



CONTRACTORS STATE LICENSE BOARD

9821 Business Park Drive, Sacramento, California 95827
Mailing Address: P.O. Box 26000, Sacramento, California 95826
800-321-CSLB (2752) or 916-255-3900
www.cslb.ca.gov

STATE OF CALIFORNIA
Gray Davis, Governor

Date: January 10, 2002 (Revised)

To: Home Improvement Contractors and
Contractors Building Single-Family Homes per B&P §7164

From: Stephen P. Sands, Registrar

Subject: **New Notice and Disclosure Provisions Effective February 26, 2002**

In 2000, the Legislature passed SB 2029 (Figueroa, Chapter 1005 Statutes of 2000) to create new requirements for home improvement contractors and for contractors building single family homes pursuant to Business & Professions Code section 7164. Under the new law, these contractors must disclose whether they carry commercial general liability insurance. SB 2029 also directed the CSLB to prepare two notices — a checklist for homeowners and a handout providing information about commercial general liability insurance. The notices were adopted by CSLB through regulation and will become effective on February 26, 2002.

Summary of Disclosure Provisions

Home Improvement Contractors Must:

- Disclose in writing whether they carry commercial general liability insurance
- If they carry this insurance, they must provide the consumer with the name and telephone number of the insurance company in writing so the consumer can verify coverage
- Provide the homeowner with the handout, “Information about Commercial General Liability Insurance – Home Improvement”
- Provide the homeowner with the “Checklist for Homeowners – Home Improvement” or “Checklist for Homeowners – Swimming Pool”

Section 7164 Home Builders Must:

- Disclose in writing whether they carry commercial general liability insurance
- If they carry this insurance, they must provide the consumer with the name and telephone number of the insurance company in writing so the consumer can verify coverage
- Provide the homeowner with the handout “Information about Commercial General Liability Insurance – Single Family Home”

Information on Commercial General Liability Insurance

Few homeowners understand the risks of hiring a contractor who is not insured. Many assume that contractors carry adequate insurance. Although the CSLB strongly suggests that contractors carry commercial general liability insurance, the law does not mandate contractors to do so. Many contractors do not carry this insurance.

SB 2029 addressed this issue by requiring all home improvement contractors and section 7164 single-family home builders to disclose whether or not they carry this insurance. If the contractor claims to carry the insurance, they must provide the name and telephone number of the insurer so the homeowner can verify coverage.

As directed by the Legislature, CSLB created the notice "Information about Commercial General Liability Insurance" to inform consumers about the value of this insurance. There are two versions of this notice. One is for home improvement contractors; the other is for contractors building single-family homes. For your convenience, we have included with the notices a check box indicating whether or not the contractor carries commercial general liability insurance, along with space for the name and telephone number of the insurer. This notice meets the legal requirements. Under the new law, contractors must provide the appropriate version of this notice to homeowners with every bid and contract.

Contractors claiming to be self-insured should refer to the attachment, "Advice to Contractors Who Consider Themselves Self-Insured," for guidance in meeting the legal requirements.

Checklist for Homeowners

SB 2029 also requires home improvement contractors to provide a checklist for homeowners. The checklist identifies a number of points a homeowner should consider when evaluating a home improvement contractor or contract. The list includes suggestions like checking out the contractor with CSLB, getting information about mechanics' liens, and learning the legal limitations on down payments. CSLB created two versions of this handout as well—one for swimming pool contractors and one for all other home improvement contractors. Each home improvement contractor must provide a copy of the checklist with every bid and contract.

Possible Future Revisions to Home Improvement Contract Requirements

These new requirements become effective February 26, 2002. However, CSLB anticipates that evaluations by the CSLB Enforcement Monitor and other reviews will result in changes to the existing home improvement contract requirements by January 2003. Therefore, CSLB is not recommending that contractors revise their printed contracts to incorporate the notices at this time. The attached notices meet the legal requirements and can be reproduced for distribution to homeowners per SB 2029.



Information About Commercial General Liability Insurance

Home Improvement

Pursuant to California Business & Professions Code §7159.3 (SB 2029), home improvement contractors must provide this notice and disclose whether or not they carry commercial general liability insurance.

Did your contractor tell you whether he or she carries Commercial General Liability Insurance?

Home improvement contractors are required by law to tell you whether or not they carry Commercial General Liability Insurance. This written statement must accompany the bid, if there is one, and the contract.

What does this insurance cover?

Commercial General Liability Insurance can protect against third-party bodily injury and accidental property damage. It is not intended to cover the work the contractor performs.

Is this insurance required?

No. But the Contractors State License Board strongly recommends that all contractors carry it. The Board cautions you to evaluate the risk to your family and property when you hire a contractor who is not insured. Ask yourself, if something went wrong, would this contractor be able to cover losses ordinarily covered by insurance?

How can you make sure the contractor is insured?

If he or she is insured, your contractor is required to provide you with the name and telephone number of the insurance company. Check with the insurance company to verify that the contractor's insurance coverage will cover your project.

What about a contractor who is self-insured?

A self-insured contractor has made a business decision to be personally responsible for losses that would ordinarily be covered by insurance. Before contracting with a self-insured contractor, ask yourself, if something went wrong, would this contractor be able to cover losses ordinarily covered by insurance?

_____ does not carry Commercial General Liability Insurance.
(CONTRACTOR'S NAME)

_____ carries Commercial General Liability Insurance.
(CONTRACTOR'S NAME)

The insurance company is _____.
(COMPANY NAME)

You may call the insurance company at _____ to verify coverage.
(TELEPHONE NUMBER)

For more information about Commercial General Liability Insurance, contact the Contractors State License Board at www.cslb.ca.gov or call 800-321-CSLB (2752).