



George Petersen Insurance Agency

News You Can Use

MAJOR CHANGES

Top New Laws and Regulations Affecting Businesses

THE NEW decade is starting off with a tsunami of new laws and regulations that will affect California businesses.

Companies operating in California will have to be prepared for significant changes or open themselves up to potential litigation, fines and other risks. Here's what you need to know coming into the new year:

1. AB 5

AB 5 creates a more stringent test for determining who is an independent contractor or employee in California.

Known as the "ABC test," the standard requires companies to prove that people working for them as independent contractors are:

- A) Free from the firm's control when working;
- B) Doing work that falls outside the company's normal business; and
- C) Operating an independent business or trade beyond the job for which they were hired.

Legal experts recommend that employers:

- Perform a worker classification audit, and review all contracts with personnel.
- Notify any state agencies about corrections and changes to a worker's status.
- Discuss with legal counsel whether

they should now also include them as employees for the purposes of payroll taxes, workers' compensation insurance, federal income tax withholding, and FICA payment and withholding.

2. Wildfire safety regulations

Cal/OSHA issued emergency regulations that require employers of outdoor workers to take protective measures, including providing respiratory equipment, when air quality is significantly affected by wildfires.

Under the new regulations, when the Air Quality Index (AQI) for particulate matter 2.5 is more than 150, employers with workers who are outdoors are required to comply with the new rules.

These include providing workers with protection like respirators, changing work schedules or moving them to a safe location.

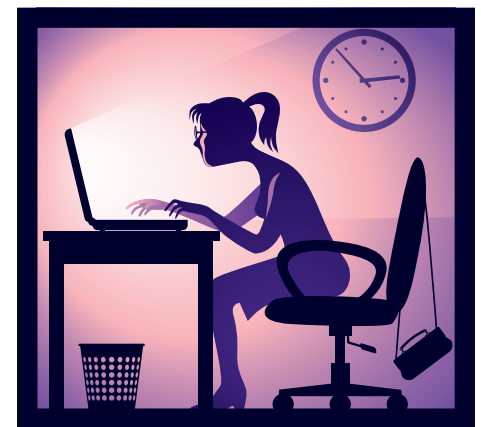
3. Arbitration agreements

Starting Jan. 1, the state will bar almost all employee arbitration agreements.

AB 51 bars employers from requiring applicants, employees and independent contractors to sign mandatory arbitration agreements and waive rights to filing lawsuits

if they lodge a complaint for discrimination, harassment, wage and hour issues.

Business groups sued to overturn the law on the grounds that it is preempted by the Federal Arbitration Act.



4. Overtime rules

New federal overtime regulations are taking effect for non-exempt workers.

Under the new rule, employers will be required to pay overtime to certain salaried workers who make less than \$684 per week – or \$35,568 per year – up from the current threshold of \$455, or \$23,660 in annual salary.

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***George Petersen Insurance Agency
Wishes You a Happy New Year!***



George Petersen Insurance Agency

CONTACT US:

If you have a question about any article in this newsletter or coverage questions, contact your broker at one of our offices.

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5. Consumer privacy

Starting Jan. 1, under the California Consumer Protection Act, businesses that keep personal data of residents are required to safeguard that information and inform website users how their personal data may be used. The law applies to firms with \$25 million or more in annual revenues or those that regularly sell personal information.



6. Return of the individual mandate

A new law brings back the individual mandate requiring Californians to secure health insurance coverage or face tax penalties. This comes after the penalties for not abiding by the Affordable Care Act's individual mandate were abolished by Congress in late 2017.

This will affect any of your staff who have opted out of your group health plan as it may mean they are going without coverage, unless they have opted to be covered by their spouse's plan.

If you have staff who didn't enroll in your plan for 2020, they may have to wait until your group's next open enrollment at the end of the year. That could force them to pay tax penalties.

7. Anti-harassment training deadline extended

In 2018 California passed SB1343, greatly expanding the requirement that employers provide anti-harassment training to employees.

