
SENATE COMMITTEE ON LABOR, PUBLIC EMPLOYMENT AND RETIREMENT
Senator Lola Smallwood-Cuevas, Chair
2025 - 2026 Regular

Bill No: AB 1683 **Hearing Date:** June 10, 2026
Author: Committee on Insurance
Version: February 2, 2026
Urgency: No **Fiscal:** Yes
Consultant: Jazmin Marroquin

SUBJECT: Workers' compensation: prepaid cards

KEY ISSUE

This bill removes the January 1, 2027, sunset date for the pilot program authorizing employers to deposit workers' compensation payments in a prepaid card account for employees, making the program permanent.

ANALYSIS

Existing law:

- 1) Establishes a comprehensive system of workers' compensation that provides a range of benefits for an employee who suffers from an injury or illness that arises out of and in the course of employment, regardless of fault. This system requires all employers to ensure payment of benefits by either securing the consent of the Department of Industrial Relations (DIR) to self-insure or by obtaining insurance from a company authorized by the state. (Labor Code §§3200-6002)
- 2) Establishes the Division of Workers' Compensation (DWC) and Workers' Compensation Appeal Board (WCAB) within DIR and charges them with monitoring the administration of workers' compensation claims and providing administrative and judicial services to assist in resolving disputes that arise in connection with claims for workers' compensation benefits. (Labor Code §§110-139.6)
- 3) Establishes within DIR, the Commission on Health and Safety and Workers' Compensation (CHSWC) to conduct a continuing examination of the workers' compensation system, as defined, and of the state's activities to prevent industrial injuries and occupational diseases. Allows CHSWC to conduct or contract for studies it deems necessary to carry out its responsibilities, as specified. (Labor Code §§75-78)
- 4) Establishes within the workers' compensation system, temporary disability (TD) indemnity, permanent disability (PD) indemnity, and permanent partial disability (PPD) indemnity, which offer wage replacement of a specified injured employee's average weekly earnings while an employee is unable to work due to a workplace illness or injury. (Labor Code §§4650-4664)
- 5) Requires that, if an injury causes temporary disability, the first payment of temporary disability indemnity must be made no later than 14 days after knowledge of the injury and

disability. Each additional payment of temporary disability indemnity benefits must be made as due every two weeks on the day designated with the first payment. (Labor Code §4650)

- 6) Prohibits any disability indemnity payment being made by any written instrument unless it is immediately negotiable and payable in cash, on demand, without discount at some established place of business in the state. (Labor Code §4651)
- 7) Allows, until January 1, 2027, an employer to commence a program under which disability indemnity payments are deposited in a prepaid card account for the employee. The employee must provide written consent to the employer to use a prepaid card account for the employee's disability payments. (Labor Code §4651)
 - a) Provides that the prepaid card account must meet the applicable requirements of Section 1339.1 of the Unemployment Insurance Code.
 - b) Requires, for purposes of this section, a prepaid card to also meet all of the following requirements:
 - i) Allow the employee to withdraw the entire balance on the card in one transaction without incurring fees.
 - ii) Allow the employee reasonable access to in-network automatic teller machines (ATMs).
 - iii) Allow the employee to make point-of-sale purchases without incurring fees from the financial institution.
 - iv) Prohibit a link to any form of credit, including a loan against future payments or a cash advance on future payments.
 - c) Provides that the fees associated with the use of the prepaid card must be disclosed to the employee in writing. The only permissible fees associated with the use of a prepaid card are those for a replacement card provided through expedited delivery, out-of-network ATM fees on the third and subsequent withdrawal per deposit, and fees associated with foreign transactions.
 - d) Provides that if an employee has consented to use the prepaid card payment system under this section, either the employer or the employee may opt to change the method of payment to another method, as specified, by providing 30 days' written notice to the other party.
 - e) Requires, on or before December 1, 2022, the Commission on Health and Safety and Workers' Compensation (CHSWC) to issue a report to the Legislature on payments made to prepaid card accounts. Requires employers to provide all necessary aggregated data on their prepaid account programs to the commission upon request. The report must include, but is not limited to, the following:
 - i) The number of employees who elected to receive their disability indemnity payments in a prepaid card account.
 - ii) The cash value of the disability benefits sent to prepaid card accounts.
 - iii) 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.

