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Date: November 4, 2016

**TO: MEMBERS, GOVERNANCE COMMITTEE**

<b>I. AGENDA ITEM # AND TITLE :</b>	Open Agenda Item 4 – Governance, Compliance and Privacy Update
<b>II. NAME AND PROGRAM:</b>	Governance, Compliance & Privacy (GCP) Office
<b>III. ACTIVITY:</b>	<input type="checkbox"/> Informational <input type="checkbox"/> Request for Direction <input checked="" type="checkbox"/> Action Proposed <input type="checkbox"/> Exploratory
<b>IV. JUSTIFICATION:</b>	<input checked="" type="checkbox"/> Standard/Required Item <input type="checkbox"/> Board Request – New Item <input type="checkbox"/> New Topic from Staff

**V. EXECUTIVE SUMMARY:**

GCP requests approval for revisions to the following policies:

- Business Ethics
- Complaint Reporting and Anti-Retaliation
- Statement of Economic Interests.

Compliance reporting includes the following:

- New legislation passed related to California privacy laws and the California Public Records Act
- Updated and expanded State Fund Charter
- A summary of reported ethics and privacy related issues.

**VI. ANALYSIS:** The following summarizes compliance related activity for the period and is in alignment with the Compliance Model<sup>1</sup>:

**Clear Written Standards of Conduct, Policies & Procedures**

**A. Requests for approval – Revisions to Policies supporting the Code of Conduct**

1. Complaint Reporting and Anti-Retaliation EC&F 2.1.
2. Business Ethics EC&F 2.3.
3. Statements of Economic Interest EC&F 2.4.

Material<sup>2</sup> policy changes include: (1) Clarifying and re-defining the term “Use of Official Authority or Influence”. (2) Re-stating the policy’s purpose statement to better support State Fund’s values and culture of ethical conduct. (3) Re-stating the Commitment to Disclosure policy statement.

<sup>1</sup> All Governance reports are grounded in State Fund’s Compliance Framework – resource USSG Ch. 8 Part B2.1(b)

<sup>2</sup> A material policy change is one affecting either or both of (i) an aspect of the policy impacting State Fund’s authority, or (ii) the responsibilities or the duties, rights, or responsibilities of Workforce members.

## **B. State Fund Charter – Regulatory Compliance Overview Expansion & Update**

The Charter has been expanded to encompass California statutes in addition to the California Constitution and Insurance Code which specifically include or exclude or mention State Fund.

## **C. New Legislation – Privacy effective 1/1/2017**

### **a. AB 2828 (Chau)**

A new instance has been defined when notification of a breach of the security system is required. Notification now includes the disclosure of, or reasonable belief of the unauthorized disclosure of, an encryption key or security credential which would allow access to personal information. The bill is effective 1/1/2017 and amends the California Civil Code<sup>3</sup>.

#### **Operational Impact –**

The law defines another security instance requiring notification, which could increase legal, financial, regulatory, and reputation risks associated with a new security instance. Increased organization awareness about separate transmission of encryption keys and the personal information status of security credentials is required to limit these risks.

### **b. AB 1671 (Gomez)**

The bill: (1) Amends the California Penal Code<sup>4</sup> to increase the fine to \$2,500 per instance for violating consent requirements for recording calls.

(2) Adds a section to the Penal Code<sup>5</sup> defining the fine per violation of \$2,500 or imprisonment or both for intentional disclosure of confidential communications with healthcare providers obtained in violation of the Penal Code.

#### **Operational impact –**

Review all recording consent agreements for statutory alignment.

## **D. New Legislation – California Public Records Act (CPRA) effective 1/1/2017**

### **a. AB 2843 (Chau)**

The bill (1) Amends the California Government Code<sup>6</sup> to exempt from classification as public records and exempt from public inspection all state employee personal cellular telephone numbers and birthdates. (2) Limits access to personal and emergency contact information.

#### **Operational Impact –**

State Fund must redact as non-public these data elements before producing a record requested under CPRA. For data classification purposes, these types of records should be classified as non-public.

### **b. AB 2853 (Gatto)**

The bill amends the California Government Code to allow direction to an agency's external facing website via a web link for publicly available records which may be posted on the site.

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<sup>3</sup> Cal. Civil Code §§ 1798.29(a) and 1798.82(a)

<sup>4</sup> Cal. Penal Code § 632(a)

<sup>5</sup> Cal. Penal Code § 632.01

<sup>6</sup> Cal. Gov't Code § 6254.3(a)

**Operational Impact –**

State Fund aligns with publicly traded agencies by posting on its external site its Annual Report, statutory financial reports and Code of Conduct. The Public Records Office will now be able to provide a web link to the records if such a request is made.

**c. SB 441 (Wolk)**

The bill adds a California Government Code<sup>7</sup> section to exempt from classification as a public record a unique vendor or contractor identifying code.

**Operational Impact –**

None. Unique vendor identification is for internal use only and redacted prior to production of records requested under CPRA.

**Effective Training, Communication, and Awareness**

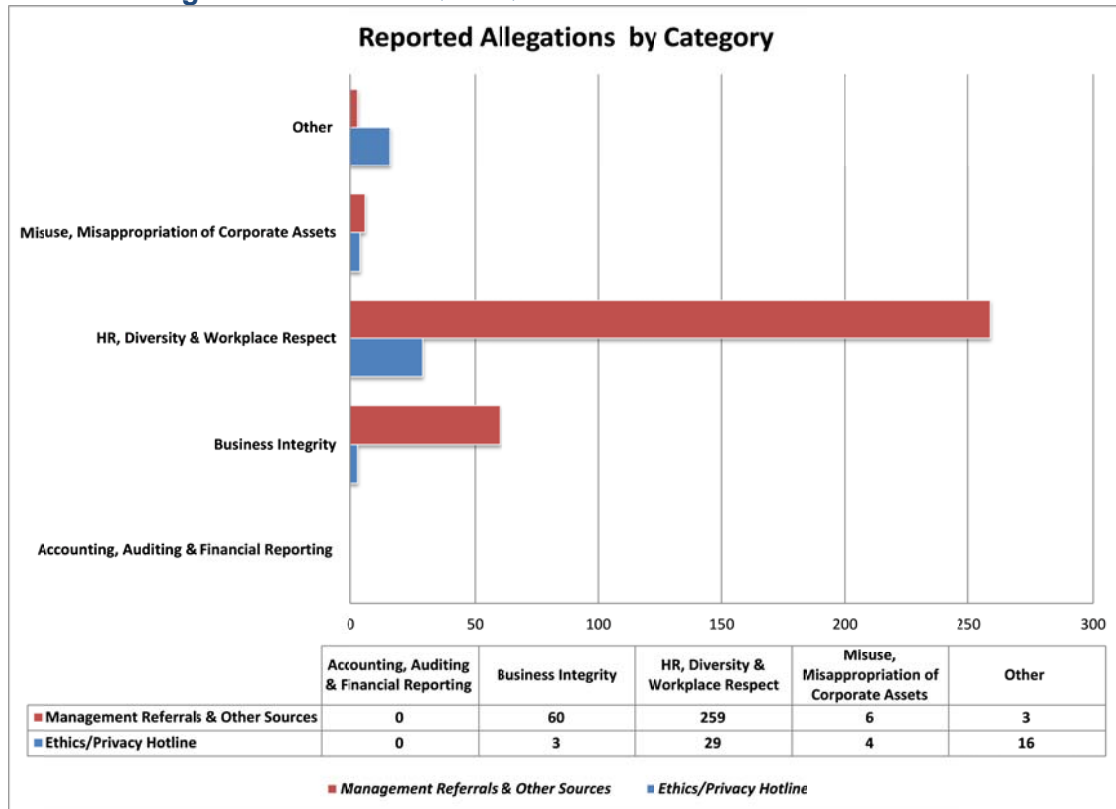
**New contingent worker compliance training – Enterprise Procurement**

The onboarding process for contingent workers includes a requirement to complete mandatory training within 30 days from initial assignment. To align with the requirements of annual mandatory training, non-compliant contingent worker access is disabled if training is not completed within the required time frame.

**Consistent monitoring, evaluation & reporting**

**Ethics & Privacy Reported Issues**

**Chart 1: Allegations Referred Q2 – Q3 2016**



<sup>7</sup> Calif. Government Code § 6254.33

Ethics/ Privacy Hotline contact volume has declined by 31% from 2015 to 2016 in 2Q and 3Q. Management referral reports have increased by 42% from 2015 to 2016 for the same two quarters. A message reminding State Fund workforce about the availability of the hotline should be sent to the organization.

Reports of suspected privacy incidents have declined by 17% from 2015 to 2016 in 2Q and 3Q. Privacy by design messaging and quality assurance efforts by Claims and Legal may have contributed to the decline.

## **VII. RECOMMENDATION:**

We recommend approval of the proposed material revisions to the Complaint Reporting and Anti-Retaliation, Business Ethics, and Statements of Economic Interests policies which support the Code of Conduct.

## **VIII. PRESENTATION EXHIBITS: N/A**

## **IX. APPENDIX:**

- I. Report Allegation Category Definitions
- II. Discussion Documents: Summaries of Proposed Changes and Copy of Revised Policies
  - Complaint Reporting & Anti-Retaliation
  - Business Ethics
  - Statements of Economic Interest policies
- III. State Fund Charter: Constitution and Statutes – A listing of the California Constitution, California Insurance Code statutes and other California statutes relevant to State Fund governance and authorities with detailed statutory language and annotations relevant to regulatory changes.

## **APPENDIX I. Report Allegation Categories and Definitions**

The following definitions support the classifications used in Chart 1 above

**Accounting, Auditing, and Financial Reporting:** Forgery, Accounting and Financial Control

**Business Integrity:** Falsifying Records, Privacy and Data Security Incidents, Theft, Compliance and Regulatory Matters, Information Security, Vendor Relations, Claims, Policy, Legal, and Other Business Practices

**HR, Diversity and Work Place Respect:** Attendance, Code of Conduct Violation, Conflict of Interest, Equal Employment Opportunity-Discrimination, Retaliation and Sexual Harassment, Favoritism, Inappropriate/ Offensive Behavior, Hiring Practices, Performance

**Misuse, Misappropriation of Corporate Assets:** Fraud, Misuse/ Abuse of Time or Resources

**Other:** Types of misconduct that fails to fall into the above categories such as Safety, Assault or Environmental Protection Compliance.

## APPENDIX II – SUMMARY OF CHANGE CORPORATE POLICY



### DISCUSSION DOCUMENT FOR GOVERNANCE COMMITTEE

#### Summary of Proposed Changes to State Compensation Insurance Fund Revised Complaint Reporting and Anti-Retaliation EC&F 2.1

Adopted: March 17, 2011  
1<sup>st</sup> Amended: Adopted: May 17, 2012  
2<sup>nd</sup> Amended: Adopted February 14, 2013  
[Proposed 3<sup>rd</sup> Amended for review and to be approved]  
Governance Committee: November 17, 2016  
Board of Directors: November 17, 2016

*The following summarizes the proposed revisions to Complaint Reporting and Anti-Retaliation Policy to be adopted by State Fund's Board of Directors. Section and paragraph references are mapped to the numbered sections in the Complaint Reporting and Anti-Retaliation Policy.*

<u>Paragraph Number</u>	<u>Summary of Proposed Changes</u>
<b>Section 6: Definitions</b>	<p>Updated definition "Use of Official Authority or Influence" to clarify Workforce Member responsibilities.</p> <p><b>From:</b> <b>Use of Official Authority or Influence:</b> Includes promising to give, or giving, any benefit; effecting, or threatening to effect any reprisal; or taking, directing others to take, or recommending, processing, or approving any personnel action including, but not limited to appointment, promotion, transfer, assignment, performance evaluation, suspension, or other disciplinary action.</p> <p><b>To:</b> <b>Use of Official Authority or Influence:</b> Includes:</p> <ul style="list-style-type: none"><li>• Giving or promising to give any benefit; or</li><li>• Taking, threatening to take, or directing others to take any personnel action.</li></ul>

## APPENDIX II – CORPORATE POLICIES

		<b>CORPORATE POLICY</b>	Number: <b>EC&amp;F 2.1</b> Owner: <b>Corporate Human Resources</b> Type: <b>Ethics, Compliance &amp; Fraud</b> Effective Date: <b>PENDING</b> Last Revision Date: <b>03-2013</b>
Title		<b>COMPLAINT REPORTING &amp; ANTI-RETALIATION</b>	

### SECTION 1: PURPOSE

- To provide the framework for [State Fund Workforce Members \(Members\)](#) to report ethics or business conduct concerns and complaints.
- To guarantee rights of and protect members from retaliation for making such reports.

### SECTION 2: POLICY STATEMENTS

#### 2.1 Reporting Promoted

State Fund encourages you to raise and report your ethical concerns and complaints.

#### 2.2 Impartial Review and Investigation

State Fund will:

- Timely address reports made.
- Investigate complaints in a thorough, impartial, and timely manner.

#### 2.3 Duty to Report Ethics Concerns and Complaints

- You have the duty to report, in good faith, any ethical concern or suspected improper activity. Reports may include when someone fails to follow the [Code of Conduct](#) or our corporate policies.
- You have the duty to certify electronically that you read and understood this policy as part of our Code of Conduct acknowledgement process. Failure to complete your obligation may result in referral for disciplinary action up to and including termination.

#### 2.4 Protection against [Retaliation](#)

- State Fund prohibits management and Workforce members from retaliating against or attempting to improperly [use their official authority](#) to influence anyone who reports, in good faith, ethics, privacy, business conduct, fraud, waste, abuse of authority, or similar concerns.
- The California Whistleblower Protection Act prohibits retaliation for:
  - Good faith reporting of improper governmental activity or a condition that may significantly threaten the health or safety of employees or the public.
  - Refusal to obey an illegal directive.

#### 2.5 Reporting Ethics Concerns and Complaints

- **2.5.1 Reports to State Fund:**

You may report ethics concerns and complaints to State Fund by:

- Calling the toll-free 24-hour Hotline 866-294-1742.
- Accessing the hotline via Internet:

<b>Policy</b> EC&F 2.1	<b>Title</b> Complaint Reporting & Anti-Retaliation	<b>Effective</b> : Pending
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- <https://secure.ethicspoint.com/domain/media/en/gui/34876/index.html>.
- Telling management verbally or in writing.
- Using AskHR.

### 2.5.2 Reports to California State Auditor

You may report ethics concerns related to State Fund Officers or Workforce Members to the California State Auditor by:

- Calling the California State Auditor Whistleblower Hotline 800-952-5665.
- Mailing a report: California State Auditor, Bureau of State Audits  
555 Capitol Mall, Suite 300  
Sacramento, CA 95814.
- Using the State Auditor’s web site: <http://www.bsa.ca.gov/hotline/filecomp>.

Reportable improper activities include:

- Theft
- Fraud
- Conflicts of interest
- Misuse, abuse, or any behavior wasteful of state property or Member time
- Gross misconduct, incompetence, or inefficiency

### 2.6 Reporting Retaliation

You may report actual or attempted retaliation to:

- Your supervisor or manager, verbally or in writing.
- To Employees Relations via AskHR.
- Through available hotlines as above.
- In writing to: California State Personnel Board  
801 Capitol Mall, MS #22  
Sacramento, CA 95814.

### 2.7 Anonymity

- You may report anonymously to State Fund’s Toll-Free Hotline or the California State Auditor’s Whistleblower Hotline.
- If you report anonymously, State Fund does not obtain your identity.
- For full investigation and remediation of reports, you may need to disclose your identity.

## SECTION 3: APPLICABILITY, SCOPE, & BASIS

The policy applies to [State Fund Workforce Members](#).

