



Wisconsin Compensation Rating Bureau

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## CIRCULAR LETTER 3151—DECEMBER 7 , 2016

TO: Members of the Bureau

FROM: Donna Knepper

RE: Franchisor – Franchisee  
Workers Compensation Insurance Coverage

Recent changes to Chapter 102.04(2r), Stats., have raised questions on the franchisor/franchisee relationship and the worker's compensation insurance requirements. A franchisor who does not own a majority interest in the franchise cannot be included on the franchisee's workers compensation policy. Further, a franchisee cannot be included on a franchisor's policy, unless the same person or group of persons owns a majority interest in both entities. WI Basic Manual Rule III B.1. states:

### **"1. Combination of Legal Entities**

Separate legal entities may be insured on one policy only if the same person, or group of persons, owns the majority interest in such entities. Classifications shall be applied separately to each legal entity."

The franchisor cannot be added to the policy of the franchisee. Unless the two employers are commonly owned, they must maintain separate policies of worker's compensation insurance and cannot be included as an additional named insured on either policy.

The following FAQ will be added to the WCRB web site:

### **I own a franchise. Am I required to purchase my own worker's compensation insurance policy or can I be added to the franchisor's insurance policy?**

Group insurance is not allowed in WI. Pursuant to the rules approved by the Commissioner of Insurance, separate legal entities can be covered under one policy only if the same person or group of persons, owns the majority interest in both entities. See Wisconsin Basic Manual, Rule III B. 1.

Therefore, a franchise can only be added to a franchisor's worker's compensation insurance policy if the franchisor retains more than 50% ownership in the franchise.

A franchise has the legal obligation to provide workers compensation coverage for its employees if the franchise qualifies as an employer under Wisconsin Statutes Section 102.04. The franchisor cannot provide worker's compensation insurance for the franchise employees. The franchisor can only provide workers compensation insurance for the franchisor's employees, unless the franchisor has an ownership interest in the franchise of greater than 50%.