

October 13, 2016

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Revisions to North Carolina Basic Manual  
Rule 3-D-Professional Employers Organization  
State Specific Endorsements: WC 32 03 05,  
WC 32 03 06, WC32 03 07 and WC 32 03 08

The North Carolina Rate Bureau (Bureau) filed and the North Carolina Department of Insurance (DOI) approved effective April 1, 2017, revisions to the North Carolina Basic Manual (NCBM) and related North Carolina state-specific endorsements as follows:

- Revised Rule 3.D Professional Employers Organizations
- North Carolina Professional Employer Organization (PEO) Exclusion Endorsement (WC 32 03 05)
- North Carolina Professional Employer Organization (PEO) Extension Endorsement (WC 32 03 06)
- North Carolina Professional Employer Organization (PEO) Client Exclusion Endorsement (WC 32 03 07)
- North Carolina Professional Employer Organization (PEO) Client Extension Endorsement (WC 32 03 08)

The Bureau researched the North Carolina statutes and regulations related to workers compensation insurance coverage for PEO's and their client companies. Particular attention was paid to definitions, how the named insureds were to be identified on the workers compensation policy and the wording on policy endorsement forms needed to clarify which employees were covered by policies issued to the PEO and their client company(s). As a result of this research, North Carolina Basic Manual Rule 3.D and related endorsements have been revised to more clearly define how workers compensation insurance policies are to be

written and endorsed to provide coverage for employees of PEOs and their clients in accordance with North Carolina statutes and regulations.

A copy of the NCRB Filing Memorandum and Exhibits are attached for your review.

The NCBM will be updated to reflect the approved changes on April 1, 2017. This manual is available on the Bureau's website at [www.ncrb.org](http://www.ncrb.org) and may be downloaded or printed in PDF format with the permission of the Bureau.

Copies of the approved state specific endorsements are also available on the Bureau's website in the Endorsement and Forms section.

If you have questions, contact the NCRB Information Center at 919-582-1056 or via email at [wcinfo@ncrb.org](mailto:wcinfo@ncrb.org).

Sincerely,

Joanna Biliouris

Chief Operating Officer

JB:amt  
C-16-22

**FILING MEMORANDUM****RE: Revisions to North Carolina Basic Manual  
Rule 3.D Professional Employer Organizations****PURPOSE**

This item revises Rule 3.D *Professional Employers Organizations* of the North Carolina Basic Manual. Rule 3.D has been revised to ensure that policy issuance rules and endorsements for Professional Employer Organizations (PEO's) and their clients are aligned with North Carolina statutes and/or regulations.

**BACKGROUND**

The NC Rate Bureau (Bureau) researched the North Carolina statutes and regulations related to workers compensation insurance coverage for PEO's and their client companies. Particular attention was paid to the definitions shown in the general statutes; how the named insured was to be identified on the workers compensation policy and the wording on policy endorsement forms needed to clarify which employees are to be covered by policies issued to the PEO and their client company(s). As a result of this research, the Bureau is proposing that North Carolina Basic Manual (NCBM) Rule 3.D be replaced with a revised version of the rule that more clearly defines how policies are to be written and endorsed to ensure that workers compensation insurance coverage is being provided for employees of PEOs and their clients in accordance with North Carolina statutes and regulations.

**PROPOSAL**

The following is a summary of changes being proposed in the rewrite of NCBM Rule 3.D:

- Remove notation indicating that Rule 3.D is applicable to assigned risk policies only. Rule 3.D is to be applicable to both voluntary and assigned risk policies.
- Revise definitions shown in Rule 3.D.1 to more consistently reflect those shown in the statutes
- Update policy issuance rules to reflect statutory requirements for policies issued using the Master Policy method or the Multiple Coordinated Policy method.
- Add rules clarifying cancellation/nonrenewal notification requirements for PEO and client policies
- Add rules clarifying treatment of experience rating modifications for PEO and client policies
- Add rules clarifying how endorsements are to be used to specify when direct and/or leased employees are to be covered by a policy issued to a PEO or client company
- Create North Carolina state-specific endorsements to be used with policies issued for PEOs and clients that have entered into a PEO arrangement.
  - NC Professional Employer Organization (PEO) Exclusion Endorsement (WC 32 03 05)
  - NC Professional Employer Organization (PEO) Extension Endorsement (WC 32 03 06)
  - NC Professional Employer Organization (PEO) Client Exclusion Endorsement (WC 32 03 07)
  - NC Professional Employer Organization (PEO) Client Extension Endorsement (WC 32 03 08)

See attached - NCRB Exhibits 1-5

**FILING MEMORANDUM**

**RE: Revisions to North Carolina Basic Manual  
Rule 3.D Professional Employer Organizations**

**IMPACT**

There is no statewide premium impact for this item. The changes proposed in this item will clarify rules related to the issuance of workers compensation policies issued to PEO's and their clients.

