

Date of Hearing: April 15, 2026

ASSEMBLY COMMITTEE ON INSURANCE

Lisa Calderon, Chair

AB 1683 (Committee on Insurance) – As Introduced February 2, 2026

SUBJECT: Workers' compensation: prepaid cards

SUMMARY: Makes permanent an existing, optional pilot program allowing employers to transmit workers' compensation indemnity payments via prepaid card, rather than paper check. Specifically, **this bill:**

- 1) Removes the January 1, 2027 sunset date for the pilot program authorizing workers' compensation indemnity payments to be made via prepaid card, making it permanent.
- 2) Removes vestigial language requiring the publication of a report by the Commission on Health and Safety and Workers' Compensation (CHSWC) assessing the utility of the pilot program specified in 1), above.

EXISTING LAW:

- 1) Establishes a workers' compensation system that provides benefits to an employee who suffers from an injury or illness that arises out of, and in the course of, employment, irrespective of fault. (California Constitution Article XIV, Section 4)
- 2) Requires that, if an injury causes temporary disability, the first payment of temporary disability indemnity be made not later than 14 days after knowledge of the injury and disability, and every two weeks thereafter. (Labor (Lab.) Code Section 4650 (a) & (c))
- 3) Provides that, if the injury causes temporary partial disability, the disability payment is two-thirds of the weekly loss in wages during the period of disability, reduced by the sum of unemployment compensation benefits and extended duration benefits received by the employee during the period of temporary partial disability. (Lab. Code Section 4654)
- 4) Provides that, if the injury causes temporary total disability, the disability payment is two-thirds of the average weekly earnings during the period of such disability, consideration being given to the ability of the injured employee to compete in an open labor market. (Lab. Code Section 4653)
- 5) Specifies that a disability indemnity payment shall not be 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. (Lab. Code Section 4651(a)(1))
- 6) Clarifies that the prohibition in 5), above, does not prohibit an employer from depositing the payment directly into an account at a bank, savings and loan association, or credit union of the employee's choice, provided the employee has voluntarily authorized the deposit, nor does it prohibit an employer from electronically depositing the payment into an account that the employee has previously authorized to receive electronic deposits of payroll, unless the employee has requested, in writing, that disability indemnity benefits not be electronically deposited in the account. (Lab. Code Section 4651(a)(2))

- 7) Authorizes an employer to commence a program under which disability indemnity payments are deposited in a prepaid card account for the employee; specifies that the employee must provide written consent for the employer to make indemnity payments in this manner, and that either the employer or the employee may opt to change the method of payment from prepaid card account by providing 30 days' written notice. (Lab. Code Section 4651(a)(3)(A) & (C))
- 8) Requires that a prepaid card account, for purposes of a program established pursuant to 7), above, must meet the applicable requirements established for the payment of unemployment benefits via prepaid card account, as well as all of 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 purchase 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.
- 9) Requires that any fees associated with the use of the prepaid card be disclosed to the employee in writing, and limits permissible fees to fees for card replacement through expedited delivery, out-of-network ATM fees on the third and subsequent withdrawal per deposit, and fees associated with foreign transactions. (Lab. Code Section 4651(a)(3)(B))
- 10) Sunsets the authorization for a prepaid card account program for the payment of temporary disability indemnity on January 1, 2027. (Lab. Code Section 4651(c))
- 11) Defines "prepaid card" or "prepaid card account" to mean a card, code, or other means to allow a recipient access to funds, which is usable at multiple, unaffiliated merchants for goods or services, or useable at ATMs. (Unemployment Insurance (UI) Code Section 1339.1; 15 USC Section 1693/-1(a)(2)(A))
- 12) Requires that a prepaid card account used for receipt of unemployment benefits meet all of the following criteria:
 - The account is held at an insured depository financial institution.
 - 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 (FDIC) pursuant to specified federal law.
 - 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, or the credit or overdraft feature complies with the requirements for credit offered in connection with a prepaid account under federal law.

- 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 federal Electronic Fund Transfer Act. (UI Code Section 1339.1(a)(2)(B))

FISCAL EFFECT: Unknown.

COMMENTS:

- 1) *Purpose:* 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 seeks to 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.
- 2) *Access to Banking in California:* According to the 2023 FDIC National Survey of Unbanked and Underbanked Households, 4.3% of California households are unbanked, roughly in line with the national average. An additional 13.3% of California households are considered "underbanked," meaning they have a bank account, but must turn to nonbank products such as payday loans, tax refund anticipation loans, nonbank money orders, and check cashing services, to meet their financial needs.

