

ASSEMBLY BILL

No. 2219

**Introduced by Assembly Member Knight
(Coauthor: Assembly Member Jeffries)**

February 24, 2012

An act to amend and repeal Section 7125 of the Business and Professions Code, and to amend Section 11665 of the Insurance Code, relating to contractors.

LEGISLATIVE COUNSEL'S DIGEST

AB 2219, as introduced, Knight. Contractors' workers' compensation insurance coverage.

(1) Existing law, the Contractors' State License Law, provides for the licensing and regulation of contractors by the Contractors' State License Board within the Department of Consumer Affairs. Existing law requires every licensed contractor to have on file at all times with the board a current and valid Certificate of Workers' Compensation Insurance or Certification of Self-Insurance, or a statement certifying that he or she has no employees and is not required to obtain or maintain workers' compensation insurance. Existing law, until January 1, 2013, requires a contractor with a C-39 roofing classification to obtain and maintain workers' compensation insurance even if he or she has no employees.

This bill would extend the operation of these provisions indefinitely.

Under existing law, for any license that, on January 1, 2011, is active and includes a C-39 classification but for which a valid Certificate of Workers' Compensation or Certification of Self-Insurance has not been received by the registrar of contractors, the registrar is required, in lieu

of suspending the license, to remove the C-39 classification from the license.

This bill would change this date to January 1, 2013, and would extend the operation of these provisions indefinitely.

Existing law requires the suspension of any license that, after January 1, 2011, is active and has had the C-39 classification removed pursuant to the above-described provisions, if the licensee is found by the registrar to have employees and to lack a valid Certificate of Workers' Compensation or Certification of Self-Insurance.

This bill would change this date to January 1, 2013, and would extend the operation of these provisions indefinitely.

(2) Existing law requires an insurer who issues a workers' compensation insurance policy to a roofing contractor holding a C-39 license from the Contractor's State License Board to perform an annual payroll audit for the contractor. Existing law provides that these provisions are inoperative and repealed on January 1, 2013.

This bill would extend the operation of these provisions indefinitely. The bill would require that the audit conducted pursuant to these provisions contain separate data based on the classification of roofing contractors by the Workers' Compensation Insurance Rating Bureau, broken down by reported annual payroll ranges, and would require that the audit include an in-person visit to the place of business of the roofing contractor to verify whether the number of employees reported by the contractor is accurate.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 7125 of the Business and Professions
2 Code, as amended by Section 1 of Chapter 686 of the Statutes of
3 2011, is amended to read:
4 7125. (a) Except as provided in subdivision (b), the board shall
5 require as a condition precedent to the issuance, reinstatement,
6 reactivation, renewal, or continued maintenance of a license, that
7 the applicant or licensee have on file at all times a current and
8 valid Certificate of Workers' Compensation Insurance or
9 Certification of Self-Insurance. A Certificate of Workers'
10 Compensation Insurance shall be issued and filed, electronically
11 or otherwise, by one or more insurers duly licensed to write

1 workers' compensation insurance in this state. A Certification of
2 Self-Insurance shall be issued and filed by the Director of Industrial
3 Relations. If reciprocity conditions exist, as ~~defined~~ *provided* in
4 Section 3600.5 of the Labor Code, the registrar shall require the
5 information deemed necessary to ensure compliance with this
6 section.

7 (b) This section does not apply to an applicant or licensee who
8 meets both of the following conditions:

9 (1) Has no employees provided that he or she files a statement
10 with the board on a form prescribed by the registrar prior to the
11 issuance, reinstatement, reactivation, or continued maintenance of
12 a license, certifying that he or she does not employ any person in
13 any manner so as to become subject to the workers' compensation
14 laws of California or is not otherwise required to provide for
15 workers' compensation insurance coverage under California law.

16 (2) Does not hold a C-39 license, as defined in Section 832.39
17 of Title 16 of the California Code of Regulations.

