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April 3, 2007

Governor Bill Richardson  
Office of the Governor  
400 Old Santa Fe Trail, Room 400  
Santa Fe, NM 87503

sent via facsimile:  
505.476.2226

**Re: Please sign into law SB 483, *Amending the New Mexico Insurance Code to Modernize the Regulation of Property and Casualty Rates and Forms.***

Dear Governor Richardson:

Thank you for affording the National Association of Mutual Insurance Companies (NAMIC) an opportunity to respectfully request that you sign into law SB 483, *Amending the New Mexico Insurance Code to Modernize the Regulation of Property and Casualty Rates and Forms.*

NAMIC is a full-service national trade association with more than 1,400 member companies that underwrite approximately 43 percent (\$196 billion) of the property/casualty insurance premium in the United States. NAMIC membership includes four of the seven largest property/casualty insurance carriers in the nation, and every size regional, national and state specific property/casualty insurer, including hundreds of farm mutual insurance companies. NAMIC has 98 member insurance carriers doing business in the state of New Mexico, who write approximately 35% of the property/casualty insurance business in the state.

On behalf of NAMIC's members, I respectfully request that you sign SB 483 into law and start New Mexico down the path to greater market competition in the property and casualty insurance market.

New Mexico should join the growing ranks of states that have implemented rate modernization legislation for the following reasons:

- **Rate modernization is good for the insurance consumer**

The national trend toward rate modernization is undeniable. In recent years, a number of states have passed legislation that allows for greater market competition in the rating process. Alaska, and Connecticut are recent examples of states that have

embraced rate modernization as a method of improving the affordability and availability of insurance for consumers.

Even states that are known for being excessively regulated, like New Jersey, have realized that improving market competition in the insurance industry is the key to better rates and more diversified insurance products for consumers. Since New Jersey has relaxed its prior approval rating system, 20 new insurance carriers have entered the state, and rates have dropped approximately 30-40%.

One need only consider the rate modernization success story of the south, Louisiana, to see the positive impact that market competition has for the citizens of the state. According to data provided in a 2005 report by the Commissioner of Insurance Robert Wooley to a joint meeting of the Louisiana Senate and House Insurance Committees, the state's switch to a pro-market competition rating system resulted in more than \$38 million in savings to consumers in the form of rate decreases.

The conclusion is clear – rate modernization legislation promotes market competition between carriers and facilitates the entry of new insurers into the marketplace. In contrast, restrictive rate regulations hinder market competition and discourage new insurers from entering the market. The California experience demonstrates this point quite persuasively. In spite of the fact that California is the largest insurance market in the country, and has stable profit rates and declining claims costs, the number of automobile insurance carriers writing policies in the state has declined from 259 to 205 in recent years. Insurance industry experts have concluded that the restrictive regulatory environment in the state has caused carriers to leave the state for greener pastures.

New Mexico's citizens deserve an opportunity to benefit from greater market competition in rates, products and services, and SB 483 will help facilitate this change.

- **SB 483 is overwhelming supported by the state legislature**

The state legislature extensively evaluated and debated the provisions of SB 483, and after due deliberation the Senate passed the bill on a 29-8 vote and the House passed the bill on a 55-0 vote. The voice of democracy has spoken loudly and clearly in support of rate modernization.

- **Rate modernization would be beneficial to the state's division of insurance**

SB 483 is fully supported by the Superintendent of Insurance Morris J. Chavez as being both pro-consumer and pro-business legislation.

According to data provided by the New Mexico Public Regulations Commission, only 1% of the approximate 1400 annual rate requests are actually rejected. Thus, from an efficiency standpoint, the state's division of insurance would be bettered

served by a rate filing scheme that would allow the division to direct its limited resources in a more targeted manner. Prior approval rating processes are far more staff intensive and costly than a “file and use” rating scheme. Since the current rate filing process is not creating any tangible benefit for the consumer or the insurance market, there is no real public policy rationale for continuing this outdated, administratively burdensome and unreasonably expensive rate filing process.

- **SB 483 would promote the state’s economy**

Studies have repeatedly shown that market competition based rating stimulates the economy by encouraging new carriers to enter the marketplace. When new insurance companies start doing business in the state, new jobs are created in the state and the local business community sees an infusion of resources, which is good for the state’s economy.

In closing, NAMIC respectfully requests that you **sign into law SB 483** for the aforementioned reasons, and set New Mexico on the tracks toward greater market competition in the insurance industry. Free market competition in the business community has made America the vibrant economy that it is today . . . let market competition in the New Mexico insurance industry follow this same path.

Thank you for your time and consideration.

Respectfully,

Christian John Rataj, Esq.  
NAMIC Western State Affairs Manager