

Date of Hearing: August 20, 2025

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

SB 487 (Grayson) – As Amended July 8, 2025

Policy Committee: Insurance

Vote: 16 - 0

Urgency: No

State Mandated Local Program: No

Reimbursable: No

SUMMARY:

This bill entitles an injured peace officer or firefighter to at least two-thirds of a third-party defendant's liability insurance policy limit under certain workers' compensation subrogation claims.

Specifically, this bill:

- 1) Provides that an injured peace officer or firefighter is entitled to receive no less than two-thirds of a third-party defendant's liability insurance policy limit if: (a) the employee establishes that their total damages exceed the net recovery after satisfaction of the employer's workers' compensation subrogation claim, and (b) the total policy limit is insufficient to fully compensate the employer and the employee's proven damages. An employer's right to reimbursement is subordinate to the employee's minimum recovery threshold, and written consent of the employer is no longer needed to validate a settlement.
- 2) Prohibits an employer from asserting an injured peace officer's or firefighter's recovery as a credit or offset against future workers' compensation benefits.

FISCAL EFFECT:

- 1) No costs to the Division of Workers' Compensation (DWC). DWC notes that this bill affects matters negotiated, settled, and adjudicated outside its jurisdiction through a civil action.
- 2) Costs of an unknown amount, likely in the low millions of dollars annually, to the state as an employer of peace officers and firefighters, as the state would be limited to recovering only one-third of its workers' compensation costs from a liable third-party (General Fund or special fund). State Compensation Insurance Fund data shows approximately 112 subrogation recoveries specific to peace officers or firefighters between March 2024 and March 2025, through which approximately \$11.1 million was recovered - \$2.1 million in cash and \$9 million in credit. Under the ratio set by this bill, the state could have incurred costs of \$7.4 million if the state was entitled to only \$3.7 million, or one-third of recovery amounts, with actual costs ultimately dependent on the fact pattern of each case.
- 3) Costs of an unknown, but definitely significant, amount to local public employers of safety officers for the same reason for costs to the state. However, such local costs are likely non-reimbursable by the state because requiring a local agency to provide increased employee

pay or benefits does not generally constitute a higher level of service to the public under the constitutional definition of a mandate.

COMMENTS:

1) **Purpose.** According to the author:

Current law gives public agencies priority to recover workers' compensation costs from any third-party settlement or judgment awarded to injured officers and firefighters. Even though these individuals may be entitled to substantial damages for additional losses, the agencies' claims can significantly reduce or completely absorb those funds. As a result, injured officers and firefighters often receive insufficient compensation for their broader losses, including lost overtime, missed promotions, and pain and suffering...To address this issue, SB 487 would guarantee that peace officers injured in the line of duty would be entitled to the compensation they obtain from a settlement after being injured by a third party.

2) **Background. Subrogation.** The workers' compensation system covers medical treatment and wage replacement for an injured worker, but does not cover additional losses, such as compensation for pain and suffering or loss of overtime pay or a promotion. An employee injured on the job by a third-party, such as a negligent driver, may file a workers' compensation claim with their employer and also pursue a civil claim against the third-party to recover such additional losses. However, through a process called subrogation, an employer (either directly or through the employer's workers' compensation insurer) may seek reimbursement for the workers' compensation benefits provided to the injured worker from the proceeds of the civil claim against the third party. Thus, a public agency may file a subrogation claim on a civil settlement received by an injured peace officer or firefighter to recover the agency's costs. This bill requires an injured peace officer or firefighter retain at least two-thirds of a third-party defendant's liability insurance limit under certain conditions.

Credit. A "credit" in the context of the workers' compensation system refers to an employer's right to be fully or partially relieved from the obligation to provide workers' compensation benefits after the injured employee has received compensation from a third party. Once the amount of future workers' compensation benefits exceeds the amount of the "credit," the employer must resume payments. This bill prohibits an employer from asserting an injured peace officer's or firefighter's recovery as a credit or offset against future workers' compensation benefits.

3) **Support and Opposition.** This bill is sponsored by the California Fraternal Order of Police, which argues this bill "ensures that these brave men and women – who have risked their lives to protect our communities – retain a portion of the financial settlements they have rightfully earned through civil proceedings." This bill is also supported by various public safety officer associations.

This bill is opposed by a coalition of public employers, led by the California Coalition on Workers' Compensation, which argues:

Public safety officers enjoy generous salary continuation benefits, presumptions for several types of injuries and illnesses, and Industrial Disability Retirement (IDR) benefits that aren't available to any other type of worker in the state. As a result, state and local governments have a higher cost of providing workers' compensation benefits to police officers and firefighters, and recovering costs from responsible third parties is vitally important to protect public resources and the taxpayers.

Analysis Prepared by: Irene Ho / APPR. / (916) 319-2081