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George Petersen Insurance Agency

News You Can Use

BUSINESS AND ECONOMY

Top 10 California Laws & Regulations for 2024

Every year, bills passed by the state Legislature and signed into law by the governor take effect, and 2023 was a busy legislative session in Sacramento. The result is another set of new laws that employers need to stay on top of in the new year.

1. Sick leave law expanded

A new law that took effect Jan. 1 increased the amount of paid sick leave days California workers are eligible for to five days (40 hours), up from the current three, or 24 hours.

The new legislation applies to virtually all employees in the state. Under the law, businesses have two options for providing sick leave:

Up front: They can provide all five paid sick days up front for the year, and these days can be used immediately.

Accrual: They can build up paid sick leave by either accruing one hour of leave for every 30 hours worked or providing 40 hours of leave by the 200th day of the year.

2. Pre-employment cannabis screening

Employers in California are no longer allowed to ask a job applicant about past cannabis use.

The legislation, SB 700, which took effect Jan. 1, prohibits companies from penalizing workers for their off-the-clock cannabis use.

Another measure, AB 2188, makes it unlawful for employers to “discriminate” against a person for failing a workplace drug test that only detects inactive cannabis compounds called metabolites.

3. FAIR Plan increases its limits

With more and more California businesses being forced to go to the California FAIR Plan for their property coverage, the market of last resort has increased its commercial property coverage limits to $20 million per location from the previous $8.3 million.

This should bring a semblance of relief to companies located in wildfire-prone areas, who have seen their commercial property insurance non-renewed and who have been unable to find replacement coverage.

4. Workplace violence law

A new law, which takes effect July 1, requires employers with at least one worker to have in place a workplace violence prevention plan, conduct workplace violence prevention training and keep a log of violent incidents in the workplace.

The prevention plan must include:

- Procedures for the employer to accept and respond to reports of workplace violence.
- Procedures to communicate with employees regarding workplace violence.
- Procedures for responding to workplace violence emergencies.

Employers will also be required to train their workers on the plan and on how to respond to violent incidents or threats of violence.

See ‘Treasury’ on page 2

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Treasury Dept. Reporting Rule Affects Smaller Employers

5. Treasury reporting rule

A new Treasury Department rule requires businesses with fewer than 20 employees and less than $5 million in revenue to report ownership and control information to the Financial Crimes Enforcement Network (FinCEN) as part of an effort to cut down on fraud, money laundering and the funding of terrorism that could run through anonymous business entities.

Businesses with more than 20 employees and more than $5 million in sales can qualify for exemptions from reporting.

Companies formed after Jan. 1 will have 30 days to file that information with FinCEN. Companies created or registered to do business before Jan. 1, will have until Jan. 1, 2025 to file their initial beneficial ownership information report.

6. Restaurant class code split

Effective Sept. 1, the Workers' Compensation Insurance Rating Bureau's 9079 restaurant class code will be eliminated and split into six new codes. The new codes will have the same pure premium rate until the Rating Bureau can collect a few years worth of data, enabling it to set distinct rates for each of the new class codes.

The new restaurant class codes are:

- 9058 Hotel/Motels/Short-Term Housing – Food/Beverage
- 9080 Restaurants – Full Service
- 9081(1) Restaurants – Not Otherwise Classified
- 9081(2) Concessionaires
- 9082 Catering
- 9083 Restaurants – Fast Food/Fast Casual
- 9084 Bars/Taverns

The changes were spurred by a study that the Rating Bureau published in January 2023 that found significant distinctions and risks associated with these different types of food service operations.

The goal of eliminating Classification 9079 and establishing six new classifications is to improve analysis of payroll and the types of claims that are unique to each of these distinct and identifiable industry segments.

7. New joint-employer rule

The National Labor Relations Board (NLRB) has issued a final rule that expands the definition of what's considered a joint-employer relationship and increases employers' potential liability.

Under the rule, two or more entities may be considered joint employers if they share one or more employees and they both can determine the workers' essential terms and conditions of employment. If a company is deemed a joint employer with another entity, each can be held liable for labor law violations that the other commits.

The new NLRB rule applies to almost all industries but will have the most effect on companies that use staffing or temp agencies, firms that are third party employers, and franchisors.