**IMPLEMENTATION**

All voluntary and assigned risk policies issued with an effective date on or after April 1, 2017.

## North Carolina Basic Manual

### Part 1 – Rules

### Rule 3 – Ratings and Application of Premium Elements

#### 3.D - Professional Employer Organization (PEO) Arrangements

##### 1. Definitions

###### a. Client or Client Company

A person or entity that contracts with a licensee (licensed professional employer organization group) and is assigned employees by the licensee (licensed professional employer organization group) under that contract.

###### b. Direct Worker

An employee of a client or PEO that is not a leased worker obtained through a PEO. For purposes of this rule, the employer of the direct worker(s) is responsible for securing workers compensation insurance for the direct worker(s), unless otherwise determined by North Carolina statutes and/or regulations. An executive officer, director, shareholder, manager, LLC member, partner or owner of a client or PEO who is an employee of a client or PEO and is not a leased worker obtained through a PEO is a direct worker.

If an employee was employed by the client prior to the client entering into the PEO agreement, it must be presumed that the employee is a leased worker and not a temporary employee.

###### c. Licensee

A person licensed under North Carolina General Statutes Chapter 58, Article 89A to provide professional employer services. The term includes a professional employer organization group licensed under North Carolina General Statute 58-89A-35(b) and includes persons who are licensed pursuant to alternative licensing procedures as set forth in North Carolina General Statute 58-89A-76.

###### d. Leased Worker (defined as “Assigned Employee” in North Carolina General Statute 58-89A-5)

An employee who is performing services for a client under a contract between a licensee PEO and a client company in which employment responsibilities are shared or allocated.

Leased worker does not include a temporary employee.

Individuals who are directors, shareholders, partners and managers of a client company are leased workers to the extent the licensee PEO and the client have agreed that those individuals are leased

workers and provided that those individuals meet the criteria of this definition and act as operational managers or perform reviews for the client company.

**e. Master Policy**

A form of policy issuance used to provide workers compensation and employers liability insurance for the leased workers of a PEO under which a single standard workers compensation and employers liability policy is issued to a PEO covering all of its leased workers in North Carolina (there are typically multiple client companies). The policy may also cover direct workers of the PEO.

**f. Multiple Coordinated Policy (MCP)**

A form of policy issuance used to provide workers compensation and employers liability insurance for the leased workers of a PEO under which the PEO secures a separate policy for each of its client companies. This type of policy is also referred to as a MCP. Policy issuance is as follows:

1. The PEO has its own standard policy covering only its direct workers.
2. The PEO has a separate standard policy for each client company which names the PEO as the insured and which identifies the client company and covers its leased workers.
3. Endorsements are used to coordinate coverage between the client company and the PEO.

**g. Professional Employer Organization (PEO)**

A person that offers professional employer services. The term PEO includes “staff leasing service companies,” “employee leasing companies,” “staff leasing companies” and “administrative employers” who offer or propose to offer professional employer services in North Carolina.

**h. Professional Employer Organization (PEO) Agreement**

A written contract by and between a client company and a professional employer organization that provides:

1. For the allocation and sharing between the client company and the licensee PEO of the responsibilities of employers with respect to the leased workers, including hiring, firing, and disciplining of employees; and
2. That the licensee PEO and the client company assume the responsibilities required by North Carolina General Statutes Chapter 58, Article 89A.

**i. Professional Employer Services (Professional Employer Organization Arrangement)**

An arrangement by which employees of a licensee PEO are assigned to work at a client company and in which employment responsibilities are in fact shared by the licensee PEO and the client company in accordance with North Carolina General Statute 58-89A-100, and the employee’s assignment is

intended to be of a long-term or continuing nature, rather than temporary or seasonal in nature. *Professional Employer Services* does not include services that provide temporary employees or independent contractors, a personnel placement service, managed services, payroll services that do not involve employee staffing or leasing, the sharing of employees by commonly owned companies within the meaning of section 414(b) and (c) of the Internal Revenue Code of 1986, as amended, or similar groups that do not meet the requirements of this definition.

