

SENATE JUDICIARY COMMITTEE
Senator Thomas Umberg, Chair
2023-2024 Regular Session

SB 1454 (Ashby)
Version: April 11, 2024
Hearing Date: April 23, 2024
Fiscal: Yes
Urgency: No
AWM

SUBJECT

Alarm company operators

DIGEST

This bill is the legislative sunset review of the Bureau of Security and Investigative Services (Bureau) which, among other things, extends the sunset date on the provisions allowing a limited liability company (LLC) to be issued a license to operate as a private investigator or an alarm company operator, if certain conditions are met, until January 1, 2030.

EXECUTIVE SUMMARY

The Bureau of Security and Investigative Services began as the Detective Licensing Board in the early 20th century, when it was created to license and regulate private detectives. Since then, its jurisdiction has expanded to cover a number of professions related to security: alarm company operators, repossession agencies, locksmiths, private investigators, and private and proprietary security services. The Bureau is subject to Legislative review every five years; this bill is the sunset review. The bill also clarifies certain issues within the Bureau's purview relating to federally recognized tribal entities; these matters were considered by the Senate Business, Professions and Economic Development Committee, which passed this bill with a vote of 12-0.

This bill is before this Committee because of matters relating to LLCs. Under current law, the Bureau may issue licenses to operate as a private investigator or as an alarm company operator to LLCs. Because of concerns about LLCs operating as businesses – namely, the limitations on liability that could prevent a party harmed by the licensee from being made whole – these provisions are set to sunset on January 1, 2025. While the Legislature has established certain measures to ensure that LLC-licensees carry insurance to cover judgments against them, information reported by the Bureau shows that many licenses failed to respond to inquiries about whether there were any claims against them that resulted in a claim on insurance. Accordingly, this bill, as part of the

Bureau's sunset review, extends, rather than eliminates, the sunsets on the LLC-licensee provisions for private investigators and alarm companies.

This bill is sponsored by the author and is supported by ADT Security Services and the California Alarm Association. The Committee has not received timely opposition to this bill.

PROPOSED CHANGES TO THE LAW

Existing law:

- 1) Establishes the California Revised Uniform Limited Liability Company Act (RULLCA), which governs domestic LLCs organized in, and foreign LLCs doing business in, California. (Corp. Code, tit. 2.6, §§ 17701.01 et seq.)
- 2) Provides that an LLC may render services that may be lawfully rendered only pursuant to a license, certificate, or registration authorized by the Business and Professions Code if the applicable provisions of the Business and Professions Code authorize a limited liability company to hold that license, certificate, or registration. (Corp. Code, § 17701.04.)
- 3) Provides that the debts, obligations, or other liabilities of an LLC, whether arising in contract or in tort, are solely the debts, liabilities, or obligations of the LLC and do not become the debts, obligations, or other obligations of a member or manager solely by reason of the member acting as a member or manager acting as a manager for the LLC. (Corp. Code, § 17703.04(a).)
 - a) A member of an LLC shall be subject to liability for the LLC's debts, liabilities, or other obligations under the common law governing alter ego liability and may be liable to the same extent as a shareholder of a corporation, except as provided. (Corp. Code, § 17703.04(b).)
- 4) Establishes within the Department of Consumer Affairs (DCA) the Bureau, which is under the supervision and control of the director of the DCA. (Bus. & Prof. Code, §6980.1.)
- 5) Provides that the powers and duties of the Bureau are subject to review by the appropriate policy committees of the Legislature; the review is required to be performed as if the Bureau's authorization were set to sunset as of January 1, 2025. (Bus. & Prof. Code, § 6981.)
- 6) Grants the Bureau administration and enforcement authority over the following professions:
 - a) Locksmiths (Bus. & Prof. Code, div. 3, ch. 8.5, §§ 6980 et seq.);
 - b) Repossessors (Bus. & Prof. Code, div. 3, ch. 11, §§ 7500 et seq.);
 - c) Private investigators (Bus. & Prof. Code, div. 3, ch. 11.3 et seq.);

