

Regulating the Property Insurance Market in New Mexico



Presented to the Legislative Finance Committee
July 15, 2024
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Property Insurance Regulated by OSI

- Homeowners Insurance
- Landlords Insurance
- Renters Insurance
- Commercial Property Insurance

Market Oversight



Licensing insurance companies and risk bearing insurance related entities



Ensuring compliance of rules and forms submitted by insurers and enforcement of laws and regulations



Reviewing rate filings to ensure premiums are adequate and not excessive



Quarterly and annual review of financial statements to ensure solvency



Assisting consumers with insurance issues and complaints



Key Public Policies Governing New Mexico's Homeowners Insurance Market

- Rates must be actuarially justified and cannot be excessive, inadequate, or unfairly discriminatory.
- New Mexico is a “file-and-use” state.
- New Mexico requires insurers to cover the cost to replace or repair the property without deduction for depreciation.

Emerging Issues

- Climate change is increasing the frequency of catastrophic events such as wildfires, severe hail storms, hurricanes, and floods.
- The average claim amount has increased due to rising home values and increased labor/building material costs.
- The reinsurance market has hardened, resulting in increased premiums on direct insurers for several years.



Risk Mitigation



- States are working with insurers to develop science-based risk mitigation standards to address these emerging risks.
- Community-level mitigation initiatives in high risk areas include forest management, community building codes, and fire awareness education.
- Individual property-level mitigation efforts, such as creating a five-foot defensible space and home hardening, are also promising tactics to reduce wildfire risk.
- The Insurance Institute for Business and Home Safety (IBHS) estimates that each dollar invested in mitigation efforts yields up to six dollars in savings of future recovery costs.
- OSI is working with the key stakeholder groups to develop legislation to incentivize widespread adoption of risk mitigation strategies in high risk areas.



New Mexico's FAIR Plan

- If a homeowner or commercial property owner has been denied coverage in the open market, they can enroll in the FAIR Plan.
- The FAIR Plan covers up to \$350,000 for homes and \$1,000,000 for commercial properties.
- Unlike coverage on the open market, the FAIR Plan only covers Actual Cash Value (ACV), meaning replacement cost and depreciation is not covered.
- The FAIR Plan is funded by homeowner premiums and carrier assessments.
- **Note:** Lenders do not accept the FAIR Plan as creditable coverage to meet mortgage requirements because it does not cover replacement value.

OSI's Response to the South Fork and Salt Fires

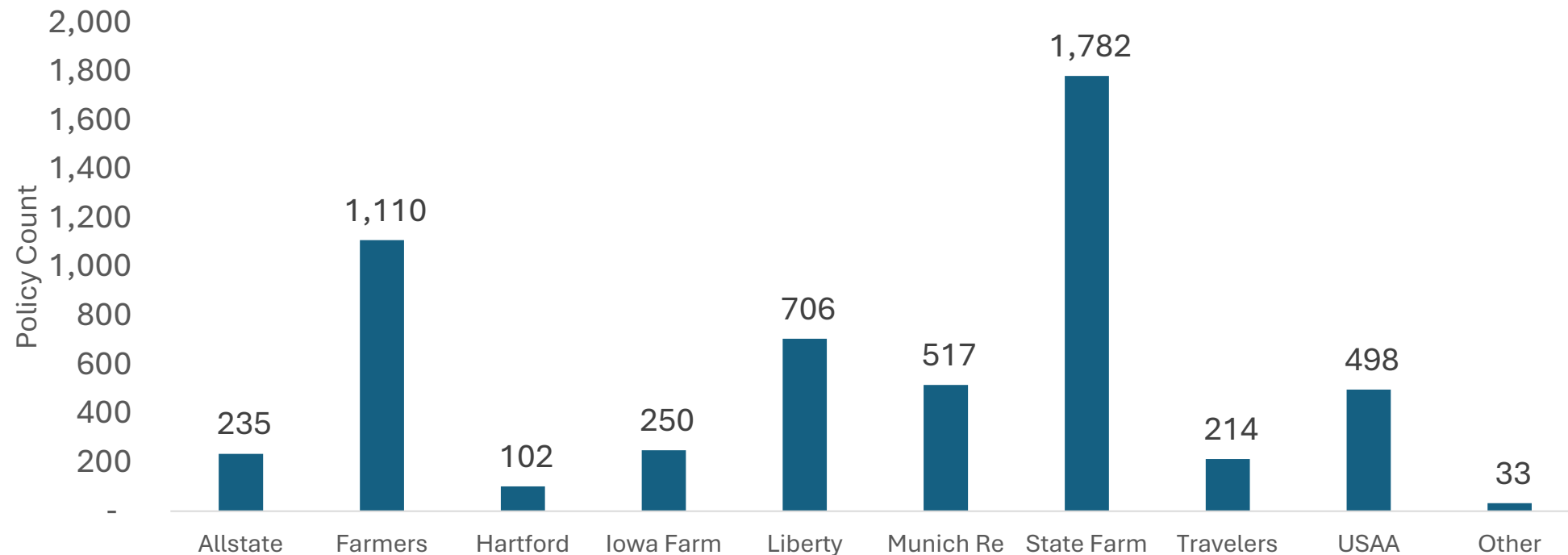
- The Governor declared a state of emergency in June.
- The declaration authorized OSI to issue an Emergency Order.
- The Emergency Order applied to health, property, and auto policies.
- Provisions of the Emergency Order included:
 - An advance Additional Living Expense payment in the amount of \$5,000 to policyholders who were evacuated;
 - Waiver of deductibles;
 - Postponement of policy cancellations and non-renewals for 120 days; and
 - 120 day grace periods for the payment of premiums.
- OSI dispatched a team of consumer assistance specialists to Ruidoso to assist policyholders with filing claims and resolve complaints.
- In general, insurers have complied with the Emergency Order.
 - Exception: State Farm
 - OSI was granted a Restraining Order requiring State Farm's compliance.



