



BUSINESS AND ECONOMY

# Top 10 California Laws and Regulations for 2026

WITH 2026 now upon us, so is a slew of new laws and regulations that affect California businesses.

Every year, laws passed by the state Legislature and signed into law by the governor take effect, and 2025 was a busy legislative session in Sacramento. The end result is another wave of new legislation that California employers need to stay on top of. Here's what California employers should be aware of.

## 1. Protected leave expanded

AB 406, which took effect Oct. 1, 2025, adds new categories of protected absences. The law amends both the state's paid sick leave law — the Healthy Workplaces, Healthy Families Act — and Government Code section 12945.8, which governs unpaid job-protected leave.

The new law added two reasons for which employees can take protected time off:

- To appear in court as a witness to comply with a subpoena or court order, including if the employee is a crime victim.
- To serve on an inquest jury or trial jury.

As of Jan. 1, the law also extends job-protected leave for employees or family members who are victims of certain serious crimes (the law identifies 14 qualifying crimes).

Covered workers may now take protected leave to attend court or administrative proceedings related to those crimes, such as arraignments, pleas, sentencing hearings, parole hearings and other proceedings where victims' rights are at issue.

## 2. New AI-in-hiring rules

As of Oct. 1, 2025, any California employer that uses artificial intelligence or other automated tools in recruiting, hiring, promotion and related human resources decisions must ensure that the tools don't discriminate against protected classes.

The new regulations, promulgated by California's Civil Rights Department, cover any "automated decision system," which the rules broadly define as:

- Artificial intelligence,

- Machine learning,
- Algorithms,
- Statistics, and
- Other data-processing techniques.

If your firm uses AI or another data-driven system in hiring, you'll want to beef up record-keeping and set testing procedures to ensure compliance.

## 3. New notification requirements

The Workplace Know Your Rights Act added a new notification requirement for California employers. The new law requires employers to annually distribute a notice that informs them about:

- Workers' compensation,
- Immigration inspection rights,
- The right to organize/unionize, and
- Constitutional protections during law enforcement interactions at work.

The law includes a separate provision mandating that employers notify an employee's emergency contact if they are arrested or detained at work.

This only applies if the employee has pre-designated an emergency contact for this purpose and if the employer has knowledge of the arrest.

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## Paid Family Leave Program Expands



### 4. Labor board's purview expands

AB 288 is the state's response to the National Labor Relations Board's paralysis due to lack of a quorum under the Trump administration and the board's retreat from its historical duties. The law expands the jurisdiction of the California Public Employment Relations Board, which enforces labor issues for the public sector, to private sector labor relations.

The law states that employees covered by the National Labor Relations Act may petition the PERB if the NLRB has expressly or impliedly ceded jurisdiction. PERB is authorized to:

- Hear unfair practices charges,
- Conduct union elections,
- Certify bargaining representatives, and
- Order certain remedies, among other things.

The NLRB has sued to stop the law from taking effect, arguing that it is preempted by the National Labor Relations Act.

### 5. Employment contract repayment provisions

A new law bars employers from including or requiring workers to sign employment-related contracts that impose financial penalties, repayment obligations or fees if the employment ends before a specific date.

AB 692 addresses issues that arise when employers provide signing bonuses, tuition assistance and other benefits and require employees to return the funds if their employment ends prematurely.

### 6. Wage judgment penalties

On Jan. 1, 2026, SB 261 expanded the potential liabilities for employers that fail to pay a final wage judgment. Under the new law, if an employer fails to pay a final judgment within 180 days after the appeal period ends, a court may impose penalties up to three times the amount of the unpaid judgment.

Courts are also required to award "reasonable" attorneys' fees and costs to the plaintiffs who prevail in cases that are either brought by them, the labor commissioner or a local district attorney.

### 7. Minimum wage change

The state's minimum wage increased to \$16.90 an hour on Jan. 1, 2026. Additionally, the minimum salary requirement for a full-time exempt employee (meaning they are exempt from overtime rules) increased to \$70,304.

Keep in mind that many local jurisdictions — counties and

cities — may have higher minimum wages than the state. Also, fast food employees have their own minimum wage of \$20 an hour. Additionally, for fast food workers to qualify as exempt, they must earn twice the fast-food minimum wage.

### 8. Personnel record retainment

Effective Jan. 1, SB 513 amended Labor Code section 1198.5 by expanding what documents qualify as a "personnel record" to which current and former employees have the right to inspect and copy.

