



April 22, 2025

TO: Members, Senate Judiciary Committee

**SUBJECT: SB 847 (REYES) WORKERS' COMPENSATION: UNINSURED EMPLOYER:
TRANSFER OF REAL PROPERTY
SUPPORT – AS INTRODUCED FEBRUARY 21, 2025**

The California Chamber of Commerce is proud to **SUPPORT SB 847 (Reyes)**, which is directed at stopping uninsured employers from evading their responsibility to reimburse the Uninsured Employers Benefit Trust Fund (UEBTF).

UEBTF is a California trust fund created to pay workers' compensation benefits, including medical treatment, when a worker has been injured while working at their job and the employer was illegally uninsured at the time of the injury. The Director of the Department of Industrial Relations (DIR) is the trustee of UEBTF. A worker who is injured while employed by an illegally uninsured employer may file an application for workers' compensation. If an award is made and the employer fails to pay the compensation as awarded, UEBTF pays the award including both medical treatment and disability payments. UEBTF may settle the claim with the injured worker if the employer does not participate in the proceedings. The Director has the right to seek and obtain reimbursement from the illegally uninsured employer for all sums paid by UEBTF on the injured worker's claim.

The most effective method of collection employed by the Director against uninsured employers is through recording a certificate of lien. Once the lien has been attached to the real property located in the county where the certificate was recorded, the lien has the same effect as a judgment lien. Typically, the Director collects the amounts UEBTF has expended when the employer closes a sale or refinance escrow. While this has proven to be a successful method by which UEBTF recoups those amounts it has expended, some of the worst offending employers have transferred their residential and rental properties for little to no compensation (or consideration) to relatives and friends (or insiders) before the UEBTF was able to record its lien. **SB 847** would discourage and prevent such wrongful actions.

As part of this UEBTF collection process, the Director currently has authority to make *prima facie* determinations on two issues:

- 1) whether the employer was illegally operating without workers' compensation insurance; and
- 2) if an individual, holding a 15 percent interest in the employer entity, qualifies as a "*substantial shareholder*" of the entity (i.e., a corporation or limited liability company).

In recent years, there has been an increase in the transfer of real properties after a workers' compensation case is filed to avoid the lien.

SB 847 would authorize the Director of the Department of Industrial Relations to make *prima facie* determination regarding whether the transferor intended to retain a beneficial interest in the property, thus creating a “resulting trust.” If DIR makes that finding, DIR can still attach a lien to the property.

Prohibiting fraud within the workers’ compensation system and ensuring that all employers are insured is important to the employer community.

For these reasons, we **SUPPORT SB 847 (Reyes)**.

Sincerely,



Ashley Hoffman
Senior Policy Advocate
California Chamber of Commerce

American Property Casualty Insurance Association, Laura Curtis
California Association of Winegrape Growers, Michael Müller
California Coalition on Workers’ Compensation, Jason Schmelzer
California Farm Bureau, Bryan Little

cc: Legislative Affairs, Office of the Governor
Consultant, Senate Labor, Public Employment and Retirement Committee
Consultant, Senate Judiciary Committee
Joe Shinstock, Senate Republican Caucus

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