

Introduced by Senator LeyvaFebruary 26, 2015

An act to add Article 7.5 (commencing with Section 13550) to Chapter 2 of Division 3 of the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

SB 585, as introduced, Leyva. Insurance payments: interception.

Existing law creates the Department of Child Support Services and provides for the interception of funds from state tax refunds, lottery winnings, unemployment compensation benefits, and benefits under the Public Employees' Retirement System that otherwise would be paid to a person owing past due child support. Existing law creates the Department of Insurance, headed by the Insurance Commissioner, and prescribes the department's powers and duties.

This bill would create the Insurance Payment Intercept Program within the Department of Insurance. The bill would require the Department of Insurance to consult with the Department of Child Support Services to develop a program requiring an insurer or a self-insurer, each as defined, to notify the Department of Child Support Services of a claim owed to a person owing a duty of child, spouse, or family support, defined as an "obligor." The bill would also require the Department of Insurance to establish a procedure identifying the types of claims that the commissioner determines to be properly subject to withholding to satisfy a child support obligation, and prescribing the duties of an insurer's or self-insurer's reporting obligations necessary to implement the bill's provisions.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Article 7.5 (commencing with Section 13550) is
2 added to Chapter 2 of Division 3 of the Insurance Code, to read:

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Article 7.5. Insurance Payment Interception

6 13550. In furtherance of the enforcement of child support
7 obligations in the state, and to enhance efforts to notify the
8 Department of Child Support Services when an obligor is owed
9 an insurance claim payment, this article establishes and authorizes
10 the Insurance Payment Intercept Program.

11 13552. The department shall consult with the Department of
12 Child Support Services to develop a program requiring an insurer
13 or a self-insurer to notify the Department of Child Support Services
14 of a claim owed to an obligor. The department shall establish a
15 procedure identifying the types of claims that the commissioner,
16 in his or her discretion, determines to be properly subject to
17 withholding to satisfy a child support obligation. That procedure
18 shall prescribe an insurer’s or self-insurer’s reporting obligations
19 necessary to implement this article. The department shall
20 incorporate into its written guidance each of the procedures set
21 forth in this section.

22 13554. For purposes of this article, the following terms have
23 the following meanings:

24 (a) “Insurer” means an organization organized for the purpose
25 of assuming the risk of loss under a contract of insurance or
26 reinsurance, and also includes any of the following organizations:

- 27 (1) An admitted insurer.
- 28 (2) A nonadmitted domestic insurer.
- 29 (3) A nonadmitted foreign insurer.
- 30 (4) A nonadmitted alien insurer.

31 (b) “Obligor” means a person owing a duty of support.

32 (c) “Self-insurer” means an individual public or private entity
33 that does not meet the definition of insurer in subdivision (a), but
34 that is authorized by this code or any other law to undertake to
35 indemnify itself against loss, damage, or liability arising from a
36 contingent or unknown event.

37 (d) “Support” means a support obligation owing on behalf of a
38 child, spouse, or family, or an amount owing pursuant to Section

1 17402 of the Family Code, and includes past due support or
2 arrearage when it exists. “Support,” when used with reference to
3 a minor child or a child described in Section 3901 of the Family
4 Code, includes maintenance and education.

5 13556. An insurer or self-insurer that reports information
6 pursuant to this article, or who acts in good faith to comply with
7 the rules or regulations implementing this article, is not liable for
8 those acts under any law to any person.

9 13558. Until January 1, 2019, the department may issue
10 guidance to an insurer or self-insurer regarding compliance with
11 this article. This guidance shall be exempt from the rulemaking
12 provisions of the Administrative Procedure Act (Chapter 3.5
13 (commencing with Section 11340) of Part 1 of Division 3 of Title
14 2 of the Government Code). Any guidance issued pursuant to this
15 section shall remain effective only until the earlier of January 1,
16 2019, or the effective date of regulations implementing this article
17 that are adopted by the department pursuant to the Administrative
18 Procedure Act. The department shall consult with the Department
19 of Child Support Services when issuing guidance pursuant to this
20 section.

21 13560. An insurer or self-insurer who violates this article shall
22 be deemed to have failed to carry out its contract in good faith
23 within the meaning of subdivision (b) of Section 704.

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