**j. Temporary Employees**

Persons employed under an arrangement by which an organization hires its own employees and assigns them to a client company to support or supplement the client's workforce in a special work situation, including:

- An employee absence
- A temporary skill shortage
- A seasonal workload
- A special assignment or project

Such an arrangement can be a long term arrangement and the persons employed under the arrangement continue to be temporary employees.

**2. Coverage**

- a. Statutory workers compensation and employers liability insurance coverage secured and maintained by a licensee PEO for leased workers in the voluntary market may be provided by the carrier on a master policy basis or a MCP basis.
- b. Statutory workers compensation and employers liability insurance coverage secured and maintained by a licensee PEO for leased workers in the assigned risk market must be provided by the carrier on a MCP basis.
- c. If a PEO has a separate temporary employment service operation, then separate workers compensation insurance policies are required and must be maintained for each type of business in the state of North Carolina.
- d. A client company shall not enter into a PEO agreement or be eligible for workers compensation coverage in the voluntary market if (1) the client company owes its current or prior carrier any premium for workers compensation insurance or (2) the client company owes its current or prior PEO amounts due under the PEO agreement, except for premiums or amounts due that are subject to dispute. For the purposes of Rule 3.D and compliance with other North Carolina statutes and/or regulations, a licensee PEO may rely on a statement by the client company that the client company has met any and all prior premium or fee obligations, unless the licensee PEO has actual knowledge to the contrary.

**3. Premium For Leased Workers**

- a. Premium for leased workers will be determined based on the applicable classification, rates, payroll and rating programs for each client for whom coverage is being requested and/or payroll exists, with payment made by the PEO unless otherwise specified by written contract.
- b. The carrier and the PEO may agree to a retrospective rating program or any other permitted pricing program regardless of policy issuance method (MCP or master policy).
- c. The PEO must provide its workers compensation carrier with the proper and necessary documentation to allow the carrier to determine and charge a premium that is commensurate with the exposure and anticipated claim experience for all employees covered under policies issued by the carrier in the name of the PEO. This documentation must include (1) a listing of all covered employees provided to each client company, by classification code and (2) the total eligible wages, by classification code, and the premiums due to the carrier for the employees provided to each client company.  
 Failure to maintain and provide the carrier with the required documentation may result in the PEO being considered noncompliant with the applicable North Carolina statutes and the policy terms and conditions.

**4. Administration-Master Policy**

**a. Policy Issuance**

- 1. A policy issued to a PEO to cover the leased workers of a PEO arrangement on a master policy basis must be issued in the name and FEIN of the PEO in accordance with this rule and all other rules governing the issuance of a policy.
- 2. Direct workers of a client shall not be included on the PEO’s policy for the leased workers. Executive officers, sole proprietors, partners, and LLC members of a client who are employees of the client but who are not leased from a PEO under a PEO arrangement will be considered direct workers. A separate policy is required by the client for its direct workers, subject to the North Carolina Workers’ Compensation Act.
- 3. Each client shall be issued a certificate of insurance on the PEO’s single policy. The certificate of insurance shall require that the insurer provide notice of cancellation to the licensee PEO and each client company of the licensee PEO.
- 4. Master policy issuance is only available in the voluntary market.

**b. Endorsements**

- 1. The following endorsements are applied under the master policy basis:

Type of Policy	Endorsement	Purpose
Client Policy (direct workers)	North Carolina Professional Employer Organization (PEO) Client Exclusion Endorsement (WC 32 03 07)	Attach the WC 32 03 07 to the client policy issued to cover only the direct workers of the client. This endorsement is attached to the client’s policy that is <b>not</b> part of the master



		policy arrangement.
PEO Policy (direct workers)	North Carolina Professional Employer Organization (PEO) Exclusion Endorsement (WC 32 03 05)	If a separate policy is issued to the PEO to cover its direct workers, attach the WC 32 03 05 to that policy. WC 32 03 05 excludes coverage for workers leased to specified clients.
PEO Policy (leased workers)	North Carolina Professional Employer Organization (PEO) Extension Endorsement (WC 32 03 06)	Attach the WC 32 03 06 to the Master Policy issued to the PEO to cover workers it leases to its clients. The endorsement makes the policy applicable to the employees leased from the PEO to the client. Coverage for direct workers of the PEO can be provided if properly indicated on the endorsement.