- d) Proprietary security services; (Bus. & Prof. Code, div. 3, ch. 11.4, §§ 7574 et seq.);
 - e) Private security services (Bus. & Prof. Code, div. 3, ch. 11.5, §§ 7580 et seq.); and
 - f) Alarm companies (Bus. & Prof. Code, div. 3, ch. 11.6, §§ 7590 et seq.).
- 7) Establishes the Private Investigator Act (PIA), which governs the licensing, administration, and enforcement for private investigators. (Bus. & Prof. Code, div. 3, ch. 11.3, §§ 7512 et seq.)
- 8) Defines the following relevant terms within the PIA:
- a) "Director" is the Director of DCA. (Bus. & Prof. Code, § 7512.1.)
 - b) "Person" includes any individual, firm, company, LLC, association, organization, partnership, and corporation. (Bus. & Prof. Code, § 7512.3.)
 - c) "Qualified manager" means the individual under whose direction, control, charge, or management the business of a licensee is operated and who has satisfied the necessary criteria. (Bus. & Prof. Code, §§ 7512.7, 7536.)
 - d) "Member" means an individual who is a member of an LLC. (Bus. & Prof. Code, § 7512.14.)
 - e) "Manager" means an individual designated under the operating agreement of a manager-managed LLC who is responsible for performing the management functions for the LLC, as specified. (Bus. & Prof. Code, § 7512.15.)
 - f) A "private investigator" is a person, other than an insurance adjuster, who, for any consideration engages in business or accepts employment to furnish or agrees to furnish any person to protect persons, as specified, or engages in business to furnish, or agrees to make, or makes, any investigation for the purpose of obtaining information with reference to:
 - i. Crime or wrongs done or threatened against the United States of America or any state or territory of the United States of America.
 - ii. The identity, habits, conduct, business, occupation, honesty, integrity, credibility, knowledge, trustworthiness, efficiency, loyalty, activity, movement, whereabouts, affiliations, associations, transactions, acts, reputation, or character of any person.
 - iii. The location, disposition, or recovery of lost or stolen property.
 - iv. The cause or responsibility for fires, libel, losses, accidents, or damage or injury to persons or to property.
 - v. Securing evidence to be used before any court, board, officer, or investigating committee.
 - vi. Information concerning the integrity, honesty, breach of rules, or other standards of performance of job duties by the employees of an employer, when the investigator is acting for the purpose of investigating, obtaining, or reporting to the employer on this information. (Bus. & Prof. Code, § 7521.)

- 9) Establishes procedures for the Bureau to accept applications and grant licenses to operate as a private investigator, which may include an examination of the applicant. (Bus. & Prof. Code, div. 3, ch. 11.3, art. 3, §§ 7520 et seq.)
- 10) Provides that, if an applicant for a license is an LLC, the following requirements apply:
 - a) The true name and complete residence address of each member, manager, and any officer who will be active in the business to be licensed. The designated individuals must provide a personal identification form and fingerprints for a background check, as specified.
 - b) Upon request of the Bureau, the LLC must provide a certified copy of the LLC's articles of incorporation.
 - c) In the case of a manager-managed LLC, the application shall be subscribed, verified, and signed by a manager; in the case of a member-managed LLC, the application shall be subscribed, verified, and signed by a duly authorized member of the applicant and by the qualified manager thereof.
 - d) The application shall state whether any of the members, managers, officers, or the qualified manager has ever used an alias. (Bus. & Prof. Code, § 7525.1.)
- 11) Provides that, upon the issuance or renewal of a license, the licensee shall be issued an enhanced photo identification license; if the licensee is an LLC, the enhanced photo identification card shall be issued to each member, officer, and manager of the licensee active in the business and to the licensee's qualified manager. (Bus. & Prof. Code, § 7529.)
- 12) Requires, at the time an LLC applies for licensure or reassignment, the applicant to notify the Bureau that the applicant is an LLC, and the Bureau shall include this information on the DCA's license verification website. (Bus. & Prof. Code, § 7533.2.)
- 13) Requires an LLC, as a condition of the issuance, reinstatement, reactivation, or continued valid use of a license under the PIA, to maintain a policy or policies of insurance against liability imposed on or against it by law for damages arising out of claims based upon acts, errors, or omissions arising out of the alarm company service it provides. The policies shall be in the amounts as follows:
 - a) For an LLC with five or fewer persons named as members, the aggregate limit shall not be less than \$1 million.
 - b) For an LLC with more than five persons named as members, the LLC shall obtain an additional \$100,000 of insurance for each person named as members of the licensee, up to \$5 million. (Bus. & Prof. Code, § 7520.3(a), (b).)
- 14) Requires an LLC applicant or licensee, prior to the issuance, reinstatement, or activation of the LLC license, to submit the information and documentation required by the Bureau to demonstrate compliance with the financial security requirements in 13). (Bus. & Prof. Code, § 7520.3(c), (d).)

