

Introduced by Senator Monning

February 13, 2014

An act to amend Section 5005.1 of the Corporations Code, relating to corporations.

LEGISLATIVE COUNSEL'S DIGEST

SB 1011, as introduced, Monning. Nonprofit corporations: self-insurance.

The Nonprofit Corporation Law authorizes certain nonprofit corporations that are organized chiefly to provide health or human services, other than hospitals, to establish an insurance pool to self-insure against various risks, including, among others, tort liability and any loss arising from physical damage to motor vehicles owned or operated by the nonprofit corporation.

This bill would extend these provisions to authorize the establishment of an insurance pool to self-insure against the loss or damage to property of every kind, including, but not limited to, losses and expenses related to the loss of property.

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

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

1 SECTION 1. Section 5005.1 of the Corporations Code is
2 amended to read:
3 5005.1. (a) Except for a liability which may be insured against
4 pursuant to Division 4 (commencing with Section 3200) of the
5 Labor Code, an authorized corporation may do any of the
6 following:

1 (1) Insure itself against all or any part of any tort liability.

2 (2) Insure any employee of the corporation against all or any
3 part of his or her liability for injury resulting from an act or
4 omission in the scope of employment.

5 (3) Insure any board member, officer, or volunteer of the
6 corporation against any liability that may arise from any act or
7 omission in the scope of participation with the corporation.

8 (4) Insure itself against any loss arising from physical damage
9 to motor vehicles owned or operated by the corporation.

10 (5) *Insure itself against the loss or damage to property of every*
11 *kind, including, but not limited to, losses and expenses related to*
12 *the loss of property.*

13 (b) The insurance authorized pursuant to this section shall only
14 be available to an authorized corporation where that corporation
15 has joined with two or more other authorized corporations in an
16 arrangement providing for the pooling of self-insured claims or
17 losses. The pooling arrangement shall not be considered insurance
18 nor be subject to regulation under the Insurance Code.

19 (c) Nothing in this section shall be construed to authorize a
20 corporation organized pursuant to this division to pay for, or to
21 insure, contract, or provide for payment for, any part of a claim or
22 judgment against an employee of the corporation for punitive or
23 exemplary damages.

24 (d) Any insurance pool established pursuant to this section shall
25 have initial pooled resources of not less than two hundred fifty
26 thousand dollars (\$250,000).

27 (e) All participating corporations in any pool established
28 pursuant to this section must agree to pay premiums or make other
29 mandatory financial contributions or commitments necessary to
30 ensure a financially sound risk pool.

31 (f) For the purpose of this section, an authorized “corporation”
32 means any corporation that meets all of the following criteria:

33 (1) Is organized chiefly to provide or fund health or human
34 services, but does not include a hospital.

35 (2) Is exempt from *federal income taxation under paragraph (3)*
36 *of subsection (e) of Section 501 as an organization described in*
37 *Section 501 (c)(3) of the United States Internal Revenue Code.*