An amendment to this law was signed by Governor Newsom in 2019 that extends the anti-harassment training deadline from Jan. 1, 2020 to Jan. 1, 2021. To be compliant by then, employers with five or more employees must provide harassment prevention training as follows:

- At least two hours of training to all supervisors, and
- At least one hour of training to all non-supervisory staff.

WE CAN HELP YOU WITH TRAINING

To help you satisfy the anti-harassment training requirements, all George Petersen Insurance clients have free access to anti-harassment training videos in English and Spanish using our GPTrack risk management system.

If you already have been set up with a GPTrack account, then you can [follow these instructions](#) to assign trainings to employees.

If you need to be set up with a GPTrack account, please contact Brianna Hernandez at bhernandez@gpins.com.

GPTrack

8. New audit, X-Mod thresholds

The threshold for physical workers' compensation audits for California policies incepting on or after Jan. 1 is \$10,500 in annual premium, a drop from \$13,000. This means that any employer with an annual premium of \$10,500 or more will be subject to a physical audit at least once a year.

On top of that, the threshold for experience rating (to have an X-Mod) has also fallen – to \$9,700 in annual premium as of Jan. 1, from \$10,000.

9. Hairstyle discrimination

A new law bans firms from discriminating against employees and job applicants based on their hairstyle if it is part of their racial makeup.

The CROWN Act defines race or ethnicity as “inclusive of traits historically associated with race, including, but not limited to hair texture and protective hairstyles like braids, locks and twists.”

This new definition means that natural hair traits fall under the context of racial discrimination in housing, employment and school matters.



10. Changes to dual-wage class codes

This year starts with changes to 14 construction dual-wage class codes for workers' comp purposes.

While most workers' compensation classes have one rate, in some construction classes the difference in claims costs between high- and lower-wage workers is so great that a dual-wage class is needed.

In those cases, the workers above the threshold rate are assigned one rate, while those below that threshold are assigned a higher rate.

DUAL-WAGE CLASSES FOR 2020

Masonry – 2020 threshold: \$28 per hour (+\$1 from 2019)

Heating/Plumbing/Refrigeration – 2020 threshold: \$28 (+\$2)

Automatic sprinkler installation – 2020 threshold: \$29 (+\$2)

Concrete/Cement work – 2020 threshold: \$28 (+\$3)

Carpentry – 2020 threshold: \$35 (+\$3)

Wallboard application – 2020 threshold: \$36 (+\$2)

Glaziers – 2020 threshold: \$33 (+\$1)

Painting/Waterproofing – 2020 threshold: \$28 (+\$2)

Plastering/Stucco work – 2020 threshold: \$32 (+\$3)

Roofing – 2020 threshold: \$27 (+\$2)

Steel framing – 2020 threshold: \$35 (+\$3)

Excavation/Grading/Land leveling – 2020 threshold: \$34 (+\$3)

Sewer construction – 2020 threshold: \$34 (+\$3)

Water/Gas main construction – 2020 threshold: \$34 (+\$3)

For more information go to the Workers' Compensation Insurance Rating Bureau's [website](#).

FAMILY INSURANCE

Adult Children on Your Policies Can Create Coverage Gaps

THESE DAYS many families are assisting their adult children financially far longer than parents of earlier generations did. That kind of support for college, and sometimes basic survival, can create insurance coverage gaps for the adult child that can be a major risk to the parents' financial wellbeing.

If you have an adult child who is still financially dependent on you in some way, it's critical that you secure appropriate insurance coverage. Issues that will affect coverage include if they are a full- or part-time student, where they live and how old they are.

Under a homeowner's policy, an insured is limited to:

- "Residents of your household who are your relative," and
- "A student enrolled in school full time, as defined by the school, and is under the age of 24-29 (this varies depending on the policy and carrier, so check your policy).

The above can cause issues for some people as many children are still in college beyond the policy cut-off date. You could run into coverage gaps for their contents and personal liability if:

- They are older than the cut-off age on your policy,
- They are not a full-time student, or
- They are living away from home.