- 15) Provides that, if a licensee fails to maintain sufficient insurance as required under 13), or fails to provide proof of the required insurance upon request by the Bureau, the licensee is subject to suspension and automatically suspended until the date the licensee provides proof to the Bureau of compliance with the insurance coverage requirement.
 - a) Prior to an automatic suspension, the Bureau shall notify the licensee, in writing, that the licensee has 30 days to provide proof of the required insurance or be automatically suspended.
 - b) If the licensee fails to provide proof of insurance within the 30-day period, the Bureau may automatically suspend the license. (Bus. & Prof. Code, § 7520.3(e).)

- 16) Provides that, where the license of an LLC is suspended pursuant to 13), each member of the LLC shall be personally liable up to \$1 million for damages resulting to third parties in connection with the company's performance, during the period of suspension, of any act or contract where a license is required. (Bus. & Prof. Code, § 7520.3(f).)

- 17) Requires a licensee organized as an LLC to report annually to the Bureau the date and amount of any claims paid, during the prior calendar year, from any general liability insurance policy held pursuant to 13). (Bus. & Prof. Code, § 7520.3(g).)

- 18) Requires an LLC licensee to notify the Bureau within 30 days of any change in its members or managers designated to be active in the business or to manage the company, and of any addition of a new partner. The Bureau may suspend or revoke a license if it determines that the new officer, member, manager, or partner has committed any of the acts constituting grounds to deny a license or take disciplinary action against a licensee. (Bus. & Prof. Code, § 7533.5.)

- 19) Permits the Director to deny a license unless the applicant shows that it has not, or, in the case of an LLC, shows that its qualified manager and each of its officers, partners, members, or managers have not:
 - a) Committed any act that, if committed by a licensee, would be a ground for suspension or revocation of a license.
 - b) Committed any act constituting dishonesty or fraud.
 - c) Committed any act or crime constituting grounds for denial of licensure, including illegally using, carrying, or possessing a deadly weapon.
 - d) Been refused a license under the PIA or had a license revoked.
 - e) Been an officer, partner, qualified manager, member, or manager of any person who has been refused a license under the PIA or whose licensed has been revoked.
 - f) Knowingly made any false statement in their application. (Bus. & Prof. Code, § 7538.)

- 20) Permits the Director to refuse to issue a license to any of the following:
- a) An individual who has had any license revoked, has a license currently under suspension, or failed to renew their license while under suspension.
 - b) An individual who, while acting as a partner of a partnership, an officer or director of a corporation, or a member, manager, or officer of a limited liability company, had their license revoked, has a license currently under suspension, or failed to renew their license while under suspension.
 - c) An individual who, while acting as a partner of the partnership, an officer, director of the corporation, or a member, manager, or officer of a limited liability company meets both of the following conditions:
 - i. The individual was a partner of any partnership, an officer or director of any corporation, or a member, manager, or officer of any limited liability company whose license was revoked, is currently under suspension, or was not renewed while under suspension.
 - ii. While acting as a partner, officer, director, member, or manager, they participated in any of the prohibited acts for which the license was revoked or suspended.
 - d) An individual who is serving or has served as the qualified manager for any licensee that has had its license revoked, is currently under suspension, or failed to renew while under suspension. (Bus. & Prof. Code, § 7538.5.)
- 21) Sets forth enumerated prohibited acts by licensees and officers, directors, partners, members, managers, or qualified managers of licensees, including divulging information obtained in the course of an investigation to persons other than their client or law enforcement, using titles or insignia to give an impression they are connected with law enforcement, and entering any private building without the consent of the owner or person in legal possession. (Bus. & Prof. Code, § 7539.)
- 22) Provides that the provisions authorizing an LLC to operate as a private investigator will sunset on January 1, 2025. (Bus. & Prof. Code, §§ 7512.3, 7512.14, 7512.15, 7520.3, 7525.1, 7529, 7533.5, 7538, 7538.5, 7539.)
- 23) Establishes the Alarm Company Act (ACA), which governs the licensing, administration, and enforcement for alarm company operators and alarm agents. (Bus. & Prof. Code, div. 3, ch. 11.6, §§ 7590 et seq.)
- 24) Defines the following relevant terms within the ACA:
- a) "Alarm agent" is a person employed by an alarm company operator whose duties, being physically conducted within the state, include selling on premises, altering, installing, maintaining, moving, repairing, replacing, servicing, responding, or monitoring an alarm system, and those ancillary devices connected to and controlled by the alarm system, including supplementary smoke detectors, or a person who manages or supervises a person employed by an alarm company to perform any of the duties

