

# Industry Bulletin – Licensee Alert

## CONTRACTORS STATE LICENSE BOARD

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Check The License First!

800-321-CSLB

[www.cslb.ca.gov](http://www.cslb.ca.gov)

[www.CheckTheLicenseFirst.com](http://www.CheckTheLicenseFirst.com)



**DATE: March 8, 2010**

**BULLETIN #10-08**

## **Rise in Contractor Bond Premiums**

*Contractors can consider “bond alternatives”*

SACRAMENTO – The Contractors State License Board (CSLB) has received an influx of telephone calls and letters from contractors who have been unable to secure a contractor’s bond or who are faced with a significant rate increase. Licensed contractors are required to maintain a surety bond (contractor’s bond) for the benefit of consumers who may be damaged as a result of defective construction or other license law violations, and for the benefit of employees who have not been paid wages that are due to them (Business and Professions Code §7071.5).

Recent changes in the formula used by surety companies—which are governed by the California Department of Insurance (DOI), not CSLB—have resulted in significant increases to the bond rate premiums. Surety companies base the premiums they charge on insurance company rates that are filed with and approved by DOI. All surety companies must strictly adhere to DOI’s approved rating plan.

Surety companies cannot use such factors as the length of time a contractor is licensed and in “good standing” with CSLB, the absence of a bond claim or the absence of disciplinary activity on a license to determine rates. Because the surety company is entitled to reimbursement from the licensee for all claim payments, costs and expenses resulting from the issuance of a contractor’s bond, the surety has determined that a licensee’s credit profile is the driving factor in obtaining a California contractor license bond.

CSLB’s role is to ensure the proper bond(s) or approved alternative(s) is filed for each active contractor’s license, including any related documents provided to CSLB for the continued maintenance of the bond(s).

Before an active contractor’s license can be issued or renewed, the licensee must have a current contractor bond or approved alternative to a bond on file with CSLB in the amount of \$12,500.00. CSLB has no authority over the bond premium amount or the cancellation

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### **Contractors State License Board Urges Licensees Not to Wait to Complete Renewal Form 2-2-2-2-2**

criterion offered by a surety company; DOI regulates the surety companies independent of CSLB.

If a contractor's bond is cancelled and/or not renewed due to a credit profile, contractors can purchase a surety bond from an insurance agent or from one of the private holding companies licensed by DOI. For surety bond company information or to file a complaint, please telephone or e-mail the California Department of Insurance at 1-800-927-4357 or [www.insurance.ca.gov](http://www.insurance.ca.gov).

Instead of filing a surety bond with CSLB, contractors may prefer to use one of the approved alternatives for filing a security deposit. Information concerning approved alternatives to a contractor's bond is available on our Web site at [www.cslb.ca.gov](http://www.cslb.ca.gov) or by calling CSLB at 800-321-2752.

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