- f) Provides that it is not a violation of this section if either of the following delays occurs in connection with a transaction authorized, as specified, and the delay is caused solely by the application of state or federal banking laws or regulations:
 - i) A delay in the negotiation of a written instrument, including a delay in the deposit or electronic deposit of a check to a prepaid card account.
 - ii) A delay in the deposit of a disability indemnity payment to a prepaid card account.
- 8) Defines “prepaid card” or “prepaid card account” as a card, code, or other means of access to funds of a recipient that is usable at multiple, unaffiliated merchants for goods or services, or usable at ATMs. (Unemployment Insurance Code §1339.1)
- 9) Requires that a prepaid account used for receipt of unemployment benefits meets all of the following criteria: (Unemployment Insurance Code §1339.1)
 - a) The account is held at an insured depository financial institution.
 - b) The account is set up to meet the requirements for direct or passthrough deposit or share insurance payable to the person entitled to the receipt of public assistance payments by the Federal Deposit Insurance Corporation, as specified.
 - c) The account is not attached to a credit or overdraft feature that is automatically repaid from the account unless the credit or overdraft feature has no fee, charge, or cost, whether direct, required, voluntary, or involuntary, or the credit or overdraft feature complies with the requirements for credit offered in connection with a prepaid account, as specified.
 - d) The account complies with all of the requirements and provides the holder of the account with all of the consumer protections, that apply to an account under the rules implementing the Electronic Fund Transfer Act.

This bill:

- 1) Removes the January 1, 2027, sunset date for the pilot program authorizing employers to deposit workers’ compensation payments in a prepaid card account for employees, making it permanent.
- 2) Removes language requiring CHSWC to publish a report assessing the pilot program, as specified.

COMMENTS

1. Background:

Workers’ compensation

Under the California workers’ compensation system, if a worker is injured on a job, the employer must pay for the worker’s medical treatment and provide monetary benefits if the injury is permanent or temporarily results in lost wages. In return for receiving free medical treatment, the worker surrenders the right to sue the employer for monetary damages in civil court. In California, all employers are required to either purchase a workers' compensation

insurance policy from a licensed insurer authorized to write policies in California or become self-insured.

Workers' compensation disability indemnity benefits are payments injured employees get if they lose wages due to a work-related injury that prevents them from doing their usual job while recovering. If a workplace injury causes temporary partial disability, meaning the injured worker can return to work but cannot perform their full professional duties due to their disability, the worker is entitled to monetary compensation equal to two-thirds of the weekly loss in wages during the period of disability. If a workplace injury causes temporary total disability, meaning the injured worker cannot work at all, the worker is entitled to two-thirds of their average weekly earnings during the period of the disability. If the disability is permanent, the worker is entitled to disability indemnity benefits depending on their average weekly earnings at the time of the injury, with the number of weeks depending on the extent of their disability.

Disability indemnity payments must be made every two weeks, beginning 14 days after knowledge of the injury and disability is established. As the Assembly Committee on Insurance points out, "prior to 2018, disability indemnity benefits could only be transmitted to the injured worker by paper check or direct deposit. These methods of payment pose unique challenges for households without a bank account. For unbanked workers, direct deposit is not available, and without a relationship with a financial institution, cashing a check generally incurs considerable fees that would materially reduce the value of the payment."

Workers' compensation prepaid card pilot program

In 2018, Senate Bill 880 (Pan, Chapter 730, Statutes of 2018) was signed into law, which allowed employers to conduct a pilot program (until January 1, 2023) to deposit workers' compensation disability indemnity benefits via prepaid cards, rather than a paper check or electronic deposit. This program was modeled after the Employment Development Department (EDD)'s program that utilizes prepaid cards to issue unemployment insurance and disability insurance payments.

SB 880 created this pilot program that is voluntary and completely optional for the employer and for the employee. Under this pilot program, the employee must consent in writing, and either the employer or the employee may opt to change the method of payment to back to paper check or direct deposit with a 30 days written notice.

The pilot program also required the workers' compensation prepaid card account to meet all the requirements applicable to EDD's prepaid card accounts, in addition to all the following requirements:

- Allow the employee to withdraw the entire balance on the card in one transaction without incurring fees.
- Allow the employee reasonable access to in-network ATMs.
- Allow the employee to make point-of-sale purchases without incurring fees from the financial institution.
- Prohibit a link to any form of credit, including a loan against future payments or a cash advance on future payments.

SB 880 required that all fees associated with the use of the prepaid card be disclosed to the employee in writing and limited permissible fees to fees for replacement of the card via expedited delivery, out-of-network ATM fees on the third and subsequent withdrawal per deposit, and fees associated with foreign transactions. SB 880 had a sunset date of January 1, 2023, and the pilot program would be repealed without further legislative action.

CHSWC report

The Commission on Health and Safety and Workers' Compensation (CHSWC) is a joint labor-management body created by the workers' compensation reform legislation of 1993. CHSWC is charged with examining the health and safety and workers' compensation systems in California and recommending administrative or legislative modifications to improve their operation. CHSWC was established to conduct a continuing examination of the workers' compensation system and of the state's activities to prevent industrial injuries and occupational illnesses and to examine those programs in other states.

In addition to the pilot program, SB 880 also required CHSWC to compile a report on the program to the Legislature by December 1, 2022, with the following information:

- The number of employees who elected to receive their benefits via prepaid card,
- The cash value of benefits sent via prepaid card, and
- The number of employees who opted to change their method of payment from prepaid card to either a written instrument or electronic deposit.

