

STATE OF NEW YORK

8952

IN SENATE

September 2, 2020

Introduced by Sen. SANDERS -- read twice and ordered printed, and when printed to be committed to the Committee on Finance

AN ACT to amend the labor law and the workers' compensation law, in relation to establishing the New York small contractor safety group, inc. and providing for its functions, powers and duties, and establishing the New York small contractor safety group fund within the New York state insurance fund and making an appropriation therefor

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. This act shall be known and may be cited as the "small
2 contractors relief act of 2019."

3 § 2. The labor law is amended by adding a new article 25-D to read as
4 follows:

ARTICLE 25-D

NEW YORK SMALL CONTRACTOR SAFETY GROUP, INC. PILOT PROGRAM

Section 863. Definitions.

8 863-a. New York small contractor safety group, inc. pilot
9 program.

10 863-b. Management of the safety group; board of directors.

11 863-c. Plan of operation.

12 863-d. Membership.

13 863-e. Securing coverage.

14 863-f. Assessment of safety group members.

15 863-g. Audit authority.

16 863-h. Financial oversight of the safety group.

17 863-i. Exemption from taxes.

18 863-j. Mandatory work safety program attendance and partic-
19 ipation.

20 863-k. Expiration of pilot program.

21 863-l. Rules and regulations.

22 Section 863. Definitions. For purposes of this article the following
23 terms shall have the following meanings:

24 1. "Board" means the board of directors of the safety group.

EXPLANATION--Matter in italics (underscored) is new; matter in brackets
[-] is old law to be omitted.

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1 2. "Liability insurance" means personal injury liability insurance,
2 property damage liability insurance and employer's liability insurance,
3 as such terms are defined in paragraphs thirteen, fourteen and fifteen
4 of subsection (a) of section one thousand one hundred thirteen of the
5 insurance law and shall also include any type of insurance deemed by the
6 superintendent of financial services to be substantially similar pursu-
7 ant to paragraph thirty of subsection (a) of such section.

8 3. "Small contractor" means any contractor which (i) is a resident in
9 this state, (ii) is independently owned and operated, (iii) is either
10 (A) a certified minority or women owned business as provided for in law
11 or (B) if not such a certified minority or women owned business, both
12 (1) in the fiscal year prior to the year for which application for
13 coverage under this article is requested, had less than one million
14 dollars in gross revenues, and (2) provides adequate proof, as evidenced
15 by a letter of rejection or otherwise appropriate documentation, that
16 after written application for liability insurance coverage from an
17 insurer licensed in this state to provide such insurance, it has been
18 denied coverage for either the prior fiscal year, or the fiscal year for
19 which liability insurance is requested. Additionally, it shall also
20 include contractors with a gross revenue of one million dollars or more,
21 up to a limit to be determined by the safety group following actuarially
22 prudent principles, provided that such contractors can provide adequate
23 proof that they are unable to secure insurance coverage as provided for
24 herein.

25 4. "Safety group" means the New York small contractor safety group,
26 inc. established in section eight hundred sixty-three-a of this arti-
27 cle.

28 § 863-a. New York small contractor safety group, inc. pilot program.
29 There is hereby created a pilot program to be conducted by a not-for-
30 profit corporation to be known at the New York small contractor safety
31 group, inc. To the extent that the provisions of the not-for-profit
32 corporation law do not conflict with the provisions of this article, or
33 with the plan of operation established pursuant to this article, the
34 not-for-profit corporation law shall apply to the safety group, which
35 shall be a type c corporation pursuant to such law. If an applicable
36 provision of this article or of the safety group's plan of operation
37 relates to a matter embraced in a provision of the not-for-profit corpo-
38 ration law but is not in conflict therewith, both provisions shall
39 apply. The safety group shall perform its functions in accordance with
40 its plan of operation established and approved pursuant to this article
41 and shall exercise its powers through the board herein established.

42 § 863-b. Management of the safety group; board of directors. 1. Within
43 forty-five days after the effective date of this article, there shall be
44 appointed the board of the safety group, which board shall have the
45 authority to manage the business and affairs of the safety group. The
46 board shall consist of nine directors, three of whom shall be selected
47 by the governor, two of whom shall be appointed by the temporary presi-
48 dent of the senate, two of whom shall be appointed by the speaker of
49 assembly, one of whom shall be appointed the minority leader of the
50 senate, and one of whom shall be appointed by the minority leader of the
51 assembly. Each member of the board shall be appointed for a term of
52 three years, provided however, that of the initial members appointed,
53 the members selected by the governor shall have a term of three years,
54 the members appointed by the temporary president of the senate and the
55 minority leader of the assembly shall be appointed for a term of two
56 years, and the members appointed by the speaker of the assembly and the

1 minority leader of the senate shall be appointed for a term of one year.
2 Members who are appointed shall have experience in one or more of the
3 fields of organized labor, construction, public bidding, work safety or
4 any other construction related fields, and have in their professional
5 capacity demonstrated a willing and conscientious effort to promote work
6 safety and fair and equitable treatment of workers and management.

