and is licensed not under that act, but under another provision of the Insurance Code [59A-1-1 NMSA 1978];

K. "medicare" means coverage under Part A or Part B of Title 18 of the Social Security Act, as amended;

L. "pool" means the New Mexico medical insurance pool;

M. "preexisting condition" means a physical or mental condition for which medical advice, medication, diagnosis, care or treatment was recommended for or received by an applicant within six months before the effective date of coverage, except that pregnancy is not considered a preexisting condition for a federally defined eligible individual; and

N. "therapist" means a licensed physical, occupational, speech or respiratory therapist.


The 1991 amendment, effective June 14, 1991, substituted "health insurance" for "accident and sickness insurance" in Subsection H; deleted former Subsection J, which defined "plan of operation"; redesignated former Subsections K to M as Subsections J to L; and made minor stylistic changes in Subsections B and D.

The 1993 amendment, effective June 18, 1993, substituted "department of health" for "health and environment department" in Subsection B; added the second sentence in Subsection H; and deleted "the department of" preceding "insurance" in Subsection K.

The 1997 amendment, effective April 11, 1997, substituted "Health insurance" for "The term" at the beginning of the last sentence in Subsection D, substituted "Subsection M" for "Subsection F" at the end of Subsection E, substituted "Health Plan" for "The term" in the last sentence in Subsection F, and deleted "42 USC 1395 et Seq." in Subsection I.

The 1998 amendment, effective March 6, 1998, redesignated former Subsections B to J as Subsections C to K and added Subsection B; in Subsection E, inserted "insurance," near the middle and made minor stylistic changes; and rewrote Subsections J and K.

The 2001 amendment, effective June 15, 2001, substituted "Medical Insurance Pool Act" for "Comprehensive Health Insurance Pool Act" in the introductory language and in Paragraph B(7); and substituted "medical insurance pool" for "comprehensive health insurance pool" in Subsection K.

The 2003 amendment, effective June 20, 2003, added Subsection C; redesignated former Subsections C to K as present Subsections D to L; added Subsection M and redesignated former Subsection L as Subsection N.

The 2008 amendment, effective May 14, 2008, in Subsection B, deleted medical care programs of
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the Indian health service or of an Indian nation, tribe or pueblo; in Paragraph (2) of Subsection C, added
the reference to Section 59A-23E-2 NMSA 1978; and in Subsection M, provided that pregnancy is not a
preexisting condition for a federally defined eligible individual.

1395 et seq. and 42 U.S.C. § 1396 et seq., respectively.

Peace Corps Act. — Section 5(e) of the federal Peace Corps Act, referred to in Paragraph B(10),
appears as 22 U.S.C. § 2504(e).

Consolidated Omnibus Budget Reconciliation Act of 1985. — For COBRA continuation provision,
see 29 U.S.C. § 1161 et seq.

59A-54-4. Pool created; board.

A. There is created a nonprofit entity to be known as the "New Mexico medical insurance
pool". All insurers shall organize and remain members of the pool as a condition of their
authority to transact insurance business in this state. The board is a governmental entity for
purposes of the Tort Claims Act [41-4-1 NMSA 1978].

B. The superintendent shall, within sixty days after the effective date of the Medical
Insurance Pool Act [59A-54-1 NMSA 1978], give notice to
all insurers of the time and place for the initial organizational meetings of the pool. Each member
of the pool shall be entitled to one vote in person or by proxy at the organizational meetings.

C. The pool shall operate subject to the supervision and approval of the board. The board
shall consist of the superintendent or his designee, who shall serve as the chairman of the board,
four members appointed by the members of the pool and six members appointed by the
superintendent. The members appointed by the superintendent shall consist of four citizens who
are not professionally affiliated with an insurer, at least two of whom shall be individuals who
are insured by the pool, who would qualify for pool coverage if they were not eligible for
particular group coverage or who are a parent, guardian, relative or spouse of such an individual.
The superintendent's fifth appointment shall be a representative of a statewide health planning
agency or organization. The superintendent's sixth appointment shall be a representative of the
medical community.

D. The members of the board appointed by the members of the pool shall be appointed for
initial terms of four years or less, staggered so that the term of one member shall expire on June
30 of each year. The members of the board appointed by the superintendent shall be appointed
for initial terms of five years or less, staggered so that the term of one member expires on June
30 of each year. Following the initial terms, members of the board shall be appointed for terms
of three years. If the members of the pool fail to make the initial appointments required by this
subsection within sixty days following the first organizational meeting, the superintendent shall
make those appointments. Whenever a vacancy on the board occurs, the superintendent shall fill
the vacancy by appointing a person to serve the balance of the unexpired term. The person
appointed shall meet the requirements for initial appointment to that position. Members of the
board may be reimbursed from the pool subject to the limitations provided by the Per Diem and
Mileage Act [10-8-1 NMSA 1978] and shall receive no other compensation, perquisite or allowance.

E. The board shall submit a plan of operation to the superintendent and any amendments to it necessary or suitable to assure the fair, reasonable and equitable administration of the pool.

F. The superintendent shall, after notice and hearing, approve the plan of operation, provided it is determined to assure the fair, reasonable and equitable administration of the pool and provides for the sharing of pool losses on an equitable, proportionate basis among the members of the pool. The plan of operation shall become effective upon approval in writing by the superintendent consistent with the date on which coverage under the Medical Insurance Pool Act [59A-54-1 NMSA 1978] is made available. If the board fails to submit a plan of operation within one hundred eighty days after the appointment of the board, or any time thereafter fails to submit necessary amendments to the plan of operation, the superintendent shall, after notice and hearing, adopt and promulgate such rules as are necessary or advisable to effectuate the provisions of the Medical Insurance Pool Act. Rules promulgated by the superintendent shall continue in force until modified by him or superseded by a subsequent plan of operation submitted by the board and approved by the superintendent.

G. Any reference in law, rule, division bulletin, contract or other legal document to the New Mexico comprehensive health insurance pool shall be deemed to refer to the New Mexico medical insurance pool.


The 1991 amendment, effective June 14, 1991, added the last sentence in Subsection A; in Subsection C, substituted "representatives of other types of members of the pool" for "members who are members of the pool" at the end of the third sentence and substituted the final two sentences for a sentence which read "The members appointed by the superintendent shall consist of four citizens who are not professionally affiliated with an insurer, at least two of whom shall be individuals reasonably expected to qualify for coverage under the plan or the parent or spouse of such an individual and a representative of statewide health planning"; and, in Subsection D, substituted the fifth sentence for "The superintendent shall appoint a qualified person to fill a vacancy on the board for the balance of the unexpired term," and added the sixth sentence.

The 2001 amendment, effective June 15, 2001, in Subsection A, substituted "medical insurance pool" for "comprehensive health insurance pool" and deleted "of the pool" following "The board"; substituted "Medical Insurance Pool Act" for "Comprehensive Health Insurance Pool Act" in Subsections B and F; deleted "of directors" following "appointment of the board" in Subsection F; and added Subsection G.

The 2003 amendment, effective June 20, 2003, in Subsection C, substituted "six" for "five" preceding "members appointed by", deleted the second sentence which read: "The members appointed by the members of the pool shall consist of one representative of a nonprofit health care plan one representative of a health maintenance organization and two representatives of other types of members of the pool", and added the last sentence.
59A-54-5. Plan of operation.

The plan of operation submitted by the board to the superintendent shall:

A. establish procedures for the handling and accounting of assets and money of the pool;
B. establish regular times and places for meetings of the board;
C. establish procedures for records to be kept of all financial transactions and for annual fiscal reporting to the superintendent;
D. contain additional provisions necessary and proper for the execution of the powers and duties of the pool;
E. establish procedures for the collection of assessments from all members of the pool to provide for claims paid under the plan and for administrative expenses incurred or estimated to be incurred during the period for which the assessment is made;
F. establish the amount of assessment pursuant to Section 59A-54-10 NMSA 1978 that shall be imposed annually at the end of each calendar year and that shall be due and payable within thirty days of the receipt of the assessment notice;
G. establish procedures for the selection of an administrator in accordance with Section 59A-54-11 NMSA 1978;
H. develop and implement a program to publicize the existence of the plan, the eligibility requirements and procedures for enrollment in the plan and to maintain public awareness of the plan; and
I. establish penalties for noncollection of assessments from pool members.


The 1991 amendment, effective June 14, 1991, substituted "established procedures for the selection of" for "select" at the beginning of Subsection G and made minor stylistic changes in Subsection F.


A. Commencing September 1, 1987, every insurer shall provide a notice and an application for coverage by the pool to any person who receives:

   (1) a rejection of coverage for health insurance or health care services;
   (2) a notice that the rate for health insurance or coverage for health care services provided will exceed the rates of a pool policy; or
   (3) a notice of reduction or limitation of coverage, including a restrictive rider, from an insurer if the effect of the reduction or limitation is to substantially reduce coverage compared to the coverage available to a person considered a standard risk for the type of coverage provided
by the plan.

B. The notice required by Subsection A of this section shall state that effective January 1, 1988 or an earlier date, that person is eligible to apply for health insurance provided by the pool. Application for the health insurance shall be on forms prescribed by the board and made available to all insurers.


The 1991 amendment, effective June 14, 1991, deleted former Subsection C, which read "A copy of the notice required by Subsection A of this section shall be sent to the board".

59A-54-7. Board; powers and duties.

The board shall have the general powers and authority granted under the laws of this state to insurance companies licensed to transact health insurance business. In addition, the board shall have the specific authority to:

A. enter into contracts as are necessary or proper to carry out the provisions and purposes of the Medical Insurance Pool Act [59A-54-1 NMSA 1978], including the authority, with the approval of the superintendent, to enter into contracts with similar pools of other states for the joint performance of common administrative functions or with persons or other organizations for the performance of administrative functions. The pool shall comply with the Procurement Code [13-1-28 NMSA 1978], except as otherwise provided in the Medical Insurance Pool Act;

B. sue or be sued, including taking any legal action as necessary to avoid the payment of improper claims against the pool or the coverage provided by or through the pool;

C. establish appropriate rates, rate schedules, rate adjustments, expense allowances, agent referral fees, claim reserve formulas and any other actuarial functions appropriate to the operation of the pool. Rates and rate schedules may be adjusted for appropriate risk factors such as age and area variation in claim costs and shall take into consideration appropriate risk factors in accordance with established actuarial underwriting practices;

D. assess members of the pool in accordance with the provisions of the Medical Insurance Pool Act and make initial and interim assessments as may be reasonable and necessary for the organizational or interim operating expenses of the pool. Interim assessments shall be credited as offsets against any regular assessments due following the close of the calendar year. Interim assessments may include anticipated expenses of the next year that the board determines are reasonable and necessary for the operating expenses of the pool;

E. issue policies of insurance in accordance with the requirements of the Medical Insurance Pool Act;

F. issue a policy of insurance, in accordance with the requirements of the Medical Insurance Pool Act, for a small group that is formed voluntarily through an employer, association, cooperative, mutual alliance or other organization; provided, however, that an
employer group may not have more than fifty persons;

G. appoint appropriate legal, actuarial and other committees as necessary to provide technical assistance in the operation of the pool, policy and other contract design and any other function within the authority of the pool; and

H. conduct periodic audits to assure the general accuracy of the financial data submitted to the pool. The board shall cause the pool to have an annual audit of its operations by an independent certified public accountant.


The 1991 amendment, effective June 14, 1991, added the second sentence in Subsection A.

The 2001 amendment, effective June 15, 2001, substituted "Medical Insurance Pool Act" for "Comprehensive Health Insurance Pool Act" in Subsections A, D and E; and in Subsection D, substituted "Interim assessments" for "Interim expenses" and added the last sentence.

The 2005 amendment, effective June 17, 2005, adds Subsection F to provide that board has authority to issue a policy of insurance for a small group.

59A-54-7.1. Prescription drug program; cost-sharing.

A. The board may establish a prescription drug program, in whole or in part, including a pilot or phase-in program, to offer selected eligible persons the ability to purchase prescription drugs. The board may establish varying levels of eligibility and cost-sharing criteria as needed for selected eligible persons and, if established, shall ensure that cost-containment mechanisms are included in the program.

B. The board may establish the cost-sharing amounts payable by a person enrolled in the prescription drug program, including the premium, deductible, coinsurance, co-payment and other out-of-pocket expenses.

C. If the board establishes a prescription drug program, the board shall establish the assessments pursuant to Section 59A-54-10 NMSA 1978.

D. If the board establishes a prescription drug program, the assessment for a pool member shall be determined in the same manner as provided in this section provided that a pool member shall be allowed a fifty percent credit for the prescription drug program assessment on the premium tax return for that member.

E. The board may issue a pool prescription drug program benefit policy for a person who is over the age of sixty-five and unable to purchase or is ineligible for a similar prescription drug program. The board may issue a pool prescription drug program benefit policy for a person who is eligible for a state-funded or state-operated low-income pharmacy benefit program.

F. If the board establishes a prescription drug program, the board shall cooperate with other state and federal prescription drug initiatives.

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History: Laws 2003, ch. 396, § 1.

Effective dates. — Laws 2003, ch. 396 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective June 20, 2003, 90 days after adjournment of the legislature.


The pool shall be subject to and responsible for examination by the superintendent of insurance. Not later than March 1 of each year, the board shall submit to the superintendent an audited financial report for the preceding calendar year in a form approved by the superintendent.


All policy forms issued by the pool shall conform in substance to prototype forms developed by the pool and shall be filed with and approved by the superintendent before they are issued.


The 1991 amendment, effective June 14, 1991, deleted the former second sentence, which read "The pool shall not issue a pool policy to any individual who, on the effective date of the coverage applied for, has coverage substantially equivalent to a pool policy as an insured or covered dependent or who would be eligible for that coverage if he elected to obtain it".

59A-54-10. Assessments.

A. Following the close of each fiscal year, the pool administrator shall determine the net premium, being premiums less administrative expense allowances, the pool expenses and claim expense losses for the year, taking into account investment income and other appropriate gains and losses. The assessment for each insurer shall be determined by multiplying the total cost of pool operation by a fraction, the numerator of which equals that insurer's premium and subscriber contract charges or their equivalent for health insurance written in the state during the preceding calendar year and the denominator of which equals the total of all premiums and subscriber contract charges written in the state; provided that premium income shall include receipts of medicaid managed care premiums but shall not include any payments by the secretary of health and human services pursuant to a contract issued under Section 1876 of the Social Security Act, as amended. The board may adopt other or additional methods of adjusting the formula to achieve equity of assessments among pool members, including assessment of health insurers and reinsurers based upon the number of persons they cover through primary, excess and stop-loss insurance in the state.

B. If assessments exceed actual losses and administrative expenses of the pool, the excess shall be held at interest and used by the board to offset future losses or to reduce pool premiums.
As used in this subsection, "future losses" includes reserves for incurred but not reported claims.

C. The proportion of participation of each member in the pool shall be determined annually by the board based on annual statements and other reports deemed necessary by the board and filed with it by the member. Any deficit incurred by the pool shall be recouped by assessments apportioned among the members of the pool pursuant to the assessment formula provided by Subsection A of this section; provided that the assessment for any pool member shall be allowed as a fifty-percent credit on the premium tax return for that member and a seventy-five-percent credit on the premium tax return for that member for the assessments attributable to pool policy holders that receive premiums, in whole or in part, through the federal Ryan White CARE Act, the Ted R. Montoya hemophilia program at the university of New Mexico health sciences center, the children's medical services bureau of the public health division of the department of health or other program receiving state funding or assistance.

D. The board may abate or defer, in whole or in part, the assessment of a member of the pool if, in the opinion of the board, payment of the assessment would endanger the ability of the member to fulfill its contractual obligation. In the event an assessment against a member of the pool is abated or deferred in whole or in part, the amount by which such assessment is abated or deferred may be assessed against the other members in a manner consistent with the basis for assessments set forth in Subsection A of this section. The member receiving the abatement or deferment shall remain liable to the pool for the deficiency for four years.


The 1991 amendment, effective June 14, 1991, inserted "or their equivalent" near the middle of the second sentence in Subsection A.

The 1994 amendment, effective May 17, 1994, in the proviso clause in the second sentence in Subsection C, deleted "if" preceding "the assessment" and deleted "exceed seventy-five thousand dollars ($75,000) in any year, the excess over that amount" following "pool member".

The 2001 amendment, effective June 15, 2001, inserted "shall include receipts of medicaid managed care premiums but" in the second sentence of Subsection A.

Laws 2001, ch. 352, § 15, effective June 15, 2001, provides that the intent of the amendment by Laws 2001, ch. 352, § 6 to Subsection A of Section 59A-54-10 NMSA 1978 is to clarify that the calculation of assessments pursuant to Section 59A-54-10 NMSA 1978 includes medicaid managed care premiums.

