

Senate Bill No. 1061

CHAPTER 467

An act to amend Sections 7028, 7030, 7040, 7058.6, 7096, 7097, 7098, 7102, 7117.5, and 7125 of, to add Sections 7071.17 and 7076.2 to, to repeal Section 7109.2 of, and to repeal and add Sections 7071.6, 7076, 7125.1, and 7125.2 of, the Business and Professions Code, relating to contractors.

[Approved by Governor September 2, 1995. Filed
with Secretary of State September 6, 1995.]

LEGISLATIVE COUNSEL'S DIGEST

SB 1061, Mountjoy. Contractors.

Existing law provides that an indictment for a violation of engaging in the business of a contractor with respect to work done while not having a license therefor shall be found as an information or complaint filed within 3 years from the date of completion of the work.

This bill would, instead, provide for the indictment, or an information or complaint to be filed within 3 years from the date of the contract, or completion or abandonment of the work, whichever occurs last.

Existing law requires a statement to appear on all written contracts of prime contractors.

This bill would revise that statement as respects the time period for filing of complaints, as specified.

Existing law exempts from licensure under the Contractors' State License Law certain governmental employees, as specified.

This bill would specify that the exception applies when the entity is acting within the scope of its official capacity.

Existing law provides that a contractor is not required to be certified by the Contractors' State License Board nor registered with the Division of Occupational Safety and Health of the Department of Industrial Relations, if bidding on an asbestos project, if the work is done by a properly certified and registered contractor, as specified.

This bill would conform other related provisions of law to the above. It would require the board to obtain and periodically update a list of contractors certified to engage in asbestos-related work, as specified.

The bill would revise bond requirements applicable to contractors' bonds and judgment bonds, and would set forth those requirements in separate sections.

The bill would provide that acting in the capacity of a contractor under an expired license is cause for discipline.



The bill would revise provisions relating to the continuation of a corporate license upon merger or dissolution.

The bill would revise provisions relating to the cancellation of a license to provide, among other things, for the cancellation of a corporate license that has been suspended by the Secretary of State.

The bill would make various technical and clarifying changes.

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

SECTION 1. Section 7028 of the Business and Professions Code is amended to read:

7028. (a) It is a misdemeanor for any person to engage in the business or act in the capacity of a contractor within this state without having a license therefor, unless such person is particularly exempted from the provisions of this chapter.

(b) If such a person has been previously convicted of the offense described in this section, the court shall impose a fine of 20 percent of the price of the contract under which the unlicensed person performed contracting work, or four thousand five hundred dollars (\$4,500), whichever is greater, or imprisonment in the county jail for not less than 10 days nor more than six months, or both.

(c) In the event the person performing the contracting work has agreed to furnish materials and labor on an hourly basis, “the price of the contract” for the purposes of this section means the aggregate sum of the cost of materials and labor furnished and the cost of completing the work to be performed.

(d) Notwithstanding any other provision of law to the contrary, an indictment for any violation of this section by the unlicensed contractor shall be found or an information or complaint filed within three years from the date of the contract, completion, or abandonment of the work, whichever occurs last.

SEC. 1.5. Section 7030 of the Business and Professions Code is amended to read:

7030. (a) Every person licensed pursuant to this chapter shall include the following statement in at least 10-point type on all written contracts with respect to which the person is a prime contractor:

“Contractors are required by law to be licensed and regulated by the Contractors’ State License Board which has jurisdiction to investigate complaints against contractors if a complaint regarding a patent act or omission is filed within four years of the date of the alleged violation. A complaint regarding a latent act or omission pertaining to structural defects must be filed within 10 years of the date of the alleged violation. Any questions concerning a contractor may be referred to the Registrar, Contractors’ State License Board, P.O. Box 26000, Sacramento, California 95826.”

(b) (1) A contractor, who has been disciplined two or more times within a 10-year period, shall disclose either in capital letters in



10-point roman boldface type or in contrasting red print in at least 8-point roman boldface type, in a document provided prior to entering into a contract to perform work on residential property with four or fewer units, any citation, license suspension, or license revocation during the last four years resulting from any violation of any provisions of this chapter by the contractor, or any complaint or legal action relating to conduct regulated under this chapter that resulted in an unfavorable judgment against the contractor.

