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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.

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.

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Heffernan Insurance Brokers

Wishes You a

Happy New Year

2026

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Paid Family Leave Program Expands



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.”

WORKERS' COMPENSATION

EARLY REPORTING CAN CUT CLAIMS, PREMIUM COSTS

HOW LONG you wait to notify your workers' compensation insurer of a workplace injury can make a significant difference in the cost of that claim.

When your premium is calculated, one of the key elements that we take into account is the cost and frequency of prior claims during the past few years.

In short, by improving your organization's injury notification times, you can also positively affect the cost of the claim, which in turn can help reduce your overall workers' comp premiums going forward.

Claims filing tips

- Develop internal procedures for reporting injuries. Ensure that your staff know the importance of reporting injuries immediately and that they are aware of your reporting procedures.
- Don't question employees' integrity when they report an injury.
- Familiarize yourself with the legal requirements in relation to reporting workplace injuries.
- File a claim immediately after learning about the injury.
- Encourage safe work practices and ensure that employees are aware of and practice proper safety techniques.
- If an injured worker still has partial capacity for work, you should try to provide interim alternate duties while they heal. This can have a positive impact on potential disability levels, and on the premium impact of lost time.

Can early reporting truly affect the cost of a claim?

The graph below shows results from a National Council on Compensation Insurance study looking at the cost of a claim based on the delay between incident and notification. Even a delay of two to three weeks can increase the cost of the claim by over 10%.

Why does early reporting work?

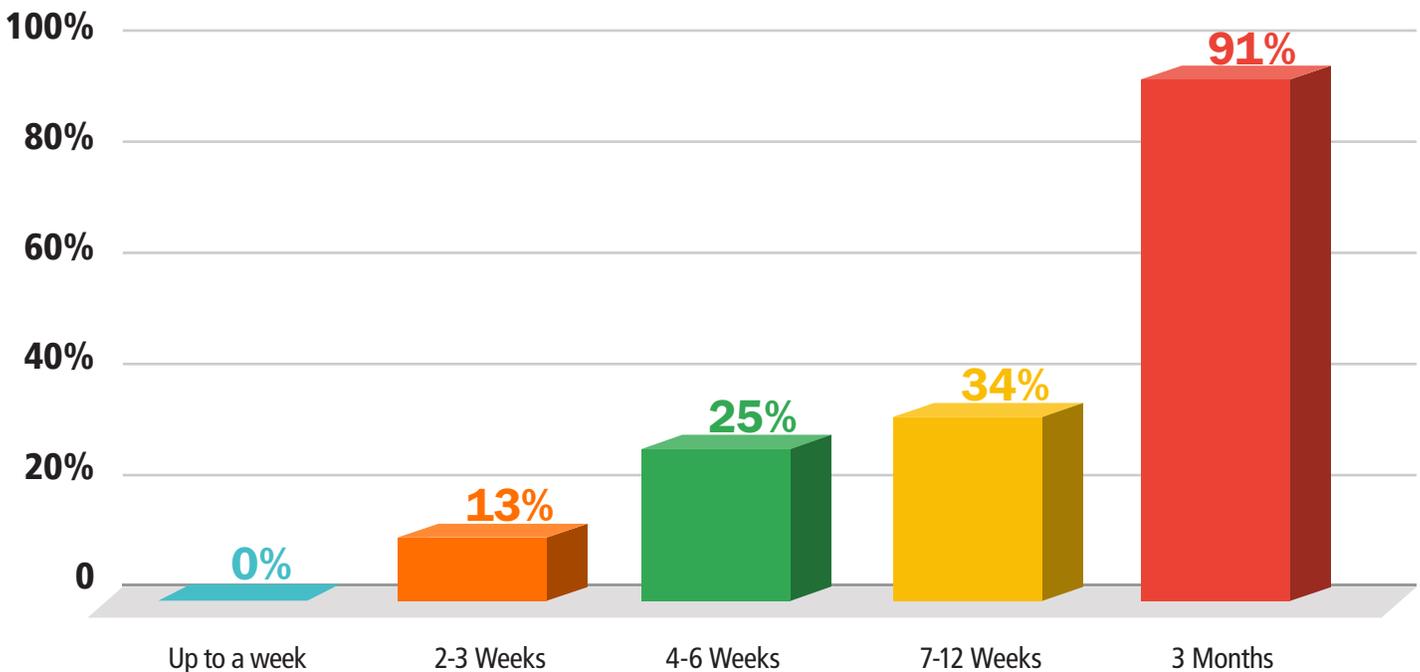
The sooner your insurer knows about an injury to one of your workers, the sooner they can plan for appropriate treatment.

