

Commission on Health and Safety and Workers' Compensation (CHSWC)

Public Meeting
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DRAFT

Report on Employer Use of Prepaid Card Account Programs for Workers' Compensation Disability Indemnity Payments in California: California Senate Bill 880 (2018) and California Labor Code §4651



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State of California
Gavin Newsom
Governor

Overview

- Senate Bill (SB) 880 – 2018 amended Labor Code §4651 to allow the use of a prepaid card for payment of workers' compensation indemnity payments to injured workers, as a five-year pilot.
- California Labor Code §4651(a)(3)(D) directed CHSWC to collect data on prepaid cards, including:
 - The number of employees who elected to receive their disability indemnity payments in a prepaid card account.
 - The cash value of the disability benefits sent to prepaid card accounts.
 - The number of employees who opted to change the method of payment from a prepaid card account to either a written instrument or electronic deposit.



Research Approach

- Create contact lists
 - Workers' Compensation Insurance Rating Bureau (WCIRB) for insurers
 - Department of Industrial Relations' Office of Self-Insurance Plans (OSIP) for self-insured employers and Third Party Administrators (TPAs)
- Sample the larger organizations with the goal to reach at least 80% of market share
- Introductions by phone and follow-up by email with questions and responses
- Three primary questions:
 1. Does the organization offer prepaid cards for indemnity payments to injured workers?
 2. If yes, what are the number of users, cash value, number of those that opted out?
 3. If not, why not?
- Tabulate results and report findings



Insurers, TPAs and Self-insureds

| Insurers |
|---------------------------------------|
| AF Group (incl. AmeriTrust) |
| American International Group (AIG) |
| AmTrust Financial Services Group |
| Arch Insurance Group |
| AXA Insurance Group |
| Berkley Companies |
| Berkshire – Homestate |
| Chubb & Son (incl. ACE Limited) |
| CNA Insurance Group |
| CopperPoint (incl. Alaska National) |
| Core Specialty Ins Holding Grp |
| Employers Holdings Group |
| Everest Reinsurance Holdings Group |
| Group 1001 Ins Holdings Grp |
| Hartford Fire & Casualty Group |
| ICW Group Assets Inc Group |
| Liberty Mutual Group |
| Nationwide |
| Old Republic Grp |
| Palomar Holding Group/Omaha National |
| Preferred Employers Insurance Company |
| Republic Indemnity |
| Safety National Casualty Corporation |
| Sentry Insurance Group |
| Service Insurance Holding Group LLC |
| Starr Group |
| State Compensation Insurance Fund |
| Travelers Group |
| Zenith Group |
| Zurich Insurance Group |

| TPAs and Self-Insureds |
|--|
| Acclamation Insurance Management Services |
| Adminisure, Inc. |
| Athens Administrators |
| BETA Healthcare Group |
| City of Los Angeles |
| City of San Diego |
| City and County of San Francisco |
| Corvel Enterprise Claims, Inc. |
| County of Riverside |
| County of San Bernardino |
| Helmsman Management Services, LLC |
| Intercare Holdings Insurance Service, Inc. |
| Keenan & Associates |
| LWP Claims Solutions, Inc. |
| PTSC-MTA Risk Management |
| Tristar Claims Management Services, Inc. |
| Tristar Risk Management |
| Sedgwick Claims Management Services, Inc. |
| Walt Disney Company |
| Zurich Services Corp. |



Findings - Overview

- Insurers:
 - 30 contacted
 - 88% market share of paid premium represented
 - **Only one entity offers a prepaid card - *State Compensation Insurance Fund (State Fund)***
- TPAs and Self-insureds:
 - 32 TPAs and 47 Self-insurers contacted, 6 additional self-insured employers reported using a TPA
 - +90% market share of paid indemnity represented
 - Do not offer a prepaid card.



