Objectives

By the end of this session, you will be familiar with general Professional Employer Organization (PEO) policy structures and their Proof of Coverage and experience rating requirements by state.
Agenda

- Underwriting Terms and Rules
- Policy and POC Reporting Requirements
- Bringing It Together—Policy Issuance
- Policy Changes and Experience Rating
- Bringing It Together—Subsequent Changes
- Regulatory Focus
- Industry Resources
- State-Specific Requirements
Professional Employer Organization

A business entity that enters into agreements with other businesses, whether under a formal contract or otherwise

Regardless of the terminology used by the parties to describe the relationship

Under which the PEO assumes or shares employment responsibilities for all or a significant number of work-site employees of the other business

Does not include a business entity that recruits and hires its own employees; assigns them on a temporary basis; and customarily attempts to reassign when finishing an assignment

NAIC Definition
Contractual Agreement

AGREEMENT made ____________, 20__, between Sources, Inc., a Florida Corporation with principal offices at 901 Peninsula Circle North, Boca Raton, Florida 33431,

(herein “Client”)

1. STAFFING
   SOURCES, INC. hereby agrees to furnish to Client, and Client hereby agrees to engage from Sources, Inc., staffing for all the Job Function Positions outlined in the Confidential Listing attached, upon following terms and conditions.

2. TERM OF AGREEMENT
   This Agreement shall be effective at 12:01 a.m., Eastern Time on ____________, at which time Sources shall become employer of Client’s workforce. This agreement shall be void if the Client fails to timely report the first week’s wages, and also if the Client fails to satisfy the terms of this agreement. This agreement shall remain in force for the initial term of 2 years from the effective date of the agreement. This Agreement is subject to early termination by either Sources, Inc., or by the Client upon thirty (30) days written notice to the other party of such termination; or by either Sources, Inc., or by the Client immediately upon written notice to the other, if there is a breach of this Agreement. Termination of this Agreement shall cause immediate termination of all employees’ benefits and workers compensation coverage.

3. SERVICE FEES AND PAYROLL REPORTING
   (A) Client shall pay Sources, Inc. a unified Service Fee which is itself based upon the gross payroll of Sources, Inc. employees.

Client Company

An entity that obtains all or part of its workforce for a fee, pursuant to an agreement, from another entity (PEO arrangement)

Also referred to as:
- Work-Site Employer
- Lessee
Leased Worker

Leased Worker

Client Company

PEO

Direct Workers

Leased Worker

Client Company

PEO

Nonleased Workers

Administrative Staff
Common Policy Types

- Multiple Coordinated Policies
  - Multiple PEO Policies
- Master Policy
- Client Direct Purchase

Multiple Coordinated Policies (MCP)

- Separate policy issued for each client company
- Policy issued to PEO company (umbrella)
- Billing//notification sent to PEO
- Each client mod applied
- Common policy expiration date

Insurer

PEO

ABC Client

DEF Client

XYZ Client
Multiple PEO Policies

- Separate policy issued for each client company
- May have naming convention (e.g. LCF = Labor Contractor For)
- Billing/notification sent to PEO
- Each client mod applied

Master Policy Model

- Insurer
- PEO
- ABC Client
- DEF Client
- XYZ Client
Client Direct Purchase Model

- Insurer
- ABC Client

NCCI Underwriting Manuals

**Basic Manual for Workers Compensation and Employers Liability Insurance**
- Rule 3-D for Voluntary Market—State Specific
- Rule 4-B for Residual Market

**Forms Manual of Workers Compensation and Employers Liability Insurance**
- Applicable Endorsements
Policy Endorsements

There are various endorsements that may be utilized when writing a PEO:

- Residual market-specific
- State-specific
- Policy type-specific (MCP, Multiple PEO Policies, and Master)
- Leased or nonleased workers (direct workers)
**PEO State-Specific Guide**

Information is available for clickable states below. Information for some states is unavailable where existing laws and rules do not specify treatment of these arrangements. If you prefer not to use the map below, select list format.