### 3.1 Related Laws and Regulations

Cal. Govt. Code

[§§ 8547 et seq.](#), California Whistleblower Protection Act

[§§ 19682-19683.5](#), Retaliation

California Code of Regulations [2 CCR §§ 67.1 et seq.](#), Whistleblower Retaliation Complaint

<b>Policy</b> EC&F 2.1	<b>Title</b> Complaint Reporting & Anti-Retaliation	<b>Effective</b> : Pending
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Process.

Cal. Labor Code 1102.5: Employee's right to disclose information to government or law enforcement agency; Employer prohibited from retaliation; Civil penalty; Confidential communications.

**SECTION 4: AUTHORITY**

The Executive Vice President & Chief Administrative Officer carries out policy oversight and assurance. The Corporate Human Resources Program Manager as policy owner carries out policy compliance, updates, and monitoring.

**SECTION 5: RELATED CORPORATE POLICIES**

- EC&F 2.0 Privacy & Confidentiality
- EC&F 2.2 Incompatible Activities
- EC&F 2.3 Business Ethics
- E&F 2.5 Copyright & Intellectual Property
- HR 4.1 Equal Employment Opportunity
- HR 4.3 Sexual Harassment Prevention

**SECTION 6: DEFINITIONS**

**Code of Conduct:** Document that provides State Fund’s values and standards for doing business and ethical behavior.

**Retaliation:** Negative acts or unwelcome changes in a person’s job due to voicing or filing a complaint or a family member voicing or filing a complaint, assisting with filing a complaint, taking part in a complaint investigation, or asking for reasonable accommodation for medical or religious reasons.

**State Fund Workforce:** Collective group of people who work for State Fund, including officers, employees, and non-employees. Use of the term does not intend or create an employer-employee or agency relationship. The term’s use has no impact on State Fund’s relationships with consultants or independent contractors.

**Use of Official Authority or Influence:** Includes:

- Giving or promising to give any benefit; or
- Taking, threatening to take, or directing others to take any personnel action.

**SECTION 7: HELP & ADVICE**

For questions, contact ASK HR.

**SECTION 8: REVIEW HISTORY**

Review Date	Action Date	Action	Section(s) Revised	Effective Date
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<b>Policy</b> EC&F 2.1	<b>Title</b> Complaint Reporting & Anti-Retaliation	<b>Effective</b> : Pending
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05/13/2011	05/13/2011	Final QA	2.1; 2.2; 4; 6; 7	05/2011
4/30/2012	4/30/2012	Annual Review; Added definitions for retaliation and Use of Official Authority	2.2 (all); 6	7/2012
02/28/2013	02/28/2013	Annual Review added online hotline reporting and revised compliance notice	2.2.1 & 3	03/2013
03/17/2016	03/17/2016	Policy Owner Review/Approval	6	Pending
9/23/16	9/23/16	Executive Approval	6	Pending

## APPENDIX II – SUMMARY OF CHANGE CORPORATE POLICY



### DISCUSSION DOCUMENT FOR GOVERNANCE COMMITTEE

**Summary of Proposed Changes to  
State Compensation Insurance Fund  
Revised Business Ethics EC&F 2.3**

Adopted: March 17, 2011

1<sup>st</sup> Amended: Adopted: May 17, 2012

2<sup>nd</sup> Amended: Adopted February 14, 2013

[Proposed 3<sup>rd</sup> Amended for review and to be approved]

Governance Committee: November 17, 2016

Board of Directors: November 17, 2016

*The following summarizes the proposed revisions to Business Ethics Policy to be adopted by State Fund's Board of Directors. Section and paragraph references are mapped to the numbered sections in the Business Ethics Policy.*

<u>Paragraph Number</u>	<u>Summary of Proposed Changes</u>
<b>Section 1: Purpose</b>	<p>Purpose statement re-written to better support State Fund's values and culture of ethical conduct.</p> <p><b>From:</b> The Business Ethics policy presents State Fund's philosophy of integrity and compliance with the law. It promotes honest and ethical business practices, reasonably assures that State Fund's mission, vision, and values are not compromised, and maintains State Fund's reputation for integrity and fairness in business dealings with others.</p> <p><b>To:</b></p> <ul style="list-style-type: none"> <li>• To reflect State Fund values so State Fund Workforce Members (Members) can make honest, right, and ethical decisions at work.</li> <li>• To promote State Fund's commitment to be an honest, legally compliant, and responsible company.</li> <li>• To maintain State Fund's reputation of integrity and fairness.</li> </ul>
<b>Section 5: Related Corporate Policies</b>	Added State Compensation Insurance Fund's Code of Conduct

## APPENDIX II – CORPORATE POLICIES

		<b>CORPORATE POLICY</b>	Number: <b>EC&amp;F 2.3</b>
Title <b>BUSINESS ETHICS</b>			Owner: <b>Corporate Human Resources</b>
		Type: <b>Ethics, Compliance &amp; Fraud</b>	
		Effective Date: <b>Pending</b>	
		Last Revision Date: 03-2013	

### SECTION 1: PURPOSE

- To reflect State Fund values so State Fund Workforce Members (Members) can make honest, right, and ethical decisions at work.
- To promote State Fund's commitment to be an honest, legally compliant, and responsible company.
- To maintain State Fund's reputation of integrity and fairness.

### SECTION 2: POLICY STATEMENTS

#### 2.1 Public trust and confidence

It is essential that the public and State Fund stakeholders have trust and confidence in our Workforce. Success depends on each Member behaving and performing duties in a fair manner and without improper self-interest.

Members must:

- Respect this trust by maintaining the highest standards of professional and personal integrity.
- Accept public scrutiny of performance of their duties.
- Certify electronically that they read and understood this policy as part of our Code of Conduct acknowledgement process. Failure to complete this obligation will result in referral for disciplinary action up to and including termination.

#### 2.2 Avoid Appearance of Unethical Conduct

Members must avoid unethical conduct or its appearance related to their work at State Fund. When deciding on an ethical course, we must consider both the actual situation and how others may perceive it.

#### 2.3 Ethical Conduct

To act ethically while working at State Fund, Members must:

- Maintain a high standard of ethical conduct.
- Avoid situations that pose a conflict of interest or ethical concern to State Fund.
- Report receipt of gifts as required by California law.
- Not engage in inappropriate activities that will cause harm to or discredit State Fund or its Workforce.
- Not accept gifts or things of value from a person or company when that person or company expects favorable treatment from State Fund in return.
- Not misuse their State Fund position or title.
- Not alter or falsify State Fund documents.

State Compensation Insurance Fund

Governance Committee – November 17, 2016

Open Agenda Item 4 – Governance, Compliance and Privacy Update

Attachment: Revised Policy 3<sup>rd</sup> Amended – Business Ethics EC&F 2.3

<b>Policy</b> EC&F 2.3	<b>Title</b> <a href="#">Business Ethics</a>	<b>Effective</b> Pending
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**SECTION 3: APPLICABILITY, SCOPE, & BASIS**

This policy applies to State Fund Workforce Members.

**3.1 Related Laws and Regulations**

[USSC Guidelines Manual § 8C2.5](#) and [§8D1.4](#)

Cal. Government Code [§ 19990](#), Incompatible Activities

Cal. Government Code [§§ 81000-91014](#), Political Reform Act

Cal. Insurance Code [§ 750](#), Unlawful Referrals

Cal. Labor Code [§ 3219](#), Workers' Compensation Insurance General Provisions

Cal. Labor Code [§ 3820](#), Workers' Compensation Misrepresentation

Cal. Code of Regulations, [2 CCR, § 599.870](#), Incompatible Activities Statement

**SECTION 4: AUTHORITY**

The Executive Vice President & Chief Administrative Officer has the duty of policy assurance and oversight. The Corporate Human Resources Program Manager as policy owner has the duty of compliance with, updates to, and enterprise monitoring of this policy.

**SECTION 5: RELATED CORPORATE POLICIES**

[EC&F 2.1](#) Complaint Reporting and Anti-Retaliation

[EC&F 2.2](#) Incompatible Activities Statement & Policy

[EC&F 2.4](#) Statements of Economic Interest

[EC&F 2.7](#) Use of State Fund Facilities for Non-Business Activities

State Fund's [Code of Conduct](#)

**SECTION 6: DEFINITIONS**

**[Code of Conduct:](#)** Statement of State Fund's values and standards for doing business and ethical behavior applying to Workforce Members.

**[State Fund Workforce:](#)** Collective group of people who work for State Fund, including officers, employees, and non-employees Use of the term does not intend or create an employer-employee or agency relationship. The term's use has no impact on State Fund's relationships with consultants or independent contractors.

**SECTION 7: HELP & ADVICE**

For policy questions, contact Human Resources at AskHR.

To report ethical concerns, call the Ethics Hotline at 866-294-1742.

To report suspected improper governmental activities call the California Whistleblower Hotline at 800-952-5665.

<b>Policy</b> EC&F 2.3	<b>Title</b> Business Ethics	<b>Effective</b> Pending
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**SECTION 8: REVIEW HISTORY**

Review Date	Action Date	Action	Section(s) Revised	Effective Date
05/13/2011	05/13/2011	Track functional department changes; Code of Conduct definition; e8555 form title.	2.2; 4; 6.1; 6.3; 7	05/2011
04/27/2012	04/27/2012	2.2 Added policy statement; Replace "employee" with "State Fund Workforce"	2.2	07/2012
02/28/2013	02/28/2013	Annual Review; compliance Notice	2.3 & 3	03/2013
08/18/2016	08/18/2016	Policy Owner Approval	1 & 5	Pending
10/10/2016	10/10/2016	Executive Approval`	1 & 5	Pending

## APPENDIX II – SUMMARY OF CHANGE CORPORATE POLICY



### DISCUSSION DOCUMENT FOR GOVERNANCE COMMITTEE

**Summary of Proposed Changes to  
 State Compensation Insurance Fund  
 Revised Statement of Economic Interests and (Form 700) & Financial Disclosures  
 EC&F 2.4**

Adopted: March 17, 2011  
 1<sup>st</sup> Amended: Adopted: May 17, 2012  
 2<sup>nd</sup> Amended: Adopted February 14, 2013  
 [Proposed 3<sup>rd</sup> Amended for review and to be approved]  
 Governance Committee: November 17, 2016  
 Board of Directors: November 17, 2016

*The following summarizes the proposed revisions to Statement of Economic Interest Policy to be adopted by State Fund's Board of Directors. Section and paragraph references are mapped to the numbered sections in the Statement of Economic Interests Policy.*

<u>Paragraph Number</u>	<u>Summary of Proposed Changes</u>
<b>Section 2.1: Commitment to Disclosure</b>	<p>Added commitment to public accountability and State Fund's values to align with State Fund Code of Conduct.</p> <p><b>From:</b> The information provided in the disclosure allows State Fund and the public to check for conflicts of interest, self-dealing, and divided loyalties. The purposes of this policy are to: (1) reasonably assure State Fund's adherence to the relevant provisions of the Political Reform Act regarding disclosure of financial interests; and (2) inform State Fund's workforce of their obligations regarding disclosure of financial interests.</p> <p><b>To:</b> State Fund commits to public accountability. Disclosing information as the Political Reform Act requires lets the public and State Fund check for conflicts of interest, self-dealing, and divided loyalties. It reflects State Fund values of honesty, accountability, and integrity.</p>
<b>Section 2.2: Disclosures and Training</b>	<p>Revised to exclude date identifier in the Conflict of Interest Code.</p> <p><b>From:</b> State Fund officers and members of State Fund's Workforce who are designated in State Fund's 2012 Conflict of Interest Code or designated by Government Code 87200 must:</p>

## APPENDIX II – SUMMARY OF CHANGE CORPORATE POLICY

	<p><b>To:</b> The State Fund Board, Officers, and Workforce Members designated in the State Fund <a href="#">Conflict of Interest Code</a> or Government Code §87200 have a duty to:</p>
<p><b>Section 6: Definitions</b></p>	<p>Added Conflict of Interest Code definition:</p> <p><b>Conflict of Interest Code:</b> Fair Political Practices Commission (FPPC) -approved document required by the Political Reform Act which lists individuals holding designated positions at State Fund who must File Form 700.</p> <p>Revised Financial Interests: Generically listed gift limits subject to FPPC biennial published limits.</p> <p><b>From:</b></p> <ul style="list-style-type: none"> <li>• Donations of a gift or gifts aggregating \$420 or more in value provided to, received by, or promised to a State Fund officer, employee or immediate family member within 12 months prior to the time when the decision is made. The aggregate value of donations or gifts may be adjusted periodically by the Fair Political Practices Commission.</li> </ul> <p><b>To:</b></p> <ul style="list-style-type: none"> <li>• Gifts with aggregate value exceeding what the Fair Political Practices Commission (FPPC) publishes for the current calendar year.</li> </ul>

# APPENDIX II – CORPORATE POLICIES

	<h2>CORPORATE POLICY</h2>	Number: <b>EC&amp;F 2.4</b> Owner: <b>HR Connect - Logistics</b> Type: <b>Ethics, Compliance &amp; Fraud</b> Effective Date: <b>PENDING</b>
Title	<b>STATEMENT OF ECONOMIC INTERESTS (Form 700) &amp; FINANCIAL DISCLOSURES</b>	Last Revision Date: <b>03-2013</b>

### SECTION 1: PURPOSE

Informs the State Fund Board, Officers, and Workforce Members of their duty to disclose financial interests to comply with the Political Reform Act.

### SECTION 2: POLICY STATEMENTS

#### 2.1 Commitment to Disclose

State Fund commits to public accountability. Disclosing information as the Political Reform Act requires lets the public and State Fund check for conflicts of interest, self-dealing, and divided loyalties. Disclosure reflects State Fund values of honesty, accountability, and integrity.

#### 2.2 Disclosures and Training

The State Fund Board, Officers, and Workforce Members designated in the State Fund [Conflict of Interest Code](#) or Government Code §87200 have a duty to:

- File annual financial disclosures on the Statement of Economic Interests Form 700 and applicable schedules.
- Complete an Ethics training course every two years per Government Code §11146, and certify they read and understood this policy as part of State Fund’s Code of Conduct acknowledgement process.

#### 2.3 Identification of and Notice to Designated Filers

- State Fund’s Conflict of Interest Code identifies the classifications, department assignments, and disclosure levels of Workforce Members who must file the Form 700.
- Government Code §87200 requires State Fund’s Board of Directors, President and Chief Executive Officer, Chief Financial Officer, and Chief Investment Officer/Treasurer to file annually and when they assume or leave these positions.
- State Fund provides notice to designated filers of their duty to file annually and when they assume or leave a designated position.

#### 2.4 Public Record Notices

Form 700’s are public records under the Political Reform Act and the California Public Records Act. State Fund discloses these records to the public upon request.



<b>Policy</b> EC&F 2.4	<b>Title</b> STATEMENT OF ECONOMIC INTERESTS & FINANCIAL DISCLOSURE	<b>Effective</b> PENDING
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### 2.5 Penalties for Failure to File Timely and Accurately

- Filers who fail to accurately and timely file Form 700 may be referred to the Fair Political Practices Commission’s Enforcement Division, the Attorney General, or local district attorney for investigation and possible prosecution.
- Penalties may include public notice of improper or untimely filing or other violation of the Act, criminal prosecution, civil fines of up to \$5000 per violation, and payment of attorney fees and costs.

### 2.6 Duty to Disqualify

- Under the Political Reform Act, a filer has a disqualifying conflict of interest in a decision-making process if it is foreseeable that the decision will impact on a filer’s personal finances or other financial interests.
- To avoid actual bias or the appearance of bias, the filer shall not participate in the decision.
- In such cases, a risk of biased decision-making exists that could favor the filer’s private financial interests rather than State Fund and the public’s interest.

