

2014

## 2013-2014 Legislative Summary

Assembly Committee on Insurance

Follow this and additional works at: [http://digitalcommons.law.ggu.edu/caldocs\\_assembly](http://digitalcommons.law.ggu.edu/caldocs_assembly)



Part of the [Legislation Commons](#)

---

### Recommended Citation

Assembly Committee on Insurance, "2013-2014 Legislative Summary" (2014). *California Assembly*. Paper 519.  
[http://digitalcommons.law.ggu.edu/caldocs\\_assembly/519](http://digitalcommons.law.ggu.edu/caldocs_assembly/519)

This Committee Report is brought to you for free and open access by the California Documents at GGU Law Digital Commons. It has been accepted for inclusion in California Assembly by an authorized administrator of GGU Law Digital Commons. For more information, please contact [jfischer@ggu.edu](mailto:jfischer@ggu.edu).

California State Legislature  
Assembly Committee on Insurance

2013 - 2014  
LEGISLATIVE SUMMARY

Henry Perea, Chair



**Staff:**

Mark Rakich, Chief Consultant  
Paul Riches, Principal Consultant  
Tracy Ainsworth Elwell, Committee Secretary

STATE DEPOSITORY

FEB 05 2015

GOLDEN GATE UNIVERSITY  
LAW LIBRARY

Assembly  
California Legislature



CHIEF CONSULTANT  
MARK RAKICH  
PRINCIPAL CONSULTANT  
PAUL RICHES  
COMMITTEE SECRETARY  
TRACY AINSWORTH ELWELL

ASSEMBLY COMMITTEE ON INSURANCE

HENRY T. PEREA, CHAIR  
ASSEMBLYMEMBER, THIRTY-FIRST DISTRICT

December 1, 2014

To: Assembly Members and All Interested Parties:  
From: Henry T. Perea, Chair  
Curt Hagman, Vice Chair

The following is a summary of all the bills that were referred to the Assembly Insurance Committee during the 2013-2014 Legislative Session. The bills are organized in numerical order and their status noted as of the publication date of this legislative summary.

The summary of each bill is not intended to be a definitive or comprehensive statement of the provisions of the bill. For more detailed information about any bill, please go to the Assembly's web page at [www.assembly.ca.gov](http://www.assembly.ca.gov) and click on "Legislation."

In March of 2013, the Committee held an oversight hearing regarding the Employment Development IT Projects: Have they improved the quality of service? We have also included a letter from the Employment Development Department and their update regarding the significant and ongoing improvements in services to the Unemployment Insurance customers.

In March of 2013, we also held a joint hearing with the Senate Committee on Labor and Industrial Relations regarding Opioids and the Workers' Compensation System: A Discussion on Mitigating Abuse and Ensuring Access.

In November of 2013, the Committee held an oversight hearing on Unemployment Insurance Benefit Payment Delays. We have also included an August 29<sup>th</sup>, 2014 letter from the Employment Development Department and their update regarding the significant and ongoing improvements in services to the Unemployment Insurance customers.

For additional information regarding this summary or other activities of the committee, please contact the committee staff at (916) 319-2086.

## **Table of Contents**

AB 37 (Perea) – Unemployment insurance: reporting requirements: status of funds. ....	1
AB 152 (Yamada) – Unemployment: Self-Employment Assistance Program.....	1
AB 363 (Grove) – Unemployment Insurance Appeals Board: members. ....	1
AB 402 (Ammiano) – Disability income insurance: mental illness. ....	1
AB 454 (Dickinson) – Workers' compensation benefits: prevailing wages. ....	1
AB 584 (Perea) – Insurance: risk and solvency assessment. ....	2
AB 607 (Perea) – Workers' compensation: dependent children. ....	2
AB 615 (Bocanegra) – Unemployment insurance: classified employees.....	2
AB 638 (Alejo) – Workers' compensation: proceedings: expedited hearings. ....	2
AB 773 (Hueso) – Bail agent licenses: qualifications. ....	2
AB 821 (Yamada) – Insurance: motor vehicle insurance: cancellation: failure to renew. ....	2
AB 862 (Wieckowski) – Automobile insurance: underinsured motorist coverage. ....	3
AB 908 (Bonilla) – Unemployment insurance: use of information.....	3
AB 1010 (Hueso) – Financial statements: workers' compensation insurers: publication.....	3
AB 1053 (Cooley)–Sacramento Metropolitan Fire Districtreturn of improperly collected money.	3
AB 1130 (Wilk) – Insurance: home protection contracts. ....	3
AB 1138 (Chau) – Workers' compensation: records. ....	3
AB 1234 (Levine) – Insurance: registration statements. ....	4
AB 1236 (Hagman) -- Contractor: limited liability companies. ....	4
AB 1309 (Perea) -- Workers' compensation: professional athletes. ....	4
AB 1373 (John A. Perez) – Workers' compensation: firefighters and peace officers. ....	5
AB 1376 (Roger Hernandez) – Workers' compensation: medical treatment: interpreters. ....	5

AB 2279 (Hagman) – Insurance: life agents.....	9
AB 2293 (Bonilla) – Transportation network companies: insurance coverage.....	9
AB 2342 (Dababneh) – Insurance: automobile insurance. ....	9
AB 2347 (Gonzalez) – Insurance policies. ....	10
AB 2362 (Grove) – Unemployment insurance benefits: disqualifications: convictions. ....	10
AB 2366 (Bocanegra) – Benefit and relief associations. ....	10
AB 2378 (Perea) – Workers' compensation: temporary disability payments. ....	10
AB 2383 (Achadjian) – Workers' compensation: payments: public safety employees. ....	10
AB 2401 (Dababneh) – Insurance: public inspection. ....	11
AB 2410 (Dababneh) – Insurance: life and disability insurance. ....	11
AB 2482 (Wilk) – Workers' compensation: utilization review. ....	11
AB 2578 (Dababneh) – Insurance: disability insurance:life insurance:accelerated death benefit	11
AB 2604 (Brown) – Workers' compensation: proceedings: payment delay.....	11
AB 2616 (Skinner) – Workers' compensation: hospital employers: compensation. ....	11
AB 2663 (Dababneh) – Fraud prevention.....	12
AB 2665 (Dababneh) – Workers' compensation: enforcement. ....	12
AB 2689 (Quirk-Silva) – Identity theft: unemployment insurance base wage file. ....	12
AB 2731 (Perea) – County of Fresno: maintenance of effort: streets and roads allocations.....	13
AB 2732 (Committee on Insurance) – Workers' compensation. ....	13
AB 2733 (Committee on Insurance) – Disability compensation: voluntary plans. ....	13
AB 2734 (Committee on Insurance) – Insurance: omnibus. ....	13
AB 2735 (Committee on Insurance) – Earthquake insurance. ....	13
ACR 79 (Bocanegra) – Classified school employees. ....	13

# **2013-2014 Oversight Hearings**

- Appendix 1 - Oversight Hearing on Employment Development IT Projects: Have they improved the quality of service?**
- Appendix 2 - Joint Hearing (Senator Labor and Industrial Relations and Assembly Insurance Committee): Opioids and the Workers' Compensation System: A discussion on Mitigating Abuse and Ensuring Access**
- Appendix 3 - Oversight Hearing on Unemployment Insurance Benefit Payment Delays. As well as Employment Development Department's update regarding the significant and ongoing improvements in services to the Unemployment Insurance customers**

**ASSEMBLY INSURANCE COMMITTEE**  
**2013-2014**  
**LEGISLATIVE SUMMARY**

Assembly Bills

**AB 37 (Perea) – Unemployment insurance: reporting requirements: status of funds.**

This bill would have required the Employment Development Department, whenever the Unemployment Fund indicated a negative balance, to include in the status report on the Unemployment Fund the estimated cost impact of a negative fund balance on employers. The estimated cost impacts include any changes in federal tax credits and the estimated amount the state expects to pay in interest charges on any outstanding loan from the federal government.

*Status: Ordered to inactive file at the request of Senator Cannella.*

**AB 152 (Yamada) – Unemployment: Self-Employment Assistance Program.**

This bill would have required the Employment Development department to implement a Self-Employment Assistance Program (SEA) as part of California's unemployment insurance program. SEA programs provide unemployment insurance benefits to claimants while they start a new business. Federal law establishes the option for SEA programs.

*Status: Held under submission on the Assembly Appropriations Committee suspense file.*

**AB 363 (Grove) – Unemployment Insurance Appeals Board: members.**

This bill would have prohibited a former member of the Legislature from sitting on the Unemployment Insurance Appeals Board for 2 years after leaving the Legislature.

*Status: Failed passage in the Assembly Insurance Committee.*

**AB 402 (Ammiano) – Disability income insurance: mental illness.**

This bill requires every policy of disability income insurance that provides benefits for 2 years or less to provide coverage for a disability caused by severe mental illness.

*Status: Chapter 550, Statutes of 2013.*

**AB 454 (Dickinson) – Workers' compensation benefits: prevailing wages.**

Would have required the average weekly earnings for an employee employed on a public works project to be taken at wages actually paid or the prevailing wage that should have been paid for the work performed by the employee, whichever amount is greater. Would have provided that an appeals board determination of whether a project was a public work or of the applicable prevailing wage, or both, has no effect in any other judicial or administrative proceeding.

*Status: Vetoed.*

**GOVERNOR'S VETO MESSAGE:**

"I agree disability payments should be determined based on the lawful wages paid, or that should have been paid, to an injured worker. I am not convinced that this is not the existing practice. Further, requiring a claims administrator to make prevailing wage determinations as this measure proposes is a bad idea."

**AB 862 (Wieckowski) – Automobile insurance: underinsured motorist coverage.**

Would have authorized an insurer to offer, in addition to the policy mandated by statute, a separately rated underinsured motorist policy where the maximum liability to the insurer is the underinsured motorist coverage limit. Would have required the insurer, if it elects to offer this policy to its insureds, to notify its insureds of this fact at the time it begins offering the policy.

*Status: Held in the Assembly Insurance Committee.*

**AB 908 (Bonilla) – Unemployment insurance: use of information.**

This bill requires the Employment Development Department to share information with the Department of Motor Vehicles (DMV). The requesting DMV investigator must be designated to receive this information by the Chief of the DMV Investigations Division, and requests for this information must arise in the course of an investigation into identity theft, counterfeiting, document fraud, or consumer fraud.

*Status: Chapter 553, Statutes of 2013.*

**AB 1010 (Hueso) – Financial statements: workers' compensation insurers: publication.**

Would have required certain annual and quarterly financial statements filed with the commissioner by workers' compensation insurers be published on the Department of Insurance's Internet Web site.

*Status: Held in the Assembly Insurance Committee.*

**AB 1053 (Cooley) – Sacramento Metropolitan Fire District: return of improperly collected money.**

Authorizes the Sacramento Metropolitan Fire District, until January 1, 2015, and notwithstanding any other law, to return money it improperly collected from payees due to a clerical error in the district's administration of a special tax levied from 2005 to 2012, inclusive. Makes legislative findings and declarations as to the public purpose served by this act.

*Status: Chapter 17, Statutes of 2014.*

**AB 1130 (Wilk) – Insurance: home protection contracts.**

Provides that certain requirements for a home protection company license do not apply to a foreign applicant, including filing a financial statement certified by the applicant's home state regulatory official as a true and correct copy of the statement filed with that official, and holding a certificate of authority as an insurance company, only if the applicant stipulates that the applicant will provide financial reports in the same manner required of domestic home protection companies.

*Status: Chapter 324, Statutes of 2014.*

**AB 1138 (Chau) – Workers' compensation: records.**

Would have required the employer, commencing January 1, 2014, and January 1, 2015, to submit to its workers' compensation insurer specified reports that it is required to submit to the Employment Development Department, and the insurer would be required to include the names of all covered employees in the workers' compensation insurance policy. The



*Status: Chapter 653, Statutes of 2013.*

**AB 1373 (John A. Perez) – Workers' compensation: firefighters and peace officers.**

Would have extended the statute of limitations to file workers' compensation claims for death benefits of firefighters and peace officers to 480 weeks from the date of injury, but in no event more than one year after the date of death, provided that certain conditions were met.

*Status: Vetoed by the Governor. (See also AB 1035, Statutes 2015, Chapter 15).*

**GOVERNOR'S VETO MESSAGE:**

"This measure is identical to the one I vetoed last year.

At that time, I outlined the information I wanted to see before I would be in a position to properly evaluate the implications of this bill. The information is still forth coming."

**AB 1376 (Roger Hernandez) – Workers' compensation: medical treatment: interpreters.**

Delayed, until March 1, 2014, the requirement that a person meet certain requirements established by the Administrative Director of the Division of Workers' Compensation in order to serve as a qualified interpreter.

*Status: Chapter 793, Statutes of 2013.*

**AB 1391 (Committee on Insurance) – Insurance: omnibus.**

This is the annual insurance omnibus bill, and makes a number of technical, clarifying, or minor modifications to the Insurance Code.

*Status: Chapter 321, Statutes of 2013*

**AB 1392 (Committee on Insurance) – Unemployment insurance: work sharing plans.**

The bill revised the law for work sharing plans in order to conform to changes in federal law. Work sharing programs permit an employer to request the payment of work sharing compensation from the unemployment insurance program to employees whose hours are reduced in lieu of layoffs. The bill requires employers to make a series of certifications regarding the preservation of any employment benefits and the number of layoffs prevented as a condition of participating in a work sharing plan.

*Status: Chapter 141, Statutes of 2013.*

**AB 1393 (Perea) – Personal income taxes: income exclusion: mortgage debt forgiveness. (Originally an insurance-related measure.)**

Conforms to federal law relating to the discharge of indebtedness and related penalties and interest, and make legislative findings and declarations regarding the public purpose served by the bill. Declares that it is to take effect immediately as an urgency statute.

*Status: Chapter 152, Statutes of 2014.*

a single social security number. The would also have required the department, whenever it discovers that 10 or more names are associated with a single social security number, to inform the Department of Justice of this as a potential incidence of identity theft.

*Status: Held in the Assembly Insurance Committee.*

**AB 1704 (Hagman) – Underwritten title companies: escrow.**

Would have authorized the commissioner to license an underwritten title company to engage in escrow business in all counties of this state with one application, upon payment of the appropriate fees.

*Status: Held in the Assembly Insurance Committee.*

**AB 1746 (Alejo) – Workers' compensation: proceedings: expedited hearings.**

Requires that cases in which the employee is or was employed by an illegally uninsured employer, and the disputed issues are employment or injury, be placed on the priority conference calendar established under existing law.

*Status: Chapter 156, Statutes of 2014.*

**AB 1749 (Hagman) – Workers' compensation: supplemental job displacement benefits.**

Would have required the administrative director to report to the Assembly Committee on Insurance and the Senate Committee on Insurance, on or before January 1, 2016, the extent to which injured workers who obtained vouchers for education or training ultimately obtained employment related to that education or training.

*Status: Held in the Assembly Insurance Committee.*

**AB 1804 (Perea) – Insurance: notice of lapse.**

Provides that policyholders of certain insurance policies have the right to designate a third party to receive any notice of cancellation of the policy that is sent to the policyholder. Automobile insurance, homeowners insurance, and certain disability income policies are subject to this rule. Provides that the notice of cancellation is not effective if the insurer fails to send the notice to a designated third party.

*Status: Chapter 380, Statutes of 2014.*

**AB 2052 (Gonzalez) -- Workers' compensation.**

Would have expanded the classes of peace officers who are entitled to receive the benefit that a range of injuries or conditions are presumed to be work-related for purposes of workers' compensation benefits.

*Status: Vetoed by the Governor.*

**GOVERNOR'S VETO MESSAGE:**

"Current workers' compensation law provides coverage to certain categories of peace officers and firefighters for presumed compensable injuries. These presumptions, which include cancer, heart disease, pneumonia, hernia, bio-chemical illness, tuberculosis, and meningitis, were enacted in response to the types of hazards which these workers

*Status: Held in the Assembly Insurance Committee.*

**AB 2191 (Wagner) -- Unemployment benefits: employer contributions: payments.**

This bill would have authorized an employer to pay their estimated annual state unemployment insurance tax on a quarterly basis. The bill would also have required employers to pay both penalties and interest on any underpayment of their annual state unemployment insurance tax obligation.

*Status: Held in the Assembly Insurance Committee.*

**AB 2196 (Fox) -- Title insurance: termination: exemption.**

Would have required that coverage under a policy of title insurance continue to the transferee when title is transferred to a trustee of the insured's revocable living trust of which the insured is a beneficiary with the power to revoke, or, if the trustee of a trust is the insured under the policy, when title is transferred by the trustee to the trust's settlor in his or her individual capacity.