The 2003 amendment, effective June 20, 2003, added "including assessment of health insurers and reinsurers based upon the number of persons they cover through primary, excess and stop-loss insurance in the state" at the end of Subsection A.

amendments, effective July 1, 2005, that provide in Subsection C that the assessment for any pool member shall be allowed as a fifty-percent credit on the premium tax return for a member on a low-income premium schedule pursuant to Section 59A-54-19(B) NMSA 1978. This section is set out as amended by Laws 2005, ch. 305, § 3.

The 2007 amendment, effective June 15, 2007, amends Subsection C to increase from thirty-five to fifty percent the credit for the assessment on pool members and increase from fifty-five to seventy-five percent the credit for assessments attributable to pool policy holders that receive premiums through the Ryan White CARE Act and the Ted R. Montoya hemophilia program, the children’s medical services bureau or other programs receiving state funding or assistance.

Applicability. — Laws 1994, ch. 58, § 3 makes the provisions of the act applicable to assessments made on or after July 1, 1994 and taxes due on or after July 1, 1994.


A. The board shall select a pool administrator through a competitive bidding process. The board shall evaluate bids based on criteria established by the board which shall include:

1. proven ability to handle accident and health insurance;
2. efficiency of claim paying procedures;
3. an estimate of total charges for administering the plan; and
4. ability to administer the pool in a cost-efficient manner.

B. The pool administrator shall serve for a period of three years subject to removal for cause. At least one year prior to the expiration of each three-year period of service by the pool administrator, the board shall invite all interested parties, including the current administrator, to submit bids to serve as the pool administrator for the succeeding three-year period. Selection of the administrator for a succeeding period shall be made at least six months prior to the expiration of a three-year period of service by a pool administrator.

C. The pool administrator shall:

1. perform all eligibility and administrative claim payment functions relating to the pool;
2. establish a premium billing procedure for collection of premiums from insured persons. Billings shall be made on a periodic basis, not less than monthly, as determined by the board;
3. perform all necessary functions to assure timely payment of benefits to persons covered under the pool, including:
   a. making information available relating to the proper manner of submitting a claim for benefits to the pool and distributing forms upon which submission shall be made; and
   b. evaluating the eligibility of each claim for payment by the pool;

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(4) submit regular reports to the board regarding the operation of the pool. The frequency, content and form of the report shall be as determined by the board; and

(5) following the close of each fiscal year, determine net written and earned premiums, the expense of administration and the paid and incurred losses for the year and report this information to the board and the superintendent on a form prescribed by the superintendent.

D. The administrator shall be paid as provided in the contract negotiated pursuant to the process for selection of the administrator established by the board.


The 1991 amendment, effective June 14, 1991, rewrote Subsection D, which read "The administrator shall be paid as provided in the plan of operation for expenses incurred in the performance of services".

59A-54-12. Eligibility; policy provisions.

A. Except as provided in Subsection B of this section, a person is eligible for a pool policy only if on the effective date of coverage or renewal of coverage the person is a New Mexico resident, and:

(1) is not eligible as an insured or covered dependent for a health plan that provides coverage for comprehensive major medical or comprehensive physician and hospital services;

(2) is currently paying a rate for a health plan that is higher than one hundred twenty-five percent of the pool's standard rate;

(3) has a mental health diagnosis and has individual health insurance coverage that does not include coverage for mental health services;

(4) has been rejected for coverage for comprehensive major medical or comprehensive physician and hospital services;

(5) is only eligible for a health plan with a rider, waiver or restrictive provision for that particular individual based on a specific condition;

(6) has a medical condition that is listed on the pool's prequalifying conditions;

(7) has as of the date the individual seeks coverage from the pool an aggregate of eighteen or more months of creditable coverage, the most recent of which was under a group health plan, governmental plan or church plan as defined in Subsections P, N and D, respectively, of Section 59A-23E-2 NMSA 1978, except, for the purposes of aggregating creditable coverage, a period of creditable coverage shall not be counted with respect to enrollment of an individual for coverage under the pool if, after that period and before the enrollment date, there was a ninety-five day or longer period during all of which the individual was not covered under any creditable coverage; or

(8) is entitled to continuation coverage pursuant to Section 59A-23E-19 NMSA 1978.
B. Notwithstanding the provisions of Subsection A of this section:

(1) a person's eligibility for a policy issued under the Health Insurance Alliance Act [59A-56-1 NMSA 1978] shall not preclude a person from remaining on or purchasing a pool policy; provided that a self-employed person who qualifies for an approved health plan under the Health Insurance Alliance Act by using a dependent as the second employee may choose a pool policy in lieu of the health plan under that act; and

(2) if a pool policyholder becomes eligible for any group health plan, the policyholder's pool coverage shall not be involuntarily terminated until any preexisting condition period imposed on the policyholder by the plan has been exhausted.

C. Coverage under a pool policy is in excess of and shall not duplicate coverage under any other form of health insurance.

D. A policyholder's newborn child or newly adopted child is automatically eligible for thirty-one consecutive calendar days of coverage for an additional premium.

E. Except for a person eligible as provided in Paragraph (7) of Subsection A of this section, a pool policy may contain provisions under which coverage is excluded during a six-month period following the effective date of coverage as to a given individual for preexisting conditions.

F. The preexisting condition exclusions described in Subsection E of this section shall be waived to the extent to which similar exclusions have been satisfied under any prior health insurance coverage that was involuntarily terminated, if the application for pool coverage is made not later than ninety-five days following the involuntary termination. In that case, coverage in the pool shall be effective from the date on which the prior coverage was terminated. This subsection does not prohibit preexisting conditions coverage in a pool policy that is more favorable to the insured than that specified in this subsection.

G. An individual is not eligible for coverage by the pool if:

(1) except as provided in Subsection I of this section, the individual is, at the time of application, eligible for medicare or medicaid that would provide coverage for amounts in excess of limited policies such as dread disease, cancer policies or hospital indemnity policies;

(2) the individual has voluntarily terminated coverage by the pool within the past twelve months and did not have other continuous coverage during that time, except that this paragraph shall not apply to an applicant who is a federally defined eligible individual;

(3) the individual is an inmate of a public institution or is eligible for public programs for which medical care is provided;

(4) the individual is eligible for coverage under a group health plan;

(5) the individual has health insurance coverage as defined in Subsection R of Section 59A-23E-2 NMSA 1978;

(6) the most recent coverages within the coverage period described in Paragraph (7) of Subsection A of this section were terminated as a result of nonpayment of premium or fraud;
(7) the individual has been offered the option of continuation coverage under a federal COBRA continuation provision as defined in Subsection F of Section 59A-23E-2 NMSA 1978 or under a similar state program and the individual has elected the coverage and did not exhaust the continuation coverage under the provision or program, provided, however, that an unemployed former employee who has not exhausted COBRA coverage shall be eligible.

H. A person whose health insurance coverage from a qualified state high risk pool health policy is terminated because of nonresidency in another state may apply for coverage under the pool. If the coverage is applied for within ninety-five days after that termination and if premiums are paid for the entire coverage period, the effective date of the coverage shall be the date of termination of the previous coverage.

I. The board may issue a pool policy for individuals who:

(1) are enrolled in both Part A and Part B of medicare because of a disability; and

(2) except for the eligibility for medicare, would otherwise be eligible for coverage pursuant to the criteria of this section.


The 1991 amendment, effective June 14, 1991, deleted former Subsections A and B; added present Subsections A and B; in Subsection G, added the language beginning "which would provide coverage" at the end of Paragraph (1), deleted former Paragraph (4), which read "he has or is eligible for, on the day of issue of coverage by the pool, substantially equivalent coverage under health insurance or another insurance plan", and made related stylistic changes; and deleted the former last sentence in Subsection H, which read "Waiting periods for persons with pre-existing conditions applying for coverage under this section shall be waived if the waiting periods were satisfied under a similar plan from another state and benefit limitations were not reached".

The 1997 amendment, effective April 11, 1997, inserted the exceptions at the beginning of Subsections A and F, added Paragraph A(5) and Subsection B, redesignated the existing subsections accordingly, substituted "developmental disability" for "mental retardation" in Subsection D(1), added Paragraphs H(4) through H(7), and made minor stylistic changes.

The 1998 amendment, effective March 6, 1998, in Subsection A, substituted "P, N" for "Q, O" and "59A-23E-2 NMSA 1978" for "2 of the Health Insurance Portability Act" near the middle of Paragraph A(5), and added Paragraph A(6); inserted "that" near the middle of Subsection B; substituted "Paragraph" for "Paragraphs" near the beginning of Subsection F; and in Subsection H, rewrote Paragraph H(5), substituted "were" for "was" near the middle of Paragraph H(6), and substituted "59A-23E-2 NMSA 1978" for "2 of the Health Insurance Portability Act" in Paragraph H(7).

The 2001 amendment, effective June 15, 2001, in Subsection H, substituted "except as provided in Subsection J of this section the individual" for "he" in Paragraph (1), substituted "the individual has voluntarily" for "he has" in Paragraph (2), substituted "the individual" for "he" in Paragraphs (3), (4), (5) and (7); and added Subsection J.

The 2003 amendment, effective June 20, 2003, rewrote the section.

A. The health insurance policy issued by the pool shall pay for medically necessary eligible health care services rendered or furnished for the diagnoses or treatment of illness or injury that exceed the deductible and coinsurance amounts applicable under Section 59A-54-14 NMSA 1978 and are not otherwise limited or excluded. Eligible expenses are the charges for the health care services and items for which benefits are extended under the pool policy. The coverage to be issued by the pool and its schedule of benefits, exclusions and other limitations shall be established by the board and shall, at a minimum, reflect the levels of health insurance coverage generally available in New Mexico for small group policies; provided that a health insurance policy issued by the pool shall not include a lifetime maximum benefit. The superintendent shall approve the benefit package developed by the board to ensure its compliance with the Medical Insurance Pool Act [59A-54-1 NMSA 1978]. The benefit package shall include therapy services and hearing aids.

B. The Medical Insurance Pool Act shall not be construed to prohibit the pool from issuing additional types of health insurance policies with different types of benefits that, in the opinion of the board, may be of benefit to the citizens of New Mexico.

C. The board may design and employ cost containment measures and requirements, including preadmission certification and concurrent inpatient review, for the purpose of making the pool more cost effective.


The 1991 amendment, effective June 14, 1991, in Subsection A, substituted "59A-54-14 NMSA 1978" for "14 of the Comprehensive Health Insurance Pool Act" in the first sentence, substituted "generally available in New Mexico for small group policies" for "of the top five insurers in the state" at the end of the third sentence and made minor stylistic changes.

The 2001 amendment, effective June 15, 2001, substituted "Medical Insurance Pool Act" for "Comprehensive Health Insurance Pool Act" in Subsections A and B; and inserted "and" preceding "its schedule of benefits" in Subsection A.
The 2008 amendment, effective May 14, 2008, in Subsection A, provided that a health insurance policy issued by the pool shall not include a lifetime maximum benefit.


A. Subject to the limitation provided in Subsection C of this section, a pool policy offered in accordance with the Medical Insurance Pool Act [59A-54-1 NMSA 1978] shall impose a deductible on a per-person calendar-year basis. Deductible plans of five hundred dollars ($500) and one thousand dollars ($1,000) shall initially be offered. The board may authorize deductibles in other amounts. The deductible shall be applied to the first five hundred dollars ($500) or one thousand dollars ($1,000) of eligible expenses incurred by the covered person.

B. Subject to the limitations provided in Subsection C of this section, a mandatory coinsurance requirement shall be imposed at the rate of twenty percent of eligible expenses in excess of the mandatory deductible.

C. The maximum aggregate out-of-pocket payments for eligible expenses by the insured shall be determined by the board.


The 1991 amendment, effective June 14, 1991, in Subsection C, substituted "shall be determined by the board" for specific limitations on maximum out-of-pocket payments; and made a minor stylistic change in Subsection A.


59A-54-15. Dependent family member required coverage; employer responsibilities.

A. An employer is authorized to make a payroll deduction from the compensation of an employee for the portion of the pool policy premium the employee is responsible for, and an employer shall contribute the same dollar amount of the cost of that policy on behalf of the employee that the employer contributes for other similar employees for health insurance.

B. An employer shall offer and make available to dependent family members of an employee covered by the pool the same group plan offered to other employees of the group. The employer shall charge a dependent family member a premium equal to that amount charged to other employees and shall contribute the difference between the amount the employer would pay for the employee under its group family coverage and the amount the employer has paid to the pool on behalf of the employee pursuant to Subsection A of this section. In no event shall an employer be required to pay more for a family with the employee being a high risk than for a standard family in the employer's group plan.


A. A pool policy offered under the Medical Insurance Pool Act [59A-54-1 NMSA 1978] shall contain provisions under which the pool is obligated to renew the contract until the day on which the individual in whose name the contract is issued first becomes eligible for medicare coverage, except that in a family policy covering both husband and wife, the age of the younger spouse shall be used as the basis for meeting the durational requirement of this subsection.

B. The pool shall not change the rates for pool policies except on a class basis with a clear disclosure in the policy of the right of the pool to do so.

C. In the case of a small group policy, a pool policy offered under the Medical Insurance Pool Act shall provide covered family members the right to continue the policy as the named insured or through a conversion policy upon the death of the named insured or upon the divorce, annulment or dissolution of marriage or legal separation of the spouse from the named insured by election to do so within a period of time specified in the contract subject to the requirements of this section.


The 2008 amendment, effective May 14, 2008, limited Subsection C to small group policies.


The superintendent shall:

A. adopt rules that provide for disclosure by members of the pool of the availability of insurance coverage from the pool;

B. adopt rules that implement the provisions of the Medical Insurance Pool Act [59A-54-1 NMSA 1978]; and

C. adopt any other rules deemed necessary in order to carry out the provisions of the Medical Insurance Pool Act.


Neither the participation by insurers in the pool, the establishment of rates, forms or
procedures for coverages issued by the pool nor any other joint or collective action required by the Medical Insurance Pool Act [59A-54-1 NMSA 1978] shall be the basis of any legal action, civil or criminal liability or penalty against the members of the pool either jointly or separately.


A. The pool shall determine a standard risk rate by actuarially calculating the individual rate that an insurer would charge for an individual policy with the pool benefits issued to a person who was a standard risk. Separate schedules of standard risk rates based on age and other appropriate demographic characteristics may be used. In determining the standard risk rate, the pool shall consider the benefits provided, the standard risk experience and the anticipated expenses for a standard risk for the coverage provided. The rates charged for pool coverage shall be no more than one hundred fifty percent of the standard risk rate for each class of insureds.

B. The board shall adopt a low-income premium schedule that provides coverage at lower rates for those persons with an income less than four hundred percent of the current federal poverty level guidelines applicable to New Mexico, published by the United States department of health and human services. For individuals with household incomes of one hundred ninety-nine percent of the federal poverty level or lower, the premium reduction shall be seventy-five percent. For individuals with household incomes of two hundred ninety-nine percent of the federal poverty level, the premium reduction shall be fifty percent. For individuals with household incomes of three hundred ninety-nine percent of the federal poverty level, the premium reduction shall be twenty-five percent, with the exception of those individuals in this category who were enrolled and receiving a fifty percent reduction in premium prior to January 1, 2009, who shall be phased down to a twenty-five percent premium reduction over a two-year period, provided that they continue to re-qualify annually for a premium reduction in the three hundred percent to three hundred ninety-nine percent of the federal poverty level category. The board shall determine income based on the preceding taxable year. No person shall be eligible for a low-income premium reduction if that person's premium is paid by a third party who is not a family member.

C. All rates and rate schedules shall be submitted to the superintendent for approval.


The 1991 amendment, effective June 14, 1991, substituted "Rates" for "Premiums" in the section heading and rewrote the section to the extent that a detailed analysis is impracticable.

The 1994 amendment, effective May 18, 1994, added Subsection B and redesignated former
Subsection B as Subsection C.

The 2001 amendment, effective June 15, 2001, in Subsection B, deleted the former first three sentences, regarding the creation of a schedule of rates for the payment of the standard risk rate for those persons below, at, or up to 200% above the poverty level, and added the present first and last sentences.

The 2009 amendment, effective June 19, 2009, in Subsection B, after "with an income less than", deleted “an amount to be determined by the board” and added the remainder of the sentence, and added the second through the fourth sentences; and in the fifth sentence, after “The board” deleted “shall adopt as many income categories as it finds practical and”.