## SECTION 3: APPLICABILITY, SCOPE, & BASIS

This policy applies to the State Fund Board, Officers, and Workforce Members who are designated filers.

### 3.1 Related Laws and Regulations

Cal. Government Code

§11146, State Agency Ethics Training

§§81000-91014, The Political Reform Act

§81008, Public Records; Inspection; Reproduction; Time; Charges

§87100 *et seq.* Public Officials, State and Local

§87200 *et seq.* Applicability

§87300 *et seq.* Agency Requirement

§87302, Required Provisions

Cal. Code of Regulations, 2 CCR Division 6, Sections 18109-18997

§§18110-18997 Regulations of the Fair Political Practices Commission

§18700 -18756 Basic Rule; Guide to Conflict of Interest Regulations

§18722 -18756 Filing Assuming and Leaving Office Statements of Economic Interests; Alternates and Designees

## SECTION 4: AUTHORITY

The Executive Vice President & Chief Administrative Officer has the duty of policy assurance and oversight. The Vice President of HR Connect as policy owner has the duties of compliance with, updates to, and enterprise monitoring of this Policy.

## SECTION 5: RELATED CORPORATE POLICIES

EC&F 2.1 Complaint Reporting & Anti-Retaliation

EC&F 2.2 Incompatible Activities

EC&F 2.3 Business Ethics

<b>Policy</b> EC&F 2.4	<b>Title</b> STATEMENT OF ECONOMIC INTERESTS & FINANCIAL DISCLOSURE	<b>Effective</b> PENDING
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## SECTION 6: DEFINITIONS

**Conflict of Interest Code:** FPPC-approved Code required by the Political Reform Act that lists State Fund positions who must File Form 700.

**Designated Filers** – State Fund Officers or Workforce Members with positions designated to file the Statement of Economic Interests and Schedules (Form 700) per our Conflict of Interest Code or Government Code §82700.

**Financial Interest:** An interest exists if it is reasonably foreseeable that the decision will have a material financial effect on a filer or his/her immediate family or on any of the financial interests identified in Government Code §87103 and the FPPC’s regulations at 2 CCR 18700-18756. Filers must consider income or property interests of a spouse/registered domestic partner. Below find a summary of important financial interests that may apply to filers. Check the law before filing a Form 700 or identifying a conflict of interest.

- Business entities in which the filer or immediate family member is a director, officer, partner, trustee, employee, or holds a management position and/or has a direct or indirect investment worth two thousand dollars (\$2,000) or more
- Real property with a direct or indirect interest worth two thousand dollars (\$2,000) or more
- Income sources with an aggregate value of five hundred dollars (\$500) or more provided to, promised to, or received by the filer within 12 months prior to the time of making a decision. This excludes loans/gifts by a commercial lending institution made in the regular course of business on terms available to the general public.
- **Gifts with aggregate value exceeding what the FPPC publishes for the current calendar year** within 12 months prior to the time of making a decision.
- Personal Finances of the filer, spouse/registered domestic partner, and immediate family including expenses, income, assets, or liabilities.

**State Fund Workforce** – Collective group of people who work for State Fund, including officers, employees, and non-employees. Use of the term does not intend or create an employer-employee or agency relationship. The term’s use has no impact on State Fund’s relationships with consultants or independent contractors.

## SECTION 7: HELP & ADVICE

- For questions regarding this Corporate Policy, email SEI Filing Officer at [SEI@scif.com](mailto:SEI@scif.com).
- For help on completing the SEI Form 700 or other SEI related questions submit a request through [AskHR](#).
- For information on the Fair Political Practices Act contact the FPPC Advice Email: [advice@fppc.ca.gov](mailto:advice@fppc.ca.gov) or Toll-Free Helpline: 866-275-3772. Or view information on the following website <http://www.fppc.ca.gov/>.

<b>Policy</b> EC&F 2.4	<b>Title</b> STATEMENT OF ECONOMIC INTERESTS & FINANCIAL DISCLOSURE	<b>Effective</b> PENDING
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## SECTION 8: REVIEW HISTORY

Review Date	Action Date	Action	Section(s) Revised	Effective Date
5/9/2011	5/9/2011	Functional reorganization & clarity	Section 1, 3, 4, 6, & 7	05/2011
3/26/2012	3/26/2012	Annual Review	No content change	
02/28/2013	02/28/2013	Annual Review; designated filers and compliance notice	1; 2.1; 2.2; 2.5; 3 & 6	03/2013
9/22/2016	9/22/2016	Policy Owner Approval	2.1; 2.2 & 6	PENDING
10/10/2016	10/10/2016	Executive Approval	2.1; 2.2 & 6	PENDING

## APPENDIX III. STATE FUND CHARTER

### State Compensation Insurance Fund Charter – California Constitution and California Insurance Code Statutes

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The Legislature is hereby expressly vested with plenary power, unlimited by any provision of this Constitution, to create, and enforce a complete system of workers' compensation, by appropriate legislation, and in that behalf to create and enforce a liability on the part of any or all persons to compensate any or all of their workers for injury or disability, and their dependents for death incurred or sustained by the said workers in the course of their employment, irrespective of the fault of any party. A complete system of workers' compensation includes adequate provisions for the comfort, health and safety and general welfare of any and all workers and those dependent upon them for support to the extent of relieving them from the consequences of any injury or death incurred or sustained by workers in the course of their employment, irrespective of the fault of any party; also full provision for securing safety in places of employment; full provision for such medical, surgical, hospital and other remedial treatment as is requisite to cure and relieve from the effects of such injury; full provision for adequate insurance coverage against liability to pay or furnish compensation; full provision for regulating such insurance coverage in all its aspects, including the establishment and management of a State compensation insurance fund; full provision for otherwise securing the payment of compensation; and full provision for vesting power, authority and jurisdiction in an administrative body with all the requisite governmental functions to determine any dispute or matter arising under such legislation, to the end that the administration of such legislation shall accomplish substantial justice in all cases expeditiously, inexpensively, and without incumbrance of any character; all of which matters are expressly declared to be the social public policy of this State, binding upon all departments of the State government.

The Legislature is vested with plenary powers, to provide for the settlement of any disputes arising under such legislation by arbitration, or by an industrial accident commission, by the courts, or by either, any, or all of these agencies, either separately or in combination, and may fix and control the method and manner of trial of any such dispute, the rules of evidence and the manner of review of decisions rendered by the tribunal or tribunals designated by it; provided, that all decisions of any such tribunal shall be subject to review by the appellate courts of this State. The Legislature may combine in one statute all the provisions for a complete system of workers' compensation, as herein defined.

The Legislature shall have power to provide for the payment of an award to the state in the case of the death, arising out of and in the course of the employment, of an employee without dependents, and such awards may be used for the payment of extra compensation for subsequent injuries beyond the liability of a single employer for awards to employees of the employer.

Nothing contained herein shall be taken or construed to impair or render ineffectual in any measure the creation and existence of the industrial accident commission of this State or the State compensation insurance fund, the creation and existence of which, with all the functions vested in them, are hereby ratified and confirmed.

**§ 11770. Continuation of the Fund; Board of Directors; Composition; Terms; Compensation; Training; Eligibility; Removal; Committees**

(a) The State Compensation Insurance Fund is continued in existence, 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. Any appropriation made therefrom or thereto before the effective date of this code shall continue to be available for the purposes for which it was made.

(b)

(1) The Board of Directors of the State Compensation Insurance Fund is composed of 11 members, nine of whom shall be appointed by the Governor. The Governor shall appoint the chairperson. One of the members appointed by the Governor shall be from organized labor. The members appointed by the Governor, other than the labor member, shall have substantial experience in positions involving workers' compensation, legal, investment, financial, corporate governance and management, accounting, or auditing responsibilities with entities of sufficient size as to make their qualifications relevant to an enterprise of the financial and operational size of the State Compensation Insurance Fund. At all times the board shall have a member with auditing background for the purposes of fulfilling the responsibility of the chair of the audit committee. A quorum is a majority of those appointed, provided that at no time shall a quorum be established with less than five members.

(2) The Speaker of the Assembly shall appoint one member who shall represent organized labor, and the Senate Committee on Rules shall appoint one member who shall have been a policyholder of the State Compensation Insurance Fund, or an officer or employee of a policyholder, for one year immediately preceding the appointment, and must continue in this status during the period of his or her membership.

(3) The Director of Industrial Relations shall be an ex officio, nonvoting member of the board, and shall not be counted as members of the board for quorum purposes or any other purpose.

(4) Notwithstanding subdivision (c), the initial term of the members of the board added in the 2008 portion of the 2007-08 Regular Session shall be as follows:



## State Compensation Insurance Fund Charter – California Constitution and California Insurance Code Statutes

(A) One of the members appointed by the Governor shall serve an initial term of two years, one shall serve an initial term of four years, and two shall serve an initial term of five years.

(B) The member appointed by the Senate Committee on Rules shall serve an initial term of four years.

(C) The member appointed by the Speaker of the Assembly shall serve an initial term of three years.

(c) The term of office of the members of the board, other than that of the director, shall be five years and they shall hold office until the appointment and qualification of their successors.

(d)

(1) Each member of the board shall receive his or her actual and necessary traveling expenses incurred in the performance of his or her duties as a member and, with the exception of the ex officio members, one hundred dollars (\$100) for each day of his or her actual attendance at meetings of the board.

(2)

(A) Each member of the board appointed pursuant to paragraphs (1) and (2) of subdivision (b) shall receive the compensation fixed pursuant to subparagraph (B).

(B) Each board member described in subparagraph (A) shall be paid an annual compensation of fifty thousand dollars (\$50,000), to be automatically adjusted beginning January 1, 2010, by multiplying the compensation in effect the prior June 30 by the percentage of inflation that occurred during the previous year, adding this amount to the annual compensation from the previous year, and rounding off the result to the nearest dollar. "Percentage of inflation" means the percentage of inflation specified in the Consumer Price Index for All Urban Consumers, as published by the Department of Industrial Relations, Division of Labor Statistics and Research, or its successor index.

(e) Each member of the board of directors shall attend training approved by the board of directors that covers topics, including, but not limited to, the duties and obligations of members of a board of directors, corporate governance, ethics, board of director legal issues, insurance, finance and investment, and information technology. The training shall be conducted by persons or entities not affiliated with the State Compensation Insurance Fund.

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(f) No person who has had a direct or indirect interest in any transaction with the State Compensation Insurance Fund since the beginning of the last fiscal year of the fund, or who has a direct or indirect material interest in any proposed transaction with the fund, where the amount involved in the transaction exceeds one hundred twenty thousand dollars (\$120,000) shall be eligible for appointment as a member of the board of directors of the fund. Once appointed, no member of the board of directors shall have a financial conflict of interest, as defined in Chapter 7 of Title 9 (commencing with Section 87100) of the Government Code, and every member shall be subject to Article 4 (commencing with Section 1090) of Chapter 1 of Division 4 of Title 1 of the Government Code, provided that the existence of a contract of insurance between the State Compensation Insurance Fund and the policyholder member appointed by the Senate Committee on Rules shall not constitute a conflict of interest pursuant to this subdivision. For purposes of board actions affecting generally applicable rates, a member of the board of directors shall not be deemed to have a financial interest, as defined in Article 4 (commencing with Section 1090) of Chapter 1 of Division 4 of Title 1 of, or pursuant to Chapter 7 (commencing with Section 87100) of Title 9 of, the Government Code, in a contract of insurance between the State Compensation Insurance Fund and an organization of which any member of the board of directors is an owner, officer, or employee.

(g) The appointing authority of a member of the board may remove the member and make an appointment replacing the member for the duration of the term if the member ceases to discharge the duties of his or her office for the period of three consecutive board meetings.

(h) The Board of the State Compensation Insurance Fund shall create, at a minimum, an audit committee, an investment committee, a corporate governance committee, and other committees as the board determines are necessary.

### § 11771. Liability of State

The State shall not be liable beyond the assets of the State Compensation Insurance Fund for any obligations in connection therewith.

### § 11771.5. Advertising disclaimer

Any advertising of the State Compensation Insurance Fund shall include the following disclaimer: "The State Compensation Insurance Fund is not a branch of the State of California."

## State Compensation Insurance Fund Charter – California Constitution and California Insurance Code Statutes

### § 11772. Liability of directors, officers, or employees

There shall not be any liability in a private capacity on the part of the board of directors or any member thereof, or any officer or employee of the fund for or on account of any act performed or obligation entered into in an official capacity, when done in good faith, without intent to defraud and in connection with the administration, management or conduct of the fund or affairs relating thereto.

### § 11773. Organization of the Fund

The fund shall be organized as a public enterprise fund.

### § 11774. Acceptable uses of the Fund's assets

The assets of the fund shall be applicable to the payment of losses sustained on account of insurance and to the payment of the salaries and other expenses charged against it in accordance with the provisions of this chapter.

### § 11775. Competition with other insurers

The fund shall, after a reasonable time during which it may establish a business, be fairly competitive with other insurers, and it is the intent of the Legislature that the fund shall ultimately become neither more nor less than self-supporting. For that purpose loss experience and expense shall be ascertained and dividends or credits may be made as provided in this article.

### § 11776. Dividends or credits

The actual loss experience and expense of the fund shall be ascertained on or about the first of January in each year for the year preceding. If it is then shown that there exists an excess of assets over liabilities, necessary reserves, and a reasonable surplus for the catastrophe hazard, then a cash dividend may be declared to, or a credit allowed on the renewal premium of, each employer who has been insured with the fund.

### § 11777. Amount of dividend or credit

Such cash dividend or credit is to be in an amount which the board of directors in its discretion considers to be the employer's proportion of divisible surplus.

### § 11778. Transaction of workers' compensation insurance

The fund may transact workers' compensation insurance required or authorized by law of this state to the same extent as any other insurer. The fund shall be subject to the powers and authority of the commissioner to the same extent as any other insurer transacting workers' compensation insurance, except where specifically exempted by reference. For purposes of Section 700, the fund shall be deemed admitted to transact this class of insurance.

## State Compensation Insurance Fund Charter – California Constitution and California Insurance Code Statutes

### § 11779. Insurance against liability for damages under federal law

The fund may insure California employers against their liability for compensation or damages for injury or death under the United States Longshoremen's and Harbor Workers' Compensation Act, or other federal or maritime laws, as fully as any private insurer.

### § 11780. Insurance against liability for damages under state law

The fund may also insure an employer against his or her liability for damages under the laws of the State of California arising out of bodily injury to or death of the employer's employees occurring within the State of California if the fund also issues workers' compensation insurance to the employer as to his or her employees.

### § 11780.5. Insurance against liability for workers' compensation benefits for employees temporarily working outside of California <sup>1</sup>

(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).

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<sup>1</sup> AB 2887(2016), effective 1/1/2017, amends Insurance Code §11780.5 to remove the sunset provision.

## State Compensation Insurance Fund Charter – California Constitution and California Insurance Code Statutes

(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.

### § 11781. Power, authority, and jurisdiction of directors

The board of directors is hereby vested with full power, authority and jurisdiction over the State Compensation Insurance Fund. The board of directors may perform all acts necessary or convenient in the exercise of any power, authority or jurisdiction over the fund, either in the administration thereof or in connection with the insurance business to be carried on by it under the provisions of this chapter, as fully and completely as the governing body of a private insurance carrier. The principal office for the transaction of the business of the State Compensation Insurance Fund is located in the City and County of San Francisco.

### § 11781.5. Los Angeles branch office

The State Compensation Insurance Fund may acquire and own real property for a branch office in the City of Los Angeles when so determined by the board of directors, and may, if necessary, construct suitable buildings thereon in accordance with law.

### § 11782. Name under which business must be conducted

All business and affairs of the fund shall be conducted in the name of the State Compensation Insurance Fund, and in that name, without any other name or title, the board of directors may perform the acts authorized by this chapter.

