

California Commission on Health and Safety and Workers' Compensation



DRAFT 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

A SEMIMONTHLY PUBLICATION FOR THE WORKERS' COMP EXECUTIVE

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Sidharth Voorakkara

Executive Officer

Melissa Flores

**State of California
Labor and Workforce Development Agency
Department of Industrial Relations
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**Draft 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**

Executive Summary

Senate Bill (SB) 880, authored by Senator Pan, amended California Labor Code § 4651¹ to allow the use of a prepaid card and directed the Commission on Health and Safety and Workers' Compensation (CHSWC) to prepare a report with data on the use of a prepaid card for workers' compensation indemnity payments to injured workers. Subsequent bills extended the amended law and extended the time period allowing the use of a prepaid card by payers of indemnity benefits. The provision in the law allowing the use of a prepaid card is presently scheduled to sunset on January 1, 2027.

This report discusses the method of collecting data for the report and the data findings. This report also discusses what other payment methods are used by payers of workers' compensation indemnity benefits, in addition to the prepaid card, and it includes some of the reasons given by payers for not adopting a prepaid card.

CHSWC surveyed the larger insurers in California representing 88% of the market share by paid premium and the larger Third Party Administrators (TPAs) and self-insured employers representing 94% of market share by indemnity paid.

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. 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. The cash value of indemnity payments to prepaid accounts totaled \$214,168,506 as reported through December 31, 2024.

A little over 50% of the payers who responded to CHSWC pay only by check, and a little fewer than 50% offer both check and EFT/ACH/Direct Deposit payment methods. Other electronic or ePayment methods are still uncommon but there is increasing interest in ePayments, arguably over any consideration of prepaid cards.

Typical reasons given by respondents for not adopting a prepaid card are related to fraud and misuse prevention, fraud notices and related regulatory guidance, including guidance on required timing of prepaid card payments and, lastly, concerns about costs associated with creating a prepaid card account program compared to emerging alternatives in ePayment technology, as well as lack of evidence of demand for a prepaid card.

¹ https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=LAB§ionNum=4651. Lab. Code § 4651 operative version on January 1, 2027 is at https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=LAB§ionNum=4651. (Note the two URL versions only link from https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=LAB&division=4.&title=&part=2.&chapter=2.&article=3.)

Background

California Labor Code § 4651 directs CHSWC to prepare a report on payments made to prepaid card accounts. Employers are required to provide CHSWC aggregated data on their prepaid account programs upon request. The data to be provided includes the number of employees who elect to receive indemnity payments in a prepaid card account, the cash value of the disability payments sent to the prepaid card accounts, and the number of employees who change the method of payment from a prepaid card account to either a written instrument or electronic payment.

California Labor Code § 4651 was originally amended by Senate Bill (SB) 880 in 2018 to allow the use of a prepaid card for a limited 5-year pilot period.² Authored by Senator Pan, SB 880 also required a report by CHSWC with specified data on the use of a prepaid card.

Beginning in 2019, SB 880 went into effect as California Labor Code § 4651 and permitted an employer on a pilot basis to commence a program to deposit workers' compensation disability indemnity payments in a prepaid card account for use by an injured worker. The statute directs employers to follow stipulated conditions, including ensuring the prepaid card meets the applicable requirements in Section 1339.1 of the California Unemployment Insurance Code³ related to public assistance benefits, as well as conditions that 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 automatic teller machines (ATMs), allow the employee to make point-of-sale purchases without incurring fees from the financial institution, and prohibit a link to any form of credit, including a loan against future payments or a cash advance on future payments⁴.

Method of Data Collection for Report on Payments to Prepaid Card Account

In order to collect data and to prepare a report, CHSWC contacted insurers, self-insured employers and TPAs for aggregated data on their prepaid account programs. CHSWC first contacted the statistical agent of the California Department of Insurance, the Workers' Compensation Insurance Rating Bureau (WCIRB), for input and assistance with data gathering suggestions. WCIRB produces actuarial advisory premium insurance rates by issuing mandated data calls from all insurers writing workers' compensation policies in California. WCIRB was able to assist CHSWC by providing contact information for insurers who report mandated data to WCIRB. CHSWC and WCIRB discussed research approaches and decided to contact the top 30 insurers in California with a goal of at least 80% of market share by paid premium. CHSWC was successful in contacting and receiving responses from a total of 30 insurers resulting in reaching 88% of the market share. (See Table 1 in Appendix.)