*Status: Held in the Assembly Insurance Committee.*

**AB 2230 (Cooley) – Insurance: Workers' Compensation Bond Fund assessments.**

Allows the California Insurance Guarantee Association (CIGA), beginning January 1, 2015, to levy an assessment up to 2% of direct written premiums on insurers, unless there are outstanding bonds being used to pay claims and expenses, in which case the assessment may not exceed 1% for that category; and simplifies the “true-up” process and allows credit and debits due individual insurers for over or under payments on bond assessments to be applied against regular CIGA assessments.

*Status: Chapter 76, Statutes of 2014.*

**AB 2279 (Hagman) – Insurance: life agents.**

Increases from \$15,000 to \$20,000 the coverage amount that can be sold by limited-license life insurance agents for benefits designated to be used to cover funeral expenses.

*Status: Chapter 108, Statutes of 2014.*

**AB 2293 (Bonilla) – Transportation network companies: insurance coverage.**

Establishes mandatory liability insurance requirements for TNCs. Authorizes the mandate to be satisfied by the TNC, the driver, or a combination of coverage shared by the TNC and the driver. Adopts a lower insurance requirement for the period after the driver turns the TNC “app” on until there is a “match” with a rider. Mandates certain disclosures be made by the TNC to its drivers. Creates a firm firewall that prevents the losses from the commercial activity of TNC driving from being used in private passenger insurance rating.

*Status: Chapter 389, Statutes of 2014.*

**AB 2342 (Dababneh) – Insurance: automobile insurance.**

Would have increased from \$2500 to \$5000 the market value of a vehicle for which an insurer is precluded from refusing to issue automobile insurance physical damage coverage.

*Status: Held in the Assembly Insurance Committee.*

**AB 2401 (Dababneh) – Insurance: public inspection.**

Would have increased from 20 business days to 30 calendar days the number of days an insurer has to submit comments to the commissioner after transmittal of a specified report. Would have also increased from 20 business days to 30 calendar days the number of days within which the commissioner is required to publish the adopted report and any comments submitted by the insurer.

*Status: Held in the Assembly Insurance Committee.*

**AB 2410 (Dababneh) – Insurance: life and disability insurance.**

Would have instead required insurers to contest or deny a claim and request reasonable additional information within 45 calendar days after receipt of the claim, and require providers to submit the requested additional information to the insurer within 21 calendar days. Would have required insurers to pay the greater of \$30 per year or interest, as specified, on a claim that is not contested or denied and that has not been delivered to the claimant within 45 working days after receipt.

*Status: Held in the Assembly Insurance Committee.*

**AB 2482 (Wilk) – Workers' compensation: utilization review.**

Would have prohibited employers that provide utilization review, and entities that provide utilization review on behalf of an employer, from requesting or accepting any compensation or other thing of value from any source that may create or creates a conflict with the duties of carrying out the utilization review process. Would have required the administrative director, in consultation with the Commission on Health and Safety and Workers' Compensation, to adopt regulations to implement these provisions.

*Status: Held in the Assembly Insurance Committee.*

**AB 2578 (Dababneh) – Insurance: disability insurance: life insurance: accelerated death benefit.**

The made a number of minor changes to the law governing accelerated death benefit provisions in life insurance policies.

*Status: Chapter 360, Statutes of 2014.*

**AB 2604 (Brown) – Workers' compensation: proceedings: payment delay.**

Would have required that when payment of compensation has been unreasonably delayed or refused, either prior to or subsequent to the issuance of an award, the amount of the unreasonably delayed or refused payment be increased up to 25% or up to \$10,000, whichever is more. In using its discretion to accomplish a fair balance and substantial justice between the parties, the appeals board would have been required to consider the amount of the original award, the reason for and length of the delay, and whether there were prior violations.

*Status: Held in the Assembly Insurance Committee.*

**AB 2616 (Skinner) – Workers' compensation: hospital employers: compensation.**

Would have extended to certain hospital employees who provide direct patient care the presumption that methicillin-resistant *Staphylococcus aureus* (MRSA) infections are presumed to be job related. Would have added the proposed new presumptive injuries to

discovers that 3 or more names are associated with a single social security number, to inform the Department of Justice of this as a potential incidence of identity theft.

*Status: Held in the Assembly Insurance Committee.*

**AB 2731 (Perea) – County of Fresno: maintenance of effort: streets and roads allocations.**

This bill gives the County of Fresno until June 30, 2020, to meet that maintenance of effort requirement if it expends no less than \$5.5 million of funds to provide specialty medical services in conjunction with federally funded clinics to indigent individuals. The bill made a number of minor technical changes to Department of Insurance reporting requirements before the current contents of the bill were added.

*Status: Chapter 743, Statutes of 2014.*

**AB 2732 (Committee on Insurance) – Workers' compensation.**

Contains several technical clean-up provisions to the workers' compensation reforms of 2012.

*Status: Chapter 217, Statutes of 2014.*

**AB 2733 (Committee on Insurance) – Disability compensation: voluntary plans.**

Repeals the sunset clause on the small business third-party administrator program for voluntary disability programs, streamlines the administration of multiple programs, and shifts financial security obligations from the employer to the administrator.

*Status: Chapter 217, Statutes of 2014.*

**AB 2734 (Committee on Insurance) – Insurance: omnibus.**

This Assembly Insurance Committee omnibus bill contains numerous technical and noncontroversial provisions related to insurance law. Clarifies the definition of disabled veteran business enterprises for Department of Insurance reporting purposes and makes other minor changes.

*Status: Chapter 362, Statutes of 2014.*

**AB 2735 (Committee on Insurance) – Earthquake insurance.**

This bill revised and clarified existing requirements to provide homeowners with a notice of their right to purchase earthquake insurance. The statutorily required notices were potentially misleading to some consumers.

*Status: Chapter 427, Statutes of 2014.*

### **Assembly Concurrent Resolution**

**ACR 79 (Bocanegra) – Classified school employees.**

This resolution would have recognized the important role that classified school employees play in California's public schools and community colleges, and that they deserve fair and consistent working conditions, including access to unemployment benefits.

*Status: Held in the Assembly Insurance Committee.*

**SB 251 (Calderon) – Insurance: notice: electronic transmission.**

This bill provides consumers the option to receive insurance renewal notices and other specified insurance notices and disclosures electronically. Existing law requires these documents to be provided by first class mail. The bill requires consumers to opt-in to receive these notices electronically and allows consumers to opt-out at any time. The bill sunsets the option to receive these notices and disclosures electronically on January 1, 2019.

*Status: Chapter 369, Statutes of 2013.*

**SB 258 (Lieu) – Workers' compensation.**

Would have clarified that recently enacted limitations on assignment of liens apply only to assignments occurring on or after January 1, 2013, Would have made technical clarifications to the 2012 workers' compensation reform statutes, and required that Workers' Compensation Appeals Board (WCAB) members be attorneys.

*Status: Vetoed by the Governor.*

**GOVERNOR'S VETO MESSAGE:**

"This measure clarifies the intent of last year's historic Workers' Compensation reform as it relates to assignment of medical liens and the prospective nature of the new requirements - - I agree with that. Unfortunately, the bill also makes an unnecessary change to the qualifications for appointment to the Workers' Compensation Appeals Board.

The existing option to appoint qualified non-attorneys to two of the seven slots is reasonable. I see no reason to limit future Governors in their authority to appoint members of the Workers' Compensation Appeals Board.

I will work with the Legislature next year to make the clarification that assignment of medical liens was intended to be prospective under SB 863 (Chapter 363, Statutes of 2012). "

**SB 281 (Calderon) – Life insurance: accelerated death benefits.**

This bill authorizes the sale of life insurance with "accelerated death benefits." These policies allow policy owners to access death benefits when they experience a catastrophic or chronic illness.

*Status: Chapter 345, Statutes of 2013*

**SB 375 (Committee on Labor) – Workers' compensation.**

Adopts non-controversial and technical correction amendments to the 2012 workers' compensation reforms.

*Status: Chapter 287, Statutes of 2013.*

arrangement to include in every application form for membership and every risk pooling contract issued or renewed on or after January 1, 2016, in boldface 10-point type on the front page, a notice that states, among other things, that the risk pooling contract is not subject to all of the California insurance laws and is not subject to regulation by the Insurance Commissioner.

*Status: Chapter 556, Statutes of 2014.*

**SB 1046 (Beall) – Insurance: mental illness: development disabilities: coverage: penalties.**

Would have given the Insurance Commissioner the authority to assess administrative penalties for any violations of the mental health parity law, including any rules or orders adopted or issued based on violations of those provisions. Would have given the commissioner authority to assess a penalty for each patient harmed by a violation of the above provisions, including any rules or orders adopted or issued based on violations of those provisions, as a separate and distinct violation. The penalties would not exceed \$2,500 for each violation, or for an ongoing and continuous violation, the penalty would not exceed \$2,500 per day for as long as the violation continued.

*Status: Vetoed by the Governor.*

**GOVERNOR'S VETO MESSAGE:**

"This bill would give the Insurance Commissioner additional authority to penalize health insurers up to \$2,500 per person, per day, for each violation of the Mental Health Parity Act, in addition to any other penalties or remedies allowed by law.

The Insurance Commissioner already has broad penalty authority under the Unfair Insurance Practices Act. The scope of this existing authority is currently at issue in the courts. Until this matter is resolved, it would be premature to conclude what changes, if any, should be made to the Commissioner's broad statutory powers."

**SB 1065 (Monning) – Health insurance fraud: annual special purpose assessments.**

This bill would have authorized certain reports required to be submitted to a committee of the Legislature pursuant to the Insurance Code to be submitted electronically. The bill also would have required any report that is required under the Insurance Code to be submitted to a committee of the Legislature to also be submitted as an electronic or printed copy to the Legislative Counsel.

*Status: Ordered to inactive file on request of Assembly Member V. Manuel Perez.*

**SB 1141 (Hancock) – Unemployment insurance: use of information.**

This bill allows the Employment Development Department to share quarterly wage information with the Department of Corrections and Rehabilitation in order to assess the impact of rehabilitation services, or the lack of these services, on the employment and earnings of former inmates.

*Status: Chapter 751, Statutes of 2014.*

**SJR 28 (Monning) – Earthquake insurance: affordability.**

Memorializes the President of the United States and the Congress of the United States to enact the Earthquake Insurance Affordability Act.

*Status: Chapter 92, Statutes of 2014.*



**ASSEMBLY INSURANCE COMMITTEE**  
**2013-2014**  
**LEGISLATIVE SUMMARY**

**Assembly Bills**

**AB 37 (Perea) – Unemployment insurance: reporting requirements: status of funds.**

This bill would have required the Employment Development Department, whenever the Unemployment Fund indicated a negative balance, to include in the status report on the Unemployment Fund the estimated cost impact on employers which would have changed a specified federal tax credit and the estimated amount the state is expected to pay in interest charges on any outstanding loan to the federal government.

*Status: Ordered to inactive file at the request of Senator Cannella.*

**AB 152 (Yamada) – Unemployment: Self-Employment Assistance Program.**

This bill would have required the Employment Development department to implement a Self-Employment Assistance Program (SEA) as part of California's unemployment insurance program. SEA programs provide unemployment insurance benefits to claimants while they start a new business. Federal law establishes the option for SEA programs.

*Status: Held under submission on the Assembly Appropriations Committee suspense file.*

**AB 363 (Grove) – Unemployment Insurance Appeals Board: members.**

This bill would have prohibited a former member of the Legislature from sitting on the Unemployment Insurance Appeals Board for 2 years after leaving the Legislature.

*Status: Failed passage in the Assembly Insurance Committee.*

**AB 402 (Ammiano) – Disability income insurance: mental illness.**

This bill requires every policy of disability income insurance that provides benefits for 2 years or less to provide coverage for a disability caused by severe mental illness.

*Status: Chapter 550, Statutes of 2013.*

**AB 454 (Dickinson) – Workers' compensation benefits: prevailing wages.**

Would have required the average weekly earnings for an employee employed on a public works project to be taken at wages actually paid or the prevailing wage that should have been paid for the work performed by the employee, whichever amount is greater. Would have provided that an appeals board determination of whether a project was a public work or of the applicable prevailing wage, or both, has no effect in any other judicial or administrative proceeding.

*Status: Vetoed.*

**GOVERNOR'S VETO MESSAGE:**

"I agree disability payments should be determined based on the lawful wages paid, or that should have been paid, to an injured worker. I am not convinced that this is not the existing practice. Further, requiring a claims administrator to make prevailing wage determinations as this measure proposes is a bad idea."

**AB 584 (Perea) – Insurance: risk and solvency assessment.**

Requires an insurer to conduct an "Own Risk and Solvency Assessment" (ORSA) at least annually and to submit to the commissioner, upon request and no more than once each year, an ORSA Summary Report. Exempts certain insurance companies from these requirements. Provides that the documents, materials, and other information in the possession or control of the Department of Insurance that are obtained by, created by, or disclosed to the commissioner or any other person pursuant to these provisions are confidential, are not subject to disclosure pursuant to the California Public Records Act, and are not subject to subpoena or discovery in a civil action.

*Status: Chapter 238, Statutes of 2013.*

**AB 607 (Perea) – Workers' compensation: dependent children.**

Eliminates the requirement that there has to be a surviving totally dependent parent, in order for children under 18, or certain adult children, are eligible for the full scope of workers' compensation dependent death benefits.

*Status: Chapter 786, Statutes of 2013.*

**AB 615 (Bocanegra) – Unemployment insurance: classified employees.**

This bill would have deleted the prohibition on the payment of unemployment insurance benefits to classified school employees between academic years.

*Status: Held under submission on the Assembly Appropriations Committee suspense file.*

**AB 638 (Alejo) – Workers' compensation: proceedings: expedited hearings.**

Would have additionally required that cases in which the employee has an illegally uninsured employer and the disputed issues are employment or injury be placed on the priority conference calendar established under existing law.

*Status: Died on the Assembly Appropriations Committee Suspense File. (See also AB 1746, below).*

**AB 773 (Hueso) – Bail agent licenses: qualifications.**

Would have authorized a limited liability company (LLC) to be a licensee subject to the same requirements as corporations. Would have also exempted a corporation or a LLC from the requirements that 100% of the shares of the corporation or membership interest in the LLC be held by licensed bail agents, and all shareholders, officers, and directors of the corporation or members of the LLC be licensed bail agents, if the corporation or LLC is an admitted surety insurer or a subsidiary of an admitted surety insurer.

*Status: Died on the Assembly Appropriations Committee Suspense File.*

**AB 821 (Yamada) – Insurance: motor vehicle insurance: cancellation: failure to renew.**

Would have made a willful violation of laws governing cancellation or failure to renew a motor vehicle insurance contract before the policy expiration subject to a misdemeanor, punishable by a fine not exceeding \$1,000 per violation, or an administrative penalty, enforceable by the Insurance Commissioner, not to exceed \$1,000.

*Status: Held in the Assembly Insurance Committee.*

**AB 862 (Wieckowski) – Automobile insurance: underinsured motorist coverage.**

Would have authorized an insurer to offer, in addition to the policy mandated by statute, a separately rated underinsured motorist policy where the maximum liability to the insurer is the underinsured motorist coverage limit. Would have required the insurer, if it elects to offer this policy to its insureds, to notify its insureds of this fact at the time it begins offering the policy.

*Status: Held in the Assembly Insurance Committee.*

**AB 908 (Bonilla) – Unemployment insurance: use of information.**

This bill requires the Employment Development Department to share information with the Department of Motor Vehicles (DMV). The requesting DMV investigator must be designated to receive this information by the Chief of the DMV Investigations Division, and requests for this information must arise in the course of an investigation into identity theft, counterfeiting, document fraud, or consumer fraud.

*Status: Chapter 553, Statutes of 2013.*

**AB 1010 (Hueso) – Financial statements: workers' compensation insurers: publication.**

Would have required certain annual and quarterly financial statements filed with the commissioner by workers' compensation insurers be published on the Department of Insurance's Internet Web site.

*Status: Held in the Assembly Insurance Committee.*

**AB 1053 (Cooley) – Sacramento Metropolitan Fire District: return of improperly collected money.**

Authorizes the Sacramento Metropolitan Fire District, until January 1, 2015, and notwithstanding any other law, to return money it improperly collected from payees due to a clerical error in the district's administration of a special tax levied from 2005 to 2012, inclusive. Makes legislative findings and declarations as to the public purpose served by this act.

*Status: Chapter 17, Statutes of 2014.*

**AB 1130 (Wilk) – Insurance: home protection contracts.**

Provides that certain requirements for a home protection company license do not apply to a foreign applicant, including filing a financial statement certified by the applicant's home state regulatory official as a true and correct copy of the statement filed with that official, and holding a certificate of authority as an insurance company, only if the applicant stipulates that the applicant will provide financial reports in the same manner required of domestic home protection companies.