### § 11783. Particular powers of the Fund

The State Compensation Insurance Fund may:

- (a) Sue and be sued in all actions arising out of any act or omission in connection with its business or affairs.
- (b) Enter into any contracts or obligations relating to the State Compensation Insurance Fund which are authorized or permitted by law.
- (c) Invest and reinvest the moneys belonging to the fund as provided by this chapter.
- (d) Conduct all business and affairs and perform all acts relating to the fund whether or not specifically designated in this chapter.

## State Compensation Insurance Fund Charter – California Constitution and California Insurance Code Statutes

(e) Commission an independent study, with the assistance of an investment banking firm, to determine the feasibility of the State Compensation Insurance Fund issuing bonds or securities. The study may include, among other things, the purpose for issuing bonds and any potential adverse consequences that may arise from that issuance.

### § 11784. Powers of the Fund president

In conducting the business and affairs of the fund, the president of the fund may do any of the following:

- (a) Enter into contracts of workers' compensation insurance.
- (b) Sell annuities covering compensation benefits.
- (c) Decline to insure any risk in which the minimum requirements of the industrial accident prevention authorities with regard to construction, equipment, and operation are not complied with, or which is beyond the safe carrying of the fund. Otherwise, he or she shall not refuse to insure any workers' compensation risk under state law, tendered with the premium therefor.
- (d) Reinsure any risk or any part thereof.
- (e) Cause to be inspected and audited the payrolls of employers applying to the fund for insurance.
- (f) Make rules for the settlement of claims against the fund and determine to whom and through whom the payments of compensation are to be made.
- (g) Contract with physicians and surgeons, and hospitals, for medical and surgical treatment and the care and nursing of injured persons entitled to benefits from the fund.

### § 11785. Appointment of officers to fund; Applicability of Government and Public Contract provisions, Bagley-Keen Open Meeting Act and California Public Records Act

(a) The board of directors shall appoint a president, a chief financial officer, a chief operating officer, a chief information technology officer, a chief investment officer, a chief risk officer, a general counsel, a chief medical officer, a chief actuarial officer, a chief claims operations officer, and a chief of internal affairs. The board of directors shall set the salary for each position. These positions shall not be subject to otherwise applicable provisions of the Government Code and the Public Contract Code, and for those purposes the fund shall not be considered a state agency or other public entity. The president shall manage and conduct the

## State Compensation Insurance Fund Charter – California Constitution and California Insurance Code Statutes

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.

(b) Section 87406 of the Government Code, the Milton Marks Postgovernment Employment Restrictions Act of 1990, shall apply to the fund. Members of the board, the president, the chief financial officer, the chief operating officer, the general counsel, a chief medical officer, a chief actuarial officer, a chief claims officer, and a chief of internal affairs, and any other person designated by the fund shall be deemed to be designated employees for the purpose of that act.

(c) Both the Bagley-Keene Open Meeting Act (Article 9 (commencing with Section 11120) of Chapter 1 of Part 1 of Division 3 of Title 2 of the Government Code) and the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code) shall apply to the fund.

### **§ 11785.5. Board members and board appointed officers post fund employment lobbying and consulting prohibitions**

(a) Notwithstanding any other provision of law to the contrary, the members of the Board of Directors of the State Compensation Insurance Fund and officers of the fund appointed by the board of directors, including, but not limited to, the president, chief financial officer, chief operating officer, chief information technology officer, chief investment officer, chief risk officer, and general counsel, are prohibited from lobbying the fund for two years after leaving employment with the fund.

(b) Notwithstanding any other provision of law to the contrary, any consulting for the fund by former members of the Board of Directors of the State Compensation Insurance Fund and former officers of the fund appointed by the board of directors, including, but not limited to, the president, chief financial officer, chief operating officer, chief information technology officer, chief investment officer, chief risk officer, and general counsel, shall be approved by the board of directors.

### **§ 11786. Bond and oath required of the Fund's president**

Before entering on the duties of his or her office, the president shall qualify by giving an official bond approved by the board of directors in the sum of fifty thousand dollars (\$50,000) and by taking and subscribing to an official oath. The approval of the board shall be by written endorsement on the bond. The bond shall be filed in the office of the Secretary of State.

### **§ 11787. Delegation of powers by directors**

The board of directors may delegate to the president of the fund, under those rules and regulations and subject to those conditions as it from time to time prescribes, any power, function, or duty conferred by law on the board of directors in connection with the fund or in connection with the administration,

## State Compensation Insurance Fund Charter – California Constitution and California Insurance Code Statutes

management, and conduct of the business and affairs of the fund. The president may exercise those powers and functions and perform those duties with the same force and effect as the board of directors, but subject to its approval.

### § 11788. Custodian of the Fund

The State Treasurer shall be custodian of all securities belonging to the State Compensation Insurance Fund, except as otherwise provided in this chapter. He or she shall be liable on his or her official bond for the safe keeping thereof.

### § 11790. Delivery of securities to Treasurer

All securities belonging to the fund shall be delivered to the State Treasurer and held by him or her until otherwise disposed of as provided in this chapter. Upon delivery of those securities into the custody of the State Treasurer, the securities shall be credited by the State Treasurer to the fund.

### § 11793. Expenditures by the Fund; Exemption

Expenditures made by the State Compensation Insurance Fund are exempted from the provisions of Part 3 (commencing with Section 900) of Division 3.6 of Title 1 of the Government Code.

### § 11797. Investment of moneys; Purchase of bonds and other evidence of indebtedness<sup>2</sup>

(a) The board of directors shall cause all moneys in the State Compensation Insurance Fund that are in excess of current requirements to be invested and reinvested, from time to time, in the same manner as provided for private insurance carriers pursuant to Article 3 (commencing with Section 1170) and Article 4 (commencing with Section 1190) of Chapter 2 of Part 2 of Division 1, but excluding Sections 1191, 1191.1, 1191.5, 1192.2, 1192.4, 1192.6, 1192.7, 1192.9, 1192.95, 1192.10, 1194.7, 1194.8, 1194.81, 1194.82, 1194.85, 1198, and 1199. Notwithstanding the foregoing, the State Compensation Insurance Fund may invest or reinvest an aggregated maximum of 20 percent of moneys that are in excess of the admitted assets over the liabilities and required reserves in the investments allowed pursuant to Sections 1191, 1192.4, 1192.6, 1192.10, 1194.7, and 1198.

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<sup>2</sup> SB 1513 (2012) amended, repealed and added section 11797, expanding the permissible investment authority of State Fund. Sunsets 1/1/2025.



## State Compensation Insurance Fund Charter – California Constitution and California Insurance Code Statutes

(b)

(1)

(A) Notwithstanding any other law, the State Compensation Insurance Fund may purchase general obligation bonds or other evidence of indebtedness issued by the state, including, but not limited to, warrants issued pursuant to Part 4 (commencing with Section 17000) of Division 4 of Title 2 of the Government Code or notes issued pursuant to Part 5 (commencing with Section 17300) of Division 4 of Title 2 of the Government Code, in any amount and to enter into purchase contracts with the state for this purpose.

(B) Notwithstanding any other law, the State Compensation Insurance Fund may purchase Property Assessed Clean Energy (PACE) bonds, as defined in Section 26104 of the Public Resources Code.

(2) The bonds or other evidence of indebtedness specified in paragraph (1), upon delivery to the State Compensation Insurance Fund, shall, for all purposes, be valid and binding obligations of the issuer thereof, be validly issued and outstanding in accordance with their stated terms, and not be deemed to be owned by or on behalf of the issuer thereof.

(c) The Department of Insurance shall submit to the Legislature by January 31, 2019, a report that assesses the benefit and risk of the State Compensation Insurance Fund's equities investment history by measuring the volatility and total return of the State Compensation Insurance Fund's investment portfolio with and without equities. The report shall be submitted pursuant to Section 9795 of the Government Code.

(d) This section shall remain in effect only until January 1, 2025, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2025, deletes or extends that date.

### **§ 11800. Deposit of surplus**

All moneys in the State Compensation Insurance Fund, in excess of current requirements and not otherwise invested, may be deposited by the board of directors from time to time in financial institutions authorized by law to receive deposits of public moneys.

### **§ 11800.1. Establishment of account or fund in name of State Compensation Insurance Fund**

The board of directors may, with the approval of the State Treasurer, authorize the establishment of an account or fund in the State Treasury in the name of the State Compensation Insurance Fund, but such moneys deposited with the State Treasurer are not state moneys within the intent of Section 16305.2 of the Government Code.

## State Compensation Insurance Fund Charter – California Constitution and California Insurance Code Statutes

### § 11800.2. Special ledger account

The State Controller shall keep a special ledger account pertaining to the State Compensation Insurance Fund. In the State Controller's general ledger this account may appear as a cash account, like other accounts of funds in the State Treasury, and only the actual cash credited or deposited to the credit of the State Compensation Insurance Fund shall be entered in the account.

### § 11801. United States Longshoremen's and Harbor Workers' Act transactions; Exemption from liability

The assets, premiums, reserves, investment income, and any and all property of whatsoever kind derived or acquired by the fund from its transaction of its workers' compensation insurance business shall not be used, attached or levied upon in any manner whatsoever by any person to satisfy claims or any other obligations or liability incurred, arising out of, or related to, the fund's transaction of insurance pursuant to the United States Longshoremen's and Harbor Workers' Act.

### § 11802. Separate accounts and records for transactions under United States Longshoremen's and Harbor Workers' Compensation Act

All premiums, reserves, investment income, and all property of whatsoever kind derived or acquired by the fund from its transaction of insurance pursuant to the United States Longshoremen's and Harbor Workers' Compensation Act shall be maintained and identified in separate accounts and records.

### § 11803. Payment of claims and costs related to transactions under Act

All claims, costs of doing business, liabilities, expenses, and obligations arising out of or related to the fund's transaction of insurance pursuant to the United States Longshoremen's and Harbor Workers' Compensation Act shall be paid and charged to the income of whatsoever nature derived from its United States Longshoremen's and Harbor Workers' Compensation Act insurance business only.

### § 11804. Costs of shared space and equipment

Joint or shared use of office building space, whether owned, leased or rented, and the joint use of all furniture, automobiles, office equipment, supplies and services shall be charged to each class of insurance business on an equitable and proportional basis.

### § 11805. Annual report to Legislature

The State Compensation Insurance Fund shall report annually to the Legislature as soon after the close of the calendar year as is feasible, with respect to its experience handling United States longshoremen's and harbor workers' insurance pursuant to this chapter, including, but not limited to, a statement of resources and liabilities at the close of each annual period commencing December 31, 1979.

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### § 11820. Establishment of rates

Subject to the provisions of Article 2 (commencing with Section 11730) of Chapter 3, the board of directors shall establish the rates to be charged by the State Compensation Insurance Fund for insurance issued by it. These rates shall be fixed with due regard to the physical hazards of each industry, occupation, or employment.

### § 11821. Elements to be considered in establishing rates

Within each class of business insured such rates shall be fixed, so far as practicable, in accordance with the following elements:

- (a) Bodily risk or safety, or other hazard of the plant, premises or work of each insured employer.
- (b) The manner in which the work is conducted.
- (c) A reasonable regard for the accident experience and history of each such insured.
- (d) A reasonable regard for the insured's means and methods of caring for injured persons.

Such rates shall take no account of the extent to which the employees in any particular establishment have or have not persons dependent upon them for support.

### § 11822. Basis

The rates fixed by the board of directors shall be that percentage of the payroll of any employer which, in the long run and on the average, will produce a sufficient sum, when invested in a way as to realize the maximum return consistent with safe and prudent management practices:

- (a) To carry all claims to maturity. The rates shall be based upon the "reserve" and not upon the "assessment" plan.
- (b) To meet the reasonable expenses of conducting the business of the fund.
- (c) To produce a reasonable surplus to cover the catastrophe hazard.

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### § 11840. Types and duration of policies

The insurance contracts or policies of the State Compensation Insurance Fund may be either limited or unlimited. The insurance contracts or policies may be issued for like periods as are allowed by law to other workers' compensation insurers or, in the form of stamps or tickets or otherwise, for one month, for any number of months less than one year, for one day, for any number of days less than one month or during the performance of any particular work, job or contract. The rates charged shall be proportionately greater for a shorter than for a longer period and a minimum premium charge shall be fixed in accordance with a reasonable rate for insuring one person for one day.

### § 11841. Temporary coverage; Surrender of policy

Nothing in this chapter shall prevent:

(a) Any applicant for insurance from being covered temporarily until the application is finally acted upon.

(b) An insured from surrendering any policy at any time and having returned to him the difference between the premium paid and the premium at the customary short term for the shorter period which such policy has already run.

### § 11843. Coverage of employers

The State Compensation Insurance Fund may issue policies including, with their employees, employers who perform labor incidental to their occupations, and including also members of the families of such employers engaged in the same occupation.

### § 11844. Equivalent compensation and rates for employers and employees

Such policies covering employers shall insure to such employers and working members of their families the same compensations provided for their employees, and at the same rates.

### § 11845. Coverage of employers; Wage values

The estimations of the wage values, respectively, of such insured employers and members of their families shall be reasonable and shall be separately stated in and added to the valuation of the pay rolls upon which their premium is computed.

### § 11846. Coverage of self-employers and casual employees

The policies may likewise be sold to self-employing persons and to casual employees. The insureds, for the purpose of the insurance, shall be deemed to be employees within the meaning of the workers' compensation laws.

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### § 11860. Report; Audit

Each quarter the president of the State Compensation Insurance Fund shall make a report to the Governor of the business done by the State Compensation Insurance Fund during the previous quarter and a statement of the fund's resources and liabilities at the close of that previous quarter. The State Compensation Insurance Fund shall, at its own expense, hire a recognized firm of certified public accountants to audit annually the books and records of the State Compensation Insurance Fund and cause an abstract summary thereof to be published one or more times in at least two newspapers of general circulation in the state. The president of the fund shall additionally provide the commissioner with all reports required by law to be made to him or her by other insurers.

### § 11870. Coverage of state and political subdivisions

The state, any agency, department, division, commission, board, bureau, officer or other authority thereof, and each county, city and county, city, school district, irrigation district, any other district established by law, or other public corporation or quasi public corporation within the state, including any public utility operated by a private corporation may insure against its liability for compensation with the State Compensation Insurance Fund. Where the state or any agency, department, division, commission, board, bureau, officer or authority thereof is the insured, the premium for that insurance shall be a proper charge against any moneys appropriated for the support of or expenditure by the insured, except that in the case of an insured supported by or authorized to expend moneys appropriated out of more than one fund, the insured, with the approval of the Director of Finance, may determine the proportion of the premium to be paid out of each fund. In that case the insured, with the approval of the Director of Finance, may pay the entire premium out of any of those funds and thereafter the funds used for payment shall be reimbursed in proper proportion out of the other funds. In case a county, city and county, city, school district, irrigation district, or other district established by law, or other public corporation or quasi public corporation within the state is the insured, the premium therefor shall be a proper charge against the general fund of the insured.

### § 11871. Master agreement – Claims Adjustment – State of California

The State Compensation Insurance Fund may enter into a master agreement with the Department of Human Resources to render services in the adjustment and disposition of claims for workers' compensation to any state agencies, including any officer, department, division, bureau, commission, board or authority, not insured with the fund.

The master agreement shall provide for rendition of services at a uniform rate to all agencies, except that the rate for the California Highway Patrol may be fixed independently of the uniform rate.

The fund may, in accordance with the agreement, adjust and dispose of claims for workers' compensation made by an officer or employee of any state agency not insured with the fund.