The rule took effect Dec. 26, 2023 on a prospective basis, meaning it applies to any cases filed on or after that date.

8. New law for reproductive loss

Starting Jan. 1, workers in the Golden State can take up to five days off for a "reproductive loss," defined as a miscarriage, stillbirth, failed adoption or failed surrogacy experienced by an employee, their spouse or partner.

Under the new law, SB 848, workers are not required to take all five days consecutively, but they must use them all within three months of the event.

If an employee experiences two reproductive losses in a year, they will be eligible for 20 days off.

9. New telecommuter class code

An important change to take note of, if you have staff who work remotely, is a new California workers' compensation class code.

After droves of employees started working remotely after the COVID-19 pandemic began in 2020, the Rating Bureau created a new telecommuter class code (8871) and tethered its pure premium advisory rate to the 8810 clerical classification for easier administration.

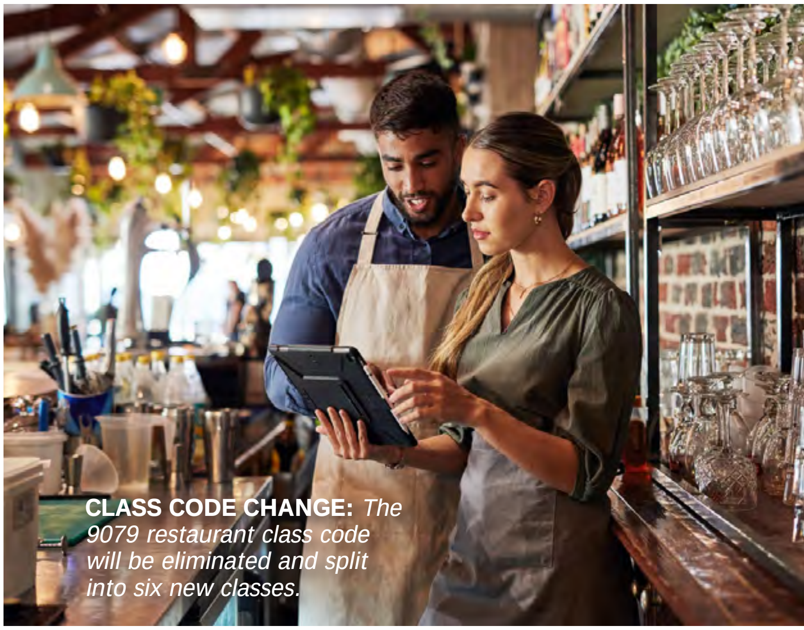
Under Rating Bureau rules, code 8871 will receive its own rate which is 25% lower than the clerical rate. If you have remote workers, you'll want to ensure they are in the telecommuter class code to enjoy the lower premium.

10. Minimum wage hike

The state minimum wage increased at the start of 2024 to $16 from last year's $15.50.

While that wage is for the state, a number of cities and municipalities have minimum wage rates that are higher.

Additionally, a new law, AB 1228, raises the minimum wage for fast food restaurant workers in the state to $20 an hour, starting April 1, 2024.



CLASS CODE CHANGE: *The 9079 restaurant class code will be eliminated and split into six new classes.*

GROUP HEALTH

More Employers Offering Deductible-Free Plans

AS MORE Americans struggle with medical costs and rising out-of-pocket expenses, employers are increasingly offering deductible-free plans, according to a new report.

Mercer's "2023-2024 Inside Employees' Minds" survey results conform with other reports that some insurers' fastest growing group health plans carry no deductibles.

Workers covered by these plans often receive more preventive care than those who are in plans with deductibles, and they often pay up to 50% less out of pocket, UnitedHealthcare's chief operating office, Dirk McMahon, told investors recently. He added that these plans can reduce the total cost of care by an average of 11%.

Employers understand the increasing financial burden that health insurance and out-of-pocket costs are imposing on some of their employees. Medical debt is a growing problem in the U.S.

Employers are taking a number of different approaches:

- 15% offer free employee-only coverage in at least one medical plan.
- 18% use salary-based contributions, meaning that employees who earn less also pay less for their coverage, while their higher-wage colleagues pay more.
- 39% offer at least one health plan with no or low deductible. These are often known as copay plans.
- 6% make larger contributions to the health savings accounts of their lower-wage staff.