Applicability. — Laws 1994, ch. 58, § 3 makes the provisions of the act applicable to assessments made on or after July 1, 1994 and taxes due on or after July 1, 1994.


A. The pool shall be the last payer of benefits whenever any other benefit is available. Benefits otherwise payable under pool coverage shall be reduced by all amounts paid or payable through any other health insurance or health benefit plan, including a self-insured plan and by all hospital and medical expense benefits paid or payable under any workmen's compensation coverage, automobile medical payment or liability insurance, whether provided on the basis of fault or nonfault, and by any hospital or medical benefits paid or payable under or provided pursuant to any state or federal law program.

B. The administrator or the pool shall have a cause of action against an eligible person for the recovery of the amount of benefits paid which are not for covered expenses. Benefits due from the pool may be reduced or refused as a set-off against any amount recoverable under this subsection.


The pool is exempt from payment of all fees and all taxes levied by this state or any of its political subdivisions.


ARTICLE 55
Risk Retention and Purchasing Groups

Section
59A-55-1  Short title.
59A-55-2  Purpose.
59A-55-3  Definitions.

Sections 1 through 26 [59A-55-1 to 59A-55-26 NMSA 1978] of this act may be cited as the "Risk Retention and Purchasing Group Act".

History: Laws 1988, ch. 125, § 1.


The purpose of the Risk Retention and Purchasing Group Act [59A-55-1 to 59A-55-26 NMSA 1978] is to regulate the formation and operation of risk retention groups and purchasing groups in New Mexico formed pursuant to the provisions of the federal Liability Risk Retention Act of 1986 to the extent permitted by that act.

History: Laws 1988, ch. 125, § 2.


As used in the Risk Retention and Purchasing Group Act [59A-55-1 to 59A-55-26 NMSA 1978]:
A. "completed operations liability" means liability arising out of the installation, maintenance or repair of any product at a site which is not owned or controlled by:

(1) any person who performs that work; or

(2) any person who hires an independent contractor to perform that work; "completed operations liability" includes liability for activities which are completed or abandoned before the date of the occurrence giving rise to the liability;

B. "domicile", for purposes of determining the state in which a purchasing group is domiciled, means:

(1) for a corporation, the state in which the purchasing group is incorporated; or

(2) for an unincorporated entity, the state of its principal place of business;

C. "hazardous financial condition" means that based on its present or reasonably anticipated financial condition, a risk retention group although not yet financially impaired or insolvent is unlikely to be able to:

(1) meet obligations to policyholders with respect to known claims and reasonably anticipated claims; or

(2) pay other obligations in the normal course of business;

D. "insurance" means primary insurance, excess insurance, reinsurance, surplus lines insurance and any other arrangement for shifting and distributing risk which is determined to be insurance under the laws of New Mexico;

E. "liability":

(1) means legal liability for damages, including costs of defense, legal costs and fees and other claims expenses, because of injuries to other persons, damage to their property or other damage or loss to such other persons resulting from or arising out of:

(a) any business whether profit or nonprofit, trade, product, services including professional services, premises or operations; or

(b) any activity of any state or local government or any agency or political subdivision thereof; and

(2) does not include personal risk liability and an employer's liability with respect to its employees other than legal liability under the Federal Employers' Liability Act;

F. "personal risk liability" means liability for damages because of injury to any person, damage to property or other loss or damage resulting from any personal, familial or household responsibilities or activities, rather than from responsibilities or activities referred to in Paragraph (1) of Subsection F of this section;

G. "plan of operation or feasibility study" means an analysis which presents the expected activities and results of a risk retention group including information required by the superintendent by regulation;
H. "product liability" means liability for damages because of any personal injury, death, emotional harm, consequential economic damage or property damage, including damages resulting from the loss of use of property, arising out of the manufacture, design, importation, distribution, packaging, labeling, lease or sale of a product, but does not include the liability of any person for those damages if the product involved was in the possession of such a person when the incident giving rise to the claim occurred;

I. "purchasing group" means any group which:

1. has as one of its purposes the purchase of liability insurance on a group basis;
2. purchases such insurance only for its group members and only to cover their similar or related liability exposure, as described in Paragraph (3) of Subsection I of this section;
3. is composed of members whose businesses or activities are similar or related with respect to the liability to which members are exposed by virtue of any related, similar or common business, trade, product, service, premises or operation; and
4. is domiciled in any state;

J. "risk retention group" means any corporation or other limited liability association:

1. whose primary activity consists of assuming and spreading all or any portion of the liability exposure of its group members;
2. which is organized for the primary purpose of conducting the activity described under Paragraph (1) of Subsection J of this section;
3. which:
   a. is chartered and licensed as a liability insurance company and authorized to engage in the business of insurance under the laws of any state; or
   b. before January 1, 1985 was chartered or licensed and authorized to engage in the business of insurance under the laws of Bermuda or the Cayman Islands and, before such date, had certified to the insurance commissioner of at least one state that it satisfied the capitalization requirements of such state, except that any such group shall be considered to be a risk retention group only if it has been engaged in business continuously since such date and only for the purpose of continuing to provide insurance to cover product liability or completed operations liability as such terms were defined in the Product Liability Risk Retention Act of 1981 before the date of the enactment of the Liability Risk Retention Act of 1986;
4. which does not exclude any person from membership in the group solely to provide members of such a group competitive advantage over such a person;
5. which:
   a. has as its owners only persons who comprise the membership of the risk retention group and who are provided insurance by such group; or
   b. has as its sole owner an organization which: 1) has as its members only persons who comprise the membership of the risk retention group; and 2) has as its owners only
persons who comprise the membership of the risk retention group and who are provided insurance by such group;

(6) whose members are engaged in businesses or activities similar or related with respect to the liability of which such members are exposed by virtue of any related, similar or common business trade, product, service, premises or operation;

(7) whose activities do not include the provision of insurance other than:

(a) liability insurance for assuming and spreading all or any portion of the liability of its group members; and

(b) reinsurance with respect to the liability of any other risk retention group or any members of such other group which is engaged in business or activities so that such group or member meets the requirement described in Paragraph (6) of Subsection J of this section, from membership in the risk retention group which provides such reinsurance; and

(8) the name of which includes the phrase "risk retention group";

K. "state" means any state of the United States or the district of Columbia; and

L. "superintendent" means the superintendent of insurance in New Mexico or the commissioner, director or superintendent of insurance in any other state.

History: Laws 1988, ch. 125, § 3.

Compiler's notes. — The reference to Paragraph (1) of Subsection F in Subsection F is apparently erroneous. The reference should probably be to Paragraph (1) of Subsection E.


59A-55-4. Risk retention groups authorized in New Mexico.

A. A risk retention group seeking a New Mexico certificate of authority shall, pursuant to the provisions of the New Mexico Insurance Code, be licensed to write only liability insurance pursuant to the Risk Retention and Purchasing Group Act [59A-55-1 to 59A-55-26 NMSA 1978] and, except as provided elsewhere in that act, must comply with all of the laws, rules, regulations and requirements applicable to insurers obtaining a certificate of authority as a domestic insurer and with Sections 5 through 16 [59A-55-5 to 59A-55-16 NMSA 1978] of the Risk Retention and Purchasing Group Act to the extent such requirements are not a limitation on the laws, rules, regulations or requirements of New Mexico.

B. Before it may offer insurance in any state, each New Mexico domiciled risk retention group shall submit for approval to the New Mexico superintendent a plan of operation or feasibility study. The risk retention group shall submit an appropriate revision in the event of
any subsequent material change in any item of the plan of operation or feasibility study, within ten days of any such change. The group shall not offer any additional kinds of liability insurance in this state or in any other state until a revision of such plan or study is approved by the superintendent.

C. At the time of filing its application for a certificate of authority, the risk retention group shall provide to the superintendent any information and fees the superintendent requires for the application process.


59A-55-5. Risk retention groups not having a New Mexico certificate of authority.

A. Risk retention groups chartered and licensed in states other than New Mexico and seeking to do business as a risk retention group in New Mexico shall provide to the superintendent before engaging in the business of insurance in New Mexico:

(1) a notice of operation in New Mexico which shall include the information required by the superintendent;

(2) a copy of its plan of operation or feasibility study submitted to the superintendent of the state in which the risk retention group is chartered or licensed unless exempted by regulation;

(3) as required by the superintendent, a copy of its financial statement prepared by one acceptable to the superintendent and any examinations or audit conducted of the risk retention group; and

(4) a designation of the superintendent as its agent for the purpose of receiving service of legal documents or process, with a filing fee determined by the superintendent.

B. The risk retention group shall also submit to the superintendent a copy of any revisions to its plan of operation or feasibility study required by the superintendent of the state in which it is chartered or licensed as well as any information required to verify its continuing qualification as a risk retention group under Subsection J of Section 3 [59A-55-3 NMSA 1978] of the Risk Retention and Purchasing Group Act.

History: Laws 1988, ch. 125, § 5.

59A-55-6. Taxation of risk retention groups.

A. Each risk retention group shall be liable for the payment of premium taxes and taxes on premiums of direct business for risks resident or located within New Mexico and shall report to the superintendent the net premium written for risks resident or located within New Mexico. The risk retention group shall be subject to taxation and any applicable fines and penalties related thereto, on the same basis as an admitted insurer.
B. To the extent licensed agents or brokers are utilized pursuant to Section 24 [59A-55-24 NMSA 1978] of the Risk Retention and Purchasing Group Act, they shall report to the superintendent the premiums for direct business for risks resident or located within this state which such licensees have placed with or on behalf of a risk retention group not licensed in this state.

C. To the extent that insurance agents or brokers are utilized pursuant to Section 24 of the Risk Retention and Purchasing Group Act, such agent or broker shall keep a complete and separate record of all policies procured from each such risk retention group, which record shall be open to examination by the superintendent and shall contain the information required by the superintendent by regulation.


All risk retention groups doing business in New Mexico and their agents and representatives shall comply with the provisions of Section 59A-16-20 NMSA 1978.


59A-55-8. Deceptive, false or fraudulent practices.

All risk retention groups doing business in New Mexico shall comply with the laws contained in the New Mexico Insurance Code regarding deceptive, false or fraudulent acts or practices.

History: Laws 1988, ch. 125, § 8.


Each risk retention group shall submit to an examination by the superintendent to determine its financial condition if the superintendent of the jurisdiction in which the group is chartered and licensed has not initiated an examination or does not initiate an examination within sixty days after a request by the New Mexico superintendent. Any such examination shall be coordinated to avoid unjustified repetition and conducted in an expeditious manner and in accordance with the national association of insurance commissioner's handbook. All such examinations shall be paid for by the risk retention group pursuant to Section 59A-4-14 NMSA 1978.


The superintendent may require risk retention groups to provide notice to purchasers concerning the limitation of regulatory oversight of risk retention groups and the lack of insolvency guaranty fund protection.

History: Laws 1988, ch. 125, § 10.


The following acts by a risk retention group are prohibited:

A. the solicitation or sale of insurance by a risk retention group to any person who is not eligible for membership in such group; and

B. the solicitation or sale of insurance by, or operation of, a risk retention group that is in hazardous financial condition or financially impaired.

History: Laws 1988, ch. 125, § 11.

59A-55-12. Prohibition on ownership by an insurance company.

No risk retention group shall be allowed to do business in this state if an insurance company is directly or indirectly a member or owner of such risk retention group, other than in the case of a risk retention group all of whose members are insurance companies.

History: Laws 1988, ch. 125, § 12.


The terms of any insurance policy issued by any risk retention group shall not provide or be construed to provide coverage prohibited generally by statute of this state or declared unlawful by the highest court of this state whose law applies to such policy.


A risk retention group not having a New Mexico certificate of authority that is doing business in New Mexico shall comply with a lawful order issued in a voluntary dissolution proceeding or in a delinquency proceeding commenced by a state superintendent if there has been a finding of financial impairment after an examination under Section 9 [59A-55-9 NMSA 1978] of the Risk Retention and Purchasing Group Act.


A risk retention group that violates any provision of the Risk Retention and Purchasing
Group Act [59A-55-1 to 59A-55-26 NMSA 1978] shall be subject to fines and penalties, including revocation of its right to do business in New Mexico, applicable to licensed insurers generally.

**History:** Laws 1988, ch. 125, § 15.

### 59A-55-16. Operation prior to enactment of act.

In addition to complying with the requirements of the Risk Retention and Purchasing Group Act [59A-55-1 to 59A-55-26 NMSA 1978], any risk retention group operating in New Mexico prior to enactment of that act shall, within thirty days after the effective date of that act, comply with the provisions of Section 4 or 5 [59A-55-4 or 59A-55-5 NMSA 1978] of that act.

**History:** Laws 1988, ch. 125, § 16.

"Effective date of that act". — The phrase "effective date of that act" means July 1, 1988, the effective date of Laws 1988, Chapter 125, which enacted the Risk Retention and Purchasing Group Act.

### 59A-55-17. Compulsory associations.

A. No risk retention group shall be required or permitted to join or contribute financially to any insurance insolvency guaranty fund or similar mechanism in New Mexico nor shall any risk retention group or its insureds or claimants against its insureds receive any benefit from any such fund for claims arising under the insurance policies issued by such risk retention group.

B. When a purchasing group obtains insurance covering its members' risks from an insurer not authorized in this state or a risk retention group, no such risks wherever resident or located shall be covered by any insurance guaranty fund or similar mechanism in this state.

C. When a purchasing group obtains insurance covering its members' risks from an authorized insurer, only risks resident or located in this state shall be covered by the state guaranty fund.

**History:** Laws 1988, ch. 125, § 17.

### 59A-55-18. Purchasing groups' exemption from certain laws.

A purchasing group and its insurer or insurers shall be subject to all applicable laws of this state, except that a purchasing group and its insurer or insurers shall be exempt in regard to liability insurance for the purchasing group from any law that would:

A. prohibit the establishment of a purchasing group;

B. make it unlawful for an insurer to provide or offer to provide insurance on a basis providing to a purchasing group or its members advantages based on their loss and expense experience not afforded to other persons with respect to rates, policy forms, coverages or other matters;
C. prohibit a purchasing group or its members from purchasing insurance on a group basis described in Subsection B of this section;

D. prohibit a purchasing group from obtaining insurance on a group basis because the group has not been in existence for a minimum period of time or because any member has not belonged to the group for a minimum period of time;

E. require that a purchasing group must have a minimum number of members, common ownership or affiliation or certain legal form;

F. require that a certain percentage of a purchasing group must obtain insurance on a group basis;

G. otherwise discriminate against a purchasing group or any of its members; or

H. require that any insurance policy issued to a purchasing group or any of its members be countersigned by an insurance agent or broker residing in New Mexico.

**History:** Laws 1988, ch. 125, § 18.

### 59A-55-19. Notice and registration requirements of purchasing groups.

A. A purchasing group which intends to do business in New Mexico shall, prior to doing business, furnish notice to the superintendent. The notice shall contain all information requested by the superintendent.

B. The purchasing group shall register with and designate the superintendent as its agent solely for the purpose of receiving service of legal documents or process, for which a filing fee shall be imposed by the superintendent, except that such requirements shall not apply in the case of a purchasing group which only purchases insurance that was authorized under the federal Product Liability Risk Retention Act of 1981 and:

1. which in any state:
   a. was domiciled before April 1, 1986; and
   b. is domiciled on and after October 27, 1986; or

2. which:
   a. before October 27, 1986 purchased insurance from an insurance carrier licensed in any state; and
   b. since October 27, 1986 purchased its insurance from an insurance carrier licensed in any state;

3. which was a purchasing group under the requirements of the Product Liability Risk Retention Act of 1981 before October 27, 1986; and

4. which does not purchase insurance that was not authorized for purposes of an exemption under the Product Liability Risk Retention Act of 1981, as in effect before October 27, 1986.
C. Each purchasing group that is required to give notice pursuant to Subsection A of this section shall also furnish such information as may be required by the superintendent.

D. Any purchasing group which was doing business in this state prior to the enactment of the Risk Retention and Purchasing Group Act [59A-55-1 to 59A-55-26 NMSA 1978] shall, within thirty days after the effective date of that act, furnish notice to the commissioner pursuant to the provisions of Subsection A of this section and furnish such information as may be required pursuant to Subsections B and C of this section.

**History:** Laws 1988, ch. 125, § 19.


"Effective date of that act". — The phrase "effective date of that act" means July 1, 1988, the effective date of Laws 1988, Chapter 125, which enacted the Risk Retention and Purchasing Group Act.

59A-55-20. Restrictions on insurance purchased by purchasing groups.

A. A purchasing group may not purchase insurance from a risk retention group that is not chartered in a state or from an insurer not admitted in the state in which the purchasing group is located, unless the purchase is effected through a licensed agent or broker acting pursuant to the surplus lines laws and regulations of the state.

