

Date of Hearing: June 24, 2026

ASSEMBLY COMMITTEE ON INSURANCE

Lisa Calderon, Chair

SB 555 (Caballero) – As Amended June 1, 2026

SENATE VOTE: 30-10

SUBJECT: Workers' compensation: average annual earnings

SUMMARY: For injuries occurring on or after January 1, 2027, raises the minimum and maximum average weekly earnings, used for the calculation of weekly payments for permanent partial disability (PPD) benefits, from \$240 to \$363 and from \$435 to \$658, respectively.

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. This system requires all employers to secure payment of benefits by either securing the consent of the Department of Industrial Relations (DIR) to self-insure or by securing insurance against liability from an insurance company duly authorized by the state. (California Constitution Article XIV, Section 4)
- 2) Provides that the workers' compensation laws of the state shall be liberally construed by the courts with the purpose of extending their benefits for the protection of persons injured in the course of their employment. (Labor (Lab.) Code Sec. 3202)
- 3) Requires medical treatment that is reasonably required to cure or relieve an injured worker from the effects of the worker's injury be provided by the employer, as specified. (Lab. Code Sec. 4600)
- 4) Establishes within the workers' compensation system temporary and permanent benefits, referred to as disability indemnity, which offer wage replacement equal to two-thirds of a specified injured employee's average weekly earnings for up to 240 weeks while an employee is unable to work due to a workplace illness or injury, and for a specified number of weeks, or for life, if the disability is permanent. (Lab. Code Secs. 4653-4658)
- 5) Provides that, if an injury causes permanent disability, the first payment shall be made within 14 days after the date of last payment of temporary disability indemnity, except as specified, and that payment of permanent disability indemnity subsequent to the first payment shall be made as due every two weeks. (Lab. Code Sec. 4650)
- 6) Provides that, for injuries occurring on or after January 1, 2013, if an injury causes permanent disability, the percentage of disability to total disability shall be determined, and the number of weeks of disability payment shall be computed as specified in an accompanying table at a rate of two-thirds of average weekly earnings. (Lab. Code Sec. 4658(e))
- 7) Provides that, in computing average annual earnings for purposes of permanent partial disability indemnity, for injuries occurring on or after January 1, 2014, the average weekly

earnings shall be taken at not less than \$240 nor more than \$435. (Lab. Code Sec. 4453(b)(9))

FISCAL EFFECT: Unknown.

COMMENTS:

- 1) *Purpose.* According to the author, “SB 555 will create a benefit cost of living adjustment for workers who have suffered a partial permanent disability while on the job. This adjustment recognizes inflation and cost of living increases. This will allow for the individuals who have suffered a permanently life altering injury to receive benefits that will help sustain them when they may need it most.”

This bill is sponsored by the California Applicants’ Attorneys Association.

- 2) *Workers’ compensation, PPD, and average weekly earnings calculations.* 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 injury is permanent. In exchange for receiving the guarantee of such treatment, the worker surrenders the right to sue the employer for monetary damages in civil court. All employers are required to secure the payment of workers’ compensation either by receiving approval from DIR to self-insure in accordance with substantial requirements, or by obtaining workers’ compensation insurance coverage from an authorized insurer. The Labor Code explicitly asserts that it is the policy of the state to “vigorously enforce” this law.

PPD is provided when a worker is injured on the job and suffers a permanent disability that does not totally preclude their ability to work. PPD is paid at a rate of two-thirds of the injured worker’s average weekly earnings, continuing for a number of weeks determined based on the percentage of total disability incurred by the worker. However, the calculation of average weekly earnings has both a floor and a ceiling, such that weekly PPD payments have both a minimum and a maximum rate. This means that if the injured worker makes less than the minimum per week, they would be considered to have average weekly earnings equivalent to the minimum for the purposes of calculating PPD payments, and if they make more than the maximum, they would be considered to have average weekly earnings equivalent to that maximum value.

The minimum and maximum average weekly earnings have been subject to one-time increases many times over the past four decades, with the most recent affecting injuries occurring on or after January 1, 2014. That increase established a minimum average weekly earnings of \$240 and a maximum of \$435. These would be equivalent to annual earnings of \$12,480 and \$22,620, respectively. A permanently disabled worker would therefore receive biweekly payments of between \$320 and \$580, equivalent to \$8,320 to \$15,080 over the course of a year.

