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AB-2887 State Compensation Insurance Fund: out-of-state risks. (2015-2016)

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Assembly Bill No. 2887

CHAPTER 206

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

[Approved by Governor August 26, 2016. Filed with Secretary of State August 26, 2016.]

LEGISLATIVE COUNSEL'S DIGEST

AB 2887, Committee on Insurance. 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. Existing law also provides, among other things, that, until December 31, 2016, the fund is only authorized, pursuant to the above provisions, to insure a qualified employer whose principal place of business is in California, provided the majority of the employer's operations and employees are located within California, against the employer's liability for workers' compensation benefits, under the law of any other state, if the fund insures the employees who work within California. The fund is prohibited, until December 31, 2016, 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.

This bill would delete the requirement that the above provisions be inoperative as of December 31, 2016. The bill would also delete obsolete provisions.

Vote: majority Appropriation: no Fiscal Committee: no Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 11780.5 of the Insurance Code is amended to read:

11780.5. (a) The fund may also insure a California employer against his or her 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.

(b) (1) The fund is only authorized under this subdivision to insure an employer whose principal place of business is in California, provided the majority of the employer's operations and employees are located within California, against his or her liability for

workers' compensation benefits, under the law of any other state, if the fund insures the employer's employees who work within California.

(2) The fund is only authorized pursuant to this subdivision to contract as a reinsurer with a ceding insurer that has responded to a request for proposal from the fund and is admitted to transact workers' compensation insurance in California and in the out-of-state jurisdiction where the non-California employees are located. The fund may only contract for purposes of this subdivision if the ceding insurer meets all of the following criteria:

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

(B) The insurer has substantial prior experience in transacting workers' compensation business on another insurer's behalf.

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

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