

Employee Leasing--California Requirements

Posted Date: July 1, 2005

EMPLOYEE LEASING ARRANGEMENTS ¹ POLICY, REPORTING, AND RATING REQUIREMENTS AS OF July 1, 2005

STATE	CALIFORNIA ²
Statute or Regulation ³	Section V, Rule 4 of the CA Workers' Compensation Experience Rating Plan – 1995. Rule 4 is commonly referred to as the employee leasing rule.
NCCI Filing(s)	None
Policy Requirements	<p>A separate policy must be issued for each client of a labor contractor that leases any of its workers, except temporary workers, whether or not the client is experience rated. The named insured on the client policy may be the labor contractor or the client, but not both.</p> <p>The client policy must cover the workers (except temporary workers) leased to the client. If the client is the named insured on the policy, the client policy may also cover the client's employees (direct hires).</p> <p>The policy that covers the labor contractor's non-leased employees (typically the labor contractor's administrative staff, e.g., clerical office employees and outside salespersons) cannot cover any employees that must be covered under a client policy unless the labor contractor and the client are combinable for experience rating purposes.</p>
Endorsement Requirements	<p>The following endorsements have been approved for use with employee leasing policies.</p> <ul style="list-style-type: none"> • WC 04 03 13 • WC 04 03 14 • WC 04 03 15 • WC 04 03 16
Policy Reporting Requirements	The one-digit Employee Leasing Policy Type Code must be reported on the Header Record (Record Type 01). Refer to Part Three—Policy Information Page of Workers Compensation Policy Data Reporting Manual for details.
Employee Leasing Company Client Data Requirements	None stated
Insurer Client Data Reporting Requirements	None stated

<p>Experience Rating Production (Client)</p> <p>When a client leaves an employee leasing arrangement ...</p>	<p>The client's experience modification is based on the experience arising from policies that cover workers leased to the client and policies that cover non-leased workers or other operations of the client, if any.</p> <p>The client's experience modification, if any, will continue to apply to the client.</p>
<p>Application of Experience Modification (Client Policy)</p>	<p>If a client is experience rated, the client's experience modification must be applied to the separate client policy issued for the client. If a client is not experience rated, no experience modification is applied to the client policy. The labor contractor's experience modification, if any, does not apply to the client under any circumstances. The purpose of Section V, Rule 4 of the CA Experience Rating Plan is to keep client companies from trying to escape their loss history and further, to keep unscrupulous employee leasing firms from marketing their services as a device to escape a debit experience modification. When a client enters into or leaves an employee leasing arrangement, the insurer must apply the client's modification to the policy that covers workers leased to the client and to policies that cover other operations of the client, if any.</p>
<p>Experience Rating Production (Labor Contractor)</p>	<p>The labor contractor's experience modification is based on the experience pertaining to the labor contractor's non-leased employees (typically its administrative employees) and other business ventures that are combinable for experience rating purposes and not subject to the provisions of the employee leasing rule. The experience arising from client policies is not used in the labor contractor's experience modification.</p>
<p>¹ Also known as Professional Employer Organization Arrangements.</p> <p>² Contact appropriate independent bureau for state-specific requirements.</p> <p>³ Information is deemed accurate but is not guaranteed to be reliable. Referenced statutes, regulations, and manual rules should be reviewed to clarify coverage and requirements.</p>	