

Wildfire Transparency and Mitigation



Courts, Corrections and Justice Committee
October 28, 2026

Transparency in the Model: Wildfire Risk and Insurance

OSI Support for Transparency and Mitigation

- The OSI is supportive of requirements related to wildfire transparency:
 - Rate filing support related to catastrophic wildfire models
 - Communication with consumers providing rationale for nonrenewal
 - Available discounts related to mitigation on carrier websites
- Technical changes are required to the Insurance Code to implement the bill.
- The industry is **voluntarily** recognizing the benefits of wildfire mitigation in rate filings through discounts and wildfire scoring used for premium determination.

Industry Rate Response to Mitigation

- Six of the ten largest market share homeowner insurance companies utilize wildfire mitigation in premium determination.
 - One gives an explicit Insurance Institute for Business and Home Safety (IBHS) Certification discount.
 - Two give Firewise Community level discounts.
 - Three use risk scoring algorithms which consider mitigation factors (roof type, defensible space, etc.) to vary the price in wildfire prone areas.
- The premium discount ranges from 3% to 18%
- An additional company is exploring IBHS certification discounts in 2027.
- Underwriting - multiple companies that are using IBHS certification in wildfire prone areas.

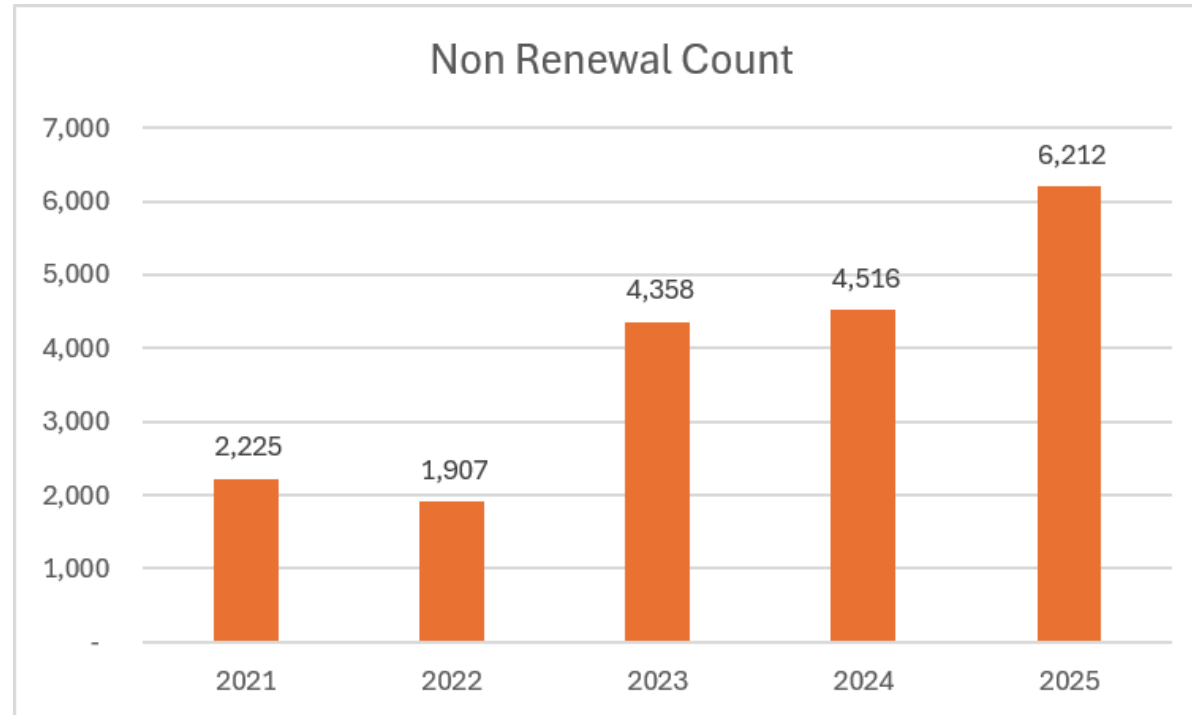
Catastrophe Models

- Most homeowners' companies use a modified version or a blend of the two commonly accepted catastrophe models.
 - RMS (Moody's)
 - AIR (Verisk)
- The models simulate scenarios to estimate the average loss in any given year as well as worst case scenarios (1 in 10-year events, 1 in 100-year events, etc.) for given geographic areas.
- These models have three components:

