

AMENDED IN ASSEMBLY MARCH 25, 2008

CALIFORNIA LEGISLATURE—2007—08 REGULAR SESSION

ASSEMBLY BILL

No. 1874

Introduced by Assembly Member Coto

February 4, 2008

An act to amend Sections 11770 and 11785 of, and to repeal Section 11770.5 of, the Insurance Code, relating to workers' compensation insurance.

LEGISLATIVE COUNSEL'S DIGEST

AB 1874, as amended, Coto. State Compensation Insurance Fund.

Existing law provides for the existence of the State Compensation Insurance Fund 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. Existing law provides that the board of directors of the State Compensation Insurance Fund is composed of 5 members, one of whom shall be from organized labor, appointed by the Governor. Existing law provides that the Governor shall appoint the chairperson who shall serve at the pleasure of the Governor, and makes the Director of Industrial Relations, the Speaker of the Assembly, and the President pro Tempore of the Senate, or their designees, ex officio, nonvoting members of the board. Existing law requires each board member to have been a policyholder or an employee or member of a policyholder in the fund, as specified, and to remain in that status during board membership.

This bill would provide that the board of directors of the State Compensation Insurance Fund is composed of 9 members, 7 of whom shall be appointed by the Governor, ~~2 of whom shall be from organized labor~~. *The members appointed by the Governor would be required to have substantial experience in private sector positions, as specified. The Governor would appoint the chairperson.* The Speaker of the Assembly would appoint one member *who would represent organized labor*, and the Senate Committee on Rules would appoint one member *who shall have been a policyholder of the State Compensation Insurance Fund, as specified.* This bill would provide for the terms of office of board members, as specified, ~~and provide that a majority of board members, other than the ex officio members, shall have been policyholders or the employees or members of a policyholder in the fund for one year immediately preceding the appointment, and must continue in this status during the period of his or her membership. This bill would provide that the lack of a majority of members who are policyholders or the employees or members of a policyholder in the fund, as specified, does not prevent the board of directors of the fund from meeting and conducting business so long as a quorum is present.~~

Existing law provides that members of the board shall receive their actual and necessary traveling expenses incurred while performing their duties, and with the exception of ex officio members, \$100 per day they attend meetings.

This bill would provide that members appointed by the Governor receive compensation fixed by the California Citizens Compensation Commission, as specified.

Existing law provides that the board of directors shall appoint a president of the fund and fix his or her salary. The president shall manage and conduct the business and affairs of the fund under the general direction and subject to the approval of the board of directors, and shall perform other duties as the board of directors prescribes.

This bill would provide that the board of directors shall appoint *a general counsel, a chief technology officer*, a chief financial officer, and a chief investment officer and fix their salaries. Each officer would perform duties as the board directs.

Existing law provides that the board of directors of the fund is not a “state body,” as defined.

This bill would repeal that provision.

Existing law, the Bagley-Keene Open Meeting Act, provides that the meetings of state bodies, as defined, generally be open to the public,

noticed, and provides, among other things, the public the opportunity to address the state body on agenda items. Existing law, the California Public Records Act, provides for public access to the records of state agencies, as specified. Existing law exempts the board from each of these acts.

This bill would repeal those exemptions, and would explicitly make the board subject to the Bagley-Keene Open Meeting Act.

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 11770 of the Insurance Code is amended
2 to read:

3 11770. (a) The State Compensation Insurance Fund is
4 continued in existence, to be administered by its board of directors
5 for the purpose of transacting workers' compensation insurance,
6 and insurance against the expense of defending any suit for serious
7 and willful misconduct, against an employer or his or her agent,
8 and insurance to employees and other persons of the compensation
9 fixed by the workers' compensation laws for employees and their
10 dependents. Any appropriation made therefrom or thereto before
11 the effective date of this code shall continue to be available for the
12 purposes for which it was made.

13 (b) (1) The board of directors of the State Compensation
14 Insurance Fund is composed of nine members, seven of whom
15 shall be appointed by the ~~Governor, including two who shall be~~
16 ~~from organized labor~~ Governor. The Governor shall appoint the
17 ~~chairperson who shall serve at the pleasure of the Governor.~~
18 *chairperson. The members appointed by the Governor shall have*
19 *substantial experience in private sector positions involving*
20 *workers' compensation, legal investment, investment, financial,*
21 *corporate governance and management, accounting, or auditing*
22 *responsibilities with companies of sufficient size as to make their*
23 *qualifications relevant to an enterprise of the financial and*
24 *operational size of the State Compensation Insurance Fund.*

25 (2) The Speaker of the Assembly shall appoint one member
26 *who shall represent organized labor*, and the Senate Committee
27 on Rules shall appoint one member *who shall have been a*
28 *policyholder of the State Compensation Insurance Fund for one*

