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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.

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 rule

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.

4. Labor board's purview grows

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

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Paid Family Leave Program Expands



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 an employee 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.”

EEOC Enforcement

Firms Scramble to Comply with New Playbook

THE EQUAL Employment Opportunity Commission has rolled out the most dramatic shift in its enforcement posture in decades, narrowing some protections and targeting others, especially around diversity equity and inclusion (DEI) and gender identity.

Also, with the confirmation of Commissioner Brittany Bull Panuccio in October 2025, the EEOC once again has a voting quorum. Her addition gives the new Republican majority the opportunity to rewrite guidance, revise strategic enforcement plans and launch higher-profile litigation aligned with the administration's executive orders.

The new enforcement focus, initiated by a series of executive orders by President Trump, stands in contrast to established federal law, opening firms up to litigation by employees that runs counter to EEOC enforcement priorities.

DEI programs under a sharper lens

The EEOC has trained its focus on what it describes as "unlawful DEI-motivated race and sex discrimination." Programs that once were framed as inclusion efforts are now being scrutinized for potential reverse discrimination.

Programs under scrutiny

- Mentorship, sponsorship and leadership programs limited to certain demographic groups.
- "Women only" or "underrepresented only" events and resource group activities.
- Hiring, promotion or internship pipelines that expressly prefer certain races or genders.
- Diversity metrics that function more like quotas than broad, aspirational goals.

Gender identity policies

EEOC Chair Andrea Lucas has directed agency lawyers to back away from gender identity litigation and to revisit harassment guidance that spells out protections for transgender employees.

Bathrooms, locker rooms and pronoun policies are likely flashpoints. Employers that wish to maintain strong protections for transgender and nonbinary workers may need to rely more heavily on state law, company values and reputational concerns as their guideposts.

Important: These new policies put employers in a bind. Title VII's ban on sex discrimination, which covers sexual orientation and gender identity still stands, and many states explicitly protect those groups.

Employers that scale back protections to comply with the new federal posture may reduce the chance of an EEOC probe, but increase exposure to private law suits, state agency enforcement and reputational damage.

How employers can respond

CEOs and HR executives should move quickly on several fronts:

Audit DEI and talent programs – Inventory all DEI initiatives, resource groups, mentorships and pipelines. Strip out eligibility rules tied to race, sex or national origin. Reframe programs around equal access and business needs.

Refresh public and internal statements – Review diversity pledges, representation goals and reporting. Avoid language that can be read as promising preferences. Emphasize fair processes, bias reduction and inclusion.

Map gender identity and facility policies to actual law – Chart federal, state and local requirements for every location. Where you maintain sex-specific facilities, consider options like single-user restrooms and clear procedures for handling complaints.

Boost religious accommodation practices – Ensure there is a clear, documented process for addressing religious objections, including objections to DEI content or pronoun expectations. Train managers to respond promptly and consistently.

Keep doing adverse impact reviews – Even if the EEOC is stepping back, continue to test hiring tools, promotion systems and layoff criteria for disproportionate effects on protected groups.

Invest in investigation capability – Make sure complaint procedures, investigation protocols and documentation would hold up under scrutiny from private plaintiffs, state agencies or the EEOC under its new priorities.

Takeaway

Finally, ensure that your business secures an employment practices liability policy, which can protect your firm from employee-initiated actions like discrimination or harassment complaints.

These policies can cover the cost of court costs, attorneys' fees, discovery expenses, settlements or judgments and other related costs.



Planning Ahead

How to Rebuild on Time After Property Damage

FOR BUSINESSES that suffer property damage, getting repairs or rebuilding completed on time and within budget is becoming an uphill battle.

A mix of inflation, supply chain challenges leading to material shortages, a tight construction labor market and the inherent complexity of commercial construction have pushed costs higher and stretched timelines longer. This can leave a company unable to operate or producing revenue at only partial capacity while they wait.

As the problem worsens, it's important that property owners have a strategy to jump-start repairs through planning and by establishing a network of contractors in advance.

Why repairs take longer, cost more

Persistent inflation – Verisk reports that commercial reconstruction costs rose 5.7% year over year through the second quarter of 2025, with concrete prices jumping by more than 9%.

Supply chain disruptions – Tariffs on imported materials, supply chain issues and transportation delays are further inflating prices and lengthening delivery times. It's not uncommon for a project to be delayed for months because of part shortages.

Labor shortages – Nearly 900,000 skilled trade positions remain unfilled nationwide, and many contractors are struggling to meet demand for work.

Complex project requirements – Unlike a home, a commercial property may include multiple systems such as HVAC, fire suppression, medical gases, industrial machinery or commercial kitchens, all of which must meet strict codes and specialized standards.

Local contractor limitations – Contractors accustomed to routine maintenance may lack the expertise or workforce to manage large-scale reconstruction, leading to delays as businesses search for more capable contractors.

Risk multiplies after disasters

After natural disasters, these problems are compounded. Local labor, materials and equipment become scarce almost immediately after a disaster, as affected businesses vie for the same resources.

In these situations, unprepared property owners can end up paying steep premiums for scarce labor or settling for subpar work just to reopen sooner. Insurers face their own exposure as delayed repairs prolong business interruption claims and push overall loss costs higher.

Steps you can take

While these challenges are significant, property owners can take practical steps to mitigate repair delays and inflated costs when filing commercial property claims.

Build a broad contractor network – Developing relationships with a wider network of pre-qualified commercial restoration firms can give you options when demand spikes. A vetted network also allows property owners and insurers to match each job to the right expertise rather than defaulting to whoever is available.

Use time-and-material pricing models – Fixed-price contracts can create inefficiencies and inflated costs when project scopes shift. A time-and-material model charges based on actual labor hours and materials used, which provides transparency and flexibility.

This approach also allows for detailed tracking and frequent review of expenses so both owner and contractor understand exactly where costs are going.

Establish pre-loss agreements – Pre-loss agreements set expectations in advance by outlining pricing frameworks, response times and emergency protocols before a loss occurs.

By having these contracts in place, property owners can mobilize resources immediately after a loss without wasting time negotiating terms. This proactive planning is particularly valuable for multi-site operations or organizations located in catastrophe-prone regions.

Emphasize proactive project management – Active oversight keeps contractors accountable, coordinates multiple trades and helps ensure the contractor stays on schedule. This requires someone on the team to regularly check on work progress.

Whether through an internal facilities team, a dedicated project manager or virtual monitoring tools, close supervision helps ensure the repair process stays on course and minimizes costly delays.