SB 555 would increase the average weekly earnings range for PPD for injuries occurring on or after January 1, 2027 to a minimum of \$363 and a maximum of \$658. This represents a 51.25% increase over the current range, and would correspond to a minimum annual income of \$18,876 and a maximum of \$34,216, and minimum and maximum weekly PPD payments of \$242 and \$439, respectively.

According to the California Department of Industrial Relations Consumer Price Index (CPI) Calculator, since 2014, when the previous increase in PPD limits took effect, the CPI, a measure of cost of living among urban consumers, has increased by 49.5% (as of April 2026). The increase proposed by this bill would therefore be equivalent to the change in California CPI plus 1.75%.

A previous version of SB 555 included an annual cost of living adjustment to the PPD average weekly earnings range, that has since been replaced by this one-time increase. That previous version of the bill relied on the cost of living adjustment for social security benefits, published by the Social Security Administration based on changes in the United States CPI, for dictating the annual increase. Since 2014, based on this metric, social security benefits have increased by 37.8%. The one-time increase proposed in this bill would exceed that cost of living increase by 13.45%.

- 3) *Overdue or premature?* Supporters of the bill argue that an increase to the PPD average weekly earnings range is long overdue, given these considerable increases in cost of living and wages since the previous increase took effect. For instance, in support of the bill, the Los Angeles County Professional Peace Officers Association argues:

This update is long overdue. Public safety officers – deputies, police officers, probation officers, and other peace officers – sustain serious on-the-job injuries at rates far higher than most other occupations. Many of those injuries result in lasting, permanent impairment. For officers who receive a permanent partial disability rating, workers’ compensation PPD benefits are often a critical component of their financial recovery and long-term stability.

Yet the earnings limits used to calculate those benefits have been frozen for over a decade. Since 2014, the costs of housing, medical care, and everyday necessities have risen substantially, while the PPD calculation framework has remained anchored to figures that no longer reflect economic reality.

SB 555 ensures that workers who suffer permanent disabilities due to workplace injuries receive benefits that reflect the actual cost of living.

The California Applicants’ Attorneys Association, who sponsor the bill, add:

While insurance rates for employers over the past 14 years have decreased or remained steady (until this year), and profits for insurance companies have increased, there has been no increase in workers’ compensation benefits since the last “major reform” in 2012.

On the other hand, opponents of the bill argue that while an increase in the PPD rate may be justified, doing so in the absence of countervailing reforms to reduce system costs could threaten the stability of the state’s workers’ compensation system.

A large coalition of organizations representing business and employer interests opposing the bill, including the California Chamber of Commerce (CalChamber), the American Property Casualty Insurance Association, the California Coalition on Workers’ Compensation, the California Trucking Association, the California Restaurant

Association, the California Hotel & Lodging Association, and the California State Association of Counties, argues:

While our coalition supports fair and adequate benefits for injured workers, increased permanent disability benefits should be considered only as part of a balanced reform package that improves benefits for injured workers while also addressing the cost pressures, litigation incentives, and system inefficiencies borne by employers. SB 555 addresses only one side of that equation, imposing a 51% increase in the weekly permanent disability benefit amount. We estimate this change will add \$1.8 billion to annual employer workers' compensation costs.

Balance is essential to the long-term health of California workers' compensation system, which remains one of the most expensive and complex systems in the country. Historically, California workers' compensation policy has been marked by periods of instability when benefit increases and cost controls were pursued separately rather than through balanced, negotiated reform. Over the last two decades, the most durable reforms have resulted from balanced packages that paired benefit improvements for injured workers with reforms designed to improve predictability, reduce frictional costs, and protect employer affordability.

This proposal comes at a time when workers' compensation costs are steadily rising for California employers. In 2025, the Insurance Commissioner approved an 8.7 percent increase in the advisory pure premium rate effective September 1, 2025, following years of declining or stable rates. The Workers' Compensation Insurance Rating Bureau has also submitted a September 1, 2026 regulatory filing proposing an additional 10.4 percent increase. These actions reflect growing concern about rising claim costs, including medical costs, cumulative trauma claims, and allocated loss adjustment expenses.