7 2. The board shall have the power to remove for cause any director.
8 The authority that appointed a director shall have the power to remove
9 such director for cause or without cause. At the expiration of a direc-
10 tor's term, the authority that appointed such director shall re-appoint
11 such director for an additional term or appoint a new director for such
12 subsequent term. A vacancy occurring in a director position shall be
13 filled by the authority that originally made such selection or appoint-
14 ment. A vacancy in any one or more of the director positions shall not
15 prevent the remaining directors from transacting any business, provided
16 a quorum is presented and voting.

17 3. All of the directors shall have equal voting rights and five or
18 more directors shall constitute a quorum, provided that if the number of
19 directors in office is fewer than five, a quorum shall consist of the
20 number of directors in office. The affirmative vote of five directors
21 shall be necessary for the transaction of any business or the exercise
22 of any power or function of the safety group, provided that if the
23 number of directors in office is fewer than five, the affirmative vote
24 of all directors in office shall be necessary for the transaction of any
25 business or the exercise of any power or function of the safety group.
26 The board may delegate to one or more of its directors, officers, agents
27 or employees such powers and duties as it may deem proper.

28 4. For their attendance at meetings, the directors of the safety group
29 shall be entitled to compensation, as authorized by the board, in an
30 amount not to exceed two hundred dollars per meeting per director and to
31 reimbursement of their actual out-of-pocket expenses. Directors of the
32 safety group, except as otherwise provided by law, may engage in private
33 or public employment or in a profession or business.

34 5. The safety group shall indemnify and hold harmless each director
35 and officer of the safety group from all liability, claims, or damages
36 by reason of his or her acts or omissions in connection with the
37 performance of his or her duties as a director or officer of the safety
38 group to the fullest extent permitted by the not-for-profit corporation
39 law, and, in furtherance thereof, the safety group shall obtain direc-
40 tor's and officer's liability insurance coverage on terms consistent
41 with section seven hundred twenty-six of the not-for-profit corporation
42 law.

43 § 863-c. Plan of operation. 1. Within ninety days after the effective
44 date of this article, the safety group shall file with the commissioner
45 of labor and the superintendent of financial services its plan of opera-
46 tion, which shall be designed to assure the fair, reasonable and equita-
47 ble administration of the safety group. The plan of operation and any
48 subsequent amendments thereto shall be filed with the commissioner of
49 labor and the superintendent of financial services, who shall have nine-
50 ty days to approve or reject any proposal contained in such plan which
51 they jointly determine does not conform to the intent of this article.
52 Upon transmission to the safety group of such objections the group shall
53 modify the plan accordingly and the plan shall then become operative.

54 2. The plan of operation shall constitute the by-laws of the safety
55 group and shall, in addition to the requirements enumerated elsewhere in
56 this article, (a) establish procedures for collecting and managing the

1 assets of the safety group; (b) establish regular places and times for
2 meetings of the board of directors and the members; (c) establish
3 accounting and record-keeping procedures for all financial transactions
4 of the safety group, its agents and the board of directors; (d) estab-
5 lish a procedure for determining and collecting the appropriate amount
6 of assessments and surcharges under this article; (e) set forth the
7 procedures by which the safety group may exercise the audit rights
8 granted to it under this article; (f) establish procedures for the
9 creation of a safety program, risk management program and such other
10 programs for the safety group's members as the board deems appropriate;
11 (g) establish procedures for expelling members who fail to satisfy the
12 safety group's safety compliance rules which rules shall provide for
13 grace periods of coverage after expulsion as determined fair and equita-
14 ble by the group; (h) establish rules for the calculation of membership
15 fee assessments; and (i) contain such additional provisions as the board
16 may deem necessary or proper for the execution of the powers and duties
17 of the safety group.

18 § 863-d. Membership. Membership in the safety group shall be open to
19 all small contractors initially admitted as members of the group and all
20 small contractors who thereafter apply for insurance coverage and are
21 determined to be eligible for insurance coverage as provided by the
22 group and, as provided in the plan of operation. The safety group shall
23 provide to its members a copy of the plan of operation and any subse-
24 quent amendments and shall inform its members of their rights and duties
25 as members of the safety group.

26 § 863-e. Securing coverage. 1. Within two hundred seventy days after
27 the effective date of this article, the safety group shall take such
28 actions as are necessary to purchase liability insurance. Limitations on
29 coverage and other specific requirements for any such policy of liabil-
30 ity insurance purchased by the group shall be as provided for in the
31 plan of operation. No later than thirty days after the commencement of a
32 new policy year the safety group shall file with the commissioner of
33 labor, and the superintendent of financial services a copy of the group
34 policy it has purchased for that year.