B. A purchasing group may purchase insurance for its members in this state or covering its members' risks resident or located in this state only from insurers admitted in this state, from insurers that are eligible surplus lines insurers in this state or from risk retention groups that have registered in this state.

C. A purchasing group which obtains liability insurance from an insurer not admitted in this state or a risk retention group shall inform each of the members of such group that have a risk resident or located in this state that such risk is not protected by an insurance insolvency guaranty fund in this state and that such risk retention group or such insurer may not be subject to all insurance laws and regulations of this state.

D. No purchasing group may purchase insurance providing for a deductible or self-insured retention unless the deductible or self-insured retention is the sole responsibility of each individual member of the purchasing group.

**History:** Laws 1988, ch. 125, § 20; 1999, ch. 289, § 40.

The 1999 amendment, effective June 18, 1999, added Subsection B and redesignated former Subsections B and C as Subsections C and D.


Premium taxes and taxes on premiums paid for coverage of risks resident or located in this
state by a purchasing group or any members of the purchasing group shall be:

A. imposed at the same rate and subject to the same interest, fines and penalties as that applicable to premium taxes on premiums paid for similar coverage from a similar insurance source by other insureds; and

B. paid first by such insurance source, and if not by such source by the agent or broker for the purchasing group, and if not by such agent or broker then by the purchasing group, and if not by such purchasing group then by each of its members.


59A-55-22. Administrative and procedural authority regarding risk retention groups and purchasing groups.

The superintendent is authorized to make use of any of the powers established under the New Mexico Insurance Code to enforce the laws of New Mexico not specifically preempted by the Risk Retention Act of 1986 including the superintendent's administrative authority to investigate, issue subpoenas, conduct depositions and hearings, issue orders, impose penalties and seek injunctive relief. With regard to any investigation, administrative proceedings or litigation, the procedural laws of New Mexico shall apply. The injunctive authority of the superintendent, in regard to risk retention groups, is restricted by the requirement that any injunction be issued by a court of competent jurisdiction.

History: Laws 1988, ch. 125, § 22.


A risk retention group that violates any provision of the Risk Retention and Purchasing Group Act [59A-55-1 to 59A-55-26 NMSA 1978] shall be subject to fines and penalties applicable to licensed insurers generally, including revocation of its certificate of authority or the right to do business in New Mexico, or both.

History: Laws 1988, ch. 125, § 23.

59A-55-24. Duty of agents or brokers to obtain license.

A. No person, firm, association or corporation shall act or aid in any manner in soliciting, negotiating or procuring liability insurance in New Mexico from a risk retention group unless such person, firm, association or corporation is licensed as an insurance agent or broker pursuant
to the provisions of the New Mexico Insurance Code.

B. No person, firm, association or corporation shall act or aid in any manner in soliciting, negotiating or procuring liability insurance:

   (1) in New Mexico for a purchasing group from an authorized insurer or a risk retention group chartered in a state, unless such person, firm, association or corporation is licensed as an insurance agent or broker pursuant to the provisions of the New Mexico Insurance Code;

   (2) in New Mexico for any members of a purchasing group under a purchasing group's policy, unless such person, firm, association or corporation is licensed as an insurance agent or broker pursuant to the provisions of the New Mexico Insurance Code; or

   (3) from an insurer not authorized to do business in New Mexico on behalf of a purchasing group located in this state, unless such person, firm, association or corporation is licensed as a surplus lines agent or excess line broker pursuant to the provisions of the New Mexico Insurance Code.

C. Every person, firm, association or corporation licensed pursuant to the provisions of the New Mexico Insurance Code on business placed with risk retention groups or written through a purchasing group shall inform each prospective insured of the provisions of the notice required by Section 59A-55-10 NMSA 1978 in the case of a purchasing group.


1999 amendments. — Identical amendments to this section were enacted by Laws 1999, ch. 272, § 27, effective June 18, 1999, approved April 8, 1999, and Laws 1999, ch. 289, § 41, also effective June 18, 1999, approved later on April 8, 1999, which deleted former Subsection C, which stated that any requirement of residence in the state shall not apply for the purposes of acting as an agent or broker for a risk retention group or purchasing group pursuant to Subsections A and B, redesignated former Subsection D as Subsection C, and updated the statutory reference in that subsection. The section is set out as amended by Laws 1999, ch. 289, § 41. See 12-1-8 NMSA 1978.


An order issued by any district court of the United States enjoining a risk retention group from soliciting or selling insurance or operating in any state upon a finding that such a group is in hazardous financial or financially impaired condition shall be enforceable in the state courts of New Mexico.

History: Laws 1988, ch. 125, § 25.


The superintendent may establish and from time to time amend such regulations relating to risk retention groups and purchasing groups as may be necessary or desirable to carry out the


Severability clauses. — Laws 1988, ch. 125, § 27 provides for the severability of the act if any part or application thereof is held invalid.

ARTICLE 56
Health Insurance Alliances

Chapter 59A, Article 56 NMSA 1978 may be cited as the "Health Insurance Alliance Act".

History: Laws 1994, ch. 75, § 1; 1997, ch. 243, § 34.

The 1997 amendment, effective April 11, 1997, substituted "Chapter 59A, Article 56 NMSA 1978" for "Sections 1 through 25 of this act".


The purpose of the Health Insurance Alliance Act [Chapter 59A, Article 56 NMSA 1978] is to provide increased access to voluntary health insurance coverage for small employer groups in New Mexico. An additional purpose of the Health Insurance Alliance Act is to provide for access to voluntary health insurance coverage for individuals in the individual market who have met eligibility criteria established by that act.


The 1997 amendment, effective April 11, 1997, inserted "for small employer groups" in the first sentence, deleted the second sentence which related to improving access to health insurance coverage, and substituted "access to voluntary health insurance coverage for individuals in the individual market who have met eligibility criteria established by that act" for "the development of a plan for expanded health insurance coverage to include uninsured children, other employer groups and individuals" in the last sentence.


As used in the Health Insurance Alliance Act [59A-56-1 NMSA 1978]:

A. "alliance" means the New Mexico health insurance alliance;

B. "approved health plan" means any arrangement for the provisions of health insurance offered through and approved by the alliance;

C. "board" means the board of directors of the alliance;

D. "child" means a dependent unmarried individual who is less than twenty-five years of age;

E. "creditable coverage" means, with respect to an individual, coverage of the individual pursuant to:
   (1) a group health plan;
   (2) health insurance coverage;
   (3) Part A or Part B of Title 18 of the federal Social Security Act;
   (4) Title 19 of the federal Social Security Act except coverage consisting solely of benefits pursuant to Section 1928 of that title;
   (5) 10 USCA Chapter 55;
(6) a medical care program of the Indian health service or of an Indian nation, tribe or pueblo;
(7) the Medical Insurance Pool Act [59A-54-1 NMSA 1978];
(8) a health plan offered pursuant to 5 USCA Chapter 89;
(9) a public health plan as defined in federal regulations; or
(10) a health benefit plan offered pursuant to Section 5(e) of the federal Peace Corps Act;

F. "department" means the insurance division of the commission;
G. "director" means an individual who serves on the board;
H. "earned premiums" means premiums paid or due during a calendar year for coverage under an approved health plan less any unearned premiums at the end of that calendar year plus any unearned premiums from the end of the immediately preceding calendar year;
I. "eligible expenses" means the allowable charges for a health care service covered under an approved health plan;
J. "eligible individual":
(1) means an individual who:
   (a) as of the date of the individual's application for coverage under an approved health plan, has an aggregate of eighteen or more months of creditable coverage, the most recent of which was under a group health plan, governmental plan or church plan as those plans are defined in Subsections P, N and D of Section 59A-23E-2 NMSA 1978, respectively, or health insurance offered in connection with any of those plans, but for the purposes of aggregating creditable coverage, a period of creditable coverage shall not be counted with respect to enrollment of an individual for coverage under an approved health plan if, after that period and before the enrollment date, there was a sixty-three-day or longer period during all of which the individual was not covered under any creditable coverage; or
   (b) is entitled to continuation coverage pursuant to Section 59A-56-20 or 59A-23E-19 NMSA 1978; and
(2) does not include an individual who:
   (a) has or is eligible for coverage under a group health plan;
   (b) is eligible for coverage under medicare or a state plan under Title 19 of the federal Social Security Act or any successor program;
   (c) has health insurance coverage as defined in Subsection R of Section 59A-23E-2 NMSA 1978;
   (d) during the most recent coverage within the coverage period described in Subparagraph (a) of Paragraph (1) of this subsection was terminated from coverage as a result of nonpayment of premium or fraud; or
(e) has been offered the option of coverage under a COBRA continuation provision as that term is defined in Subsection F of Section 59A-23E-2 NMSA 1978, or under a similar state program, except for continuation coverage under Section 59A-56-20 NMSA 1978, and did not exhaust the coverage available under the offered program;

K. "enrollment date" means, with respect to an individual covered under a group health plan or health insurance coverage, the date of enrollment of the individual in the plan or coverage or, if earlier, the first day of the waiting period for that enrollment;

L. "gross earned premiums" means premiums paid or due during a calendar year for all health insurance written in the state less any unearned premiums at the end of that calendar year plus any unearned premiums from the end of the immediately preceding calendar year;

M. "group health plan" means an employee welfare benefit plan to the extent the plan provides hospital, surgical or medical expenses benefits to employees or their dependents, as defined by the terms of the plan, directly through insurance, reimbursement or otherwise;

N. "health care service" means a service or product furnished an individual for the purpose of preventing, alleviating, curing or healing human illness or injury and includes services and products incidental to furnishing the described services or products;

O. "health insurance" means "health" insurance as defined in Section 59A-7-3 NMSA 1978; any hospital and medical expense-incurred policy; nonprofit health care plan service contract; health maintenance organization subscriber contract; short-term, accident, fixed indemnity, specified disease policy or disability income insurance contracts and limited health benefit or credit health insurance; coverage for health care services under uninsured arrangements of group or group-type contracts, including employer self-insured, cost-plus or other benefits methodologies not involving insurance or not subject to New Mexico premium taxes; coverage for health care services under group-type contracts that are not available to the general public and can be obtained only because of connection with a particular organization or group; coverage by medicare or other governmental programs providing health care services; but "health insurance" does not include insurance issued pursuant to provisions of the Workers' Compensation Act [52-1-1 NMSA 1978] or similar law, automobile medical payment insurance or provisions by which benefits are payable with or without regard to fault and are required by law to be contained in any liability insurance policy;

P. "health maintenance organization" means a health maintenance organization as defined by Subsection M of Section 59A-46-2 NMSA 1978;

Q. "incurred claims" means claims paid during a calendar year plus claims incurred in the calendar year and paid prior to April 1 of the succeeding year, less claims incurred previous to the current calendar year and paid prior to April 1 of the current year;

R. "insured" means a small employer or its employee and an individual covered by an approved health plan, a former employee of a small employer who is covered by an approved health plan through conversion or an individual covered by an approved health plan that allows individual enrollment;
S. "medicare" means coverage under both Parts A and B of Title 18 of the federal Social Security Act;

T. "member" means a member of the alliance;

U. "nonprofit health care plan" means a "health care plan" as defined in Subsection K of Section 59A-47-3 NMSA 1978;

V. "premiums" means the premiums received for coverage under an approved health plan during a calendar year;

W. "small employer" means a person that is a resident of this state, has employees at least fifty percent of whom are residents of this state, is actively engaged in business and that on at least fifty percent of its working days during either of the two preceding calendar years, employed no fewer than two and no more than fifty eligible employees; provided that:

(1) in determining the number of eligible employees, the spouse or dependent of an employee may, at the employer's discretion, be counted as a separate employee;

(2) companies that are affiliated companies or that are eligible to file a combined tax return for purposes of state income taxation shall be considered one employer; and

(3) in the case of an employer that was not in existence throughout a preceding calendar year, the determination of whether the employer is a small or large employer shall be based on the average number of employees that it is reasonably expected to employ on working days in the current calendar year;

X. "superintendent" means the superintendent of insurance;

Y. "total premiums" means the total premiums for business written in the state received during a calendar year; and

Z. "unearned premiums" means the portion of a premium previously paid for which the coverage period is in the future.


The 1997 amendment, effective April 11, rewrote this section to the extent that a detailed comparison is impracticable.

The 1998 amendment, effective March 6, 1998, in Subsection J, deleted "who" preceding "as of the", substituted "P, N" for "Q, O", and "59A-23E-2 NMSA 1978" for "2 of the Health Insurance Portability Act" near the middle of Subparagraph J(1)(a), inserted "is" at the beginning and "or 59A-23E-19" near the end of Subparagraph J(1)(b), rewrote Subparagraph J(2)(c), substituted "Subparagraph (a) of Paragraph (1) of this subsection" for "Subsection E of Section 59A-36-3 NMSA 1978" near the middle of Subparagraph J(2)(d), substituted "59A-23E-2 NMSA 1978" for "2 of the Health Insurance Portability Act" near the middle of Subparagraph J(2)(e); made a minor stylistic change in Subsection O; and, substituted "fewer" for "less" near the end of Subsection W.

The 2003 amendment, effective June 20, 2003, deleted "nineteen years of age or an unmarried individual who is enrolled full time in an accredited educational institution until the individual becomes" following "is less than" in Subsection D; inserted "federal" near the beginning in Paragraph E(4);
substituted "Medical" for "Comprehensive Health" in Paragraph E(7); and substituted "insurance division of the commission" for "department of insurance" in Subsection F.


59A-56-4. Alliance created; board created.

A. The "New Mexico health insurance alliance" is created as a nonprofit public corporation for the purpose of providing increased access to health insurance in the state. All insurance companies authorized to transact health insurance business in this state, nonprofit health care plans, health maintenance organizations and self-insurers not subject to federal preemption shall organize and be members of the alliance as a condition of their authority to offer health insurance in this state, except for an insurance company that is licensed under the Prepaid Dental Plan Law [59A-48-1 NMSA 1978] or a company that is solely engaged in the sale of dental insurance and is licensed under a provision of the Insurance Code [59A-1-1 NMSA 1978].

B. The alliance shall be governed by a board of directors constituted pursuant to the provisions of this section. The board is a governmental entity for purposes of the Tort Claims Act [41-4-1 NMSA 1978], but neither the board nor the alliance shall be considered a governmental entity for any other purpose.

C. Each member shall be entitled to one vote in person or by proxy at each meeting.

D. The alliance shall operate subject to the supervision and approval of the board. The board shall consist of:

   (1) five directors, elected by the members, who shall be officers or employees of members and shall consist of two representatives of health maintenance organizations and three representatives of other types of members;

   (2) five directors, appointed by the governor, who shall be officers, general partners or proprietors of small employers, one director of which shall represent nonprofit corporations;

   (3) four directors, appointed by the governor, who shall be employees of small employers; and

   (4) the superintendent or the superintendent's designee, who shall be a nonvoting member, except when the superintendent's vote is necessary to break a tie.

E. The superintendent shall serve as chairman of the board unless the superintendent declines, in which event the superintendent shall appoint the chairman.
F. The directors elected by the members shall be elected for initial terms of three years or less, staggered so that the term of at least one director expires on June 30 of each year. The directors appointed by the governor shall be appointed for initial terms of three years or less, staggered so that the term of at least one director expires on June 30 of each year. Following the initial terms, directors shall be elected or appointed for terms of three years. A director whose term has expired shall continue to serve until a successor is elected or appointed and qualified.

G. Whenever a vacancy on the board occurs, the electing or appointing authority of the position that is vacant shall fill the vacancy by electing or appointing an individual to serve the balance of the unexpired term; provided, when a vacancy occurs in one of the director's positions elected by the members, the superintendent is authorized to appoint a temporary replacement director until the next scheduled election of directors elected by the members is held. The individual elected or appointed to fill a vacancy shall meet the requirements for initial election or appointment to that position.

H. Directors may be reimbursed by the alliance as provided in the Per Diem and Mileage Act [10-8-1 NMSA 1978] for nonsalaried public officers, but shall receive no other compensation, perquisite or allowance from the alliance.


The 1997 amendment, effective April 11, 1997, in Subsection A, deleted "Independent" following "nonprofit" in the first sentence, deleted "The alliance shall not be considered a governmental agency for any purpose" and added the exception to the end of the last sentence; in Subsection B, rewrote the first sentence and substituted "neither the board nor the alliance shall" for "the board shall not" in the last sentence; substituted "March 4, 1994" for "the effective date of the Health Insurance Alliance Act" in Subsection C; rewrote Paragraphs D(2) and (3); in Subsection F, substituted the last sentence for the language "If the members fail to make the initial appointments within sixty days following the first organizational meeting, the superintendent shall make those appointments"; designated Subsections G and H; in Subsection G, in the first sentence, inserted "on the board" and "electing or", substituted "the position that is vacant" for "that director", and added the proviso at the end, and in the last sentence, inserted "elected or", "to fill a vacancy" and "election or"; in Subsection H inserted "for nonsalaried public officers" near the middle and "from the alliance" at the end; and made minor stylistic changes throughout the section.

