



April 12, 2017

The Honorable Lorena Gonzalez Fletcher  
State Capitol, Room 2114  
Sacramento, CA 95814

RE: AB 206 (Gonzalez Fletcher) – Workers' Compensation  
**OPPOSE**

Dear Assembly Member Gonzalez Fletcher,

The above-listed organizations respectfully **OPPOSE AB 206 (Gonzalez Fletcher)**, which broadens homeowners insurance beyond its intended purpose, would increase cost pressures on homeowners' insurance coverage, create an employer-employee relationship between homeowners or renters and nearly all independent contractors working at their property, expose homeowners and renters to significant uninsured employer penalties, increase workers' compensation fraud opportunities and spread any potential cost increases amongst all homeowners regardless of how often they contract with independent contractors for services.

Current law requires all homeowners' insurance policies to provide narrow workers' compensation coverage in the relatively rare situations where the homeowner is also considered an employer. This coverage is intended to accommodate homeowners who have regular at-home work arrangements such as a full-time nanny. The statute excludes from coverage contracting arrangements between a temporary contractor and homeowner or renter where the contractor works less than 52 hours or earns less than \$100 during the 90 days immediately preceding an injury. This limitation ensures homeowners and renters do not become employers for independent contractors completing temporary projects and services such as babysitting, hauling or tutoring.

**AB 206** would remove the 52 hours work limitation from the current law; thereby, drastically altering the definition of an "employee" and expanding the scope of the workers' compensation coverage provision to apply to essentially anyone paid by homeowners for services at their property.

**AB 206 will increase cost pressures on California homeowners.**

This bill significantly increases the number and types of independent contractors eligible for workers' compensation benefits under homeowners' policies. **AB 206** expands benefits to thousands of independent contractors including child and pet care providers, house sitters, movers, haulers, home repair professionals and landscapers. This added exposure will put significant pressure on policy rates at a time when many Californians are priced out of the housing markets and the legislature continues seek low income housing policy solutions for the state.

**AB 206's total cost exposure to homeowners is unknown.**

Little actuarial data currently exists on the precise impact of **AB 206** to the workers' compensation system. Prior to providing legislators the projected impact of the bill, insurers will need to examine a number of factors including - amongst other things - the total number of independent contractors eligible for benefits, the type and frequency of work they perform, and type of claims filed.

**AB 206 exposes homeowners and renters to significant uninsured employer penalties.**

The bill creates an employee-employer relationship between homeowners and renters and independent contractors. Homeowners and renters who do not carry insurance risk will become illegally uninsured employers and face significant regulatory and statutory penalties. These penalties can range up to \$10,000 per violation and require homeowners and renters to pay for the entire workers' compensation claim. Current law also allows a simultaneous civil suit to be filed with a presumption of negligence against the uninsured employer. This scenario may be particularly likely for renters – few renters carry this type of coverage in California.

**AB 206 creates significant fraud opportunities.**

This bill largely covers temporary work situations where a homeowner engages an independent contractor to perform a single job. Unlike a traditional employment setting, these jobs are often paid in cash and there are no employment records. With no records, disputing false claims will be nearly impossible in California's workers' compensation system where a statutory liberal interpretation clause exists, requiring all rules and laws to be interpreted in favor of providing benefits to the injured worker. This could be particularly problematic for cumulative trauma claims where there is no single incident that causes the injury and creates awareness of a valid claim.

**AB 206 spreads costs amongst all homeowners.**

Unlike traditional workers' compensation which price policies based with more precision based on a number of factors including employer's mix of employees, type of industry and accident history, the risk exposure in **AB 206** will be spread amongst all homeowners. It will be difficult to assess the frequency and type of work homeowners contract with an independent contractor to perform. As such, any increased exposure will likely be spread amongst all homeowners, including those who do not pay for landscaping, housekeeping or pool care services. Simply put, those homeowners who do not utilize these services will subsidize any increased costs for those who do.

For the aforementioned reasons and others, we respectfully **OPPOSE AB 206**.

Sincerely,

American Insurance Association  
Association of California Insurance Companies  
National Association of Mutual Insurance Companies  
Pacific Association of Domestic Insurance Companies  
Personal Insurance Federation of California

cc: The Honorable Lorena Gonzalez Fletcher, Author  
Members, Assembly Insurance Committee  
Mark Rakich, Chief Consultant, Assembly Insurance Committee  
Bill Lewis, Consultant, Assembly Republican Caucus