18 (c) No Certificate of Workers' Compensation Insurance,
19 Certification of Self-Insurance, or exemption certificate is required
20 of a holder of a license that has been inactivated on the official
21 records of the board during the period the license is inactive.

22 (d) (1) The insurer, including the State Compensation Insurance
23 Fund, shall report to the registrar the following information for
24 any policy required under this section: name, license number,
25 policy number, dates that coverage is scheduled to commence and
26 lapse, and cancellation date if applicable.

27 (2) A workers' compensation insurer shall also report to the
28 registrar a licensee whose workers' compensation insurance policy
29 is canceled by the insurer if all of the following conditions are met:

30 (A) The insurer has completed a premium audit or investigation.

31 (B) A material misrepresentation has been made by the insured
32 that results in financial harm to the insurer.

33 (C) No reimbursement has been paid by the insured to the
34 insurer.

35 (3) Willful or deliberate disregard and violation of workers'
36 compensation insurance laws constitutes a cause for disciplinary
37 action by the registrar against the licensee.

38 (e) (1) For any license that, on January 1, ~~2011~~ 2013, is active
39 and includes a C-39 classification in addition to any other
40 classification, the registrar shall, in lieu of the automatic license

1 suspension otherwise required under this article, remove the C-39
2 classification from the license unless a valid Certificate of Workers'
3 Compensation Insurance or Certification of Self-Insurance is
4 received by the registrar.

5 (2) For any licensee whose license, after January 1, ~~2011~~ 2013,
6 is active and has had the C-39 classification removed as provided
7 in paragraph (1), and who is found by the registrar to have
8 employees and to lack a valid Certificate of Workers'
9 Compensation Insurance or Certification of Self-Insurance, that
10 license shall be automatically suspended as required under this
11 article.

12 (f) The information reported pursuant to paragraph (2) of
13 subdivision (d) shall be confidential, and shall be exempt from
14 disclosure under the California Public Records Act (Chapter 3.5
15 (commencing with Section 6250) of Division 7 of Title 1 of the
16 Government Code).

17 ~~(g) This section shall remain in effect only until January 1, 2013,~~
18 ~~and as of that date is repealed, unless a later enacted statute, that~~
19 ~~is enacted before January 1, 2013, deletes or extends that date.~~

20 SEC. 2. Section 7125 of the Business and Professions Code,
21 as amended by Section 2 of Chapter 686 of the Statutes of 2011,
22 is repealed.

23 ~~7125. (a) The board shall require as a condition precedent to~~
24 ~~the issuance, reinstatement, reactivation, renewal, or continued~~
25 ~~maintenance of a license, that the applicant or licensee have on~~
26 ~~file at all times a current and valid Certificate of Workers'~~
27 ~~Compensation Insurance or Certification of Self-Insurance. A~~
28 ~~Certificate of Workers' Compensation Insurance shall be issued~~
29 ~~and filed, electronically or otherwise, by one or more insurers duly~~
30 ~~licensed to write workers' compensation insurance in this state. A~~
31 ~~Certification of Self-Insurance shall be issued and filed by the~~
32 ~~Director of Industrial Relations. If reciprocity conditions exist, as~~
33 ~~defined in Section 3600.5 of the Labor Code, the registrar shall~~
34 ~~require the information deemed necessary to ensure compliance~~
35 ~~with this section.~~

36 ~~(b) This section does not apply to an applicant or licensee who~~
37 ~~has no employees provided that he or she files a statement with~~
38 ~~the board on a form prescribed by the registrar prior to the issuance,~~
39 ~~reinstatement, reactivation, or continued maintenance of a license,~~
40 ~~certifying that he or she does not employ any person in any manner~~

1 ~~so as to become subject to the workers' compensation laws of~~
2 ~~California or is not otherwise required to provide for workers'~~
3 ~~compensation insurance coverage under California law.~~

4 ~~(e) No Certificate of Workers' Compensation Insurance,~~
5 ~~Certification of Self-Insurance, or exemption certificate is required~~
6 ~~of a holder of a license that has been inactivated on the official~~
7 ~~records of the board during the period the license is inactive.~~

