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State Senate

State Assembly

**Department of
Insurance**

Although it has been two weeks since the Legislature adjourned for the year, Governor Jerry Brown has not signed or vetoed many bills of interest to Norwood Associates clients. This will soon change, but in the meantime we are hopeful some of the items we have identified this week are of interest and provide some insight into California Capitol happenings.

California Insurance Guarantee Association Reinsurance Authorization Signed By Governor

SB 430 (Committee on Insurance), sponsored by Norwood Associates client the California Insurance Guarantee Association (CIGA), authorizes CIGA to reinsure with, or transfer liabilities to, a California admitted and authorized reinsurer or other reinsurer in order to limit adverse development. The bill was approved in every phase of the legislative process without an opposition vote, or contested by a third party, and signed by Governor Jerry Brown this week.

CIGA takes over the covered claim responsibilities of insolvent member insurers in the following areas: liability, automobile, property, and workers' compensation. CIGA, as do other payors of workers' compensation claims, faces the risk of adverse development as medical costs increase or other factors impact the cost of claims. Insurers protect themselves from adverse development by purchasing reinsurance in the form of adverse development coverage, which is often coupled with a sharing of the cost of the known reserves in terms of a transaction known as a loss portfolio transfer. A loss portfolio transfer moves the responsibility for payment of claims or some portion of those claims to another entity which then shares the risk proportionally.

This legislation allows CIGA to utilize the same reinsurance tools used by operating insurers to more effectively and efficiently manage its claims. The bill requires that any reinsurance placement be expressly approved by the Insurance Commissioner and that the coverage be placed with a California admitted and authorized reinsurer or other reinsurer approved by the Commissioner.

Existing law creates CIGA and requires all insurers admitted to transact specified insurance lines in this state to become members. CIGA is required to pay and discharge covered claims,

and in connection therewith, pay for or furnish loss adjustment services and defenses of claimants when required by policy provisions. CIGA is authorized to fulfill its duties either directly by itself or through a servicing facility or through a contract for reinsurance and assumption of liabilities by one or more member insurers or through a contract with the liquidator, upon terms satisfactory to CIGA and to the liquidator, under which payments on covered claims would be made by the liquidator using funds provided by CIGA.

SB 430 authorizes CIGA to reinsure with, or transfer liabilities to, a California admitted and authorized reinsurer or other reinsurer approved by the Insurance Commissioner in order to limit or eliminate adverse development, to stabilize or limit the need for assessments, or to reduce its potential ultimate liability for covered claims.

Enacted Workers Compensation Bills Starting To Appear; And, Related Insurance Department News

AB 1422 (Daly, Dem-Anaheim). Last year, SB 1160 (Mendoza) addressed a wide range of workers' compensation issues, including addressing abuses regarding how liens were filed and processed in the workers' compensation system. Among the lien provisions was a stay on litigating any liens when a provider was charged with workers' compensation fraud. The SB 1160 stay language did not conform to the anti-fraud provisions in another bill chaptered last year, AB 1244 (Gray). AB 1422 resolves this conflict.

AB 1460 (Dababneh, Dem-Encino). This bill allows any individual acting as a licensed insurance producer, administrator, surplus line broker or bail licensee to hold fiduciary funds within any state subject to restrictions. This is a Norwood Associates client, Independent Insurance Agents & Brokers of California, sponsored measure signed in July.

SB 430 (Insurance Committee). This legislation authorizes the California Insurance Guarantee Association (CIGA) to transfer liabilities to an authorized reinsurer or other reinsurer approved by the Insurance Commissioner. As mentioned above, this is also a Norwood Associates client sponsored bill. The sponsor is CIGA.

SB 489 (Bradford, Dem-Inglewood). This bill extends the timeline for hospitals and emergency physicians to bill for emergency medical treatment for injured workers from 30 days to 180 days under the provisions added by SB 1160 (Mendoza) last year relating to services for which no prospective utilization review is allowed.

