



To: The Honorable Senator Tick Segerblom, Chair  
Senate Judiciary Committee

From: Mark Sektnan, Vice President, PCI  
Jeremy Merz, Vice President, AIA  
Christian John Rataj, Esq., Senior Director, NAMIC

Re: SB 34: Child Support Intercept of Insurance Claims  
**Trades Position: Concerns: Request for Amendments**

Date: Wednesday, February 15, 2017  
1:30 p.m., Room 2134

Chair Segerblom and Members of the Committee:

The American Insurance (AIA), the National Association of Mutual Insurance Companies (NAMIC) and the Property Casualty Insurers Association of America (PCI) must respectfully express some of our initial concerns with **SB 34**, as introduced on February 6, 2017. While we applaud the intent of the legislation and are committed to identifying solutions to these initial objections, we must, at this point, oppose the bill, unless amended. We strongly feel that the details of turning a currently-voluntary program into a mandatory one need significant attention. Member companies of the three trades write the majority of all property casualty insurance written in Nevada.

Recovering delinquent child support is clearly in the best interests of society, and of taxpayers who ultimately pay the costs of other government benefit programs that must be provided when such obligations go unpaid. The question of how to achieve this goal as it pertains to insurance claims proceeds must be approached carefully to avoid harming the vast majority of claimants who have no such delinquent obligation as well as avoiding adding to costs for insurers, costs that are ultimately paid by consumers (taxpayers) reflected in their insurance premiums.

### **Programs Already Exist Collect Child Support Liens**

There are currently two different programs that provide data matching services for child support enforcement agencies, CSLN and the US Department of Health and Human Services Office of Child Support Enforcement (OSCE). Both use existing insurer data to match with child support data, providing the matches to the child support enforcement agencies to file liens etc. According to both programs, the data based used *already contains claims reported by 90 percent* of the property casualty insurance industry. According to CSLN, its program is being used in 30 states, including Nevada and insurers who make up about 60 percent of the market (by direct written premium) are currently participating. The OSCE is a voluntary program involving 54

EXHIBIT H Senate Committee on Judiciary	
Date: 2-15-2017	Total pages: 3
Exhibit begins with: H1	thru: H3

states, territories and tribes, where insurers can either send data to OSCE to do the data match, receive data from OSCE to do the match themselves, or use a third party (such as ISO) to do the match. We believe that a voluntary program such as CSLN is a better approach than a mandated state program which may conflict with the existing programs.

### **Bill May Result in Administrative Burdens**

SB 34 is overly broad and may result in unnecessary administrative burden. The bill requires all insurers to provide information to the program on all claims over \$500. The amount should be increased to at least \$2,000 to ease the administrative burden on insurers. In addition, the word “claim” should be clarified and narrowed. As written, this bill would apply to claims involving medical treatment under both an auto insurance policy and a workers’ compensation policy. Placing a lien on medical care is clearly not in the best interest of the injured party and in the case of workers’ compensation could delay an injured workers return to work. The bill does place medical liens and attorney liens above child support liens but still requires these claims to be submitted to the program. The bill should be amended to clarify it does not apply to payments for medical treatment. The bill should also be amended to reflect that workers’ compensation indemnity payments are made on a regular basis. The bill should be amended to require carriers to submit the data prior to the initial claim, not every payment.

### **Bill May Result in Delayed Claims Payments and Penalties for Insurers**

According to the CSLN, less than one percent of claims for participating insurers will result in a match and less than 4 percent of all delinquent child support obligors will match an insurance claim. Therefore, the vast majority of claimants will not result in a match, yet may have their claim payments delayed during such a process. The provisions of the bill may also create conflicts between an insurer’s legal requirement to pay claims in a timely manner and the requirement in the bill that the claim be submitted to the program no less than thirty days prior to payment. Many of these claims are paid in a matter of days and any requirement to wait 30 days after exchanging information with the program will slow down the claims process and result in delayed claims for the vast majority of claimants who do not have liens. The provisions may also force the insurer to violate statutes in the Insurance Code that require payments to be made in a timely manner and open up the insurer to being penalized by the Division of Insurance in a market conduct examination because the payment was held up in order to avoid the penalty provisions of this proposal.

### **Insurers should be Provided with Immunity for Participating in State Mandated Program**

An insurer should be held harmless/immune from any civil liability for disclosing the information required by this bill to the Department. Since any such program requires the exchange of personally identifiable information, such as social security numbers, it is imperative that any such program includes not only protection for claimants, but immunity from legal action for insurers that provide such data in good faith.

Thank you for allowing us this opportunity to provide you these comments. Again, we in NO WAY support “Dead Beat Dad’s/Mom’s” from avoiding court ordered and socially responsible

payments and insurers currently participate in programs to address these issues. We would like to continue. We just want to work through the unintended consequences of SB34. If you have any questions please feel free to contact Mark Sektnan with PCI at (916) 440-1115, Jeremy Merz with AIA at (916) 442-7617 or Christian Rataj with NAMIC at (303) 907-0587.