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The fund may make all expenditures, including payment to claimants for medical care or for adjustment or settlement of claims, necessary to the adjustment and final disposition of claims. The agreement shall provide that the state agency whose officer or employee is a claimant shall reimburse the fund for the expenditures and for the actual cost of services rendered.

The fund may in its own name, or in the name of the state agency for which the services are performed, do any and all things necessary to recover on behalf of the state agency for which it renders service any and all amounts which an employer might recover from third persons under Chapter 5 (commencing with Section 3850) of Part 1 of Division 4 of the Labor Code, or which an insurer might recover pursuant to Section 11662 including the right to commence and prosecute actions, to file, pursuant to Chapter 5 (commencing with Section 3850) of Part 1 of Division 4 of the Labor Code, liens for whatever sums would be recoverable by suit against a third person, to intervene in other court proceedings, and to compromise claims and actions before or after commencement of suit or after entry of judgment when in the opinion of the fund full collection cannot be enforced.

### **§ 11872. Agreements with state agencies for service to be rendered to the Fund<sup>3</sup>**

The fund may annually enter into agreements with state agencies for service to be rendered to the fund. These state agencies include, but shall not be limited to: the Department of Finance, Department of General Services, State Personnel Board, and the Public Employees' Retirement System. If these agencies and the fund cannot agree upon the cost of services provided by the agreements, the Department of General Services shall be requested to arrive at an equitable settlement.

### **§ 11873. Application of certain Government Code provisions to the Fund<sup>4</sup>**

(a) Except as provided by subdivision (b), the fund shall not be subject to the provisions of the Government Code made applicable to state agencies generally or collectively, unless the section specifically names the fund as an agency to which the provision applies.

(b) The fund shall be subject to the provisions of Chapter 10.3 (commencing with Section 3512) of Division 4 of Title 1 of, Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of, Chapter 6.5 (commencing with Section 8543) of Division 1 of Title 2 of, Article 9 (commencing with Section 11120) of Chapter 1

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3 As of June 27, 2016, the language of California Insurance Code § 11872, was revised to substitute "Department of General Services" for "California Victim Compensation and Government Claims Board" (Amended by Stats. 2016, Ch. 31, Sec. 177. Effective June 27, 2016.)

4 This section was amended in 2013. As of June 30, 2013, section (c) of the section was revised to include "Except as provided in subdivisions (d) and (e) for the period from July 1, 2012, to June 30, 2013, inclusive, and..." Additionally, Sections (d) and (e) were added to the statute.

## State Compensation Insurance Fund Charter – California Constitution and California Insurance Code Statutes

of Part 1 of Division 3 of Title 2 of, the Government Code, and Division 5 (commencing with Section 18000) of Title 2 of the Government Code, with the exception of all of the following provisions of that division:

(1) Article 1 (commencing with Section 19820) and Article 2 (commencing with Section 19823) of Chapter 2 of Part 2.6 of Division 5.

(2) Sections 19849.2, 19849.3, 19849.4, and 19849.5

(3) Chapter 4.5 (commencing with Section 19993.1) of Part 2.6 of Division 5.

(c) Except as provided in subdivisions (d) and (e) for the period from July 1, 2012, to June 30, 2013, inclusive, and notwithstanding any provision of the Government Code or any other provision of law, the positions funded by the State Compensation Insurance Fund are exempt from any hiring freezes and staff cutbacks otherwise required by law. This subdivision is declaratory of existing law.

(d) Notwithstanding any other law, employees of the fund shall, without limitation, be subject to any and all reductions in state employee compensation imposed by the Legislature on other state employees for the period from July 1, 2012, to June 30, 2013, inclusive, regardless of the means adopted to effect those reductions.

(e) With the exception of the reductions authorized in subdivision (d), if any provision of this section, or any practice or procedure adopted pursuant to this section, is in conflict with the provisions of a memorandum of understanding reached pursuant to Section 3517.5 of the Government Code, the memorandum of understanding shall be controlling without further legislative action, except that if the provisions of a memorandum of understanding require the expenditure of funds, the provisions shall not become effective unless approved by the Legislature in the annual Budget Act.

### **§ 11874. Warrant; Payment of warrant**

On the effective date of this act the Controller shall draw his or her warrant in favor of the State Compensation Insurance Fund for the total amount of the funds in the custody of the Treasurer belonging to the State Compensation Insurance Fund, and the Treasurer shall pay that warrant.

### **§ 11880. Misrepresentation; Criminal penalties**

(a) It is unlawful to make or cause to be made any knowingly false or fraudulent statement, whether made orally or in writing, of any fact material to the determination of the premium, rate, or cost of any policy of workers' compensation insurance issued or administered by the State Compensation Insurance Fund for the purpose of reducing the premium, rate, or cost of the insurance. Any person convicted of violating this subdivision shall be punished by imprisonment in

## State Compensation Insurance Fund Charter – California Constitution and California Insurance Code Statutes

a county jail for one year, or pursuant to subdivision (h) of Section 1170 of the Penal Code for two, three, or five years, or by a fine not exceeding fifty thousand dollars (\$50,000), or double the value of the fraud, whichever is greater, or by both that imprisonment and fine.

(b) Any person who violates subdivision (a) and who has a prior felony conviction of the offense set forth in that subdivision shall receive a two-year enhancement for each prior conviction in addition to the sentence provided in subdivision (a). The existence of any fact that would subject a person to a penalty enhancement shall be alleged in the information or indictment and either admitted by the defendant in open court, or found to be true by the jury trying the issue of guilt or by the court where guilt is established by plea of guilty or nolo contendere or by trial by the court sitting without a jury.

### § 11881. Definitions

Whenever in Chapter 4 Part 3 Division 2 of the Insurance Code the term "State Industrial Accident Commission" or "Industrial Accident Commission" or "commission" or "director" or similar designation occurs, it means the Board of Directors of the State Compensation Insurance Fund except when such meaning is inconsistent with the intent and context of said chapter.

## ARTICLE 7. Transfer of Ownership [11885-11886.2] **Sunset January 10, 2012**

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### § 11885. Sale of portion of State Compensation Insurance Fund's assets and liabilities

(a) The Director of Finance is hereby authorized to act as agent for the state and, in that capacity, to sell a portion of, or otherwise obtain value for, the State Compensation Insurance Fund's assets and liabilities. That authorized sale or other disposition shall be transacted with an entity that the director, in consultation with the State Treasurer, determines will provide the best combination of each of the following:

- (1) The highest price for the State Compensation Insurance Fund's workers' compensation insurance assets and liabilities or the best value to the General Fund, or both.
- (2) The greatest security for the payment of the purchase price.
- (3) Demonstrated competence and professional qualifications for the continued satisfactory performance of the workers' compensation insurance services offered for sale or other disposition.



## State Compensation Insurance Fund Charter – California Constitution and California Insurance Code Statutes

(b) Prior to releasing any Notice of Request for Qualifications, a majority of the State Compensation Insurance Fund Board of Directors shall concur that the assets and liabilities that are identified by the Director of Finance, in consultation with the State Treasurer, in subdivision (a) are appropriate for sale or other disposition.

(c) Notwithstanding any other law, the process for sale or other disposition shall include the steps the director, in consultation with the State Treasurer, deems necessary or convenient to achieve the ends set forth in this section. The process shall include, but not necessarily be limited to, all of the following:

(1) The satisfaction of criteria established by the director, in consultation with the State Treasurer, consistent with achieving the best price or other value for those workers' compensation insurance assets and liabilities. These criteria shall include any pertinent requirements of the State Compensation Insurance Fund Board of Directors.

(2) A Notice of Request for Qualifications sent by the Director of Finance to each firm currently providing workers' compensation insurance coverage to California employers and any entity proposed by the State Compensation Insurance Fund Board of Directors. In addition, it shall be advertised in the State Contracts Register pursuant to Sections 14827.1 and 14827.2 of the Government Code. This notice shall include a description of the workers' compensation insurance program, a summary description of the workers' compensation insurance assets and liabilities offered for sale or other disposition, and a description of the due diligence review process to provide potential purchasers with further information regarding the workers' compensation insurance assets and liabilities offered for sale or other disposition, the selection criteria on which the transaction will be based, the submission requirements and deadlines, and a Department of Finance contact name and telephone number for more information. A copy of the Notice of Request for Qualifications shall be provided to the Joint Legislative Budget Committee within seven days of its release.

(3) The evaluation by the director, in consultation with the State Treasurer, of all statements timely submitted in response to the Notice of Request for Qualifications sent pursuant to paragraph (2), using the criteria contained in the notice, and, based on those statements, the establishment of a qualified participant list.

(4) For purposes of Section 11772, any action by the board of directors related to any transaction contemplated by this article, including, but not limited to, any approvals of such transactions, shall be deemed to be in good faith.

(5) The Director of Finance shall notify the Joint Legislative Budget Committee in writing within seven days of completing a sale pursuant to subdivision (a).

## State Compensation Insurance Fund Charter – California Constitution and California Insurance Code Statutes

### § 11885.3. Participation by board of directors; Acting in good faith

In order to accomplish the purpose of this article, the State Compensation Insurance Fund and its board of directors shall participate fully in good faith with the Director of Finance, and the Director of Finance shall act in good faith in carrying out the duties prescribed by this article.

### § 11885.5. Approvals not required

Notwithstanding any other law, the approval of neither the Attorney General, nor the Insurance Commissioner, nor the Director of General Services is required for execution and implementation of the sale or other disposition of the assets and liabilities of the State Compensation Insurance Fund or any other agreement authorized by this article.

### § 11885.7. Deposit of proceeds

- (a) The Director of Finance shall deposit all proceeds of any sale of, or any funds achieved through any other disposition of, the State Compensation Insurance Fund's workers' compensation insurance assets and liabilities under this article, less any costs related to that transaction, into the General Fund.
- (b) The proceeds of any sale of, or any funds achieved through any other disposition of, the State Compensation Insurance Fund's workers' compensation insurance assets and liabilities are not "proceeds of taxes" as that term is used in subdivision (c) of Section 8 of Article XIII B of the California Constitution. The disbursement of these proceeds is not subject to the limitations imposed by that article.

### § 11885.9. Advisers

- (a) Notwithstanding any other law, the Director of Finance is authorized to enter into agreements with firms or individuals to act as advisers to the state in the transactions contemplated by this article. Section 14838 of the Government Code and Article 4 (commencing with Section 10335) of Chapter 2 of Part 2 of Division 2 of the Public Contract Code do not apply to any agreement entered into by the director with advisers pursuant to this section.
- (b) Notwithstanding any other law, the Director of Finance is also authorized to enter into legal services agreements to obtain specialized legal advice related to the transactions contemplated by this article. Section 11040 of the Government Code and Section 6072 of the Business and Professions Code shall not apply to the legal services agreements entered into by the director pursuant to this section.

### § 11886. Selection of firms providing advisory services

- (a) The Director of Finance, in consultation with the State Treasurer, shall select firms or individuals to provide advisory services based on demonstrated competence and professional qualifications necessary for the satisfactory performance of the services required and in the manner described in this section.

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(b) The Director of Finance, in consultation with the State Treasurer, shall establish selection criteria for selecting advisers. The criteria may include, but are not necessarily limited to, factors such as professional excellence, demonstrated competence, specialized experience in performing similar services, education and experience of key personnel to be assigned, staff capability, ability to meet schedules, nature and quality of similar completed work of the firm or individual, reliability and continuity of the firm or individual, and other considerations deemed by the director, in consultation with the State Treasurer, to be relevant and necessary to the performance of advisory services.

(c) In order to select advisers, the director shall publish a Notice of Request for Qualifications in the State Contracts Register pursuant to Sections 14827.1 and 14827.2 of the Government Code. The notice shall include a description of the advisory services required, the selection criteria on which the contract award will be based, submission requirements and deadlines, and a Department of Finance contact name and telephone number for more information. A copy of the Notice of Request for Qualifications shall be provided to the Joint Legislative Budget Committee within seven days of publication in the State Contracts Register.

(d)

(1) After the final response date stated in the Notice of Request for Qualifications, the Director of Finance, in consultation with the State Treasurer, shall review the responses submitted, and shall evaluate them using the criteria contained in the notice. The director shall rank, in order of preference based on the criteria contained in the notice, the firm or individuals determined to be qualified to perform the required services.

(2) The Director of Finance, in consultation with the State Treasurer, may interview any of the qualified firms or individuals regarding the experience and qualifications of those firms or individuals, as well as anticipated concepts and the benefits of alternative methods of furnishing the required services.

(e)

(1) Following the interviews, if any, held pursuant to subdivision (d), the Director of Finance shall adjust the ranking of the qualified individuals or firms to reflect those firms or individuals deemed to be the most highly qualified to perform the required services.

(2) The Director of Finance, in consultation with the State Treasurer, shall enter into negotiations with the firm or individual most highly ranked pursuant to paragraph (1). If negotiations are concluded successfully, the director shall enter into a contract. If the director, in his or her sole discretion, concludes that the negotiations are unsuccessful, the director shall terminate the negotiations, and begin new negotiations, in consultation with the State Treasurer, with the other firms or individuals ranked pursuant to paragraph (1) in order of their ranking, and either contract with or terminate negotiations with each next most highly ranked firm or individual.

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(3) If, after pursuing the negotiation process set forth in paragraph (2), the Director of Finance has been unable to negotiate a satisfactory contract at fair and reasonable compensation, the director may reinstate the selection process prescribed in this section, commencing with the issuance of a new Notice of Request for Qualifications.

(4) The Director of Finance shall notify the Joint Legislative Budget Committee in writing within seven days of entering into a contract with an individual or firm for advisory services.

(f) This section shall not apply to the selection of a legal services adviser.

### **§ 11886.2. Notification by Director of Finance**

(a) The Director of Finance shall notify the Joint Legislative Budget Committee in writing upon his or her determination that neither the sale nor any other transaction authorized by this article is anticipated to achieve the purposes of this article or upon the completion of a disposition of State Compensation Insurance Fund assets and liabilities pursuant to this article.

(b) The Director of Finance shall cease those activities he or she is authorized or directed to undertake pursuant to this article upon the earlier of either:

(1) The 30th day following written notice by the director to the Chairperson of the Joint Legislative Budget Committee pursuant to subdivision (a).

(2) January 10, 2012.

SECTION II – State Fund Specific Code Exemptions and Citations

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These California Codes and Constitutional sections specifically exempt, exclude, include or reference the State Compensation Insurance Fund.

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### California Constitution

REFERENCE	STATUS	CITATION
CONS Article XIII Sec 28	INCLUSION	(a) “Insurer,” as used in this section, includes insurance companies or associations and reciprocal or interinsurance exchanges together with their corporate or other attorneys in fact considered as a single unit, and the <b>State Compensation Insurance Fund</b> . As used in this paragraph, “companies” includes persons, partnerships, joint stock associations, companies and corporations.