To review a particular state’s statutes for more details regarding the treatment of employees leasing companies, please see the Cornell Law Library’s web site: [http://www.law.cornell.edu/statutes.html](http://www.law.cornell.edu/statutes.html)
NCCI’s Basic Manual Rule 1-D-3-f

Employee Leasing, Labor Contractors, and Temporary Labor Services

- Workers assigned to clients must be classified the same as direct employees of the client performing the same or similar duties

- If the client has no direct employees performing the same or similar duties, leased employees are classified as if they were direct employees of the client entity
Underwriting Take-Aways

• NCCI’s Basic Manual
  • Rule 3-D or 4-B
  • Standard Policy Issuance (e.g., Rule 1 for classification)

• NCCI’s Forms Manual
  • State Specific
  • National

• NCCI’s Guide to State Specific Requirements
  • Policy Types
  • Forms

Policy Types Quiz

What PEO arrangement involves multiple policies in the names and FEINs of the clients, common expiration dates, and are coordinated to the PEO by endorsement?
Policy Types Quiz

What PEO arrangement consists of a single policy with the PEO as the primary insured, it covers the PEO and all of its clients, and aggregated data is reported?

Policy Types Quiz

This PEO arrangement involves separate policies for each client, but they are each issued in the name of the PEO with a reference to the client name. They also can have different insurers and expiration dates.
Policy Reporting Questions

Is it a Nonemployee Leasing or Employee Leasing Policy?

Who is the First Named Insured, the PEO or Client Company?

What types of employees/workers are covered? Leased, Nonleased, Direct?

If leased, are there leased workers of multiple client companies being covered?
Employee Leasing Policy Type Code

WCPOLS Header Record

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Nonemployee Leasing Policy</td>
</tr>
<tr>
<td>2</td>
<td>Employee Leasing Policy—For Leased Workers of Multiple Client Companies</td>
</tr>
<tr>
<td>3</td>
<td>Employee Leasing Policy—For Nonleased Workers of Employee Leasing Company</td>
</tr>
<tr>
<td>4</td>
<td>Employee Leasing Policy—Client Company Policy for Leased Workers of Client Company</td>
</tr>
<tr>
<td>5</td>
<td>Employee Leasing Policy—For Leased Workers of a Single Client Company</td>
</tr>
<tr>
<td>6</td>
<td>Client Company Policy—For Nonleased Workers of Client Company</td>
</tr>
<tr>
<td>7</td>
<td>Client Company Policy—For Leased and Nonleased Workers of Client Company</td>
</tr>
<tr>
<td>8</td>
<td>Employee Leasing Policy—For Leased Workers of Multiple Client Companies</td>
</tr>
</tbody>
</table>

Employee Leasing Policy Type Code 1

Non-Employee Leasing Policy

- Employers covered under this policy are not part of an employee leasing arrangement.
Employee Leasing Policy Type Code 2

Employee Leasing Policy—For Leased Workers of Multiple Client Companies

- PEO is first named insured
- Leased workers of multiple client companies
- May include PEO’s administrative staff (direct workers)

Master Policy

Employee Leasing Policy Type Code 3

Employee Leasing Policy—For Nonleased Workers of Employee Leasing Company

- PEO is first named insured
- PEO’s administrative staff (direct workers) only

- Multiple Coordinated Policies
- Multiple PEO Policies
Employee Leasing Policy Type Code 4

Employee Leasing Policy—Client Company Policy for Leased Workers of Client Company

- Client company is first named insured
- Leased workers of single client company

Employee Leasing Policy Type Code 5

Employee Leasing Policy—For Leased Workers of a Single Client Company

- PEO is first named insured
- Leased workers of single client company

- Multiple PEO Policies
- May have LCF naming convention
Employee Leasing Policy Type Code 6

Client Company Policy—For Nonleased Workers of Client Company

- Client company is first named insured
- Client company’s nonleased workers (direct workers)

- Multiple Coordinated Policies
- Multiple PEO Policies

Employee Leasing Policy Type Code 7

Client Company Policy—For Leased and Nonleased Workers of Client Company

- Client company is first named insured
- Client company’s leased and nonleased workers

Client Direct Purchase
Employee Leasing Policy Type Code 8

- PEO is first named insured
- Leased workers of multiple client companies
- Does not include PEO’s administrative staff (direct workers)

PEO or Client Company Code

**WCPOLS Name Record**

For Employee Leasing Policy Type Codes 2—8
- P—Professional Employer Organization Company Name
- C—Client Company Name

For Employee Leasing Policy Type Code 1
- Leave blank
Name and Address Linking

- Employer record is created by linking a legal name to its legal address or job location
- Ensures that each POC state receives POC data for only those employers to be reported to the state
- Names and addresses that are not linked or are linked improperly will generate a Data Grade 7 error
- A Data Grade 7 error could result in the data not being sent or being rejected by the state