*Status: Chapter 324, Statutes of 2014.*

**AB 1138 (Chau) – Workers' compensation: records.**

Would have required the employer, commencing January 1, 2014, and January 1, 2015, to submit to its workers' compensation insurer specified reports that it is required to submit to the Employment Development Department, and the insurer would be required to include the names of all covered employees in the workers' compensation insurance policy. The

employer would have also been required to make a list of all employees covered by its workers' compensation policy, which would include specified identifying information for each covered employee, to be available in written and electronic form, as specified, upon request, to specified governmental entities and the workers' compensation insurer. Also would have provided that these lists are not public records subject to the California Public Records Act.

*Status: From committee without further action pursuant to Joint Rule 62(a).*

**AB 1234 (Levine) – Insurance: registration statements.**

This bill ensures that confidential information obtained by the Department of Insurance in the course of enforcing the Holding Company Act remains confidential. The bill makes information reported to the Insurance commissioner in the registration statement and information disclosed in the course of an examination or investigation of the registration statement exempt from public disclosure by the commissioner and not subject to discovery from the commissioner or admissible into evidence in any private civil action if obtained from the commissioner.

*Status: Chapter 448, Statutes of 2014.*

**AB 1236 (Hagman) -- Contractor: limited liability companies.**

The Contractors' State License Law provides for the licensure and regulation of contractors by the Contractors' State License Board. Existing law authorizes the Contractors' State License Board to issue a contractor's license to a limited liability company, but requires, as a condition precedent to the issuance, reissuance, reinstatement, reactivation, renewal, or continued valid use of a limited liability company contractor's license, that the applicant or licensee file or have on file a surety bond for damages arising out of specified claims of employees. Existing law also requires the limited liability company to maintain a policy or policies of insurance against liability imposed on or against it for damages arising out of claims, as specified, as a condition of licensure. Under existing law, the policy or policies of insurance secured to satisfy these provisions are required to be written by an insurer or insurers duly licensed by this state.

This bill additionally permits those policies to be written by an eligible surplus line insurer.

*Status: Chapter 114, Statutes of 2013.*

**AB 1309 (Perea) -- Workers' compensation: professional athletes.**

Limits access to the California workers' compensation system for professional athletes employed by out-of-state teams and who have minimal contact to California. Provides objective criteria to determine when players with past contact with a California employer can use the California workers' compensation system. Exempts an employee hired outside of this state and his or her employer from the occupational disease and cumulative injury provisions of this state's workers' compensation laws if (1) the employee is a professional athlete, defined, for purposes of these provisions, to include an athlete who is employed at the minor or major league level in the sport of baseball, basketball, football, ice hockey, or soccer, (2) that professional athlete is temporarily within this state doing work for his or her employer, and (3) the employer has furnished workers' compensation insurance under the laws of the state other than California that covers the professional athlete's employment while in this state, except as specified.

*Status: Chapter 653, Statutes of 2013.*

**AB 1373 (John A. Perez) – Workers' compensation: firefighters and peace officers.**

Would have extended the statute of limitations to file workers' compensation claims for death benefits of firefighters and peace officers to 480 weeks from the date of injury, but in no event more than one year after the date of death, provided that certain conditions were met.

*Status: Vetoed by the Governor. (See also AB 1035, Statutes 2015, Chapter 15).*

**GOVERNOR'S VETO MESSAGE:**

"This measure is identical to the one I vetoed last year.

At that time, I outlined the information I wanted to see before I would be in a position to properly evaluate the implications of this bill. The information is still forth coming."

**AB 1376 (Roger Hernandez) – Workers' compensation: medical treatment: interpreters.**

Delayed, until March 1, 2014, the requirement that a person meet certain requirements established by the Administrative Director of the Division of Workers' Compensation in order to serve as a qualified interpreter.

*Status: Chapter 793, Statutes of 2013.*

**AB 1391 (Committee on Insurance) – Insurance: omnibus.**

This is the annual insurance omnibus bill, and makes a number of technical, clarifying, or minor modifications to the Insurance Code.

*Status: Chapter 321, Statutes of 2013*

**AB 1392 (Committee on Insurance) – Unemployment insurance: work sharing plans.**

The bill revised the law for work sharing plans in order to conform to changes in federal law. Work sharing programs permit an employer to request the payment of work sharing compensation from the unemployment insurance program to employees whose hours are reduced in lieu of layoffs. The bill requires employers to make a series of certifications regarding the preservation of any employment benefits and the number of layoffs prevented as a condition of participating in a work sharing plan.

*Status: Chapter 141, Statutes of 2013.*

**AB 1393 (Perea) – Personal income taxes: income exclusion: mortgage debt forgiveness. (Originally an insurance-related measure.)**

Conforms to federal law relating to the discharge of indebtedness and related penalties and interest, and make legislative findings and declarations regarding the public purpose served by the bill. Declares that it is to take effect immediately as an urgency statute.

*Status: Chapter 152, Statutes of 2014.*

**AB 1394 (Committee on Insurance) – State Compensation Insurance Fund: executive appointments.**

Authorizes the board of directors of State Compensation Insurance Fund to appoint a chief medical officer, a chief actuarial officer, a chief claims operations officer, and a chief of internal affairs, and make those positions subject to the Milton Marks Post government Employment Restrictions Act of 1990.

*Status: Chapter 309, Statutes of 2013.*

**AB 1395 (Perea) – Insurance: special assessments: Seismic Safety Account.**

Raises the amount of an annual special purpose automobile insurance policy assessment from \$0.25 to \$0.26. Clarifies that an insurer is not required to refund any portion of an assessment imposed on property insurance policies that goes to fund the Seismic Safety Commission because the policy is terminated prior to the expiration date of the policy, once the insurer has remitted to assessment to the Insurance Commissioner.

*Status: Chapter 407, Statutes of 2014.*

**AB 1553 (Yamada) – Long-term care insurance: premium basis.**

The bill would have prohibited insurers issuing or renewing long-term care insurance policies from charging a different premium based on gender. The bill would also have prohibited insurers from reducing or eliminating benefits or coverage based on gender.

*Status: Set first hearing. Held without recommendation.*

**AB 1556 (Perea) – Unemployment insurance.**

This bill requires the Employment Development Department (EDD) to periodically review policies and practices used to determine eligibility for and the amount of benefits in the unemployment insurance program, and report to the Legislature the results of the first review on or before July 1, 2015. The bill also requires EDD to translate key forms and informational materials into the most commonly spoken languages.

*Status: Chapter 377, Statutes of 2014.*

**AB 1631 (Chavez) – Identity theft: unemployment insurance base wage file.**

This bill would have required the department to review the information in its unemployment insurance base wage file to determine if multiple names are associated with a single social security number. The would also have required the department, whenever it discovers that 5 or more names are associated with a single social security number, to inform the Department of Justice of this as a potential incidence of identity theft.

*Status: Held in the Assembly Insurance Committee.*

**AB 1638 (Bocanegra) – Unemployment insurance: classified employees.**

This bill would have deleted the prohibition on the payment of unemployment insurance benefits to classified school employees between academic years.

*Status: Held under submission on the Assembly Appropriations Committee suspense file.*

**AB 1663 (Hagman) – Identify theft: unemployment insurance base wage file.**

This bill would have required the department to review the information in its unemployment insurance base wage file to determine if multiple names are associated with

a single social security number. The would also have required the department, whenever it discovers that 10 or more names are associated with a single social security number, to inform the Department of Justice of this as a potential incidence of identity theft.

*Status: Held in the Assembly Insurance Committee.*

**AB 1704 (Hagman) – Underwritten title companies: escrow.**

Would have authorized the commissioner to license an underwritten title company to engage in escrow business in all counties of this state with one application, upon payment of the appropriate fees.

*Status: Held in the Assembly Insurance Committee.*

**AB 1746 (Alejo) – Workers' compensation: proceedings: expedited hearings.**

Requires that cases in which the employee is or was employed by an illegally uninsured employer, and the disputed issues are employment or injury, be placed on the priority conference calendar established under existing law.

*Status: Chapter 156, Statutes of 2014.*

**AB 1749 (Hagman) – Workers' compensation: supplemental job displacement benefits.**

Would have required the administrative director to report to the Assembly Committee on Insurance and the Senate Committee on Insurance, on or before January 1, 2016, the extent to which injured workers who obtained vouchers for education or training ultimately obtained employment related to that education or training.

*Status: Held in the Assembly Insurance Committee.*

**AB 1804 (Perea) – Insurance: notice of lapse.**

Provides that policyholders of certain insurance policies have the right to designate a third party to receive any notice of cancellation of the policy that is sent to the policyholder. Automobile insurance, homeowners insurance, and certain disability income policies are subject to this rule. Provides that the notice of cancellation is not effective if the insurer fails to send the notice to a designated third party.

*Status: Chapter 380, Statutes of 2014 .*

**AB 2052 (Gonzalez) -- Workers' compensation.**

Would have expanded the classes of peace officers who are entitled to receive the benefit that a range of injuries or conditions are presumed to be work-related for purposes of workers' compensation benefits.

*Status: Vetoed by the Governor.*

**GOVERNOR'S VETO MESSAGE:**

"Current workers' compensation law provides coverage to certain categories of peace officers and firefighters for presumed compensable injuries. These presumptions, which include cancer, heart disease, pneumonia, hernia, bio-chemical illness, tuberculosis, and meningitis, were enacted in response to the types of hazards which these workers

face. Over the course of many decades, California has expanded both the diseases and the kinds of safety employees which these presumptions cover.

This measure seeks to expand coverage to dozens of additional categories of officers without real evidence that these officers confront the hazards that gave rise to the presumptions codified in existing law. Presumptions should be used rarely and only when justified by clear and convincing scientific evidence."

**AB 2056 (Dababneh) -- Insurance: pet insurance.**

This bill defines certain terms, specifies certain disclosures in pet insurance policies, and requires policies to have a 30 day "free look" period. The bill also authorizes the commissioner to hold a hearing to determine if an insurer is in violation of provisions governing pet insurance and to assess a civil penalty, which is to be determined by the commissioner but not to exceed \$5,000 for each violation, or \$10,000 for a willful violation.

*Status: Chaptered 896, Statutes of 2014.*

**AB 2064 (Cooley) -- Earthquake insurance: mandatory offer.**

This bill made number of changes to the laws governing the offer of earthquake insurance and the California Earthquake Authority (CEA). The bill revised the wording of the statutorily required offer of earthquake insurance to homeowners, increased the cap on CEA operating expenses from 3% to 6%, defined what expenses are categorized as operating expenses and are subject to the cap, changed CEA loss assessment coverage for condominiums from mandatory to optional, and required CEA participating insurers to send CEA marketing materials to homeowners' policyholders at least once a year.

*Status: Chaptered 419, Statutes of 2014.*

**AB 2068 (Nazarian) -- Charter-party carriers of passengers.**

Would have required the PUC to develop a standard insurance disclosure statement to be included in a written agreement between drivers and charter-party carriers of passengers that use an online-enabled application or platform to connect passengers with drivers.

*Status: Held in the Assembly Insurance Committee.*

**AB 2128 (Gordon) -- Insurer investments: community development.**

Repeals the requirement that insurers develop a community development investing policy statement, and review it every two years. Recasts the laws governing the California Organized Investment Network Advisory Board. The term of each board member is 2 years and is staggered as provided. Extends the sunset date for COIN data reporting to January 1, 2020.

*Status: Chapter 384, Statutes of 2014.*

**AB 2169 (Cooley) -- Business and professions.**

The bill would have modified existing law relating to the classification of real estate brokers as independent contractors.



*Status: Held in the Assembly Insurance Committee.*

**AB 2191 (Wagner) -- Unemployment benefits: employer contributions: payments.**

This bill would have authorized an employer to pay their estimated annual state unemployment insurance tax on a quarterly basis. The bill would also have required employers to pay both penalties and interest on any underpayment of their annual state unemployment insurance tax obligation.

*Status: Held in the Assembly Insurance Committee.*

**AB 2196 (Fox) -- Title insurance: termination: exemption.**

Would have required that coverage under a policy of title insurance continue to the transferee when title is transferred to a trustee of the insured's revocable living trust of which the insured is a beneficiary with the power to revoke, or, if the trustee of a trust is the insured under the policy, when title is transferred by the trustee to the trust's settlor in his or her individual capacity.

*Status: Held in the Assembly Insurance Committee.*

**AB 2230 (Cooley) – Insurance: Workers' Compensation Bond Fund assessments.**

Allows the California Insurance Guarantee Association (CIGA), beginning January 1, 2015, to levy an assessment up to 2% of direct written premiums on insurers, unless there are outstanding bonds being used to pay claims and expenses, in which case the assessment may not exceed 1% for that category; and simplifies the "true-up" process and allows credit and debits due individual insurers for over or under payments on bond assessments to be applied against regular CIGA assessments.

*Status: Chapter 76, Statutes of 2014.*

**AB 2279 (Hagman) – Insurance: life agents.**

Increases from \$15,000 to \$20,000 the coverage amount that can be sold by limited-license life insurance agents for benefits designated to be used to cover funeral expenses.

*Status: Chapter 108, Statutes of 2014.*

**AB 2293 (Bonilla) – Transportation network companies: insurance coverage.**

Establishes mandatory liability insurance requirements for TNCs. Authorizes the mandate to be satisfied by the TNC, the driver, or a combination of coverage shared by the TNC and the driver. Adopts a lower insurance requirement for the period after the driver turns the TNC "app" on until there is a "match" with a rider. Mandates certain disclosures be made by the TNC to its drivers. Creates a firm firewall that prevents the losses from the commercial activity of TNC driving from being used in private passenger insurance rating.

*Status: Chapter 389, Statutes of 2014.*

**AB 2342 (Dababneh) – Insurance: automobile insurance.**

Would have increased from \$2500 to \$5000 the market value of a vehicle for which an insurer is precluded from refusing to issue automobile insurance physical damage coverage.

*Status: Held in the Assembly Insurance Committee.*

**AB 2347 (Gonzalez) – Insurance policies.**

This bill made a number of clarifying changes to laws governing the issuance of annuity policies. The bill also applied existing notice and disclosure provision to immediate annuities.

*Status: Chapter 166, Statutes of 2014.*

**AB 2362 (Grove) – Unemployment insurance benefits: disqualifications: convictions.**

This bill would have permitted the Employment Development Department (EDD) to apply sanctions for Unemployment Insurance (UI) fraud based on both federal and state criminal convictions. Specifically it would have added UI-related fraud convictions under Penal Code sections related to forgery, grand theft, and false claims, as well as specified United States code sections. The bill required courts to report UI-related convictions to EDD.

*Status: Held in Senate Labor and Industrial Relations Committee.*

**AB 2366 (Bocanegra) – Benefit and relief associations.**

Would have authorized the commissioner to receive and investigate formal written complaints made against a holder of a benefit and relief association certificate of authority, and would have authorized the commissioner, after providing notice and an opportunity for a hearing, to suspend or rescind the certificate if a complaint could not be resolved in a timely manner.

*Status: Held in the Assembly Insurance Committee.*

**AB 2378 (Perea) – Workers' compensation: temporary disability payments.**

Would have provided that "4850 time" (a special one year benefit for public safety officers injured on the job) would be payable in addition to the 104 weeks of temporary disability payments applicable to all workers (rather than counting as part of the 104 weeks).

*Status: Vetoed by the Governor.*

GOVERNOR'S VETO MESSAGE:

"This bill provides that the right of certain fire and peace officers to a leave of absence for up to one year with full tax-free pay as a result of on-the-job disability would not offset or otherwise impinge on their right to up to 104 weeks of temporary disability benefits.

The bill provides a benefit increase for a limited class of employees. The special considerations supporting salary continuation for public safety employees do not correspondingly support the expectation that these employees will need substantially more time than other injured workers to recover from their injuries."

**AB 2383 (Achadjian) – Workers' compensation: payments: public safety employees.**

Would have deleted all references to the entitlement to a vocational rehabilitation maintenance allowance as an alternative to temporary disability.

*Status: Held in the Assembly Insurance Committee.*

**AB 2401 (Dababneh) – Insurance: public inspection.**

Would have increased from 20 business days to 30 calendar days the number of days an insurer has to submit comments to the commissioner after transmittal of a specified report. Would have also increased from 20 business days to 30 calendar days the number of days within which the commissioner is required to publish the adopted report and any comments submitted by the insurer.

*Status: Held in the Assembly Insurance Committee.*

**AB 2410 (Dababneh) – Insurance: life and disability insurance.**

Would have instead required insurers to contest or deny a claim and request reasonable additional information within 45 calendar days after receipt of the claim, and require providers to submit the requested additional information to the insurer within 21 calendar days. Would have required insurers to pay the greater of \$30 per year or interest, as specified, on a claim that is not contested or denied and that has not been delivered to the claimant within 45 working days after receipt.