1 *year immediately preceding the appointment, and must continue*
 2 *in this status during the period of his or her membership.* ~~The~~

3 (3) *The Director of Industrial Relations, the Speaker of the*
 4 *Assembly, and the President pro Tempore of the Senate, or their*
 5 *designees, shall be ex officio, nonvoting members of the board,*
 6 *and shall not be counted as members of the board for quorum*
 7 *purposes or any other purpose.*

8 (4) *Notwithstanding subdivision (c), the initial term of two of*
 9 *the directors appointed by the Governor shall be five years, the*
 10 *initial term of two of the directors appointed by the Governor shall*
 11 *be six years, and the initial term of one of the directors appointed*
 12 *by the Governor shall be eight years.*

13 (c) *The term of office of the members of the board, other than*
 14 *that of the director, the Speaker of the Assembly, and the President*
 15 *pro Tempore of the Senate, shall be ~~five~~ seven years and they shall*
 16 *hold office until the appointment and qualification of their*
 17 *successors. ~~successors, except for the following:~~*

18 ~~(1) The term of office of the first additional member from~~
 19 ~~organized labor appointed by the Governor pursuant to amendment~~
 20 ~~of this section effective January 1, 2009, shall expire on January~~
 21 ~~15, 2011.~~

22 ~~(2) The term of office of the second additional member from~~
 23 ~~organized labor appointed by the Governor pursuant to amendment~~
 24 ~~of this section effective January 1, 2009, shall expire on January~~
 25 ~~15, 2012.~~

26 ~~(3) The term of office of the member first appointed by the~~
 27 ~~Senate Committee on Rules pursuant to this section effective~~
 28 ~~January 1, 2009, shall expire on January 15, 2013.~~

29 ~~(4) The term of office of the member first appointed by the~~
 30 ~~Speaker of the Assembly pursuant to this section effective January~~
 31 ~~1, 2009, shall expire on January 15, 2014.~~

32 (d) (1) *Each member of the board appointed pursuant to*
 33 *paragraphs (2) and (3) of subdivision (b) shall receive his or her*
 34 *actual and necessary traveling expenses incurred in the performance*
 35 *of his or her duty as a member and, with the exception of the ex*
 36 *officio members, one hundred dollars (\$100) for each day of his*
 37 *or her actual attendance at meetings of the board. ~~In order to qualify~~*
 38 *for membership on the board, a majority of the members, other*
 39 *than the ex officio members, shall have been policyholders or the*
 40 *employees or members of a policyholder in the State Compensation*

1 ~~Insurance Fund for one year immediately preceding the~~
2 ~~appointment, and must continue in this status during the period of~~
3 ~~his or her membership. However, the lack of a majority of members~~
4 ~~who are policyholders or the employees or members of a~~
5 ~~policyholder in the State Compensation Insurance Fund for one~~
6 ~~year immediately preceding the appointment, and who must~~
7 ~~continue in this status during the period of his or her membership,~~
8 ~~does not prevent the board of directors of the fund from meeting~~
9 ~~and conducting business so long as a quorum is present.~~

10 (2) (A) *Each member of the board appointed pursuant to*
11 *paragraph (1) of subdivision (b) shall receive his or her actual*
12 *and necessary traveling expenses incurred in the performance of*
13 *his or her duty as a member, and the compensation fixed pursuant*
14 *to subparagraph (B).*

15 (B) *The compensation for members of the board appointed*
16 *pursuant to paragraph (1) of subdivision (b) shall be fixed by the*
17 *California Citizens Compensation Commission established by*
18 *Section 8 of Article III, and any costs incurred by the commission*
19 *in carrying out this requirement shall be paid by the State*
20 *Compensation Insurance Fund. In determining the compensation*
21 *for members of the board, the commission shall give due*
22 *consideration to the factors specified in the California Constitution,*
23 *to the extent relevant, but shall also give due consideration to the*
24 *compensation paid to directors of entities similar to the State*
25 *Compensation Insurance Fund, and to directors of private*
26 *companies of similar size as the State Compensation Insurance*
27 *Fund.*

28 (e) The board shall be subject to the Bagley-Keene Open
29 Meeting Act, Article 9 (commencing with Section 11120) of
30 Chapter 1 of Part 1 of Division 3 of Title 2 of the Government
31 Code.

32 SEC. 2. Section 11770.5 of the Insurance Code is repealed.

33 SEC. 3. Section 11785 of the Insurance Code is amended to
34 read:

35 11785. The board of directors shall appoint a president, a
36 *general counsel, a chief technology officer, chief financial officer,*
37 *and a chief investment officer of the fund and fix their salaries.*
38 The president shall manage and conduct the business and affairs
39 of the fund under the general direction and subject to the approval

- 1 of the board of directors. Each of these officers shall perform duties
- 2 as the board of directors prescribes.

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