### Business and Professions Code

BPC §7125(d)(1)	INCLUSION	(d) (1) The insurer, including the <b>State Compensation Insurance Fund</b> , shall report to the registrar the following information for any policy required under this section: name, license number, policy number, dates that coverage is scheduled to commence and lapse, and cancellation date if applicable
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### Civil Code

CC §1798.3(b)(3)	EXEMPTION/ EXCLUSION	(b) The term “agency” means every state office, officer, department, division, bureau, board, commission, or other state agency, except that the term agency shall not include: (3) The <b>State Compensation Insurance Fund</b> , except as to any records which contain personal information about the employees of the <b>State Compensation Insurance Fund</b> .
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## State Compensation Insurance Fund Charter – California Constitution and California Insurance Code Statutes

CC §1798.40(g)	EXEMPTION	This chapter shall not be construed to require an agency to disclose personal information to the individual to whom the information pertains, if the information meets any of the following criteria: (g) Relates to the settlement of claims for work related illnesses or injuries and is maintained exclusively by the <b>State Compensation Insurance Fund</b> .
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## Education Code

EDC §1252	REFERENCE	<p>The county superintendent of schools of any county may, with the approval of the <b>State Compensation Insurance Fund</b>, insure the liability for compensation of any school districts and community college districts in the territory under his or her jurisdiction, the governing boards of which consent thereto, with the <b>State Compensation Insurance Fund</b> under one policy or contract of insurance and pay the premium for the insurance from the county school service fund. Immediately following the payment of the final premium the county superintendent of schools shall transfer from the funds of each insured district to the county school service fund an amount which bears the same ratio to the premium as the payroll of each district bears to the total payroll of all the insured districts.</p> <p>Any dividends earned on the premiums paid under this section shall be credited to the individual districts in proportion to the amount of the premium charged to each district.</p> <p>The expenses of the county superintendent of schools incurred under this section shall be charged to and paid from the county school service fund, which fund shall be reimbursed for those expenses from the general funds of the school districts and community college districts on whose behalf the expenditures are incurred.</p>
EDC §24501	REFERENCE	The board may act on its own or contract with the <b>State Compensation Insurance Fund</b> or Attorney General for recovery on behalf of the plan of any amounts recoverable from third persons under this chapter, Chapter 5 (commencing with Section 3850) of Part 1 of Division 4 of the Labor Code, Section 11662 of the Insurance Code, or otherwise.

## State Compensation Insurance Fund Charter – California Constitution and California Insurance Code Statutes

EDC §24503	REFERENCE	The <b>State Compensation Insurance Fund</b> or Attorney General as agent for the board may compromise claims before or after commencement of suit or entry of judgment for an amount as may be approved by a person duly authorized by the board for that purpose.
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### Government Code

GC §1001	INCLUSION	The civil executive officers are: a Governor; a private secretary and an executive secretary for the Governor; a Lieutenant Governor; a Secretary of State; a Deputy Secretary of State; a Keeper of Archives of State for Secretary of State; a bookkeeper for the Secretary of State; three recording clerks for the Secretary of State; a Controller; a Deputy Controller; a bookkeeper for the Controller; five clerks for the Controller; a Treasurer; a Deputy Treasurer; a bookkeeper for the Treasurer; a clerk for six months in each year for the Treasurer; an Attorney General and all assistant and deputy attorneys general; a Superintendent of Public Instruction; one clerk for the Superintendent of Public Instruction; an Insurance Commissioner; a deputy for the Insurance Commissioner; four port wardens for the Port of San Francisco; a port warden for each port of entry except San Francisco; five State Harbor Commissioners for San Francisco Harbor; six pilots for each harbor where there is no board of pilot commissioners; three members of the Board of Pilot Commissioners for Humboldt Bay and Bar; 13 members of the State Board of Agriculture; four members of the State Board of Equalization; a clerk of the Board of Equalization; three members of the State Board of Education; a librarian for the Supreme Court Library and the chief deputy clerk and the deputy clerks of the Supreme Court; five directors for the state hospital at Napa; the manager, assistant manager, chief counsel and division chiefs, <b>State Compensation Insurance Fund</b> ; the head of each department and all chiefs of divisions, deputies and secretaries of a department; such other officers as fill offices created by or under the authority of charters or laws for the government of counties and cities or of the health, school, election, road, or revenue laws.
GC §6103(a)	EXEMPTION	Neither the state nor any county, city, district, or other political subdivision, nor any public officer or body, acting in his or her official capacity on behalf of the state, or any county, city, district, or other political subdivision, shall pay or deposit any fee for the filing of any document or paper, for the performance of any official service, or for the filing of any stipulation or agreement that may constitute an appearance in any court by any other party to



## State Compensation Insurance Fund Charter – California Constitution and California Insurance Code Statutes

		the stipulation or agreement. This section does not apply to civil jury fees or civil jury deposits. This section does not apply to the <b>State Compensation Insurance Fund</b> or where a public officer is acting with reference to private assets or obligations that have come under that officer’s jurisdiction by virtue of his or her office, or where it is specifically provided otherwise. No fee shall be charged for the filing of a confession of judgment in favor of any of the public agencies named in this section.
<b>California Public Records Act</b>		
<i>GC §6254(ad)(1)</i>	<i>EXEMPTION</i>	<i>The following records of the <b>State Compensation Insurance Fund</b>: (1) Records related to claims pursuant to Chapter 1 (commencing with Section 3200) of Division 4 of the Labor Code, to the extent that confidential medical information or other individually identifiable information would be disclosed.</i>
<i>GC §6254(ad)(2)</i>	<i>EXEMPTION</i>	<i>(2) Records related to the discussions, communications, or any other portion of the negotiations with entities contracting or seeking to contract with the fund, and any related deliberations.</i>
<i>GC §6254(ad)(3)</i>	<i>EXEMPTION</i>	<i>(3) Records related to the impressions, opinions, recommendations, meeting minutes of meetings or sessions that are lawfully closed to the public, research, work product, theories, or strategy of the fund or its staff, on the development of rates, contracting strategy, underwriting, or competitive strategy pursuant to the powers granted to the fund in Chapter 4 (commencing with Section 11770) of Part 3 of Division 2 of the Insurance Code.</i>
<i>GC §6254(ad)(4)</i>	<i>EXEMPTION</i>	<i>(4) Records obtained to provide workers’ compensation insurance under Chapter 4 (commencing with Section 11770) of Part 3 of Division 2 of the Insurance Code, including, but not limited to, any medical claims information, policyholder information provided that nothing in this paragraph shall be interpreted to prevent an insurance agent or broker from obtaining proprietary information or other information authorized by law to be obtained by the agent or broker, and information on rates, pricing, and claims handling received from brokers.</i>

## State Compensation Insurance Fund Charter – California Constitution and California Insurance Code Statutes

GC §6254(ad)(5)(A)	EXEMPTION	(5) (A) Records that are trade secrets pursuant to Section 6276.44, or Article 11 (commencing with Section 1060) of Chapter 4 of Division 8 of the Evidence Code, including without limitation, instructions, advice, or training provided by the <b>State Compensation Insurance Fund</b> to its board members, officers, and employees regarding the fund's special investigation unit, internal audit unit, and informational security, marketing, rating, pricing, underwriting, claims handling, audits, and collections.
GC §6254(ad)(5)(B)	INCLUSION	(5)(B) Notwithstanding subparagraph (A), the portions of records containing trade secrets shall be available for review by the Joint Legislative Audit Committee, the Bureau of State Audits, Division of Workers' Compensation, and the Department of Insurance to ensure compliance with applicable law.
GC §6254(ad)(6)(A)(i)	EXEMPTION	(6) (A) Internal audits containing proprietary information and the following records that are related to an internal audit:  (i) Personal papers and correspondence of any person providing assistance to the fund when that person has requested in writing that his or her papers and correspondence be kept private and confidential. Those papers and correspondence shall become public records if the written request is withdrawn, or upon order of the fund.
GC §6254(ad)(6)(B)	INCLUSION	(B) Notwithstanding subparagraph (A), the portions of records containing proprietary information, or any information specified in subparagraph (A) shall be available for review by the Joint Legislative Audit Committee, the Bureau of State Audits, Division of Workers' Compensation, and the Department of Insurance to ensure compliance with applicable law.
GC §6254(ad)(6)(ii)	EXEMPTION	(ii) Papers, correspondence, memoranda, or any substantive information pertaining to any audit not completed or an internal audit that contains proprietary information.
GC §6254(ad)(7)(A)	EXEMPTION	(A) Except as provided in subparagraph (C), contracts entered into pursuant to Chapter 4 (commencing with Section 11770) of Part 3 of Division 2 of the Insurance Code shall be open to inspection one year after the contract has been fully executed.
GC §6254(ad)(7)(B)	EXEMPTION	(B) If a contract entered into pursuant to Chapter 4 (commencing with Section 11770) of Part 3 of Division 2 of the

## State Compensation Insurance Fund Charter – California Constitution and California Insurance Code Statutes

		<i>Insurance Code is amended, the amendment shall be open to inspection one year after the amendment has been fully executed</i>
<i>GC §6254(ad)(7)(C)</i>	<i>EXEMPTION</i>	<i>(C) Three years after a contract or amendment is open to inspection pursuant to this subdivision, the portion of the contract or amendment containing the rates of payment shall be open to inspection.</i>
<i>GC §6254(ad)(7)(D)</i>	<i>INCLUSION</i>	<i>(D) Notwithstanding any other law, the entire contract or amendments to a contract shall be open to inspection by the Joint Legislative Audit Committee. The committee shall maintain the confidentiality of the contracts and amendments thereto until the contract or amendments to a contract are open to inspection pursuant to this paragraph.</i>
<i>GC §6254(ad)(7)(E)</i>	<i>INCLUSION</i>	<i>(E) This paragraph is not intended to apply to documents related to contracts with public entities that are not otherwise expressly confidential as to that public entity.</i>
<i>GC §6254(ad)(7)(F)</i>	<i>INCLUSION</i>	<p><i>(F) For purposes of this paragraph, “fully executed” means the point in time when all of the necessary parties to the contract have signed the contract.</i></p> <p><i>This section does not prevent any agency from opening its records concerning the administration of the agency to public inspection, unless disclosure is otherwise prohibited by law.</i></p> <p><i>[Citations omitted.]</i></p>
<i>GC §6276.42</i>	<i>EXEMPTION</i>	<p><i>[Citations omitted.]</i></p> <p><b><i>State Compensation Insurance Fund, exemption from disclosure for various records maintained by the State Compensation Insurance Fund, subdivision (ad), Section 6254.</i></b></p> <p><i>[Citations omitted.]</i></p>

## State Compensation Insurance Fund Charter – California Constitution and California Insurance Code Statutes

GC §7292 (a)	EXEMPTION	Every state agency, as defined in Section 11000, except the <b>State Compensation Insurance Fund</b> , directly involved in the furnishing of information or the rendering of services to the public whereby contact is made with a substantial number of non-English-speaking people, shall employ a sufficient number of qualified bilingual persons in public contact positions to ensure provision of information and services to the public, in the language of the non-English-speaking person.
GC §11005.2	EXEMPTION	<p>Unless the Legislature specifically provides that approval by the Director of General Services is not required, every conveyance, contract, or agreement whereby an interest of the state in any real property is conveyed, demised, or let to any person, shall, before the conveyance, contract, or agreement is executed or entered into, be approved by the Director of General Services. Any conveyance, contract, or agreement executed or entered into in violation of this section is void. This section shall apply to any state agency which, by general or specific statute, is expressly or impliedly authorized to enter into transactions referred to in this section.</p> <p>This section does not apply to real property acquired by the Department of Transportation for highway purposes or real property administered by the State Lands Commission, the Controller, or the <b>State Compensation Insurance Fund</b>.</p>
GC §11007(a)	EXEMPTION	Except as expressly authorized by law or as specifically authorized by the Director of General Services, property belonging to the state shall not be insured against risk of damage or destruction by fire, and the policies of fire insurance upon any property belonging to the state shall not be renewed. This section is not applicable to the <b>State Compensation Insurance Fund</b> nor to property owned by it.

## State Compensation Insurance Fund Charter – California Constitution and California Insurance Code Statutes

GC §11012(h)	EXEMPTION	<p>Whenever any state agency, including, but not limited to, state agencies acting in a fiduciary capacity, is authorized to invest funds, or to sell or exchange securities, prior approval of the Department of Finance to the investment, sale, or exchange shall be secured.</p> <p>Every state agency shall furnish the Department of Finance with the reports and in the form, relating to the funds or securities, their acquisition, sale, or exchange, as may be requested by the Department of Finance from time to time.</p> <p>This section does not apply to the following state agencies:(h) <b>State Compensation Insurance Fund.</b></p>
GC §11045(e)	INCLUSION	<p>“State agency,” as used in this section, means every state office, department, division, bureau, board, or commission, including the Board of Directors of the <b>State Compensation Insurance Fund</b>, but does not include the Regents of the University of California, the Trustees of the California State University, the Legislature, the courts, or any agency in the judicial branch of government.</p>

## State Compensation Insurance Fund Charter – California Constitution and California Insurance Code Statutes

<b>Bagley-Keene Open Meeting Act</b>		
GC §11126(j)(1)	INCLUSION	<p><i>(j) Nothing in this article shall be construed to prevent the board of the <b>State Compensation Insurance Fund</b> from holding closed sessions in the following:</i></p> <p><i>(1) When considering matters related to claims pursuant to Chapter 1 (commencing with Section 3200) of Division 4 of the Labor Code, to the extent that confidential medical information or other individually identifiable information would be disclosed.</i></p>
GC §11126(j)(2)	INCLUSION	<i>(2) To the extent that matters related to audits and investigations that have not been completed would be disclosed.</i>
GC §11126(j)(3)	INCLUSION	<i>(3) To the extent that an internal audit containing proprietary information would be disclosed.</i>
GC §11126(j)(4)	INCLUSION	<i>(4) To the extent that the session would address the development of rates, contracting strategy, underwriting, or competitive strategy, pursuant to the powers granted to the board in Chapter 4 (commencing with Section 11770) of Part 3 of Division 2 of the Insurance Code, when discussion in open session concerning those matters would prejudice the position of the <b>State Compensation Insurance Fund</b>.</i>
GC §11126(k)	INCLUSION	<i>(k) The <b>State Compensation Insurance Fund</b> shall comply with the procedures specified in Section 11125.4 of the Government Code with respect to any closed session or meeting authorized by subdivision (j), and in addition shall provide an opportunity for a member of the public to be heard on the issue of the appropriateness of closing the meeting or session.</i>
GC §11548	EXEMPTION	This chapter shall not apply to the <b>State Compensation Insurance Fund</b> , the Legislature, or the Legislative Data Center in the Legislative Counsel Bureau.
GC §11549.1	EXEMPTION	This chapter shall not apply to the <b>State Compensation Insurance Fund</b> , the Legislature, or the Legislative Data Center in the Legislative Counsel Bureau.

## State Compensation Insurance Fund Charter – California Constitution and California Insurance Code Statutes

GC §11786.5	EXEMPTION	This chapter shall not apply to the University of California, the California State University, the <b>State Compensation Insurance Fund</b> , community college districts, or the judicial or legislative branches of state government.
GC §12813(d)	INCLUSION	(d) The Labor and Workforce Development Agency consists of the following: Department of Industrial Relations, including the California Apprenticeship Council, California Occupational Safety and Health Appeals Board, California Occupational Safety and Health Standards Board, Commission on Health and Safety and Workers’ Compensation, Industrial Welfare Commission, <b>State Compensation Insurance Fund</b> , and Workers’ Compensation Appeals Board.
GC §20130	REFERENCE	The board may enter into an agreement with the <b>State Compensation Insurance Fund</b> under which the latter shall represent this system, as its agent, or the Attorney General under which the latter shall represent this system, in proceedings instituted or to be instituted before the Workers’ Compensation Appeals Board as may be referred to it by the board to determine whether the death or disability of a member is industrial. The agreed cost of this service and the expenses incidental thereto shall be paid from the retirement fund, except that there shall be no charge to this system by the Attorney General in cases involving members of this system who are employees of the General Fund state agencies.
GC §20251	INCLUSION	As used in this article, “state fund” means the <b>State Compensation Insurance Fund</b> .
GC §22980(g)	INCLUSION	(g) The Board of Directors of the <b>State Compensation Insurance Fund</b> shall administer this benefit.