8 ~~(d) (1) The insurer, including the State Compensation Insurance~~
9 ~~Fund, shall report to the registrar the following information for~~
10 ~~any policy required under this section: name, license number,~~
11 ~~policy number, dates that coverage is scheduled to commence and~~
12 ~~lapse, and cancellation date, if applicable.~~

13 ~~(2) A workers' compensation insurer shall also report to the~~
14 ~~registrar a licensee whose workers' compensation insurance policy~~
15 ~~is canceled by the insurer if all of the following conditions are met:~~

16 ~~(A) The insurer has completed a premium audit or investigation.~~

17 ~~(B) A material misrepresentation has been made by the insured~~
18 ~~that results in financial harm to the insurer.~~

19 ~~(C) No reimbursement has been paid by the insured to the~~
20 ~~insurer.~~

21 ~~(3) Willful or deliberate disregard and violation of workers'~~
22 ~~compensation insurance laws constitutes a cause for disciplinary~~
23 ~~action by the registrar against the licensee.~~

24 ~~(e) The information reported pursuant to paragraph (2) of~~
25 ~~subdivision (d) shall be confidential, and shall be exempt from~~
26 ~~disclosure under the California Public Records Act (Chapter 3.5~~
27 ~~(commencing with Section 6250) of Division 7 of Title 1 of the~~
28 ~~Government Code).~~

29 ~~(f) This section shall become operative on January 1, 2013.~~

30 SEC. 3. Section 11665 of the Insurance Code is amended to
31 read:

32 11665. (a) An insurer who issues a workers' compensation
33 insurance policy to a roofing contractor holding a C-39 license
34 from the Contractors State License Board shall perform an annual
35 payroll audit for the contractor. *This audit shall include an*
36 *in-person visit to the place of business of the roofing contractor*
37 *to verify whether the number of employees reported by the*
38 *contractor is accurate.* The insurer may impose a surcharge on
39 each policyholder audited under this subdivision in an amount

1 necessary to recoup the reasonable costs of conducting the annual
2 payroll audits.

3 (b) The commissioner shall direct the rating organization
4 designated as his or her statistical agent to compile pertinent
5 statistical data on those holding C-39 licenses, as reported by the
6 appropriate state entity, on an annual basis and provide a report to
7 him or her each year. The data shall track the total annual payroll
8 and loss data reported on those holding C-39 licenses, *with separate*
9 *data for roofing classes 5551 and 5552*, in accordance with the
10 ~~standard~~ workers' compensation insurance classifications
11 applicable to roofing operations. *The data for each roofing class*
12 *shall include premium and losses by the employers' annual payroll*
13 *intervals as follows:*

14		
15	1 to	4,999
16	5,000 to	9,999
17	10,000 to	14,999
18	15,000 to	19,999
19	20,000 to	24,999
20	25,000 to	29,999
21	30,000 to	39,999
22	40,000 to	49,999
23	50,000 to	74,999
24	75,000 to	99,999
25	100,000 to	199,999
26	200,000 to	299,999
27	300,000 to	399,999
28	400,000 to	499,999
29	500,000 to	599,999
30	600,000 to	699,999
31	700,000 to	799,999
32	800,000 to	899,999
33	900,000 to	999,999
34	1,000,000 to	1,099,999
35	1,100,000 to	1,199,999
36	1,200,000 to	1,299,999
37	1,300,000 to	1,399,999
38	1,400,000 to	1,499,999
39	1,500,000 or more	
40		

1 The report shall also be provided to the Legislature, in compliance
2 with Section 9795 of the Government Code. Reports required
3 under this section for the 2008 and 2009 calendar years shall be
4 filed by March 1, 2012.

5 ~~(e) This section shall remain in effect only until January 1, 2013,~~
6 ~~and as of that date is repealed, unless a later enacted statute, that~~
7 ~~is enacted before January 1, 2013, deletes or extends that date.~~

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