Findings – Prepaid Card Use

State Fund provided:

1. The number of employees who elected to receive their disability indemnity payments in a prepaid card account.

Enrolled: 10,348 employees

2. The cash value of the disability benefits sent to prepaid card accounts.

Cash Value: \$214,168,506

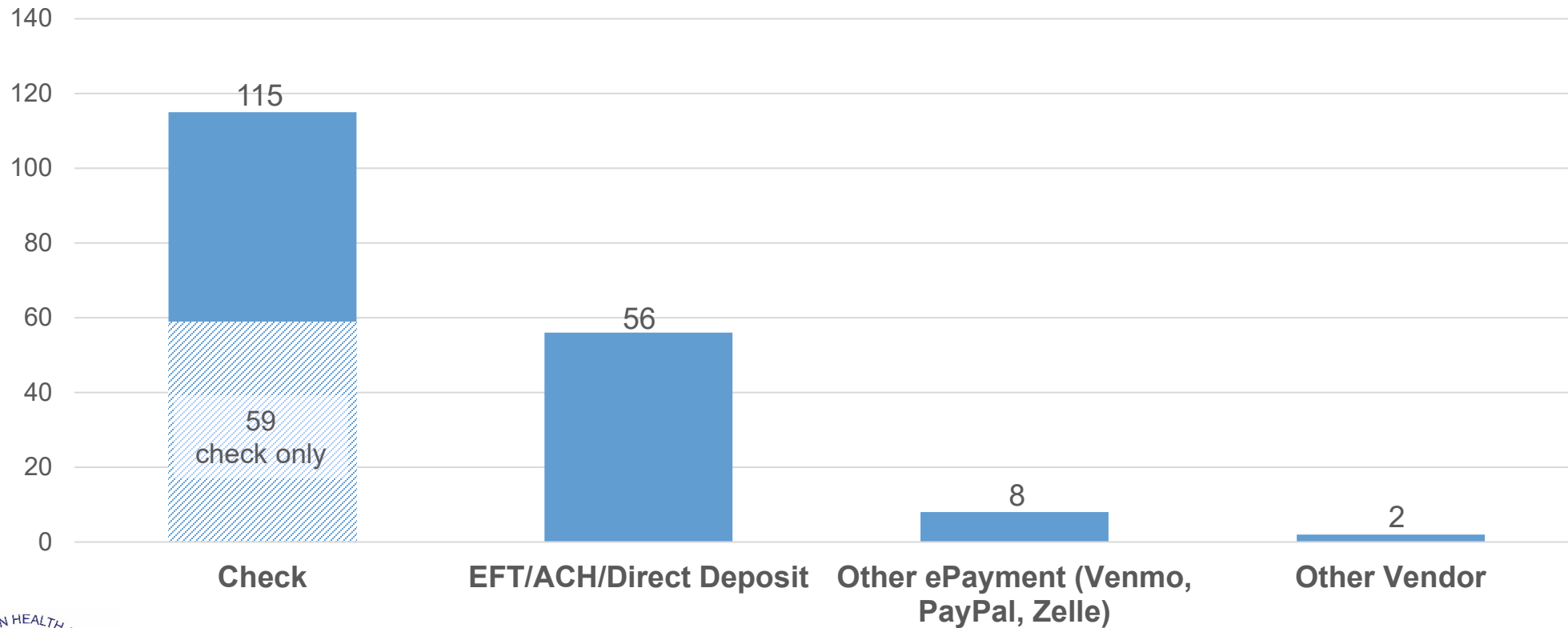
3. The number of employees who opted to change the method of payment from a prepaid card account to either a written instrument or electronic deposit.

Opted out: 325 (3.14%) employees in favor of receiving paper checks



July 2020 - December 2024

Findings - Other Payment Methods



Findings – Reasons for Non-adoption

The stated reasons by payers for the non-adoption of a prepaid card include:

- Security and Fraud Prevention Concerns
- Cost Effectiveness Concerns
- Timing of Payments for Prepaid Cards Not Specified
- Logistics, Administrative Control, Fees and Complications



Conclusion

- Very limited use of the prepaid card pilot program, identifying just one payer, State Fund
- Over 96% of payee's electing to use prepaid cards appear to be satisfied (Only 3.14% users of prepaid cards opted out of the prepaid card in favor of checks)
- Without a requirement to provide the prepaid card option, almost all payers stayed with traditional business operations' methods - Most popular is check, followed by direct deposit of funds and bank transfers (i.e. ACH & EFT).
- The future will continue to be guided by legislative amendments making a prepaid card permanent, by extensions of the pilot timeframe, or by the current sunset date.



Questions?