## Harbors and Navigation Code

HNC §6276(d)	REFERENCE	Notwithstanding the provisions of Sections 11779 and 11870 of the Insurance Code or any other provision of law, the <b>State Compensation Insurance Fund</b> or any private insurer may provide insurance coverage for the benefits authorized by this section.
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## State Compensation Insurance Fund Charter – California Constitution and California Insurance Code Statutes

HNC §6869(d)	REFERENCE	Notwithstanding the provisions of Section 11779 of the Insurance Code or any other provision of law, the <b>State Compensation Insurance Fund</b> may provide insurance coverage for the benefits authorized by this section.
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### Health and Safety Code

HSC §127575(a)(4)	INCLUSION	For purposes of this chapter, the following definitions shall apply: (a) “Carrier” means any of the following: (4) The <b>State Compensation Insurance Fund</b> .
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### Insurance Code

INS §24	INCLUSION	“Admitted,” in relation to a person, means entitled to transact insurance business in this state, having complied with the laws imposing conditions precedent to transaction of such business. The <b>State Compensation Insurance Fund</b> shall be deemed to be admitted pursuant to authority to transact workers’ compensation insurance granted by the Legislature. The commissioner shall not revoke or suspend the <b>State Compensation Insurance Fund</b> ’s authority to transact workers’ compensation insurance.
INS §700 (a)	EXCLUSION	(a) A person shall not transact any class of insurance business in this state without first being admitted for that class. Except for the <b>State Compensation Insurance Fund</b> as authorized by Sections 11770 and 11778 to 11780.5, inclusive, admission is secured by procuring a certificate of authority from the commissioner. The certificate shall not be granted until the applicant conforms to the requirements of this code and of the laws of this state prerequisite to its issue.
INS §§728 (a)(2), (k)	EXCLUSION/ REFERENCE	(a) For the purposes of this section, the following definitions are applicable: (2) “Insurer” means any domestic insurer, and any insurer which is admitted to transact insurance in this state, provided that if a subject person of an insurer is not a resident of California, or operating out of a place of business within California, then the subject person shall be engaged in the direct management, direction, or control of the insurer in California in order to come within the provisions of this section.



## State Compensation Insurance Fund Charter – California Constitution and California Insurance Code Statutes

		(k) Notwithstanding this section, or any other authority of the commissioner, the commissioner shall not have the power to remove or replace either the Board of Directors or the President of the <b>State Compensation Insurance Fund</b> .
INS §738	INCLUSION	The commissioner shall have the same powers and authority to examine the <b>State Compensation Insurance Fund</b> as are conferred upon him by law relative to the examination of other insurers except where the fund is specifically exempted by reference.
INS §§739.5 (c), (d)	INCLUSION	<p>(c) In the event of an Authorized Control Level Event with respect to the <b>State Compensation Insurance Fund</b>, the commissioner shall also issue a report to the Governor, the President pro Tempore of the Senate, and the Speaker of the Assembly setting forth the conditions that exist.</p> <p>(d) Upon a determination of the commissioner that an Authorized Control Level Event has occurred, the Governor, in consultation with the Legislature, may replace the President of the <b>State Compensation Insurance Fund</b> and appoint a recovery administrator. The recovery administrator shall be responsible for developing a plan of recovery for the <b>State Compensation Insurance Fund</b>, and for implementing the plan. The recovery administrator shall be a person who, through professional credentials or job experience, or both, has a demonstrated understanding of insurance law, insurer finances, experience in the rehabilitation of insurance companies, claims administration, and any other factors as are needed to create and execute a plan of recovery. The cost of the recovery administrator shall be borne by the <b>State Compensation Insurance Fund</b>. The administration shall remain until the commissioner conveys to the Governor his or her opinion that the fund has improved its finances to the extent that it is no longer at the Authorized Control Level or above, at which point the Governor may dismiss the recovery administrator and appoint a new President of the <b>State Compensation Insurance Fund</b>. During the time that the recovery administrator is acting, the board of the <b>State Compensation Insurance Fund</b> shall act in an advisory capacity to the recovery administrator and the Governor.</p>
INS §739.6(b)(3)	INCLUSION	(3) In the event of a Mandatory Control Level Event with respect to the <b>State Compensation Insurance Fund</b> , the commissioner shall also issue a report to the Governor, the President pro Tempore of the Senate, and the Speaker of the Assembly setting forth the conditions that exist.

## State Compensation Insurance Fund Charter – California Constitution and California Insurance Code Statutes

INS §739.12 (b)	INCLUSION	(b) Copies of all notices from the commissioner to the <b>State Compensation Insurance Fund</b> under this article shall be sent to the Governor.
INS §756	EXCLUSION/ REFERENCE	<p>When the premium on a policy insuring an employer is based upon the amount or segregation of the employer’s payroll, and the employer, personally or knowingly through his or her employee, procures a lower premium by willfully misrepresenting the amount or segregation, that misrepresentation is an unlawful act as to the employer.</p> <p>In addition to any penalty provided by law, the employer in that case is liable to the state in an amount 10 times the difference between the lower premium paid and the premium properly payable. The commissioner shall collect the amount so payable and may bring a civil action in his or her name as commissioner to enforce collection unless the misrepresentation is made to, and the lower premium procured from the <b>State Compensation Insurance Fund</b>. In the latter case the liability to the state under this section shall be enforced in a civil action in the name of the <b>State Compensation Insurance Fund</b> and any amount so collected shall become a part of that fund.</p>
INS §926.1(g)	INCLUSION	<p>As used in this article, the following terms shall have the following meanings:</p> <p>(g) “Insurer” means an admitted insurer as defined in Section 24, including the <b>State Compensation Insurance Fund</b>, or a domestic fraternal benefit society as defined in Section 10990.</p>
INS §§1010 (a), (b)	EXCLUSION	<p>(a) The provisions of this article shall apply to all persons, except the <b>State Compensation Insurance Fund</b>, subject to examination by the commissioner, or purporting to do insurance business in this state, or in the process of organization with intent to do such business therein, or from whom the commissioner’s certificate of authority is required for the transaction of business, or whose certificate of authority is revoked or suspended.</p> <p>(b) Notwithstanding subdivision (a), if any of the conditions set forth in Section 1011 exists with respect to the <b>State Compensation Insurance Fund</b>, and the commissioner would otherwise file a verified application with the superior court or proceed under Section 1013 against the fund, the commissioner shall instead issue a report to the Governor, the President pro Tempore of the Senate, and the Speaker of the Assembly setting forth the conditions that exist and recommending a course to remedy those conditions. The Governor, in consultation with the Legislature, shall direct a course of action to be implemented by the fund’s board of directors, or if additional</p>

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		legislative action is necessary, recommend a course of action to the Legislature, or both.
INS §1063	INCLUSION	(a) Within 60 days after the original effective date of this article, all insurers, including reciprocal insurers, admitted to transact insurance in this state of any or all of the following classes only in accordance with the provisions of Chapter 1 (commencing with Section 100) of Part 1 of this division: fire (see Section 102), marine (see Section 103), plate glass (see Section 107), liability (see Section 108), workers’ compensation (see Section 109), common carrier liability (see Section 110), boiler and machinery (see Section 111), burglary (see Section 112), sprinkler (see Section 114), team and vehicle (see Section 115), automobile (see Section 116), aircraft (see Section 118), and miscellaneous (see Section 120), shall establish the California Insurance Guarantee Association (the association); provided, however, this article shall not apply to the following classes or kinds of insurance: life and annuity (see Section 101), title (see Section 104), fidelity or surety including fidelity or surety bonds, or any other bonding obligations (see Section 105), disability or health (see Section 106), credit (see Section 113), mortgage guaranty, insolvency or legal (see Section 119), financial guaranty or other forms of insurance offering protection against investment risks (see Section 124), the ocean marine portion of any marine insurance or ocean marine coverage under any insurance policy including the following: the Jones Act (46 U.S.C. Sec. 688), the Longshore and Harbor Workers’ Compensation Act (33 U.S.C. Sec. 901 et seq.), or any other similar federal statutory enactment, or any endorsement or policy affording protection and indemnity coverage, or reinsurance as defined in Section 620, or fraternal fire insurance written by associations organized and operating under Sections 9080 to 9103, inclusive. Any insurer admitted to transact only those classes or kinds of insurance excluded from this article shall not be a member insurer of the association. Each insurer admitted to transact a class of insurance included in this article, including the <b>State Compensation Insurance Fund</b> , as a condition of its authority to transact insurance in this state, shall participate in the association whether established voluntarily or by order of the commissioner after the elapse of 60 days following the original effective date of this article in accordance with rules to be established as provided in this article. It shall be the purpose of the association to provide for each member insurer insolvency insurance as defined in Section 119.5.
INS §§1063.1(b),	INCLUSION	(b) “Insolvent insurer” means an insurer that was a member insurer of the association, consistent with paragraph (11) of subdivision (c), either at the time the policy was issued or when the insured event occurred, and against

## State Compensation Insurance Fund Charter – California Constitution and California Insurance Code Statutes

(C)(11)		<p>which an order of liquidation with a finding of insolvency has been entered by a court of competent jurisdiction, or, in the case of the <b>State Compensation Insurance Fund</b>, if a finding of insolvency is made by a duly enacted legislative measure.</p> <p>(11) “Covered claims” does not include any obligations of the insolvent insurer arising from a policy or contract of insurance issued or renewed prior to the insolvent insurer’s admission to transact insurance in the State of California.</p>
INS §1064.12 (c)	EXCLUSION	(d) This article shall not apply to the <b>State Compensation Insurance Fund</b> .
INS §1077.1 (a)	EXCLUSION	<p>The provisions of the article shall apply to all of the following:</p> <p>(a) All domestic life or disability insurers, except the <b>State Compensation Insurance Fund</b>.</p>
INS §1282 (a) (39)	EXCLUSION	<p>(a) The following provisions of this code shall not be applicable to reciprocal or interinsurance exchanges and their contracts, subscribers, attorneys in fact, agents, and representatives, unless such provisions are referred to and specifically made applicable or incorporated by reference by other portions of this code, and, in such event, such provisions shall be applicable only to the extent required by such reference or incorporation:</p> <p>(39) Chapter 4 (commencing with Section 11770) of Part 3, Division 2, relating to the <b>State Compensation Insurance Fund</b>;</p>
INS §1872.83 (b)(1)	INCLUSION	<p>(b) To fund increased investigation and prosecution of workers’ compensation fraud, and of willful failure to secure payment of workers’ compensation, in violation of Section 3700.5 of the Labor Code, there shall be an annual assessment as follows:</p> <p>(1) The aggregate amount of the assessment shall be determined by the Fraud Assessment Commission, which is hereby established. The commission shall be composed of seven members consisting of two representatives of organized labor, two representatives of self-insured employers, one representative of insured employers, one</p>

## State Compensation Insurance Fund Charter – California Constitution and California Insurance Code Statutes

		<p>representative of workers’ compensation insurers, and the President of the <b>State Compensation Insurance Fund</b>, or his or her designee.</p> <p>The Governor shall appoint members representing organized labor, self-insured employers, insured employers, and insurers. The term of office of members of the commission shall be four years, and a member shall hold office until the appointment of a successor. The President of the <b>State Compensation Insurance Fund</b> shall be an ex officio, voting member of the commission. Members of the commission shall receive one hundred dollars (\$100) for each day of actual attendance at commission meetings and other official commission business, and shall also receive their actual and necessary traveling expenses incurred in the performance of commission duties. Payment of per diem and travel expenses shall be made from the Workers’ Compensation Fraud Account in the Insurance Fund, established in paragraph (4), upon appropriation by the Legislature</p>
INS §1877.1 (c)	INCLUSION	<p>The following definitions govern the construction of this article, unless the context requires otherwise:</p> <p>(c) “Insurer” means an insurer admitted to transact workers’ compensation insurance in this state, the <b>State Compensation Insurance Fund</b>, an employer that has secured a certificate of consent to self-insure pursuant to subdivision (b) or (c) of Section 3700 of the Labor Code, or a third-party administrator that has secured a certificate pursuant to Section 3702.1 of the Labor Code.</p>
INS §11631	INCLUSION	<p>As used in this chapter, the term “insurer” includes the <b>State Compensation Insurance Fund</b>.</p>
INS §11691(a)(1)	EXCLUSION	<p>a) (1) In order to provide protection to the workers of this state in the event that the insurers issuing workers’ compensation insurance to employers fail to pay compensable workers’ compensation claims when due, except in the case of the <b>State Compensation Insurance Fund</b>, every insurer desiring admission to transact workers’ compensation insurance, or workers’ compensation reinsurance business, or desiring to reinsure the injury, disablement, or death portions of policies of workers’ compensation insurance under the class of disability insurance shall, as a prerequisite to admission, or ability to reinsure the injury, disablement, or death portion of policies of workers’ compensation insurance under the class of disability insurance, deposit cash instruments or approved interest-bearing securities or approved stocks readily convertible into cash, investment certificates, or share accounts issued by a savings and loan association doing business in this state and insured by the Federal</p>

## State Compensation Insurance Fund Charter – California Constitution and California Insurance Code Statutes

Deposit Insurance Corporation, certificates of deposit, or savings deposits in a bank licensed to do business in this state, or is either domiciled in and has a principal place of business in this state, or is a national bank association with a trust office located in this state, or approved letters of credit that perform in material respects as any other security allowable as a form of deposit for purposes of a workers' compensation deposit and that meet the standard set forth in Section 922.5, or approved securities registered with a qualified depository located in a reciprocal state as defined in Section 1104.9, with that deposit to be in an amount and subject to any exceptions as set forth in this article. The deposit shall be made from time to time as demanded by the commissioner and may be made with the Treasurer, or a bank or savings and loan association authorized to engage in the trust business pursuant to Division 1 (commencing with Section 99) or Division 2 (commencing with Section 5000) of the Financial Code, or a trust company. A deposit of securities registered with a qualified depository located in a reciprocal state as defined in Section 1104.9 may only be made in a bank or savings and loan association authorized to engage in the trust business pursuant to Division 1 (commencing with Section 99) or Division 2 (commencing with Section 5000) of the Financial Code, or a trust company, licensed to do business and located in this state that is a qualified custodian as defined in paragraph (1) of subdivision (a) of Section 1104.9 and that maintains deposits of at least seven hundred fifty million dollars (\$750,000,000). The deposit shall be made subject to the approval of the commissioner under those rules and regulations that he or she shall promulgate. The deposit shall be maintained at a deposit value specified by the commissioner, but in any event no less than one hundred thousand dollars (\$100,000), nor less than the reserves required of the insurer to be maintained under any of the provisions of Article 1 (commencing with Section 11550) of Chapter 1, relating to loss reserves on workers' compensation business of the insurer in this state, nor less than the sum of the amounts specified in subdivision (a) of Section 11693, whichever is greater. The deposit shall be for the purpose of paying compensable workers' compensation claims under policies issued by the insurer or reinsured by the admitted reinsurer and expenses as provided in Section 11698.02, in the event the insurer or reinsurer fails to pay those claims when they come due. If the insurer providing the deposit is domiciled in a state where a state statute, regulation, or court decision provides that, with respect to covered claims within the deductible amount that are paid by a guarantee association after the entry of an order of liquidation under large deductible workers' compensation policies, any part of the reimbursement proceeds, other than the reasonable expenses of the receiver related to treatment of deductible policy arrangements of insurance companies in liquidation, owed by

## State Compensation Insurance Fund Charter – California Constitution and California Insurance Code Statutes

		insureds on those deductible amounts, whether paid directly or through a draw of collateral, are general assets of the estate, then the amount of the insurer’s deposit pursuant to this article shall be calculated based on the gross amount of that insurer’s liabilities for loss and loss adjustment expenses under those policies without regard to the deductible, and those reserves shall not be reduced by any collateral or reimbursement obligations insureds were required to provide under those policies.
INS §11732	EXCLUSION	Rates shall be adequate to cover an insurer’s losses and expenses. Rates shall not tend to create a monopoly in the market. For the purpose of this section, the rates of any individual insurer, other than the <b>State Compensation Insurance Fund</b> , are presumed to create a monopoly in the market if the insurer has a market share, based on a percentage of statewide workers’ compensation premium, equivalent to 20 percent or more of the premium written by all insurers other than the <b>State Compensation Insurance Fund</b> .
INS §11742	REFERENCE	(a) The Legislature finds and declares that the insolvencies of more than a dozen workers’ compensation insurance carriers have seriously constricted the market and led to a dangerous increase in business at the <b>State Compensation Insurance Fund</b> . Yet more than 200 insurance companies are still licensed to offer workers’ compensation insurance in California. Unfortunately, many employers do not know which carriers are offering coverage, and it is both difficult and time consuming to try to get information on rates and coverages from competing insurance companies. A central information source would help employers find the required coverage at the best competitive rate.
INS §11750.1	INCLUSION	(a) “Insurer” means every insurer authorized to transact workers’ compensation insurance and employer’s liability insurance incidental thereto and written in connection therewith in this state, including the <b>State Compensation Insurance Fund</b> ;
INS §11751.3 (a)	INCLUSION/ REFERENCE	(a) Subject to the approval of the commissioner, a rating organization licensed under this article may adopt any reasonable constitution, articles of incorporation, or agreement of association, and may make reasonable rules for the regulation of its members and the conduct of its business by bylaws or otherwise. In a rating organization of which the <b>State Compensation Insurance Fund</b> is a member, it shall be entitled without election to membership on the managing or governing committee and on the classification and rating committee thereof.