(2) A contractor shall provide in a document provided prior to entering into a contract to perform work on residential property with four or fewer units, the following notice:

“STATE LAW REQUIRES ANYONE WHO CONTRACTS TO DO CONSTRUCTION WORK TO BE LICENSED BY THE CONTRACTORS’ STATE LICENSE BOARD IN THE LICENSE CATEGORY IN WHICH THE CONTRACTOR IS GOING TO BE WORKING—IF THE TOTAL PRICE OF THE JOB IS \$300 OR MORE (INCLUDING LABOR AND MATERIALS).

LICENSED CONTRACTORS ARE REGULATED BY LAWS DESIGNED TO PROTECT THE PUBLIC. IF YOU CONTRACT WITH SOMEONE WHO DOES NOT HAVE A LICENSE, THE CONTRACTORS’ STATE LICENSE BOARD MAY BE UNABLE TO ASSIST YOU WITH A COMPLAINT. YOUR ONLY REMEDY AGAINST AN UNLICENSED CONTRACTOR MAY BE IN CIVIL COURT, AND YOU MAY BE LIABLE FOR DAMAGES ARISING OUT OF ANY INJURIES TO THE CONTRACTOR OR HIS OR HER EMPLOYEES.

YOU MAY CONTACT THE CONTRACTORS’ STATE LICENSE BOARD TO FIND OUT IF THIS CONTRACTOR HAS A VALID LICENSE. THE BOARD HAS COMPLETE INFORMATION ON THE HISTORY OF LICENSED CONTRACTORS, INCLUDING ANY POSSIBLE SUSPENSIONS, REVOCATIONS, JUDGMENTS, AND CITATIONS. THE BOARD HAS OFFICES THROUGHOUT CALIFORNIA. PLEASE CHECK THE GOVERNMENT PAGES OF THE WHITE PAGES FOR THE OFFICE NEAREST YOU OR CALL 1-800-321-CSLB FOR MORE INFORMATION.”

This notice shall be set out either in capital letters in 10-point roman boldface type or in contrasting red print in at least 8-point roman boldface type.

(3) A contractor shall provide the disclosure and notice required by this subdivision to any person with whom he or she is contracting to perform work on residential property with four or fewer units. The disclosure and notice may be provided in a bid, estimate, or other document prior to entering into a contract.



(4) A violation of this subdivision is subject to the following penalties:

(A) A first violation shall be subject to a penalty of one thousand dollars (\$1,000).

(B) A second violation shall be subject to a penalty of two thousand five hundred dollars (\$2,500).

(C) A third violation shall be subject to a penalty of five thousand dollars (\$5,000) and a one-year suspension of license.

(D) A fourth violation shall be subject to revocation of license.

(5) For purposes of this subdivision, “discipline” means a decision of the registrar resulting in the suspension or revocation of a license pursuant to an accusation whether or not the discipline has been stayed, or a citation issued pursuant to Section 7099 which has become a final order of the registrar.

SEC. 2. Section 7040 of the Business and Professions Code is amended to read:

7040. (a) This chapter does not apply to an authorized representative of the United States government, the State of California, or any incorporated town, city, county, irrigation district, reclamation district or other municipal or political corporation or subdivision of this state when the entity or its representative is acting within the scope of the entity’s or representative’s official capacity.

(b) Nothing in this section authorizes the entity or its authorized representative thereof either to enter into or authorize a contract with an unlicensed contractor for work which is required by this chapter to be performed by a licensed contractor.

SEC. 3. Section 7058.6 of the Business and Professions Code is amended to read:

7058.6. (a) The board shall not issue an asbestos certification, as required by Section 7058.5, unless the contractor is registered with the Division of Occupational Safety and Health of the Department of Industrial Relations pursuant to Section 6501.5 of the Labor Code. The board may issue an asbestos certification to a contractor who is not registered, provided the contractor in a written statement acknowledges that he or she does not perform asbestos-related work. The board shall notify both the division and the contractor, in writing, of the contractor’s passage of the certification examination, for the purpose of allowing the contractor to satisfy the requirement of paragraph (1) of subdivision (a) of Section 6501.5 of the Labor Code. The contractor shall register with the division within 90 days from the date the contractor is notified of the passage of the certification examination. The board may require a reexamination if the contractor fails to register within 90 days following issuance of the notification. Applicable test fees shall be paid for any reexamination required under this section.

(b) Any contractor who is certified to engage in asbestos-related work shall present proof of current registration with the division



pursuant to Section 6501.5 of the Labor Code upon application for renewal of his or her license, if the contractor engages in asbestos-related work, as defined in Section 6501.8 of the Labor Code.

