

BILL ANALYSIS

Senate Research Center
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S.B. 1174
By: Eltife
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

In 1999, Rhode Island created a Child Support Lien Network (CSLN) designed to assist in the collection of past due child support. The CSLN now has 31 states participating and houses a database of 3.7 million delinquent child support obligors owing over \$80 billion in past-due support updated on a monthly basis by participating states. The database is used to intercept insurance settlements to pay delinquent child support obligations owed to children and families. Insurers are required to access the network before bodily injury claims are paid. These claims are typically associated with lawsuits arising from accidents and are commonly funded by liability insurance, including automobile liability coverages, general liability, and other types of liability insurance.

Most, if not all, states that require the intercept of insurance claims through lookups in the CSLN are only concerned with "liability" claims and not property damage claims. If the plaintiff in a liability claim is in arrears on child support, the liability insurer has to pay any settlement proceeds for a child support lien instead of paying them to the plaintiff.

First party property damage claims, where benefits are paid directly to the insured or a beneficiary, include auto physical damage coverage, homeowners, life insurance, disability income, annuities, health insurance, and personal contents policies. It is very uncommon for most states to require benefits paid under these policies to be "intercepted." Auto and homeowners insurers process hundreds of thousands of first party claims and the proceeds are typically paid to repair vehicles or homes that have been damaged. If property damage claims must be reported there will be a significant number of "false positives" where the Office of the Attorney General (OAG) will be provided reports when payments are actually being made to repair shops or body shops in order to repair vehicles or to contractors to repair damaged homes.

The problem was recognized by OAG when rules were adopted. The attorney general rules, codified in 1 Tex. Admin. Code Sec. 55.601 et. Seq., created exceptions when claims are paid directly to a repair shop. Unfortunately, reporting systems where insurers can look up to see if a policyholder is or may be delinquent in child support do not reflect when actual payments are made to do the repairs. S.B. 1174 seeks to conform statute to the Administrative Rules and thereby streamline the process of reporting claims to help maximize child support lien collection efficiency.

As proposed, S.B. 1174 amends current law relating to the property to which a child support lien attaches.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 157.317(a), Family Code, by providing that a child support lien attaches to all real and personal property not exempt under the Texas Constitution or other law, including certain assets, but excluding insurance claims for damage to real or personal property.

SECTION 2. Provides that a child support lien on insurance policy proceeds for a claim for damage to real or personal property that is in existence on the effective date of this Act is released by operation of law on that date.

SECTION 3. Effective date: upon passage or September 1, 2015.