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INS §11751.55	INCLUSION	If an insurer, the <b>State Compensation Insurance Fund</b> , a rating organization, or an advisory organization requests an official action by the commissioner under Chapters 2 (commencing with Section 11630), 3 (commencing with Section 11690), or 4 (commencing with Section 11770) of this part which he can lawfully consummate only after a noticed public hearing required by law, the commissioner shall require the request to be in writing and require the payment of five hundred ninety dollars (\$590), in advance, as a fee for filing such request. Such fee shall be earned even if the request is denied or is granted in an altered form.
INS §11761(d)	INCLUSION	For the purposes of this section, “insurer” means an insurer admitted to transact workers’ compensation insurance in this state, the <b>State Compensation Insurance Fund</b> , an employer that has secured a certificate of consent to self-insure pursuant to subdivision (b) or (c) of Section 3700 of the Labor Code, or a third-party administrator that has secured a certificate of consent pursuant to Section 3702.1 of the Labor Code.

## Labor Code

LC §53	INCLUSION	Whenever in Section 1001 or in Part 1 (commencing with Section 11000) of Division 3 of Title 2 of the Government Code “head of the department” or similar designation occurs, the same shall, for the purposes of this code, mean the director, except that in respect to matters which by the express provisions of this code are committed to or retained under the jurisdiction of the Division of Workers’ Compensation, the <b>State Compensation Insurance Fund</b> , the Occupational Safety and Health Standards Board, the Occupational Safety and Health Appeals Board, or the Industrial Welfare Commission the designation shall mean the Division of Workers’ Compensation, the Administrative Director of the Division of Workers’ Compensation, the Workers’ Compensation Appeals Board, the <b>State Compensation Insurance Fund</b> , the Occupational Safety and Health Standards Board, the Occupational Safety and Health Appeals Board, or the Industrial Welfare Commission, as the case may be.
LC §55	EXEMPTION	For the purpose of administration the director shall organize the department subject to the approval of the Governor, in the manner he deems necessary properly to segregate and conduct the work of the department. Notwithstanding any provision in this code to the contrary, the director may require any division in the department to assist in the enforcement of any or all laws within the jurisdiction of the department. Except as provided in Section 18930 of the Health and Safety Code, the director may, in accordance with the provisions of Chapter 4.5



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		(commencing with Section 11371), Part 1, Division 3, Title 2 of the Government Code, make rules and regulations that are reasonably necessary to carry out the provisions of this chapter and to effectuate its purposes. The provisions of this section, however, shall not apply to the Division of Workers' Compensation or the <b>State Compensation Insurance Fund</b> , except as to any power or jurisdiction within those divisions as may have been specifically conferred upon the director by law.
LC §56	INCLUSION	The work of the department shall be divided into at least five divisions known as the Division of Workers' Compensation, the Division of Occupational Safety and Health, the Division of Labor Standards Enforcement, the Division of Apprenticeship Standards, and the <b>State Compensation Insurance Fund</b> .
LC §57.5	INCLUSION	All duties, powers, and jurisdiction relating to the administration of the <b>State Compensation Insurance Fund</b> shall be vested in the Board of Directors of the <b>State Compensation Insurance Fund</b> .
LC §3211	INCLUSION	"Insurer" includes the <b>State Compensation Insurance Fund</b> and any private company, corporation, mutual association, reciprocal or interinsurance exchange authorized under the laws of this State to insure employers against liability for compensation and any employer to whom a certificate of consent to self-insure has been issued.
LC §3703	REFERENCE	So long as the certificate has not been revoked, and the self-insurer maintains on deposit the requisite bond or securities, the self-insurer shall not be required or obliged to pay into the <b>State Compensation Insurance Fund</b> any sums covering liability for compensation excepting life pensions; and the self-insurer may fully administer any compensation benefits assessed against the self-insurer.
LC §3722(c)	REFERENCE	(c) If the employer is currently insured, or becomes insured during the period during which the penalty under subdivision (b) is being determined, the amount an employer would have paid in workers' compensation premiums shall be calculated by prorating the current premium for the number of weeks the employer was uninsured within the three-year period immediately prior to the date the penalty assessment is issued. If the employer is uninsured at the time the penalty under subdivision (b) is being determined, the amount an employer would have paid in workers' compensation premiums shall be the product of the employer's payroll for all periods of time the employer was uninsured within the three-year period immediately prior to the date the penalty assessment is issued multiplied by a rate determined in accordance with regulations that may be adopted by the

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		director or, if none has been adopted, the manual rate or rates of the <b>State Compensation Insurance Fund</b> for the employer’s governing classification pursuant to the standard classification system approved by the Insurance Commissioner. The classification shall be determined by the director or the director’s designee at the time the penalty assessment is issued on the basis of any information available to the director regarding the employer’s operations. Unless the amount of the employer’s payroll for all periods during which the employer was uninsured within the three-year period is otherwise proven by a preponderance of evidence, the employer’s payroll for each week the employer was uninsured shall be presumed to be the state average weekly wage multiplied by the number of persons employed by the employer at the time the penalty assessment is issued. For purposes of this subdivision, “state average weekly wage” means the average weekly wage paid by employers to employees covered by unemployment insurance as reported by the United States Department of Labor for California for the 12-month period ending March 31 of the calendar year preceding the year in which the penalty assessment order is issued.
LC §4352(b)	REFERENCE	(b) Notwithstanding subdivision (a), when appropriated funds are temporarily unavailable for disbursement, the State Compensation Insurance Fund may provide compensation to an eligible claimant under this section whose injuries have previously either been accepted or found to be compensable by the Workers’ Compensation Appeals Board.
LC §4352(b)(1)	REFERENCE	(1) Compensation to, and benefits for, an eligible claimant provided for under this subdivision may include the issuance of checks by the <b>State Compensation Insurance Fund</b> .
LC §4352(b)(2)	REFERENCE	(2) Within 30 days of the date funds that had been temporarily unavailable are appropriated, and therefore become available, the California Emergency Management Agency shall reimburse the <b>State Compensation Insurance Fund</b> for compensation paid to, or benefits paid for, a claimant pursuant to paragraph (1), in addition to any applicable interest, service fees, or charges.
LC §4352(c)	REFERENCE	(c) After all money appropriated as described in subdivision (a) is expended or set aside in bookkeeping reserves for the payment or furnishing of compensation and reimbursing the <b>State Compensation Insurance Fund</b> for its services, the payment or furnishing of compensation for an injury to a disaster service worker or his or her dependents is dependent upon there having been a reserve set up for the payment or furnishing of compensation

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		to that disaster service worker or his or her dependents and for that injury, and liability is limited to the amount of the reserve. The excess in a reserve for the payment or furnishing of compensation or for reimbursing the <b>State Compensation Insurance Fund</b> for its compensation payments and services may be transferred to reserves of other disaster service workers for the payment or furnishing of compensation and reimbursing the <b>State Compensation Insurance Fund</b> , or may be used to set up reserves for other disaster service workers.
LC §4409	EXEMPTION	The Director of Industrial Relations, or his or her representative, shall assign investigative and claims adjustment services respecting matters concerning Asbestos Workers' Account cases. Those assignments may be made within the department, including the Division of Workers' Compensation, and excluding the <b>State Compensation Insurance Fund</b> .
LC §4754	REFERENCE	The appeals board shall fix and award the amounts of special additional compensation to be paid under this article, and shall direct the <b>State Compensation Insurance Fund</b> to pay the additional compensation so awarded. Such additional compensation may be paid only from funds appropriated for such purpose. Out of any such appropriation the fund may reimburse itself for the cost of service rendered in payment of compensation awards pursuant to this article and maintenance of accounts and records pertaining thereto, which cost shall not exceed 5 percent of the amount of award paid.
LC §4755(a)	REFERENCE	The <b>State Compensation Insurance Fund</b> may draw from the State Treasury out of the Subsequent Injuries Benefits Trust Fund for the purposes specified in Section 4751, without at the time presenting vouchers and itemized statements, a sum not to exceed in the aggregate fifty thousand dollars (\$50,000), to be used as a cash revolving fund. The revolving fund shall be deposited in any banks and under any conditions as the Department of Finance determines. The Controller shall draw his or her warrants in favor of the <b>State Compensation Insurance Fund</b> for the amounts so withdrawn and the Treasurer shall pay these warrants.
LC §4755(c)	REFERENCE	The director shall assign claims adjustment services and legal representation services respecting matters concerning subsequent injuries. The director or his or her representative may make these service assignments within the department, or he or she may contract for these services with the <b>State Compensation Insurance Fund</b> , for a fee in addition to that authorized by Section 4754, except insofar as these matters might conflict with

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		the interests of the <b>State Compensation Insurance Fund</b> . The administrative costs associated with these services shall be reimbursed from the Workers' Compensation Administration Revolving Fund, except when a budget impasse requires advances as provided in subdivision (d) of Section 62.5. To the extent permitted by state law, the director may contract for audits or reports of services under this section.
LC §4909.1	REFERENCE	Authorized representatives of the Department of Corrections, and the Department of the Youth Authority may request the <b>State Compensation Insurance Fund</b> to provide any payment, allowance, or benefit as described in Section 4909. When requested by an authorized representative, the <b>State Compensation Insurance Fund</b> shall administer the benefits in a timely fashion.
LC §5102	REFERENCE	The appeals board may order the lump sum paid directly to the injured employee or his dependents, or deposited with any savings bank or trust company authorized to transact business in this state, which agrees to accept the same as a deposit bearing interest; or the appeals board may order the lump sum deposited with the <b>State Compensation Insurance Fund</b> . Any lump sum so deposited, together with all interest derived therefrom, shall thereafter be held in trust for the injured employee, or in the event of his death, for his dependents. In the event of the employee's death, his dependents shall have no further recourse against the employer under this chapter.
LC §5308	INCLUSION	<p>The appeals board has jurisdiction to determine controversies arising out of insurance policies issued to self-employed persons, conferring benefits identical with those prescribed by this division.</p> <p>The appeals board may try and determine matters referred to it by the parties under the provisions of Title 9 (commencing with Section 1280) of Part 3 of the Code of Civil Procedure, with respect to controversies arising out of insurance issued to self-employed persons under the provisions of this division. Such controversies may be submitted to it by the signed agreement of the parties, or by the application of one party and the submission of the other to its jurisdiction, with or without an express request for arbitration.</p> <p>The <b>State Compensation Insurance Fund</b>, when the consent of the other party is obtained, shall submit to the appeals board all controversies susceptible of being arbitrated under this section.</p>

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		In acting as arbitrator under this section, the appeals board has all the powers which it may lawfully exercise in compensation cases, and its findings and award upon such arbitration have the same conclusiveness and are subject to the same mode of reopening, review, and enforcement as in compensation cases. No fee or cost shall be charged by the appeals board for arbitrating the issues presented under this section.
LC §6101 (b)	INCLUSION	Unless the context otherwise requires, as used in this division: (b) “Fund” means <b>State Compensation Insurance Fund</b>
LC §6111	REFERENCE	The <b>State Compensation Insurance Fund</b> may enter into a master agreement with the State Department of Finance to render services in accordance with the agreement in the adjustment and disposition of claims against any State agency arising under this chapter.
LC §6130	REFERENCE	In lieu of direct payments pursuant to Chapter 2 of this division, any State agency may obtain by insurance from the <b>State Compensation Insurance Fund</b> , if the fund accepts the risk when the application for insurance is made, otherwise from any other insurer, hospitalization, medical treatment, and indemnity, including death benefits, on behalf of its employees and of their dependents for injury or death suffered from accident, irrespective of fault, occurring in the course of and arising out of the employment with such State agency, where the injury or death is not compensable under the provisions of Division 4 of this code.
LC §6147	INCLUSION	No state agency, either directly or through its adjusting agency, the <b>State Compensation Insurance Fund</b> , shall pay or provide any benefit authorized by this division unless and until the claimant makes and delivers to such state agency or to the fund an agreement in writing that if he, or his dependents in the event of his death, elects or elect to bring suit against the state with respect to the injury or death, except an action before the appeals board pursuant to the provisions of this division, or an action against the state for damages resulting from the negligence of an employee of another state agency, he or they will allow, and take all proper measures to effect, a credit to the reasonable value of all benefits which he or they have received under the provisions of this division, deductible from any verdict or judgment obtained in such suit, and from the date of commencement of suit will forego further benefits under this division.

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LC §6302 (c)	INCLUSION	As used in this division: (c) “Insurer” includes the <b>State Compensation Insurance Fund</b> and any private company, corporation, mutual association, and reciprocal or interinsurance exchange, authorized under the laws of this state to insure employers against liability for compensation under this part and under Division 4 (commencing with Section 3201), and any employer to whom a certificate of consent to self-insure has been issued.
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### Revenue and Taxation Code

RTC §202(a)(4)	EXEMPTION	(a) The exemption of the following property is as specified in subdivisions (a), (b), (d), and (h) of Section 3 of Article XIII of the Constitution, except as otherwise provided in subdivision (a) of Section 11 thereof: Property belonging to this state, a county, or a city. Property belonging to the <b>State Compensation Insurance Fund</b> is not property belonging to this state.
RTC §12003(c)	INCLUSION	Insurer” as used in this part includes each of the following: (c) The <b>State Compensation Insurance Fund</b> .
RTC §12203	INCLUSION	The <b>State Compensation Insurance Fund</b> shall annually pay a tax computed on the same bases, at the same rates, and subject to the same deductions specified in this chapter, as those applicable to private insurers.
RTC §12259	INCLUSION	The provisions of this article apply to the <b>State Compensation Insurance Fund</b> as well as to private insurers.
RTC §13153	INCLUSION	On or before April 1, the <b>State Compensation Insurance Fund</b> shall pay into the State Treasury to the credit of the Insurance Tax Fund the sum required under Section 12203.

### Unemployment Insurance Code

UIC §1088.5(f)(1)(F)	INCLUSION	Providing employer or employee information to the Contractors’ State License Board and the <b>State Compensation Insurance Fund</b> for the purpose of workers’ compensation payroll reporting.
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**Vehicle Code**

VEH §2254	REFERENCE	In the event any dispute arises between the department and any of its members in an industrial disability case, such member or his attorney, upon demand, shall be entitled to examine any record of the department or of the <b>State Compensation Insurance Fund</b> which has any bearing on said case.
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