(c) A contractor who is not certified pursuant to this section may bid on and contract to perform a project involving asbestos-related work as long as the asbestos-related work is performed by a contractor who is certified and registered pursuant to this section and Section 6501.5 of the Labor Code.

(d) The board shall obtain and periodically update the list of contractors certified to engage in asbestos-related work who are registered pursuant to Section 6501.5 of the Labor Code.

This section shall become operative on July 1, 1989.

SEC. 4. Section 7071.6 of the Business and Professions Code is repealed.

SEC. 5. Section 7071.6 is added to the Business and Professions Code, to read:

7071.6. (a) Except as provided in Section 7071.8 and 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 file or have on file a contractor's bond in the sum of seven thousand five hundred dollars (\$7,500).

(b) Notwithstanding subdivision (a), the board shall require as a condition precedent to the issuance, reinstatement, reactivation, renewal, or continued maintenance of a license for the license classification of swimming pool contractor, that the applicant or licensee file or have on file a contractor's bond in the sum of ten thousand dollars (\$10,000).

(c) No bond shall be 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) Notwithstanding any other provision of law, as a condition precedent to licensure, the board may require an applicant to post a contractor's bond in twice the amount required pursuant to subdivision (a) until the time that the license is renewed, under the following conditions:

(1) The applicant has either been convicted of a violation of Section 7028 or has been cited pursuant to Section 7028.7.

(2) If the applicant has been cited pursuant to Section 7028.7, the citation has been reduced to a final order of the registrar.

(3) The violation of Section 7028, or the basis for the citation issued pursuant to Section 7028.7, constituted a substantial injury to the public.

SEC. 6. Section 7071.17 is added to the Business and Professions Code, to read:

7071.17. (a) Notwithstanding any other provision of law, the board shall require, as a condition precedent to accepting an



application for licensure, renewal, reinstatement, or to change officers or other personnel of record, that an applicant, previously found to have failed or refused to pay a contractor, subcontractor, consumer, materials supplier, or employee based on an entered and unsatisfied final judgment from a court of law, file or have on file with the board a judgment bond sufficient to guarantee payment of an amount equal to the unsatisfied final judgment or judgments. The applicant shall have 90 days from the date of notification by the board to file the bond or the application shall become void and the applicant shall reapply for issuance, reinstatement, or reactivation of a license. The board may not issue, reinstate, or reactivate a license until the judgment bond is filed with the board. The judgment bond is in addition to the contractor's bond. The bond shall be on file for a minimum of one year, after which the bond may be removed by submitting proof of satisfaction of all debts. The applicant may provide the board with a notarized copy of any accord, reached with any individual holding an unsatisfied final judgment, to satisfy a debt in lieu of filing the bond. The board shall include on the license application for issuance, reinstatement, or reactivation, a statement, to be made under penalty of perjury, as to whether there are any entered and unsatisfied judgments against the applicant on behalf of contractors, subcontractors, consumers, materials suppliers, or the applicant's employees. Notwithstanding any other provision of law, if it is found that the applicant falsified the statement then the license will be retroactively suspended to the date of issuance and the license will stay suspended until the judgment bond, satisfaction of judgment, or notarized copy of an accord reached with any individual holding an unsatisfied final judgment is filed.

(b) Notwithstanding any other provision of law, the licensee shall notify the registrar in writing of any entered and unsatisfied judgments within 90 days from the date of judgment. If the licensee fails to notify the registrar in writing within 90 days, the license shall be automatically suspended on the date that the registrar is informed, or is made aware of the unsatisfied judgment. The suspension shall not be removed until proof of satisfaction of judgment, or in lieu thereof, a notarized copy of an accord is submitted to the registrar. If the licensee notifies the registrar in writing within 90 days of the date of judgment of any entered and unsatisfied judgments, the board shall require as a condition to the continual maintenance of the license that the licensee file or have on file with the board a judgment bond sufficient to guarantee payment of an amount equal to the unsatisfied judgment or judgments. The licensee has 90 days from date of notification by the board to file the bond or at the end of the 90 days the license shall be automatically suspended. The licensee may provide the board with a notarized copy of any accord, reached with any individual holding an unsatisfied final judgment, to satisfy a debt in lieu of filing the bond.



(c) By operation of law, failure to maintain the bond or failure to abide by the accord shall result in the automatic suspension of any license to which this section applies.

(d) A license that is suspended for failure to file the bond, maintain the bond, or abide by the accord, can only be reinstated when proof of satisfaction of all debts is made, or when a notarized copy of an accord, reached with any individual holding an unsatisfied final judgment, has been filed.

