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## SENATE COMMITTEE ON APPROPRIATIONS

Senator Anthony Portantino, Chair  
2019 - 2020 Regular Session

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### **SB 1192 (Bradford) - Firefighters', police officers', or peace officers' benefit and relief associations**

**Version:** May 26, 2020

**Urgency:** No

**Hearing Date:** June 9, 2020

**Policy Vote:** INS. 11 - 0

**Mandate:** No

**Consultant:** Janelle Miyashiro

**Bill Summary:** SB 1192 requires specified Public Safety Benefit and Relief

Associations that administer self-funded long-term disability and long-term care plans to periodically file an actuarial opinion with the California Department of Insurance (CDI) and requires other specified notification requirements.

**Fiscal Impact:** The CDI anticipates costs of \$2,000 in 2020-21, \$22,000 in 2021-22, and \$4,000 ongoing to review the required actuarial opinions.

**Background:** Police, peace officer, and firefighter benevolent associations have been around in the United States for well over 150 years. Originally, these associations were formed as “widows and orphans” funds and evolved to provide aid and assistance to either injured public safety employees or their dependents. As member needs and these associations grew more sophisticated, the nature of benefits developed as well. Now they offer any number of health care, disability, and related benefits.

These associations are designed to share losses among members and are not insurers, although the plans they offer may look very much like an insurance policy. So long as they meet specified operational and administrative requirements, they are not treated as insurers. As of 2017, CDI identified 83 associations with certificates of authority providing coverage to approximately 100,000 firefighters, police officers, peace officers, and their spouses.

Some associations offer fully-insured benefits, meaning they make arrangements to provide benefits backed by an admitted insurer that is subject to the insurance laws. Others offer self-funded benefits funded by membership contributions and investment income and not subject to most Insurance Code provisions or oversight by CDI.

Other forms of self-funded arrangements not subject to CDI oversight include nonprofit and affordable housing entity risk pools (providing property and casualty coverage to members) and the long-term care plan offered by CalPERS (providing an equivalent to long-term care insurance). These arrangements follow a pattern. Directors are elected by members and owe fiduciary duties to the members and other beneficiaries. These arrangements may only issue policies to a specified group (in this case public safety personnel) and may not sell to the public generally. Contributions may not be used to pay benefits for anyone other than members, their dependents, or beneficiaries.

**Proposed Law:** This bill:

- Requires associations that issue long-term disability or long-term care policies or contracts to submit an actuarial opinion and supporting memorandum to CDI, no later than July 1, 2021, as to whether the reserves and related actuarial items are adequate to support benefits and are based on reasonable assumptions and recognized actuarial standards.
  - Permits an association to submit a previously prepared opinion if it had been completed no earlier than December 31, 2019.
  - Requires an association to submit a new opinion no more than 4 years from the date of its last opinion on file.
  - Exempts associations that offer benefits through an admitted insurer.
- Exempts from the requirements of the bill, entities covered under the federal Employee Retirement Income Security Act of 1974.
- Provides that an association seeking a certificate of authority to file, if feasible, an actuarial opinion that it would have adequate resources to provide the benefits promised in its contracts.
- Requires CDI to notify an association if a filing fails to meet the standards required by the bill and specify issues that are deficient to be addressed in an amended filing.
- Recognizes documents, materials, or other information as proprietary and to contain trade secrets, and exempts those materials and information contained within from the public disclosure requirements, including the California Public Records Act.
- Requires an association that self-funds all or a portion of its benefits to include the following language in all contracts and certificates evidencing coverage under those contracts: "THE BENEFITS PROVIDED BY THIS CONTRACT ARE NOT SUBJECT TO REGULATION BY THE CALIFORNIA DEPARTMENT OF INSURANCE, AND THE CONTRACT IS NOT GUARANTEED BY THE CALIFORNIA INSURANCE GUARANTEE ASSOCIATION."
- Requires an association that issues long-term disability and long-term care policies to provide a copy of a plan document that describes plan benefits within 30 days of a written request.

**Related Legislation:** AB 1072 (Daly, Chapter 503, Statutes of 2015), required self-funded plans to submit an actuarial report for review and consideration by the Insurance Commissioner. It also required the Commissioner to issue a report and recommendations, as specified.

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