*Status: Held in the Assembly Insurance Committee.*

**AB 2482 (Wilk) – Workers' compensation: utilization review.**

Would have prohibited employers that provide utilization review, and entities that provide utilization review on behalf of an employer, from requesting or accepting any compensation or other thing of value from any source that may create or creates a conflict with the duties of carrying out the utilization review process. Would have required the administrative director, in consultation with the Commission on Health and Safety and Workers' Compensation, to adopt regulations to implement these provisions.

*Status: Held in the Assembly Insurance Committee.*

**AB 2578 (Dababneh) – Insurance: disability insurance: life insurance: accelerated death benefit.**

The made a number of minor changes to the law governing accelerated death benefit provisions in life insurance policies.

*Status: Chapter 360, Statutes of 2014.*

**AB 2604 (Brown) – Workers' compensation: proceedings: payment delay.**

Would have required that when payment of compensation has been unreasonably delayed or refused, either prior to or subsequent to the issuance of an award, the amount of the unreasonably delayed or refused payment be increased up to 25% or up to \$10,000, whichever is more. In using its discretion to accomplish a fair balance and substantial justice between the parties, the appeals board would have been required to consider the amount of the original award, the reason for and length of the delay, and whether there were prior violations.

*Status: Held in the Assembly Insurance Committee.*

**AB 2616 (Skinner) – Workers' compensation: hospital employers: compensation.**

Would have extended to certain hospital employees who provide direct patient care the presumption that methicillin-resistant *Staphylococcus aureus* (MRSA) infections are presumed to be job related. Would have added the proposed new presumptive injuries to the list of existing presumptive injuries for which a treating physician is not required to

apportion causation for disability purposes to either nonindustrial, or prior industrial, injuries.

*Status: Vetoed by the Governor.*

#### GOVERNOR'S VETO MESSAGE:

"This bill would create a first of its kind private employer workers' compensation presumption for a specific staph infection -- methicillin-resistant *Staphylococcus aureus* (MRSA) -- for certain hospital employees.

California's no-fault system of worker's compensation insurance requires that claims must be "liberally construed" to extend benefits to injured workers whenever possible. The determination that an illness is work-related should be decided by the rules of that system and on the specific facts of each employee's situation. While I am aware that statutory presumptions have steadily expanded for certain public employees, I am not inclined to further this trend or to introduce it into the private sector.

Some have reported that hospitals have intimidated nurses from filing valid worker's compensation claims for a work-related MRSA infection. Any such conduct would be reprehensible. I am therefore directing the Department of Industrial Relations to investigate and take whatever action is needed."

#### **AB 2663 (Dababneh) – Fraud prevention.**

Would have adjusted civil penalties that prohibited knowingly employing runners, cappers, steerers, or other persons to procure clients or patients to perform or obtain services or benefits under workers' compensation coverage or to procure clients or patients to perform or obtain services or benefits under a contract of insurance or that will be the basis for a claim against an insured individual or his or her insurer. Existing law makes every person who violates these prohibitions liable for a civil penalty of not less than \$5,000 and not more than \$10,000. Would have adjusted those civil penalties to not less than \$10,000 and not more than \$25,000.

*Status: Held in the Assembly Insurance Committee.*

#### **AB 2665 (Dababneh) – Workers' compensation: enforcement.**

Would have increased the amounts of certain fines to not less than \$25,000 for the first offense and not less than \$75,000 for the 2nd and subsequent offenses.

*Status: Held in the Assembly Insurance Committee.*

#### **AB 2689 (Quirk-Silva) – Identity theft: unemployment insurance base wage file.**

This bill would have required the department to review the information in its unemployment insurance base wage file to determine if multiple names are associated with a single social security number. The would also have required the department, whenever it discovers that 3 or more names are associated with a single social security number, to inform the Department of Justice of this as a potential incidence of identity theft.

*Status: Held in the Assembly Insurance Committee.*

**AB 2731 (Perea) – County of Fresno: maintenance of effort: streets and roads allocations.**

This bill gives the County of Fresno until June 30, 2020, to meet that maintenance of effort requirement if it expends no less than \$5.5 million of funds to provide specialty medical services in conjunction with federally funded clinics to indigent individuals. The bill made a number of minor technical changes to Department of Insurance reporting requirements before the current contents of the bill were added.

*Status: Chapter 743, Statutes of 2014.*

**AB 2732 (Committee on Insurance) – Workers' compensation.**

Contains several technical clean-up provisions to the workers' compensation reforms of 2012.

*Status: Chapter 217, Statutes of 2014.*

**AB 2733 (Committee on Insurance) – Disability compensation: voluntary plans.**

Repeals the sunset clause on the small business third-party administrator program for voluntary disability programs, streamlines the administration of multiple programs, and shifts financial security obligations from the employer to the administrator.

*Status: Chapter 217, Statutes of 2014.*

**AB 2734 (Committee on Insurance) – Insurance: omnibus.**

This Assembly Insurance Committee omnibus bill contains numerous technical and noncontroversial provisions related to insurance law. Clarifies the definition of disabled veteran business enterprises for Department of Insurance reporting purposes and makes other minor changes.

*Status: Chapter 362, Statutes of 2014.*

**AB 2735 (Committee on Insurance) – Earthquake insurance.**

This bill revised and clarified existing requirements to provide homeowners with a notice of their right to purchase earthquake insurance. The statutorily required notices were potentially misleading to some consumers.

*Status: Chapter 427, Statutes of 2014.*

**ASSEMBLY CONCURRENT RESOLUTION**

**ACR 79 (Bocanegra) – Classified school employees.**

This resolution would have recognized the important role that classified school employees play in California's public schools and community colleges, and that they deserve fair and consistent working conditions, including access to unemployment benefits.

*Status: Held in the Assembly Insurance Committee.*

## **ASSEMBLY JOINT RESOLUTION**

### **AJR 34 (Cooley) – Terrorism risk insurance.**

Urges the President and Congress of the United States to take action as soon as possible to extend the Terrorism Risk Insurance Program Reauthorization Act of 2007 to protect California and national economies.

*Status: Chapter 28, Statutes of 2014.*

## **SENATE BILLS**

### **SB 36 (Hueso) -- Internet Web site: workers' compensation insurers: workers' compensation data.**

Would have, beginning July 1, 2014, required the Department of Insurance to include on its Internet Web site a dedicated Internet Web page that includes workers' compensation data, statistics, and reports covering insurers. Would have required the department to only use data already collected by the department or the Department of Industrial Relations, and authorize the department to provide on its Internet Web site direct links to relevant information on other Internet Web sites.

*Status: Vetoed by the Governor.*

## **GOVERNOR'S VETO MESSAGE:**

"The information required to be posted online by this bill is already available publicly, including online, through the California Department of Insurance, the Department of Industrial Relations, the Workers' Compensation Insurance Rating Bureau and the Commission of Health, Safety and Workers' Compensation.

A new law is not required."

### **SB 146 (Lara) – Workers' compensation: medical treatment: billing.**

Prohibits a copy of the prescription from being required with a request for payment of pharmacy services, unless the provider of services has entered into a written agreement that requires a copy of a prescription for a pharmacy service, and would give any entity until March 31, 2014, to resubmit pharmacy bills for payment, originally submitted on or after January 1, 2013, where payment was denied because the bill did not include a copy of the prescription from the treating physician. Clarifies that an employer, insurer, pharmacy benefits manager, or 3rd-party claims administrator would not be precluded from requesting a copy of a prescription during a review of any records of prescription drugs dispensed by a pharmacy. Declares that it is to take effect immediately as an urgency statute.

*Status: Chapter 129, Statutes of 2013.*

### **SB 251 (Calderon) – Insurance: notice: electronic transmission.**

This bill provides consumers the option to receive insurance renewal notices and other specified insurance notices and disclosures electronically. Existing law requires these

documents to be provided by first class mail. The bill requires consumers to opt-in to receive these notices electronically and allows consumers to opt-out at any time. The bill sunsets the option to receive these notices and disclosures electronically on January 1, 2019.

*Status: Chapter 369, Statutes of 2013.*

**SB 258 (Lieu) – Workers' compensation.**

Would have clarified that recently enacted limitations on assignment of liens apply only to assignments occurring on or after January 1, 2013, Would have made technical clarifications to the 2012 workers' compensation reform statutes, and required that Workers' Compensation Appeals Board (WCAB) members be attorneys.

*Status: Vetoed by the Governor.*

GOVERNOR'S VETO MESSAGE:

"This measure clarifies the intent of last year's historic Workers' Compensation reform as it relates to assignment of medical liens and the prospective nature of the new requirements - - I agree with that. Unfortunately, the bill also makes an unnecessary change to the qualifications for appointment to the Workers' Compensation Appeals Board.

The existing option to appoint qualified non-attorneys to two of the seven slots is reasonable. I see no reason to limit future Governors in their authority to appoint members of the Workers' Compensation Appeals Board.

I will work with the Legislature next year to make the clarification that assignment of medical liens was intended to be prospective under SB 863 (Chapter 363, Statutes of 2012). "

**SB 281 (Calderon) – Life insurance: accelerated death benefits.**

This bill authorizes the sale of life insurance with "accelerated death benefits." These policies allow policy owners to access death benefits when they experience a catastrophic or chronic illness.

*Status: Chapter 345, Statutes of 2013*

**SB 375 (Committee on Labor) – Workers' compensation.**

Adopts non-controversial and technical correction amendments to the 2012 workers' compensation reforms.

*Status: Chapter 287, Statutes of 2013.*

**SB 476 (Steinberg) – Insurance: special assessments.**

Eliminates the sunset dates for Auto Consumer Assessment, Organized Automobile Fraud Activity Interdiction Assessment, and the Life and Annuity Consumer Protection Fund, and lowers the maximum assessment of the Auto Consumer Assessment and expands

application of the Life and Annuity Consumer Protection Fund to include life insurance and annuity products valued at less than \$15,000. Requires the Insurance Commissioner's annual report to contain specified information pertaining to consumer complaints, investigations, and administrative and regulatory cases, and total aggregate annual assessment revenue and expenditure pertaining to automobile insurance, and make technical changes.

*Status: Chapter 347, Statutes of 2013.*

**SB 501 (Corbett) – Drivers' licenses: examinations: driving tests: proof of financial responsibility.**

Would have allowed evidence of financial responsibility to be provided for the purpose of taking the behind-the-wheel driving test by using a mobile electronic device.

*Status: Held in the Assembly Insurance Committee.*

**SB 527 (Block) – Workers' compensation: public employees: leaves of absence.**

Extends the "4850 time" leave of absence entitlement to lifeguards employed year round on a regular, full-time basis by the City of San Diego. Makes legislative findings and declarations as to the necessity of a special statute for these employees of the City of San Diego.

*Status: Chapter 66, Statutes of 2013.*

**SB 770 (Jackson) – Unemployment compensation: disability benefits: paid family leave.**

This bill expands the scope of the family temporary disability program to include time off to care for a seriously ill grandparent, grandchild, sibling, or parent-in-law, as defined.

*Status: Chapter 350, Statutes of 2013.*

**SB 777 (Hernandez) – Unemployment compensation: disability benefits: paid family leave.**

Reestablishes provisions in Horse Racing Law which sunsetted on January 1, 2014. The provisions required a Thoroughbred racing association, racing fair, quarter horse racing association or harness racing association that conducts a racing meeting to deduct a specified percentage of the total amount handled in exotic pari-mutuel pools on live races, to be distributed to a specified organization for the purpose of defraying costs of workers' compensation insurance for trainers and owners in connection with live horse racing.

*Status: Chapter 6, Statutes of 2014.*

**SB 1011 (Monning) – Nonprofit corporations: self-insurance.**

Allows non-profit self-insurance pooling arrangements to provide property coverage. Requires that the pooling arrangement be organized as a nonprofit public benefit corporation, be in existence for purposes of covering tort liability for no less than 5 years, and have accumulated net assets of not less than \$5,000,000. Requires the pooling arrangement to include in every application form for membership and every risk pooling contract issued or renewed on or after January 1, 2016, in boldface 10-point type on the front page, a notice that states, among other things, that the risk pooling contract is not



subject to all of the California insurance laws and is not subject to regulation by the Insurance Commissioner.

*Status: Chapter 556, Statutes of 2014.*

**SB 1046 (Beall) – Insurance: mental illness: development disabilities: coverage: penalties.**

Would have given the Insurance Commissioner the authority to assess administrative penalties for any violations of the mental health parity law, including any rules or orders adopted or issued based on violations of those provisions. Would have given the commissioner authority to assess a penalty for each patient harmed by a violation of the above provisions, including any rules or orders adopted or issued based on violations of those provisions, as a separate and distinct violation. The penalties would not exceed \$2,500 for each violation, or for an ongoing and continuous violation, the penalty would not exceed \$2,500 per day for as long as the violation continued.

*Status: Vetoed by the Governor.*

**GOVERNOR'S VETO MESSAGE:**

"This bill would give the Insurance Commissioner additional authority to penalize health insurers up to \$2,500 per person, per day, for each violation of the Mental Health Parity Act, in addition to any other penalties or remedies allowed by law.

The Insurance Commissioner already has broad penalty authority under the Unfair Insurance Practices Act. The scope of this existing authority is currently at issue in the courts. Until this matter is resolved, it would be premature to conclude what changes, if any, should be made to the Commissioner's broad statutory powers."

**SB 1065 (Monning) – Health insurance fraud: annual special purpose assessments.**

This bill would have authorized certain reports required to be submitted to a committee of the Legislature pursuant to the Insurance Code to be submitted electronically. The bill also would have required any report that is required under the Insurance Code to be submitted to a committee of the Legislature to also be submitted as an electronic or printed copy to the Legislative Counsel.

*Status: Ordered to inactive file on request of Assembly Member V. Manuel Perez.*

**SB 1141 (Hancock) – Unemployment insurance: use of information.**

This bill allows the Employment Development Department to share quarterly wage information with the Department of Corrections and Rehabilitation in order to assess the impact of rehabilitation services, or the lack of these services, on the employment and earnings of former inmates.

*Status: Chapter 751, Statutes of 2014.*

**SB 1142 (Monning) – Health insurance fraud: annual special purpose assessments.**

Requires that the annual special purpose assessment be paid for each person in this state covered under an individual or group policy *regardless of the situs of the contract or master group policyholder*, and regardless of whether the insured has been issued an individual certificate of coverage, including blanket insurance.

*Status: Chapter 251, Statutes 2014.*

**SB 1205 (Monning) –Insurance.**

Requires the curriculum board to additionally develop or recommend courses of study on commercial earthquake risk management.

*Status: Chapter 252, Statutes of 2014.*

**SB 1273 (Lara) – Insurance: low-cost automobile insurance program.**

This bill:

- extends the sunset date on the Low-Cost Automobile Insurance Program until January 1, 2020;
- expands eligibility criteria to include drivers with less than three years of continuous driving experience and assesses a surcharge on those drivers;
- makes other changes designed to increase participation in the program;
- allows periodic premium payments; and,
- increases agent commissions.

The bill also requires the Insurance Commissioner and the California Automobile Assigned Risk Program Advisory Committee to study other possible expansions of eligibility and the development of a consumer-friendly Internet Web site for the program.

*Status: Chapter 487, Statutes of 2014.*

**SB 1314 (Monning) – Unemployment insurance benefits: determination: appeals.**

Extends the deadline for reconsideration or for an appeal of unemployment insurance rulings, determinations, and computations to from 20 to 30 days.

*Status: Chapter 399, Statutes of 2014.*

**SENATE JOINT RESOLUTION**

**SJR 18 (Beall) – Emergency Unemployment Compensation: extension.**

Proclaims the Legislature's support for the extension of the Emergency Unemployment Compensation program and would memorialize the United States Congress to promptly renew the extension of unemployment benefits.

*Status: Chapter 18, Statutes of 2014.*

**SJR 28 (Monning) – Earthquake insurance: affordability.**

Memorializes the President of the United States and the Congress of the United States to enact the Earthquake Insurance Affordability Act.

