March 1, 2004

BULLETIN NO. 4-2004

TO: ALL LICENSED PROPERTY AND CASUALTY INSURERS
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS;
TRADE ASSOCIATIONS; AND OTHER INTERESTED PARTIES

FROM: ARKANSAS INSURANCE DEPARTMENT

SUBJECT: CHILD SUPPORT LIEN NETWORK (“CSLN”) INSURANCE
INTERCEPT PROJECT

Please be advised of the growing use of an innovative tool to collect past due child support, both here in Arkansas and nationwide. Quite simply put, it is an automated Insurance Intercept program called the Child Support Lien Network (CSLN).

CSLN, in conjunction with Insurance Services Offices (ISO), matches the claims data of individuals who have pending casualty claims with delinquent obligors in child support matters. The system was originally implemented in the State of Rhode Island as a solution for their state’s specific insurance claim intercept law. Due to its success as a solution, more states became interested and it subsequently expanded to include states across the country with Rhode Island becoming the host state for the system. Currently the network has 14 member states: Rhode Island, Arkansas, California, Connecticut, Florida, Illinois, Iowa, Maine, Nevada, New Jersey, Tennessee, Texas, Vermont, and Virginia. In addition, several more states are poised to become members in the upcoming year.

Under this system, CSLN serves as a valuable resource to both families and insurers. For children and families nationwide, CSLN identifies settlements that can be collected for past due child support. For insurers, CSLN provides an interface with one single database for insurance claim intercept. The impact on individual insurers is greatly minimized because with the CSLN process, insurers are not required to perform individual data matches with states. With an ISO interface doing the data matching and CSLN providing the quality assurance on the resultant matches, the insurers have only to react to the administrative liens and income withholding orders on a much smaller number of pending claims.

Child support agencies in each state post their delinquent child support obligor information in the CSLN network database, which is electronically matched daily with the claims registered by insurance companies with ISO ClaimSearch. When a claimant matches to a delinquent obligor, ISO passes on to CSLN the relevant claimant information, including the insurance company contact information. After a quality assurance process is completed, CSLN then distributes the match to the CSLN member
state with the claim information. The state then follows up with the insurance company involved by filing the appropriate administrative notice of lien or income withholding against the future settlement.

As of December 2003, the CSLN system contained nearly 2 million child support cases that owed in excess of $39 Billion in past due support. In Arkansas alone, the CSLN system has almost 50,000 delinquent obligor cases posted with just over 500 million dollars in past due support. When faced with the enormity of these facts and figures, it becomes clearly evident that the children and families in Arkansas need the support and participation from EVERY property casualty insurance company that does business in our state.

We recommend that you voluntarily participate in this worthwhile endeavor. We also support the CSLN concept as an alternative method to individual states developing their own systems and procedures for child support intercept. The creation of multiple systems would most certainly be more cumbersome than the CSLN approach and a more costly and administrative burden to all of us.

The success of the CSLN system has attracted the attention of the federal child support authorities. Federal Insurance Claims Intercept has been identified as a potential national initiative, in 2004, to help collect the burgeoning amount of past due child support for our nation’s children. At present, the federal child support officials are studying CSLN and an insurance initiative to decide whether CSLN is a solution that can support a national insurance intercept program. On August 14, 2003, CSLN had a very positive meeting with federal authorities in Office of Child Support Enforcement (OCSE) regarding this issue. The feds were very impressed with the flexibility the CSLN system affords for customization for each state as well as the Quality Assurance measures built in to their process to ensure that states receive information only on open, active claims. OCSE is now looking to the insurance industry for their continued cooperation. They are currently drafting legislation concerning the use of their delinquent obligor federal database to do insurance intercept in order to collect delinquent child support. The most significant federal concern about the current CSLN system is the relatively small number of companies that have signed up to share data voluntarily. In the United States as a whole, there is in excess of $92.3 Billion in past due support owed to 17.9 million of our nation’s children. That is a staggering sum to be owed to our nation’s future leaders! Current estimates reflect that more than $2 Billion in settlement payments made each year for personal injury and workers' compensation claims could be deferred to the claimants' children who are owed past due child support if all claim information were made available for matching with CSLN cases. If we desire to avoid federal mandates for insurance intercept, we need to support the voluntary CSLN process now by informing ISO to share our data with CSLN.

This is where insurance companies can make a significant difference in so many children's lives. CSLN is asking the insurance industry to join forces with them. Their organization is requesting the partnership and cooperation of all insurers in this endeavor. CSLN feels that if we can demonstrate to the OCSE how the insurance industry has partnered with them to operate a system that works for all of us, we can avoid new and tedious federal mandates to accomplish the same things. CSLN is encouraging companies to be proactive and voluntarily sign up with ISO now.
In order for ISO to match your data with CSLN they require your company's permission. If you have any questions about this project, or need information on how your company can join, CSLN suggests that you contact Ms. Linda Lemonds, CSLN Outreach Manager. She can be reached at 877.396.1550. As an alternative you can contact Mr. John Giknis with ISO ClaimSearch at 800.888.4476.

Our department will be kept apprised of any upcoming OCSE draft legislation and naturally we will seek your input on any suggested changes. Also, it would be helpful to provide the OCSE with comments as to the direction the industry would like to see the federal government take in this initiative for insurance intercept. Please contact me with your comments.

Effective date March 1, 2004.

(signed by Mike Pickens)

MIKE PICKENS
INSURANCE COMMISSIONER

(March 1, 2004)

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DATE