ASSEMBLY BILL No. 1117

Introduced by Assembly Member Fuentes

February 27, 2009

An act to amend Section 11770 of the Insurance Code, relating to the State Compensation Insurance Fund.

legislative counsel's digest

AB 1117, as introduced, Fuentes. State Compensation Insurance Fund: board.

Existing law establishes the State Compensation Insurance Fund to be administered by a board of directors for the purpose of transacting workers' compensation insurance and other public employment related insurances, as specified. Under existing law, certain members of the board appointed by the Governor must have substantial experience in positions involving workers' compensation, financial, or other specified professional responsibilities.

This bill would delete the requirement that experience be substantial.

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

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

SECTION 1. Section 11770 of the Insurance Code is amended to read:

11770. (a) The State Compensation Insurance Fund is continued in existence, to be administered by its board of directors for the purpose of transacting workers' compensation insurance, and insurance against the expense of defending any suit for serious and willful misconduct, against an employer or his or her agent, and insurance to employees and other persons of the compensation fixed by the workers' compensation laws for employees and their dependents. Any appropriation made therefrom or thereto before the effective date of this code shall continue to be available for the purposes for which it was made.

(b) (1) The Board of Directors of the State Compensation Insurance Fund is composed of 11 members, nine of whom shall be appointed by the Governor. The Governor shall appoint the chairperson. One of the members appointed by the Governor shall be from organized labor. The members appointed by the Governor, other than the labor member, shall have ~~substantial~~ experience in positions involving workers' compensation, legal, investment, financial, corporate governance and management, accounting, or auditing responsibilities with entities of sufficient size as to make their qualifications relevant to an enterprise of the financial and operational size of the State Compensation Insurance Fund. At all times the board shall have a member with auditing background for the purposes of fulfilling the responsibility of the chair of the audit committee. A quorum is a majority of those appointed, provided that at no time shall a quorum be established with less than five members.

(2) The Speaker of the Assembly shall appoint one member who shall represent organized labor, and the Senate Committee on Rules shall appoint one member who shall have been a policyholder of the State Compensation Insurance Fund, or an officer or employee of a policyholder, for one year immediately preceding the appointment, and must continue in this status during the period of his or her membership.

(3) The Director of Industrial Relations shall be an ex officio, nonvoting member of the board, and shall not be counted as members of the board for quorum purposes or any other purpose.

(4) Notwithstanding subdivision (c), the initial term of the members of the board added in the 2008 portion of the 2007–2008 Regular Session shall be as follows:

(A) One of the members appointed by the Governor shall serve an initial term of two years, one shall serve an initial term of four years, and two shall serve an initial term of five years.

(B) The member appointed by the Senate Committee on Rules shall serve an initial term of four years.

(C) The member appointed by the Speaker of the Assembly shall serve an initial term of three years.

(c) The term of office of the members of the board, other than that of the director, shall be five years and they shall hold office until the appointment and qualification of their successors.

(d) (1) Each member of the board shall receive his or her actual and necessary traveling expenses incurred in the performance of his or her duties as a member and, with the exception of the ex officio members, one hundred dollars ($100) for each day of his or her actual attendance at meetings of the board.

(2) (A) Each member of the board appointed pursuant to paragraphs (1) and (2) of subdivision (b) shall receive the compensation fixed pursuant to subparagraph (B).

(B) Each board member described in subparagraph (A) shall be paid an annual compensation of fifty thousand dollars ($50,000), to be automatically adjusted beginning January 1, 2010, by multiplying the compensation in effect the prior June 30 by the percentage of inflation that occurred during the previous year, adding this amount to the annual compensation from the previous year, and rounding off the result to the nearest dollar. "Percentage of inflation" means the percentage of inflation specified in the Consumer Price Index for All Urban Consumers, as published by the Department of Industrial Relations, Division of Labor Statistics and Research, or its successor index.

(e) Each member of the board of directors shall attend training approved by the board of directors that covers topics, including, but not limited to, the duties and obligations of members of a board of directors, corporate governance, ethics, board of director legal issues, insurance, finance and investment, and information technology. The training shall be conducted by persons or entities not affiliated with the State Compensation Insurance Fund.

(f) No person who has had a direct or indirect interest in any transaction with the State Compensation Insurance Fund since the beginning of the last fiscal year of the fund, or who has a direct or indirect material interest in any proposed transaction with the fund, where the amount involved in the transaction exceeds one hundred twenty thousand dollars ($120,000) shall be eligible for appointment as a member of the board of directors of the fund. Once appointed, no member of the board of directors shall have a financial conflict of interest, as defined in Chapter 7 of Title 9 (commencing with Section 87100) of the Government Code. Every member shall be subject to Article 4 (commencing with Section 1090) of Chapter 1 of Division 4 of Title 1 of the Government Code, provided that the existence of a contract of insurance between the State Compensation Insurance Fund and the policyholder member appointed by the Senate Committee on Rules shall not constitute a conflict pursuant to this subdivision.

(g) The appointing authority of a member of the board may remove the member and make an appointment replacing the member for the duration of the term if the member ceases to discharge the duties of his or her office for the period of three consecutive board meetings.

(h) The board of the State Compensation Insurance Fund shall create, at a minimum, an audit committee, an investment committee, a corporate governance committee, and other committees as the board determines are necessary.

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