Name Link Identifier

WC POLS Name Record

- Three-digit code assigned to each employer covered on the policy
- Primary insured name on the Information Page is always Name Link Identifier 001
- For each additional employer, increase the Name Link Identifier by 1 (e.g., 002, 003, 004, etc.)
- Same Name Link Identifier is assigned to multiple names of the same employer operating at the same address (e.g., d/b/a, t/a, etc.)
Continuation Sequence Number

- **WCPOLS Name Record**
- Three-digit code assigned to each name of the same employer
- Considered a “record count” of each name with the same Name Link Identifier

Same Name Link Identifier is assigned to multiple names of the same employer operating at the same address (e.g., d/b/a, t/a, etc.)

Example

Julie PEO Company Inc. d/b/a PEO Resources USA

<table>
<thead>
<tr>
<th>Julie PEO Company Inc</th>
<th>PEO Resources USA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name Link Identifier 001</td>
<td>Name Link Identifier 001</td>
</tr>
<tr>
<td>Continuation Sequence Number 001</td>
<td>Continuation Sequence Number 002</td>
</tr>
</tbody>
</table>
Name Link Identifier

WCPOLS Address Record

Three-digit code assigned to address/location that corresponds to the name doing business at that address/location

Name Link Identifier on Address Record must match Name Link Identifier on corresponding Name Record

Same Name Link Identifier is assigned for all locations associated to the same name

For multiple employers (different Name Link Identifier) operating at same address, that address is reported multiple times

Name Link Counter Identifier

1,000+ Unique Employers (e.g., Master Policy)

- Two-byte field located on Name Record and Address Record
- Report 00 or 01 for first 999 names
- Increase by 1 for next set of 999 names
- May be zero-filled (00) or left blank if 999 or fewer names
- Name Link Counter Identifier on Name Record must match Name Link Counter Identifier on corresponding Address Record
Naming Standardization

Name Standardization

- Names split after:
  - INC, Corp, LLC, LLP, CO, LTD, ASSOC, etc.

- Acronyms always moved to the end:
  - DBA, AKA, ATA, FKA, TA, etc.
  - LWF (Lease Workers For)
  - LCF (Labor Contractor For)

- Drops:
  - (And other brackets), Attention:, etc.

Naming Convention

- Multiple PEO Policies
  - Each separate policy is issued in the name and FEIN of the PEO, making reference to the client name
    - Example: “ABC PEO, for leased workers to XYZ Client”

- Name Standardization splits single reported Name Record into two—same Name Link Identifier, FEIN, PEO/Client Company Code
Name Standardization Example

Name: Julie PEO Company Inc. LCF Truckers Are Us Inc.
FEIN: 092352355
PEO/Client Company Code: P
Name Link Identifier: 001
Continuation Sequence Number: 001

Julie PEO Company Inc
PEO/Client Company Code: P
FEIN: 092352355
Name Link Identifier: 001
Continuation Sequence Number: 001

Truckers Are Us Inc LCF
PEO/Client Company Code: P
FEIN: 092352355
Name Link Identifier: 001
Continuation Sequence Number: 001

Policy Endorsement Reporting

• No specific PEO endorsement records

• Endorsement numbers are reported on Record Type 7—Endorsement Identification

• Any proof of coverage information (e.g., employers’ names and addresses) must be reported on their appropriate records
### Multiple Coordinated Policies

<table>
<thead>
<tr>
<th>Client Policy Coverage for Leased Workers</th>
<th>PEO Policy Coverage for PEO's Direct Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Leasing Policy Type Code</td>
<td>Employee Leasing Policy Type Code</td>
</tr>
<tr>
<td>Name Link Code 001</td>
<td>Name Link Code 001</td>
</tr>
<tr>
<td>PEO/Client Company Code</td>
<td>PEO/Client Company Code</td>
</tr>
<tr>
<td>Primary FEIN</td>
<td>Primary FEIN</td>
</tr>
<tr>
<td>Mailing Address (Address Type 1)</td>
<td>Mailing Address (Address Type 1)</td>
</tr>
<tr>
<td>Location of Operation (Address Type 2)</td>
<td>Location of Operation (Address Type 2)</td>
</tr>
</tbody>
</table>