Staff notes, consistent with the opposition's argument, that the increase that established the current PPD limits was enacted as part of SB 863 (De Leon, Ch. 363, Stats. 2012). SB 863 also made several major reforms to the California workers' compensation system, including, among many others, substantial changes to the qualified medical evaluator (QME) process, establishment of the Independent Medical Review (IMR) and Independent Bill Review (IBR) systems, modification of the calculation of permanent disability ratings, and changes to the medical provider network (MPN) structure. All of these reforms dramatically changed the underlying structure of the workers' compensation system and were agreed upon through extensive stakeholder negotiation over several months. The increase prior to SB 863 was similarly adopted through a major reform effort enacted via AB 749 (Calderon, Ch. 6, Stats. 2002), which, in addition to raising the PPD limits, made over 50 other changes to the workers' compensation system described by the Assembly Insurance Committee analysis as "cost-saving reforms in the administration of the workers' compensation system."

The stability of the workers' compensation system relies on continued buy-in from both workers and employers with respect to the so-called "grand bargain." If costs to employers increase too much, or benefits to workers become insufficient, the bargain may no longer remain a viable solution to the problem of assigning fault and establishing recourse for workplace injuries. As such, changes to the workers' compensation system

with the potential to disrupt this balance should arguably be pursued as part of broader reform packages that seek to offset the added costs of increased benefits through improved efficiency elsewhere in the system.

4) *Prior legislation.*

SB 863 (De Leon, Ch. 363, Stats. 2012) *See* Comment #3.

SB 773 (Florez, 2009) would have increased the maximum average weekly wage used for calculating PPD payments, and would have increased the number of weeks of benefit payments permanently disabled workers would receive for a specified disability rating. This bill was held in the Senate Appropriations Committee.

SB 1717 (Perata, 2008) would have, among other things, revised the formula for computing PPD benefits for injuries occurring on or after January 1, 2009. This bill was vetoed by Governor Schwarzenegger.

SB 936 (Perata, 2007) would have revised the formula for computing PPD benefits for injuries occurring on or after January 1, 2008. This bill was vetoed by Governor Schwarzenegger.

SB 815 (Perata, 2006) would have revised the formula for computing PPD benefits for injuries occurring on or after January 1, 2007. This bill was vetoed by Governor Schwarzenegger.

SB 899 (Poochigian, Ch. 34, Stats. 2004), among other workers' compensation reforms, established the schedule for the computation of permanent disability benefits, as specified, and provided that this schedule for permanent disability payments would apply to injuries occurring before April 30, 2004 under certain circumstances.

AB 749 (Calderon, Ch. 6, Stats. 2002) *See* Comment #3.

REGISTERED SUPPORT / OPPOSITION:

Support

California Applicants' Attorneys Association
California Federation of Labor Unions, Afl-cio
California Professional Firefighters
Los Angeles County Professional Peace Officers Association

Oppose

Acclamation Insurance Management Services
Allied Managed Care
Almond Alliance
American Property Casualty Insurance Association
Brea Chamber of Commerce
California Association of Joint Powers Authorities
California Attractions and Parks Association
California Coalition on Workers Compensation
California Cotton Ginners & Growers Association

California Fresh Fruit Association
California Grocers Association
California Hotel & Lodging Association
California Joint Powers Insurance Authority (JPIA)
California League of Food Producers
California Manufacturers & Technology Association
California Restaurant Association
California State Association of Counties
California Trucking Association
Carlsbad Chamber of Commerce
Dana Point Chamber of Commerce
Flasher Barricade Association
Garden Grove Chamber of Commerce
Greater Bakersfield Chamber of Commerce
Greater Coachella Valley Chamber of Commerce
Greater High Desert Chamber of Commerce
Greater Modesto Chamber of Commerce
Green Industry Co-op
International Warehouse Logistics Association
LA Canada Flintridge Chamber of Commerce
Landscape Contractors Insurance Services, INC.
Leading Age California
Lincoln Area Chamber of Commerce
Livermore Valley Chamber of Commerce
Long Beach Area Chamber of Commerce
National Federation of Independent Business (NFIB)
Newport Beach Chamber of Commerce
Oceanside Chamber of Commerce
Palm Desert Area Chamber of Commerce
Partners Personnel
Public Risk Innovation, Solutions, and Management (PRISM)
Rancho Cordova Area Chamber
Redondo Beach Chamber of Commerce
Roseville Area Chamber of Commerce
Rural County Representatives of California
Sacramento Metropolitan Chamber of Commerce
Santa Maria Valley Chamber
South Bay Association of Chambers of Commerce
Southwest California Legislative Council
Temecula Valley Chamber of Commerce
Torrance Area Chamber of Commerce
Urban Counties of California (UCC)
Ventura Chamber of Commerce
Western Tree Nut Association
Yorba Linda Chamber of Commerce