CHSWC also contacted the Department of Industrial Relations' Office of Self-Insurance Plans (OSIP), which regulates and oversees the self-insurers segment of the market in California. OSIP provided assistance in this research by providing contact information of both self-insured employers and of TPAs who perform payment and administrative claims services for many self-insured employers. CHSWC and

² A review of the bill analysis of SB 880 from 2018 demonstrates that State Fund/SCIF (sic) was originally the only named entity in the proposed legislation on prepaid cards; other entities were later added in amendments and to the final bill signed by the Governor.

³ https://leginfo.ca.gov/faces/codes_displaySection.xhtml?lawCode=UIC§ionNum=1339.1.

⁴ https://leginfo.ca.gov/faces/codes_displaySection.xhtml?lawCode=LAB§ionNum=4651

OSIP discussed research approaches and decided to contact the larger TPAs to reach a goal of at least 80% of market share by paid indemnity, approximately 20 TPAs. CHSWC received responses from all 20 of the larger TPAs resulting in 83% of market share by paid indemnity. (See Table 2 in Appendix.) In addition, CHSWC was successful in exceeding its goal and received responses from many additional TPAs and self-insured employers, reaching an overall 94% market share of paid indemnity. Private self-insured employers were included in the market share method, but there was considerable overlap with the TPAs in that many self-insured employers use the same TPAs that CHSWC was already surveying.

Research questions

California Labor Code § 4651 (a)(3)(D) directs CHSWC to collect data for a report as follows:

(D) On or before December 1, 2022, the Commission on Health and Safety and Workers' Compensation shall issue a report to the Legislature on payments made to prepaid card accounts. Employers shall provide all necessary aggregated data on their prepaid account programs to the commission upon request. The report shall include, but is not limited to, the following:

(i) The number of employees who elected to receive their disability indemnity payments in a prepaid card account.

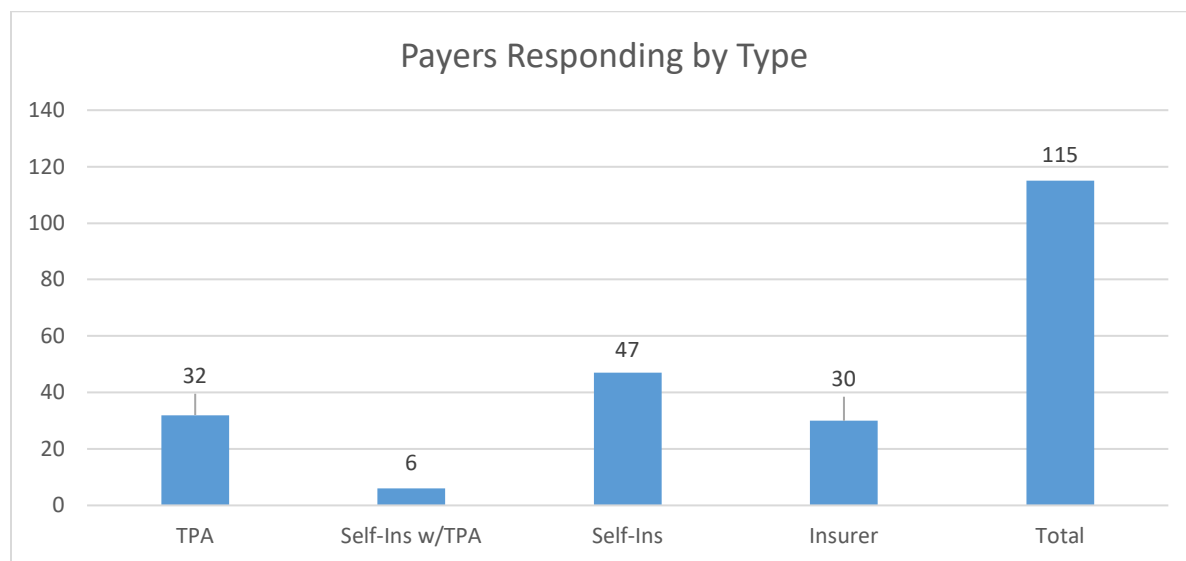
(ii) The cash value of the disability benefits sent to prepaid card accounts.

(iii) The number of employees who opted to change the method of payment from a prepaid card account to either a written instrument or electronic deposit.

Additionally, CHSWC staff requested other data about alternative payment options besides the prepaid card and, in the case that no prepaid card had been adopted, reasons for non-adoption.

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Data Collection



(Source: CHSWC, 2025)

A total of 115 insurers, self-insured employers, and TPAs provided responses.