The picture gets murkier these days as well because many parents are renting an apartment or buying condos for their adult children to live in. Some parents may mistakenly think that since they are footing the bill, their insurance may still cover their adult child. But that's not the case.

Typical auto policies will include family members under the coverage. The standard policy form defines a family member as "a person related to you by blood, marriage or adoption who is a resident of your household."

For your adult child's vehicle insurance, coverage is determined by:

- Who owns the title on the car.
- Who is listed on the policy as a named insured or additional insured.
- Where the child is living.

As you can see, even if a parent owns the title of the car and it's insured under the parents' policy, if the adult child is driving the vehicle and lives on their own, they could run into coverage issues.

COVERAGE GAP EXAMPLES

- If a car is co-titled or titled solely to the child, but the child isn't listed as an additional insured or named insured on the parents' policy.
- Your child borrows a friend's car (which the friend had not insured) for the day, gets in an accident and injures the driver of the other car.
- Your child rents a vehicle and doesn't buy the insurance offered by the rental car company, and then is in an accident.
- Your child is hit by an uninsured motorist while walking across the street. There are no medical payments or uninsured motorist's coverage for his own injuries.
- Your child is at a concert and accidentally bumps someone off the edge of the stadium bleachers, causing severe injuries. There's no coverage for the injuries caused to that person.

Source: West Bend Mutual Insurance Company

If you have an adult child on your policy, play it safe and give us a call so we can go over the policy and circumstances with you to identify any possible coverage gaps. ❖

RISK MANAGEMENT

Coverage Concerns as Cyber Threat Grows

SMALL AND mid-sized businesses are increasingly bearing the burden of cyber threats, as criminals are betting they do not have the resources in place to mount a strong defense.

A severe attack on a small company can incapacitate its ability to do business, and the expenses of getting operations back on track — coupled with loss of goodwill — can easily force a firm into bankruptcy.

Unfortunately, with more data breaches hitting the news, one of the main concerns that executives have is if their insurance will cover the costs of recovering from an attack.

If you are running a small or mid sized company, do not underestimate the growing threat to your business. Your top priorities should be protecting against the threat and having proper insurance coverage in place.

TOP REASONS FOR CYBER LOSSES

- Malicious breaches resulting in data losses: 52%
- Unintentional data disclosure by staff: 16%
- Physical loss or theft of data: 13%
- Network or website disruptions: 5%
- Phishing, spoofing and social engineering: 5%
- Other: 9%

Source: Advisen and Nationwide Insurance Co.

Insurance concerns

One of the main concerns for executives is any overlap or gaps between their property, liability, crime and cyber policies when it comes to covering the costs of recovering from an attack, according to a report by insurance news website Advisen and Nationwide Insurance.

Some companies feel they don't need cyber coverage because they believe their property and liability policies will cover any related losses.

EXECUTIVES INSURANCE WORRIES

- 95% of respondents named data breach as the number one risk they expect to be covered by a cyber insurance policy.
- 94.5% said they expect cyber-related business interruption to be covered by a cyber policy.
- 89% said they expect their cyber policy to cover ransom demands.
- 36% said they have cyber-related property damage/bodily injury coverage under another policy, reflecting the belief that some coverage for cyber-related losses can be found under traditional policies.
- 60% of respondents said they are concerned about perceived gaps and overlaps in their insurance coverage.
- 53% of respondents said coverage for funds-transfer losses should be found under the crime policy, but also stated they would like to be able to recover under both crime and cyber policies — or have separate policies with higher limits.

The takeaway

Since cyber insurance is a new and evolving product, all policies do not cover the same thing. That's why it's important to weigh your choices carefully and consult with us.

While the cyber threat grows, more insurers are changing language in their property and liability policies to limit coverage of cyber events.

Because of the high costs associated with a data loss, more executives want to see higher limits for business interruption coverage on their cyber stand-alone policies.

This market demand may drive insurers to refine their cyber insurance policies, including increasing cyber-related business interruption limits, according to the Advisen report.

To find the best coverage for your business, please talk to us. We can help you evaluate your risks and coverages and identify any gaps by looking at your existing policies. ♦