The 2005 amendment, effective July 1, 2005, provides that the governor shall appoint one director of the health insurance alliance to represent nonprofit corporations and increases the number of directors who are elected by members and who represent members other than health maintenance organizations from two to three members.


59A-56-5. Plan of operation.

A. The board shall submit a plan of operation to the superintendent and any amendments to
the plan necessary or suitable to assure the fair, reasonable and equitable administration of the alliance.

B. The superintendent shall, after notice and hearing, approve the plan of operation if it is determined to assure the fair, reasonable and equitable administration of the alliance. The plan of operation shall become effective upon written approval of the superintendent consistent with the date on which health insurance coverage through the alliance pursuant to the provisions of the Health Insurance Alliance Act [this article] is made available. A plan of operation adopted by the superintendent shall continue in force until modified by him or superseded by a subsequent plan of operation submitted by the board and approved by the superintendent.

C. The plan of operation shall:

(1) establish procedures for the handling and accounting of assets of the alliance;

(2) establish regular times and places for meetings of the board;

(3) establish procedures for records to be kept of all financial transactions and for annual fiscal reporting to the superintendent;

(4) establish the amount of and the method for collecting assessments pursuant to Section 59A-56-11 NMSA 1978;

(5) establish a program to publicize the existence of the alliance, the approved health plans, the eligibility requirements and procedures for enrollment in an approved health plan and to maintain public awareness of the alliance;

(6) establish penalties for nonpayment of assessments by members;

(7) establish procedures for alternative dispute resolution of disputes between members and insureds; and

(8) contain additional provisions necessary and proper for the execution of the powers and duties of the alliance.


The 1997 amendment, effective April 11, 1997, in Subsection B, deleted the former third sentence relating to the superintendent promulgating a plan of operation, substituted “Section 59A-56-11 NMSA 1978” for “Section 11 of the Health Insurance Alliance Act” in Paragraph C(4), and made minor stylistic changes in Paragraph C(6).


59A-56-6. Board; powers and duties.

A. The board shall have the general powers and authority granted to insurance companies licensed to transact health insurance business under the laws of this state.

B. The board:
may enter into contracts to carry out the provisions of the Health Insurance Alliance Act [Chapter 59A, Article 56 NMSA 1978], including, with the approval of the superintendent, contracting with similar alliances of other states for the joint performance of common administrative functions or with persons or other organizations for the performance of administrative functions;

(2) may sue and be sued;

(3) may conduct periodic audits of the members to assure the general accuracy of the financial data submitted to the alliance;

(4) shall establish maximum rate schedules, allowable rate adjustments, administrative allowances, reinsurance premiums and agent referral, servicing fees or commissions subject to applicable provisions in the Insurance Code. In determining the initial year's rate for health insurance, the only rating factors that may be used are age, gender, geographic area of the place of employment and smoking practices. In any year's rate, the difference in rates in any one age group that may be charged on the basis of a person's gender shall not exceed another person's rates in the age group by more than twenty percent of the lower rate, and no person's rate shall exceed the rate of any other person with similar family composition by more than two hundred fifty percent of the lower rate, except that the rates for children under the age of nineteen may be lower than the bottom rates in the two hundred fifty percent band. The rating factor restrictions shall not prohibit a member from offering rates that differ depending upon family composition;

(5) may direct a member to issue policies or certificates of coverage of health insurance in accordance with the requirements of the Health Insurance Alliance Act;

(6) shall establish procedures for alternative dispute resolution of disputes between members and insureds;

(7) shall cause the alliance to have an annual audit of its operations by an independent certified public accountant;

(8) shall conduct all board meetings as if it were subject to the provisions of the Open Meetings Act [Chapter 10, Article 15 NMSA 1978];

(9) shall draft one or more sample health insurance policies that are the prototype documents for the members;

(10) shall determine the design criteria to be met for an approved health plan;

(11) shall review each proposed approved health plan to determine if it meets the alliance designed criteria and, if it does meet the criteria, approve the plan; provided that the board shall not permit more than one approved health plan per member for each set of plan design criteria;

(12) shall review annually each approved health plan to determine if it still qualifies as an approved health plan based on the alliance designed criteria and, if the plan is no longer approved, arrange for the transfer of the insureds covered under the formerly approved plan to an
approved health plan;

(13) may terminate an approved health plan not operating as required by the board;

(14) shall terminate an approved health plan if timely claim payments are not made pursuant to the plan; and

(15) shall engage in significant marketing activities, including a program of media advertising, to inform small employers and eligible individuals of the existence of the alliance, its purpose and the health insurance available or potentially available through the alliance.

C. The alliance is subject to and responsible for examination by the superintendent. No later than March 1 of each year, the board shall submit to the superintendent an audited financial report for the preceding calendar year in a form approved by the superintendent.


The 1997 amendment, effective April 11, 1997, in Paragraph B(4), inserted "and" following "premiums", substituted "or commissions subject to applicable provisions" for "and any other actuarial functions appropriate to the operation of the alliance, but within the limits established", deleted "an agency" preceding "subject" in Paragraph B(8), inserted health insurance in Paragraph B(9), inserted "covered under the formerly approved plan" near the end of Paragraph B(12), inserted "pursuant to the plan" in Paragraph B(14), and inserted "and eligible individuals" in Paragraph B(15).


All policy forms of approved health plans shall conform in substance to prototype forms developed by the alliance and shall be filed with and approved by the superintendent before they are issued.


A. An approved health plan shall conform to the alliance's approved health plan design criteria. The board may allow more than one plan design for approved health plans. A member may provide one approved health plan for each plan design approved by the board.

B. The board shall designate plan designs for approved health plans. The board may designate plan designs for an approved health plan that provides catastrophic coverage or other
benefit plan designs.

C. Each approved health plan shall offer a premium that is no greater than the average of the standard rate index for plans with the same characteristics.

D. Any member that provides or offers to renew a group health insurance contract providing health insurance benefits to employees of the state, a county, a municipality or a school district for which public funds are contributed shall offer at least one approved health plan to small employers and eligible individuals; provided, however, if a member does not offer anywhere in the United States a plan that meets substantially the design criteria of an approved health plan, the member shall not be required to offer an approved health plan.

E. If a plan design approved by the board is not offered by any member already offering an approved health plan, but a member offers a substantially similar plan design outside the alliance, the board may require the member to offer that plan design as an approved health plan through the alliance.

F. A member required to offer, and offering, an approved health plan pursuant to the requirement of Subsection D of this section shall continue to offer that plan for five consecutive years after the date the member was last required to offer the plan. A member offering an approved health plan but not required to offer it pursuant to the cited subsection may withdraw the plan but shall continue to offer it for five consecutive years after the date notice of future withdrawal is given to the board unless:

1. the member substitutes another approved health plan for the plan withdrawn; or
2. the board allows the plan to be withdrawn because it imposes a serious hardship upon the member.

G. No member shall be required to offer an approved health plan if the member notifies the superintendent in writing that it will no longer offer health insurance, life insurance or annuities in the state, except for renewal of existing contracts, provided that:

1. the member does not offer or provide health insurance, life insurance or annuities for a period of five years from the date of notification to the superintendent to any person in the state who is not covered by the member through a health insurance policy in effect on the date of the notification; and
2. with respect to health or life insurance policies or annuities in effect on the date of notification to the superintendent, the member continues to comply with all applicable laws and regulations governing the provision of insurance in this state, including the payment of applicable taxes, fees and assessments.


The 1997 amendment, effective April 11, 1997, added Subsections B, D, and F through H and redesignated the existing subsections accordingly, and rewrote Subsection E.

The 2005 amendment, effective July 1, 2005, eliminates the special limitations on the premium for health plans for eligible individuals and limits the premium for health plans to an amount not greater that
the average of the standard rate index for similar plans.


A. A member offering an approved health plan shall be reinsured for certain losses by the alliance. Within six months following the end of each calendar year in which the member offering the approved health plan paid more in incurred claims, plus the member's reinsurance premium pursuant to Subsection B of this section, than seventy-five percent of earned premiums received by the member on all approved health plans issued by the member, the member shall receive from the alliance the excess amount for the calendar year by which the incurred claims and reinsurance premium exceeded seventy-five percent of the earned premiums received by the alliance or its administrator.

B. The alliance shall withhold from all premiums that it receives a reinsurance premium as established by the board:

(1) for insured small employer groups, the reinsurance premium shall not exceed five percent of premiums paid by insured groups in the first year of coverage and shall not exceed ten percent of premiums for renewal years; and

(2) for eligible individuals, the reinsurance premium shall not exceed ten percent of premiums paid by individuals in the first year of coverage or continuation coverage and shall not exceed fifteen percent of premiums paid by individuals for renewal years. In determining the reinsurance premium for a particular calendar year, the board shall set the reinsurance premium at a rate that will recover the total reinsurance loss for the preceding year over a reasonable number of years in accordance with sound actuarial principles.


The 1997 amendment, effective April 11, 1997, rewrote Subsection A, designated the paragraphs in Subsection B, in Paragraph B(1) inserted "for insured small employer groups" at the beginning, inserted the first clause in Paragraph B(2), and made minor stylistic changes.

The 2001 amendment, effective July 1, 2001, substituted "seventy-five" for "eighty-five" twice in Subsection A.


59A-56-10. Administration.

The alliance shall deduct from premiums collected for approved health plans an administrative charge as set by the board. The administrative charge shall be determined before
the beginning of each calendar year:

A. for insured small employer groups, the maximum administrative charge the alliance may charge is ten percent of premiums in the first year and five percent of premiums in renewal years; and

B. for eligible individuals, the maximum administrative charge the alliance may charge in any year is ten percent of premiums.

History: Laws 1994, ch. 75, § 10; 1997, ch. 243, § 42.

The 1997 amendment, effective April 11, 1997, designated Subsection A, inserted “for insured small employer groups,” at the beginning, deleted "gross" preceding "premiums" twice, deleted "from a small employer" following "ten percent of premiums", and added Subsection B.


A. After the completion of each calendar year, the alliance shall assess all its members for the net reinsurance loss in the previous calendar year and for the net administrative loss that occurred in the previous calendar year, taking into account investment income for the period and other appropriate gains and losses using the following definitions:

1. Net reinsurance losses shall be the amount determined for the previous calendar year in accordance with Subsection A of Section 59A-56-9 NMSA 1978 for all members offering an approved health plan reduced by reinsurance premiums charged by the alliance in the previous calendar year. Net reinsurance losses shall be calculated separately for group and individual coverage. If the reinsurance premiums for either category of coverage exceed the amount calculated in accordance with Subsection A of Section 59A-56-9 NMSA 1978, the premiums shall be applied first to offset the net reinsurance losses incurred in the other category of coverage and second to offset administrative losses; and

2. Net administrative losses shall be the administrative expenses incurred by the alliance in the previous calendar year and projected for the current calendar year less the sum of administrative allowances received by the alliance, but in the event of an administrative gain, net administrative losses for the purpose of assessments shall be considered zero and the gain shall be carried forward to the administrative fund for the next calendar year as an additional allowance.

B. The assessment for each member shall be determined by multiplying the total losses of the alliance’s operation, as defined in Subsection A of this section, by a fraction, the numerator of which is an amount equal to that member's total premiums, or the equivalent, exclusive of premiums received by the member for an approved health plan for health insurance written in the state during the preceding calendar year and the denominator of which equals the total premiums
of all health insurance written in the state during the preceding calendar year exclusive of premiums for approved health plans; provided that total premiums shall not include payments by the secretary of human services pursuant to a contract issued under Section 1876 of the federal Social Security Act, total premiums exempted by the federal Employee Retirement Income Security Act of 1974 or federal government programs.

C. If assessments exceed actual reinsurance losses and administrative losses of the alliance, the excess shall be held at interest by the board to offset future losses.

D. To enable the board to properly determine the net reinsurance amount and its responsibility for reinsurance to each member:

   (1) by April 15 of each year, each member offering an approved health plan shall submit a listing of all incurred claims for the previous year; and

   (2) by April 15 of each year, each member shall submit a report that includes the total earned premiums received during the prior year less the total earned premiums exempted by federal government programs.

E. The alliance shall notify each member of the amount of its assessment due by May 15 of each year. The assessment shall be paid by the member by June 15 of each year.

F. The proportion of participation of each member in the alliance shall be determined annually by the board, based on annual statements filed by each member and other reports deemed necessary by the board. Any deficit incurred by the alliance shall be recouped by assessments apportioned among the members pursuant to the formula provided in Subsection B of this section; provided that fifty percent of the assessment paid for any member shall be allowed as a credit on the following annual premium tax return for that member.

G. The board may defer, in whole or in part, the payment of an assessment of a member if, in the opinion of the board, after approval of the superintendent, payment of the assessment would endanger the ability of the member to fulfill its contractual obligations. In the event payment of an assessment against a member is deferred, the amount deferred may be assessed against the other members in a manner consistent with the basis for assessments set forth in Subsection A of this section. The member receiving the deferment shall pay the assessment in full plus interest at the prevailing rate as determined by regulation of the superintendent within four years from the date payment is deferred. After four years but within five years of the date of the deferment, the board may sue to recover the amount of the deferred payment plus interest and costs. Board actions to recover deferred payments brought after five years of the date of deferment are barred. Any amount received shall be deducted from future assessments or reimbursed pro rata to the members paying the deferred assessment.


The 1997 amendment, effective April 11, rewrote Paragraph A(1); in Paragraph A(2), inserted "and projected for the current calendar year", substituted "received" for "earned following "allowances", and deleted "and any legislative appropriation for the period" following "alliance"; in Subsection B, inserted "exclusive of premiums received by the member for an approved health plan" near the beginning,
"exclusive of premiums for approved health plans" near the middle, and "government" at the end; rewrote Paragraph D(1); in Paragraph D(2), deleted "amount of all" following "total", and substituted "the total earned premiums" for "any earned premiums"; in Subsection E, substituted "each member" for "members" in the first sentence; in Subsection F, inserted "future" and "of the premium tax due" in the proviso in the last sentence; rewrote Subsection G; and made stylistic changes throughout the section.

The 1999 amendment, effective June 18, 1999, in Subsection F, inserted "thirty percent of" preceding "the assessment paid", substituted "following annual premium" for "future premium" in the last sentence, and deleted "with the credit limited to fifty percent of the premium tax due the first year the assessment is imposed, forty percent the second year and thirty percent the third and all subsequent years" at the end of the subsection.

The 2001 amendment, effective July 1, 2001, substituted "fifty" for "thirty" in Subsection F.


Following the superintendent's approval or adoption of the plan of operations, the board may impose an initial assessment of five hundred dollars ($500) on each member. New members shall also be subject to the initial assessment. These funds shall not be considered as income to offset any administrative expenses in future assessments. Additional expenses to establish and to operate the alliance shall first be assessed following the first calendar year of operation of the alliance.

History: Laws 1994, ch. 75, § 12.


A. The board may select an alliance administrator through a competitive request for proposal process. The board shall evaluate proposals based on criteria established by the board that shall include:

(1) proven ability to administer health insurance programs;

(2) an estimate of total charges for administering the alliance for the proposed contract period; and
ability to administer the alliance in a cost-efficient manner.

B. The alliance administrator contract shall be for a period up to four years, subject to annual renegotiation of the fees and services, and shall provide for cancellation of the contract for cause, termination of the alliance by the legislature or the combining of the alliance with a governmental body.

C. At least one year prior to the expiration of an alliance administrator contract, the board may invite all interested parties, including the current administrator, to submit proposals to serve as alliance administrator for a succeeding contract period. Selection of the administrator for a succeeding contract period shall be made at least six months prior to the expiration of the current contract.

D. The alliance administrator shall:
   
   (1) take applications for an approved health plan from small employers or a referring agent;
   
   (2) establish a premium billing procedure for collection of premiums from insureds. Billings shall be made on a periodic basis, not less than monthly, as determined by the board;
   
   (3) pay the member that offers an approved health plan the net premium due after deduction of reinsurance and administrative allowances;
   
   (4) provide the member with any changes in the status of insureds;
   
   (5) perform all necessary functions to assure that each member is providing timely payment of benefits to individuals covered under an approved health plan, including:

   (a) making information available to insureds relating to the proper manner of submitting a claim for benefits to the member offering the approved health plan and distributing forms on which submissions shall be made; and

   (b) making information available on approved health plan benefits and rates to insureds;

   (6) submit regular reports to the board regarding the operation of the alliance, the frequency, content and form of which shall be determined by the board;

   (7) following the close of each fiscal year, determine premiums of members, the expense of administration and the paid and incurred health care service charges for the year and report this information to the board and the superintendent on a form prescribed by the superintendent; and

   (8) establish the premiums for reinsurance and the administrative charges, subject to approval of the board.

