

SENATE BILL REPORT

SHB 1416

As Reported by Senate Committee On:
Law & Justice, March 25, 2021

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: House Committee on Civil Rights & Judiciary (originally sponsored by Representatives Walen and Santos).

Brief History: Passed House: 3/1/21, 89-9.

Committee Activity: Law & Justice: 3/22/21, 3/25/21 [DPA].

Brief Summary of Amended Bill

- Requires insurance companies to submit information about a claimant to an insurance claim data collection organization for matching information with certain child support databases to intercept insurance claim payments for collection of past-due child support.

SENATE COMMITTEE ON LAW & JUSTICE

Majority Report: Do pass as amended.

Signed by Senators Pedersen, Chair; Dhingra, Vice Chair; Padden, Ranking Member; McCune, Assistant Ranking Member; Darneille, Holy, Kuderer, Salomon and Wagoner.

Staff: Shani Bauer (786-7468)

Background: The Department of Social and Health Services (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. DCS

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must provide services if a family is receiving assistance—Temporary Assistance to Needy Families (TANF)—or if a party who is not receiving assistance applies for services.

Both federal and state law authorizes DCS to enforce child support obligations through various means, including placing liens and intercepting various assets including bank accounts, insurance settlements, federal and state tax refunds, and lottery prizes. DCS may release an administrative support lien or return seized property if the debtor gives adequate assurance of payment.

The state of Rhode Island established the Child Support Lien Network in 1999 to extract data from delinquent child support obligor files into one accessible, easy-to-use database for asset matching, specifically, intercepting insurance settlements owed to delinquent child support obligors. The network was gradually expanded to include surrounding states and now other states may join the network through execution of an agreement with the State of Rhode Island.

Summary of Amended Bill: An insurance company that issues either a one-time lump sum or an installment payment 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 DSHS or to a person receiving services from 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 DCS, no later than ten days after opening a claim.

If it is determined the claimant owes child support and the insurer receives a notice of administrative support lien from DSHS identifying the amount of debt owed, the insurer must withhold the amount specified and remit the amount to DSHS within 20 days. An insurer may not delay the disbursement of a payment on a claim to comply with the requirements. 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 DSHS. An insurer may not be held liable in any civil or criminal action for disclosure of information to DSHS or DCS or for withholding 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 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. DSHS is authorized to enact rules necessary to implement and administer the act.

EFFECT OF LAW & JUSTICE COMMITTEE AMENDMENT(S):

- Eliminates the requirement that the insurer send notice to a claimant when the insurer withholds funds for payment of a child support lien.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill takes effect on January 1, 2022.

Staff Summary of Public Testimony on Substitute House Bill: *The committee recommended a different version of the bill than what was heard.* PRO: There is currently \$2 billion in unpaid child support in our state. The law currently gives DCS the ability to intercept insurance proceeds, but only if they know about them. This bill would address that by making reporting of insurance proceeds mandatory.

This issue has been hanging around for a long time. The insurance industry appreciates the opportunity to collaborate on language that has been workable in other states. This is the right thing to do and we are happy to support the bill. A small correction is needed to remove the notice to the claimant from the insurance company.

OTHER: DCS is very supportive of this tool and believes it will help increase collections. This bill offers a way for DCS to capture insurance proceeds to pay off child support debt. There are some modest up-front costs to implement the bill. We plan to work closely with insurance companies and other stakeholders to implement the law.

Persons Testifying: PRO: Representative Amy Walen, Prime Sponsor; Jean Leonard, Washington Insurers, NAMIC, State Farm.

OTHER: Sharon Redmond, Division of Child Support.

Persons Signed In To Testify But Not Testifying: No one.