### Multiple PEO Policies

<table>
<thead>
<tr>
<th>PEO Policy Coverage for Leased Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Leasing Policy Type Code</td>
</tr>
<tr>
<td>Name Link Code 001</td>
</tr>
<tr>
<td>PEO/Client Company Code</td>
</tr>
<tr>
<td>Primary FEIN</td>
</tr>
<tr>
<td>Mailing Address (Address Type 1)</td>
</tr>
<tr>
<td>Name Link Code 002</td>
</tr>
<tr>
<td>PEO/Client Company Code</td>
</tr>
<tr>
<td>Additional FEIN</td>
</tr>
<tr>
<td>Location of Operation (Address Type 2)</td>
</tr>
</tbody>
</table>
### Master Policy

**PEO Policy**  
Coverage for Leased Workers of Multiple Client Companies

<table>
<thead>
<tr>
<th>Employee Leasing Policy Type Code</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name Link Code 001</td>
<td>PEO Name</td>
</tr>
<tr>
<td>PEO/Client Company Code</td>
<td>P</td>
</tr>
<tr>
<td>Primary FEIN</td>
<td>PEO FEIN</td>
</tr>
<tr>
<td>Mailing Address (Address Type 1)</td>
<td>PEO Mailing Address</td>
</tr>
<tr>
<td>Name Link Code 002</td>
<td>Client Company 1 Name</td>
</tr>
<tr>
<td>Additional FEIN</td>
<td>Client Company 1 FEIN</td>
</tr>
<tr>
<td>Location of Operation (Address Type 2)</td>
<td>Client Company 1 Job Location</td>
</tr>
<tr>
<td>Name Link Code 003</td>
<td>Client Company 2 Name</td>
</tr>
<tr>
<td>Additional FEIN</td>
<td>Client Company 2 FEIN</td>
</tr>
<tr>
<td>Location of Operation (Address Type 2)</td>
<td>Client Company 2 Job Location</td>
</tr>
</tbody>
</table>

### Client Direct Purchase

**Client Policy**  
Coverage for Leased and Nonleased Workers

<table>
<thead>
<tr>
<th>Employee Leasing Policy Type Code</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name Link Code 001</td>
<td>Client Company Name</td>
</tr>
<tr>
<td>PEO/Client Company Code</td>
<td>C</td>
</tr>
<tr>
<td>Primary FEIN</td>
<td>Client Company FEIN</td>
</tr>
<tr>
<td>Mailing Address (Address Type 1)</td>
<td>Client Company Mailing Address</td>
</tr>
<tr>
<td>Location of Operation (Address Type 2)</td>
<td>Client Company Location if different from mailing address</td>
</tr>
</tbody>
</table>
Reporting Manuals

Policy and POC Reporting Guidebook

- Part 7
- PEO Policy Overview and Models
- Rules and Code Requirements
- PEO State Matrix

WCIO Website (WCIO.org)

- Professional Employer Organization (PEO) Applicable Code Chart by State

Manuals Library on ncci.com

- Underwriting Manuals
- Data Manuals
- Reference Manuals
- Previous Editions

ncci.com
### Policy and POC Reporting Guidebook

<table>
<thead>
<tr>
<th>State</th>
<th>Market Type</th>
<th>PEO/Employee Leasing Policy Type Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>AK</td>
<td>Voluntary</td>
<td>1. Employee Leasing Policy for Leased Workers of Multiple Client Companies</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. Employee Leasing Policy for Leased Workers of a Single Client Company</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3. Client Company Policy for Leased Workers of Client Company</td>
</tr>
</tbody>
</table>

### WCIO PEO Applicable Code Chart

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Employee Leasing Policy for Leased Workers of Multiple Client Companies</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Employee Leasing Policy for Leased Workers of a Single Client Company</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Client Company Policy for Leased Workers of Client Company</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Quick Links

- WCIO Applicable Code Chart by State
- Data Repository Schedule for Data and Loss Cost Form
- WCIO Code List
- WCIO PEO Applicable Code Chart by State
- WCIO Code List
- WCIO PEO Applicable Code Chart by State
### Select the Answer

<table>
<thead>
<tr>
<th>Questions</th>
<th>Answers</th>
</tr>
</thead>
<tbody>
<tr>
<td>A single policy for PEO and clients</td>
<td>MCP</td>
</tr>
<tr>
<td>Policy Reporting Rules</td>
<td>Record Type 7</td>
</tr>
<tr>
<td>Employee Leasing Policy Type Code 4</td>
<td>Employee Leasing Policy Type Code 2</td>
</tr>
<tr>
<td>Same Name Link Identifier</td>
<td><em>Policy and Proof of Coverage Reporting Guidebook</em></td>
</tr>
<tr>
<td>Endorsement numbers reported</td>
<td>Linked name and address</td>
</tr>
</tbody>
</table>