Data collection was initially conducted by phone, and if unsuccessful, by email. Phone contact ensured that CHSWC was contacting the appropriate staff person at a company and allowed for internal referrals to an appropriate staff person. Persons contacted were typically Supervisors, Managers, and Vice Presidents of Claims, but at times Chief Officer-level officials. Phone contact also provided an initial introduction and explanation of the request. A follow-up email provided an attached letter (**See Sample Letter in Appendix.**) on CHSWC letterhead with the Labor Code statutory references cited regarding the authority to make the inquiry, the specific statutory questions being asked, additional questions about alternative payment options besides prepaid cards, and any reasons for non-adoption of a prepaid card, if applicable. The letter identified Executive Officer, Melissa Flores, and provided telephone numbers and emails from CHSWC.

Results/Findings

Based on CHSWC research and methods described here, the findings were clear:

- 30 insurers, 88% market share of premium in California, were contacted and responded that they do not offer a prepaid card.
- 32 TPAs, over 90% market share of paid indemnity in California, were contacted and responded that they do not offer a prepaid card.
- 47 self-insurers, the majority of which were Joint Powers Authorities (JPAs) and other public employer special districts, cities and counties, as well as private sector companies, responded that they do not offer a prepaid card.
- Six (6) additional self-insured employers reported using a TPA and also responded they do not offer a prepaid card.
- **One (1) entity, State Compensation Insurance Fund (State Fund), offers a prepaid card.**⁵

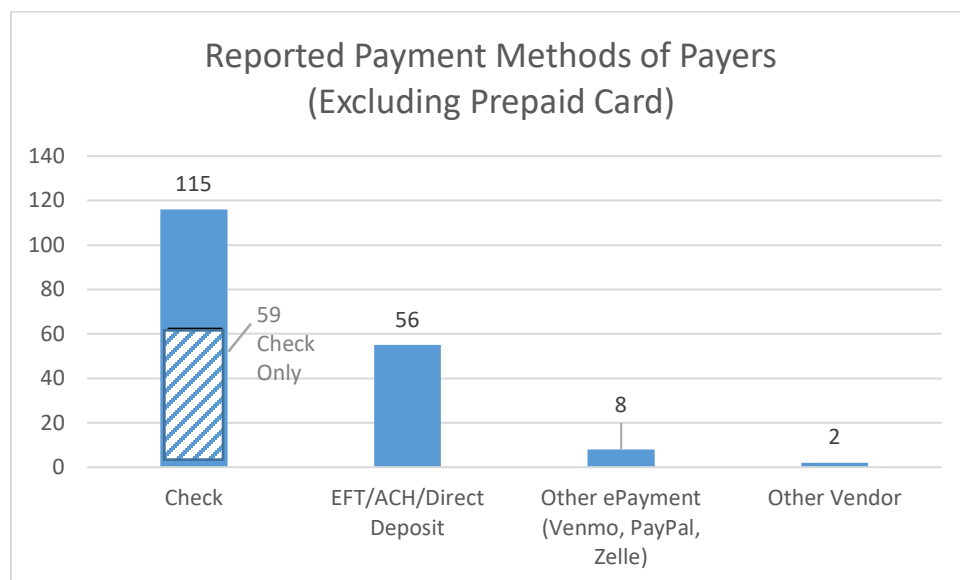
State Fund data⁶:

1. The number of employees who elected to receive their disability indemnity payments in a prepaid card account. **Answer: Since program inception in July 2020, 10,348 employees have enrolled in the program.**
2. The cash value of the disability benefits sent to prepaid card accounts. **Answer: Since program inception in July 2020 through December 31, 2024: \$214,168,506.**
3. The number of employees who opted to change the method of payment from a prepaid card account to either a written instrument or electronic deposit. **Answer: Since program inception in July 2020, 325 (3.14%) employees have opted out of the debit card in favor of receiving paper checks.**

⁵ Included in the 30 insurer count.

⁶ Data provided by email from State Compensation Insurance Fund, Government Affairs Office, on February 12, 2025.

Other Results



(Source: CHSWC, 2025)

As it became clear that the prepaid card was not in use by any company other than State Fund, additional questions became a focus of the research. Here are CHSWC's findings:

All 115 payer respondents pay indemnity at least by mailed check. Of the 115 who pay by check, 59 payers pay only by check, and 56 respondents also pay, or offer to pay, by EFT/ACH/Direct Deposit⁷. A small number, eight (8), also additionally offer payment by an electronic method such as Zelle, PayPal or Venmo; two (2) payers also use a third-party payment vendor among their payment offerings.

