

AMENDED IN SENATE JUNE 27, 2011

AMENDED IN SENATE JUNE 16, 2011

AMENDED IN SENATE JUNE 2, 2011

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

ASSEMBLY BILL

No. 228

Introduced by Assembly Member Fuentes

February 2, 2011

An act to amend Section 11780.5 of the Insurance Code, relating to the State Compensation Insurance Fund.

LEGISLATIVE COUNSEL'S DIGEST

AB 228, as amended, Fuentes. State Compensation Insurance Fund: out-of-state risks.

Existing law creates the State Compensation Insurance Fund administered by a board of directors for the purpose of transacting workers' compensation insurance, insurance against the expense of defending any suit for serious and willful misconduct against an employer or his or her agent, and insurance for employees and other persons for the compensation fixed by the workers' compensation laws for employees and their dependents. Existing law authorizes the fund to insure a California employer against the employer's liability for workers' compensation benefits, under the law of any other state, for California employees temporarily working outside of California on a specific assignment if the fund insures the employer's other employees who work within California.

This bill would expand that authorization so that the fund would be authorized to insure a qualified employer whose principal place of business is in California against the employer's liability for workers'

compensation benefits, under the law of any other state, if the fund insured the employees who work within California, as specified. The bill would require the Department of Insurance, on or before March 1, 2015, to report to the Assembly Committee on Insurance and the Senate Committee on Insurance regarding the experience of the fund in engaging in these transactions and make recommendations, as provided. *The bill would prohibit the fund from initiating paid advertising or soliciting sponsorship of advertising campaigns to market or promote to prospective insureds the ability to insure qualified employers under the law of any other state and would make specified provisions inoperative on December 31, 2016.*

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 11780.5 of the Insurance Code is
2 amended to read:
3 11780.5. (a) The fund may also insure a California employer
4 against his or her liability for workers' compensation benefits,
5 under the law of any other state, for California employees
6 temporarily working outside of California on a specific assignment
7 if the fund insures the employer's other employees who work
8 within California.
9 (b) (1) The fund is only authorized under this subdivision to
10 insure an employer whose principal place of business is in
11 California, provided the majority of the employer's operations and
12 employees are located within California, against his or her liability
13 for workers' compensation benefits, under the law of any other
14 state, if the fund insures the employer's employees who work
15 within California.
16 (2) The fund is only authorized to transact insurance pursuant
17 to this subdivision by contract with an insurer that *has responded*
18 *to a request for proposal from the fund* and is admitted to transact
19 workers' compensation insurance in California and in the
20 out-of-state jurisdiction where the non-California employees are
21 located. The fund may only contract with an admitted insurer for
22 purposes of this subdivision if the insurer meets all of the following
23 criteria:

1 (A) The insurer has an A minus (A-) rating or better from A.M.
2 Best Company.

3 (B) The insurer has substantial prior experience in transacting
4 workers' compensation business on another insurer's behalf in a
5 fronting arrangement.

6 (C) The insurer has a minimum surplus of one hundred million
7 dollars (\$100,000,000).

8 (c) ~~(1)~~ On or before March 1, 2015, the Department of Insurance
9 shall provide to the Assembly Committee on Insurance and the
10 Senate Committee on Insurance a report assessing the experience
11 of the fund that is authorized pursuant to this subdivision and shall
12 make recommendations concerning its continuation, limitation, or
13 expansion with special attention to the extent of advantages this
14 practice offers California employers, the California workers'
15 compensation marketplace, and the impact of this class of
16 insurance, whether pro or con, on the fund, its management, and
17 the California marketplace. The costs incurred by the Department
18 of Insurance in the assessment, writing, and publication of this
19 report shall be provided by the fund.

20 ~~(2) The requirement for submitting a report imposed under this~~
21 ~~subdivision is inoperative on March 1, 2019, pursuant to Section~~
22 ~~10231.5 of the Government Code.~~

23 *(d) The fund shall not initiate paid advertising or solicit*
24 *sponsorship of advertising campaigns to market or promote to*
25 *prospective insureds the ability to insure qualified employers under*
26 *the law of any other state.*

27 *(e) Subdivisions (b), (c), and (d) shall be operative only until*
28 *December 31, 2016.*

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