(e) This section applies only with respect to an unsatisfied judgment that is substantially related to the construction activities of a licensee licensed under this chapter, or to the qualifications, functions, or duties of the license being applied for.

(f) This section shall not apply to an applicant or licensee when a bankruptcy proceeding has been filed.

(g) Except as otherwise provided, the judgment bond shall remain in full force in the amount posted until the entire debt is satisfied. If, at the time of renewal, the licensee submits proof of partial satisfaction of the outstanding final judgment, the board may authorize the judgment bond be reduced to the amount of the unsatisfied portion of the outstanding judgment. When the licensee submits proof of satisfaction of all debts, the judgment bond requirement may be removed.

(h) The board shall take the actions required by this section upon notification by any party having knowledge of the outstanding judgment upon a showing of proof of the judgment.

(i) For the purposes of this section, the term “judgment” includes any final arbitration award.

(j) The qualifying person and any member of the licensee or personnel of the licensee named as a judgment debtor in an unsatisfied final judgment from a court of law shall be automatically prohibited from serving as an officer, director, associate, partner, owner, qualifying individual, or other personnel of record of another licensee. The suspension of a license under this section shall constitute a disassociation of the qualifying individual pursuant to Section 7068.2, or license cancellation pursuant to Section 7076, as applicable. The date of suspension shall constitute the date of disassociation of the qualifying individual for the purpose of Section 7068.2 or license cancellation for the purpose of Section 7076. Except in the case of a qualifying partner, any qualifier disassociated pursuant to this section shall be replaced within 90 days of the date of disassociation. Failure to replace the qualifier within 90 days of the disassociation shall result in the automatic suspension of the license or removal of the qualifier’s classification.

(k) For purposes of this section, a cash deposit may be submitted in lieu of the judgment bond.

SEC. 7. Section 7076 of the Business and Professions Code is repealed.



SEC. 8. Section 7076 is added to the Business and Professions Code, to read:

7076. (a) An individual license shall be canceled upon the death of a person licensed as an individual. An immediate member of the family of the deceased licensee may request a continuance of the license to complete projects in progress and undertake new work for a reasonable amount of time to be determined by rules of the board. The request for a continuance must be made in writing and received at the board's headquarters office within 90 days after the death. Approval of the continuance of an individual license may be contingent upon meeting the bond requirements of Sections 7071.5 and 7071.6 within 90 days of notification by the board of that requirement. The immediate member of the family must apply for and obtain his or her own license to continue contracting after the continuance expires.

(b) A partnership license shall be canceled upon the death of a general partner. The remaining partner or partners shall notify the registrar in writing within 90 days of the death of a general partner. Failure to notify the registrar within 90 days of the death is grounds for disciplinary action.

The remaining general partner or partners may request a continuance of the license to complete projects in progress and undertake new work for a reasonable amount of time to be determined by rules of the board. The request for a continuance must be made in writing and received at the board's headquarters office within 90 days after the death. The remaining general partner or partners must apply for and obtain a new license to continue contracting after the continuance expires.

(c) A partnership license shall be canceled upon the disassociation of a general partner or upon the dissolution of the partnership. The disassociating partner or the remaining partner or partners shall notify the registrar in writing within 90 days of the disassociation of a general partner or dissolution of the partnership. Failure to notify the registrar of the disassociation or dissolution within 90 days shall cause the license to be canceled effective the date the written notification is received at the board's headquarters office. Failure to notify the registrar within 90 days of the disassociation or dissolution is grounds for disciplinary action. The remaining general partner or partners may request a continuance of the license to complete projects contracted for or in progress prior to the date of disassociation or dissolution for a reasonable length of time to be determined by rules of the board. The request for a continuance must be made in writing and received at the board's headquarters office within 90 days after the disassociation or dissolution. The remaining general partner or partners must apply for and obtain a new license to undertake new work and to continue contracting after the continuance expires.



(d) The general partner or partners shall notify the registrar in writing within 90 days of the death of a limited partner. Failure to notify the registrar within 90 days of the death is grounds for disciplinary action.

The death of a limited partner will not affect the partnership license unless the partnership license has only one limited partner. In this case, the license will be canceled upon the death of the limited partner unless a new limited partner is added to the license within 90 days of the death.

If the license is canceled, the remaining general partner or partners may request a continuance of the license to complete projects in progress and to undertake new work for a reasonable amount of time to be determined by rules of the board. The request for a continuance must be made in writing and received at the board's headquarters office within 90 days after the death. The remaining general partner or partners must apply for and obtain a new license to continue contracting after the continuance expires.