E. The board may require members issuing policies through the alliance to perform, subject to the oversight of the board, any or all of the administrative functions of the alliance related to enrollment, billing or other activity that members regularly perform in the normal course of business. Members shall be required to submit regular reports to the board of such activities, as
specified by the board. Members performing such functions shall not be entitled to receive any portion of the administrative assessment or any other payment from the alliance for performing such services.


The 1997 amendment, effective April 11, 1997, in Subsection A, inserted "competitive" in the first sentence, in Paragraph A(1), substituted "ability to administer" for "ability to handle accident and" and added "programs", and in Paragraph A(2), inserted "for the proposed contract period"; in the first sentence of Subsection C, substituted "of an alliance" for "of each four year period of service by the alliance", inserted "contract" following "administrator" near the beginning, substituted "contract period" for "four year period" at the end, and in the last sentence inserted "contract" preceding "period"; in Paragraph D(7), substituted "determine premiums of members" for "determine net written premiums" and "incurred health care service charges" for "incurred losses"; and made minor stylistic changes.

The 2001 amendment, effective July 1, 2001, added Subsection E.


**59A-56-14. Eligibility; guaranteed issue; plan provisions.**

A. A small employer is eligible for an approved health plan if on the effective date of coverage or renewal:

1. at least fifty percent of its employees not otherwise insured elect to be covered under the approved health plan;
2. the small employer has not terminated coverage with an approved health plan within three years of the date of application for coverage except to change to another approved health plan; and
3. the small employer does not offer other general group health insurance coverage to its employees. For the purposes of this paragraph, general group health insurance coverage excludes coverage that:
   a. is offered by a state or federal agency to a small employer's employee whose eligibility for alternative coverage is based on the employee's income; or
   b. provides only a specific limited form of health insurance such as accident or disability income insurance coverage or a specific health care service such as dental care.

B. An individual is eligible for an approved health plan if on the effective date of coverage or renewal the individual meets the definition of an eligible individual under Section 59A-56-3 NMSA 1978.

C. An approved health plan shall provide in substance that attainment of the limiting age by an unmarried dependent individual does not operate to terminate coverage when the individual continues to be incapable of self-sustaining employment by reason of developmental disability or
physical handicap and the individual is primarily dependent for support and maintenance upon the employee. Proof of incapacity and dependency shall be furnished to the alliance and the member that offered the approved health plan within one hundred twenty days of attainment of the limiting age. The board may require subsequent proof annually after a two-year period following attainment of the limiting age.

D. An approved health plan shall provide that the health insurance benefits applicable for eligible dependents are payable with respect to a newly born child of the family member or the individual in whose name the contract is issued from the moment of birth, including the necessary care and treatment of medically diagnosed congenital defects and birth abnormalities. If payment of a specific premium is required to provide coverage for the child, the contract may require that notification of the birth of a child and payment of the required premium shall be furnished to the member within thirty-one days after the date of birth in order to have the coverage from birth. An approved health plan shall provide that the health insurance benefits applicable for eligible dependents are payable for an adopted child in accordance with the provisions of Section 59A-22-34.1 NMSA 1978.

E. Except as provided in Subsections G, H and I of this section, an approved health plan offered to a small employer may contain a preexisting condition exclusion only if:

1. the exclusion relates to a condition, physical or mental, regardless of the cause of the condition, for which medical advice, diagnosis, care or treatment was recommended or received within the six-month period ending on the enrollment date;

2. the exclusion extends for a period of not more than six months after the enrollment date; and

3. the period of the exclusion is reduced by the aggregate of the periods of creditable coverage applicable to the participant or beneficiary as of the enrollment date.

F. As used in this section, "preexisting condition exclusion" means a limitation or exclusion of benefits relating to a condition based on the fact that the condition was present before the date of enrollment for coverage for the benefits whether or not any medical advice, diagnosis, care or treatment was recommended or received before that date, but genetic information is not included as a preexisting condition for the purposes of limiting or excluding benefits in the absence of a diagnosis of the condition related to the genetic information.

G. An insurer shall not impose a preexisting condition exclusion:

1. in the case of an individual who, as of the last day of the thirty-day period beginning with the date of birth, is covered under creditable coverage;

2. that excludes a child who is adopted or placed for adoption before the child's eighteenth birthday and who, as of the last day of the thirty-day period beginning on and following the date of the adoption or placement for adoption, is covered under creditable coverage; or

3. that relates to or includes pregnancy as a preexisting condition.
H. The provisions of Paragraphs (1) and (2) of Subsection G of this section do not apply to any individual after the end of the first continuous sixty-three-day period during which the individual was not covered under any creditable coverage.

I. The preexisting condition exclusions described in Subsection E of this section shall be waived to the extent to which similar exclusions have been satisfied under any prior health insurance coverage if the effective date of coverage for health insurance through the alliance is made not later than sixty-three days following the termination of the prior coverage. In that case, coverage through the alliance shall be effective from the date on which the prior coverage was terminated. This subsection does not prohibit preexisting conditions coverage in an approved health plan that is more favorable to the covered individual than that specified in this subsection.

J. An approved health plan issued to an eligible individual shall not contain any preexisting condition exclusion.

K. An individual is not eligible for coverage by the alliance under an approved health plan issued to a small employer if the individual:

   (1) is eligible for medicare; provided, however, if an individual has health insurance coverage from an employer whose group includes twenty or more individuals, an individual eligible for medicare who continues to be employed may choose to be covered through an approved health plan;

   (2) has voluntarily terminated health insurance issued through the alliance within the past twelve months unless it was due to a change in employment; or

   (3) is an inmate of a public institution.

L. The alliance shall provide for an open enrollment period of sixty days from the initial offering of an approved health plan. Individuals enrolled during the open enrollment period shall not be subject to the preexisting conditions limitation.

M. If an insured covered by an approved health plan switches to another approved health plan that provides increased or additional benefits such as lower deductible or co-payment requirements, the member offering the approved health plan with increased or additional benefits may require the six-month period for preexisting conditions provided in Subsection E of this section to be satisfied prior to receipt of the additional benefits.


**The 1997 amendment,** effective April 11, 1997, added Paragraph A(3), Subsection B, Subsections F through H, Subsection J, and Subsection M, and redesignated the existing subsections accordingly, inserted "for coverage" in Paragraph A(2), rewrote the first sentence in Subsection C, rewrote Subsection E, in Subsection I, substituted "effective date of coverage" for "application" and "sixty-three" for "thirty-one" in the first sentence, and "the covered individual" for "the insured" near the end of the last sentence, substituted "alliance under an approved health plan issued to a small employer if he" for "alliance if" at the end of Subsection K, rewrote Paragraph K(1), deleted "he" at the beginning of Paragraph K(2), and rewrote Paragraph K(3).

**The 2006 amendment,** effective May 17, 2006, adds Subparagraph (a) of Paragraph (3) of

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Subsection A to expand the health insurance alliance coverage to employers whose employees participate in publicly offered programs based on employee’s income.


A. By January 1, 1995, members shall provide notice and applications for coverage through the alliance to a small employer that receives:

(1) a rejection of coverage for health insurance;

(2) a notice that the rate for health insurance similar to coverage through the alliance will exceed the maximum rate of health insurance through the alliance; or

(3) a notice of reduction or limitation of coverage, including a restrictive rider, from a provider of health insurance, if the effect of the reduction or limitation is to substantially reduce coverage compared to the coverage available to a small group considered a standard risk for the type of coverage provided by an approved health plan.

B. The notice shall state that the small employer is eligible but is not required to apply for health insurance provided through the alliance. Application for the health insurance shall be on forms prescribed by the board and made available to all members.

History: Laws 1994, ch. 75, § 15.


A. New employees and their dependents may enroll in their small employer's approved health plan within thirty-one days of completion of their employer's eligibility period. If application for enrollment is not made during this period, the employee and dependents may be required to submit evidence of insurability.

B. Insureds shall notify the alliance at least thirty-one days prior to their anniversary date of the approved health plan of their intent to switch coverage to another approved health plan.

History: Laws 1994, ch. 75, § 16.


A. An approved health plan shall pay for medically necessary eligible expenses that exceed the deductible, co-payment and co-insurance amounts applicable under the provisions of Section 59A-56-18 NMSA 1978 and are not otherwise limited or excluded. The Health Insurance Alliance Act does not prohibit the board from approving additional types of health plan designs with similar cost-benefit structures or other types of health plan designs. An approved health plan for small employers shall, at a minimum, reflect the levels of health insurance coverage generally available in New Mexico for small employer group policies, but an approved health plan for small employers may also offer health plan designs that are not generally available in New Mexico for small employer group policies.

B. The board may design and require an approved health plan to contain cost-containment measures and requirements, including managed care, pre-admission certification and concurrent inpatient review and the use of fee schedules for health care providers, including the diagnosis-related grouping system and the resource-based relative value system.


The 1997 amendment, effective April 11, 1997, in Subsection A, in the first sentence, deleted "issued through the alliance" following "health plan", "or provide" preceding "medically" and substituted "Section 59A-56-18 NMSA 1978" for "Section 18 of the Health Insurance Alliance Act", added "or other types of health plan designs" at the end of the second sentence, and rewrote the last sentence, and in Subsection B, added the language beginning with "and the use of" and ending "relative value system", at the end.


A. Subject to the limitations provided in Subsection C of this section, an approved health plan offered through the alliance may impose a deductible on a per-person calendar year basis. An approved health plan offered by a health maintenance organization shall provide equivalent cost-benefit structures. The board may authorize deductibles in other amounts and equivalent cost-benefit structures.

B. Subject to the limitations provided in Subsection C of this section, a mandatory co-insurance requirement for an approved health plan may be imposed as a percentage of eligible expenses in excess of a deductible. Health maintenance organizations shall impose equivalent cost-benefit structures.

C. The maximum aggregate out-of-pocket payments for eligible expenses by the covered individual shall be determined by the board.


The 1997 amendment, effective April 11, 1997, rewrote Subsection A, substituted "requirement for
an approved health plan may be imposed as a percentage" for "requirement be imposed" and "a deductible" for "the mandatory deductible" in the first sentence of Subsection B, and deleted "or health care services" following "eligible expenses" in Subsection C.


59A-56-19. Dependent family member required coverage; small employer responsibility.

A. A small employer shall collect or make a payroll deduction from the compensation of an employee for the portion of the approved health plan cost the employee is responsible for paying. The small employer may contribute to the cost of that plan on behalf of the employee.

B. A small employer shall make available to dependent family members of an employee covered by an approved health plan the same approved health plan. The small employer may contribute to the cost of group coverage.

C. All premiums collected, deducted from the compensation of employees or paid on their behalf by the small employer shall be promptly remitted to the alliance.


The 1997 amendment, effective April 11, 1997, substituted "shall" for "may" near the beginning of Subsection A, and deleted "family" following "group" at the end of the last sentence of Subsection B.


A. An approved health plan shall contain provisions under which the member offering the plan is obligated to renew the health insurance if premiums are paid until the day the plan is replaced by another plan or the small employer terminates coverage.

B. An approved health plan issued to an eligible individual shall contain provisions under which the member offering the plan is obligated to renew the health insurance except for:

(1) nonpayment of premium;

(2) fraud; or

(3) termination of the approved health plan, except that the individual has the right to transfer to another approved health plan.

C. If an approved health plan ceases to exist, the alliance shall provide an alternate approved health plan.

D. An approved health plan shall provide covered individuals the right to continue health insurance coverage through an approved health plan as individual health insurance provided by
the same member upon the death of the employee or upon the divorce, annulment or dissolution of marriage or legal separation of the spouse from the employee or by termination of employment by electing to do so within a period of time specified in the health insurance if the employee was covered under an approved health plan while employed for at least six consecutive months. The individual may be charged an additional administrative charge for the individual health insurance.

E. The right to continue health insurance coverage provided in this section terminates if the covered individual resides outside the United States for more than six consecutive months.


The 1997 amendment, effective April 11, 1997, added Subsections B and E and redesignated the existing subsections accordingly, in the last sentence of Subsection A, deleted "first" following "he", inserted "as the primary" following the first occurrence of "medicare" and substituted "coverage under an approved health plan shall continue for any person in the family who is not eligible for medicare" for "the age of the younger family member shall be used to continue the coverage and as the basis for eligibility" at the end, and in the first sentence of Subsection D, inserted "an approved health plan as" near the beginning and "if the employee was covered under an approved health plan while employed for at least six consecutive months" at the end of that sentence.

The 1998 amendment, effective March 6, 1998, deleted the second sentence, relating to an individual covered by health insurance under an approved health plan, in Subsection A.


The superintendent shall:

A. adopt regulations that provide for disclosure by members of the availability of health insurance from the alliance; and

B. adopt regulations to carry out the provisions of the Health Insurance Alliance Act [Chapter 59A, Article 56 NMSA 1978].


The 1997 amendment, effective April 11, 1997, substituted "regulations" for "rules" in the section heading and in both Subsections A and B.


Neither the participation by insurers in the alliance, the establishment of rates, forms or
procedures for coverages issued by the alliance nor any other joint or collective action required by the provisions of the Health Insurance Alliance Act [Chapter 59A, Article 56 NMSA 1978] shall be the basis of any legal action, civil or criminal liability or penalty against the members either jointly or separately.

**History:** Laws 1994, ch. 75, § 22.


### 59A-56-23. Rates; standard risk rate; experience rating prohibited.

A. The alliance shall determine a standard risk rate index by actuarially calculating the average index rates that the insurer has filed under the requirements of the Small Group Rate and Renewability Act [59A-23C-1 NMSA 1978] with the benefits similar to the alliance's standard approved health plan. A standard risk rate based on age and other appropriate demographic characteristics may be used. In determining the standard risk rate, the alliance shall consider the benefits provided by the approved health plan.

B. Experience rating is not allowed other than for reinsurance purposes.

C. All rates and rate schedules shall be submitted to the superintendent for approval prior to use.

**History:** Laws 1994, ch. 75, § 23; 1997, ch. 243, § 51; 2005, ch. 21, § 3.

**The 1997 amendment,** effective April 11, 1997, purported to amend this section but made no change.

**The 2005 amendment,** effective July 1, 2005, eliminates the limitation on the standard risk rate.


A. An approved health plan shall be the last payer of benefits whenever any other benefit is available. Benefits otherwise payable under the approved health plan shall be reduced by all amounts paid or payable through any other health insurance and by all hospital and medical expense benefits paid or payable under any workers' compensation coverage, automobile medical payment or liability insurance, whether provided on the basis of fault or no-fault, and by any hospital or medical benefits paid or payable under or provided pursuant to any state or federal program, excluding medicaid.

B. The administrator or the alliance shall have a cause of action against any person covered by an approved health plan for the recovery of the amount of benefits paid that are not for
eligible expenses. Benefits due from the approved health plan may be reduced or refused as a set-off against any amount recoverable under this section.

**History:** Laws 1994, ch. 75, § 24; 1997, ch. 243, § 52.

**The 1997 amendment,** effective April 11, 1997, deleted "law" following "federal" at the end of Subsection A, and substituted "eligible" for "covered" at the end of the first sentence in Subsection B.


**59A-56-25. Expanded service development.**

The insurance division of the commission, in cooperation with the alliance, shall develop a plan to provide health insurance coverage for uninsured children, individuals and other employers, including outreach and technical assistance activities conducted by the alliance to increase employer, employee and public awareness of available health insurance coverage options and to assist employers in securing or retaining health insurance coverage for employees and their dependents.

**History:** Laws 1994, ch. 75, § 25; 2005, ch. 21, § 4.

**The 2005 amendment,** effective July 1, 2005, requires the insurance division of the public regulation commission to develop a plan that includes outreach and technical assistance to increase awareness of insurance coverage options and to assist employers secure insurance coverage for their employees.


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**ARTICLE 57**

**Patient Protection**

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Chapter 59A, Article 57 NMSA 1978 may be cited as the "Patient Protection Act".


The 2003 amendment, effective June 20, 2003, substituted "Chapter 59A, Article 57 NMSA 1978" for "Sections 1 through 11 of this act".