---

**Bringing It Together—Policy Issuance**

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PEO and Two Client Companies

- Alpha Professional Leasing, 456 Log Cabin Rd., Springfield, IL, 62707

- Two Client Companies:
  - Beta Consultants, 14 Main St., Tampico, IL 61283
    - Class Code 8810
  - Data Benefits, 123 Mutual Dr., Washington, DC 20037
    - Class Code 8832
  - Renewal Master PEO Policy, effective 10/1/14

PEO Data View
Adding Client Employers

Coverage added as of a specific date:

- Full Policy Replacement—Transaction Code 14
  - Name and Address Records:
    - Report “add date” in Policy Change Effective Date
    - Equates to Policy Effective Date for the new client
Deleting Client Employers

Coverage deleted as of a specific date:

- Full Policy Replacement—Transaction Code 14
- Name and Address Records of deleted client:
  - Report “terminated date” in:
    - Policy Change Effective Date
    - Policy Change Expiration Date
    - Equates to Policy Expiration Date for the terminated client

Unit Reporting

- Master Policy
- Master Unit Report
- PEO Mod

- MCP Policies
- Separate Unit Reports
- Individual Mods
Experience Rating Rules

Experience Rating Plan Manual for Workers Compensation and Employers Liability Insurance

- Rule 5-A


- Examples for Rule 5-A

When a Client Leaves an Arrangement

- Master Policy
- Client Termination
- NC2745 Form
- Client Mod
NC2745

WORKERS' COMPENSATION EXPERIENCE RATING FOR FORMER CLIENTS OF LABOR CONTRACTORS

Please provide the following information:

风险名称 (Item 1): [Enter Risk Name]
风险编号 (Item 2): [Enter Risk ID]
上个雇主名称 (Item 3): [Enter Former Employer Name]

政策信息 (Item 4):

- 有效日期 (Effective Date): [Enter Date]
- 政策号 (Policy No.): [Enter Policy Number]
- 承保人 (Carrier): [Enter Carrier]

- 经济损失 (Actual Incurred Loss): [Enter Loss Amount]
- 总数 (Total): [Enter Total]

请注意，填写完表格后，请将表格交回适当的NC2745机构，以完成评级过程。
Experience Rating Calculation

Current PEO policy 1/1/14 to 1/1/15
Client terminates on 2/1/14
Former client was covered under PEO policies 1/1/07–1/31/14

NC2745 Forms Submitted

<table>
<thead>
<tr>
<th>Date</th>
<th>Report Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/1/10</td>
<td>3rd</td>
</tr>
<tr>
<td>1/1/11</td>
<td>2nd</td>
</tr>
<tr>
<td>1/1/12</td>
<td>1st</td>
</tr>
</tbody>
</table>

Rating Effective Date

1/1/14

Latest loss values as of that report level (including corrections)

For renewal ratings, open claims must be reported on subsequent NC2745 Forms (up to the 3rd report level)

Bringing It Together—Subsequent Changes
Alpha Professional Leasing

- Master PEO Policy, effective 10/1/14
- Client Company Changes:
  - Newly added client as of 10/21/14
    - Capture Investing, 111 Richmond Way, Arlington, VA, 76017
      - Class Code 8832
  - Terminated client as of 10/22/14
    - Data Benefits, 123 Mutual Dr., Washington, DC 20037
      - Class Code 8832
Added Client View

Deleted Client View
PEO Coverage Verification Service

Illinois Workers Compensation Commission

Employers' Workers' Compensation Insurance Coverage Verification

Coverage/Injury/Illness Date: 10/01/14
Default = Today's Date
State: IL

Employer Name: Alpha Professional Leasing
Or

Federal Employer Identification Number:

Search
Reset

The following policy level result(s) do not imply coverage for this Employer in this state. Please click on a row to verify coverage information.

