



The Contractors State License Board, which operates under the umbrella of the California Department of Consumer Affairs, licenses and regulates California's 285,000 contractors, and is regarded as one of the leading consumer protection agencies in the United States.

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A GUIDE TO CONTRACTOR LICENSE BONDS

What is a contractor license bond?

To get a California contractor license, contractors must post a surety bond or cashier's check with CSLB. The bond or cashier's check is filed for the benefit of consumers who may be damaged because of defective construction or other violations of contractors' state license law, and for employees who have not been paid wages they are owed.

Contractors commonly use a surety bond (referred to as a "contractor license bond") where a surety company promises the State of California that it will pay damages if the contractor violates contractors' state license law. In addition, CSLB may require a separate bond for contractors who have been disciplined (referred to as a "disciplinary bond"). Some license qualifiers, including responsible managing employees, are required to have a \$25,000 bond on file with CSLB.

What is the amount of the required bond?

The current amount of the contractor license bond is \$25,000. The bond amount is **not per job**; it is the amount available for all the jobs a contractor takes on during the life of the bond. Once the bond has been depleted, a contractor must purchase a new one for the license to remain in effect.

Who can make a claim against a contractor bond?

- Any homeowner who contracts for home improvements or for the construction of a single-family dwelling damaged because of a violation of contractors' state license law by the licensee.
- Someone damaged as a result of a willful and deliberate violation of contractors' state license law or by fraud committed by a licensee in the execution or performance of a construction contract.
- Any employee of the licensee damaged by their failure to pay wages.
- Any person or entity damaged as a result of the licensee's failure to pay fringe benefits for eligible employees.

How does a consumer file a claim against a bond?

To file a claim against a bond, a consumer should contact the contractor's surety company and include a detailed written description of the problem, a copy of the contract, and all other pertinent documents and information. If a consumer is not satisfied with the response of the

surety company, they may take the contractor to small claims court for amounts up to \$10,000. Claims above \$10,000 must be filed in a superior court.

What should a contractor do if a claim is filed against their bond?

If a contractor receives a notice from its surety company that a claim has been filed against their bond, the contractor should immediately respond to the surety, explain in detail their position, and submit all relevant documentation. If a complaint was filed with CSLB, the contractor should respond immediately and fully and provide CSLB all requested information for the duration of the investigation.

The surety company will investigate any claim filed against the bond, and CSLB will investigate any complaint filed against the license. Many times, the issues involved in the two matters are related. CSLB and the surety company will independently resolve the issues under their respective jurisdictions.