Due to insufficient data, the CHSWC report was not completed on time. As a result, the Legislature passed three separate bills extending the sunset date of the pilot program to allow time to produce and review the report:

- AB 2148 (Calderon, Chapter 120, Statutes of 2022) extended the program until January 1, 2024.
- AB 489 (Calderon, Chapter 63, Statutes of 2023) extended the program until January 1, 2025.
- AB 1239 (Calderon, Chapter 806, Statutes of 2024) extended the program until January 1, 2027.

CHSWC published the required report on February 18, 2026.¹ According to the report:

CHSWC found that only one insurer, the State Compensation Insurance Fund (State Fund) of California, offers the prepaid card under the definition of the pilot and California Labor Code § 4651. The State Fund reported that since July 2020 when their program began, 10,348 employees have enrolled in the prepaid card program and of those, 325 employees have opted out in favor of receiving paper checks (3.14%). The cash value of indemnity payments to prepaid accounts totaled \$214,168,506 as reported through December 31, 2024. [...]

¹ California Commission on Health and Safety and Workers' Compensation. *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* (Feb. 18, 2026). <https://www.dir.ca.gov/chswc/Reports/2026/PrepaidCardProgram.pdf>

It is worth noting that the legislation itself was designed to expire, if not renewed or made permanent. Adoption rates by payers may also have been low because there was no assurance that a significant investment in a new payment method would not go away or sunset by law. Further, it is possible that some payers may have been delaying consideration of adopting or implementing a prepaid card program until a report by CHSWC became available for review. [...]

The future of a prepaid card program will depend on possible legislative amendments, prior to the sunset date of January 1, 2027.

Based on the report's findings, **CHSWC recommends amending the legislation to make the prepaid card pilot program permanent while still remaining at the discretion of the payer.**

According to the Assembly Committee on Insurance, even though the report indicates that only one payer adopted the prepaid card program, it is worth noting that State Fund is California's largest provider of workers' compensation insurance, with tens of thousands of policyholders and nearly \$21 billion in assets.

This bill seeks to implement CHSWC's recommendation that the prepaid card program for disability indemnity payments be made permanent. The bill removes the statutory sunset date but retains all substantive requirements of the existing pilot program, including that the program be optional and voluntary for the employer and the employee.

2. Need for this bill?

According to the author, "In order to improve accessibility of workers' compensation disability indemnity payments for injured workers, particularly among communities that lack consistent access to traditional banking, AB 1683 would make permanent an existing pilot program allowing disability indemnity payments to be made via prepaid card, rather than solely by paper check or direct deposit."

3. Proponent Arguments:

According to the American Property Casualty Insurance Association (APICA), and the additional coalition of business and insurer supporters:

"In 2018, Senate Bill 880 established Labor Code Section 4651, authorizing an employee, with the employee's written consent, to deposit disability indemnity payments into a prepaid card account that meets specified requirements, including providing reasonable access to in-network ATMs. This reform addressed challenges faced by injured workers who previously could only receive temporary disability payments by paper check or direct deposit, an issue that disproportionately affected "unbanked" households. Without a bank account, direct deposit is not an option, and cashing a paper check often requires paying significant fees. The prepaid card framework was intended to provide these workers with a more accessible, low-cost method of receiving benefits, consistent with existing practices for unemployment insurance payments. AB 1683 simply extends the current authorization allowing employers to deposit workers' compensation disability indemnity payments into prepaid card accounts by eliminating the January 1, 2027, sunset date. The bill preserves all existing safeguards,

including employee consent and compliance with prepaid card account standards. By making this option permanent, AB 1683 modernizes benefit delivery and ensures continued access to convenient, secure payment options for injured workers.”

4. Opponent Arguments:

None received.

5. Prior Legislation:

AB 1239 (Calderon, Chapter 806, Statutes of 2024) extended the sunset on the program to allow for collection of sufficient data for publication of the CHSWC report until January 1, 2027.

AB 489 (Calderon, Chapter 63, Statutes of 2023) extended the sunset on the program to allow for collection of sufficient data for publication of the CHSWC report until January 1, 2025.

AB 2148 (Calderon, Chapter 120, Statutes of 2022) extended the sunset on the program to allow for collection of sufficient data for publication of the CHSWC report until January 1, 2024.

SB 880 (Pan, Chapter 730, Statutes of 2018) established the pilot program authorizing the payment of disability indemnity using prepaid cards, as specified, with a sunset date of January 1, 2023, and required the CHSWC to produce a report on the program by December 1, 2022.

SUPPORT

American Property Casualty Insurance Association
California Association of Joint Powers Authorities (CAJPA)
California Chamber of Commerce
California Coalition on Workers Compensation
Public Risk Innovation, Solutions, and Management (PRISM)

OPPOSITION

None received.

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