2. The Alternate Employer Endorsement (WC 00 03 01A) should not be used for specifying clients written under the master policy basis.

**c. Cancellations/Nonrenewals:**

1. When a policy written in accordance with the Master Policy method to cover clients' leased workers is canceled, the insurance company writing the policy shall provide an individual notice of cancellation to the licensee PEO and to each client of the licensee PEO as required by North Carolina statutes/and or regulations.
2. If the insurer fails to provide individual notices of cancellation to the licensee PEO and the client companies, the insurer shall remain liable on the risk for losses incurred by the client companies that would have been covered by the workers' compensation policy prior to the attempted cancellation.

**d. Experience Rating**

1. Refer to Rule 5-A, Employee Leasing/Professional Employer Organizations, in the ***Experience Rating Plan Manual*** for the rules regarding treatment of experience rating modifications.
2. Refer to the Rule 3-F, Evasion of Experience Rating Modification, in the ***Experience Rating Plan Manual*** for the rules regarding evasion of an experience rating modification.
3. The PEO's experience rating modification, if any, applies to the policy covering the PEO's direct workers and to the policy covering the clients of the PEO arrangement written under a master policy basis.

**5. Administration-Multiple Coordinated Policy (MCP)**

**a. Policy Issuance**

1. If a licensee PEO provides workers' compensation coverage pursuant to the MCP method, the PEO will obtain a separate policy for each client company of the PEO.

- a. Each policy issued to cover a client company’s leased workers shall identify the PEO and the name of the client company. The insurer shall specify the name of the PEO for the client company by using the designation “L/C/F” (Labor Contractor For) on the policy in the following manner: Company PEO L/C/F Client XYZ.
  - b. Direct workers of a client shall not be included on the policy covering the leased workers. Executive officers, sole proprietors, partners, and LLC members of a client who are employees of the client and who are not leased workers from a PEO under a PEO arrangement will be considered direct workers of the client. A separate policy is required by the client for its direct workers, subject to the North Carolina Workers’ Compensation Act.
  - c. Each policy will have the same expiration date, including any new client added midterm.
  - d. Each policy will have the same renewal date.
  - e. If a client leases workers from more than one PEO, there must be a separate policy for the leased workers of each PEO.
  - f. The client company of a PEO shall have a continuing obligation to provide coverage as required by Chapter 97 of the NC General Statutes, the Workers Compensation Act, for any employees of the client company who are not leased workers and not otherwise covered under a MCP.
  - g. Multiple coordinated policies can be issued in the assigned risk and voluntary market. The multiple coordinated policy method is the only method available in the assigned risk market.
2. The PEO must have a separate standard policy covering the direct workers of the PEO.
- a. A policy issued to cover the direct workers of the PEO under a MCP basis will be issued in the name and FEIN of the PEO in accordance with this rule and all other rules governing the issuance of a standard policy.
  - b. If the PEO has no direct workers in North Carolina, a policy will be issued to cover the PEO which reflects classification code 8810-Clerical Office Employee NOC on an “if any” basis and the minimum premium for classification code 8810 will be charged as the minimum premium for the policy.

**b. Endorsements**

1. The following endorsements are applied to the various policies under the MCP arrangement.

<b>Type of Policy</b>	<b>Endorsement</b>	<b>Purpose</b>
PEO Policy (direct workers)	North Carolina Professional Employer Organization (PEO) Exclusion Endorsement (WC 32 03 05)	Attach the WC 32 03 05 to the policy issued as part of a MCP arrangement to the PEO to cover its direct workers. WC 32 03 05 excludes coverage for workers leased to specified clients.

PEO Policy (leased workers)	North Carolina Professional Employer Organization (PEO) Extension Endorsement (WC 32 03 06)	Attach the WC 32 03 06 to the policy issued to the PEO as part of the MCP arrangement to cover leased workers. This policy is written as Company PEO L/C/F Client XYZ. The endorsement makes the policy applicable to the employees leased from the PEO to the client. Note that coverage for direct workers of the PEO cannot be selected on the endorsement when the policy is part of the MCP arrangement.
Client Policy (direct workers)	North Carolina Professional Employer Organization (PEO) Client Exclusion Endorsement (WC 32 03 07)	Attach the WC 32 03 07 to the policy issued to the client to cover only the direct workers of the client. This endorsement is attached to the client's policy that is <b>not</b> part of the MCP arrangement.