35 2. The safety group may also purchase a group policy for excess
36 liability insurance coverage on behalf of those of its members desiring
37 such excess liability insurance coverage.

38 § 863-f. Assessment of safety group members. 1. In order to meet the
39 obligations and pay (a) the costs of the group general liability insur-
40 ance policy purchased pursuant to this article and (b) its expenses in
41 carry out its powers, duties and obligations under this article, the
42 safety group shall ascertain by reasonable estimate the total funding
43 necessary to carry on its operations. Based upon such estimation, the
44 safety group shall assess its members a membership fee, to fairly
45 reflect the cost of the liability insurance coverage procured by the
46 safety group and the administration of the safety group. Fees shall be
47 collected annually or more often as determined by the safety group upon
48 written notice that they shall be due within sixty days of the date upon
49 which such notice is received. The safety group shall determine the
50 basis for calculating such fees in accordance with rules set forth in
51 the plan of operation, which rules shall be applied in a fair and equi-
52 table manner, and in an open and transparent manner so as to make known
53 the basis upon which such calculations have been made. Upon calculation
54 of the fee each member must pay, from within amounts appropriated by
55 law, the state shall make an initial capital contribution to the safety
56 group in an amount equal to fifty percent of the amount of the fee so

1 assessed for the purpose of providing initial capitalization of the
2 safety group which will enable it to conduct business in a financially
3 prudent manner, provided however, that the amount of such initial
4 capitalization provided by the state shall not exceed twenty-five
5 million dollars.

6 2. Should the safety group determine that the membership fees that
7 have been paid to it are inadequate to meet its obligations under this
8 article, the safety group shall determine the amount required to elimi-
9 nate such deficiency. Based upon such amount, the safety group shall
10 assess its members a surcharge, calculated on a similar basis as above
11 determined for the original membership fee, in accordance with rules set
12 forth in the plan of operation.

13 3. To pay the costs of any excess liability insurance coverage
14 purchased pursuant to this article, the safety group shall assess those
15 of its members who wish to obtain such excess liability insurance a
16 separate fee, calculated in accordance with rules set forth in the plan
17 of operation.

18 § 863-g. Audit authority. The safety group shall have the power
19 directly or through its representatives to inspect the books and records
20 of its members to verify (a) compliance with the requirements of member-
21 ship in the safety group and (b) the accuracy of information furnished
22 to the safety group. The safety group or its representatives shall be
23 afforded convenient access at all reasonable hours to all books, records
24 and other documents of its members that may be relevant to such audits.
25 In addition the comptroller of this state shall have the authority to
26 periodically audit the books and records of the safety group in order to
27 ensure its compliance with the law.

28 § 863-h. Financial oversight of the safety group. No later than April
29 first of each year, the safety group shall submit to the commissioner of
30 labor and the superintendent of financial services certified financial
31 statements prepared in accordance with generally accepted accounting
32 principles by a certified public accountant. The members of the safety
33 group shall be required on and after January first of each year to
34 afford a certified public accountant convenient access at all reasonable
35 hours to all books, records and other documents that may be relevant to
36 the preparation of such statements. Such commissioner and superintendent
37 are hereby authorized to undertake such studies and investigations it
38 deems warranted to ensure the safety group is complying with all appli-
39 cable state laws.

40 § 863-i. Exemption from taxes. The safety group shall be exempt from
41 payment of all fees and taxes levied by the state or any of its subdivi-
42 sions, except taxes levied on real property.

43 § 863-j. Mandatory work safety program attendance and participation.
44 In order to effectively carry out the intent of this article to provide
45 liability insurance to small contractors, members of the safety group
46 shall be required to attend and participate in work and job site safety
47 training and satisfy the safety group's safety compliance rules as a
48 condition to their membership. Any member who fails or refuses to extend
49 its full cooperation in attending or participating in such program or
50 satisfying such safety compliance rules may be terminated from the
51 group, or suspended until it brings itself into compliance. The safety
52 group, in establishing the components of the program may utilize the
53 expertise of large contractors' work and job safety programs, or the
54 services of other experts in the field.

55 § 863-k. Expiration of pilot program. The provisions of this article
56 shall for all purposes be conducted in the manner of a pilot program

1 which shall expire and be of no further force and effect on and after
2 the date occurring five years after the date upon which this article
3 shall have become a law, unless duly extended or made permanent by the
4 legislature. One year prior to such date of expiration, the safety group
5 shall submit a detailed analysis of the operation and effectiveness of
6 the program to the temporary president of the senate, the speaker of the
7 assembly, the commissioner of labor, and the superintendent of financial
8 services for the purposes of amending, revising, adding to or in any
9 manner altering the provisions of this article, the plan of operation
10 then in effect or any other significant changes to law, rule or regu-
11 lation which would improve the provision of liability coverage afforded
12 to insureds pursuant to the insurance policies provided by the safety
13 group.