42% of unbanked households cited "don't have enough money to meet minimum balance requirements" as a reason for not having a bank account. One-third of unbanked households cited reasons relating to fees or minimum balance requirements as their *main* reason for not having an account, including "bank account fees are too high," "bank account fees are too unpredictable," and "don't have enough money to meet minimum balance requirements."

Unbanked rates are higher among lower-income households, less-educated households, Black, Hispanic, and American Indian or Alaska Native households, single-parent households, and particularly among working-age households with a disability.

In California, households aged 25 to 64 with a disability were more than four times as likely to be unbanked than those without a disability in the same age bracket (14.6% vs. 3.5%).¹

- 3) *Disability Indemnity Payments:* At its core, the workers' compensation system relies on a so-called "grand bargain." If a worker is injured on the job, the employer must pay for the worker's medical treatment, including monetary benefits if the disability is permanent or temporarily results in lost wages. In exchange for receiving the guarantee of such treatment, the worker surrenders the right to sue the employer for monetary damages in civil court.

Under California law, 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 the disability, the worker is entitled to monetary compensation equal to two-thirds of the weekly loss in wages during the period of disability. (Lab. Code Section 4654) If a workplace injury causes temporary total disability, meaning the injured worker cannot work at all, the worker

¹ Federal Deposit Insurance Corporation (FDIC). 2023 *FDIC National Survey of Unbanked and Underbanked Households* (Nov. 2024). <https://www.fdic.gov/household-survey> (accessed April 7, 2026).

is entitled to two-thirds of their average weekly earnings during the period of the disability. (Lab. Code Section 4653) If the disability is permanent, the worker is entitled to anywhere from \$160-\$290 per week depending on their average weekly earnings at the time of the injury, with the number of weeks depending on the extent of their disability. (Lab. Code Section 4658) These payments are known as disability indemnity benefits.

Disability indemnity payments must be made every two weeks, beginning 14 days after knowledge of the injury and disability is established. 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.

- 4) *SB 880 Prepaid Card Pilot Program*: In 2018, the Legislature passed SB 880 (Pan, Ch. 730, Stats. 2018), which created a pilot program to allow employers to transmit disability indemnity payments via prepaid card, rather than limiting payment to paper check or direct deposit. The program was modeled after an Employment Development Department (EDD) program that uses prepaid cards to transmit unemployment and state disability insurance, which was in turn modeled after an existing electronic benefits transfer (EBT) program for individuals to receive CalFresh, CalWORKs, and other food and cash aid benefits.

SB 880 specified that for an employer to provide disability indemnity payments via prepaid card, the employee must consent in writing, and provided that either the employer or the employee may opt to change the method of payment to back to paper check or direct deposit with 30 days written notice. In other words, the program is entirely voluntary for both the employer and the employee.

Pursuant to the pilot program, a prepaid card account used for payment of disability indemnity must meet all requirements applicable to prepaid card accounts used in the EDD program, in addition to all of 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 purchase 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 further 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, at which point the pilot program would be repealed without further legislative action.

- 5) *The CHSWC Report and Statutory Sunset*: In addition to creating the pilot program, SB 880 required CHSWC to issue a report to the Legislature on payments made to prepaid card accounts pursuant to the pilot program by December 1, 2022. The mandatory report was to include information on the number of employees who elected to receive their disability indemnity payments in a prepaid card account, the cash value of the disability benefits sent to prepaid card accounts, and the number of employees who opted to change the method of payment from a prepaid card account to either a written instrument or direct deposit.

Due to insufficient data, this report was not completed on time, and, as a result, the Legislature passed three bills extending the sunset date of the pilot program to allow time to produce and review the report (AB 2148 (Calderon, Ch. 120, Stats. 2022), AB 489 (Calderon, Ch. 63, Stats. 2023), AB 1239 (Calderon, Ch. 806, Stats. 2024)). The latter of these bills, AB 1239, extended the sunset to January 1, 2027.

CHSWC published the required report on February 18, 2026.² 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. [...]

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.** [Emphasis added]

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

² California Commission on Health and Safety and Workers' Compensation (CHSWC). *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> (accessed April 7, 2026).

date, but retains all substantive requirements of the existing pilot program, including that the program be discretionary both on the part of the payer and on the part of the employee.

6) *Prior legislation:*

AB 1239 (Calderon, Ch. 806, Stats. 2024) See Comment 5.

AB 489 (Calderon, Ch. 63, Stats. 2023) See Comment 5.

AB 2148 (Calderon, Ch. 120, Stats. 2022) See Comment 5.

SB 880 (Pan, Ch. 730, Stats. 2018) See Comment 4.

REGISTERED SUPPORT / OPPOSITION:

Support

American Property Casualty Insurance Association

Opposition

None on file.

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