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## FISCAL IMPACT REPORT

SPONSOR Jaramillo LAST UPDATED \_\_\_\_\_  
ORIGINAL DATE 2/18/2025  
BILL  
SHORT TITLE Coverage for Certain Insurance Risks NUMBER Senate Bill 215  
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	No fiscal impact		

Parentheses ( ) indicate expenditure decreases.

\*Amounts reflect most recent analysis of this legislation.

### Sources of Information

LFC Files

Agency Analysis Received From  
Office of Superintendent of Insurance (OSI)  
New Mexico Office of the Attorney General (NMAG)

## SUMMARY

### Synopsis of Senate Bill 215

Senate Bill 215 (SB215) adds a provision to the insurance code requiring insurance contracts to include language clarifying coverage for losses caused by a combination of a covered risk and a specifically excluded risk. SB215 clarifies that losses would be covered if the risk was the efficient proximate cause of the loss and not be covered if the risk was only a remote cause of the loss.

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

SB215 has no fiscal impact.

## SIGNIFICANT ISSUES

SB215 amends Article 18-17 NMSA 1978 of the Insurance Code, which outlines requirements for insurance contracts, and adds an additional provision that addresses losses caused by a combination of a covered risk and a specifically excluded risk. This addresses the efficient proximate cause doctrine, which specifies that recovery will only be allowed if the covered cause

is the primary cause that produced the loss. For example, if a fire (a covered risk) damages a house, which then receives additional damage due to a mudslide (an excluded risk), and the insured individual could prove the fire was the main cause of the damage, the insurance company would cover the loss under SB215. On the other hand, if the mudslide (an excluded risk) was the primary cause and the fire was indirect, then the policy would not cover the loss.

This change is particularly relevant in cases involving natural disasters, where multiple contributing factors may be involved, and helps clarify coverage in complex claims where multiple factors contribute to the damage. OSI notes that if enacted, SB215 would prevent the property insurance industry from denying policyholder claims for damages to covered property due to a combination of covered and excluded risks. OSI also indicates that the agency received a significant increase in the number of complaints regarding insurance companies' failure to cover flood, mudflow, debris flow, landslide following the recent wildfires.

As noted by the New Mexico Office of the Attorney General (NMAG), New Mexico has neither adopted nor rejected the efficient proximate cause doctrine to address fault in tort cases. The bill would functionally adopt the doctrine by requiring contracts to provide for it. Two other states, California and North Dakota, have codified efficient proximate codified into statute.

JR/hj/SR