

AMENDED IN SENATE AUGUST 6, 2012

AMENDED IN ASSEMBLY MARCH 27, 2012

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

ASSEMBLY BILL

No. 2219

Introduced by Assembly Member Knight
(Coauthors: Assembly Members Hagman and Jeffries)
(Coauthor: Senator Strickland)

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 amended, 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, *or applicant for licensure*, 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. *The bill would require the current and valid Certificate of Workers'*

Compensation Insurance or Certification of Self-Insurance to be in the applicant's or licensee's business name.

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. The Insurance Commissioner is further required to direct the rating organization designated as his or her statistical agent to compile pertinent statistical data on those holding C-39 licenses, and, on an annual basis, the rating organization is required to report its data to the commissioner. Under existing law, the statistical data in the rating organization's report includes the total annual payroll and loss data reported on those holding C-39 licenses, as specified. 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 statistical data compiled by the rating organization pursuant to these provisions include data regarding the number of employers, total payroll, total losses, and the losses per \$100 of payroll, broken down by reported annual payroll ranges. The bill would require that the audit performed by the insurer 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 *in the applicant's or licensee's*
10 *business name*. A Certificate of Workers' Compensation Insurance
11 shall be issued and filed, electronically or otherwise, by ~~one or~~
12 ~~more~~ *insurers* *an insurer* duly licensed to write workers'
13 compensation insurance in this state. A Certification of
14 Self-Insurance shall be issued and filed by the Director of Industrial
15 Relations. If reciprocity conditions exist, as provided in Section
16 3600.5 of the Labor Code, the registrar shall require the information
17 deemed necessary to ensure compliance with this section.

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

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

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

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

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

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

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

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

7 (C) No reimbursement has been paid by the insured to the
8 insurer.

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

12 (e) (1) For any license that, on January 1, 2013, is active and
13 includes a C-39 classification in addition to any other classification,
14 the registrar shall, in lieu of the automatic license suspension
15 otherwise required under this article, remove the C-39 classification
16 from the license unless a valid Certificate of Workers'
17 Compensation Insurance or Certification of Self-Insurance is
18 received by the registrar.

19 (2) For any licensee whose license, after January 1, 2013, is
20 active and has had the C-39 classification removed as provided in
21 paragraph (1), and who is found by the registrar to have employees
22 and to lack a valid Certificate of Workers' Compensation Insurance
23 or Certification of Self-Insurance, that license shall be
24 automatically suspended as required under this article.

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

30 SEC. 2. Section 7125 of the Business and Professions Code,
31 as amended by Section 2 of Chapter 686 of the Statutes of 2011,
32 is repealed.

33 SEC. 3. Section 11665 of the Insurance Code is amended to
34 read:

35 11665. (a) An insurer who issues a workers' compensation
36 insurance policy to a roofing contractor holding a C-39 license
37 from the Contractors State License Board shall perform an annual
38 payroll audit for the contractor. This audit shall include an
39 in-person visit to the place of business of the roofing contractor
40 to verify whether the number of employees reported by the

1 contractor is accurate. The insurer may impose a surcharge on each
 2 policyholder audited under this subdivision in an amount necessary
 3 to recoup the reasonable costs of conducting the annual payroll
 4 audits.

5 (b) The commissioner shall direct the rating organization
 6 designated as his or her statistical agent to compile pertinent
 7 statistical data on those holding C-39 licenses, as reported by the
 8 appropriate state entity, on an annual basis and provide a report to
 9 him or her each year. The data shall track the total annual payroll
 10 and loss data reported on those holding C-39 licenses in accordance
 11 with the standard workers' compensation insurance classifications
 12 applicable to roofing operations. The data shall include the number
 13 of employers, total payroll, total losses, and the losses per one
 14 hundred dollars (\$100) of payroll by the employers' annual payroll
 15 intervals as follows:

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

1 1,500,000 or more

2

3

4 The report shall also be provided to the Legislature by the
5 commissioner, in compliance with Section 9795 of the Government
6 Code.

O