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SB 604 (Hall) Workers Compensation – Contracted Employees
FACT SHEET

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ISSUE

The California Insurance Guarantee Association (CIGA) pays the claims of insolvent insurance carriers that are licensed in the state. In the last few years, CIGA has taken the position that the insolvency of a general employer's Workers' Compensation carrier does not result in a "covered claim." Instead, CIGA believes that in such a situation the entity that contracts with the general employer becomes liable for the Workers' Compensation claims of the contracted, temporary workers.

This nullification of CIGA's protections exposes self-insured governmental agencies like the County of Los Angeles (County), acting as special employers, to millions of dollars in duplicate workers' compensation and litigation costs for liabilities that were legally insured. All such contracts require the contracted service agency to maintain workers' compensation insurance and contain related provisions indemnifying the County. The cost of Workers' Compensation premiums are calculated in establishing temporary service agency contract rates paid by the County. Due to CIGA's non-covered claim argument, the County has been exposed to and will incur millions of dollars in duplicate workers' compensation liabilities and could impact all self-insured governmental entities throughout California.

SOLUTION

SB 604 will clarify that in the that event a self-insured governmental entity contracts with a general employer whose workers' compensation carrier becomes insolvent, CIGA would be responsible for the Workers' Compensation liability.

This bill will protect the legal interests of self-insured government entities and the fiscal integrity of taxpayer monies by ensuring that employers are not exposed to duplicate workers' compensation liabilities.

SUPPORT

Los Angeles County (Sponsor)
Rural Counties Caucus
Urban Counties Caucus