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NEWSALERT

Business and Economy

Top 10 Laws and Regulations for 2025

WITH 2025 NOW upon us, so is a slew of new laws and regulations that will affect California businesses.

Last year was a busy legislative session in addition to a rash of important rule-making. The end result is another round of new legislation that California employers need to stay on top of.

1. 'Captive audience' meetings barred

Starting Jan. 1, California employers are prohibited from requiring employees to attend "captive audience" meetings where the employer shares its opinions on political or religious matters.

This includes topics such as unionization, legislation, elections or religious affiliations. Employers are also barred from retaliating, discriminating or taking any adverse action against employees who opt out.

The law applies broadly to most employers, but does include some exceptions, including religious organizations, political organizations and educational institutions providing relevant coursework. Employers who violate SB 399 could face significant consequences, including a civil penalty of \$500 per employee, per violation.

2. 'Egregious' offenders

Cal/OSHA is working on new rules, expected to take effect in 2025, that would step up enforcement and penalties against California employers that commit "egregious" and "enterprise-wide" workplace safety violations.

A business cited for an egregious violation could be fined up to \$158,000 "per instance," meaning it can be applied for each employee exposed to the violation.

Violations that could be considered egregious include:

- The employer intentionally making no reasonable effort to eliminate a risk.
- The employer has a history of one or more serious, repeat or willful violations.
- The employer intentionally disregarded its health and safety responsibilities.

3. Expanded paid sick leave

Two bills expanded the use of paid sick leave, starting Jan. 1.

The more far-reaching measure, AB 2499, expands current state law that allows employees who are victims of crime or abuse to take time off for court appearances, treatment and various other reasons.

The new measure also expands the use of paid sick leave to cover certain "safe time" absences for issues like:

- Domestic violence,
- Sexual assault,
- Stalking, or
- Violence, brandishing a weapon or making threats of physical injury or death.

AB 2499 also permits workers to take time off to help family members who are victims of a crime.

The second measure, SB 1105, allows agricultural workers to use accrued paid sick leave to avoid wildfire smoke, excessive heat or flooding conditions.

The measure states that this is a clarification that existing law allows workers to take sick days for preventive care.

See 'PAGA' on page 2



NEW OSHA RULE: Expect indoor heat illness prevention rules to take effect sometime in 2025.



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PAGA Reforms May Not Stanch the Flow of Lawsuits

4. Freelance Worker Protection Act

Starting this year, California's Freelance Worker Protection Act imposes new requirements on businesses hiring freelance workers for professional services worth \$250 or more.

The law requires employers to provide freelancers with a written contract outlining key details, including the services provided, payment amounts and deadlines for compensation. If no payment date is specified in the contract, freelancers must be paid no later than 30 days after completing their work.

Businesses cannot require freelancers to accept less pay than agreed upon or provide additional services after work has begun as a condition for timely payment.

Importantly, the law also prohibits retaliation against freelancers who assert their rights, such as raising complaints about violations or seeking enforcement of the law.

Noncompliance can lead to significant penalties. If a written contract is not provided, employers may face a \$1,000 penalty.

Late payments can result in damages up to twice the amount owed, while other violations may require businesses to pay damages equal to the value of the contract or the work performed.

5. Indoor heat illness

These new requirements actually took effect at the end of last summer, so 2025 is the first full year they've been in effect.

Cal/OSHA's indoor heat illness prevention rules require employers to protect workers in indoor workplaces when temperatures reach 82 degrees Fahrenheit or higher. These regulations apply to most indoor settings, but mainly affect restaurants, warehouses and manufacturing facilities.

At 82 degrees, employers must ensure workers have cool, potable water nearby and access to a cool-down area where temperatures remain below 82 degrees. Workers should be encouraged to take rest breaks to prevent heat-related illness, and be monitored for symptoms during these breaks. If clothing restricts heat removal or radiant heat sources are present, these measures apply immediately.

At 87 degrees, employers must take additional steps, when feasible, such as cooling work areas, providing personal heat-protective equipment and implementing work-rest schedules.

Affected employers should evaluate options like installing air conditioning to maintain safe temperatures. While this is feasible for smaller spaces, larger facilities like warehouses may require alternative compliance strategies.

6. PAGA reform

In July 2024, Gov. Newsom signed into law two measures aimed at curbing rampant abuse of the Private Attorneys General Act, which has become a costly thorn in the side of businesses in California.

PAGA allows workers who allege they have suffered labor violations, like unpaid overtime or being denied mandatory meal and rest breaks, to file suit against their employers rather than file a claim with the state Department of Labor Standards Enforcement.

The new laws aim to reward employers with reduced penalties if they address in good faith issues raised by an employee.

For example, the reforms cap the assessment at 15% of the available penalty for employers that take immediate and proactive steps to bring themselves into compliance with state law. Employers that take "reasonable" steps to address issues within 60 days of receiving a PAGA notice will face a maximum penalty of 30%.

The new PAGA also requires a worker to personally experience violations alleged in a claim if they want to bring action. It also increases workers' share of awards to 35%, from 25%. The rest of the funds go to the Labor & Workforce Development Agency.

7. Family leave change

A new law, AB 2123, bars employers from requiring that workers who plan to take time off under the state's Paid Family Leave Program first take up to two weeks of accrued vacation time before benefits kick in.

8. Driver's license queries

Starting Jan. 1, employers are barred from listing in help-wanted ads and job applications that having a driver license is a prerequisite for a job, unless the employer:

- Reasonably expects that driving will be part of the job, and
- Reasonably believes that allowing the employee to use alternative forms of transportation (including ride-sharing, taxi or bicycle) would take more time or require the business to incur higher costs.

9. Poster updates

Employers have to update two mandatory work posters this year.