Of the 15 respondents who provided an answer to the question about whether a prepaid card was considered or why a prepaid card was not adopted, the answers can be broken down into several categories:

Security and Fraud Prevention

- Mandatory fraud language requirements are required of mailing checks, uncertainty on fraud language requirement for other payment methods.
- Loss, theft, unauthorized and fraudulent use; risk exposure if the prepaid card is compromised.

Cost Effectiveness

- Checks have predictable issuance costs and do not require ongoing vendor management or contract oversight.

⁷ Electronic Funds Transfer (EFT) – broadest category of digital payments; Automated Clearing House (ACH) – commonly used for direct deposits.

- Prepaid card programs often carry setup fees, monthly maintenance costs, and per-transaction charges which would add unnecessary expenses without improving payment delivery for the program.
- A virtual debit card is better than a prepaid card as it can be added to a claimant's e-wallet, creating more flexibility for where funds can be spent, including electronically transferred to their own bank account.

Timing of Payments for Prepaid Cards Not Specified

- Concern that to meet statutory deadlines, it would need to initiate payments earlier.
- Timing – regulations allow for 5-day mailing period for a physical check, although silent on any grace period for electronic payments. Vendors vetted require 1-2 days for the processing of the electronic payment file; the additional delay could cause overpayment.

Logistics, Administrative Control, Fees and Complications

- Lost cards, missing or undelivered cards, questions about who to contact if funds cannot be accessed.
- Uncertainty about the mechanics of loading funds onto the card, whether in-house or outsourced.
- Requires vendor agreements, upgrading systems, and training staff: significant administrative and ongoing financial costs.
- Would require contracting with a third-party vendor, which in turn would require 4 extra interfaces with existing systems.
- Little indication of demand for a prepaid card.
- Not useful or applicable for Permanent Disability C&R lump sum payments.
- Checks provide a clear, verifiable paper trail for auditing, reconciliation, and compliance with public agency accounting requirements.
- Checks allow for easy cancellation or adjustment before clearing; prepaid cards require additional administrative steps to adjust amounts, refund overpayments or resolve disputes.
- Checks can be deposited or cashed at virtually any financial institution or via mobile deposit, without requiring special networks, activation procedures, or PIN codes; this ensures accessibility for all recipients, regardless of technological comfort or financial institution affiliation.
- Prepaid cards may be subject to inactivity fees.
- Some jurisdictions/payers are actually required to pay indemnity benefits to the employer in lieu of the injured worker due to salary continuation benefits.
- Unclear reconciliation processes such as how disbursements would be reflected in claims records.
- Ambiguity about unused card balances, and whether treated similarly to uncashed checks.
- Hidden fees charged back to TPA or insurer.
- Limitations on prepaid card use: cannot be used at any ATM and ATM fees prohibited (but charged to the card user), limited to transactional purchases at banks or retail only.
- Electronic payments (over a prepaid card) are more efficient for the injured worker.

Conclusion

CHSWC determined 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.

Through CHSWC's contact with insurers, TPAs and self-insured employers in California that represent the vast majority of 88% and 94% by market share, respectively, CHSWC finds that there is very limited use of the prepaid card pilot program.

According to data provided by State Fund, only 3.14% of users of prepaid cards opted out of the prepaid card in favor of checks, and over 96% appear to be satisfied with the prepaid card method.

Since a prepaid card was never a required payment option, payers are free to continue to make payments using their traditional business operations methods, typically by mailed check but also often by direct deposit of funds and bank transfers such as EFT/ACH.

CHSWC research on the usage of a prepaid card for indemnity payments was impacted by Assembly Bill (AB) 2148 (2022), with the one-year extension of the pilot program timeframe to January 1, 2024, by AB 489 (2023), with a one-year extension to January 1, 2025, and by AB 1239 (2024) with a two-year extension to January 1, 2027. The future of a prepaid card account program will continue to be guided by legislative amendments making a prepaid card permanent, by extensions of the pilot timeframe, or by the current sunset date.



Tables and Appendices



Table 1. Larger Insurers by Market Share of Paid Premium in California
(Listed in alphabetical order)

Count	Insurer Name
1	AF Group (incl. AmeriTrust)
2	American International Group (AIG)
3	AmTrust Financial Services Group
4	Arch Insurance Group
5	AXA Insurance Group
6	Berkley Companies
7	Berkshire – Homestate
8	Chubb & Son (incl. ACE Limited)
9	CNA Insurance Group
10	CopperPoint (incl. Alaska National)
11	Core Specialty Ins Holding Group
12	Employers Holdings Group
13	Everest Reinsurance Holdings Group
14	Group 1001 Ins Holdings Group
15	Hartford Fire & Casualty Group
16	ICW Group Assets Inc Group
17	Liberty Mutual Group
18	Nationwide
19	Old Republic Group
20	Palomar Holding Group/Omaha National
21	Preferred Employers Insurance Company
22	Republic Indemnity
23	Safety National Casualty Corporation
24	Sentry Insurance Group
25	Service Insurance Holding Group
26	Starr Group
27	State Compensation Insurance Fund
28	Travelers Group
29	Zenith Group
30	Zurich Insurance Group