Phase	Purpose
Hazard	Simulate the catastrophic event
Damage	Link the exposure of the event to the damage based on property characteristics
Financial	Estimate financial impact of loss based on reinsurance and policy terms

- These models use variables such as vegetation cover and roof type in the damage phase of the model which capture the reduced wildfire exposure from mitigation activity.

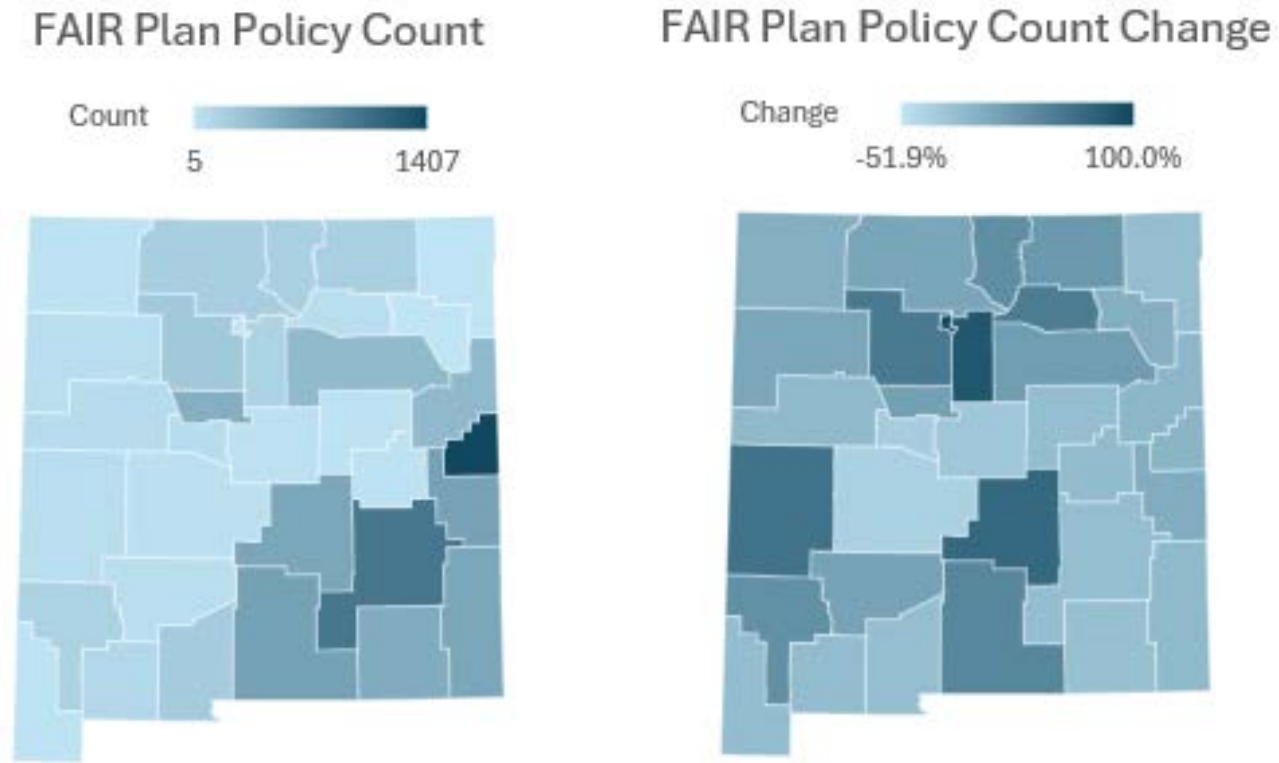
New Mexico Homeowners Nonrenewal Activity



