

LFC Requester:

Austin Davidson

AGENCY BILL ANALYSIS - 2026 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: 1-27-2026

Check all that apply:

Bill Number: SB154Original Correction Amendment Substitute Sponsor: Katy DuhiggAgency Name
and CodeOffice of Superintendent of
Insurance-440Short INSURANCE COVERAGE

Number:

Title: FOR WILDFIRE AND

Person Writing

Tim VigilPhone: 505-690-0651Email Tim.vigil@osi.nm.gov**SECTION II: FISCAL IMPACT****APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		
\$0	\$0	N/A	N/A

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28		
\$0	\$0	\$0	N/A	N/A

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	\$0	\$85	\$85	\$170	Recurring	

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:

Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: Senate Bill 154 (SB 154) adds a new section of Insurance Code to 59A, Article 18 requiring that property insurance coverage for loss from a wildfire must also include coverage for loss from related flood damage including landslides, debris flows, mud flows, mud slides or similar events, for five years after the wildfire loss and for policies issued beginning July 1, 2026.

FISCAL IMPLICATIONS

OSI expects to receive approximately 1200 rate filings in response to this change in law. OSI will need to add FTE at an estimated cost of \$85,300.00 per year to review rates, rules, and form filing.

SIGNIFICANT ISSUES

The Office of the Superintendent of Insurance (“OSI”) 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 (Hermit’s Peak/Calf Canyon, South Fork, and Salt Fires).

The Salt and South Fork wildfires in June 2024 destroyed more than 1,400 structures and covered over 15,000 acres. As noted by FEMA, areas impacted by wildfire are susceptible to flash flooding for up to five years due to hydrophobic soil. In Ruidoso and Ruidoso Downs, another 200 structures were lost from debris flow and flooding shortly after the wildfires. In July 2025, tragedy struck Lincoln County again, and 200 additional homes were lost because of flash flooding.

Primary insurance carriers exclude losses due to flooding in the residential homeowners’ policy, and therefore, residents of Lincoln County who lost their homes in the post wildfire flooding had no insurance coverage.

The bill intends to require homeowners’ insurance policies to cover losses caused by wildfire-related flooding to help New Mexicans recover after catastrophic wildfire events.

PERFORMANCE IMPLICATIONS

None identified.

ADMINISTRATIVE IMPLICATIONS

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

None.

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

If implemented, OSI’s best estimate is that

- Statewide, homeowner's premiums could increase 1%-4%.
- In high wildfire propensity areas, the wildfire portion of the premium could increase by 50%, which would increase the total homeowner premium by 10%-40%.

If OSI, by rule, only requires flood coverage to be an optional benefit, there would be no statewide increase, and only policyholders who selected the benefit would have a total premium increase of 10%-40%.

OSI plans to survey as part of the “Wildfire Study” to determine which option is preferred by policyholders*.

*Part of \$2M special appropriation for a study of the fire insurance market as part of the 2025 legislative session.

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If this bill does not pass, insurers can continue to include a clause in insurance contracts which the industry refers to as the “anti-concurrent cause clause,” which allows an insurance company to deny certain excluded risks (such as flood, mudslide, landslide, etc.), even when the damage was proximately caused by a covered risk (such as fire).

AMENDMENTS

None suggested.