*Status: Chapter 92, Statutes of 2014.*

# **APPENDIX 1**

STATE CAPITOL  
P.O. BOX 942849  
SACRAMENTO, CA 94249-0106  
(916) 319-2086  
FAX (916) 319-2186

CHIEF CONSULTANT  
MARK RAKICH

PRINCIPAL CONSULTANT  
PAUL RICHES

COMMITTEE SECRETARY  
TRACY AINSWORTH ELWELL

# Assembly California Legislature



## ASSEMBLY COMMITTEE ON INSURANCE

HENRY T. PEREA, CHAIR  
ASSEMBLYMEMBER, THIRTY-FIRST DISTRICT

### Oversight Hearing on Employment Development IT Projects: Have they improved the quality of service?

**MEMBERS**  
HENRY T. PEREA, CHAIR  
CURT HAGMAN, VICE CHAIR  
SUSAN A. BONILLA  
STEVEN BRADFORD  
IAN C. CALDERON  
KEN COOLEY  
JIM FRAZIER  
BETH GAINES  
HOLLY J. MITCHELL  
BRIAN NESTANDE  
KRISTIN OLSEN  
NORMA J. TORRES  
BOB WIECKOWSKI

## Assembly Insurance Committee

Assemblymember Henry T. Perea, Chair

Wednesday, March 6, 2013

9:00 a.m. – 11:00 a.m.

State Capitol, Room 437

Sacramento, California

- I. **Adoption of Committee Rules (upon the presence of a quorum)**
- II. **Introductory Comments by the Chair and Committee Members:**  
Assemblymember Henry T. Perea – *Chair of the Assembly Insurance Committee*  
Assemblymember Curt Hagman – *Vice-Chair of the Assembly Insurance Committee*
- III. **Employment Development Department (EDD) Overview of IT Projects:**  
Pamela Harris – *Director of the Employment Development Department*
- IV. **Implementation of the Single Client Database and ACES Projects:**  
Lisa Wheeler – *Acting Deputy Director of the Tax Branch*  
Gail Overhouse – *Deputy Director of the Information Technology Branch*
- V. **Implementation of UI Modernization Projects:**  
Sabrina Reed – *Acting Deputy Director of the Unemployment Insurance Branch*  
Michael Greenlow – *Chief of the Unemployment Insurance Resource Management Division*  
Michele Sutton-Riggs – *Chief Unemployment Insurance Policy and Coordination Division*
- VI. **Implementation of SDI Projects:**  
Elizabeth Wahnnon – *Deputy Director of the Disability Insurance Branch*  
Monica Vazquez – *Chief of Central Office Division*  
Linda Fredericksen – *Chief of the Field Operations Division*
- VII. **Stakeholder Perspectives:**  
Cynthia Rice – *California Rural Legal Assistance*  
Margarita Maldonado – *Vice President of Bargaining SEIU Local 1000*
- VIII. **Impact of Federal Sequestration of the UI Program:**  
Elizabeth Wahnnon – *Deputy Director of the Disability Insurance Branch*  
Monica Vazquez – *Chief of Central Office Division*  
Linda Fredericksen – *Chief of the Field Operations Division*
- IX. **Public Comment**

# **Oversight Hearing**

## **Assessing the Impact of EDD Information Technology Projects Implemented Since 2010**

**March 6, 2013**

### **Background**

In February, 2010, the Committee held a hearing to address severe operational problems in California's unemployment insurance (UI) program. At the time, the Employment Development Department (EDD) had a record of long delays and major cost overruns in its information technology (IT) modernization efforts, and was compounding the financial stress on the unemployed California's by failing to process UI claims on a timely basis. The combination of a massive increase in the number of unemployed Californians and decades old IT infrastructure was adding injury to the insult of unemployment. Among other items, that hearing highlighted the need for EDD to modernize its antiquated IT systems so that it could more effectively serve the needs of unemployed Californian's unemployed. California continues to experience historically high levels of unemployment (although down significantly from the levels seen in the depths of the Great Recession) that present operational challenges for EDD.

In the time since the 2010 hearing, EDD has implemented a number of IT modernization efforts. This hearing is seeking answers to the following questions:

- 1) What IT projects have been implemented in the UI program since 2010?
- 2) How has EDD performed in delivering those projects in terms of cost and timeliness?
- 3) How have these projects improved the performance of the UI program?
- 4) What IT projects remain in progress and how are they performing in terms of cost and timeliness?
- 5) How will current projects improve the performance of the UI program?

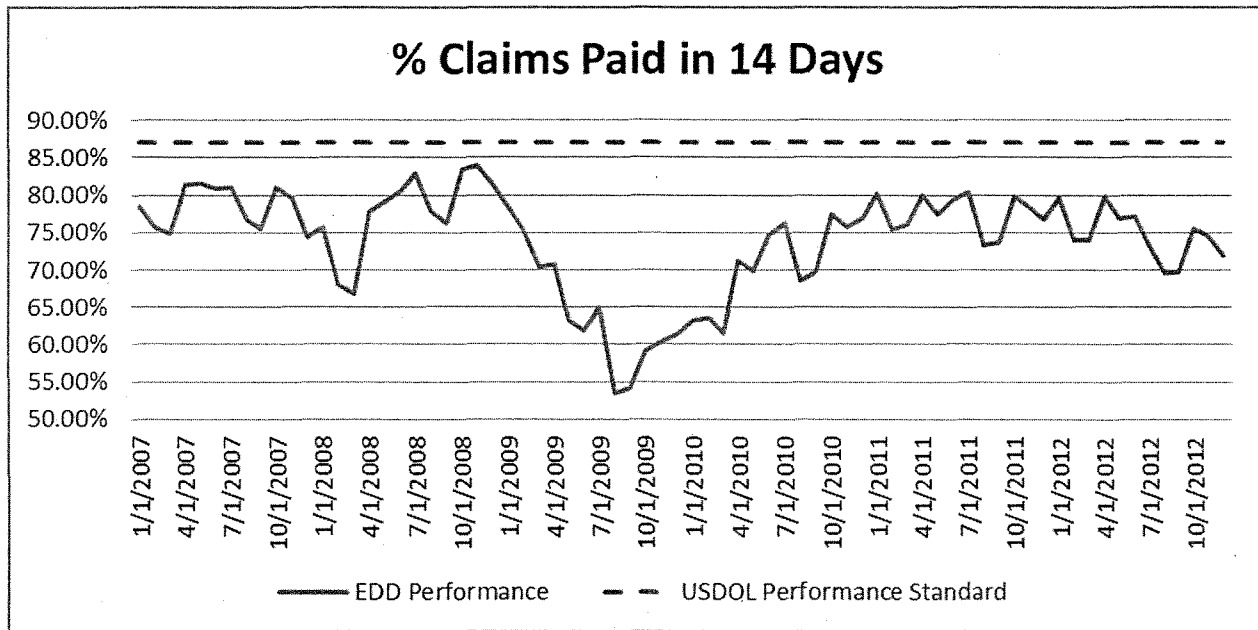
This hearing will also explore what EDD's IT modernization priorities are in the coming years.

Lastly, EDD recently implemented a new computer system for the State Disability Insurance program (SDI) that seeks to transition that program from a largely paper based system to a more automated process and this hearing will provide the committee with information regarding the cost, timeliness and operational impact of implementing that system.

### **Overview of UI, SDI & PFL programs**

California's UI program provides weekly benefits to individuals who are unemployed through no fault of their own. Unemployment insurance was established under the federal Social Security Act of 1935 and is administered by the individual states which are given broad discretion to determine program policy (including setting tax and benefit levels).

The UI program is financed by unemployment tax contributions paid by employers for each covered worker. Each state selects both a taxable wage base (\$7,000 in California) and the tax rates (up to 6.2%



Another key measure of program performance is the ability of EDD call centers to respond to inquiries.

Administration of the UI system is funded by the employer paid federal unemployment taxes. Those revenues are then allocated to the states in the form of administrative grants. The amount of those grants is determined by formula, but in practice there are not sufficient funds available to provide states with 100% the funding levels indicated by the formula, and funding amounts are adjusted down to fit within available revenue.

Federal funding has varied dramatically in recent years due to increased workload and the costs of implementing federal UI extensions. The tables below show the fluctuation in funding and staffing levels in recent years.

Year	Total Federal Funding	% Change from Prior Year
2007	\$366.2 million	0
2008	\$410.4 million	12%
2009	\$547.1 million	33%
2010	\$645.1 million	18%
2011	\$566.7 million	-12%
2012	\$492.2 million	-13%

Category	July 2007	July 2008	July 2009	July 2010	July 2011	July 2012	December 2012
<b>UI Branch</b>	<b>2,247</b>	<b>2,390</b>	<b>3,463</b>	<b>3,808</b>	<b>3,478</b>	<b>3,078</b>	<b>2,996</b>
All EPRs	1,529	1,608	2,411	2,679	2,438	2,014	1,979
Field Management Staff	198	198	269	287	278	277	241
Field Support Staff	101	94	117	204	194	130	127
<b>Total Field Staff</b>	<b>1,828</b>	<b>1,900</b>	<b>2,797</b>	<b>3,170</b>	<b>2,910</b>	<b>2,421</b>	<b>2,347</b>

- Project Start June 2009
- Project Completion November 2011
- Project Cost \$37.5 million

**Alternate Base Period Project** – The alternate base period for determining UI eligibility was enacted by the Legislature in 2009 to allow California to claim an additional \$840 million of incentive funds from the federal government. EDD had to complete the SCDB project before implementing the alternate base period programming, but completed it in time to qualify for the federal incentive funds.

- Project Start May 2009
- Project Completion March 2012
- Project Cost \$12.4 million

**Continued Claims Certification Web (CCCW) Project** – This project allows many UI claimants to certify for continuing benefits (i.e., that they are able to work and actively looking for work) through a web-based system.

- Project Start May 2009
- Project Completion November 2010
- Project Cost \$3.7 million

**Electronic Benefits Payment** – This project allows benefit payments for UI, SDI, and PFL to be made electronically through an EDD issued debit card. This project eliminated the costs and time delays associated with issuing paper checks.

- Project Start April 2009
- Project Completion November 2011
- Project Cost \$4.6 million

**Accounting & Compliance Enhancement System (ACES)** – This project replaced the tax accounting system that was deployed in 1986 and over 20 other smaller legacy systems. ACES is an integrated tax system that allows businesses to manage their tax accounts online as well as enable EDD tax collection staff to work more effectively. The system has allowed EDD to increase collections by approximately \$257 million from November 2009 through September 2012.

- Project Start September 2009
- Project Completion January 2011
- Project Cost \$93.6 million

**State Disability Insurance Automation** – This system allows claimants, medical providers and employers to submit claims and claim related information online and processes claims automatically based on embedded business rules. The system is intended to provide claimants and medical providers' self-service features, online submittal of paperwork and enhanced security of confidential medical information. The SDI program has experienced significant delays in processing claims since the implementation of this system. EDD reports that continuing to process claims (see the table below) on

reduced the FY 2013 cuts from \$109 billion to \$85 billion (the \$24 billion reduction is offset by lower discretionary spending caps as well as new revenue related to retirement accounts).

The USDOL provided the following assessments of the impact of sequestration related to UI programs:

"Economists and the Congressional Budget Office predict that there will be an increase in unemployment if sequestration occurs. Sequestration will also reduce States' ability to assist newly unemployed workers in their search for employment and could impact the integrity of the Unemployment Insurance (UI) program. Inadequate funding for state administration of UI programs could lead to state layoffs, an increased number of improper payments, backlogs of appeals, and slower processing of claims."

"For the long-term unemployed, more than 3.8 million people receiving Emergency Unemployment Compensation benefits will see their benefits reduced by as much as 9.4 percent. Affected long-term unemployed individuals would lose an average of more than \$400 in benefits that they and their families count on while they search for another job. Smaller unemployment checks will also have a negative impact on the economy as a whole. Economists have estimated that every dollar in unemployment benefits generates \$2 in economic activity."

The following are estimated cost impacts of sequestration on the UI program for California's UI program:

- UI Administrative Grant:
  - 2012-13: -\$18.3 million
  - 2013-14: -\$24.4 million
- Emergency Unemployment Compensation (EUC) – Administration:
  - 2012-13: -\$5.7 million
  - 2013-14: -\$4.0 million
- EUC – Benefits:
  - 2012-13: -\$195.9 million
  - 2013-14: -\$287.7 million
- EUC – Reemployment Services and Reemployment and Eligibility Assessment:
  - 2012-13: -\$0.2 million
  - 2013-14: -\$0.2 million



# **APPENDIX 2**

MEMO TO FILE CLERK

COMMITTEE HEARINGS

---

Wednesday, March 20, 2013

---

INSURANCE

PEREA,

9:30 a.m. -- State Capitol 2040

JOINT HEARING

SENATE COMMITTEE ON LABOR AND INDUSTRIAL  
RELATIONS AND ASSEMBLY COMMITTEE ON INSURANCE

SUBJECT: Opioids and the Workers Compensation System: A  
Discussion on Mitigating Abuse and Ensuring  
Access

# Opioids and the Workers' Compensation System: A Discussion on Mitigating Abuse and Ensuring Access

*A Joint Hearing of the Senate Committee on Labor and Industrial Relations and  
Assembly Committee on Insurance*

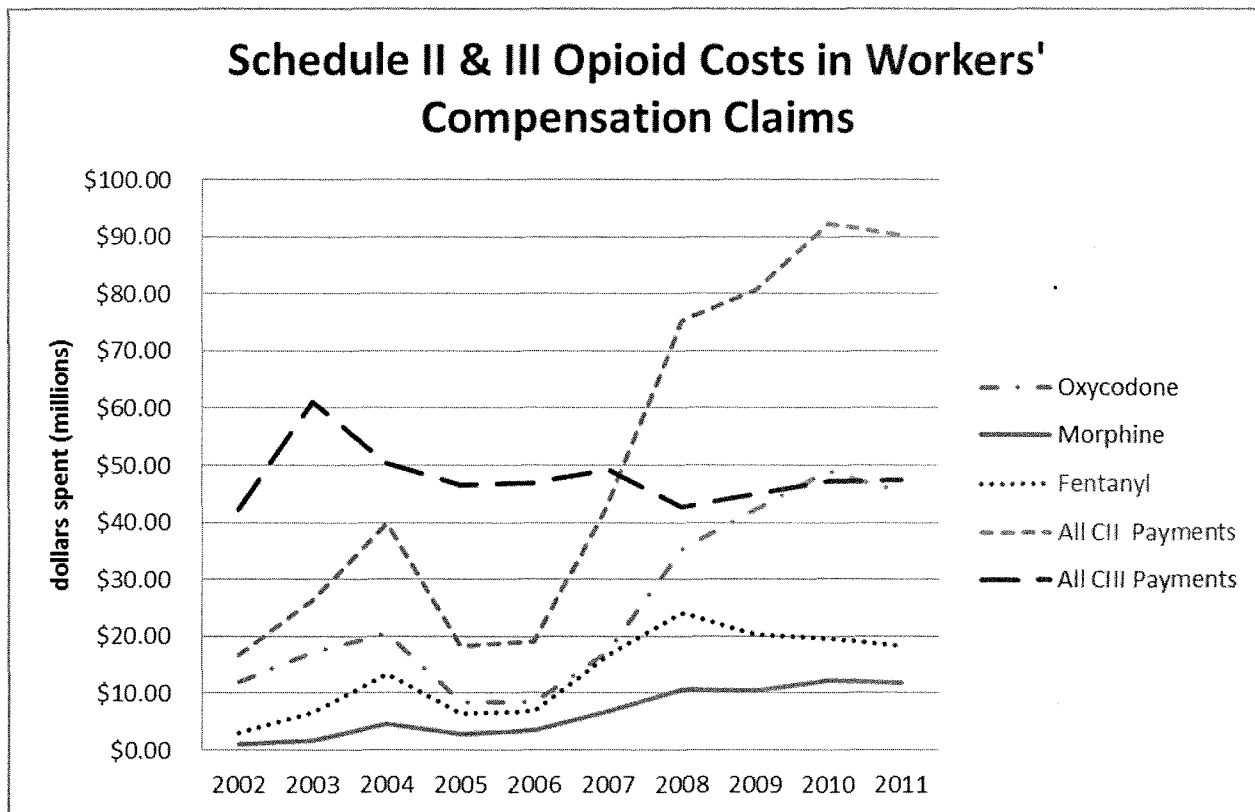
March 20, 2013 at 9:30 A.M.  
State Capitol, Rm. 2040

- 1) Opening Statements from Senator Lieu and Assembly Member Perea
- 2) Statement from Insurance Commissioner Dave Jones
- 3) A Review of the Data on Opioid Use in the Workers' Compensation System
  - Dr. Gary M. Franklin, University of Washington
  - Alex Swedlow, California Workers' Compensation Institute
- 4) Administration Perspectives on Opioids in the Workers' Compensation System
  - Christine Baker, Department of Industrial Relations
  - Dr. Rupali Das, Division of Workers' Compensation
- 5) Payor and Worker Perspectives on Opioids in the Workers' Compensation System
  - Angie Wei, California Labor Federation
  - Martin Brady, School Insurance Authority
  - William Zachry, Safeway
  - Carol Newman, State Compensation Insurance Fund
- 6) Payee Perspectives on Opioids in the Workers' Compensation System
  - Dr. Robert Wailes, Pain Management Consultant, Tri-City Med Center
  - Dr. Brendan Morley, Pain and Rehabilitative Consultants Medical Group
  - David Ford, Noteware Government Relations
  - Dr. Bernyce Peplowski, U.S. Healthworks
- 7) Public Comment

**Background Paper for**  
**Joint Hearing of the Senate Labor and Industrial Relations and Assembly Insurance Committees**  
**March 20, 2013**

A series of studies conducted by the California Workers' Compensation Institute (CWCI) have highlighted a seemingly inexplicable rise in opioid prescriptions by physicians in the workers' compensation system. Among the most troubling trends identified in these studies is the widespread use of potent Schedule II narcotics in patients with low back pain (without spinal cord involvement). As detailed below, Vicodin (brand name for hydrocodone) is a Schedule III narcotic. Schedule II narcotics are the strongest painkillers that can be legally prescribed. A 2011 CWCI study found that nearly one-half of all Schedule II opioid prescriptions were written for such injuries.