The new law adds education and training records to the definition of personnel records if the employer maintains them.

For HR, the new category may include:

- Training certificates
- Internal or external course completion records
- Vendor-provided training documentation
- Skill or competency tracking records
- Certifications related to job duties

### 9. Paid Family Leave program expands

California's Paid Family Leave program provides up to eight weeks of partial wage replacement for employees who are caring for ill family members, bonding with a new child or handling a military-related exigency.

Starting in July 2028, the new law, SB 590, expands these benefits to cover employees who care for a "designated person," who may be related by blood or with whom the employee has a relationship that is equivalent to a family relationship.

To qualify, the employee, when requesting benefits, must:

- Identify the designated person, and
- Attest under penalty of perjury either how they are related by blood to the designated person or how their relationship is equivalent to a family relationship.

### 10. Pay transparency and equal pay

SB 642 expanded the statute of limitations to bring a civil action for violations of California's Equal Pay Act to three years after the last date the cause of action occurs from the prior two years. It also requires that an employee is entitled to seek and obtain relief for the entire time during which the violation took place, up to six years.

The legislation also amended the law, which had prohibited employers from paying employees of the "opposite sex" differently for the same job and with the same experience. To account for non-binary genders, the law changed "opposite sex" to "another sex."

## INDUSTRY FOCUS

# Construction Insurance Outlook for 2026

CONSTRUCTION EXECUTIVES heading into 2026 are facing an insurance environment shaped by cost volatility, workforce pressure, legal risk and climate exposure.

While some lines of coverage are showing signs of stabilization, others remain under sustained pressure, requiring more active planning and closer coordination with insurers and brokers.

The common thread is uncertainty. Tariffs, supply chain shifts, labor shortages and rising claim severity are changing the risk picture faster than many insurance programs can keep up with.

Firms managing thin margins and complex projects will need strong risk management controls in place and may need to be more involved in insurance renewals and in considering new coverages to deal with evolving risks.

## Cost drivers

**Material costs and tariffs:** Fluctuations in steel, concrete and other inputs push replacement values higher, increasing the risk of underinsured projects.

**Labor shortages:** Persistent workforce gaps are driving overtime, subcontractor reliance and the use of less experienced workers, all of which raise safety and workers' compensation exposure as well as the risk of shoddy workmanship.

**Legal system pressure:** Social inflation, third-party litigation funding and nuclear verdicts are keeping liability costs elevated.

**Technology adoption:** Greater use of digital tools, connected equipment and electronic payments is expanding cyber and professional liability exposures.

**Climate and geographic risk:** Severe weather events and regional regulatory differences are complicating underwriting, particularly in catastrophe-prone areas.

## Liability and auto remain pressure points

General liability and excess liability continue to feel the effects of rising legal costs and large jury awards. Underwriters are applying more conservative terms, expanding exclusions and sometimes limiting capacity in certain markets or for certain lines.

For many contractors, umbrella and excess limits that once seemed adequate may no longer be sufficient in today's litigation environment.

Rising claim severity, reinsurance costs and geographic rating disparities are driving commercial auto rate increases, particularly for larger fleets and operations in states with higher loss activity. Insurers are increasingly demanding that operators have robust safety programs, driver monitoring systems and other risk management tools in place.

Workers' compensation remains the most stable line in the construction insurance portfolio.

Favorable reserve development and carrier appetite for profitable accounts are helping to keep rates in check. Employers may be able to leverage low X-Mods during negotiations on more challenged lines, making safety and claims management a strategic priority rather than a compliance exercise.

## Builders risk and climate exposure

Builders risk coverage is gradually stabilizing after several difficult years, but climate-related risks still face challenges. Projects exposed to wildfire, severe convective storms or other secondary catastrophe perils are seeing tighter terms, higher deductibles and more frequent use of sublimits.

Replacement cost accuracy and mid-project valuation updates are becoming critical as material prices and schedules can shift quickly.

## Subcontractor default risk is gaining attention

Rising construction costs, tariff uncertainty and labor pressures are straining subcontractor balance sheets.

While subcontractor default insurance capacity remains available, underwriters are paying closer attention to prequalification practices, project concentration and delivery methods. For large or complex builds, SDI is becoming a more prominent tool for protecting both projects and balance sheets.