<table>
<thead>
<tr>
<th>Policy Number</th>
<th>Primary Policy Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>VCP061414</td>
<td>Alpha Professional Leasing</td>
</tr>
</tbody>
</table>

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PEO Coverage Verification Service

Illinois Workers Compensation Commission

Employers' Workers' Compensation Insurance Coverage Verification

Coverage/Injury/Illness Date: 10/01/14
Default = Today's Date
State: IL

Employer Name: Alpha Professional Leasing
Or

Federal Employer Identification Number:

Search
Reset

Click here for data processing information

Worker's Compensation Insurance Coverage Provider: WC1/Workers Comp
Policy Number: VCP061414
Coverage/Injury/Illness Date: 10/01/14

Return to Policy Results

<table>
<thead>
<tr>
<th>Employer Name</th>
<th>Street Address</th>
<th>City</th>
<th>State</th>
<th>Zip</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alpha Professional Leasing</td>
<td>9001 Corporate Dr</td>
<td>SPINGFORD</td>
<td>IL</td>
<td>61777</td>
</tr>
</tbody>
</table>

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© Copyright 2015 National Council on Compensation Insurance, Inc. All Rights Reserved.
There were no records found matching your search criteria, which was employer name of 'Capture Investing' and coverage/injury/claims date of 09/01/2012.

Search Tips
- Confirm the spelling of the insured name
- Certain words are ignored, such as 'all', 'or', 'the' in the "contains" search only.
- Special characters (punctuation, commas, slashes, and other punctuation marks) are ignored.

Not able to find the information? This does not necessarily mean that coverage does not exist. For additional help with verifying workers' compensation coverage details, contact the Insurance Department of the Virginia Workers' Compensation Commission at 1-877-101-2560.
Experience Rating Calculation

Renewal Master PEO policy 10/1/14 to 10/1/15
Data Benefits terminated on 10/21/14
Former client was covered under PEO policies for five years

NC2745 Forms Submitted

10/1/10 → 3rd Report
10/1/11 → 2nd Report
10/1/12 → 1st Report

Rating Effective Date
10/1/14

Latest loss values as of that report level (including corrections)

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Regulatory Focus

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Department of Insurance

- Verifies insurer solvency
- Ensures loss costs and rates are adequate
- Monitors market structure
- Regulates market conduct
- Approves filed manuals

Workers Compensation Division

- Monitors prompt delivery of benefits
- Adjudicates disputes
- Administers self-insurance
- Monitors compliance of insurance coverage
POC Considerations

- Addition/cancellation/termination of client employers
- Notification of cancellation/termination to PEO and client employer
- Association of PEO and client employers

Current State of PEOs

Mona Carter
NCCI Senior Division Executive
National Policy Development
Video—Mona Carter on PEOs

Future PEO State-Specific Guide

<table>
<thead>
<tr>
<th>Alibems</th>
<th>Policy Model</th>
<th>Policy Type Code</th>
<th>Enforcement</th>
<th>Experience Rating: Modification Application</th>
<th>Rate: Modification Application</th>
<th>Data: Modification Application</th>
<th>Alibems and Risk Management</th>
<th>Assigned Risk Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>荣耀</td>
<td>W0</td>
<td>W0</td>
<td>W0</td>
<td>Direct</td>
<td>Rate: Modification Application</td>
<td>Data: Modification Application</td>
<td>Alibems and Risk Management</td>
<td>Assigned Risk Management</td>
</tr>
<tr>
<td>荣耀</td>
<td>W0</td>
<td>W0</td>
<td>W0</td>
<td>Direct</td>
<td>Rate: Modification Application</td>
<td>Data: Modification Application</td>
<td>Alibems and Risk Management</td>
<td>Assigned Risk Management</td>
</tr>
</tbody>
</table>

2015 Data Educational Program
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Industry Resources

National Activities

**National Association of Insurance Commissioners (NAIC) PEO Model Law**
- Requires client-level experience rating
- Components (such as regulatory authority, definitions, and policy issuance)

**National Conference of Insurance Legislators (NCOIL)**
- Open for commenting
- Requires registration of PEOs
- Regulates use of experience rating
## State-Specific Requirements

