



Wisconsin Compensation Rating Bureau

262-796-4540 • Fax 262-796-4400 • www.wcrb.org

P.O. Box 3080 • Milwaukee, WI 53201-3080

Located at 20700 Swenson Drive, Suite 100, Waukesha, WI 53186

CIRCULAR LETTER 3028—MAY 5, 2008

TO: Members of the Bureau

FROM: Donna Knepper

RE: Employee Leasing Companies (ELCs) (formerly referred to as Professional Employer Organizations (PEOs))

Pursuant to ch 626, Wis. Stats., the State of Wisconsin, Office of the Commissioner of Insurance has advised that the action taken by the Rating Committee has been approved.

The 2008 Agreed Bill and statutory language relating to ELCs became effective April 1, 2008. In accordance with the statutory changes, Basic Manual Rule IX has been amended.

WI Basic Manual Rule IX has been revised to track with the 2008 Agreed Bill legislative changes that went into effect on April 1, 2008. The revised rule is effective April 1, 2008, applicable to new and renewal business. A link to the Basic Manual is provided.

Four new endorsements have been approved, effective April 1, 2008. Links to these forms have also been provided. The new forms are:

1. Wisconsin Employee Leasing Company Endorsement – Master Policy (WC 48 03 14). This form is to be used in conjunction with a master policy.
2. Wisconsin Employee Leasing Company Endorsement – Multiple Coordinated Policy (MCP) (WC 48 03 15). This form is to be used in conjunction with a multiple coordinated policy.
3. Wisconsin Employee Leasing Company Client Termination Endorsement – Master Policy (WC 48 03 16). This form provides the proper notice of termination of a leasing arrangement on a per client basis on a master policy. The client can be removed from the policy without interrupting coverage for the remaining clients.
4. Wisconsin Employee Leasing Client Exclusion Endorsement (WC 48 03 17). This form is to be used for a client's direct-hire employees and accompanied by a divided workforce order from the Department of Workforce Development. The endorsement excludes worker's compensation coverage for the workers leased from an employee leasing company.

Additionally, the WI Notice of Termination has been amended to include “Employee Leasing Agreement Terminated” as a valid reason for termination of worker’s compensation coverage.

Amendments to Wisconsin Basic Manual Rule IX would include, in part, the following components:

	REQUIREMENTS
Master Policy	<p>A single policy may be issued to the ELC covering all non-rated clients. The policy must be endorsed to list the name, address, FEIN and premium information for each client. (Use endorsement Wisconsin Employee Leasing Company Endorsement – Master Policy WC 48 03 14) Eligibility for inclusion under the master policy is determined by the combining of all exposure (leased and non-leased employees, all commonly owned or controlled entities or organizations) of the client and applying the experience rating eligibility rules. Once a client meets the experience rating threshold, a MCP must be issued.</p> <p>Within 30 days after a “small client” enters into an agreement with the ELC and is being covered under the master policy, Wisconsin Proof of Coverage Notice – DWD form WKC-15785-E must be filed with DWD.</p>
Multiple Coordinated Policy (MCP)	<p>Separate policies are issued to the ELC and each client by the same insurer. These clients are eligible for experience rating. The policy will name both the ELC and the client under Item 1 of the policy. If the ELC is named first, Item 1 must be issued as “ABC Leasing Company L/C/F XYZ Machine Shop”. (L/C/F means Labor Contractor For). If the client is named first, Item 1 must be issued as “XYZ Machine Shop client of ABC Leasing Company”.</p>
WWCIP	<p>All MCP policies issued through the WWCIP will be client level policies where the client is named first under Item 1. Both the leased and non-leased exposure for an individual client must be placed in the Pool.</p>
Divided Coverage	<p>Separate policies may be issued to a client that obtains part of its workforce through a contract with an ELC. One policy provides coverage for the client’s leased employees and one policy provides coverage for the client’s non-leased employees. If a client’s leased policy is issued in the voluntary market, the client’s non-leased exposure may not be insured through the WWCIP (or vice versa).</p> <p>An employer establishing a divided-workforce plan through an ELC arrangement must notify the Department of Workforce Development on DWD form WKC-15783-E. Form WKC-15782-E must be filed with DWD upon termination of the employer’s divided-workforce plan. These reporting requirements are in addition to the WCRB requirements.</p>

Cancellation	Basic Manual Rule X applies for all cancellations. An insurer may cancel coverage if the contract between the ELC and the client has been terminated in its entirety. The insurer does have the ability to continue coverage for the client even though the contract with the ELC has been terminated.
Sole Proprietor	A sole proprietor, a partner or a member of a limited liability company (LLC) is not covered under the policy unless the policy is endorsed naming the sole proprietor, a partner or a member of an LLC that has elected coverage.
Executive Officer	A corporate officer is a covered employee for worker's compensation benefits unless an officer of a qualified corporation non-elects coverage.

Any questions or requests for additional information may be directed to donna.knepper@wcrb.org