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FISCAL IMPACT REPORT

SPONSOR Ramos/Sanchez LAST UPDATED _____
ORIGINAL DATE 3/11/2025
BILL
SHORT TITLE Fire Department Insurance Limits NUMBER Senate Bill 506
ANALYST Rodriguez

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 and House Bill 405

Sources of Information

LFC Files

Agency Analysis Received From
Office of Superintendent of Insurance (OSI)

SUMMARY

Synopsis of Senate Bill 506

Senate Bill 506 (SB506) adds a new section to the Fair Access to Insurance Requirements (FAIR) Plan Act that sets maximum limits of liability for property insured under the FAIR plan and damaged or destroyed by a fire that is in a fire department's service area.

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

There is no known fiscal impact on the state. However, amending coverage limits could result in additional exposure to the plan. Additional exposure and possible losses might need to be covered an assessment on insurance companies, which would likely increase property insurance premiums across the state.

SIGNIFICANT ISSUES

SB506 sets the following maximum liability limits for properties insured under the FAIR plan

and damaged or destroyed by a fire that is in a fire department's service area:

- \$600 thousand for a property located in the service area of a fire department with a class rating of eight, nine, or ten, and
- \$750 thousand for a property located in the service area of a well-staffed and well-equipped fire department with a class rating of one through seven.

The bill specifies that ratings are determined by a nationally recognized insurance service, which the bill defines as an organization that collects statistical data and files information with the Office of Superintendent of Insurance (OSI) on behalf of insurance companies. Ratings are based on a fire department's emergency communication systems, staffing and training, water supply availability and pressure, and community risk reduction programs.

As is, the FAIR Plan Act (Article 59A-29 NMSA 1978) does not contain coverage limits in statute.

Coverage limits are determined by the governing committee of the New Mexico FAIR Plan and subject to approval by OSI. Existing coverage limits include \$350 thousand on residential properties and \$1 million on commercial structures. The act does not contain provisions addressing specific causes of damage or destruction of property. OSI notes that this is established by OSI rule. OSI would need to amend existing rules to align with SB506.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB506 relates to Senate Bill 81, which creates a new governing body for the FAIR Plan Act and increases coverage limits for residential and commercial properties.

SB506 relates to House Bill 405, which creates a volunteer firefighter service and training act. Under the bill, an employer shall provide an eligible employee a leave of absence not to exceed 112 hours per calendar year to attend firefighter training, provided that the eligible employee requests the leave and provides 30 days' notice to the employer. The bill allows the leave to be unpaid but does not allow the employee to be terminated or demoted or allow the employer to reduce the employee's accrual of leave, sick leave, or seniority.

TECHNICAL ISSUES

SB506 should clarify that the bill is amending Article 59A-29 NMSA 1978, which is cited as the FAIR Plan Act.

JR/hj/sgs