Department of Insurance

Insurance Commissioner Dave Jones approved Workers' Compensation Insurance Rating Bureau (WCIRB) proposed regulatory changes earlier this month. These various changes affect both the classification and the experience rating plans. Some changes will not become

effective until January 1, 2019. A summary has been prepared by the WCIRB at: <https://www.wcirb.com/content/2018-2019-changes-quick-reference>

The hearing on the WCIRB's proposed pure premium rate reduction will take place on October 5, 2018 in San Francisco. The reduction is 2% and will bring the average pure premium rate to \$1.96 per \$100 of payroll if approved by the Commissioner.

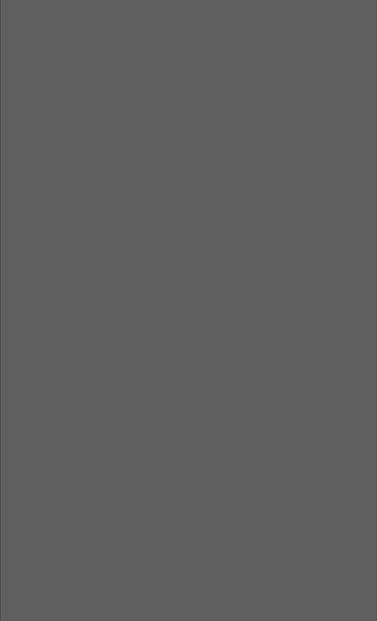
Gavin Newsom Endorses Single-Payer Healthcare

During an event this week Lieutenant Governor and candidate for Governor Gavin Newsom gave an explicit endorsement for the proposal of creating a single-payer healthcare system in California. The idea has proven controversial in the state, with a recent poll by the Public Policy Institute showing that only 32% of likely voters in California support the idea of a government-run healthcare system at the national level. However calls for a single-payer system in California have been growing within the Legislature and supported by a few outspoken groups, including the California Nurses Association who hosted Newsom for his speech.

Newsom told the Nurses Association that "There's no reason to wait around on universal healthcare and single-payer in California. It's time to move 562." 562 refers to SB 562, the bill introduced by Senator Ricardo Lara earlier this year that would have created a single-payer system. The bill was a flashpoint for discussion as it moved quickly through the Senate and into the Assembly, with many legislators saying that they supported the concept but were worried about the substance of the bill. It was eventually held in the Assembly by Assembly Speaker Anthony Rendon, who argued that the bill simply did not have enough of the details for how such a complex system would be run to be considered. The California Nurses Association had been one of the primary proponents of SB 562 and protested loudly at it being killed, vowing to continue working towards single-payer and even threatening to organize against Speaker Rendon for his vote.

However it appears that Newsom has given the idea of single-payer in California his whole-hearted support, even finishing his speech by promising to make it happen. "If we can't get it done next year, you have my firm and absolute commitment as your next governor that I will lead the effort to get it done. We will have universal healthcare in the state of California." And yet even with this explicit endorsement, Newsome seemed to backtrack slightly when speaking to reporters after his speech. "I 100% support moving this process along," Newsom said, "getting this debate going again and addressing the concerns, the open-ended issues that the nurses themselves have acknowledged as it relates to the need of going through the legislative process and to fill in the blanks on the financing plan, among other issues."

California Moves Presidential Primaries to March



A bill signed by Governor Jerry Brown this week will move the California presidential primary for upcoming 2020 presidential election to March. The move is part of an effort to make California more relevant in the primary race, a contest that critics have claimed leaves out one of the largest states in the nation because it votes after the elections have been decided. Secretary of State Alex Padilla said of the new law that “Candidates will not be able to ignore the largest, most diverse state in the nation as they seek our country’s highest office.”

By moving the election into March, California joins the crowded field of states casting ballots on what is known as Super Tuesday. An analysis has shown that California will make up 37% of the delegates elected on Super Tuesday, and 33% of the total delegates elected in the campaign up to that point. The last time that California attempted to regain relevance in the primary elections was in 2008, when it was moved to February and registered voter turnout was boosted to 58%. However some critics worry that other states may also push their primaries to earlier months in response, lessening the impact of California’s move and once again making the state a non-factor in the presidential election.