



# California Workers' Compensation: What Employers Need to Know

## Employer Requirements

### Who Must Carry Workers' Compensation Insurance?

California law requires all employers, even those with "one employee" to maintain valid workers' compensation insurance.

### This includes:

- Full-time, part-time, temporary, and seasonal workers
- Most family members working in the business
- Employees of corporations, LLCs, partnerships, and sole proprietorships
- Workers who are paid in cash

### Penalties for non-compliance may include:

- Stop-work orders
- Criminal charges
- Fines up to tens of thousands of dollars
- Liability for all medical costs and lost wages if a worker is injured

### Requirement to provide proof of coverage

Under Labor Code 3711, the CA Department of Insurance Fraud Division may request proof of workers' comp coverage at any time. Employers must respond within 10 days with insurer details or compliance method (per Labor Code 3700), or face a \$500 penalty.

## Examples of Workers' Compensation Fraud

There are several insurance fraud violations which can lead to major legal and financial consequences. For employers, underreporting payroll or misclassifying employees are two of the most common violations.

Employers who intentionally misclassify employee job duties or falsely report employees as independent contractors, are committing fraud.

## The ABC Test (AB 5)

A worker is an "employee" unless the hiring entity can show all three of the following conditions:

- A. The worker is free from control and direction in connection with the performance of the work,
- B. The work is outside the usual course of the hiring entity's business, and
- C. The worker is engaged in an independently established trade or business of the same nature as that involved in the work performed.

If any part of the ABC test is not met, the worker is an **employee** and must be covered by workers' compensation insurance. Certain exemptions may apply.

## Employee Fraud

Employers are encouraged to report to their insurer any evidence of suspected fraudulent activity of their employees. Common employee fraud violations include:

- Faking or exaggerating injuries
- Working while receiving disability benefits
- Failing to report outside employment

Insurance fraud increases costs for honest businesses, and harms injured workers, and is a criminal offense that could result in felony charges, incarceration, and significant fines.

## How to Obtain Workers' Compensation Insurance

Employers can secure coverage through:

- Licensed insurance companies or contact a licensed agent or broker. (Verify licensure at [www.insurance.ca.gov](http://www.insurance.ca.gov))
- State Compensation Insurance Fund (State Fund)  
A public, non-profit option available to all employers.
- Self-Insurance (Large Employers Only; requires state approval and financial qualifications)

Follow this QR code to  
report suspected fraud:  
[qrco.de/cdiwc](http://qrco.de/cdiwc)





## How to Report Suspected Fraud

If you suspect workers' compensation fraud, report it to:

California Department of Insurance – Fraud Division – Enforcement Branch

Phone: 800-927-HELP

Online: [www.insurance.ca.gov](http://www.insurance.ca.gov) (Fraud Reporting)

### You may report:

- Uninsured employers
- Misclassification
- Payroll fraud
- Employee fraud
- Staged or exaggerated claims
- Provider billing fraud
- and any other suspected insurance fraud violations.

Reports can be anonymous.

## About CDI Enforcement Branch

Our Mission: The California Department of Insurance Enforcement Branch investigates workers' compensation fraud, protects injured workers, and ensures a fair marketplace for honest employers.

### We work with:

- District Attorneys
- Other state and federal agencies
- Local law enforcement
- Community partners

Together, we reduce fraud and promote compliance.

## Filing a Complaint (Request for Assistance)

The California Department of Insurance is committed to protecting consumers' rights. Many questions can be answered over the phone. If we are unable to resolve the issue over the phone, you can file a Request for Assistance form by mail or online on our website. The system will allow you to attach copies of all necessary documents, such as policies, canceled checks and correspondence. Some examples of the issues the Department may be able to help with include:

- Improper Denial of Claim
- Cancellation or non-renewal of a policy
- Delay in settlement
- Alleged misappropriation of premiums paid
- Alleged misrepresentation by an Agent/Broker or solicitor
- Unfair underwriting practices
- Dishonest or deceptive insurance sales tactics

## Contact Us

Consumer Assistance Hotline:

1-800-927-4357

TTY 1-800-482-4833

Visit us on the web at:

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

To order additional materials contact

Community Relations & Outreach at:

[crob@insurance.ca.gov](mailto:crob@insurance.ca.gov)



Led by Insurance Commissioner Ricardo Lara, the California Department of Insurance is the consumer protection agency for the nation's largest insurance marketplace and your best resource for honest and impartial answers to insurance questions. Knowledgeable insurance professionals are available through our consumer hotline. Call 1-800-927-HELP (4357) or visit [www.insurance.ca.gov](http://www.insurance.ca.gov) to view all of our consumer information guides and insurance resources. These tools are available to consumers free of charge.