

Industry Bulletin – Licensee Alert

CONTRACTORS STATE LICENSE BOARD

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Check The License First!

800-321-CSLB

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UPDATED 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 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).

Surety companies base the premiums they charge on insurance company rates that are filed with and approved by the Department of Insurance (DOI). All surety companies must strictly adhere to DOI’s approved rating plan.

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

Before an active contractor 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 criterion offered by a surety company; DOI regulates the surety companies independent of CSLB.

Currently, there are more than 50 surety companies that have active bonds filed with CSLB. If contractors are unable or prefer not to obtain a surety bond through these surety companies, they may use one of the approved alternatives for filing a security deposit. Information concerning approved alternatives to a contractor’s bond is available on the CSLB Web site at www.cslb.ca.gov or by calling CSLB at 800-321-2752.

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