No-deductible plan trade-offs

No-deductible plans may:

- Have higher premiums to account for the more generous benefit.
- Feature higher copays.
- Have limited network providers.
- Have fewer covered health services.

Depending on your budget and your workforce demographics, no-deductible health plans may be your best option for staff who are high health care users. There are a few issues you should take into account when considering offering such plans. Here are the main pros and cons.

PROS AND CONS

Pros

- No-deductible plans can reduce out-of-pocket medical expenses.
- The plans are well-suited for people who have high medical costs.
- People who know how much they will pay upfront for care are more likely to access care when they need it, particularly for chronic conditions, and they are more likely to go to annual checkups.
- There is less likelihood of receiving surprise medical bills.

Cons

- No-deductible plans typically have higher monthly premiums.
- Copay outlays can add up for high users of medical services.
- Some plans may restrict services, such as not including certain drugs in their formularies or offering a limited provider network.

The takeaway

While no-deductible plans will be attractive to many workers, they are not for everyone and their higher premium may dissuade many people from choosing them, even if you have a generous premium-sharing arrangement.

If you agree to pay a set amount towards their insurance premium, these plans can still cost hundreds of dollars more a month for the employee.

People who do not use their health insurance much are not good candidates for these plans as well, since they may end up paying higher premiums for services they don't use.

HOME PROTECTION

More Flood Victims Outside Flood Zones Uninsured

ACCORDING TO the Federal Emergency Management Agency, 99% of counties in the U.S. experienced flooding between 1996 and 2019 and many of those affected were not in areas traditionally associated with floods, *The Washington Post* recently reported.

Property owners in those areas have found that their homeowner's or renter's insurance policies did not cover the cost of flood damage, forcing them to pay out of pocket. It's a growing problem due to climate change and will require more homeowners outside of flood zones to consider whether they need coverage too.

The National Flood Insurance Program (NFIP), which FEMA administers, is the country's primary source of coverage. While more private insurers have begun offering flood insurance, the NFIP remains the largest provider.

Homeowners whose properties are located in FEMA-designated flood zones (areas that have a 1% chance of flooding in any given year) are required to carry flood insurance by their mortgage lenders.

The problem is that the maps are not accounting for the unpredictable weather we are experiencing due to climate change. This has left homeowners, prospective buyers, renters and cities unaware of the potential dangers they face and which insurance they should buy.

What flood insurance covers

An NFIP policy covers buildings, including attached components in basements, and personal non-building property. You may purchase coverage on the building only, the personal property only, or both.

It also provides small amounts of coverage for the costs of removing the debris left by a flood and taking loss-prevention measures. These include placing sandbags around the building and removing property to safety when a flood is imminent. Finally, it covers some of the costs of making repairs in compliance with updated building codes.

By law, the most insurance available is $250,000 for a home and $100,000 for personal property inside it. The maximum available for a business building is $500,000, and also $500,000 for personal property inside it.

The insurance will usually pay the cash value of buildings and personal property. It may pay the replacement cost of a dwelling in limited circumstances.

What it does not cover

There is no NFIP coverage for personal property outside a building, such as grills or picnic tables. Open structures such as boathouses are also not covered.

It does not cover automobiles or recreational vehicles; cash; trees, shrubs or plants; and personal property in basements, other than portable air conditioners, freezers and the food inside them, and washers and dryers.

There is also no coverage for non-damage expenses that result from a flood, such as the additional cost of living elsewhere during repairs or loss of business income.

Deductibles

Unlike other property insurance policies, separate deductibles apply to the building and the personal property. Both deductibles will be subtracted from the loss settlement.

For example, if a flood caused $50,000 damage to a home and $20,000 damage to personal property, the deductible ($500, for instance) will be subtracted from both numbers when the insurance benefit is calculated.

A final word

Many insurance companies issue flood policies on FEMA's behalf, so you may be able to purchase it from the same company that provides your homeowner's, renter's or commercial property insurance. Also, your risk of flood damage may be greater than you think.

If you are concerned, ask us about flood insurance for your property.