

HOUSE BILL REPORT

HB 1416

As Reported by House Committee On:
Civil Rights & Judiciary

Title: An act relating to the reporting of debt information by insurers to enhance the collection of past-due child support.

Brief Description: Concerning the reporting of debt information by insurers to enhance the collection of past-due child support.

Sponsors: Representatives Walen and Santos.

Brief History:

Committee Activity:

Civil Rights & Judiciary: 2/9/21, 2/12/21 [DPS].

Brief Summary of Substitute Bill

- Requires insurers to exchange information with certain child support databases in order to intercept certain insurance claim payments for the collection of past-due child support.

HOUSE COMMITTEE ON CIVIL RIGHTS & JUDICIARY

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 14 members: Representatives Hansen, Chair; Simmons, Vice Chair; Gilday, Assistant Ranking Minority Member; Davis, Entenman, Goodman, Kirby, Klippert, Orwall, Peterson, Thai, Valdez, Walen and Ybarra.

Minority Report: Without recommendation. Signed by 3 members: Representatives Walsh, Ranking Minority Member; Graham, Assistant Ranking Minority Member; Abbarno.

Staff: Ingrid Lewis (786-7289).

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Background:

Parents have a legal duty to financially support their children. Child support is money paid by a parent to a party taking care of the children to help support the children. Child support obligations are established through the court or an administrative process with the Department of Social and Health Services (DSHS).

The DSHS Division of Child Support (DCS) is responsible for administering the state's child support enforcement program and provides services to establish, modify, and enforce child support orders. The DCS also collects child support from parents when the child is either receiving public assistance or is in foster care. Both federal and state law authorizes the DCS to enforce child support obligations through various means, including taking withholding actions against a responsible parent's wages and earnings, as well as placing a lien on assets and benefits, like insurance claim payments. The DCS may release an administrative support lien or return seized property if the debtor gives adequate assurance of payment.

Summary of Substitute Bill:

An insurance company that issues either a one-time lump sum or an installment payment that is over \$500 directly to a claimant for a bodily injury, wrongful death, workers' compensation, or life insurance claim must verify whether the claimant owes past-due child support to the Department of Social and Health Services (DSHS) or to a person receiving services from the Division of Child Support (DCS).

An insurer is required to submit information about a claimant either through an insurance claim data collection organization; the federal Office of Child Support Enforcement or the Child Support Lien Network; or the DCS, no later than 10 days after opening a claim.

If it is determined that the claimant owes child support and the insurer receives a notice of administrative support lien from the DSHS identifying the amount of debt owed, the insurer must withhold the amount specified and remit the amount to the DSHS within 20 days. The insurer must notify the claimant if any money from payment on a claim was remitted to the DSHS. An insurer may not delay the disbursement of a payment on a claim in order to comply with the requirements. In addition, an insurer is not required to comply if the notice of a lien on the claim is received after the payment has been disbursed. For claims paid through periodic payments, insurers must comply only with regard to any payments made after the receipt of notice.

Priority must be given to any lien, claim, or demand for reasonable attorney's fees, property damage, and medical expenses over any amount remitted to the DSHS.

An insurer may not be held liable in any civil or criminal action for the disclosure of

information to the DSHS or the DCS or for the withholding of any money from payment on a claim, if the acts were made in good faith. An insurer is immune from civil liability to a claimant for complying with a withholding order, a lien filed by the DSHS, or a combined lien and withholding order.

Any exchange of information between insurers and relevant entities must comply with applicable state and federal privacy protections.

The DSHS is authorized to enact rules necessary to implement and administer the act.

Substitute Bill Compared to Original Bill:

The substitute bill changes the timeframe in which an insurer must report a claim to the Division of Child Support (DCS) from 5 days to 10 days; replaces references to "insurance services office claim search" with "insurance claim data collection organization"; removes the notice provision to the claimant by the insurer if an administrative support lien is issued by the Department of Social and Health Services; adds property damage to the withholding exemption; removes reference to the Office of the Insurance Commissioner; clarifies that reporting to an insurance claim data collection organization satisfies the insurer's reporting requirement; and requires that any exchange of information between insurers and relevant entities must comply with applicable state and federal privacy protections.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: This act takes effect January 1, 2022.

Staff Summary of Public Testimony:

(In support) A 2019 report from the State Auditor's Office reported that \$2 billion is owed in back support. Every dollar of child support not paid is a burden on another party. This bill mandates a reporting tool mostly for proceeds from claims for pain and suffering. There are specific provisions that exempt money going towards medical bills. Twelve other states intercept insurance claims.

(Opposed) None.

Persons Testifying: Representative Walen, prime sponsor; and Jean Leonard, Washington Insurers, National Association of Mutual Insurance Companies, and State Farm Insurance.

Persons Signed In To Testify But Not Testifying: None.