The purpose of the Patient Protection Act [Chapter 59A, Article 57 NMSA 1978] is to regulate aspects of health insurance by specifying patient and provider rights and confirming and clarifying the authority of the department to adopt regulations to provide protections to persons enrolled in managed health care plans. The insurance protections should ensure that managed health care plans treat patients fairly and arrange for the delivery of good quality services.


As used in the Patient Protection Act [Chapter 59A, Article 57NMSA 1978]:

A. "continuous quality improvement" means an ongoing and systematic effort to measure, evaluate and improve a managed health care plan's process in order to improve continually the quality of health care services provided to enrollees;

B. "covered person", "enrollee", "patient" or "consumer" means an individual who is entitled to receive health care benefits provided by a managed health care plan;

C. "department" means the insurance department;

D. "emergency care" means health care procedures, treatments or services delivered to a covered person after the sudden onset of what reasonably appears to be a medical condition that manifests itself by symptoms of sufficient severity, including severe pain, that the absence of immediate medical attention could be reasonably expected by a reasonable layperson to result in jeopardy to a person's health, serious impairment of bodily functions, serious dysfunction of a bodily organ or part or disfigurement to a person;

E. "health care facility" means an institution providing health care services,
including a hospital or other licensed inpatient center; an ambulatory surgical or treatment center; a skilled nursing center; a residential treatment center; a home health agency; a diagnostic, laboratory or imaging center; and a rehabilitation or other therapeutic health setting;

F. "health care insurer" means a person that has a valid certificate of authority in good standing under the Insurance Code to act as an insurer, health maintenance organization, nonprofit health care plan or prepaid dental plan;

G. "health care professional" means a physician or other health care practitioner, including a pharmacist, who is licensed, certified or otherwise authorized by the state to provide health care services consistent with state law;

H. "health care provider" or "provider" means a person that is licensed or otherwise authorized by the state to furnish health care services and includes health care professionals and health care facilities;

I. "health care services" includes, to the extent offered by the plan, physical health or community-based mental health or developmental disability services, including services for developmental delay;

J. "managed health care plan" or "plan" means a health care insurer or a provider service network when offering a benefit that either requires a covered person to use, or creates incentives, including financial incentives, for a covered person to use health care providers managed, owned, under contract with or employed by the health care insurer or provider service network. "Managed health care plan" or "plan" does not include a health care insurer or provider service network offering a traditional fee-for-service indemnity benefit or a benefit that covers only short-term travel, accident-only, limited benefit, student health plan or specified disease policies;

K. "person" means an individual or other legal entity;

L. "point-of-service plan" or "open plan" means a managed health care plan that allows enrollees to use health care providers other than providers under direct contract with or employed by the plan, even if the plan provides incentives, including financial incentives, for covered persons to use the plan's designated participating providers;

M. "provider service network" means two or more health care providers affiliated for the purpose of providing health care services to covered persons on a capitated or similar prepaid flat-rate basis that hold a certificate of authority pursuant to the Provider Service Network Act [59A-42A-1 to 59A-42A-9 NMSA 1978];

N. "superintendent" means the superintendent of insurance; and

O. "utilization review" means a system for reviewing the appropriate and efficient allocation of health care services given or proposed to be given to a patient or group of patients.

History: Laws 1998, ch. 107, § 3.

59A-57-4. Patient rights; disclosures; rights to basic and comprehensive health care services; grievance procedure; utilization review program; continuous quality program.

A. Each covered person enrolled in a managed health care plan has the right to be treated fairly. A managed health care plan shall arrange for the delivery of good quality and appropriate health care services to enrollees as defined in the particular subscriber agreement. The department shall adopt regulations to implement the provisions of the Patient Protection Act [Chapter 59A, Article 57 NMSA 1978] and shall monitor and oversee a managed health care plan to ensure that each covered person enrolled in a plan is treated fairly and in accordance with the requirements of the Patient Protection Act. In adopting regulations to implement the provisions of Subparagraphs (a) and (b) of Paragraph (3) and Paragraphs (5) and (6) of Subsection B of this section regarding health care standards and specialists, utilization review programs and continuous quality improvement programs, the department shall cooperate with and seek advice from the department of health.

B. The regulations adopted by the department to protect patient rights shall provide at a minimum that:

1. prior to or at the time of enrollment, a managed health care plan shall provide a summary of benefits and exclusions, premium information and a provider listing; within a reasonable time after enrollment and at subsequent periodic times as appropriate, a managed health care plan shall provide written material that contains, in a clear, conspicuous and readily understandable form, a full and fair disclosure of the plan's benefits, limitations, exclusions, conditions of eligibility, prior authorization requirements, enrollee financial responsibility for payments, grievance procedures, appeal rights and the patients' rights generally available to all covered persons;

2. a managed health care plan shall provide health care services that are reasonably accessible and available in a timely manner to each covered person;

3. in providing reasonably accessible health care services that are available in a timely manner, a managed health care plan shall ensure that:
   a) the plan offers sufficient numbers and types of qualified and adequately staffed health care providers at reasonable hours of service to provide health care services to the plan's enrollees;
   b) health care providers that are specialists may act as primary care providers for patients with chronic medical conditions, provided the specialists offer all basic health care services that are required of them by a managed health care plan;
   c) reasonable access is provided to out-of-network health care providers if medically necessary covered services are not reasonably available through participating health care providers or if necessary to provide continuity of care during brief transition periods;
   d) emergency care is immediately available without prior authorization
requirements, and appropriate out-of-network emergency care is not subject to additional costs; and

(e) the plan, through provider selection, provider education, the provision of additional resources or other means, reasonably addresses the cultural and linguistic diversity of its enrollee population;

(4) a managed health care plan shall adopt and implement a prompt and fair grievance procedure for resolving patient complaints and addressing patient questions and concerns regarding any aspect of the plan, including the quality of and access to health care, the choice of health care provider or treatment and the adequacy of the plan's provider network. The grievance procedure shall notify patients of their right to obtain review by the plan, their right to obtain review by the superintendent, their right to expedited review of emergent utilization decisions and their rights under the Patient Protection Act [Chapter 59A, Article 57 NMSa 1978];

(5) a managed health care plan shall adopt and implement a comprehensive utilization review program. The basis of a decision to deny care shall be disclosed to an affected enrollee. The decision to approve or deny care to an enrollee shall be made in a timely manner, and the final decision shall be made by a qualified health care professional. A plan's utilization review program shall ensure that enrollees have proper access to health care services, including referrals to necessary specialists. A decision made in a plan's utilization review program shall be subject to the plan's grievance procedure and appeal to the superintendent; and

(6) a managed health care plan shall adopt and implement a continuous quality improvement program that monitors the quality and appropriateness of the health care services provided by the plan.


59A-57-4.1. External grievance appeals; appointment; compensation.

A. The superintendent may appoint one or more qualified individuals to review external grievance appeals.

B. The superintendent shall fix the reasonable compensation of each appointee based upon, but not limited to, compensation amounts suggested by national or state legal or medical professional societies, organizations or associations.

C. Upon completion of the external grievance appeal review, the superintendent shall prepare a detailed statement of compensation due each appointee and shall present the statement to the enrollee's health insurer.

D. The enrollee's health insurer shall pay the compensation directly to each appointee who participated in the external grievance appeal review.

E. The superintendent shall promulgate rules to implement this section.

History: Laws 2003, ch. 327, § 2.
Effective dates. — Laws 2003, ch. 327 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective June 20, 2003, 90 days after adjournment of the legislature.

59A-57-5. Consumer assistance; consumer advisory boards; ombudsman office; reports to consumers; superintendent's orders to protect consumers.

A. Each managed health care plan shall establish and adequately staff a consumer assistance office. The purpose of the consumer assistance office is to respond to consumer questions and concerns and assist patients in exercising their rights and protecting their interests as consumers of health care.

B. Each managed health care plan shall establish a consumer advisory board. The board shall meet at least quarterly and shall advise the plan about the plan's general operations from the perspective of the enrollee as a consumer of health care. The board shall also review the operations of and be advisory to the plan's consumer assistance office.

C. [Vetoed by governor March 10, 1998.]

D. The department shall prepare an annual report assessing the operations of managed health care plans subject to the department's oversight, including information about consumer complaints.

E. A person adversely affected may file a complaint with the superintendent regarding a violation of the Patient Protection Act [Chapter 59A, Article 57 NMSA 1978]. Prior to issuing any remedial order regarding violations of the Patient Protection Act or its regulations, the superintendent shall hold a hearing in accordance with the provisions of Chapter 59A, Article 4 NMSA 1978. The superintendent may issue any order he deems necessary or appropriate, including ordering the delivery of appropriate care, to protect consumers and enforce the provisions of the Patient Protection Act. The superintendent shall adopt special procedures to govern the submission of emergency appeals to him in health emergencies.


Compiler's notes. — As vetoed by the governor on March 10, 1998, Subsection C read: "[The department shall establish and adequately staff a managed care ombudsman office, either within the department or by contract. The purpose of the managed care ombudsman office shall be to assist patients in exercising their rights and help advocate for and protect patient interests. The department's managed care ombudsman office shall work in conjunction with each plan's consumer assistance office and shall independently evaluate the effectiveness of the plan's consumer assistance office. The department's managed care ombudsman office may require a plan's consumer assistance office to adopt measures to ensure that the plan operates effectively to protect patient rights and inform consumers of the information to which they are entitled.]"

59A-57-6. Fairness to health care providers; gag rules prohibited; grievance procedure for providers.
A. No managed health care plan may:
   (1) adopt a gag rule or practice that prohibits a health care provider from discussing a treatment option with an enrollee even if the plan does not approve of the option;
   (2) include in any of its contracts with health care providers any provisions that offer an inducement, financial or otherwise, to provide less than medically necessary services to an enrollee; or
   (3) require a health care provider to violate any recognized fiduciary duty of his profession or place his license in jeopardy.

B. A plan that proposes to terminate a health care provider from the managed health care plan shall explain in writing the rationale for its proposed termination and deliver reasonable advance written notice to the provider prior to the proposed effective date of the termination.

C. A managed health care plan shall adopt and implement a process pursuant to which providers may raise with the plan concerns that they may have regarding operation of the plan, including concerns regarding quality of and access to health care services, the choice of health care providers and the adequacy of the plan's provider network. The process shall include, at a minimum, the right of the provider to present the provider's concerns to a plan committee responsible for the substantive area addressed by the concern, and the assurance that the concern will be conveyed to the plan's governing body. In addition, a managed health care plan shall adopt and implement a fair hearing plan that permits a health care provider to dispute the existence of adequate cause to terminate the provider's participation with the plan to the extent that the relationship is terminated for cause and shall include in each provider contract a dispute resolution mechanism.


A. Except as otherwise provided in this section, the department may require a plan that offers a point-of-service plan or open plan to include in any managed health care plan it offers an option for a point-of-service plan or open plan to the extent that the department determines that the open plan option is financially sound.

B. No health care insurer may be required to offer a point-of-service plan or open plan as an option under a medicaid-funded managed health care plan unless the human services department has established such a requirement as part of a procurement for managed health care under the medicaid program.


59A-57-8. Administrative costs and benefit costs disclosures.

The department shall adopt regulations to ensure that both the administrative costs and the
direct costs of providing health care services of each managed health care plan are fully and fairly disclosed to consumers in a uniform manner that allows meaningful cost comparisons among plans.


59A-57-9. Private remedies to enforce patient and provider insurance rights; enrollee as third-party beneficiary to enforce rights.

A. A person who suffers a loss as a result of a violation of a right protected pursuant to the provisions of the Patient Protection Act [Chapter 59A, Article 57 NMSA 1978], its regulations or a managed health care plan may bring an action to recover actual damages or the sum of one hundred dollars ($100), whichever is greater.

B. A person likely to be damaged by a denial of a right protected pursuant to the provisions of the Patient Protection Act [Chapter 59A, Article 57 NMSA 1978] or its regulations may be granted an injunction under the principles of equity and on terms that the court considers reasonable. Proof of monetary damage or intent to violate a right is not required.

C. To protect and enforce an enrollee's rights in a managed health care plan, an individual enrollee participating in or eligible to participate in a managed health care plan shall be treated as a third-party beneficiary of the managed health care plan contract between the plan and the party with which the plan directly contracts. An individual enrollee may sue to enforce the rights provided in the contract that governs the managed health care plan; provided, however, that the plan and the party to the contract may amend the terms of, or terminate the provisions of, the contract without the enrollee's consent.

D. The relief provided pursuant to this section is in addition to other remedies available against the same conduct under the common law or other statutes of this state.

E. In any class action filed pursuant to this section, the court may award damages to the named plaintiffs as provided in this section and may award members of the class the actual damages suffered by each member of the class as a result of the unlawful practice.

F. Nothing in the Patient Protection Act [Chapter 59A, Article 27 NMSA 1978] is intended to make a plan vicariously liable for the actions of independent contractor health care providers.


59A-57-10. Application of act to medicaid program.

A. Except as otherwise provided in this section, the provisions of the Patient Protection Act [Chapter 59A, Article 57 NMSA 1978] apply to the medicaid program operation in the state. A managed health care plan offered through the medicaid program shall grant enrollees and providers the same rights and protections as are granted to enrollees and providers in any other managed health care plan subject to the provisions of the Patient Protection Act.
B. Nothing in the Patient Protection Act [Chapter 59A, Article 57 NMSa 1978] shall be construed to limit the authority of the human services department to administer the medicaid program, as required by law. Consistent with applicable state and federal law, the human services department shall have sole authority to determine, establish and enforce medicaid eligibility criteria, the scope, definitions and limitations of medicaid benefits and the minimum qualifications or standards for medicaid service providers.

C. Medicaid recipients and applicants retain their right to appeal decisions adversely affecting their medicaid benefits to the human services department, pursuant to the Public Assistance Appeals Act [27-3-1 to 27-3-4 NMSA 1978]. Notwithstanding other provisions of the Patient Protection Act [Chapter 59A, Article 27 NMSA 1978], a medicaid recipient or applicant who files an appeal to the human services department pursuant to the Public Assistance Appeals Act may not file an appeal on the same issue to the superintendent pursuant to the Patient Protection Act, unless the human services department refuses to hear the appeal. The superintendent may refer to the human services department any appeal filed with the superintendent pursuant to the Patient Protection Act if the complainant is a medicaid beneficiary and the matter in dispute is subject to the provisions of the Public Assistance Appeals Act.

D. Any managed health care plan participating in the medicaid managed care program as of the effective date of the Patient Protection Act [Chapter 59A, Article 57 NMSA 1978] and that is in compliance with contractual and regulatory requirements applicable to that program shall be deemed to comply with any requirements established in accordance with that act until July 1, 1999; provided that, from the effective date of that act, any rights established under that act beyond those under requirements of the human services department shall apply to enrollees in medicaid managed health care plans.


In addition to any other penalties provided by law, a civil administrative penalty of up to ten thousand dollars ($10,000) may be imposed for each violation of the Patient Protection Act [Chapter 59A, Article 57 NMSA 1978]. An administrative penalty shall be imposed by written order of the superintendent made after holding a hearing as provided for in Chapter 59A, Article 4 NMSA 1978.


ARTICLE 58
Service Contract Regulation

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Section
59A-58-1  Short title.
59A-58-3  Exclusions from act.
59A-58-5  Registration requirements.
59A-58-7  Transactions exempt from premium tax.
59A-58-8  Transactions not subject to New Mexico Insurance Code; exceptions.
59A-58-9  Right of holder to return service contract for refund.
59A-58-10  Information required in service contract.
59A-58-11  Receipt for and copy of service contract required.
59A-58-12  Cancellation of service contract.
59A-58-14  Prohibition of requiring purchase of service contract as a condition of loan approval or purchase of property.
59A-58-16  Examinations and inspection of books by superintendent.
59A-58-17  Civil penalty for violation.


Sections 1 through 19 [18] of this act may be cited as the "Service Contract Regulation Act".


Service Contract Regulation Act. — As introduced, Senate Bill 556, signed by the governor as Laws 2001, Chapter 206, defined the Service Contract Regulation Act as being Sections 1 through 19 of the bill. However, a Senate Floor Amendment of the bill on March 11, 2001, deleted a former Section 4 of the bill without changing the scope of this short title section. Following the floor amendment, this section should have been changed to read "Section 1 through 18" and specific references to sections of the bill in subsequent statutes may be off by one number. The bracketed material was inserted by the compiler. It was not enacted by the legislature, and it is not part of the law.


