

Date of Hearing: April 3, 2024

ASSEMBLY COMMITTEE ON INSURANCE
Lisa Calderon, Chair
AB 2872 (Calderon) – As Amended March 18, 2024

SUBJECT: Department of Insurance: sworn members: compensation

SUMMARY: Requires that sworn members of the California Department of Insurance (CDI) who are rank-and-file members of State Bargaining Unit 7 be paid the same compensation as rank-and-file sworn peace officer employees of the California Department of Justice (DOJ).

EXISTING LAW:

- 1) Establishes that the civil service includes every officer and employee of the state, except as otherwise provided, and that in the civil service permanent appointment and promotion must be made under a general system based on merit ascertained by competitive examination. (California Constitution, Article VII, Sections 1 and 4)
- 2) Establishes the State Civil Service Act to promote increased economy and efficiency in the state services by providing a comprehensive personnel system for the state civil service. (Government Code Section (GOV) 18500 et seq.).
- 3) Requires the Department of Human Resources (CalHR) to establish and adjust salary ranges for each class of position in the state civil service subject to any merit limits contained in Article VII of the California Constitution. (GOV 19826)
- 4) Requires the Insurance Commissioner to appoint supervisory and investigatory personnel within the Fraud Division of CDI. (Insurance Code Section 1879.3)

FISCAL EFFECT: Unknown

COMMENTS:

- 1) *Purpose.* California is the nation's largest insurance market and the second largest in the world. The Coalition Against Insurance Fraud (CAIF) estimates that the national economic impact of insurance fraud is \$308.6 billion each year, almost \$1,000 per year for every single American. Specific to California, CAIF estimates that there are \$17.2 billion in economic losses in the state each year due to fraud, a cost borne by California consumers directly and passed on to consumers by affected businesses. The FBI estimates that fraud costs the average family between \$400 and \$700 a year in higher insurance premiums alone, to say nothing of indirect impact such as increased costs for medical care.

The CDI Fraud Division employs approximately 200 sworn officers to investigate and respond to insurance fraud negatively impacting consumers statewide. Cases of insurance fraud include injured workers dissuaded from obtaining treatment, innocent victims of staged auto collisions, and patients victimized by medical providers conducting unnecessary medical procedures for profit, among other egregious examples. Insurance fraud is complex, and CDI sworn officers work directly with local, regional, and federal law enforcement partners, as well as the insurance industry, from detection through prosecution.

Insurance fraud not only endangers the safety of innocent victims, but also drives up the cost of insurance premiums, affecting consumers statewide.

CDI is forced to close cases each year due solely to insufficient staffing. The pay inequity between CDI and DOJ positions has been identified as a major factor impacting retention of sworn officers at CDI.

- 2) *Background.* As of January 31, 2024, CDI has authority to fill 179 Investigator positions. Of these authorized positions, 57 are currently vacant, resulting in a vacancy rate of almost 32%. CDI receives over 18,000 suspected fraudulent claim referrals each year, representing suspected losses exceeding \$600 million.

CDI, the sponsor of this bill, has identified pay inequity between CDI Investigator and DOJ Special Agent positions a major factor impacting retention of sworn officers at CDI. The Investigator classification at issue has substantially similar job responsibilities to DOJ Special Agents. Since the DOJ special salary adjustments in September 2021 and July 2023, 11 of the 15 (73.3%) Investigator transfers out of CDI have gone to DOJ Special Agent positions.

The California Department of Personnel Administration's 2010 Modernization Project collapsed CDI's department-specific Investigator classification into a statewide Investigator consortium. Other departments, notably DOJ, were not a part of this effort and retained their own Special Agent classifications with higher pay. Once implemented, CDI noted a dramatic increase in CDI Investigators leaving for other state agencies, notably DOJ.

In early 2022, CalHR initiated a new process seeking compensation requests from state agencies, including CDI, for consideration in contract negotiations with the unions representing state rank-and-file employees. CDI participated in this process and submitted an Employee Compensation Request in May 2022 to again address the ongoing pay inequity. Unfortunately, no relief resulted from that process. Subsequent to the 2023 Special Salary Adjustments, there is a nearly 21% differential in pay between the same classification at DOJ versus at CDI. This bill addresses this pay inequity.

REGISTERED SUPPORT / OPPOSITION:

Support

American Property Casualty Insurance Association
Insurance Commissioner Ricardo Lara / California Department of Insurance
National Association of Mutual Insurance Companies
Pacific Association of Domestic Insurance Companies
Personal Insurance Federation of California

Opposition

None on file

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