Homeowner's Policies in Force in the Areas Impacted by the South Fork and Salt Fires

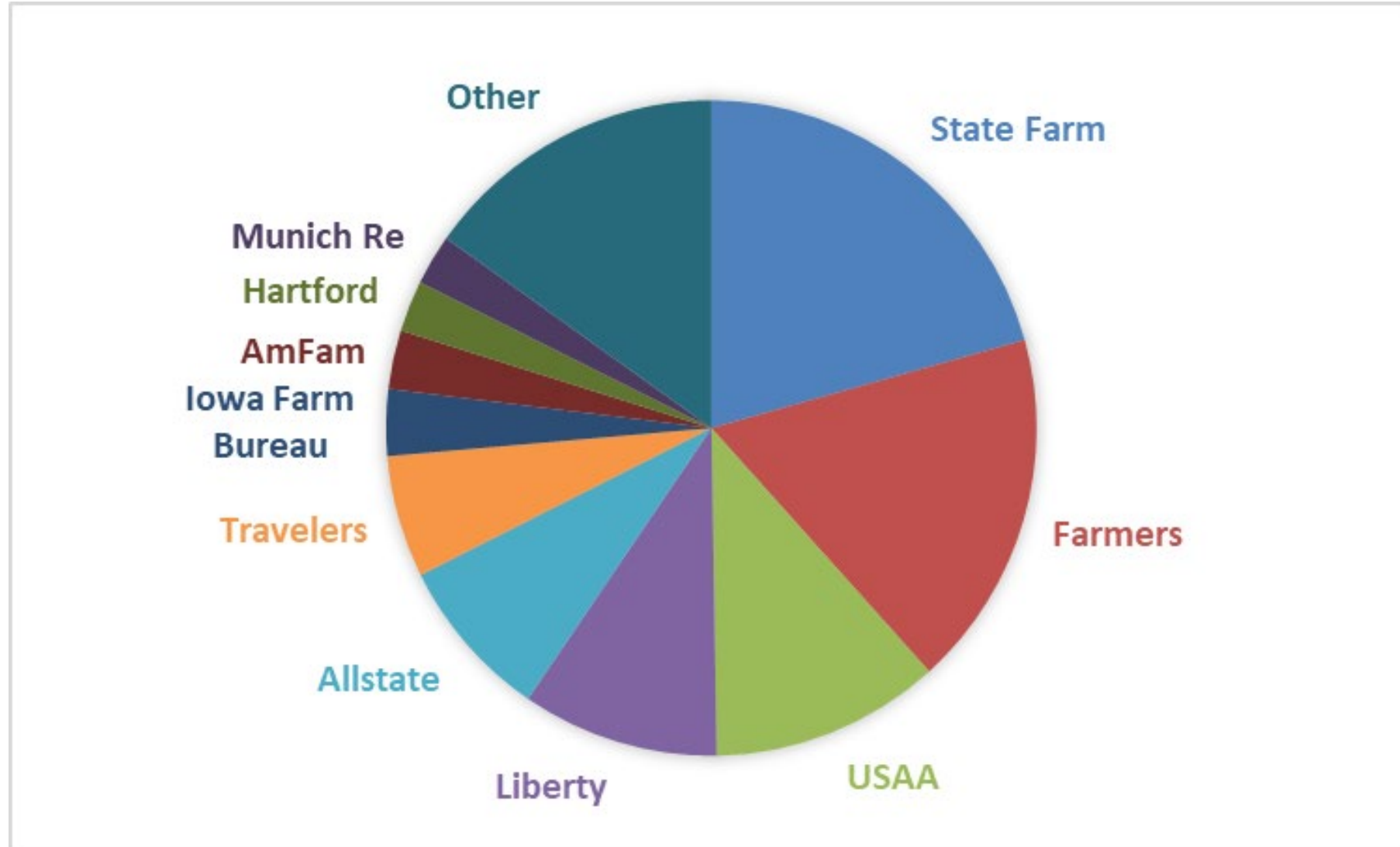


Homeowners Policies as of 12/31/2022 in Zipcodes 88345, 88346, 88355



* Policy Count by Insurance Group Provided by NAIC

New Mexico Property Insurance Market Share





APPENDIX: New Mexico Personal Lines Insurance Market Share and Trend Supplement



NAIC – 2021 NM data –All LOBs

Property and Casualty Insurance Industry
2021 Market Share Report - Total Premium
BY STATE BY GROUP
35 - Total All Lines

STATE	Rank	Group/ Company Code	Group/ Company Name	Direct Premiums Written (000)	Direct Premiums Earned (000)	Loss Ratio	Loss & Cost Containment Ratio	Market Share	Cumulative Market Share
New Mexico	1	176	STATE FARM GRP	470,312	454,133	59.83 %	61.91 %	11.64 %	11.64 %
	2	155	PROGRESSIVE GRP	337,705	324,677	60.42 %	62.03 %	8.36 %	20.00 %
	3	69	FARMERS INS GRP	318,402	312,449	61.11 %	62.44 %	7.88 %	27.88 %
	4	31	BERKSHIRE HATHAWAY GRP	259,718	255,445	62.94 %	66.08 %	6.43 %	34.30 %
	5	111	LIBERTY MUT GRP	244,435	242,445	53.36 %	55.67 %	6.05 %	40.35 %
	6	200	UNITED SERV AUTOMOBILE ASSN GRP	238,431	236,059	69.30 %	70.42 %	5.90 %	46.25 %
	7	8	ALLSTATE INS GRP	193,184	192,486	55.06 %	56.35 %	4.78 %	51.04 %
	8	3548	TRAVELERS GRP	179,481	174,406	51.97 %	57.14 %	4.44 %	55.48 %
	9	1112	NEW MEXICO MUT GRP	91,308	90,856	50.57 %	53.58 %	2.26 %	57.74 %
	10	91	HARTFORD FIRE & CAS GRP	90,048	90,374	37.86 %	41.36 %	2.23 %	59.97 %