(e) The general partner or partners shall notify the registrar in writing within 90 days of the disassociation of a limited partner. Failure to notify the registrar of the disassociation, within 90 days, shall cause the disassociation to be effective the date the written notification is received at the board's headquarters office. Failure to notify the registrar within 90 days of the disassociation is grounds for disciplinary action.

The disassociation of a limited partner will not affect the partnership license unless the partnership license has only one limited partner. In this case, the license will be canceled upon the disassociation of the limited partner unless a new limited partner is added to the license within 90 days of the disassociation. If the license is canceled, the remaining general partner or partners may request a continuance of the license to complete projects contracted for or in progress prior to the date of disassociation for a reasonable amount of time to be determined by rules of the board. The request for a continuance must be made in writing and received at the board's headquarters office within 90 days after the death. The remaining general partner or partners must apply for and obtain a new license to undertake new work and to continue contracting after the continuance expires.

(f) A joint venture license shall be canceled upon the cancellation, revocation, or disassociation of any of its entity licenses or upon the dissolution of the joint venture. The registrar shall be notified in writing within 90 days of the disassociation of a joint venture entity or dissolution of the joint venture. Failure to notify the registrar of the disassociation or dissolution within 90 days shall cause the license to be canceled effective the date the written notification is received at the board's headquarters office. Failure to notify the registrar within



90 days of the disassociation or dissolution is grounds for disciplinary action.

Any remaining entity or entities may request a continuance of the license to complete projects contracted for or in progress prior to the date of disassociation or dissolution for a reasonable amount of time to be determined by rules of the board. The request for a continuance must be made in writing and received at the board's headquarters office within 90 days of the disassociation or dissolution. The remaining entity or entities must apply for and obtain a new license to undertake new work and to continue contracting after the continuance expires.

(g) Any individual, partnership, or joint venture license continued in accordance with this section is subject to all other provisions of this chapter.

(h) A corporation license shall be canceled upon the corporation's dissolution, merger, or surrender of its right to do business in this state. The corporation shall notify the registrar in writing within 90 days of the dissolution, merger, or surrender. Failure to notify the registrar of the dissolution, merger, or surrender within 90 days shall cause the license to be canceled effective the date written notification is received at the board's headquarters office. If the corporation fails to notify the board of the dissolution, merger, or surrender, the corporation license shall be canceled 60 days after the board's discovery when researching the corporate records of the Secretary of State. Failure to notify the registrar within 90 days of the dissolution, merger, or surrender is grounds for disciplinary action.

(i) The registrar shall review and accept the petition of a licensee who disputes the date of cancellation upon a showing of good cause. This petition shall be received within 90 days of the board's official notice of cancellation.

SEC. 9. Section 7076.2 is added to the Business and Professions Code, to read:

7076.2. Notwithstanding any other provision of law, the failure of a contractor licensed to do business as a corporation in this state to be registered and in good standing with the Secretary of State after notice from the registrar shall result in the automatic suspension of the corporate license by operation of law. The registrar shall notify the corporate licensee in writing of its failure to be registered and in good standing with the Secretary of State and that the licensee shall be suspended 30 days from the date of the notice if the corporate licensee does not provide proof satisfactory to the registrar that it is properly registered and in good standing with the Secretary of State. Reinstatement may be made at any time following the suspension by providing proof satisfactory to the registrar that the corporate license is properly registered and in good standing.

SEC. 10. Section 7096 of the Business and Professions Code is amended to read:



7096. For the purposes of this chapter, the term “licensee” shall include an individual, copartnership, corporation, joint venture, or any combination or organization licensed under this chapter, and shall also include any named responsible managing officer or member of the personnel of such licentiate whose appearance has qualified the licentiate under the provisions of Section 7068.

SEC. 11. Section 7097 of the Business and Professions Code is amended to read:

7097. Notwithstanding the provisions of Sections 7121 and 7122, when any license has been suspended by a decision of the registrar pursuant to an accusation or pursuant to subdivision (b) of Section 7071.17, Section 7085.6 or 7090.1, any additional license issued under this chapter in the name of the licensee or for which the licensee furnished qualifying experience and appearance under the provisions of Section 7068, may be suspended by the registrar without further notice.

SEC. 12. Section 7098 of the Business and Professions Code is amended to read:

7098. Notwithstanding the provisions of Sections 7121 and 7122, when any license has been revoked under the provisions of this chapter, any additional license issued under this chapter in the name of the licensee or for which the licensee furnished qualifying experience and appearance under the provisions of Section 7068, may be revoked by the registrar without further notice.