- described in this subdivision or any person in training for any of the above duties. (Bus. & Prof. Code, § 7590.1(b).)
- b) "Alarm company operator" is a person who, for any consideration whatsoever, engages in business or accepts employment to install, maintain, alter, sell on premises, monitor, or service alarm systems, and those ancillary devices connected to and controlled by the alarm system, including supplementary smoke detectors, or who responds to alarm systems except for any alarm agent; and includes any entity that is retained by a licensed alarm company operator, a customer, or any other person or entity, to monitor one or more alarm systems, whether or not the entity performs any other duties within the definition of an alarm company operator. (Bus. & Prof. Code, § 7590.2)
 - c) "Alarm system" is an assembly of equipment and devices arranged to detect a hazard or signal the presence of an off-normal situation; it does not include a fire protection system, as defined in the California Fire Code. (Bus. & Prof. Code, § 7590.1(c).)
 - d) "Bureau" is the Bureau of Security and Investigative Services. (Bus. & Prof. Code, § 7590.1(f).)
 - e) "Department" is the DCA. (Bus. & Prof. Code, § 7590.1(i).)
 - f) "Licensee" is a business entity, whether an individual, partnership, LLC, or corporation licensed pursuant to the ACA. (Bus. & Prof. Code, § 7590.1(p).)
 - g) "Member" is an individual who is a member of an LLC. (Bus. & Prof. Code, § 7590.1(r).)
- 25) Establishes procedures for the Bureau to accept applications and grant licenses to operate as an alarm company operator. (Bus. & Prof. Code, div. 3, ch. 11.6, art. 4, §§ 7593 et seq.)
- 26) Provides that, if an applicant for a license is an LLC, the following requirements apply:
- a) The application shall state the true names and complete residence addresses of each member, manager, and any other officer who will be active in the business to be licensed.
 - b) The applicant must provide a copy of the articles of organization issued by the Secretary of State to the Bureau on request.
 - c) The application shall state the name and address of the designated person to be actively in charge of the business for which the license is sought.
 - d) The application shall be subscribed, verified, and signed by a duly authorized member of the applicant under penalty of perjury. (Bus. & Prof. Code, § 7593.5(a).)
- 27) Provides that 26) shall remain in effect only until January 1, 2025, and as of that date is repealed. (Bus. & Prof. Code, § 7593.5(b).)

- 28) Permits the Director of the DCA to deny a license on the grounds that the applicant has done any of the following:
- a) Knowingly made a false statement of fact required to be revealed in the application for a license.
 - b) Been convicted of a crime, as specified.
 - c) Done any act involving dishonesty, fraud, or deceit with the intent to substantially benefit themselves or substantially injure another.
 - d) Done any act which if done by a licensee would be grounds for suspension or revocation of a license.
 - e) Done any act without a license for which a license is required under the ACA.
 - f) Been refused a license under the ACA or had a license revoked.
 - g) Been an officer, partner, member, manager, or qualified manager of any person who has been refused a license under the ACA or whose license has been suspended or revoked. (Bus. & Prof. Code, § 7591.10(a).)
- 29) Permits the Director of the DCA to refuse to issue a license to an applicant pending final disposition of an investigation of criminal activity or of a disciplinary action previously filed against the person or applicant against a qualified manager, partner, member, manager, or officer of the applicant. (Bus. & Prof. Code, § 7593.6.)
- 30) Prohibits a person from being in active charge of an alarm company operating business if the individual has ever had a license revoked for cause or has ever been disqualified from further employment in the alarm company operator business pursuant to the ACA, or was a qualified manager, member, manager, or officer of a business whose license has been revoked. (Bus. & Prof. Code, § 7594.4.)
- 31) Requires a licensee to notify the Bureau within 30 days of any change of its officers, members, or managers required to be named pursuant to 26) and of any addition of a new partner; the director of the DCA may suspend or revoke a license if the director determines that the new officer, member, manager, or partner has committed any act which constitutes grounds for denial of a license under 29). (Bus. & Prof. Code, § 7599.32.)
- 32) Prohibits a licensee from conducting business as an individual, partnership, LLC, or corporation unless the licensee holds a valid license issued to that exact same individual, partnership, LLC, or corporation. (Bus. & Prof. Code, § 7599.34(a).)
- 33) Requires an LLC, as a condition of the issuance, reinstatement, reactivation, or continued valid use of a license under the ACA, to maintain a policy or policies of insurance against liability imposed on or against it by law for damages arising out of claims based upon acts, errors, or omissions arising out of the alarm company service it provides. The policies shall be in the amounts as follows:
- a) For an LLC with five or fewer persons named as members, the aggregate limit shall not be less than \$1 million.