### Policy Structure by State (Voluntary Market)

<table>
<thead>
<tr>
<th>Policy Requirements</th>
<th>State(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Master, MCP, or Client Direct Purchase</td>
<td>AL, AR, CO, FL, IA, IN, MD, MS, NC, NH, NM, RI, SC, TN, VT</td>
</tr>
<tr>
<td>Master, MCP, or Multiple PEO Policies</td>
<td>KS</td>
</tr>
<tr>
<td>Master, MCP, Multiple PEO Policies, or Client Direct Purchase</td>
<td>NE, NV</td>
</tr>
<tr>
<td>Master or MCP</td>
<td>WV</td>
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<tr>
<td>Master</td>
<td>KY, TX</td>
</tr>
<tr>
<td>Master or Client Direct Purchase</td>
<td>CT, DC, ME, IL, MO, OR, UT, VA</td>
</tr>
<tr>
<td>MCP or Client Direct Purchase</td>
<td>LA, SD</td>
</tr>
<tr>
<td>Multiple PEO Policies</td>
<td>AZ</td>
</tr>
<tr>
<td>Master or Multiple PEO Policies</td>
<td>MT</td>
</tr>
<tr>
<td>No PEO Rules</td>
<td>AK, GA, HI, ID, OK</td>
</tr>
</tbody>
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Policy Structure by State
(Residual Market—NCCI Plan-Administered States)

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<td>MCP</td>
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<tr>
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Florida

- Department of Business and Professional Regulation maintains a list of valid Florida PEO companies
  - Checks if PEO policy is on list
  - Checks if non-PEO policy is not on list
  - Discrepancies may cause rejects for invalid PEO Policy Type Codes
- PEO Policy Type 5 will reject for being statutorily unacceptable
- PEO Policy Type 8 currently rejects; however, will be accepted when IAIABC 3.0 POC is implemented (estimated for 2nd or 3rd Qtr. 2015)
Florida

Multiple Coordinated Policy

• Client policy covers leased and nonleased employees

Georgia

Current:

• GA Employee Leasing Endorsement—Complies with Rule 126
  • Name Link Identifier, Client Name, Address, and FEIN (hard copy reporting)

Items to Consider for Future Proposal:

• MCP, Multiple PEO Policies, or Master Policy for the voluntary market
• MCP only for residual market
• Cancellation notice sent to PEO and client
• Master Policy:
  • Must complete NC2745 Form upon client termination of PEO agreement
  • Experience stays with PEO and goes with client upon termination of PEO arrangement
Illinois

PEO must be registered prior to obtaining workers compensation

Master Policy

• Illinois Employee Leasing Endorsement
• Each client must be reported as an additional name with job location and client’s FEIN
• Notice of changes sent to PEO and its clients within 30 days of the coverage being affected or changed
• PEOs must notify terminations of an employee leasing arrangement 30 days prior to the effective date of termination
• Statistical Code 9775—Employee Leasing Rating Adjustment

Kansas

Policy types—Multiple Coordinated Policy or Master Policy (if approved by commissioner)

Endorsements and Experience Rating

Master Policy—Exposure and losses must be reported separately per client
Kentucky

- Master PEO Policy must be endorsed with each client's name, address, and FEIN
- Exposure and experience of each lessee must be used in determining the premium
- If a lessee has an experience modification factor, the factor must be used to calculate the premium charged for the leased workers provided to the lessee

Louisiana

Multiple Coordinated Policy
- Client policy covers leased and nonleased employees
Maine

- Policy Type Code 5 will reject for being statutorily unacceptable
- According to Maine Rule 560, MCP is required for residual market

Montana

- Multiple PEO Policies
- Master Policy—Exposure and losses must be reported separately per client
Nebraska

Responsibility to obtain WC for leased employees must be spelled out in PEO agreement

Policy types—Master Policy, Multiple Coordinated Policy, or Client Direct Purchase

Cancellation sent to client by insurer under Master or Multiple Coordinated Policy

Endorsements and Experience Rating

Nevada

Experience mod for Master Policy and for each client upon request

Cancellation notices to both PEO and client under Master Policy or Multiple Coordinated Policy

Master Policy—Exposure and losses must be reported separately per client
Nevada Reporting Flow for Master Policy Unit Report and NV-361 Forms

1st Report (required)
- Unit Report—Master Policy
  - Experience for PEO and multiple client companies
  - Key fields: Master Policy #WC123, Policy Effective Date, Exposure State, Carrier Code
  - Exposure data by class code combined for PEO and client companies
  - Claim data for PEO and client companies
- Original NV-361 Form (required at same time as 1st Report)
  - Experience for individual client company
  - Same key fields as 1st Report
  - Client Company Coverage Effective Date and Expiration Date
  - Exposure data by class code for single client company
  - Key claim fields for single client company:
    - Claim #, Accident Date, Class Code
- Replacement NV-361 Form (as needed)
  - Required for changes to:
    - Originally reported client payroll
    - New claim(s) arising after initial reporting of NV-361 Form
    - Claim originally reported to one client must be assigned to a different client
    - All exposure and claim data must be re-reported, as a full replacement

