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FISCAL IMPACT REPORT

LAST UPDATED _____

SPONSOR Woods/Ramos **ORIGINAL DATE** 2/6/2025

BILL

SHORT TITLE Insurance Payment of Depreciation **NUMBER** Senate Bill 55

ANALYST Dinces

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*

(dollars in thousands)

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

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

Sources of Information

LFC Files

Agency Analysis Received From
 Office of the Superintendent of Insurance (OSI)
 New Mexico Mortgage Finance Authority (NMFA)

Agency Analysis was Solicited but Not Received From
 New Mexico Attorney General (NMAG)

SUMMARY

Synopsis of Senate Bill 55

Senate Bill 55 (SB55) amends current law regarding residential property insurance, requiring insurers to initially pay 100 percent of replacement cost minus depreciation and any remaining amount up to the replacement cost or policy limits upon the completion of repairs or replacement.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns if enacted, or June 20, 2025.

FISCAL IMPLICATIONS

SB55 does not have any appropriations nor should it impact agency operating budgets.

SIGNIFICANT ISSUES

The state’s current insurance standards are enumerated in the Insurance Code (59A-29 NMSA 1978). OSI notes other pieces of statute may not be fully in line with this Code, including the statute this bill amends. This bill would help to align settlement costs with the Insurance Code which specifies “Insurance coverage provided in residential property insurance policies shall provide coverage for the cost to repair or replace without deduction for depreciation” (59A-18-17 NMSA 1978).

When settling claims related to household items such as furniture, there is the actual cost of new items, the recoverable depreciation, and the depreciated cost of the old item. For instance, if a homeowner bought a couch for \$2,000 in 2018 but filed a claim to replace the couch in 2024, the item may have lost 50 percent of its value over the six years, making the couch worth \$1,000. New couches of equal value may be \$2,500. The insurance company may only pay \$1,000 (replacement cost less depreciation); however, this bill’s provisions would make it so the insurance company would initially pay \$1,000 for the value of the couch less depreciation and another \$1,500 as the remainder of the cost to buy a new couch paid upon replacement.

ADMINISTRATIVE IMPLICATIONS

According to OSI, “All insurance companies will be required to update and file amended forms with the OSI to conform with the statute. This would likely take some proportion of an FTE but would likely not be outside current job scope”

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Insurers may continue their current practice of withholding depreciation from the initial claim payment despite the practice not being consistent with the Insurance Code.

SD/rl/SL2