			STATE TOTAL	4,040,716	3,920,198	59.39 %	63.26 %	100.00 %	59.97 %

Source: NAIC 2021 Market Share Report



NAIC – 2021 NM data – Homeowners Multiple Peril

Property and Casualty Insurance Industry
 2021 Market Share Report - Total Premium
 BY STATE BY GROUP
 04 - Homeowners Multiple Peril

STATE	Rank	Group/ Company Code	Group/ Company Name	Direct Premiums Written (000)	Direct Premiums Earned (000)	Loss Ratio	Loss & Cost Containment Ratio	Market Share	Cumulative Market Share
New Mexico	1	176	STATE FARM GRP	136,526	127,949	38.70 %	40.29 %	20.67 %	20.67 %
	2	69	FARMERS INS GRP	116,560	111,869	69.14 %	69.81 %	17.65 %	38.31 %
	3	200	UNITED SERV AUTOMOBILE ASSN GRP	75,427	72,343	74.64 %	75.40 %	11.42 %	49.73 %
	4	111	LIBERTY MUT GRP	64,693	62,303	58.72 %	59.84 %	9.79 %	59.53 %
	5	8	ALLSTATE INS GRP	53,276	52,187	49.46 %	50.94 %	8.07 %	67.59 %
	6	3548	TRAVELERS GRP	39,857	37,149	64.10 %	65.48 %	6.03 %	73.63 %
	7	513	IOWA FARM BUREAU GRP	21,683	21,273	52.29 %	52.58 %	3.28 %	76.91 %
	8	473	AMERICAN FAMILY INS GRP	19,158	16,788	45.98 %	45.93 %	2.90 %	79.81 %
	9	91	HARTFORD FIRE & CAS GRP	16,712	16,806	41.29 %	41.50 %	2.53 %	82.34 %
	10	361	MUNICH RE GRP	16,474	16,880	50.55 %	50.67 %	2.49 %	84.83 %
			STATE TOTAL	660,550	633,648	55.51 %	56.55 %	100.00 %	84.83 %

Source: NAIC 2021 Market Share Report



Resources

- [OSI's Wildfire Z-Mag – Protect Your Home](#)
- [FAIR Plan Website](#)
- [NAIC 2021 Market Share Report](#)
- [OSI's South Fork and Salt Fire Resource Page](#)