2. The Alternate Employer Endorsement (WC 00 03 01A) should not be used for specifying clients written under the MCP arrangement.

**c. Cancellations/Nonrenewals**

1. When a policy written in accordance with the MCP method to cover a client's leased workers is cancelled, the insurance company writing the policy shall provide individual notices of cancellation to the PEO and to the client of the PEO as required by North Carolina statutes/and or regulations.
2. If a PEO ceases to exist, the policy issued to the PEO to cover its client's leased workers will remain in force to policy expiration and will be non-renewed in accordance with the MCP method. The carrier must provide notice to the client regarding the status of the policy covering the client's leased workers.

**d. Experience Rating**

1. Refer to Rule 5-A, Employee Leasing/Professional Employer Organizations, in the ***Experience Rating Plan Manual*** for the rules regarding treatment of experience rating modifications.
2. Refer to the Rule 3-F, Evasion of Experience Rating Modification, in the ***Experience Rating Plan Manual*** for the rules regarding evasion of an experience rating modification.
3. The PEO's experience rating modification, if any, applies to the policy covering the PEO's direct workers.
4. A client's experience rating modification, if any, applies to:
  - The policy issued to the PEO covering the client's leased workers under the MCP and
  - Any other policy(ies) covering the client's direct workers

**Note:** The client’s experience rating modification will include the client’s experience, if any, for the time period applicable under the Experience Rating Plan Manual, even if that time period extends to the period prior to the PEO arrangement.

**e. Premium Discount**

In the voluntary market, all policies written under the MCP basis, written by the same insurance carrier and referencing the same PEO as labor contractor may be combined for premium discount purposes. Assigned risk policies are not eligible for premium discount.

**6. Where Client Insures Its Leased Workers**

If a client company provides workers compensation coverage to its leased workers pursuant to the terms of their PEO agreement and as permitted in North Carolina General Statute 58-89A-110(j), apply the following endorsement to the policy issued to the client company.

<b>Type of Policy</b>	<b>Endorsement</b>	<b>Purpose</b>
Client Policy (leased workers)	North Carolina Professional Employer Organization (PEO) Client Extension Endorsement (WC 32 03 08)	Attach the WC 32 03 08 to the policy issued to the client to cover leased workers. The endorsement makes the policy applicable to the employees leased from the PEO to the client. Coverage for direct workers of the client can be provided if properly indicated on the endorsement.

**North Carolina Basic Manual**

**Part 1 – Rules**

**Rule 3 – Ratings and application of Premium Elements**

**3. D – Employee Leasing Arrangement**

*Applicable to Assigned Risk policies only*

**1. Definitions**

- a. Employee leasing arrangement means a verbal or written contractual arrangement whereby one business or other entity leases any or all of its workers from another business. Employee leasing arrangements include, but are not limited to, full service employee leasing arrangements, long-term temporary arrangements and any other arrangement that involves the allocation of employment responsibilities among two or more entities. For purposes of this rule, employee leasing arrangement does not include arrangements to provide temporary help service.
- b. Temporary help service means a service whereby an organization hires its own employees and assigns them to clients for a finite time period to support or supplement the client's workforce in special work situations such as employee absences, temporary skill shortages and seasonal workloads.
- c. Client (lessee) means an entity that obtains all or part of its workforce from another entity through an employee leasing arrangement or that employs the services of an entity through an employee leasing arrangement.
- d. Labor contractor (lessor) means an entity that grants a written lease to a client through an employee leasing arrangement. In this rule, the labor contractor may also be referred to as an employee leasing company.

- e. Leased worker (leased employee) means a person performing services for a client under an employee leasing arrangement.
- f. Multiple coordinated policies basis means:
- 1) a. Each client must have its own standard workers compensation insurance policy covering its leased workers required to be covered pursuant to the workers compensation laws of the state.
  - b. Non-leased workers of a client must not be included on the policy required by (a) above.
  - 2) All policies for clients of the same employee leasing company must be assigned to one insurer in the state.
  - 3) The insurer must arrange to have the same renewal dates for all such policies.
  - 4) The insurer must arrange to have all notices sent to the labor contractor and to have a single master invoice sent to the labor contractor for all policies covering the clients of the labor contractor.
  - 5) If a client leases employees from more than one labor contractor, there must be a separate policy for the leased employees of each labor contractor.
  - 6) The insurer also must issue a policy covering the internal employees of the labor contractor.
  - 7) Appropriate endorsements must be used to restrict the coverage to specific employees and to coordinate coverage between clients and labor contractor.

