



## Administrative Office of the Courts

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Contact: Barry Massey, public information officer  
[bmassey@nmcourts.gov](mailto:bmassey@nmcourts.gov)  
505-470-3436

Supreme Court rules that postjudgment settlement partially offsets damages in a civil case

SANTA FE – The state Supreme Court today clarified the scope of a legal principle that in certain instances permits the party bringing a civil lawsuit to receive duplicate damages for a loss or injury.

In a unanimous opinion, the Court ruled that a person receiving payments from a defendant to settle a claim after a judgment in the case cannot recover the same damages from another defendant also liable for the wrongdoing.

Postjudgment settlement payments do not represent a “collateral source” of compensation qualifying as an exception to a prohibition in New Mexico law against the double recovery of damages for a plaintiff’s loss or injuries, the Court concluded. A decision by the Court decades ago determined that payments to settle a claim before a judgment are covered by the “collateral source rule,” which allows a plaintiff to receive the same monetary damages from a defendant and a “collateral source,” such as an insurer.

“Although our precedent has already limited the collateral source rule to prejudgment settlements, we clarify that the collateral source rule has no application to a postjudgment payment made by an adjudicated wrongdoer,” the Court wrote in a decision by Justice Michael E. Vigil.

The Court’s ruling resolved a dispute over monetary damages to a Bernalillo County man, Richard Gonzagowski, for a permanent lung condition he developed from exposure to mold contamination at his home after a company improperly cleaned up and remediated water damage from a hailstorm. He won a court judgment against his homeowner’s insurance carrier, Allstate Indemnity Company, and the business it contracted with for the remediation services, GEB, Inc., which operated as Steamatic of Albuquerque and Santa Fe, Inc.

A jury found that Gonzagowski suffered \$2.5 million in compensatory damages and that Steamatic caused 55 percent of the damages or \$1.375 million, with Allstate liable for 30 percent or \$750,000. Gonzagowski was responsible for the remaining 15 percent.

Allstate settled with Gonzagowski for an undisclosed amount to release it from the judgment. Gonzagowski then asked the district court to amend the judgment to hold Steamatic liable for \$2 million in damages. The court agreed. It also denied a request by Steamatic to offset the damage award by the \$750,000 the jury had allocated to Allstate. The court determined that the insurer's settlement was a collateral source of compensation.

Steamatic appealed and the state Court of Appeals reversed the district court, reducing the amount of damages that could be recovered from Steamatic. The Court of Appeals ordered the case back to the district court to offset Steamatic's damages by the actual amount of Allstate's postjudgment payment – not the \$750,000 in the damage allocation. Gonzagowski and Steamatic each asked the Supreme Court to review the decision.

The justices declined to expand the collateral source rule to cover postjudgment settlement payments.

“We agree that the proceeds from a policy of insurance purchased for the benefit of a plaintiff are commonly a collateral source. However, the jury found Allstate liable for causing the same damages that Plaintiff now seeks to recover from Steamatic,” the Court wrote. “We are not presented with the common circumstance of a blameless insurer compensating a plaintiff for damages caused by an unaffiliated wrongdoer. An adjudicated-liable defendant is not akin to an innocent collateral source.”

The Court concluded that Allstate's settlement payment “extinguished Plaintiff's right to recover those same damages from Steamatic.” The justice reversed part of the Court of Appeals ruling by determining that Steamatic's share of the damages must be reduced by \$750,000 “to reflect Allstate's satisfaction of these same damages allocated to Steamatic.” Under the court's opinion, Gonzagowski is entitled to \$1.25 million in compensatory damages from Steamatic. That does not include any pre- or postjudgment interest, costs and fees.

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To read the decision in *Gonzagowski v. Steamatic of Albuquerque*, No. S-1-SC-38872, please visit the New Mexico Compilation Commission's website using the following link:

<https://nmonesource.com/nmos/nmsc/en/item/521836/index.do>