

Date of Hearing: July 16, 2025

ASSEMBLY COMMITTEE ON INSURANCE

Lisa Calderon, Chair

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

SENATE VOTE: 37-0

SUBJECT: Workers' compensation

SUMMARY: Provides injured public safety workers priority in recovering damages in third party civil suits. Specifically, **this bill:**

- 1) Specifies, that when the injured employee is a peace officer, as defined, or a firefighter, they are entitled to receive no less than two-thirds of the third-party defendant's liability insurance policy if:
 - a) The employee establishes that their total damages exceed the net recovery available after satisfaction of the employer's claim and,
 - b) The total liability insurance limits available are insufficient to full compensate the employer and employee's proven damages.
- 2) Limits an employer's right to reimbursement, subrogation, or lien to the minimum recovery threshold.
- 3) Prohibits an employer from asserting any recovery by one of these injured employees as a credit or offset against future workers' compensation benefits.
- 4) Requires a settlement or release to limit an employer's claim for reimbursement to the portion of the settlement not allocated to the employee, pursuant to these provisions.

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. This system requires all employers to insure payment of benefits by either securing the consent of the Department of Industrial Relations to self-insure or by obtaining insurance from a company authorized by the state. (Labor Code §§3200-6002)
- 2) Requires an employer to provide all medical services reasonably required to cure or relieve the injured worker from the effects of the injury. (Labor Code §§4600-4615)
- 3) Establishes a Workers' Compensation Appeals Board and sets forth various proceedings that are required to be brought forth before the board (Labor Code §§3200-3219)
- 4) Authorizes an employer who pays or becomes obligated to pay compensation, salary in lieu of compensation, or an amount to the Department of Industrial Relations to make a claim or bring an action against a third person who caused the injury or death of an employee that gave rise to the employer's obligations. (Labor Code §3852)

- 5) Relieves the employer from an obligation to pay further compensation to or on behalf of the employee if the employer has paid litigation expenses, attorney's fees, and the employer's lien. (Labor Code §3858)
- 6) Requires any release or settlement of a claim to include notice to both the employer and employee, as specified, and the written consent of both the employer and employee, in order for the release or settlement to be valid. (Labor Code §§3859-3860)
- 7) Authorizes the appeals board to credit the employer with an amount equal to the recovery by the employee that has not been applied to certain expenses, to be applied against the employer's liability for compensation, as specified. (Labor Code §3861)
- 8) Authorizes an employer to enforce payment of a lien against a third party, or against the employee, if damages have been paid to the employee, in the manner provided for enforcement of money judgments. (Labor Code §3862)

FISCAL EFFECT: Unknown.

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. Additionally, any settlement received may result in a credit against future workers' comp benefits, reducing coverage for medical treatment, disability, salary, and other benefits.

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. Specifically, this bill would prohibit public agencies from unfairly collecting on the settlement, leaving injured officers without the financial compensation they earned in the line of duty. Further, the bill ensures that an injured employee is entitled to at least two-thirds of the third-party defendant's liability insurance limits when the employee proves total damages exceed the net amount available after the employer's claim, and available insurance limits are insufficient to fully cover both the employer's and the employee's damages."

- 2) *Civil Claims:* In addition to a workers' compensation claim, an injured peace officer or firefighter may pursue a civil claim against the third party at fault, such as a negligent driver, to recover additional losses. While workers' compensation covers medical treatment and wage replacement, it does not cover additional losses, such as compensation for pain and suffering or loss of opportunities (promotions, overtime, etc.). However, an employer (either directly or through their workers' compensation insurer) may seek reimbursement for the benefits provided to the injured worker from the proceeds of a civil claim against the third party. This process, called subrogation, is not limited to workers' compensation claims. Insurers pursue subrogation in many settings to recover the costs of benefits paid for losses caused by a third party.

Public agencies may file subrogation claims on the civil settlements an injured peace officer or firefighter pursues. Currently, the law prioritizes public agencies to recover the costs from any third-party settlement or judgment awarded to an injured peace officer or firefighter. This means that the public agencies' claims may significantly reduce the civil settlement recovery costs awarded to an injured officer or firefighter from the third party. This bill, SB 487, seeks to require that peace officers and firefighters injured in the line of duty retain at least two-thirds of the third-party defendant's liability insurance limits under specified circumstances.

- 3) *Opposition:* Opponents argue that public safety officers enjoy generous salary continuation benefits, presumptions for several types of injuries and illnesses, and Industrial Disability Retirement (IDR) benefits that are not 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. The employer's only remedy for reimbursement of the costs incurred because of another party is via subrogation recovery.

Law Enforcement and firefighters already receive costly special benefits that protect them from economic harms associated with injuries. The legislature should more closely examine the need to also allow these employees to recover from responsible third parties before their employer who has financed generous special benefits. Benefits paid to first responders come directly out of public agency budgets. State and local governments generally are not covered by traditional insurance, rather are self-insured, so the costs associated with SB 487 will directly hit their budgets.

REGISTERED SUPPORT / OPPOSITION:

Support

Association for Los Angeles Deputy Sheriffs (ALADS)
 Association of Orange County Deputy Sheriffs
 California Fraternal Order of Police
 California Professional Firefighters
 California Statewide Law Enforcement Association
 Long Beach Police Officers Association
 Sacramento County Deputy Sheriffs Association
 Sheriff's Employee Benefits Association (SEBA)

Oppose

California Association of Joint Powers Authorities
 California Coalition on Workers Compensation
 California Joint Powers Insurance Authority
 California Special Districts Association
 California State Association of Counties
 City of Bell
 City of Chula Vista
 City of Santa Barbara
 County of Butte

County of Fresno
County of Humboldt
County of Kings
County of Placer
Golden State Risk Management Authority
League of California Cities
Local Agency Workers' Compensation Excess Jpa
Los Angeles City Attorney
Northern California Special Districts Insurance Authority
Public Risk Innovation, Solutions, and Management (PRISM)
Rural County Representatives of California
Schools Insurance Authority
Urban Counties of California (UCC)

Other

California Fire Chiefs Association
Fire Districts Association of California

Analysis Prepared by: Paul Riches / INS. / (916) 319-2086