Subsequent Reports (as required)
- Unit Report—Master Policy
  - Open, new, or revised claims
  - Updated claim data for PEO and client companies
- Exposure Correction Reports (as needed)
  - Unit Report—Master Policy
    - Revised exposure data by class code

Original NV-361 Form—Per Client Company
- Experience for individual client company
- Same key fields as 1st Report
- Client Company Coverage Effective Date and Expiration Date
- Exposure data by class code for single client company
- Key claim fields for single client company:
  - Claim #, Accident Date, Class Code

Replacement NV-361 Form—Per Client Company
- Required for changes to:
  - Originally reported client payroll
  - New claim(s) arising after initial reporting of NV-361 Form
  - Claim originally reported to one client must be assigned to a different client
  - All exposure and claim data must be re-reported, as a full replacement
Oregon

- Circular OR-2011-03
- PEO or client can obtain coverage for leased and nonleased workers

Coverage obtained by PEO:

- Master policy for PEO’s direct employees, and clients leased workers and subject workers—separate policies are not issued to each client
- Premium for each client’s exposure must be based on each client experience modification or merit rating factor
- Insurer must report separate Unit Statistical data
- Reporting of separate client Policy data is for the reporting of separate unit reports
- For an assigned risk master policy, reporting of separate client Policy data will include same binder number
Oregon

Coverage obtained by PEO:

• PEO is required to file Proof of Coverage for each client directly to the Oregon Workers Compensation Division (WCD)

• PEO Policy data is used for POC
  • Employee Leasing Policy Type Code 2 or 3

• Client company policy data is used by Oregon WCD for verification purposes only
  • Employee Leasing Policy Type Codes 4 or 5 acceptable for each client Policy data

Oregon

Coverage obtained by Client Company:

• Client Direct Purchase
  • Client’s leased workers and subject workers

• Client Policy data is used for POC
  • Employee Leasing Policy Type Code 7
Oregon

- Employee Leasing Policy Type Code 6 not applicable in Oregon
- Employee Leasing Policy Type Code 8 is statutorily unacceptable—**FYI Plus** published FYI-POC-OR-2013-01

South Dakota

Policy Type Code 2 will reject for being statutorily unacceptable
- Refer to South Dakota Statute §58-24-45.1
Texas

Current:

*Basic Manual*
- Master Policy

*Experience Rating Plan Manual*
- Modification of new client applied for first two years
- After two years with the same PEO, the PEO’s modification is applied

Texas

Current:

*Statistical Plan*

Part 3—Exposure (TX Exception)
- Professional Employer Organizations—Exposure for each client covered under a professional employer organization’s policy must be reported separately.

Part 6—Coding Values
- Employee Leasing Code E—Report E for each PEO client
Texas

Proposed:

**Basic Manual**
- Provides rules and definitions under which policies involving PEO services agreements are written
  - PEO Policy Basis
  - Client Policy Basis
  - Treatment of Executive Employees

**Experience Rating Plan Manual**
- Modification of new client applied for first two years
- After two years, the PEO’s modification is applied

Utah

- Master Policy—Exposure and losses must be reported separately per client
- Client Direct Purchase—Separate policies for leased versus nonleased exposures but must be same insurer
Virginia

PEO must be registered with Virginia Workers Compensation Commission prior to obtaining workers compensation

It’s Showtime!
Supplemental Information
Presenter Biographies

**Julie Gonzalez, AIDM**, has been employed at NCCI since 1992. As a data consultant and project manager in the Data Services Department, her main responsibilities include managing NCCI's Data Educational Program, overseeing major compliance projects, developing new data reporting requirements, and enhancing NCCI's external training programs and data tools. In addition, Julie actively participates on industry committees and association forums to provide industry relationships and subject matter expertise.

Prior to joining Data Services, Julie was a senior underwriting analyst, responsible for filing workers compensation rules and programs and managing the appeals board mechanism for several NCCI states.

Julie has earned both her Associate in Commercial Underwriting (AU) and Associate Insurance Data Manager (AIDM) designations.

**Shani Oulton** has worked at NCCI for 11 years in the Regulatory Services Division, currently in the National Policy Development area. She is primarily responsible for monitoring workers compensation industry trends across states, with a strong focus on Professional Employer Organizations.

Shani holds a bachelor of science degree from the University of Florida.