- b) For an LLC with more than five persons named as members, the LLC shall obtain an additional \$100,000 of insurance for each person named as members of the licensee, up to \$5 million. (Bus. & Prof. Code, § 7599.34(a)-(c).)
- 34) Requires an LLC applicant or licensee, prior to the issuance, reinstatement, or activation of the LLC license, to submit the information and documentation required by the Bureau to demonstrate compliance with the financial security requirements in 33). (Bus. & Prof. Code, § 7599.34(d).)
- 35) Provides that, if a licensee fails to maintain sufficient insurance as required under 33), or fails to provide proof of the required insurance upon request by the Bureau, the licensee is subject to suspension and automatically suspended until the date the licensee provides proof to the Bureau of compliance with the insurance coverage requirement.
- a) Prior to an automatic suspension, the Bureau shall notify the licensee, in writing that the licensee has 30 days to provide proof of the required insurance or be automatically suspended.
 - b) If the licensee fails to provide proof of insurance within the 30-day period, the Bureau may automatically suspend the license. (Bus. & Prof. Code, § 7599.34(f).)
- 36) Provides that, where the license of an LLC is suspended pursuant to 35), each member of the LLC shall be personally liable up to \$1 million for damages resulting to third parties in connection with the company's performance, during the period of suspension, of any act or contract where a license is required. (Bus. & Prof. Code, § 7599.34(g).)
- 37) Requires a licensee organized as an LLC to report annually to the Bureau the date and amount of any claims paid, during the prior calendar year, from any general liability insurance policy held pursuant to 35). (Bus. & Prof. Code, § 7599.34(h).)
- 38) Requires a licensee to provide to the DCA a report of any violent incident involving a dangerous weapon caused by or occurred upon a licensee or any officer, partner, member, manager, qualified manager, or employee while acting in the scope of their employment, as specified; and requires a licensee to provide to the DCA a copy of any civil judgment against the licensee or any officer, partner, member, manager, qualified manager, or employee for any act done in the course and scope their employment. (Bus. & Prof. Code, §§ 7599.42, 7599.43.)
- 39) Provides that, commencing January 1, 2025, a licensee shall not conduct business under the ACA as an LLC. (Bus. & Prof. Code, § 7599.345.)

This bill:

- 1) Extends the date for the review of the Bureau to be performed until January 1, 2029.

- 2) Extends the authorization for a licensee to conduct business under the ACA as an LLC until January 1, 2030.
- 3) Exempts, from the registration requirement for proprietary security officers, a federally recognized tribe or security person employed by a federally recognized tribe.
- 4) Expands the definition of who may obtain a license as a private security service to include a federally recognized tribe.

COMMENTS

1. Author's comment

According to the author:

This bill is one of five sunset bills sponsored by the Author. According to the Author, "this bill is necessary to make changes to the Bureau of Security and Investigative Services to improve oversight of the regulated professions under the jurisdiction of the Bureau."

