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FISCAL IMPACT REPORT

SPONSOR <u>Vincent</u>	LAST UPDATED _____
	ORIGINAL DATE <u>3/11/2025</u>
SHORT TITLE <u>Lincoln County Homeowner Relief</u>	BILL NUMBER <u>House Memorial 55</u>
	ANALYST <u>Rodriguez</u>

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

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

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

Relates to Senate Bill 81

Sources of Information

LFC Files

Agency Analysis Received From
 Office of Superintendent of Insurance

SUMMARY

Synopsis of House Memorial 55

House Memorial 55 (HM55) sets forth that the New Mexico House of Representatives supports the New Mexico Property Insurance Program’s decision to increase coverage limits for residential properties and urges the Office of Superintendent of Insurance (OSI) to approve the proposed changes. The memorial recognizes that the proposed changes will provide relief to homeowners in Lincoln County and allow them to secure policy to begin rebuilding homes.

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

HM55 contains no appropriation and has no known fiscal impact.

SIGNIFICANT ISSUES

New Mexico FAIR Plan. The New Mexico Property Insurance Program is the underwriting association of the New Mexico Fair Access to Insurance Requirements (FAIR) plan. The New Mexico FAIR Plan Act, contained in Article 59A-29 NMSA 1978 of the New Mexico Insurance

Code, was enacted by the Legislature to provide essential property insurance to responsible and qualified applicants in New Mexico who are unable to secure such insurance in the normal market, acting essentially as the provider of last resort and providing minimal coverage. Unlike normal coverage, the plan only covers actual cash value, or the depreciated value of the property. However, certain lenders, like Fannie Mae, do accept this plan as creditable coverage to meet mortgage requirements.

Currently under the FAIR Plan Act, all insurers licensed to write essential property insurance are required to establish and maintain the FAIR plan and an underwriting association. The underwriting association is responsible for assessing and sharing all expenses, income, and losses of the FAIR plan—meaning the financial burden of providing insurance to high-risk individuals is distributed among all participating insurers rather than being shouldered by one company. The governing committee determines premiums and are filed with OSI for approval.

Assessments. If the plan’s reserves are inadequate to pay claims, the governing committee can issue an assessment on insurance companies. Each insurance company’s assessment is based on the company’s market share. Companies can pass the amount of the assessment onto policy holders by issuing temporary surcharges that can be paid over the following three years. In 2024, the governing committee issued an assessment due to an increase in losses due to wind and hail damage and fires. Increases to coverage limits correlate with additional exposure to the plan, which could lead to possible losses that might need to be covered by an assessment on insurance companies.

Recent Increases to Coverage Limits. In 2023, the governing committee increased the maximum limit of liability for residential homes from \$250 thousand to \$350 thousand. The existing maximum limit of liability for commercial properties is \$1 million.

As noted in HM55, in February 2025, the governing committee proposed increasing limits for residential properties to \$750 thousand. In March 2025, the superintendent provided provisional approval for the increase which would expire on June 20, 2025. OSI notes that the provisional approval was due to Senate Bill 81, which, if enacted, would go into effect June 20, 2025. As of March 12, the governing committee responded that the provisional approval was insufficient, and the committee could not move forward with the proposed changes.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HM55 relates with Senate Bill 81. If passed, SB81 would change the governing structure of the New Mexico property insurance program and would put into statute maximum coverage limits.

JR/SL2/hj