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## FISCAL IMPACT REPORT

**BILL NUMBER:** Senate Bill 154

**SHORT TITLE:** Insurance Coverage for Wildfire and Floods

**SPONSOR:** Sen. Duhigg/Reps. Chandler and Gonzales

**LAST UPDATE:** 2/04/2026      **ORIGINAL DATE:** 1/28/2026      **ANALYST:** Rodriguez

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT\* (dollars in thousands)

Agency/Program	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
OSI	No fiscal impact	\$152.0	\$152.0	\$456.0	Recurring	Other state funds

Parentheses ( ) indicate expenditure decreases.

\*Amounts reflect most recent analysis of this legislation.

Relates to House Bill(s) 204 and 171 and Senate Bill 161

### Sources of Information

LFC Files

#### Agency or Agencies Providing Analysis

Office of Superintendent of Insurance

Public Regulation Commission

Energy, Minerals and Natural Resources Department

#### Agency or Agencies That Were Asked for Analysis but did not Respond

New Mexico Environment Department

## SUMMARY

### Synopsis of Senate Bill 154

Senate Bill 154 (SB154) creates a new section in Article 18 of the Insurance Code (Chapter 59A NMSA 1978) to require wildfire insurance policies to include coverage for related flooding for five years after a fire is controlled. This provision would apply to policies issued on or after July 1, 2026. This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, which is May 20, 2026.

## FISCAL IMPLICATIONS

If SB154 is enacted, the Office of Superintendent of Insurance (OSI) estimates having to process over a thousand rate filings. OSI estimates needing an additional full-time employee at an estimated cost of \$152 thousand, including salary and benefits, to annually review rates, rules,

and form filings. The estimated cost is based on the average cost of an FTE in OSI's insurance policy program.

## SIGNIFICANT ISSUES

**Flood Risks after Fires.** According to the Federal Emergency Management Agency (FEMA), wildfires can alter terrain and ground conditions, leaving them charred, barren, and unable to absorb water, creating conditions ripe for flash flooding and mudflow. FEMA notes that flooding risks can persist for five or more years after a wildfire has occurred.

As the Energy, Minerals and Natural Resources Department (EMNRD) notes, wildfires in New Mexico are occurring with greater severity, causing increased watershed damage and leading to more destructive post-fire flooding. EMNRD cites several recent examples: the 2011 Las Conchas Fire, which flooded Cochiti and Bland Canyons in Sandoval county; the 2022 Hermits Peak–Calf Canyon Fire, which caused flooding in Gallinas Canyon, the Rio de las Casas, and other watersheds in San Miguel and Mora counties; and the 2024 South Fork and Salt Fires, which resulted in severe flooding along the Rio Ruidoso and its tributaries in Otero and Lincoln counties. As noted by OSI, the fires in Lincoln County caused flooding and debris flow that damaged an additional 200 structures in Ruidoso. In July 2025, flash flooding in Ruidoso damaged another 200 structures. Many residents in Lincoln County did not have flood coverage.

As noted by OSI, the agency received a significant increase in the number of complaints regarding insurance companies' failure to cover flood, mudflow, debris flow, and landslide following the recent wildfires.

**Flood Insurance.** Flood insurance is generally purchased separately from homeowner's insurance policies. Flood insurance can cover contents and building structure but are typically purchased separately. According to FEMA, only 4 percent of homeowners have flood insurance. While flood insurance can be purchased from private various insurance companies, the National Flood Insurance Program (NFIP) is the primary source of flood insurance coverage for residential properties in the United States. NFIP policies have relatively low coverage limits, particularly for nonresidential properties or properties in high-cost areas. The maximum coverage for single-family dwellings is \$100 thousand for contents and up to \$250 thousand for building coverage. The maximum available coverage limit for other residential buildings is \$500 thousand for building coverage and \$100 thousand for contents coverage, and the maximum coverage limit for non-residential business buildings is \$500 thousand for building coverage and \$500 thousand for contents coverage.

Under NFIP, flood insurance premiums for individual properties are tied to a property's flood risk and specific features of an individual structure. Under this new pricing methodology, which went fully into effect in 2022, premiums increased for roughly two-thirds of policies.

According to FEMA, homes and businesses in special flood hazard areas, as designated by FEMA, with mortgages from federally regulated lenders, such as Fannie Mae and Freddie Mac, are required to have flood insurance. Additionally, individuals who live in a high-risk flood area and have previously received federal disaster assistance must have flood insurance to be considered for future disaster aid.

**NFIP Claims in New Mexico.** According to FEMA, from 2013 to 2023, one-third of NFIP flood insurance claims came from areas located outside of current high-risk flood areas. NFIP paid 96 claims in New Mexico, totaling \$7.1 million, in 2025, with the largest portion, 58 claims at \$6.4 million, coming out of Lincoln County. Between 2020 and 2025, NFIP has paid 336 claims in New Mexico, totaling \$23.8 million—a sharp increase compared to the 75 claims totaling \$1.8 million from 2015 and 2020.

**Mandatory Coverage.** As noted by the Public Regulation Commission (PRC), the bill requirement of mandatory coverage for flood damage policies may result in changes to the insurance market, including significant premium increases for policyholders as well as market exit by some insurers. The bill’s requirement that these costs be included for a period of five years after a wildfire has been controlled may further exacerbate these impacts by extending the duration of uncertainty and exposure for insurance carriers.

OSI notes that if SB154 is implemented, homeowner’s premiums could increase between 1 percent to 4 percent. For high wildfire propensity areas, the wildfire portion of the premium could increase by 50 percent, which would increase the total homeowner premium 10 to 40 percent. OSI notes that if OSI mandates, by rule, that flood coverage is an optional benefit, there would not be a statewide increase in insurance premiums and only those policy holders who opt to receive flood coverage would see a premium increase between 10 to 40 percent.

## CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB154 relates to House Bills 204 and 171 and Senate Bill 161. HB204 requires insurers using a wildfire risk model or catastrophe model to provide OSI with its modeling. HB171 enacts the Wildfire Fund Act, which would reimburse electric utilities for damages caused by wildfire. SB161 enacts the Wildfire Utility Mitigation and Liability Act, which enables PRC to approve cost recovery riders tied to a utility’s mitigation plan.

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