

Hiring Your First W-2 Employee in California — Workers Comp Setup Checklist

Everything you need to bind Workers' Compensation insurance and stay compliant from day 1.

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You need Workers Comp the moment you have one (1) employee

California is the strictest state in the country for Workers' Compensation. The moment you have a single W-2 employee — or, in many cases, a 1099 worker who fails the AB-5 ABC Test — Workers Comp is mandatory.

There are exactly three exempt categories:

1. Sole proprietors with no employees (you alone, no help)
2. LLC members and corporate officers can opt in or out under specific California rules
3. Independent contractors who pass the AB-5 ABC Test — meaning all three: (A) free from your control, (B) work outside your usual business, (C) have their own independent trade. Most fail this.

If you don't fall in those three categories, you need WC. Period.

What happens if you skip Workers Comp

If a worker gets injured and you don't have WC, California gives them three escalating options:

1. Sue you personally in civil court without the WC exclusive-remedy protection. Damages are uncapped. Lawyers take cases on contingency.
2. File a claim with the California State Uninsured Employers Benefits Trust Fund. The Fund pays the worker, then bills you for everything plus penalties.
3. California DIR can issue a Stop Order shutting down your business until you obtain coverage. Plus penalties of up to \$1,500 per uninsured employee per year, plus willful-violation criminal misdemeanor exposure.

Documents to gather (Day 1 — 30 minutes)

Have these ready before you call a broker:

Business documents

- EIN (Federal Employer Identification Number)
- California Employer Account Number (CEAN — issued by EDD when you registered as an employer)

- LLC formation papers or DBA filing
- Business address
- NAICS code for your industry (or describe your business and we'll find the code)

Employee information

- Number of W-2 employees projected (or already hired)
- Annual payroll projected (or actual YTD if you have prior history)
- Job descriptions / duties for each role (this drives the WC class code, which drives the rate)
- Names and DOBs of officers/owners (in case they want to be included or excluded under California's officer-exclusion rules)

Loss history (if any)

- Prior loss runs — if you've had Workers Comp before, request a 5-year loss run from your prior carrier. This affects pricing significantly.
- OSHA 300 logs if applicable (for businesses with 11+ employees)

Workers Comp class codes — why they matter

Your premium is calculated as: Annual Payroll ÷ \$100 × Class Code Rate × Experience Modifier

The class code rate varies wildly by job duty. For example:

Class Code	Description	Approximate CA Rate per \$100 of Payroll
8810	Clerical office	\$0.20 - \$0.40
8742	Outside salespeople	\$0.40 - \$0.70
9079	Restaurant — non-alcohol	\$3.00 - \$5.00
8868	College — instructional staff	\$0.70 - \$1.20
5183	Plumbing — commercial	\$5.00 - \$8.00
5403	Carpentry — residential	\$7.00 - \$12.00
5645	Electrical wiring — residential	\$4.50 - \$7.50
7228	Trucking — local	\$7.00 - \$12.00
7229	Trucking — long haul	\$9.00 - \$14.00
9015	Janitorial services	\$5.00 - \$8.00

Rates above are approximate California ranges as of 2025-2026 — your actual rate will depend on carrier, experience modifier, and exact class.

A skilled broker can often save you 15-25% by:

1. Verifying you're in the correct class code (employers are often misclassified into a higher class than they should be)
2. Splitting payroll across multiple class codes when employees do multi-class work
3. Shopping 5-7 carriers including State Compensation Insurance Fund (State Fund — last-resort but sometimes lowest)

How CoverToday gets you bound

Day 1: Email or fax the documents above. We confirm receipt within 1 business hour.

Days 1-2: We shop 5-7 California Workers Comp carriers including ICW, Berkshire Hathaway Homestate, Travelers, Employers, Republic Indemnity, Zenith, plus State Compensation Insurance Fund. We send you a side-by-side comparison.

Day 2-3: You accept a quote, we send the application for e-signature, you pay the first installment. Coverage is bound and certificate issued same day.

Day 3: We notify your payroll provider (Gusto, ADP, QuickBooks, Paychex, etc.) so they can wire your premium installments through their integration.

What it costs (typical California ranges 2025-2026)

For a small California business with \$100,000 annual payroll:

- Office-only (class 8810): \$200-\$400/year
- Restaurant front-of-house (class 9079): \$3,000-\$5,000/year
- General contractor with 1 helper (class 5403/5645): \$7,000-\$12,000/year
- Solo trucker with 1 hired driver (class 7228/7229): \$7,000-\$14,000/year

Rates vary based on exact class code, experience modifier (X-Mod), and carrier. New employers default to X-Mod 1.00 for the first 3 years, then experience-rated based on claim history.

Common rookie mistakes

1. Hiring before the policy is bound. WC covers from policy effective date forward. If a worker is injured on day 1 of employment but the policy doesn't take effect until day 2, you're personally on the hook.
2. Misclassifying employees as independent contractors. California's AB-5 makes this very risky. Most blue-collar 1099 arrangements fail the ABC Test.
3. Underreporting payroll. Carriers audit annually. Shortage = back-premium owed plus penalties.
4. Skipping the experience modifier review. If you have prior claims, your X-Mod can be challenged. CoverToday reviews X-Mod accuracy on every renewal.
5. Letting the policy lapse for even one day. California requires continuous coverage from day 1 of employment.

Talk to a California Workers Comp specialist

CoverToday Insurance Agency writes California Workers Comp for contractors, restaurants, retail, professional services, and trucking operations every week. Bilingual service in English and Russian. Same-day binding when documentation is complete.

To start: Call or text 310-299-5555, or email info@CoverToday.com with your FEIN, NAICS code, projected payroll by class, and any prior loss runs. We typically deliver a side-by-side quote within 1 business day.

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