2. This bill is the Business, Professions and Economic Development Committee's sunset review of the Bureau

The Bureau of Security and Investigative Services, housed within the DCA, oversees a range of professions, including locksmiths, private investigators, and private security services. The Legislature is required to review the Bureau's powers and duties at regular intervals.¹ The Senate Business, Professions and Economic Development Committee has conducted a thorough review of the Bureau's functions. As part of its review, the Senate Business, Professions and Economic Development Committee also added exempting or including federally recognized tribes, as appropriate, to the Bureau's licensing and registration authority. The reasons for those changes are set forth in the Senate Business, Professions and Economic Development Committee's analysis of this bill, which is incorporated herein by reference.

This Committee has jurisdiction over this bill because of private investigators and alarm company operators.

3. The legislative history of licensing LLCs as private investigators and alarm companies

Although entities – such as corporations and LLCs – are treated as legal persons in many contexts, the state has placed limits on when, and under what conditions, an LLC

¹ Bus. & Prof. Code, § 7511.5.

may render services that require a license.² These limits are intended to ensure that the LLC structure – which, as the name suggests, limits the members’ and managers’ liability – is not used to prevent a person injured by the LLC from collecting on the judgment.

The Legislature first approved LLCs to be licensed as alarm company operators in 2012³ and to be licensed as private investigators in 2014.⁴

An LLC wishing to obtain a license as an alarm company business must provide the Bureau with a range of information about its members and managers, and can be denied, or lose, a license if its members or managers engage in certain bad acts.⁵ Additionally, an LLC, as a condition of licensure, must maintain general liability insurance of \$1 million for an LLC of up to five members, with another \$100,000 of coverage for each additional member, with a maximum required coverage of \$5 million.⁶ Failure to maintain the required insurance coverage can result in suspension of the LLC’s license, and members of the LLC can each be liable for up to \$1 million of the LLC’s damages during the period while the license is suspended.⁷

The statutes authorizing LLCs to be licensed as private investigators and alarm company operators are subject to a sunset that has been extended several times.⁸ On several occasions, the Committee analysis noted the lack of information regarding whether the insurance requirement was set at an appropriate level to protect consumers.⁹ In 2018, the Committee amended a bill extending the LLC licensing provisions for alarm companies to include a reporting requirement for LLC licensees (private investigators and alarm companies) and the Bureau to try to obtain more data on whether the existing insurance limits are sufficient.¹⁰ The bill also required alarm company operators organized as LLCs to report annually to the Bureau the date and amount of any claims paid on its general liability insurance policies.¹¹

² See Corp. Code, § 17701.04.

³ See SB 1077 (Price, Ch. 291, Stats. 2012).

⁴ See AB 1608 (Olsen, Ch. 669, Stats. 2014).

⁵ E.g., Bus. & Prof. Code, §§ 7538, 7538.5, 7539, 7593.5, 7593.6, 7594.4, 7599.32, 7599.34.

⁶ *Id.*, §§ 7520.3(b), 7599.34(b), (c).

⁷ *Id.*, §§ 7520.3(e), (f), 7599.34(f), (g).

⁸ See “Prior legislation” section.

⁹ See Sen. Com. on Judiciary, Analysis of Sen. Bill. No. 904 (2017-2018 Reg. Sess.) as amended April 5, 2018, pp. 7-8; Sen. Com. on Judiciary, Analysis of Sen. Bill No. 559 (2017-2018 Reg. Sess.) as amended Apr. 6, 2017, p. 9.

¹⁰ Sen. Com. on Judiciary, Analysis of Sen. Bill. No. 904 (2017-2018 Reg. Sess.) as amended April 5, 2018, pp. 8-9.

¹¹ SB 904 (Wieckowski, Ch. 406, Stats. 2018).

The report issued by the Bureau in 2023, unfortunately, showed that a significant number of licensees failed to inform the Bureau of whether they had had any claims made on their insurance.¹² As shown in the charts from the report:¹³

Year	Total New Private Investigator LLC Licenses Issued	Responses from Licensee to Bureau Indicating There Was No Insurance Claim Made On License	Non-Response From Licensee To Bureau	Insurance Claims Paid
2022	23	23	0	0
2021	23	7	16	0
2020	23	12	11	0
2019	35	29	6	0
2018	107	84	23	0

Year	Total New Alarm Company Operator LLC Licenses Issued	Responses from Licensee to Bureau Indicating There Was No Insurance Claim Made On License	Non-Response From Licensee To Bureau	Insurance Claims Paid
2022	15	15	0	0
2021	23	5	18	0
2020	20	10	10	0
2019	31	12	19	0
2018	101	4	97	0

Thus, while there is no record of an insurance claim being paid out by an LLC licensed as an alarm company operator, there is a significant amount of missing information. The response rate is particularly low for alarm company operators: the overall response is below 25 percent across the five years of reporting.

