

- SUBJECT:** Relating to the settlement of certain claims on behalf of a minor.
- COMMITTEE:** Judiciary and Civil Jurisprudence — committee substitute recommended
- VOTE:** 9 ayes — Leach, Davis, Dutton, Julie Johnson, Krause, Middleton, Moody, Schofield, Smith
- 0 nays
- WITNESSES:** For — Jon Schnautz, National Association of Mutual Insurance Companies (NAMIC); George Christian, Texas Civil Justice League; (*Registered, but did not testify*: Joe Woods, American Property and Casualty Insurance Association; Tristan Castaneda Jr, Hochheim Praire Casualty Insurance Company; Lee Parsley, Texans for Lawsuit Reform)
- Against — None
- On — (*Registered, but did not testify*: Tiffany Roper, Department of Family and Protective Services)
- BACKGROUND:** Property Code sec. 141.008 authorizes certain persons who hold property of or owe a liquidated debt to a minor without a guardian to make an irrevocable transfer to a custodian for the benefit of the minor.
- Concerns have been raised regarding the significant expenses and amounts of time often spent when trying to reach small settlements involving minors. The lengthy court process sometimes prevents involved parties from receiving settlements in a timely manner, further congesting courts and creating burdens for all parties.
- DIGEST:** CSHB 903 would allow a person with legal custody of a minor to enter into a settlement agreement on behalf of the minor with a person against whom the minor had a claim if:
- a guardian or guardian ad litem had not been appointed for the minor;

- the total amount of the settlement was \$25,000 or less;
- the money to be paid would be paid under applicable provisions of the bill; and
- the person entering into the settlement agreement on behalf of the minor completed an affidavit or verified statement attesting that, after a reasonable inquiry, to the best of the person's knowledge, the minor would be fully compensated by the settlement, or that there was no practical way to obtain additional settlement amounts.

If an attorney was representing the person entering into the settlement on behalf of the minor, the attorney would be required to maintain the affidavit or verified statement attesting to the adequacy of the settlement until the second anniversary of the date after the minor turned 21.

Settlement funds. Money payable to a minor under a settlement agreement would have to be deposited into the registry of the court in which the civil action asserting the settled claim was filed, or if no claim was filed, into the registry of a court in which the claim could have been filed. A court order would not be required to make such a deposit.

Money deposited into the court registry could not be withdrawn, removed, paid out, or transferred to any person, including the minor, except pursuant to a court order, upon the minor turning 18, or on the minor's death.

If the settlement money was to be paid by the payment of premium to purchase an annuity, the payment would have to be made by direct payment to the annuity provider with the minor designated as the sole beneficiary of the annuity.

Binding effect of settlement. The signature of the person entering the settlement agreement on behalf of the minor would be binding on the minor without the need for further court action and would have the same force and effect as if the minor were a competent adult entering into the agreement.

Liability. A person acting in good faith on behalf of a minor would not be liable to the minor for the settlement money or for any other claim arising out of the settlement.

The person with whom the minor settled the claim would not be liable to the minor for any claim arising from the settlement if that person had settled in good faith.

Other provisions. A person holding debt incurred under a settlement agreement made under the provisions of the bill would not be authorized to make an irrevocable transfer to a custodian for the benefit of the minor.

The bill would take effect September 1, 2021, and would apply only to a settlement agreement entered into on or after that date.