## What executives should prioritize in 2026

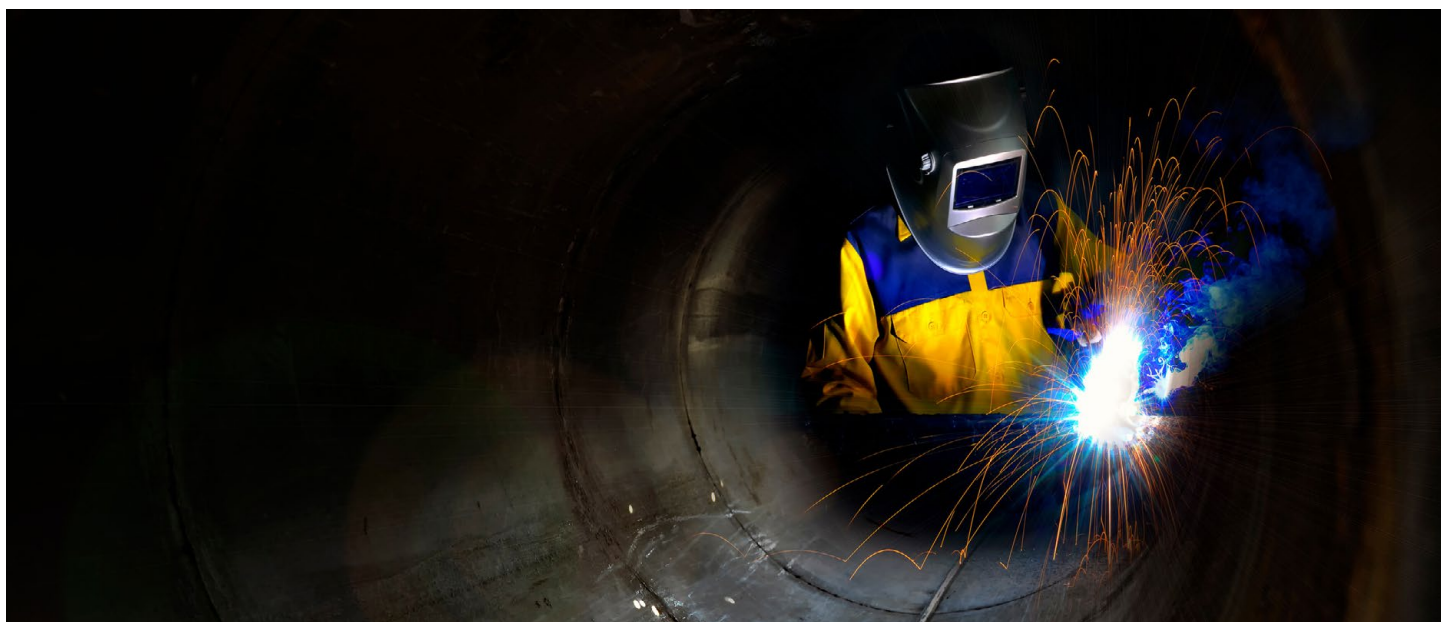
As conditions evolve, construction leaders can position their firms more effectively by:

- Reassessing insured values to reflect current replacement costs and tariff-related volatility.
- Reviewing liability limits and excess structures in light of today's legal environment.
- Using strong workers' compensation results to support broader program negotiations.
- Evaluating cyber and professional liability coverage alongside increased technology use.
- Accounting for geographic and climate risk in project planning and insurance design.



## WORKPLACE SAFETY

# Cal/OSHA Updates Confined Spaces Regulation



UPDATED CAL/OSHA confined spaces regulations for construction took effect Jan. 1, creating a standalone set of rules that separate construction requirements from general industry standards.

The rules clarify procedures for entry permits, rescue operations, and emergency medical response related to permit-required confined spaces. The changes were adopted by California Occupational Safety and Health Standards Board and approved by the Office of Administrative Law.

Here are the changes:

- The revised rules apply specifically to confined spaces in construction and are now separate from general industry confined space standards enforced by Cal/OSHA.
- Employers are required to identify all confined spaces at a construction site and evaluate which of those spaces are permit-required confined spaces.
- Such employers are known as “entry employers,” the definition of which has been broadened to include any employer whose employees enter or may enter a permit-required confined space, even if that employer did not create the space.
- Entry employers must implement a written permit-required confined space program at the construction site.
- A “permit-required confined space” is defined as one that may contain a hazardous atmosphere, present an engulfment hazard, have inwardly converging walls or sloped floors, or contain any other recognized serious safety or health hazard. Employers are required to communicate when a new confined space is discovered or created.
- A “competent person” must conduct an initial survey of the

work area to identify confined spaces when work begins and when new confined spaces are discovered or created.