In 2022, the Senate Business, Professions and Economic Development Committee added a requirement that private investigator licensees organized as LLCs report annually to the Bureau the date and amount of any claims paid during the prior calendar year from any general liability insurance policy held pursuant to the requirement described above.¹⁴ This bill brought the reporting requirement for private investigator-LLCs into conformity with the requirements for alarm company-LLCs.

¹² See DCA, Bureau of Security and Investigative Services, Report re Business and Professions Code section 7599.35 (Jul. 7, 2023).

¹³ *Ibid.*

¹⁴ SB 1495 (Senate Business, Professions and Economic Development Committee, Ch. 511, Stats. 2022).

4. This bill extends sunset on the provisions allowing LLCs to be licensed as private investigators and alarm company operators until January 1, 2030

For this Committee's purposes, this bill extends the sunsets on the provisions allowing LLCs to be licensed as private investigators and alarm company operators until January 1, 2030.

Stakeholders have suggested that the sunsets could be removed entirely. As discussed above, however, this Committee's attempts to obtain information about the adequacy of the insurance policy requirements for these bills have – again – been only partially successful. It therefore appears that it is still premature to make LLC-licensees a permanent fixture. The professions in question are granted the right to access people's most intimate spaces and information and, in the case of private investigators, carry firearms.¹⁵ Additionally, a discussion of removing the sunset would require a discussion of whether the \$1 million general insurance requirement is still sufficient in light of inflation, and whether there should be a mechanism to ensure that it is increased at regular intervals. As such, stakeholders may wish to seek the removal of the sunset in a standalone bill, where these issues can be front and center.

SUPPORT

ADT Security Services
California Alarm Association

OPPOSITION

None received

RELATED LEGISLATION

Pending Legislation: None known.

Prior Legislation:

SB 1443 (Roth, Ch. 625, Stats. 2023) among other things, extended the January 1, 2024, sunset on a licensee's authorization to conduct an alarm company or private security business as an LLC until January 1, 2025.

SB 1495 (Business, Professions and Economic Development Committee, Ch. 511, Stats. 2022) among other things, required LLCs licensed as private investigators to annually report to the Bureau the date and amount of any claims paid during the prior calendar

¹⁵ See Bus. & Prof. Code, § 7542.2.

year from any general liability insurance policy, and exempted the information from disclosure under the California Public Records Act.

SB 1474 (Business, Professions and Economic Development Committee, Ch. 312, Stats. 2020) among other things, extended the sunset on the provisions allowing an LLC to be licensed as a private investigator until January 1, 2024.

SB 904 (Wieckowski, Ch. 406, Stats. 2018) extended the January 1, 2019, sunset on a licensee's authorization to conduct an alarm company business as an LLC until January 1, 2024, and added the requirements that LLC licensees report on their insurance claims to the Bureau and that the Bureau report that information to the Legislature on or before January 1, 2023.

SB 559 (Morrell, Ch. 569, Stats. 2017) extended the sunset on the provisions allowing an LLC to be licensed as a private investigator until January 1, 2021, and required LLC licensees, between July 2018 and January 1, 2021, to report paid or pending claims against its liability insurance to the Bureau and for the Bureau to publish that information on its website.

SB 177 (Wieckowski, Ch. 140, Stats. 2015) extended the January 1, 2016, sunset on a licensee's authorization to conduct an alarm company business as an LLC until January 1, 2019.

AB 1608 (Olsen, Ch. 669, Stats. 2014) authorized LLCs to obtain private investigator licenses and required LLCs to maintain specified insurance coverage. The bill included a January 1, 2018, sunset date.

SB 1077 (Price, Ch. 291, Stats. 2012), among other things, authorized a licensee to conduct an alarm company business as an LLC and required LLC licensees to maintain specified insurance coverage. The bill included a January 1, 2016, sunset date.

PRIOR VOTES:

Senate Business, Professions and Economic Development Committee (Ayes 12, Noes 0)
