

LFC Requester:**Julisa Rodriguez****AGENCY BILL ANALYSIS - 2025 REGULAR SESSION****WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO****AgencyAnalysis.nmlegis.gov and email to billanalysis@dfa.nm.gov****(Analysis must be uploaded as a PDF)****SECTION I: GENERAL INFORMATION***{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}***Date Prepared:** 1/27/2025*Check all that apply:***Bill Number:** SB 81Original Correction Amendment Substitute **Sponsor:** Peter Wirth and Harlan Vincent**Short** NM Property Insurance**Title:** Program Association Board**Agency Name
and Code**Office of Superintendent of
Insurance - 440**Number:****Person Writing** Tim Vigil**Phone:** 505-690-0651 **Email** Timothy.vigil@osi.nm**SECTION II: FISCAL IMPACT****APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
\$0	\$50,000	Nonrecurring	General

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
\$0	\$0	\$0		

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	\$0	\$350	\$350	\$700	Recurring	Insurance Operations Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:

Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILLSUMMARY

Synopsis: Senate Bill 81 (SB 81) amends the Fair Plan Act to modify definitions, create the New Mexico Property Insurance Program Association Board, remove the requirement that a cumulative weighted voting of a governing committee or association, establish the requirements for the Fair Access to Insurance Requirements (FAIR) plans, require the board to establish and submit a plan of operation to the superintendent and specifies the requirements for such plans, gives the Superintendent of Insurance (“superintendent”) the authority to suspend or revoke a certificate of authority and impose a fine when a member insurer fails to pay an assessment, explains what types of entities can sell a policy subject to the FAIR Plan Act, and addresses solvency measures and enacts reporting requirements.

This bill has an emergency clause.

FISCAL IMPLICATIONS

The Office of Superintendent of Insurance (OSI) requests \$50M to support three aspects of this bill. OSI requests \$1M for operational costs, \$9M for mitigation grants, and \$40M for a financial backstop in case of catastrophic loss in the short term. See significant issues.

Operational

Costs:

Programming revisions will need to be made to the FAIR plan’s policy administration system to support the coverage changes. Additional FAIR plan staff will be required to underwrite the additional policies and service the additional claims volume. These reoccurring costs are estimated to be \$650K.

3 additional OSI FTE’s will be required to manage the mitigation grant program. These costs are estimated to be \$350K.

Mitigation

Grants:

Meeting Insurance Institute for Business & Home Safety (IBHS) Wildfire Prepared Home standards will be mandatory to remain in the FAIR plan. The OSI seeks to provide grants to assist in mitigation for property owners who would require financial assistance to meet the IBHS standards.

The California FAIR plan has experienced 225% growth in plan participants in wildfire exposed counties over the last three years. If the New Mexico FAIR Plan would experience a similar growth rate, the additional policies that could be expected are shown in column (3) below. Existing policies in the respective counties are shown in column (2).

The cost to mitigate a residence to meet IBHS wildfire prepared home standards is estimated to cost \$7,000 per property. If OSI would provide grants to 25% of projected policyholders, the total mitigation costs are estimated at \$9M. Those estimated costs are shown in column (4) below.

Financial

Backstop:

Additional policies correlate with additional exposure to catastrophic loss. While significant losses

in the FAIR plan would be funded through industry assessments, OSI seeks to minimize initial industry assessments to encourage carriers to continue to offer property insurance in the open market. If an assessment becomes necessary, the recommended FAIR Plan would propose to allow industry to add a surcharge to open market policies to allow for the recovery of the assessment in equal amounts over a three-year period.

Based on projected policy counts, average home values by county, and the damage resulting from the 2024 South Fork and Salt Fires, an expanded FAIR Plan could be expected to be exposed to the additional catastrophic wildfire losses as shown in column (5) below. The total estimated cost of these losses (excluding the counties with less than 50 policies today) is \$40M.

The requested \$40M would be used to create a financial reserve to pay claims in the event the estimated losses actually occur. The funds could also be used to purchase reinsurance to mitigate industry assessments. Accrued interest should be credited to the fund. The fund would be a continuing, non-reverting fund.

County (1)	Current Fair Plan Policies (2)	Expected Additional Policies (3)	Cost of \$7,000 Grant to 25% of Population (000) (4)	Wildfire Event Damage (\$M) (5)
Colfax	129	335	\$734	\$26.7
Lincoln	207	538	\$1,177	\$39.3
Los Alamos	5	13	\$28	\$2.5
Mora	38	99	\$216	\$3.1
Otero	335	871	\$1,905	\$64.8
Sandoval	122	317	\$694	\$37.8
Santa Fe	79	205	\$449	\$37.1
San Miguel	272	707	\$1,547	\$53.6
Taos	110	286	\$626	\$41.4
Grant	115	299	\$654	\$18.9
Rio Arriba	141	367	\$802	\$38.5
Catron	32	83	\$182	\$5.3
Total/Average*	1,585	4,121	\$9,015	\$39.8

*Average of Counties with over 50 current policies

SIGNIFICANT ISSUES

There has been a significant increase in catastrophic wildfire activity over the past decade in western states. Property insurance carriers are filing for significant rate increases, restricting new business, and non renewing policies in geographic regions with wildfire exposure.

The FAIR Plan Act would provide coverage for individuals that are no longer accepted in the open market.

PERFORMANCE IMPLICATIONS

None.

ADMINISTRATIVE IMPLICATIONS

OSI will need 3 FTEs to implement the provisions of this bill.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

None.

TECHNICAL ISSUES

None.

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS:

To address any anti-donation issues, the amendment proposed in Section 3 to be expanded to add the following sentence at the end of Section 59A-29-2:

The Association is a non-profit unincorporated public entity.