As used in the Service Contract Regulation Act [59A-58-1 NMSA 1978]:

A. "administrator" means a person who is responsible for administering a service contract that is issued, sold or offered for sale by a provider;

B. "consumer" means a person who purchases, other than for resale, property used primarily for personal, family or household purposes and not for business or research purposes;

C. "holder" means a resident of this state who:
   (1) purchases a service contract; or
   (2) is legally in possession of a service contract and is entitled to enforce the rights of
the original purchaser of the service contract;

D. "maintenance agreement" means a contract for a limited period that provides only for scheduled maintenance;

E. "major manufacturing company" means a person who:

   (1) manufactures or produces and sells products under its own name or label or is a wholly owned subsidiary of the person who manufactures or produces products; and

   (2) maintains or its parent company maintains a net worth or stockholders' equity of at least one hundred million dollars ($100,000,000);

F. "property" means all property, whether movable at the time of purchase or a fixture, that is used primarily for personal, family or household purposes;

G. "provider" means a person who is contractually obligated to a holder or to indemnify the holder for the costs of repairing, replacing or performing maintenance on, property;

H. "service contract" means a contract pursuant to which a provider, in exchange for separately stated consideration, is obligated for a specified period to a holder to repair, replace or perform maintenance on, or indemnify or reimburse the holder for the costs of repairing, replacing or performing maintenance on, property that is described in the service contract and that has an operational or structural failure as a result of a defect in materials, workmanship or normal wear and tear, including:

   (1) a contract that includes a provision for incidental payment of indemnity under limited circumstances, including towing, rental and emergency road service and food spoilage; and

   (2) a contract that provides for the repair, replacement or maintenance of property for damages that result from power surges or accidental damage from handling;

I. "superintendent" means the superintendent of insurance of the insurance division of the public regulation commission; and

J. "warranty" means a warranty provided solely by a manufacturer, importer or seller of property for which the manufacturer, importer or seller did not receive separate consideration and that:

   (1) is not negotiated or separated from the sale of the property;

   (2) is incidental to the sale of the property; and

   (3) guarantees to indemnify the consumer for defective parts, mechanical or electrical failure, labor or other remedial measures required to repair or replace the property.

**History:** Laws 2001, ch. 206, § 2.

**Effective dates.** — Laws 2001, ch. 206, § 20 makes the act effective July 1, 2002.

The provisions of the Service Contract Regulation Act [59A-58-1 NMSA 1978] do not apply to:

A. a warranty;
B. a maintenance agreement;
C. a service contract provided by a public utility on its transmission device if the service contract is regulated by the public regulation commission;
D. a service contract sold or offered for sale to a person who is not a consumer; or
E. a service contract for property if the purchase price of the property is less than two hundred fifty dollars ($250) and the consideration for the service contract is less than twenty-five dollars ($25.00).

History: Laws 2001, ch. 206, § 3.


A provider shall not issue, sell or offer for sale service contracts in this state unless he has been registered with the superintendent pursuant to the provisions of the Service Contract Regulation Act [59A-58-1 NMSA 1978]. The provisions of this section shall not apply to major manufacturing companies' service contracts.


59A-58-5. Registration requirements.

A. A provider who wishes to issue, sell or offer for sale service contracts in this state must submit to the superintendent:

(1) a registration application on a form prescribed by the superintendent;
(2) proof that he has complied with the requirements for security pursuant to Section 7 [59A-58-6 NMSA 1978] of the Service Contract Regulation Act;
(3) the name, address and telephone number of each administrator with whom the provider intends to contract; and
(4) a fee of five hundred dollars ($500).

B. A provider's registration is valid for one year after the date the registration is filed. A provider may renew his registration if, before the registration expires, he submits to the
superintendent an application on a form prescribed by the superintendent and a fee of five hundred dollars ($500).

C. The provisions of this section shall not apply to major manufacturing companies' service contracts.

**History:** Laws 2001, ch. 206, § 5.


A. To ensure the faithful performance of a provider's obligations to the provider's contract holders, a provider shall maintain a deposit with the superintendent as provided in this section.

B. A provider of a service contract shall deposit fifty thousand dollars ($50,000) unless the contract covers the following, in which case the provider shall deposit one hundred thousand dollars ($100,000):

   1. a motor vehicle; and
   2. mechanical, plumbing and electrical systems and appliances at a residential dwelling when the service contract was sold in conjunction with the sale of the residential dwelling.

C. Deposits required pursuant to Subsection B of this section shall be:

   1. a surety bond issued by a surety company authorized to do business in New Mexico on a form acceptable to the superintendent;
   2. securities of the type eligible for deposit by an insurance company; or
   3. a clean and irrevocable letter of credit issued by a financial institution acceptable to the superintendent.

D. Additional financial security may be required of any provider when it is determined by the superintendent that an additional deposit is necessary for the protection of the public.

E. The provisions of this section shall not apply to major manufacturing companies' service contracts.


**Effective dates.** — Laws 2001, ch. 206, § 20 makes the act effective July 1, 2002.


The premium tax imposed pursuant to Chapter 59A, Article 6 NMSA 1978 does not apply to


Cross references. — As to exemption of the Service Contract Regulation Act, see 59A-58-7 NMSA 1978.


A. Except as otherwise provided in the Service Contract Regulation Act [59A-58-1 NMSA 1978], the marketing, issuance, sale, offering for sale, making, proposing to make and administration of service contracts are not subject to the provisions of the New Mexico Insurance Code [59A-1-1 NMSA 1978], except, when applicable, the provisions of Chapter 59A, Article 16 NMSA 1978.

B. A provider, person who sells service contracts, administrator or any other person is not required to obtain a certificate of authority or license from the superintendent to issue, sell, offer for sale or administer service contracts.


A. A service contract is void and a provider shall refund to the holder the purchase price of the service contract if the holder has not made a claim under the service contract and the holder returns the service contract to the provider:

   (1) within twenty days after the date the provider mails a copy of the service contract to the holder;
   (2) within ten days after the purchaser receives a copy of the service contract if the provider furnishes the holder with the copy at the time the contract is purchased; or
   (3) within a longer period specified in the service contract.

B. The right of a holder to return a service contract pursuant to this section applies only to the original purchaser of the service contract.

C. A service contract must include a provision that clearly states the right of a holder to return a service contract pursuant to this section.

D. The provider shall refund to the holder or credit to the account of the holder the purchase price of the service contract within sixty days after a service contract is returned pursuant to Subsection A of this section. If the provider fails to refund the purchase price or credit the
account of the holder within that time, the provider shall pay the holder a penalty of ten percent of the purchase price for each thirty-day period or portion thereof that the refund and any accrued penalties remain unpaid.

**History:** Laws 2001, ch. 206, § 9.

**Effective dates.** — Laws 2001, ch. 206, § 20 makes the act effective July 1, 2002.

### 59A-58-10. Information required in service contract.

A. A service contract shall:

1. be written in language that is understandable and printed in a typeface that is easy to read;
2. include the amount, if applicable, of any deductible that the holder is required to pay;
3. include the name, address and telephone number of the provider and, if applicable:
   a. the name, address and telephone number of the administrator; and
   b. the name of the holder, if provided by the holder; however, the names and addresses of the foregoing persons are not required to be preprinted on the service contract and may be added to the service contract at the time of the sale;
4. include the purchase price of the service contract;
5. include a description of the property covered by the service contract;
6. specify the duties of the provider and any limitations, exceptions or exclusions;
7. if the service contract covers a motor vehicle, indicate whether replacement parts that are not made for or by the original manufacturer of the motor vehicle may be used to comply with the terms of the service contract;
8. include, if applicable, any restrictions on transferring or renewing the service contract;
9. include the terms, restrictions or conditions for canceling the service contract before it expires and the procedure for canceling the service contract. The conditions for canceling the service contract shall include the provisions of Section 13 [59A-58-13 NMSA 1978] of the Service Contract Regulation Act;
10. include the duties of the holder under the contract, including the duty to protect against damage to the property covered by the service contract or to comply with any instructions included in the owner's manual for the property;
11. indicate whether the service contract authorizes the holder to recover consequential damages; and
12. indicate whether any defect in the property covered by the service contract
existing on the date the contract is purchased is not covered under the service contract.

B. A provider shall not allow, make or cause to be made a false or misleading statement in any of his service contracts or intentionally omit a material statement that causes a service contract to be misleading. The superintendent may require the provider to amend any service contract that the superintendent determines is false or misleading.


A. A provider shall provide a receipt for, or other written evidence of, the purchase of a service contract.

B. The provider shall furnish a copy of the service contract to the holder within a reasonable time after the contract is purchased.


A. No service contract that has been in effect for at least seventy days may be canceled by the provider before the expiration of the agreed term or one year after the effective date of the service contract, whichever occurs first, except on any of the following grounds:

   (1) failure by the holder to pay an amount when due;
   (2) conviction of the holder of a crime that results in an increase in the service required under the service contract;
   (3) discovery of fraud or material misrepresentation by the holder in obtaining the service contract or in presenting a claim for service thereunder; or
   (4) discovery of either of the following if it occurred after the effective date of the service contract and substantially and materially increased the service required under the service contract:
      (a) an act or omission by the holder; or
      (b) a violation by the holder of any condition of the service contract.

B. No cancellation of a service contract may become effective until at least fifteen days after the notice of cancellation is mailed to the holder.


A. Except as otherwise provided in this section, a provider shall not include in the name of his business:
   (1) the words "insurance", "casualty", "surety", "mutual" or any other word or term that implies that he is engaged in the business of transacting insurance or is a surety company; or
   (2) a name that is deceptively similar to the name or description of an insurer or surety company or the name of another provider.

B. A provider may include the word "guaranty" or a similar word in the name of his business.

C. This section does not apply to a provider who, before January 1, 2002, includes in the name of his business a name that does not comply with the provisions of Subsection A of this section. Such a provider shall include in each service contract he issues, sells or offers for sale a statement that the service contract is not a contract of insurance.


No person may require the purchase of a service contract as a condition for the approval of a loan or the purchasing of property.


A. A provider shall maintain records of the transactions governed by the Service Contract Regulation Act [59A-58-1 NMSA 1978]. The records of a provider shall include:
   (1) a copy of each type of service contract that the provider issues, sells or offers for sale;
   (2) the name and address of each holder who possesses a service contract under which the provider has a duty to perform, to the extent that the provider knows the name and address of each holder;
   (3) a list that includes each location where the provider issues, sells or offers for sale
service contracts; and

(4) the date and a description of each claim made by a holder under a service contract.

B. Except as otherwise provided in this subsection, a provider shall retain all records relating to a service contract for at least one year after the contract has expired. A provider who intends to discontinue doing business in this state shall provide the superintendent with satisfactory proof that he has discharged his duties to the holders in this state and shall not destroy his records without the prior approval of the superintendent.

C. The records required to be maintained pursuant to this section may be stored on a computer disk or other storage device for a computer from which the records can be readily printed.

D. The provisions of this section shall not apply to major manufacturing companies' service contracts.


A. The superintendent may conduct examinations to enforce the provisions of the Service Contract Regulation Act [59A-58-1 NMSA 1978] pursuant to Chapter 59A, Article 4 NMSA 1978 at such times as he deems necessary.

B. A provider shall, upon the request of the superintendent, make available to the superintendent for inspection any accounts, books and records concerning any service contract issued, sold or offered for sale by the provider that are reasonably necessary to enable the superintendent to determine whether the provider is in compliance with the provisions of the Service Contract Regulation Act.

C. The provisions of this section shall not apply to major manufacturing companies' service contracts.


A person who violates any provision of the Service Contract Regulation Act [59A-58-1 NMSA 1978] or an order or rule of the superintendent issued or adopted pursuant thereto may be assessed a civil penalty by the superintendent of not more than five thousand dollars ($5,000) for each act or violation, not to exceed an aggregate amount of one hundred thousand dollars ($100,000) for violations of a similar nature. For the purposes of this section, violations shall be
deemed to be of a similar nature if the violations consist of the same or similar conduct, regardless of the number of times the conduct occurred.

**History:** Laws 2001, ch. 206, § 17.

**Effective dates.** — Laws 2001, ch. 206, § 20 makes the act effective July 1, 2002.


The superintendent may adopt rules necessary to carry out the provisions of the Service Contract Regulation Act [59A-58-1 NMSA 1978].

**History:** Laws 2001, ch. 206, § 18.

**Effective dates.** — Laws 2001, ch. 206, § 20 makes the act effective July 1, 2002.

### ARTICLE 59

**Prescription Drug Uniform Information Card**

Section

- 59A-59-1 Short title.
- 59A-59-2 Intent of legislature.
- 59A-59-3 Prescription drug information card required.
- 59A-59-4 Applicability.


This act [59A-59-1 to 59A-59-4 NMSA 1978] may be cited as the "Prescription Drug Uniform Information Card Act".

**History:** Laws 2003, ch. 373, § 1.


It is the intent of the legislature to improve care for patients by enacting the Prescription Drug Uniform Information Card Act [59A-59-1 NMSA 1978] to minimize confusion, eliminate unnecessary paperwork, decrease administrative burdens and streamline dispensing of prescription products paid for by third party payors.

**History:** Laws 2003, ch. 373, § 2.


A. A health benefit plan that provides coverage for prescription drugs and that issues, uses or requires a card for prescription claims submission and adjudication, and third-party administrators for self-insured plans and state-administered plans, or the plan's agents or contractors that issue such cards, shall issue for the plan's insureds, enrollees or participants a uniform prescription drug information card that conforms to the standards of the national council for prescription drug programs' current implementation guide for such cards.

B. The uniform prescription drug information card required in Subsection A of this section shall include all of the national council for prescription drug programs' standard information adopted by the current implementation guide or at a minimum contain the following labeled information:

1. the card issuer name or logo on the front of the card;
2. the cardholder's name and identification number, which shall be displayed on the front side of the card;
3. complete information for electronic transaction claims routing, including:
   a. the international identification number labeled as RxBin;
   b. the processor control number labeled as RxPCN if required for proper routing of electronic claim transactions for prescription benefits; and
   c. the group number labeled as RxGrp if required for proper routing of electronic claim transactions for prescription benefits; and
4. a telephone number that pharmacy providers may call for pharmacy benefit claims assistance.

C. All information required in Subsection B of this section shall be included in a clear, readable and understandable manner on the card issued by the plan, its administrators or its agents or contractors. The content and format of all information shall be in the current content and format required by the plan for electronic claims routing.

D. The uniform prescription drug information card required by this section shall be issued by a health benefit plan or by the plan's administrators, agents or contractors upon enrollment and reissued within a reasonable time upon any change in the information required under Subsection B or C of this section; provided, however, the plan, its administrators or its agents or contractors shall not be required to issue a new card more often than once in a calendar year; and further provided that nothing shall prevent the plan, its administrators or its agents or contractors from issuing stickers or other methodologies to the insureds, enrollees or participants to update the cards temporarily until the cards are reissued, or from reissuing updated new cards on a more frequent basis.

E. The uniform prescription drug information card required by the Prescription Drug
Uniform Information Card Act [59A-59-1 NMSA 1978] may be used for any and all health insurance coverage. Nothing in this section requires any person issuing, using or requiring the card to issue, use or require a separate card for prescription coverage; provided that the card can accommodate the information necessary to process the claim as required in this section.

F. The superintendent of insurance shall adopt such rules as he deems necessary to implement and ensure full compliance with the provisions of the Prescription Drug Uniform Information Card Act. If rules are deemed necessary, they shall be prepared not later than six months after July 1, 2003.

G. As used in this section, "health benefit plan" means an accident and health insurance policy, plan or certificate; a nonprofit hospital or medical service corporation contract; a health maintenance organization subscriber contract; a plan provided by a multiple employer welfare arrangement; or a plan provided by another benefit arrangement to the extent permitted by the employee Retirement Income Security Act of 1974, as amended, or by any waiver of or other exception to that act provided under federal law or regulation. "Health benefit plan" does not include any of the following types of insurance:

1. accident;
2. credit;
3. disability income;
4. specified disease;
5. dental or vision;
6. coverage issued as a supplement to liability insurance;
7. medical payments under automobile or homeowners;
8. insurance under which benefits are payable with or without regard to fault and that is statutorily required to be contained in any liability policy or equivalent self-insurance; and
9. hospital income or indemnity.

History: Laws 2003, ch. 373, § 3.


A. All health benefit plans issued or renewed on or after July 1, 2003 shall comply with the Prescription Drug Uniform Information Card Act [59A-59-1 NMSA 1978] no later than two years after July 1, 2003. For purposes of that act, renewal of a health benefit policy, contract or plan is presumed to occur on each anniversary of the date on which coverage was first effective.
for the persons covered by the health benefit plan.

B. The Prescription Drug Uniform Information Card Act shall not apply to the medicaid fee-for-service prescription drug program.

History: Laws 2003, ch. 373, § 4.