

## Assembly Bill No. 881

### CHAPTER 38

An act to amend, repeal, and add Section 7125 of the Business and Professions Code, and to add and repeal Section 11665 of the Insurance Code, relating to workers' compensation.

[Approved by Governor May 26, 2006. Filed with  
Secretary of State May 26, 2006.]

#### LEGISLATIVE COUNSEL'S DIGEST

AB 881, Emmerson. Workers' compensation: roofers.

Existing law requires the Contractors State License Board to require that a license applicant or current licensee have on file at all times a current and valid Certificate of Workers' Compensation Insurance or Certification of Self-Insurance, unless the applicant or licensee meets specified conditions for exemption. Existing law provides that a failure to comply with this requirement shall result in the automatic suspension of the license, as specified.

This bill would require, until January 1, 2011, that, as of January 1, 2007, the registrar of contractors remove the C-39 roofing classification from a license if the contractor fails to comply with the above requirement.

Existing law generally regulates workers' compensation insurance.

This bill would, until January 1, 2011, require insurers who issue workers' compensation policies to contractors holding C-39 licenses to perform annual audits of these policyholders, as specified, and would allow them to recoup the cost of these audits through a policy surcharge.

The bill would require the Insurance Commissioner to direct the rating organization designated as his or her statistical agent to prepare an annual report on the roofing industry, as specified.

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

SECTION 1. Section 7125 of the Business and Professions Code is amended to read:

7125. (a) Except as provided in subdivision (b), the board shall require as a condition precedent to the issuance, reinstatement, reactivation, renewal, or continued maintenance of a license, that the applicant or licensee have on file at all times a current and valid Certificate of Workers' Compensation Insurance or Certification of Self-Insurance. A Certificate of Workers' Compensation Insurance shall be issued and filed, electronically or otherwise, by one or more insurers duly licensed to write workers' compensation insurance in this state. A Certification of

Self-Insurance shall be issued and filed by the Director of Industrial Relations. If reciprocity conditions exist, as defined in Section 3600.5 of the Labor Code, the registrar shall require the information deemed necessary to assure compliance with this section.

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

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

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

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

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

(e) For any license that, on January 1, 2007, is active and includes a C-39 classification in addition to any other classification, the registrar shall, in lieu of the automatic license suspension otherwise required under this article, remove the C-39 classification from the license unless a valid Certificate of Workers' Compensation Insurance or Certification of Self-Insurance is received by the registrar prior to the operative date of this section.

(f) This section shall remain in effect only until January 1, 2011, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2011, deletes or extends that date.

SEC. 2. Section 7125 is added to the Business and Professions Code, to read:

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

(b) This section does not apply to an applicant or licensee who has no employees provided that he or she files a statement with the board on a form prescribed by the registrar prior to the issuance, reinstatement, reactivation, or continued maintenance of a license, certifying that he or she does not employ any person in any manner so as to become subject to the workers' compensation laws of California or is not otherwise required to provide for workers' compensation insurance coverage under California law.

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

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

(e) This section shall become operative on January 1, 2011.

SEC. 3. Section 11665 is added to the Insurance Code, to read:

11665. (a) An insurer who issues a workers' compensation insurance policy to a roofing contractor holding a C-39 license from the Contractors State License Board shall perform an annual payroll audit for the contractor. The insurer may impose a surcharge on each policyholder audited under this subdivision in an amount necessary to recoup the reasonable costs of conducting the annual payroll audits.

(b) The commissioner shall direct the rating organization designated as his or her statistical agent to compile pertinent statistical data on those holding C-39 licenses, as reported by the appropriate state entity, on an annual basis and provide a report to him or her each year. The data shall track the total annual payroll and loss data reported on those holding C-39 licenses in accordance with the standard workers' compensation insurance classifications applicable to roofing operations. The first report shall be filed no later than March 1, 2008, and shall cover the data compiled for the 2005 calendar year.

(c) This section shall become operative on January 1, 2007, and shall remain in effect only until January 1, 2011, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2011, deletes or extends that date.

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