CWCI provided the data illustrated in the chart below. The chart shows dramatic shifts in the cost of Schedule II drug costs over time while the costs for Schedule III drugs has been relatively stable after a brief spike in costs in 2003. For example the cost for fentanyl increased nearly 8 fold between 2002 and 2008 and the cost for morphine has increased more than 10 fold in the same period.



Some of the more commonly prescribed narcotics include oral forms of fentanyl that are approved by the Food and Drug Administration (FDA) only for the treatment of breakthrough pain in cancer patients already taking opioids on a continuous basis. Fentanyl is the most potent opioid in the CWCI study and is considered to be 75 to 100 times more potent than oral morphine. CWCI found the following patterns in prescribing fentanyl in non-surgical back patients:

- More than 1 out of 4 (27 percent) of the non-surgical medical back claims treated with Schedule II opioids had at least one prescription for fentanyl;
- Fentanyl prescriptions accounted for more than 1 out of every 5 (21.8 percent) of the Schedule II prescriptions in the non-surgical medical back cases; and
- Three out of 10 doctors who wrote Schedule II prescriptions for non-surgical medical back patients prescribed fentanyl.

The FDA has released a number of public health advisories regarding the dangers attached to the use of fentanyl including the following admonition regarding oral fentanyl: "...should not be used to treat any type of short-term pain including headaches or migraines, post-operative pain, or pain due to injury." A 2007 safety warning issued by the FDA states:

"The fentanyl skin patch contains the opioid fentanyl, a potent narcotic. The skin patch was approved by FDA in 1990 for use in patients with persistent, moderate-to-severe pain who have become opioid tolerant – meaning that they have been using another strong opioid narcotic pain medicine around-the-clock, and have been using the medicine regularly for a week or longer. ***The skin patch is most commonly prescribed for patients with cancer.***"(emphasis added)

In that same advisory, the FDA's director of the Division of Anesthesia, Analgesia and Rheumatology Products stated, "While these products fill an important need, improper use and misuse can be life-threatening. Therefore, it is crucial that doctors prescribe these products appropriately and that patients use them correctly."

CWCI studies also report significant growth in the prescribing of all Schedule II opioids in the workers' compensation system. In 2002, prescriptions for Schedule II opioids were 1.1% of all prescriptions in the system. That percentage peaked at 6.7% in the first half of 2011. Schedule III opioid prescribing rates have experienced little variation in the same 10 year period.

Growth in Schedule II prescribing is not limited to the workers' compensation system. The Los Angeles Times (Times) recently reported that the use of prescription painkillers quadrupled between 1999 and 2010. That growth in prescriptions has been accompanied by an equally dramatic increase in the abuse of prescription drugs. Beginning in 2007 the number of emergency room visits involving prescription drugs outnumbered those involving illicit drugs. The Centers for Disease Control estimates 15,500 deaths resulted from prescription painkiller overdoses in 2009. CDC estimates that for every death, there are 130 individuals who are abusing or are dependent on prescription painkillers. The Times' series has drawn considerable attention among policymakers in Sacramento and Senator DeSaulnier has introduced Senate Bill 809 to provide funding for improved monitoring of controlled substance use and require prescribers to check a statewide controlled substance monitoring database (CURES).

## Background

### *Controlled Substances*

There is a subset of dangerous drugs (any drug requiring a doctor's prescription) known as "controlled substances." Controlled substances include drugs that have been determined by the DEA to have the "potential for abuse" and are subject to much more vigorous regulation than other prescription drugs. A controlled substance is placed into one of five categories (known as Schedules) based on an assessment of the risk associated with the drug as follows:

Schedule I -- The drug has: 1) high potential for abuse, 2) has no currently accepted medical use, and 3) no accepted standards for safe use. Examples include: hallucinogens (LSD, Peyote, hallucinogenic mushrooms), and heroin.

Schedule II -- The drug has: 1) high potential for abuse, 2) a currently accepted medical use, and 3) may lead to severe psychological or physical dependence. Examples include: stimulants (Ritalin, Adderall, and other amphetamines) and pain killers (such as Oxycontin, morphine, Percodan, fentanyl, Demerol).

Schedule III -- The drug has: 1) less potential for abuse than the drugs in schedules I and II, 2) has an accepted medical use, 3) abuse of the drug may lead to moderate or low physical dependence or high psychological dependence. Examples include: pain killers (Vicodin, Ketamine, and Codeine) and anabolic steroids.

Schedule IV -- The drug has: 1) a low potential for abuse relative to the drugs in schedule III, 2) an accepted medical use, 3) abuse of the drug may lead to limited physical dependence or psychological dependence relative to the drugs or other substances in schedule III. Examples include: pain killers (such as Tylenol 4, Soma, Darvon), anti-anxiety drugs (such as Xanax and Valium), and sedatives (such as Ambien and Lunesta).

Schedule V -- The drug has: 1) a low potential for abuse relative to the drugs or other substances in schedule IV, 2) an accepted medical use, 3) abuse of the drug or other substance may lead to limited physical dependence or psychological dependence relative to the drugs or other substances in schedule IV. Examples include cough syrup with codeine.

#### *Controlled Substance Utilization Review and Evaluation System (CURES)*

CURES is a database operated by the Department of Justice that requires pharmacies to submit information regarding **controlled substance** prescriptions dispensed by that pharmacy. CURES allows licensed healthcare prescribers eligible to prescribe controlled substances, pharmacists authorized to dispense controlled substances, law enforcement, and regulatory boards access to a patient's controlled substance prescription history.

#### *Opioids*

Opioids are derived from the opium poppy (or synthetic versions of it) and used for pain relief. Examples include hydrocodone (Vicodin), oxycodone (OxyContin, Percocet), fentanyl (Duragesic, Fentora), methadone, and codeine.

The Joint hearing of the Assembly Insurance and Senate Labor and Industrial Relations Committee is intended to begin a discussion of ways to address, in the workers' compensation system, a problem that has near universal acknowledgement among interested parties.



**California Workers' Compensation Institute**  
1111 Broadway Suite 2350, Oakland, California 94607, (510) 663-1063

**Estimated Calendar Year System-Wide Payments for Schedule-II and Schedule-III Opioids  
in the California Workers' Compensation System**

Alex Swedlow, CWCI  
John Ireland, CWCI  
March 13, 2013

**Exhibit 1. Estimated Calendar Year Payments for Pharmaceuticals**

Calendar Year	Estimated Total Pharmacy Payments					Est. Total RX (\$M)
	Earned Premium (\$B) <sup>1</sup>	% Med <sup>1</sup>	Est. Medical Paid (\$B)	% RX <sup>2</sup>	Adj Rx <sup>3</sup>	
2002	\$14.8	29.8%	\$4.42	7.2%	9.0%	\$397
2003	\$20.3	24.5%	\$4.97	9.3%	11.6%	\$578
2004	\$23.3	20.0%	\$4.65	10.3%	12.9%	\$599
2005	\$21.5	18.2%	\$3.91	9.9%	12.4%	\$484
2006	\$17.3	21.7%	\$3.75	10.0%	12.5%	\$469
2007	\$13.3	28.6%	\$3.81	9.1%	11.4%	\$434
2008 <sup>4</sup>			\$4.10	8.3%	10.4%	\$425
2009	\$ 9.1	45.9%	\$4.16	8.2%	10.3%	\$427
2010	\$ 9.6	44.9%	\$4.33	8.4%	10.5%	\$454
2011	\$10.5	42.6%	\$4.45	8.3%	10.4%	\$461

<sup>1</sup> WCIRB Report on 2011 CA WC Losses and Expenses, Exhibit 18.1

<sup>2</sup> WCIRB Report on 2011 CA WC Losses and Expenses, Exhibit 1.4

<sup>3</sup> Applied 1.25 adjustment factor to account for non-pharmacy prescriptions (CWCI 2013)

<sup>4</sup> WCIRB Report on 2009 CA WC Losses and Expenses, Table 1

## Exhibit 2. Estimated Calendar Year Payments for Schedule-II and Schedule-II Pharmaceuticals

Calendar Year	Estimated Total Schedule-II & III Opioid Payments				
	% S-II <sup>5</sup>	% S-III <sup>5</sup>	Est. Total S-II Paid (\$M)	Est. Total S-III Paid (\$M)	Est. Total S-II & III Paid (\$M)
2002	4.2%	10.6%	\$16.6	\$42.2	\$58.8
2003	4.6%	10.5%	\$26.4	\$61.0	\$87.4
2004	6.6%	8.4%	\$39.8	\$50.3	\$90.1
2005	3.8%	9.6%	\$18.3	\$46.6	\$64.9
2006	4.1%	10.0%	\$19.1	\$47.0	\$66.1
2007	10.0%	11.3%	\$43.3	\$49.1	\$92.4
2008 <sup>4</sup>	17.7%	10.0%	\$75.2	\$42.6	\$117.8
2009	18.9%	10.5%	\$80.6	\$44.9	\$125.5
2010	20.3%	10.4%	\$92.2	\$47.1	\$139.3
2011	19.6%	10.3%	\$90.3	\$47.5	\$137.8

## Exhibit 3. Estimated Payments for Schedule-II Opioids by Drug Type

Schedule II Opioids	Calendar Year Payments (\$M)									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Oxycodone	\$11.9	\$17.2	\$20.5	\$8.4	\$8.4	\$17.4	\$35.2	\$42.3	\$48.9	\$45.4
Morphine	\$0.9	\$1.7	\$4.5	\$2.8	\$3.4	\$6.8	\$10.6	\$10.5	\$12.1	\$11.7
Fentanyl	\$3.0	\$6.5	\$13.4	\$6.4	\$6.7	\$16.6	\$24.0	\$20.3	\$19.5	\$18.2
Methadone	\$0.2	\$0.2	\$0.3	\$0.2	\$0.2	\$0.3	\$0.4	\$0.4	\$0.4	\$0.3
Hydromorphone	\$0.3	\$0.3	\$0.6	\$0.2	\$0.3	\$0.8	\$1.1	\$1.2	\$1.3	\$1.9
Oxymorphone	\$0.1	\$0.1	\$0.0	\$0.0	\$0.0	\$1.0	\$3.2	\$5.0	\$7.4	\$8.7
Tapentadol								\$0.4	\$2.1	\$3.7
Hydrocodone	\$0.1	\$0.1	\$0.2	\$0.1	\$0.1	\$0.2	\$0.2	\$0.1	\$0.2	\$0.1
Codeine	\$0.0	\$0.0		\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other	\$0.1	\$0.2	\$0.2	\$0.1	\$0.1	\$0.3	\$0.3	\$0.4	\$0.4	\$0.4
Total Payments	\$16.6	\$26.4	\$39.8	\$18.3	\$19.2	\$43.3	\$75.2	\$80.6	\$92.2	\$90.3

## Exhibit 4. Estimated Payments for Schedule-III Opioids by Drug Type

Schedule III Opioids	Calendar Year Payments (\$M)									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Hydrocodone	\$36.8	\$54.4	\$44.3	\$41.4	\$42.6	\$45.0	\$38.0	\$39.9	\$41.2	\$41.2
Codeine	\$4.6	\$5.1	\$4.1	\$3.5	\$3.1	\$1.7	\$1.1	\$1.1	\$1.0	\$1.1
Other	\$0.7	\$1.5	\$1.9	\$1.7	\$1.3	\$2.5	\$3.5	\$3.9	\$4.8	\$5.2
Total Payments	\$42.2	\$61.0	\$50.3	\$46.6	\$47.0	\$49.1	\$42.6	\$44.9	\$47.1	\$47.5

<sup>5</sup> CWCI 2012  
 CWCI 2013. All Rights Reserved



# **APPENDIX 3**

STATE CAPITOL  
P.O. BOX 942849  
SACRAMENTO, CA 94249-0106  
(916) 319-2086  
FAX (916) 319-2186  
CHIEF CONSULTANT  
MARK RAKICH  
PRINCIPAL CONSULTANT  
PAUL RICHES  
COMMITTEE SECRETARY  
TRACY AINSWORTH ELWELL

Assembly  
California Legislature



ASSEMBLY COMMITTEE ON INSURANCE

HENRY T. PEREA, CHAIR  
ASSEMBLY MEMBER, THIRTY-FIRST DISTRICT

Oversight Hearing on Unemployment Insurance  
Benefit Payment Delays

MEMBERS  
HENRY T. PEREA, CHAIR  
CURT HAGMAN, VICE CHAIR  
SUSAN A. BONILLA  
STEVEN BRADFORD  
IAN C. CALDERON  
KEN COOLEY  
JIM FRAZIER  
BETH GAINES  
LORENA S. GONZALEZ  
HOLLY J. MITCHELL  
BRIAN NESTANDE  
KRISTIN OLSEN  
BOB WIECKOWSKI

Assembly Insurance Committee

Assemblymember Henry T. Perea, Chair

Wednesday, November 6, 2013

11:00 a.m. – 1:00 p.m.

State Capitol, Room 437

Sacramento, California

I. Introductory Comments by the Chair and Committee Members:

Assemblymember Henry T. Perea – *Chair of the Assembly Insurance Committee*  
Assemblymember Curt Hagman – *Vice-Chair of the Assembly Insurance Committee*

II. Implementation of the Continuing Claims Redesign Project:

Sharon Hilliard, *Chief Deputy Director of EDD*  
Sabrina Reed, *Chief of the Unemployment Branch EDD*  
Gail Overhouse, *Chief of Information Technology of EDD*  
Shell Culp, *Chief Deputy Director for the CHHSA Office of Systems and Integration*  
Jason Salzetti, *Deloitte*  
Julie Quinn, *Deloitte*

III. Identifying Efficiencies in the UI System:

IV. Stakeholder Perspectives:

Maurice Ensellem – *National Employment Law Project*  
Margarita Maldonado – *SEIU Local 1000*  
Cynthia Rice – *California Rural Legal Assistance, Inc.*  
Mitch Seaman – *California Labor Federation*

V. Budget Impact:

Sharon Hilliard – *Chief Deputy Director EDD*

VI. Public Comment

# **APPENDIX 4**



ASSEMBLY COMMITTEE ON INSURANCE

HENRY T. PEREA, CHAIR  
ASSEMBLYMEMBER, THIRTY-FIRST DISTRICT

August 29, 2014

Memorandum

To: Members of the Assembly Insurance Committee

From: Henry Perea, Chair

RE: Employment Development Department (EDD) Update

EDD has provided the attached update on the status of their efforts to improve the services provided to unemployment insurance claimants. Below are a few highlights from the status update. Feel free to contact the committee staff if you have any questions.

**Staffing** – EDD has hired 437 of the 485 new staff positions that were added in this year's budget. These new hires have been undergoing training (which includes a significant portion of on-the-job training), and most will complete their training in September.

**Performance Goals** – As part of the increased funding for UI administration efforts EDD committed to the meeting the following performance goals:

- **Answer more than 50,000 calls per week** – EDD reports answering approximately 20,000 calls per week in January of this year and approximately 50,000 calls per week in mid-August.
- **Process 100% of initial claims within 3 days** – EDD reports meeting this goal.
- **Process 100% of online inquiries within 5 days** – EDD reports meeting this goal.
- **Schedule 95% of determination interviews within 7 days** – EDD reports scheduling 92% of determination interviews within 7 days. This is up from 18% in January of this year.

**Payment System Implementation** – EDD reports that the new payment system that caused so many problems in the fall is becoming more stable and efficient. The online services portion of the system is due to be deployed in April 2015. EDD is also actively exploring the development of a mobile application for UI transactions.

The following highlights progress on issues specifically raised in the course of the committee's oversight hearing last fall.

**Call Center Improvements** – EDD reports that it continues its efforts to improve call center operations and expects to implement a virtual hold system this fall and an automated system to send phone call reminders to claimants of determination interview appointments.