14 § 863-1. Rules and regulations. The commissioner of labor on notice to
15 the superintendent of financial services is hereby authorized to promul-
16 gate any regulations as may be necessary for the proper implementation
17 of this article.

18 § 3. The workers' compensation law is amended by adding a new section
19 87-j to read as follows:

20 § 87-j. Authority to issue general liability insurance to the New York
21 small contractor safety group, inc. 1. The state insurance fund is here-
22 by authorized to issue policies of general liability insurance and
23 liability excess insurance policies, as needed, to the New York small
24 contractor safety group, inc. in order to enable such not-for-profit
25 corporation to provide coverage to members of the safety group.

26 2. A separate fund shall be created within the state insurance fund,
27 which shall be known as the "New York small contractor safety group
28 fund" (the "safety group fund"), and which shall consist of all premiums
29 received and paid into the safety group fund on account of the general
30 liability insurance and the liability excess insurance policies to the
31 safety group, all property and securities acquired by and through the
32 use of moneys belonging to the safety group fund, and of interest earned
33 upon moneys belonging to the safety group fund. The assets and liabil-
34 ities of the safety group fund shall be and remain separate and apart
35 from the assets and liabilities of the state insurance fund and its
36 other funds, and no moneys of the safety group fund shall be transferred
37 to the state insurance fund and its other funds. The safety group fund
38 shall be exempt from payment of all fees and taxes levied by the state
39 or any of its subdivisions, except taxes levied on real property.

40 3. An annual per centum of the premiums collected from the safety
41 group shall be set aside towards the surplus of the safety group fund
42 until such time as in the judgment of the commissioners such surplus
43 shall be sufficiently large to both (a) provide for adequate loss
44 reserves and (b) return to the state the amount of the initial appropri-
45 ation made by law to provide state funds for the establishment and
46 administration of the chapter of the laws of two thousand nineteen which
47 established the New York small contractor safety group, inc. at which
48 time that amount shall be repaid to the state as provided for in the
49 appropriation contained in such chapter. Thereafter the contribution to
50 such surplus may be reduced or discontinued conditional upon constant
51 maintenance of a sufficient surplus to provide against catastrophe.
52 Reserves shall be set up and maintained adequate to meet anticipated
53 losses and carry all claims and policies to maturity.

54 4. The entire expense of administering the safety group fund shall be
55 paid out of the safety group fund, which expenses shall be determined on
56 an equitable basis with due allowance for the division of overhead

1 expenses between the safety group fund and the state insurance fund and
2 its other funds. There shall be submitted to the director of the budget
3 quarterly financial statements on a calendar year basis. In no case
4 shall the amount of administrative expenditures so authorized for an
5 entire year from the safety group fund exceed twenty-five per centum of
6 the earned premiums from the safety group fund for that year.

7 § 4. The sum of twenty-five million dollars (\$25,000,000), or so much
8 thereof as may be necessary, is hereby appropriated from any moneys in
9 the state treasury in the general fund to the credit of the state
10 purposes account not otherwise appropriated to the state insurance fund
11 for the initial capital of the New York small contractor safety group
12 fund in carrying out the provisions of this act. Such sum shall be paya-
13 ble on the audit and warrant of the state comptroller on vouchers certi-
14 fied or approved in the manner provided by law. No expenditure shall be
15 made from this appropriation until a certificate of approval of avail-
16 ability shall have been issued by the director of the budget and filed
17 with the state comptroller and a copy filed with the chairman of the
18 senate finance committee and the chairman of the assembly ways and means
19 committee. Such certificate may be amended from time to time by the
20 director of the budget and a copy of each such amendment shall be filed
21 with the state comptroller, the chairman of the senate finance committee
22 and the chairman of the assembly ways and means committee. The director
23 of the budget shall not issue any certificate of appropriation of avail-
24 ability until the safety group fund has entered into a written agreement
25 with the director of the budget providing for repayment by such corpo-
26 ration to the state of New York of an amount equal to the total amount
27 expended by the state from the appropriation made herein. Such repayment
28 may be made over a number of years as agreed to by the director of the
29 budget and the safety group fund, and as necessary it may be amended
30 from time to time as the director of the budget and the safety group
31 fund agree. A copy of each such agreement and any amendment shall be
32 filed with the state comptroller, the chairman of the senate finance
33 committee and the chairman of the assembly ways and means committee.

34 § 5. This act shall take effect immediately.