If medical treatment is delayed, it becomes likelier that medical costs will mushroom along with lost time from work, which needs to be compensated.

If you notify your insurer when an injury occurs, they can arrange for the worker to begin the medical treatment, which can help your employee recover faster and return to work. This in turn saves you money.

Costs Escalate the Longer Reporting is Delayed

Average percentage increase in claims costs



INJURY PREVENTION

DISCIPLINE SHOULD BE PART OF YOUR SAFETY PROGRAM

DOES YOUR Injury and Illness Prevention Program spell out the disciplinary action your company will pursue if its safety rules are not adhered to?

Addressing disciplinary issues can be a very sensitive and stressful process for most managers, supervisors and employees. However, if disciplinary issues are avoided or handled poorly, it can lead to serious consequences such as property damage, injury or even fatality.

Looking at discipline not as a form of punishment but as a rule or system of rules governing conduct or activity in order to eliminate unsafe circumstances, might ease the stress for the owner, manager and employee.

Education is the key to establishing proper disciplinary procedures and holding employees accountable to the company's health and safety policy and program, as well as to applicable regulatory requirements.

The main objective of a disciplinary program is to ensure that rules and safe work practices are taken seriously by all employees, and that they are followed. When disciplinary action is deemed appropriate, it should be conducted in a timely manner. Trying to correct unsafe behavior by waiting only allows a habit to become more ingrained.

Discipline should be positive, not punitive or negative. The goal is to correct the problem, action or behavior. The type of discipline should fit the severity of the misconduct and be conducted in private.



If your company hires subcontractors, they should also be required to comply with your health and safety policy.

Sample disciplinary action

Make it clear that the company reserves the right to discipline employees who knowingly violate company safety rules or policies. Disciplinary measures should include, but not be limited to:

- Verbal warning (documented) for minor offenses.
- Written warning for more severe or repeated violations.
- Suspension, if verbal and written warnings do not prove to be sufficient.

If none of the above measures achieve satisfactory corrective results and no other acceptable solution can be found, the company will have no choice but to terminate employment for those who continue to jeopardize their own safety and the safety of others.

Non-punitive discipline

The first step of formal non-punitive discipline is to issue an "oral reminder," with the manager's primary goal being to gain the employee's agreement to solve the problem.

Should the problem continue, the manager moves to the second step – the "written reminder." Together, the manager and the employee create an action plan to eliminate the gap between actual and desired performance.

If disciplinary discussions have failed to produce the desired changes, management then places the individual on a paid, one-day "decision-making leave." Tenure with the organization is conditional on the individual's decision to solve the immediate problem and make a "total performance commitment" to good performance on the job.

The employee is instructed to return on the day following the leave with a decision either to change and stay, or quit and find more satisfying work elsewhere. Thus, the purpose of the disciplinary transaction has changed from a punishment method to a process that requires individuals to accept responsibility for their own behavior, performance and continued participation in the enterprise.

Five-step disciplinary program process

Action	Employees involved
Review policy and procedures	Managers and supervisors
Investigate accusations and infractions	Supervisors, safety & health reps
Determine and review disciplinary actions	Supervisors, safety & health reps
Document disciplinary actions and program enforcement	Supervisors, safety & health reps
Conduct disciplinary meetings and promote safe work practices and regulatory compliance	Supervisors, safety & health reps

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