

AMENDED IN ASSEMBLY AUGUST 20, 2010

AMENDED IN SENATE APRIL 12, 2010

SENATE BILL

No. 1407

**Introduced by Committee on Banking, Finance and Insurance
(Senators Calderon (Chair), Cogdill, Correa, Cox, Florez, Kehoe,
Liu, Lowenthal, Padilla, Price, and Runner)**

February 19, 2010

An act to amend Section 11797 of the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

SB 1407, as amended, Committee on Banking, Finance and Insurance.
Insurance: State Compensation Insurance Fund: investments.

Existing law creates the State Compensation Insurance Fund administered by a 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. Existing law requires the board of directors to invest and reinvest, from time to time, all moneys in the State Compensation Insurance Fund in excess of current requirements, in the same manner as is authorized in certain provisions applicable to private insurance carriers.

This bill would expand the board's choices for the investment of excess moneys by allowing the board to invest or reinvest in additional investments in the same manner as provided for private insurance carriers, including, but not limited to, interest bearing obligations issued by a nonaffiliate institution, all deposits and debt obligations of banks

or savings and loan associations whose accounts are insured by an agency or instrumentality of the federal government, and bonds issued by any county, municipality, or school district in this state to represent assessments for local improvements authorized by law.

The bill would incorporate additional changes to Section 11797 of the Insurance Code, proposed by AB 1873 of the 2009–10 Regular Session, to be operative only if both bills are chaptered and become effective on or before January 1, 2011, and this bill is chaptered last.

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. Section 11797 of the Insurance Code is amended
2 to read:

3 11797. (a) The board of directors shall cause all moneys in
4 the State Compensation Insurance Fund that are in excess of current
5 requirements to be invested and reinvested, from time to time, in
6 the same manner as provided for private insurance carriers pursuant
7 to Article 3 (commencing with Section 1170) and Article 4
8 (commencing with Section 1190) of Chapter 2 of Part 2 of Division
9 1, but excluding Sections 1191, 1191.1, 1191.5, 1192.2, 1192.4,
10 1192.6, 1192.7, 1192.9, 1192.95, 1192.10, 1194.7, 1194.8, 1194.81,
11 1194.82, 1194.85, 1198, and 1199.

12 (b) (1) Notwithstanding any other provision of law, the State
13 Compensation Insurance Fund may purchase general obligation
14 bonds or other evidence of indebtedness issued by the state,
15 including, but not limited to, notes issued pursuant to Part 5
16 (commencing with Section 17300) of Division 4 of Title 2 of the
17 Government Code or warrants issued pursuant to Part 4
18 (commencing with Section 17000) of Division 4 of Title 2 of the
19 Government Code, in any amount and to enter into purchase
20 contracts with the state for this purpose.

21 (2) The bonds or other evidence of indebtedness specified in
22 paragraph (1), upon delivery to the State Compensation Insurance
23 Fund, shall, for all purposes, be valid and binding obligations of
24 the issuer thereof, be validly issued and outstanding in accordance
25 with their stated terms, and not be deemed to be owned by or on
26 behalf of the issuer thereof.

1 *SEC. 1.5. Section 11797 of the Insurance Code is amended to*
2 *read:*

3 11797. (a) The board of directors shall cause all moneys in
4 the State Compensation Insurance Fund ~~which~~ *that* are in excess
5 of current requirements to be invested and reinvested, from time
6 to time, in the same manner as provided for private insurance
7 carriers pursuant to Article 3 (commencing with Section 1170)
8 *and Article 4 (commencing with Section 1190) of Chapter 2 of Part*
9 *2 of Division 4, but excluding Sections 1191, 1191.1, 1191.5,*
10 *1192.2, 1192.4, 1192.6, 1192.7, 1192.9, 1192.95, 1192.10, 1194.7,*
11 *1194.8, 1194.81, 1194.82, 1194.85, 1198, and 1199.*

12 (b) (1) (A) Notwithstanding any other ~~provision~~ of law, the
13 State Compensation Insurance Fund may purchase general
14 obligation bonds or other evidence of indebtedness issued by the
15 state, including, but not limited to, notes issued pursuant to Part 5
16 (commencing with Section 17300) of Division 4 of Title 2 of the
17 Government Code or warrants issued pursuant to Part 4
18 (commencing with Section 17000) of Division 4 of Title 2 of the
19 Government Code, in any amount and to enter into purchase
20 contracts with the state for this purpose.

21 (B) *Notwithstanding any other law, the State Compensation*
22 *Insurance Fund may purchase Property Assessed Clean Energy*
23 *(PACE) bonds, as defined in Section 26104 of the Public Resources*
24 *Code.*

25 (2) The bonds or other evidence of indebtedness specified in
26 paragraph (1), upon delivery to the State Compensation Insurance
27 Fund, shall, for all purposes, be valid and binding obligations of
28 the issuer thereof, be validly issued and outstanding in accordance
29 with their stated terms, and not be deemed to be owned by or on
30 behalf of the issuer thereof.

31 *SEC. 2. Section 1.5 of this bill incorporates amendments to*
32 *Section 11797 of the Insurance Code proposed by both this bill*
33 *and AB 1873. It shall only become operative if (1) both bills are*
34 *enacted and become effective on or before January 1, 2011, (2)*
35 *each bill amends Section 11797 of the Insurance Code, and (3)*
36 *this bill is enacted after AB 1873, in which case Section 1 of this*
37 *bill shall not become operative.*

O