- The definition of “confined space” aligns with federal standards and includes spaces that are large enough for bodily entry, have limited means of entry or exit, and are not designed for continuous occupancy.
- Definitions for terms such as hazardous atmosphere, lockout, tagout, and minimum explosive concentration are updated.
- Employers must maintain documentation related to confined space identification, permits, and procedures, which may require changes to job-site recordkeeping practices.

Construction employers may want to review and update their confined space programs, training, and inspection processes to ensure compliance with the revised regulations now in effect.

Clearly, it is the type of work being performed, not the core business of the company performing it, that determines if a task is maintenance or construction.

That’s why it makes good business sense to follow the general industry standard, especially when there is doubt as to how the task may be classified.

## Types of confined spaces

- Tanks
- Underground vaults
- Water and sewer pipes
- Storage bins
- Pits
- Silos
- Boilers
- Hoppers

# Property/Casualty Insurance Outlook

THE U.S. insurance market enters 2026 going in two directions at once: Property insurance rates are declining after a muted catastrophe year and an influx of reinsurance capital, while casualty lines continue to harden.

Property insurance rates are expected to be flat to lower overall. However, businesses in areas susceptible to natural catastrophes will continue to face a hard market that may include fewer players and more stringent policy terms.

While property insurance is loosening, the same can't be said for casualty lines, which are being stressed by high-dollar judgments and aggressive plaintiff attorney litigation tactics.

Here's a look at the P/C industry in 2026 and what insurance buyers can expect.

## Property market: relief, but with caveats

The property insurance market is moving into a correction phase, marked by softening rates and growing competition among insurers, according to analysts.

A quieter-than-expected hurricane season in 2025, combined with record reinsurance capital levels, has resulted in lower property reinsurance rates overall. However, properties in areas exposed to natural catastrophes will still feel pressure.

Businesses that generally have lower claims than average and are not in distressed markets may be able to negotiate better terms, higher limits and, in some cases, lower deductibles.

Even where premiums are easing, underwriters remain focused on accurate property valuations, risk mitigation and geographic exposure.

## Casualty and liability: pressure continues

Meanwhile, casualty lines remain the industry's most challenging segment in 2026. Social inflation continues to push liability costs higher, fueled by larger jury awards, expanded theories of liability and aggressive litigation tactics.

Commercial auto liability remains particularly stressed, with insurers absorbing more than \$10 billion in underwriting losses over the past two years, according to one report. The average cost of a

commercial auto claim has more than doubled since 2015, driven by higher vehicle repair costs and litigation trends.

General liability and umbrella coverage are also under pressure for the same reasons, especially for higher-hazard risks and larger fleets.

Meanwhile, employment practices liability claims remain frequent and complex, with annual liability claim costs due to social inflation growing approximately 7% in 2024, according to the Swiss Re Institute. That's the largest annual increase in two decades.

Nationally, general liability, commercial auto, umbrella and excess liability rates are projected to range from flat to increases of up to 15%.

The one bright spot is the workers' compensation sector, which has enjoyed its 12th consecutive year of combined ratios under 100% under a backdrop of falling claims frequency and higher average claims costs.

However, stress fractures are showing up in California's workers' comp sector. The state insurance commissioner recently approved a 9% increase in workers' compensation rates, an indication that claims are starting to dig into insurer profits.

## What commercial buyers should expect

The industry enters 2026 from a position of financial strength. According to Swiss Re Institute data cited in multiple market reports, the U.S. P/C industry is expected to sustain a return on equity of roughly 10% through 2026.

This capital strength is a key reason why buyers are seeing improved competition in property and select specialty lines. However, insurers remain disciplined. Underwriting scrutiny is still elevated for accounts with adverse loss histories, weak risk controls or exposure to emerging liabilities.

While there is more capital flowing into the market, insurers are still discerning and will impose stricter terms on businesses that have struggled with claims or have significant exposures.

Litigation trends and liability severity show few signs of reversing, keeping pressure on auto, umbrella and excess lines.