Page Two

August 29, 2014

RE: Employment Development Department (EDD) Update

***Translations*** – The EDD UI website is now equipped with Google Translate which makes its content available in a multitude of languages. In addition, EDD is in the process of translating 17 key documents into 10 languages (170 total translations). To date, EDD has posted 12 new translations with more being posted on a flow basis.

***Business Process Improvements*** – EDD has implemented two process changes that will reduce unnecessary redetermination interviews and the associated delay in paying benefits. Specifically, not automatically halting benefits for claimants who start a training program and waiting for a continuing claim to be 21 days late before halting benefits.



Edmund G. Brown Jr.  
Governor

August 29, 2014

The Honorable Henry T. Perea  
Assembly Insurance Committee Chair  
California State Assembly  
State Capitol, Room 3120  
Sacramento, CA 95814

Dear Chairman Perea,

The Employment Development Department (EDD) is pleased to provide an update to the Assembly Insurance Committee regarding EDD's significant and ongoing improvements in services to our Unemployment Insurance (UI) customers. The EDD has undertaken numerous measures over the past year to improve customer services, including increasing the number of calls answered, responding more timely to online inquiries, filing claims, issuing benefit payments, and conducting eligibility determinations more timely.

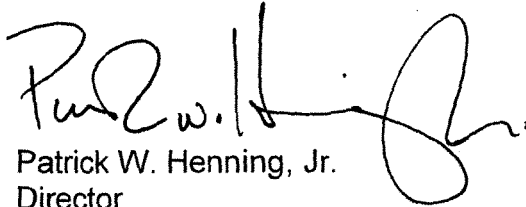
The recent recession and persistently high unemployment rate over the past several years created unprecedented UI benefit workload levels for California. The high number of unemployed individuals seeking benefits presented challenges to the Department that had never been experienced at this magnitude. Faced with continuous federal underfunding coupled with the unprecedented workload levels since 2008, the EDD still managed to file 41 million claims (25.5 million UI, 15.5 million extensions), process 346.6 million weeks claimed (206.2 million regular UI, 140.4 million extensions), and pay approximately \$97 billion in benefits (51.4 billion regular UI, 45.3 billion extensions) while continuing to make every effort to improve services to ensure eligible claimants received their benefits timely.

The EDD has always strived to provide timely and quality services to its customers. The actions detailed in the enclosed report remain the most practical ways to meet the increasing needs of claimants and employers, to continue to improve on the U.S. Department of Labor federal performance measures, and to ensure the financial integrity of the UI Program and the Trust Fund.

The Honorable Henry T. Perea  
August 29, 2014  
Page two

If you or your committee consultants have any questions regarding the information provided in the enclosed report, please contact Sabrina Reed, UI Deputy Director, at (916) 654-9140.

Sincerely,



Patrick W. Henning, Jr.  
Director

Enclosure

cc: David Lanier, Secretary, Labor and Workforce Development Agency  
Paul Riches, Principal Consultant, Assembly Insurance Committee  
Sharon Hilliard, Chief Deputy Director, Employment Development Department  
Sabrina Reed, Deputy Director, Employment Development Department  
Gregory Riggs, Deputy Director, Employment Development Department

## **Employment Development Department's Status Report Update for the Assembly Insurance Committee – August 2014**

While California's economy has shown steady improvement over the past year and Unemployment Insurance (UI) workload is decreasing, especially with the sunset of the federal extended benefit programs in December 2013, UI workload continues to exceed the pre-recessionary levels prior to 2007. The Employment Development Department (EDD) has taken numerous steps to meet these ongoing challenging times and the initiatives already implemented have had dramatic improvements to UI services and performance levels. The following information provides details about EDD's comprehensive and ongoing efforts to ensure unemployed individuals receive timely and quality services and to ensure the EDD continues to improve its federal performance measures.

### **Supplemental State Funding Approval**

The UI Branch is currently experiencing significant challenges, not only due to the volume of the workload, but also due to the serious shortage in federal UI funding. California's UI Program is consistently underfunded at the federal level which has historically contributed to EDD's inability to meet federal performance measures. Although federal funding of the UI Program has remained fairly stagnant, many costs, including salaries, fringe benefits, facilities, and information technology, have been steadily rising. In addition, enactment of several federal extensions over the past few years has strained the already insufficient federal funding for the administration of the program. This underfunding is severely hindering EDD's ability to meet its core performance measures and to provide critical services to California's unemployed workers.

The continuous federal underfunding of the UI Program has led to insufficient staffing levels over the past years and the inability to hire additional staff since 2010, which has had a negative effect on customer service levels and California's ability to meet federal performance requirements.

While the EDD was already pursuing a number of service improvement efforts, technical problems with the new UI payment system launched in September 2013 coupled with inadequate federal funding issues resulted in unacceptable service levels and unanswered phone calls. This led Secretary Lanier of the Labor and Workforce Development Agency to instruct the EDD on February 7, 2014, to take immediate action to improve California's UI services. This directive was instrumental Governor Brown's approval of an additional \$75.9 million (\$54.9 million General Fund and \$21 million Unemployment Administration fund) in funding to hire staff to assist in processing the persistently high workload levels. The spending authority authorized the hiring of 485 new UI staff, which includes hiring 280 permanent intermittent (PI) staff, backfilling 155 positions that were lost to attrition, and rehiring 50 former UI Program staff. In addition,



approval was received for retaining 250 PI staff through June 30, 2015, to continue to work beyond the annual cap on hours.

From March 2014, through August 11, 2014, a total of 437 new staff, refills, retired annuitants, and former UI staff have been hired. Although staff numbers have increased, it was not until May 2014 that staffing levels matched calendar year 2013 staffing levels, when taking staff attrition into account.

Hiring Category	Hired As of August 11, 2014	Hired Goal	Balance
Retain 250 existing PI staff	19^	N/A	N/A
Hire 280 Additional Program Staff	271	280	9
Hire 155 Staff to Replace Former Employees	110	155	45
Rehire up to 50 Former UI Program Staff	37	50	13

<sup>^</sup> Nineteen staff have been hired to backfill PI staff that have left the UI Branch

The first wave of hires was initially trained in March and April to process continued claim forms. These staff began claim filing training on May 5, 2014, and began taking live calls in mid-June 2014. The six-month training program includes classroom learning, customer service, and on-the-job training. The new hires started training at different times and are in different blocks of claim filing training. The majority of staff should finish the block training by the end of September 2014.

The EDD committed to meeting the following four workload goals when requesting additional state funding that was authorized:

1. Answer more than 50,000 calls per week
2. Process 100 percent of initial claims within three days of receipt
3. Process 100 percent of online inquiries within five days of receipt
4. Timely schedule at least 95 percent or greater of determination appointments requested weekly

The additional staff hired to date, including those formerly trained UI staff, has had an immediate impact on the EDD's service levels and in meeting or making progress toward the four goals set forth when additional state funds were authorized. First, the EDD is essentially meeting its goal to process 100 percent of initial claims in three days and is very close to meeting 100 percent of online inquiries processed within five days. In comparison, in the fourth quarter of 2013, when online inquiries were completed in a prioritized manner, high priority inquiries took two to three weeks to complete, and lower priority items took longer.

The EDD is continuing to work towards meeting the next two goals of answering 50,000 calls per week and timely scheduling 95 percent of eligibility determinations. The EDD has made considerable improvement in both areas in comparison to the fourth quarter of 2013. In July 2014, EDD staff answered a weekly average of 45,415 calls, which

achieves just over 90 percent of our targeted goal. Although the weekly calls answered were below the 50,000 goal set forth, it is a sizable improvement from the fourth quarter of 2013, when an average of 16,659 calls were answered. In fact, for the first two weeks of August 2014, the EDD exceeded the 50,000 calls answered goal (week ending 8/16/2014: 51,909 calls; week ending 8/23/2014: 53,352 calls) and will continue to strive to answer as many as possible.

The weekly average of calls should continue to increase as trainers and mentors return to providing direct services to customers after newly hired staff are fully trained in the fall 2014. The average number of times a caller has to dial to access the call center also decreased to an average of five attempts for the months of March through July 2014; a sizeable decrease from an average of 31 times between January and February 2014. Wait time to speak to a staff member has also decreased more than 50 percent to less than three minutes.

Finally, the EDD aimed to timely schedule 95 percent of its weekly requests for determination appointments. The weekly average percentage of determination appointments timely scheduled was 92 percent between April through July 2014. This is a substantial increase from the weekly average between November 2013 through January 2014, when only 18 percent of determination appointments were timely scheduled. The EDD expects to maintain this percentage until cross-training of staff in determinations can resume at which point the EDD will increase its capacity to timely schedule more eligibility interviews.

Additionally, the EDD continues to process approximately 75 to 80 percent of the continued claim forms on the same day they are received. The remainder of the continued claim forms are reviewed for eligibility before being processed by staff.

The newly hired staff has also had a positive influence on EDD's federal performance measures. The U.S. Department of Labor's (DOL) First Payment Promptness (FPP) measure requires 87 percent of all first payments to be made within 14 days of the first compensable week. California measured 74.2 percent for FPP in July 2014, an 18.1 percentage point increase from February 2014 (56.1 percent) before hiring began, and the highest performance level since October 2012 (75.5 percent).

The DOL Nonmonetary Determination Timeliness measure requires 80 percent of all eligibility determinations to be completed within 21 days of the detection of the eligibility issue. In July 2014, California performed at 65.4 percent, which is a 6.7 percentage point increase from February 2014 (58.7 percent) and the highest performance since May 2013 (74.2 percent).

The EDD expects its federal performance measures to continue to increase as the newly hired staff completes training. Once the newly hired staff are fully trained in the fall 2014, cross-training of journey-level claim filers will begin with determination processing. Cross-training will allow for greater capacity and flexibility in processing fluctuating workload levels while providing timely services to our customers, and help to

meet federal performance measures in claim filing, determinations, and payments. Cross-training staff also gives our employees opportunities to perform other functions and provide different services that are used to administer the UI Program.

### **Implementation of a New Benefit Payment System**

The EDD launched the first phase of the Continued Claims Redesign (CCR) Project on September 3, 2013, for internal staff use. The new payment system is designed to help UI staff manage the continued claims process using more modern technology. The EDD initially experienced a number of unanticipated workload challenges with the implementation of the new payment system, including backlogged continued claims due to a one-time data conversion and staff learning curves. The EDD worked through these challenges and ultimately improved the processing time of continued claims in the new system as staff became more familiar with the new system and processes.

Additionally, the augmentation to EDD's Information Technology Branch staff with vendor staff has been beneficial in helping the Department to resolve technical issues in the EDD's pre-existing Single Client Database (SCDB) that were affecting the new payment system. The EDD has worked diligently to resolve key system defects and the system is now stabilized and running efficiently. The vendor continues to support the EDD in resolving system issues as well as prepare for launching the UI Online services.

Staff and managers have also received weekly refresher training sessions to reinforce policies and procedures with the new system and have increased their productivity and skills in the new system.

The new payment system also has positioned the EDD to move to the next phase of the CCR Project, which is to implement the UI Online services for public use. The new UI Online services will significantly increase the number of self-service options claimants have access to, including certifying for continued benefits, reopening existing claims, updating their contact information, obtaining payment information, and much more, without having to rely on a Department representative to provide these basic services.

The current EDD Web-Cert<sup>SM</sup> certification channel will also be replaced with the new UI Online services with the launch of UI Online. Current restrictions on EDD Web-Cert<sup>SM</sup> related to the inability to certify for weeks when claimants have address changes or work and wage changes will be lifted, thereby expanding the number of weeks claimants can certify for online.

Providing more self-service options to claimants will allow the EDD to redirect staff to assist those individuals who need direct assistance by phone, in addition to enhancing the Department's ability to process benefits and determinations more timely.

The EDD completed a usability review of UI Online in April 2014 to ensure the new system will be user-friendly for claimants in order to encourage as many claimants as

possible to use this channel to certify for benefits, access their UI claim information, and file additional claims or reopen their existing claims to reduce demand to speak to an EDD representative. The EDD and the vendor recently completed redesign sessions of the UI Online screens in early August 2014 based on the usability review. The vendor is currently working on redesigning the UI Online screens.

As part of the new UI Online system, the EDD is planning to launch a mobile responsive application of UI Online which would make the new system more compatible with mobile devices such as smart phones or tablets. This mobile responsive application would provide some of the primary basic services found on the new UI Online Web page such as certifying for continued benefits and accessing claim information.

Additionally, on June 26, 2014, UI Branch and IT staff and managers attended a webinar demonstration of the nation's only unemployment insurance mobile application that was recently launched. A follow-up meeting is pending to further discuss the application. The EDD's goal is to possibly leverage what has already been developed in creating California's mobile application. In the interim, the EDD is working with the vendor to further identify and design the functions that a mobile responsive application will offer.

The EDD has finalized the new project schedule with the vendor and the UI Online implementation date is now scheduled for April 2015.

## **Call Center Service Improvement**

Assembly Member Perea requested that the EDD conduct a review of its call center practices and technologies in order to develop a plan to improve services to claimants contacting the EDD. Our call center review began in November 2013 and consisted of a nation-wide survey of UI state directors and the identification and research into implementing three new call center technologies.

### *UI State Directors' Survey*

The EDD developed an online survey for UI State Directors to complete in order to learn about the best practices states are using in the technologies they offer claimants. With the assistance of the National Association of State Workforce Agencies, an organization that represents state agencies such as the EDD at the national level, the online survey was distributed to the 53 states and U.S. territories from March to April 2014. Of the 53 surveys distributed, 21 completed surveys were returned (40 percent response rate).

The results of this survey allowed California to compare how EDD's UI business model, technology used, and claimant to staff ratio compare to other states' UI Programs. California is comparable to other states in the communication channels it offers claimants and the preferable methods used. The most frequently cited communication methods used by states to provide UI services were online, phone interactive voice

response, and postal mail. California offers these methods, as well as other channels including phone services, fax, e-mail, and social media. Online communication was offered by all the responding states and was cited as the preferred communication channel states need claimants to use for general UI information and issues regarding initial claims and continued claims. The move toward offering and preferring online communication by all responding states supports California's continued efforts to pursue additional electronic enhancements such as the virtual hold and outbound notification projects, as well as the additional self-service options available as part of UI Online which is scheduled to launch in the spring 2015.

The claimant to staff ratio among the responding states ranged from a high of 375 claimants per UI employee to a low of 65 claimants per UI employee; California had the third highest claimant to staff ratio (298 to 1) and higher than the states' average of 196 to 1. In comparison, Oregon, New Jersey, Washington, and Texas had a claimant to staff ratio that ranged from 100 to 250 to 1. On average, those states with a lower claimant to staff ratio met the acceptable level of performance for DOL's four performance measures (FPP, Determination Timeliness, and Determination Quality for Separation and Non-Separation issues) than those states with a higher claimant to staff ratio. The relationship between the claimant to staff ratio and a states' ability to meet DOL's performance requirements supports California's recent decision and financial investment to hire more staff to address continuing high workload levels and improve federal performance. In addition, when taking this relationship into account, if the EDD receives sufficient or additional state funding, it will be able to maintain or increase staffing levels to a more suitable ratio level to increase its capacity to pay benefits and determine eligibility more timely and to meet federal performance measures.

### *Call Center Technologies*

The EDD has identified three call center technologies that will provide additional calling options and customer service to claimants contacting EDD call centers for assistance.

#### **1. Virtual Hold**

The virtual hold technological enhancement is designed to provide callers the option of an automated call back when contacting EDD call centers. Depending on the wait time to speak with a UI Program representative, callers can opt for a call-back as soon as a representative becomes available. Callers will also have the option to schedule a call back at a later, more convenient time. The new call center hours implemented in May 2013 to four hours per day (8:00 a.m. to noon) will allow EDD staff to be assigned to complete these call-backs to claimants in the afternoon, in addition to the other claim filing activities they handle.

Results from the UI State Director's survey completed by the EDD supports our goals of improving customer service and caller options through the use of virtual hold. Eight of the 21 responding states from the survey offered the virtual hold call-back technology. On average, those states using virtual hold indicated the

feature offered equal or more benefits than the initial and on-going costs of the technology. In addition, these states indicated the virtual hold feature increased customer satisfaction. The responding states found staff productivity increased slightly with the use of virtual hold but resulted in no staffing increases or decreases.

During February and March 2014, the EDD worked to define the requirements and develop a design for adding virtual hold and scheduled call back functionality into its existing call center services. During April 2014, the design was finalized. In addition, the virtual hold/scheduled call back technology was added to the state's CALNET2 contract to enable Verizon to provide these services to EDD. The procurement documents were submitted and approved by California's Office of Technology Services in May 2014. The EDD project team is working toward an implementation of this feature in the fall 2014.