- Nonrenewal activity continued to increase in 2025
- The largest increases in nonrenewal count were from wildfire prone counties (Rio Arriba, Sandoval, Santa Fe, Taos)
- OSI is working on a data call to collect 2026 nonrenewal by the end of November

Insurance Related To National Disasters

New Mexico FAIR Plan Growth



- The largest concentration of FAIR plan policies is in the southeast portion of the state. Wind and hail catastrophe prone counties of Chaves, Curry have the most policies, followed by Wildfire prone Lincoln and Otero.
- The most significant growth in the FAIR plan has been in wildfire prone areas. Lincoln, Los Alamos, Santa Fe, Mora, and Otero are seeing rapid growth.
- The FAIR plan has written 577 policies over \$350K since expanding coverage limits up to \$750K. The two counties with the most policies at the higher limits are in Lincoln and Otero counties.



- Class A Roof- including flat roof
- 0-5 Feet- Non-combustible area
- 1/8 inch screen on vents
- 6 inch vertical noncombustible from bottom of house
- 5-30 feet yard cleaning, removing connective fuels, and laddering

OSI Mitigation and Wildfire Study Special Appropriations

Mitigation

- \$10 million special appropriation for mitigation grants to FAIR Plan policy holders
 - Pilot program in Wimsatt
 - Focused on FAIR Plan homes in extreme wildfire areas
 - Cloudcroft
 - Jemez
 - Las Vegas/Mora
 - Socorro

Wildfire Study

- \$2 million special appropriation to study the fire insurance market
 - Oliver Wyman Study - Market Overview, Rate Activity, Cancellations
 - Zesty AI – High Risk Statewide Mapping
 - Taylor Healthcare Consulting - Indoor Smoke Study Following a Wildfire
 - New Mexico Research and Polling – Insurance and Mitigation Awareness
 - Garrity Group Public Relations - Awareness of Mitigation Benefits

OSI Proposed Wildfire Related Legislation

- Wildfire Burn Scar Flash Flood Endorsement
- Evacuation Funds - Emergency Powers
- Habitability and Wildfire Smoke – Additional Living Expense Benefits

Wildfire Burn Scar Flash Flood Endorsement

- 200 structures were lost from debris flow and flooding shortly after the South Fork and Salt Fires in 2024. In July 2025, another 200 Ruidoso homes were lost because of flash flooding.
- FEMA studies show that areas impacted by wildfire are susceptible to flash flooding for up to five years due to hydrophobic soil.
- OSI proposes to require homeowner insurers to offer an optional endorsement with the following language:
 - If a wildfire is a covered loss under the policy, an insurer shall also be liable for related flooding and flood damage, including mudflow, debris flow, mudslide, landslide or other similar event, for five years after the wildfire is one hundred percent contained.

Evacuation Funds - Emergency Powers

- Based on policyholder immediate needs to access policy additional living expense benefits
- Change to Emergency Powers Statute
- Issued only at the time of Governor's Emergency Order
- Provide for \$750 at initial evacuation for immediate needs
- \$350/day for lodging, food, and ongoing daily needs until evacuation is lifted

Habitability and Wildfire Smoke

- Utilizing part of its special appropriation, OSI commissioned a smoke study.
 - The study concludes that a home is not truly recovered when it looks restored. It is recovered when it supports the health of all the people who live there.
 - The health-based reoccupation protocol is a shared indoor air quality standard to determine when a residence is safe for reoccupation, especially for vulnerable residents i.e., infants, elderly, and health compromised occupants.
- Representative Gonzales indicated that she is considering habitability of a residence after a wildfire including access to water, power, and heat.
- Bill purpose to extend additional living expenses until residence meets habitability standards.