## 2. Coverage

- a. A client seeking to fulfill its statutory responsibility to secure workers compensation benefits for leased workers under a state workers compensation insurance plan must secure the coverage by purchasing and maintaining a standard workers compensation insurance policy that covers the leased workers.
  
- b. A labor contractor seeking to obtain workers compensation benefits for leased workers under a state workers compensation insurance plan must secure the coverage for the leased workers on a multiple coordinated policies basis.

To afford coverage to a labor contractor on a multiple coordinated policies basis, refer to [Rule 3-D-4](#).

## 3. Premium for Leased Workers

Premium must be charged on the policy of the party to an employee leasing arrangement that is securing coverage for the leased workers as indicated below. The party, to an employee leasing arrangement that is not securing coverage for the leased workers, must furnish satisfactory evidence that the other party, to the employee leasing arrangement had workers compensation insurance in force covering the leased workers. For each employee leasing arrangement for which such evidence is not furnished, additional premium must be charged on the policy of the party to the employee leasing arrangement that originally did not intend to secure coverage for the leased workers as follows:

- a. The risk must provide a complete payroll record of the leased workers. Premium on such payroll must be based on the classifications and rates that would have applied if the leased workers had been direct employees of the client.
  
- b. If the payroll records of the leased workers are not provided, 100% of the full employee leasing arrangement price must be established as the payroll of the

leased workers. The premium must be charged on that amount as payroll.

**Exception to 3-D-3-b:**

If investigation on a specific employee leasing arrangement contract discloses that a definite amount of the contract price represents payroll, such amount if deemed reasonable must be the payroll for the premium computation.

- c. If an experience modification has been established for the risk, such experience modification must be applied to the premium developed for the leased workers.

**4. Multiple Coordinated Policies**

**a. Eligibility**

The labor contractor must meet each of the following requirements at application and thereafter to qualify for securing coverage on a multiple coordinated policies basis:

- 1) It is in good faith entitled to insurance required under the workers compensation laws, state and federal, and has been unable to secure such insurance in a regular manner.
- 2) Its officers, directors and any person with a five percent or greater interest do not owe any undisputed workers compensation premium to the current or prior insurers; and
- 3) It provides all information required under each policy in accordance with this rule.
- 4) It is in compliance with all state laws applicable to employee leasing arrangements.



In order for the labor contractor to secure the coverage for the workers leased to a client, the client must be in good faith eligible to receive the insurance. The client is not in good faith entitled to insurance if any of the following circumstances exist, at the time of application or thereafter, or other evidence exists that the client is not in good faith entitled to insurance:

- 1) If, at the time of application, a self-insured client is aware of pending bankruptcy proceedings, insolvency, cessation of operations or conditions that would probably result in occupational disease or cumulative injury claims from exposures incurred while the client was self-insured.
- 2) If the client, while insurance is in force, knowingly refuses to meet reasonable health and safety requirements.
- 3) If the client, or an enterprise with a common managing interest, has an outstanding obligation for workers compensation premium on previous insurance that is not the subject of a bona fide dispute.

**b. Policy Issuance**

Each policy issued to cover the leased workers of a specific employee leasing arrangement on a multiple coordinated policies basis must be issued in the name of the client and in accordance with this rule and all other rules governing the issuance of a standard workers compensation insurance policy for assigned risk business.

A policy issued to cover the direct employees of the labor contractor under a multiple coordinated policies basis must be issued in the name of the labor contractor and in accordance with this rule and all other rules governing the issuance of a standard workers compensation insurance policy for assigned risk business.

**c. Deposit Premium**

The multiple coordinated policies of a single labor contractor may be combined for the purpose of computing deposit premiums. A deposit

premium is payable at the time of application and at the time of renewal.

**d. Endorsements**

1) Labor Contractor Policy

Attach the Labor Contractor Exclusion Endorsement (WC 00 03 21) to the labor contractor's policy to exclude coverage for workers leased to specified clients.