(Source: Workers' Compensation Insurance Rating Bureau (WCIRB), 2023)

Table 2. Larger TPAs and Self-Insureds by Market Share of Paid Indemnity in California
(Listed in alphabetical order)

Count	TPA and Self-Insured Name
1	Acclamation Insurance Management Services
2	Adminisure, Inc.
3	Athens Administrators
4	BETA Healthcare Group
5	City of Los Angeles
6	City of San Diego
7	City and County of San Francisco
8	Corvel Enterprise Claims, Inc.
9	County of Riverside
10	County of San Bernardino
11	Helmsman Management Services, LLC
12	Intercare Holdings Insurance Service, Inc.
13	Keenan & Associates
14	LWP Claims Solutions, Inc.
15	PTSC-MTA Risk Management
16	Tristar Claims Management Services, Inc.
17	Tristar Risk Management
18	Sedgwick Claims Management Services, Inc.
19	Walt Disney Company
20	Zurich Services Corp.

(Source: Department of Industrial Relations, Office of Self Insurance Plans (OSIP), 2024)

The above larger TPAs (and others) and self-insured employers were contacted in 2025, and all responded that they do not offer a prepaid card.

Sample Letter.

STATE OF CALIFORNIA

GAVIN NEWSON, *Governor*

**DEPARTMENT OF INDUSTRIAL RELATIONS
COMMISSION ON HEALTH AND SAFETY AND
WORKERS' COMPENSATION**

1515 Clay Street, Suite 1540
Oakland, CA 94612
Telephone: (510) 622-3959
Fax: (510) 286-0499
Email: CHSWC@dir.ca.gov
Website: www.dir.ca.gov/chswc



Date, 2025

Full Name
Title, Claims
Payer/Company Name
Email address
Tel. No.

RE: California inquiry about Prepaid Cards for Indemnity Benefits

Dear Full Name:

Thank you for taking our call from California. As explained, the California Commission on Health and Safety and Workers' Compensation (CHSWC) has been tasked by the California legislature to report on the use by insurers (and employers) of prepaid cards for issuing indemnity benefits for workers' compensation claims in California. This payment method is in addition to traditional check drafts and other electronic deposit methods.

CHSWC is directed by Labor Code § 4651 to prepare a report for the California legislature as follows.

Labor Code § 4651(a)(3)(D) specifies that CHSWC prepares a report and looks into:

“Payments made to prepaid card accounts. Employers shall provide all necessary aggregated data on their prepaid account programs to the Commission (CHSWC) upon request. The report shall include, but is not limited to, the following:

- (i) The number of employees who elected to receive their disability indemnity payments in a prepaid card account.
- (ii) The cash value of the disability benefits sent to prepaid card accounts.

- (iii) The number of employees who opted to change the method of payment from a prepaid card account to either a written instrument or electronic deposit.”⁸

Based on our telephone conversation, the COMPANY NAME does not and has never offered a prepaid card for indemnity payments. We would like to request written email confirmation from the COMPANY NAME confirming the absence of a prepaid card option in order to prepare a report for the California legislators. There is no need to provide answers to the above three enumerated questions in this case.

However, we request that your company respond to the following brief additional questions:

A) In order to accurately describe the options offered to claimants, please explain or answer how your company pays injured worker indemnity benefit claims. Please select all that apply:

- 1) By check in the mail
- 2) By EFT (direct deposit or electronic funds transfer to a bank account)
- 3) By other electronic payments such as Venmo, Zelle, PayPal, etc.
- 4) By a prepaid card
- 5) By other (Please explain.)

B) If COMPANY NAME once considered administering a prepaid card method for indemnity benefits but decided to not implement this method, please share your experience or reason to the degree that might help us understand potential obstacles or considerations.

We greatly appreciate your response to our request by **(Month xx, 2025)**.

Thank you.

Sincerely,

CHSWC Staffer, Title, CHSWC (contact number)
For Melissa Flores, Executive Officer, CHSWC

Cc: Melissa Flores, Executive Officer, CHSWC

⁸ https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=LAB§ionNum=4651
and https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=LAB§ionNum=4651
(A sunset provision).