The standard poster that informs employees about their rights under workers' compensation laws, needs to be updated. The new poster must include language stating that employees may consult with an attorney for advice about workers' comp law and that they may have to pay attorneys' fees if they hire a lawyer as part of their claim.

Also, businesses are required to post an updated paid leave law notice to reflect the changes ushered in by AB 2499, the paid leave law for crime and abuse victims discussed above.

10. Minimum wage

California's minimum wage increased to \$16.50 an hour on Jan. 1. This rate is for all areas of the state, except for those jurisdictions that have implemented their own minimum wage to reflect the higher cost of living in their area. ❖





Salt Typhoon

A New Cyber Threat Businesses Can't Ignore

AN ALLEGEDLY Chinese state-sponsored hacker campaign dubbed “Salt Typhoon” has infiltrated major cell phone providers, including AT&T and Verizon, potentially exposing your company’s communications to threat actors.

The attack has been described as the most significant telecommunications hack in U.S. history. While the breach is alarming for individuals, the implications for businesses are profound and demand immediate attention.

What is Salt Typhoon?

Salt Typhoon is a sophisticated cyber-espionage operation allegedly orchestrated by the Chinese government.

The campaign has targeted vulnerabilities in telecom providers’ infrastructure to access text messages, monitor communications and extract sensitive metadata.

The ongoing breach has affected at least eight major U.S. telecom companies and poses a severe threat to national security and corporate privacy.

Potential dangers to businesses

Exposure of sensitive information – Hackers can intercept text messages, which may contain business-critical details, such as contracts, client discussions, or even login credentials.

Corporate espionage – Competitors or foreign entities gaining access to a company’s internal strategies could result in lost market advantages or intellectual property theft, information that hackers can sell on the dark web to other criminal groups.

Regulatory and legal repercussions – Many industries are subject to strict data protection laws. A breach exposing customer or employee information could lead to fines and legal actions under regulations such as GDPR or CCPA.

Government warning

In response to Salt Typhoon, the U.S. government recommended using end-to-end encrypted communication platforms.

Unlike standard text messaging or phone calls, end-to-end encryption ensures that only the sender and recipient can read the messages.

Protecting your firm

Some steps businesses can take include:

- Shifting internal and external communications to end-to-end encrypted platforms such as Signal or WhatsApp, or enterprise solutions with encryption features.
- Avoiding using text-based, one-time passwords for authentication; instead, deploy hardware security keys or app-based authenticators.
- Updating systems regularly: Ensure all devices and software are updated to patch known vulnerabilities.
- Conducting regular training to educate employees about phishing, secure communications and device management.
- Limiting data access: Implement least-privilege access controls to restrict sensitive data to only those who need it.
- Regularly auditing your infrastructure for vulnerabilities.

Consider Cyber Insurance

Cyber insurance can help pay for the costs associated with a breach like Salt Typhoon. Talk to us about securing a robust cyber-insurance policy that covers:

- Forensic investigations
- System remediation and restoration
- Legal and regulatory compliance
- Business interruption losses. ❖

Expensive Litigation Is Driving Insurance Costs

SOARING COURT judgments and jury awards are pushing up the cost of commercial liability and umbrella insurance policies, particularly for businesses that have been sued before.

There are a number of factors at play, including massive “nuclear” jury awards for tens of millions of dollars, private equity-backed lawsuits and a phenomenon known as “social inflation” — when the costs of jury awards increase faster than the cost of living.

A 2024 A.M. Best report found that social inflation and large verdicts mostly affect commercial auto, professional liability, product liability and directors and officers liability insurance.

Policyholders are also facing more restrictive general liability coverage as insurers continue to reduce their exposure.

What’s happening

A 2024 study by reinsurance company Swiss Re found that social inflation had increased liability claims by 57% over the previous decade. The increase in 2023 alone was 7%. Another study showed that over a five-year period, the top 50 insurers in the U.S. had allocated half a billion dollars for litigation expenses.

The Insurance Information Institute in early 2024 pointed to legal-system abuse as a leading reason for auto insurance companies losing money to the tune of \$1.10 for every \$1 in premium.

“As dangerous roads and driving conditions as well as economic costs have been on the rise for several years,” the institute wrote, “the challenges presented by overzealous billboard attorneys are exasperating the situation.”

Adding fuel to the fire is the increase in nuclear verdicts — when a jury awards damages of more than \$10 million.

Fears of verdicts this large have encouraged businesses and their insurers to settle claims rather than fight them, leading to higher costs.

Recent ‘nuclear’ jury awards

- In 2021, a Florida jury awarded a landmark \$1 billion verdict to next of kin of a motorist who was killed after a driver for Kahkashan Transportation Inc. was on his cell phone when he flipped his semi truck, plowing into the man’s vehicle.
- A Philadelphia jury in May 2024 ordered Exxon Mobil to pay \$725 million to a service station mechanic who developed cancer after being exposed to benzene in gasoline.
- In June 2024, a California jury ordered entertainment mogul Alki David to pay \$900 million to a former worker who had accused him of sexual battery.

Lawsuits have also become investment vehicles. Private equity firms are funding lawsuits against businesses in return for a share of any awarded damages or settlements.

What you can do

Your business can reduce its chances of getting sued by:

- Focusing on risk management,
- Ensuring you hire good drivers and provide training that focuses on reducing risks of distracted driving,
- Preventing workplace discrimination and harassment,
- Maintaining clear and detailed documentation,
- Implementing sound business practices,
- Training employees on legal compliance, and
- Having clear contracts.

You can work with your insurance companies both on loss prevention and managing claims for losses that do occur. Finally, work with us to ensure that you have liability policy limits that are realistic in today’s world. ❖