2) Client Policy

Attach to each client's policy the Multiple Coordinated Policy Endorsement (WC 00 03 23) to provide coverage for workers leased from the specified labor contractor and the Labor Contractor Endorsement (WC 00 03 20 A) to extend coverage to the labor contractor.

**5. Audit**

The insurer must audit any policy issued pursuant to [Rule 3-D-2](#) above within 90 days of the policy effective date, and may conduct periodic audits thereafter to determine whether all classifications, experience modifications and estimated payrolls utilized are appropriate.

## North Carolina Basic Manual

### Part 1 – Rules

#### Rule 3 – Ratings and ~~application~~Application of Premium Elements

##### ~~3.D – Employee Leasing Arrangement~~

~~Applicable to Assigned Risk policies only~~

#### 3.D - Professional Employer Organization (PEO) Arrangements

##### 1. Definitions

###### a. Client or Client Company

A person or entity that contracts with a licensee (licensed professional employer organization group) and is assigned employees by the licensee (licensed professional employer organization group) under that contract.

###### b. Direct Worker

An employee of a client or PEO that is not a leased worker obtained through a PEO. For purposes of this rule, the employer of the direct worker(s) is responsible for securing workers compensation insurance for the direct worker(s), unless otherwise determined by North Carolina statutes and/or regulations. An executive officer, director, shareholder, manager, LLC member, partner or owner of a client or PEO who is an employee of a client or PEO and is not a leased worker obtained through a PEO is a direct worker.

~~a. If Employee leasing arrangement means a verbal or written contractual arrangement whereby one business or other entity leases any or all of its workers from another business. Employee leasing arrangements include, but are not limited to, full service employee leasing arrangements, long-term temporary arrangements and any other arrangement that involves the allocation of employment responsibilities among two or more entities. For purposes of this rule, employee leasing arrangement does not include arrangements to provide temporary help service.~~

~~b. Temporary help service means a service whereby an organization hires its own~~

~~employees and assigns them to clients for a finite time period to support or supplement the client's workforce in special work situations such as employee absences, temporary skill shortages and seasonal workloads.~~

~~c. Client (lessee) means an entity that obtains all or part of its workforce from another entity through an employee leasing arrangement or that employs the services of an entity through an employee leasing arrangement.~~

~~d. Labor contractor (lessor) means an entity that grants a written lease to a client through an employee leasing arrangement. In this rule, the labor contractor may also be referred to as an employee leasing company.~~

~~Leased worker (leased employee) means a person an employee was employed by the client prior to the client entering into the PEO agreement, it must be presumed that the employee is a leased worker and not a temporary employee.~~

**c. Licensee**

~~A person licensed under North Carolina General Statutes Chapter 58, Article 89A to provide professional employer services. The term includes a professional employer organization group licensed under North Carolina General Statute 58-89A-35(b) and includes persons who are licensed pursuant to alternative licensing procedures as set forth in North Carolina General Statute 58-89A-76.~~

**d. Leased Worker (defined as "Assigned Employee" in North Carolina General Statute 58-89A-5)**

~~e. An employee who is performing services for a client under an employee leasing arrangement a contract between a licensee PEO and a client company in which employment responsibilities are shared or allocated.~~

~~f. Multiple coordinated policies basis means:~~

~~1) a. Each client must have its own standard workers compensation insurance policy covering its leased workers required to be covered pursuant to the workers compensation laws of the state.~~

~~b. Non-leased workers of a client must Leased worker does not be included on the policy required by (a) above.~~

~~2) All policies for clients of the same include a temporary employee leasing company must be assigned to one insurer in the state.~~

~~Individuals who are directors, shareholders, partners and managers of a client company are leased workers to the extent the licensee PEO and the client have agreed that those individuals are leased workers and provided that those individuals meet the criteria of this definition and act as operational managers or perform reviews for the client company.~~

**e. Master Policy**

~~A form of policy issuance used to provide workers compensation and employers liability insurance for the leased workers of a PEO under which a single standard workers compensation and employers liability policy is issued to a PEO covering all of its leased workers in North Carolina (there are typically multiple client companies). The policy may also cover direct workers of the PEO.~~

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**f. Multiple Coordinated Policy (MCP)**

~~A form of policy issuance used to provide workers compensation and employers liability insurance for the leased workers of a PEO under which the PEO secures a separate policy for each of its client companies. This type of policy is also referred to as a MCP. Policy issuance is as follows:~~

