

CLC UPDATE...10/13/08

California Legislative Conference of the Plumbing, Heating and Piping Industry

Governor Signs Major CLC Sponsored Measures

In what was one of the most dysfunctional legislative sessions in California history, the California Legislative Conference of the Plumbing, Heating and Piping Industry (CLC) prevailed on all of its priority issues including new laws that will reduce copper theft and reform wrap-up insurance policies.

The Governor's approval of AB 2738, CLC sponsored legislation, reforming wrap-up insurance is a major victory. The legislation will provide all subcontractors much needed reforms in commonly used wrap-up insurance policies.

Owner and general contractor provided insurance policies designed to cover liability and workers' compensation on construction projects is a rapidly growing trend in California. These wrap-up insurance policies are used on many different types of construction projects throughout the State and are commonly referred to as OCIP's (Owner Controlled Insurance Programs) and CCIP's (Contractor Controlled Insurance Programs).

The use of these insurance programs has become a serious issue for our contractors particularly in record keeping, pricing and risk exposure. These problems are the direct result of the lack of information provided to subcontractors covered by these policies.

The new law will require that the policy holder disclose all relevant information including the length of coverage, coverage amount and the compensation for coverage (if required) to the subcontractors covered by the policy. This will ensure that our contractors will fully be aware of any gaps in coverage that could lead to costly exposure. The law also contains many needed reforms within the residential market relating to wrap-up insurance.

The portion of the new law dealing with public works and non-residential private construction represents the first and only oversight provided by the legislature for these types of policies. Establishing a section of code within state law that dictates how these wrap-up policies will be administered is a huge step forward in providing a more equitable and fair environment for our contractors who participate in wrap-up policies.

In addition, the Governor signed both AB 844 and SB 691 relating to junk dealers and recycling will help reduce copper theft in our state. For years our contractors have been victims of copper theft due to weak requirements for recycling centers and junk dealers to track their purchases and keep records on the people who sell to them. The new laws will require junk dealers and recyclers to comply with stringent recordkeeping requirements and new payment restrictions when purchasing nonferrous materials i.e., copper, copper alloys, stainless steel, and aluminum.

The results of the 2008 legislative session are some of the most successful in recent history. A full summary of all the new laws affecting our industry will be provided at our year end meeting.