



News Alert.

CA AB 2883

Have you heard?

California Assembly Bill 2883 passed on August 26, 2016 changes the California law stating that officers and members of a Board of Directors of a private company or partners of an LLC, can elect to *not* be covered by Workers' Compensation (WC).

The newly enacted CA AB 2883 states that an officer or member of the Board of Directors must own at least 15% of the stock of the corporation in order to opt out of WC coverage, as well as sign a waiver stating that the individual is a qualifying officer or member. The Assembly Bill also requires a general partner of a partnership or a managing member of a LLC to execute a waiver to opt out of WC coverage.

Why Was This Bill Enacted?

Supporters of the bill say abuses in the old rule have hurt injured workers and have driven fraudulent activity. A handful of businesses have been claiming an excessive number of employees as officers in order to get around insuring them for comp. For example, some employers were describing a gardener as the "Vice President of Landscape Services" or a like designation, thereby denying legitimate injured employees WC protection. This bill hopes to solve this problem.

What to Do If This Applies To You

Get in contact with your broker and get a signed waiver immediately if this applies to you. The waiver is in effect only when the WC carrier accepts the written waiver. It is recommended that you contact the applicable carrier underwriter(s) for their formal protocol.

Issues / Problems with the Bill

Based on the language of the bill and my interpretation of its intent, it appears that it applies to ALL WC policies that are in EFFECT on or after January 1st 2017, NOT just WC policies that are issued or renewed on or after the first of the year. This may be an administratively burdensome exercise, but it needs to be executed.

Please don't hesitate to reach out to us if you have any questions about your policy and/or coverage.

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