## 2. Outbound Notification

Outbound Notification will send UI claimants with a scheduled eligibility determination interview a reminder call for their upcoming appointment or notification of a cancelled appointment. This feature should help decrease the number of missed eligibility determination appointments requiring a message to be left for claimants to call back within 48 hours, which can further delay the EDD from issuing a timely determination and paying or denying the claimants promptly.

Nine of the 21 responding states in the UI State Directors' survey offered the outbound messaging option via the phone. Other states also used this option through text messaging and e-mail. The states offering the phone notification indicated the benefits outweighed the initial and ongoing costs of the feature. States also expressed a decrease in staffing needs with this feature and a slight increase in staff productivity. However, California does not anticipate a decrease in staffing needs but rather improved customer service.

The Outbound Notification feature was added to the CALNET2 contract at the same time as the Virtual Hold feature. The EDD has completed work to define the UI business and technology requirements for this project and the Statement of Work is under review. The EDD is tentatively planning to implement this feature in early 2015.

## 3. Increase Access to the Public Service Program

The EDD representatives assigned to public offices, such as the America's Job Centers of California (AJCC), are provided with an internal (non-public) toll-free number to contact UI Program staff if a claimant needs immediate UI services. This internal number has repeatedly been compromised by being made public on websites and social media outlets. As a result, calls to these numbers increase

exponentially making it difficult for those individuals who report to an AJCC to receive the help they need.

To avoid these issues, the EDD is planning to implement a new feature that would block calls from unapproved telephone numbers trying to dial the internal (non-public) toll-free numbers. Only calls from phones located in EDD public offices would be able to call these numbers. While testing this proposed solution, the EDD found system compatibility issues among the phone carriers. The EDD is currently in the process of exploring alternative options for a temporary fix until the long term solution can be implemented.

## **Improving Communications for Claimants**

Multiple efforts have been made to improve communications and services to the public by making UI information more accessible and user-friendly. As previously reported, the EDD reviewed the UI information contained in the claimant handbook and the stub messages printed on the continued claim form as a starting point. These reviews resulted in the development of an improved user-friendly and abbreviated version of the former lengthy claimant handbook and creation of two new web pages to provide claimants with further explanation about continued claim forms and reissued continued claim form messages.

As of January 31, 2014, the EDD discontinued mailing the lengthy 43-page claimant handbook and replaced it with two shorter more concise brochures entitled, *"Unemployment Insurance Benefits: What you Need to Know"* and the *"Step-by-Step Guide: How to Certify for Ongoing Unemployment Benefits."* The new publication provides a high-level explanation of the claimants' rights, responsibilities, and basic eligibility requirements in a format that is more easily and quickly read. In addition, the *"Step-by-Step Guide"* provides claimants with specific instructions on how to accurately answer the required questions used to determine benefit eligibility that are listed on the continued claim form, and how to avoid common errors.

In April 2014, the EDD added two new web pages to aid claimants in understanding the questions on the continued claim form or messages received on reissued claim forms. The first Web page titled, *Understanding the Continued Claim Certification Questions*, lists each question asked on a continued claim form with an explanation of the question and how to answer each question based on potential responses. Sample images of properly completed questions are also displayed as a visual aid to further help claimants accurately fill out the forms.

The second Web page, *Understanding Messages Displayed on a Duplicate (Reissued) Continued Claim Form*, provides further information to claimants regarding the messages they received on reissued continued claim forms. Claimants will receive a duplicate (reissued) continued claim form when certifications are incomplete or completed incorrectly with a message explaining why the original form could not be

processed. The new Web page provides an explanation of what the messages on the claim forms mean, what claimants need to do to correct the error, and how claimants can avoid making common errors in the future.

### *Website and Form Translations*

In December 2013, the EDD completed a review of essential EDD UI web pages and documents that needed to be translated into other languages. Utilizing Google Translate™ was identified as the most cost effective and quickest way to translate the UI web pages for our claimants. This free translation tool allows claimants to select one of eighty different available languages for website translation. This feature was added to the EDD public website in March 2014.

To date, a total of 19 key UI forms have been identified as needing language translations. An outside vendor was used to translate the forms into Vietnamese, Russian, Cantonese/Yue, Mandarin, Laotian, and Hmong. Of the 19 forms, translations of 15 forms have been received back in these languages from the contracted vendor and are in the process of being finalized to post on the EDD website. Two forms are currently being revised by EDD staff before being sent to the service provider for translation into those same languages. These 17 forms will also be sent on a flow basis to the contractors for translation into the other languages of Tagalog, Armenian, Punjabi, and Korean (a separate contractor was needed to translate the 17 documents in Armenian and Punjabi). Each of the 17 forms will be translated in 10 languages and posted on the EDD website once this process is complete.

The final two publications remaining to be translated are, *A Guide to Benefits and Employment Services* (DE 1275A) and *For Your Benefit, California's Programs for the Unemployed* (DE 2320). These publications will be revised after the EDD launches UI Online in the spring 2015 and then sent to the vendors for translation in the above languages.

The EDD is currently posting the forms on EDD's website on a flow basis as they get translated. The EDD has posted several translations of the following four forms to the EDD Web page:

1. *Unemployment Insurance Benefits: What You Need To Know* (DE 1275B)
2. *Step-by-Step Guide: How to Certify for Ongoing Unemployment Benefits* (DE 1275C)
3. *Notice of Unemployment Insurance Claim Filed* (DE 1101CLMT)
4. *Notice of Determination/Ruling* (DE 1080CZ)

The translations of these four forms equates to a total of 12 newly posted documents as of August 18, 2014 (four documents translated into Vietnamese, three documents translated into Russian and Chinese/Mandarin, and two documents translated into Chinese/Cantonese).



### *Self-Service Assistance Program*

In an effort to improve direct customer services to UI claimants needing assistance navigating UI services, the EDD is planning to pilot a self-service assistance program in designated AJCCs later this year. The UI staff will be temporarily stationed in select AJCC lobbies and will provide assistance to customers with the many self-service options available to them, including filing a claim via eApply4UI, accessing claim information over the interactive voice response system, completing continued claim forms, and certifying for benefits using EDD Web-Cert<sup>SM</sup> and EDD Tele-Cert<sup>SM</sup>. Teaching claimants about the electronic self-service options available will help them in receiving timely benefit payments due to them being less likely to make common errors on paper forms. Providing such education should also reduce online messages and calls from claimants needing assistance or clarification on these options. In addition, workload related to paper continued claim forms should decrease with the promotion of EDD Web-Cert<sup>SM</sup> and EDD Tele-Cert<sup>SM</sup> options as part of this program. This pilot will prepare the EDD to provide these services statewide at the AJCCs once we launch UI Online in April 2015 to encourage claimants to use the online services.

### *UI Integrity Education Campaign*

In a continuing effort to improve communication and provide further information to UI claimants, the EDD submitted a supplemental budget request to the DOL in August 2014 to request funds for an aggressive and multi-pronged education and outreach program regarding improper UI benefit payments and UI fraud.

This 12-month educational and outreach program will target both UI claimants and employers to inform them of the top causes of improper UI benefit payments, UI fraud, the consequences of committing fraud in the UI Program, and how to avoid them. The EDD will mail fact sheets to claimants and employers coinciding with different stages of the claim. In addition to these mailings, the following ongoing activities are planned during the 12-month campaign: increasing social media posts and enhancing the EDD Web page with additional information about improper payments and UI Fraud and how to avoid committing errors and fraud, publishing informational articles about improper payments and fraud in employer and trade association newsletters, developing and delivering presentations to employers' organizations, and distributing information via the EDD e-mail subscription service.

As acknowledged by the DOL and the Information Technology Support Center, informing claimants and employers of the most common reasons for improper payments and UI fraud and the consequences associated with those acts will likely reduce the state's overall improper payment rate. The EDD's goal is to reduce the state's improper payment rate as a result of the strategic efforts to raise awareness and education about improper payments and how they can be avoided. If this supplemental budget request is approved, the 12-month campaign would begin in January 2015.

## **Business Process Innovation Efforts**

As part of EDD's continuing effort to identify and implement process improvements, the UI Branch is conducting a review of the UI Program known as Business Process Innovation (BPI). On February 27, 2014, the EDD awarded a one-year consultant contract to work with UI Program staff to conduct this program review. The project team consisting of UI staff was assembled in April 2014, and the contractor provided business process analysis training to the team members.

The BPI team began their review with the initial claim filing process in order to identify bottlenecks that cause delays in getting the first UI benefit payment to eligible UI claimants. The BPI team is also planning to do a review of the eligibility determination process in order to identify areas that may improve the federal determination timeliness performance measure. The first round of recommended initiatives will be implemented beginning in September 2014.

## **Policy Changes and Technological Enhancements to Reduce and Streamline Workload Processing**

### *Policy Changes*

#### **1. Eligibility Determinations**

Multiple policy changes regarding the determination process have been put in place in order to help reduce delays in UI payments due to the time needed to adjudicate determinations and improve Federal Determination Timeliness by reducing the overall determination workload.

First, as of January 2014, the EDD has eliminated eligibility determination interviews for claimants attending school or training who certify that they are able and available for work. This policy change applies to claimants filing a new claim, reopening an existing claim, or certifying for continued benefits. The change is a result of the increased opportunity for alternative and flexible school schedules, such as night classes and online courses, which has allowed claimants to remain available for full-time work while attending school or training. This policy change was implemented in December 2013. It is anticipated that this policy change will reduce unnecessary determination appointments and allow for more timely adjudication of determinations by reducing the overall determination workload.

The next procedure change to the determination process helps address unnecessary scheduled determination appointments as a result of common mistakes made on continued claim forms. The EDD has mandated that staff utilize a "cold calling" approach to contact claimants to clarify potential able and available and efforts to seek work eligibility issues on the continued claim form. The EDD staff contacts the claimants without prior notification to resolve the

eligibility issue immediately over the phone, or at a later date if the claimant needs additional time to respond. A significant percentage of reported able and available issues and efforts to seek work issues result in clarifications, not a full determination interview, because claimants commonly mark the wrong answers on their continued claim forms. This new option of quickly resolving these eligibility issues over the phone will reduce unnecessary determination workload and allow staff to complete other scheduled determinations more timely so claimants do not have to wait as long to be paid or denied benefits. The cold calling approach for resolving able and available eligibility issues began in February 2014 and April 2014 for efforts to seek work eligibility issues.

The EDD has also completed staff training and issued reminders to aid in reducing unnecessary scheduled determination appointments. Staff training sessions completed in April 2014 reviewed specific aspects of the new payment system.

## 2. Claim Filing

The EDD continues to review the claim filing process to determine if there are any questions that can be consolidated or removed to streamline the claim filing process and increase efficiencies. Reducing the amount of time to file claims allows staff to process more claims in a timely manner and increases capacity to address high workload levels. The EDD has already taken steps to reduce the line of claim filing questioning associated with our identity verification process.

The identity verification process, called "ID Alert," is designed to protect the worker and employer from fraud and ensure proper payment of UI benefits. In September 2013, a review of Identity Alert cases was conducted and revealed that most of these cases were initiated in the process because the claimant did not identify their employment and wages on which the claim was based. Only a small percentage of these cases were determined to be fraudulent. Effective February 21, 2014, the EDD streamlined this verification process while continuing to use other automated verification tools to verify the identity of individuals.

## 3. Continued Claim Certifications

Claimants continue to be required to complete their continued claim certifications within 14 days in order to ensure the federal FPP measure is not affected. However, effective November 2013, the EDD no longer schedules a claimant to an eligibility determination for certifying untimely as long as their certification is received within 21 days. This change reduces determination workload by eliminating staff time needed to determine if there was good cause for returning forms late.

## *Technology Enhancements and Streamlining Workload*

### 1. Macro Applications Development

After the implementation of the new payment system in September 2013, staff has been manually entering eligibility determinations and appeals' claim information into both the pre-existing SCDB and the new system. This increases processing time and workload levels due to the different data entries required in both systems.

The EDD is currently developing two macro applications to streamline determinations and appeals entries in the two systems. The macro applications will be released for staff use in a phased approach. The first phase, scheduled for release in September 2014, will cover the most common types of eligibility decisions for determinations and appeals. The second phase, covering benefit reductions and income decisions, is anticipated to be released in the first quarter of 2015.

### 2. Multifunctional Centers

The EDD is continuing to work toward the transition of all centers becoming multi-functional, through the cross-training of staff. As a multi-functional center, each office will have the capacity to handle different processes such as claim filing and determinations. The ongoing transition to multifunctional centers will increase each office's capacity to process fluctuating workload levels and will provide for greater business continuity and disaster recovery should an office be down.

### 3. UI State Information Data Exchange System (SIDES)

The EDD is currently in the process of implementing the new UI SIDES, which will assist in reducing workload levels surrounding the request and receipt of employer information following the filing of initial claims. The UI SIDES will create a nationally-standardized web-based system for California and multi-state employers and/or Third Party Administrators to access and complete requests for UI eligibility information at the initial claim filing point. The UI SIDES should make it easier for employers to complete requests, such as the *Notice of Initial Claim Filed*, which is currently being mailed to employers, thus providing the EDD with eligibility information earlier in the claim filing process by eliminating the mail time involved. By reducing the processing of employer responses received via paper forms, it will potentially allow the EDD to redirect staff to provide other UI services contributing to more timely benefit and determinations processing.

The EDD has set a target implementation date for launching UI SIDES in June 2015. In preparation for this release, the EDD submitted a supplemental budget request in August 2014 to the DOL to request funds for an outreach and

marketing campaign for UI SIDES. Through the marketing campaign, California will strive to make a substantial effort to encourage California employers and Third Party Administrators to use SIDES as a means of receiving and responding to requests for separation and eligibility issue information.

The variety of marketing efforts planned is essential to informing California employers how to use SIDES as well as encouraging their participation. The more employers who use SIDES, the fewer paper forms California will need to print and mail providing a substantial cost savings to the state and reducing the workload levels in processing those forms. SIDES will also enable California to receive quicker responses from employers who use SIDES timely as there will not be any mail delays. This should allow determinations to be completed more timely resulting in more timely benefit payments or denials.

## **Workload Management Improvements**

### *Determination Workload*

In an effort to ensure determination workload levels are being completed, the EDD has created a triage team that reviews, on a weekly basis, a list of claims with pending eligibility issues and takes appropriate action to complete the eligibility determination process. This triage team is working to reduce pending eligibility issues where the determination appointment has already occurred but the determination has not yet been finalized in order to get benefit payments issued or denied.

### *Redirection of Appeals Staff to Process Determinations*

The UI Program has a workload management policy for allocating the percentage of adjudication staff to the following different functions: benefit determinations, appeals, adjustments, and overpayments. Effective March 2014, the UI Branch has reduced the number of staff directly assigned to appeals from 20 percent to 10 percent and redirected them to process determinations. The remaining appeal staff has continued to prioritize appeals work by first processing appeal transmittals to minimize the impact on the California Unemployment Insurance Appeals Board's (CUIAB) ability to schedule and conduct timely hearings. The EDD has managed to maintain the timely processing of all appeals, both the transmittals to the CUIAB and the implementation of CUIAB's Administrative Law Judge decisions.

The purpose of the staff redirection is to increase EDD's ability to schedule and complete eligibility determinations more timely, thereby reducing the amount of time claimants must wait for their benefit payments or denial notices.

### *Continue Overtime*

The number of monthly overtime hours worked by the staff has decreased by 61 percent from November 2013 to July 2014 due to the additional staff hired in the spring of 2014, improvements in processing claims and determinations, and decreasing workloads as a result of the improving economy. Currently, the UI staff work overtime as needed from 6 a.m. to 7 p.m. Monday – Saturday, to address continuing efforts to meet the workload goals committed to when we requested supplemental state funding in the spring 2014.

### **Zero-based Budget Recommendations**

Beginning in the summer of 2013, the EDD in conjunction with the Department of Finance and the Labor and Workforce Development Agency, began the process of completing the zero-based budget analysis of the UI Program for State Fiscal Year 2014–15. To date, the EDD has implemented the following items from the zero-based budget review of the UI Program: extending the grace period for claimants to return continued claim forms, streamlining the identify verification system, eliminating the mailing of the claimant handbook, eliminating the required determination interview for school attendance issues when claimants are able and available to work, and shortening the telephone automated messages to reduce costs.

### **Conclusion**

As described in this report, the EDD has made significant improvements in answering calls, responding to online inquiries, and processing claims and scheduling eligibility determinations more timely as a result of our initiatives. The EDD continues to strive to improve customer services and process timely benefits to eligible unemployed workers and will continue to keep the Legislature apprised of our ongoing initiatives and progress.