SEC. 13. Section 7102 of the Business and Professions Code is amended to read:

7102. After suspension of the license upon any of the grounds set forth in this chapter, the registrar may reinstate the license upon proof of compliance by the contractor with all provisions of the decision as to reinstatement or, in the absence of such decision or any provisions therein as to reinstatement, in the sound discretion of the registrar.

After revocation of a license upon any of the grounds set forth in this chapter, the license shall not be reinstated or reissued and a license shall not be issued to any member of the personnel of the revoked licensee found to have had knowledge of or participated in the acts or omissions constituting grounds for revocation, within a minimum period of one year and a maximum period of five years after the final decision of revocation and then only on proper showing that all loss caused by the act or omission for which the license was revoked has been fully satisfied and that all conditions imposed by the decision of revocation have been complied with.

The board shall promulgate regulations covering the criteria to be considered when extending the minimum one-year period. The criteria shall give due consideration to the appropriateness of the extension of time with respect to the following factors:

- (a) The gravity of the violation.



- (b) The history of previous violations.
- (c) Criminal convictions.

When any loss has been reduced to a monetary obligation or debt, however, the satisfaction of such monetary obligation or debt as a prerequisite for the issuance, reissuance, or reinstatement of a license shall not be required where such monetary obligation or debt has been adjudicated in a bankruptcy proceeding. However, any nonmonetary condition not adjudicated in a bankruptcy proceeding shall be complied with prior to the issuance, the reissuance, or reinstatement of the license.

SEC. 14. Section 7109.2 of the Business and Professions Code is repealed.

SEC. 15. Section 7117.5 of the Business and Professions Code is amended to read:

7117.5. (a) Acting in the capacity of a contractor under any license which has been made inactive, as provided in Section 7076.5, constitutes a cause for disciplinary action.

(b) Acting in the capacity of a contractor under any license that has been suspended for any reason constitutes a cause for disciplinary action.

(c) Acting in the capacity of a contractor under any license that has expired constitutes a cause for disciplinary action if the license is subject to renewal pursuant to Section 7141. The actions authorized under this section shall be separate from, and in addition to, all other remedies either civil or criminal.

SEC. 16. Section 7125 of the Business and Professions Code is amended 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 a Certificate of Workers' Compensation Insurance or Certification of Self-Insurance. A Certificate of Workers' Compensation Insurance shall be issued and filed 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 that he or she does not employ any person in any manner so as to become subject to the workers' compensation laws of California.

(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 any cancellation of the policy within 10 days after the cancellation.

SEC. 17. Section 7125.1 of the Business and Professions Code is repealed.

SEC. 18. Section 7125.1 is added to the Business and Professions Code, to read:

7125.1. (a) The registrar shall accept a certificate required by Section 7125 as of the effective date shown on the certificate, if the certificate is received by the registrar within 90 days after that date, and shall reinstate the license to which the certificate pertains, if otherwise eligible, retroactive to the effective date of the certificate.

(b) Notwithstanding subdivision (a), the registrar shall accept the certificate as of the effective date shown on the certificate, even if the certificate is not received by the registrar within 90 days after that date, upon a showing by the licensee, on a form acceptable to the registrar, that the failure to have a certificate on file was due to circumstances beyond the control of the licensee. The registrar shall reinstate the license to which the certificate pertains, if otherwise eligible, retroactive to the effective date of the certificate.

SEC. 19. Section 7125.2 of the Business and Professions Code is repealed.

SEC. 20. Section 7125.2 is added to the Business and Professions Code, to read:

7125.2. (a) The failure of a licensee required pursuant to this chapter to maintain workers' compensation insurance shall result in the automatic suspension of the license by operation of law. The registrar shall notify any licensee who fails to maintain workers' compensation that his or her license shall be automatically suspended 30 days from the date of the notice. Within 30 days of a suspension pursuant to this section, the registrar shall provide the licensee with an additional notice that informs the licensee of the suspension date, the cause for suspension, and reinstatement procedures. Reinstatement shall be made at any time following the suspension by showing proof of compliance as specified in Sections 7125 and 7125.1.

(b) With respect to an unlicensed individual acting in the capacity of a contractor who is not otherwise exempted from the provisions of this chapter, a citation may be issued by the registrar under Section 7028.7 for failure to comply with this section. An opportunity for a hearing as specified in Section 7028.10 will be granted if requested within 90 days of citation.