- ~~3) The The insurer must arrange to have the same renewal dates for all such policies.~~
- ~~4) The insurer must arrange to have all notices sent to the labor contractor and to have a single master invoice sent to the labor contractor for all policies covering the clients of the labor contractor.  
PEO has its own standard~~
- ~~5) If a client leases employees from more than one labor contractor, there must be a separate policy for the leased employees of each labor contractor.~~
- ~~6) 1. The insurer also must issue a policy covering the internal employees of the labor contractor, only its direct workers.~~

2. ~~Appropriate endorsements must be used to restrict~~The PEO has a separate standard policy for each client company which names ~~the coverage to specific employees and~~ PEO as the insured and which identifies the client company and covers its leased workers.

3. Endorsements are used to coordinate coverage between ~~clients~~the client company and labor contractor~~the~~ PEO.

**g. Professional Employer Organization (PEO)**

A person that offers professional employer services. The term PEO includes “staff leasing service companies,” “employee leasing companies,” “staff leasing companies” and “administrative employers” who offer or propose to offer professional employer services in North Carolina.

**h. Professional Employer Organization (PEO) Agreement**

A written contract by and between a client company and a professional employer organization that provides:

1. For the allocation and sharing between the client company and the licensee PEO of the responsibilities of employers with respect to the leased workers, including hiring, firing, and disciplining of employees; and
2. That the licensee PEO and the client company assume the responsibilities required by North Carolina General Statutes Chapter 58, Article 89A.

**i. Professional Employer Services (Professional Employer Organization Arrangement)**

An arrangement by which employees of a licensee PEO are assigned to work at a client company and in which employment responsibilities are in fact shared by the licensee PEO and the client company in accordance with North Carolina General Statute 58-89A-100, and the employee’s assignment is intended to be of a long-term or continuing nature, rather than temporary or seasonal in nature. *Professional Employer Services* does not include services that provide temporary employees or independent contractors, a personnel placement service, managed services, payroll services that do not involve employee staffing or leasing, the sharing of employees by commonly owned companies within the meaning of section 414(b) and (c) of the Internal Revenue Code of 1986, as amended, or similar groups that do not meet the requirements of this definition.

**j. Temporary Employees**

Persons employed under an arrangement by which an organization hires its own employees and assigns them to a client company to support or supplement the client’s workforce in a special work situation, including:

- An employee absence
- A temporary skill shortage
- A seasonal workload
- A special assignment or project

7) Such an arrangement can be a long term arrangement and the persons employed under the arrangement continue to be temporary employees.

## 2. Coverage

a. A client seeking to fulfill its statutory responsibility to secure Statutory workers compensation benefits and employers liability insurance coverage secured and maintained by a licensee PEO for leased workers under a state in the voluntary market may be provided by the carrier on a master policy basis or a MCP basis.

~~a. Statutory workers compensation insurance plan must secure the coverage by purchasing and maintaining a standard workers compensation and employers liability insurance policy that covers the leased workers.~~

b. A labor contractor seeking to obtain workers compensation benefits coverage secured and maintained by a licensee PEO for leased workers in the assigned risk market must be provided by the carrier on a MCP basis.

b.c. If under a state a PEO has a separate temporary employment service operation, then separate workers compensation insurance plan must secure the coverage for the leased workers on a multiple coordinated policies basis. policies are required and must be maintained for each type of business in the state of North Carolina.

~~To afford coverage to a labor contractor on a multiple coordinated policies basis, refer to Rule 3-D-4.~~

d. A client company shall not enter into a PEO agreement or be eligible for workers compensation coverage in the voluntary market if (1) the client company owes its current or prior carrier any premium for workers compensation insurance or (2) the client company owes its current or prior PEO amounts due under the PEO agreement, except for premiums or amounts due that are subject to dispute. For the purposes of Rule 3.D and compliance with other North Carolina statutes and/or regulations, a licensee PEO may rely on a statement by the client company that the client company

has met any and all prior premium or fee obligations, unless the licensee PEO has actual knowledge to the contrary.

### 3. Premium ~~for~~For Leased Workers

- a. Premium for leased workers will be determined based on the applicable classification, rates, payroll and rating programs for each client for whom coverage is being requested and/or payroll exists, with payment made by the PEO unless otherwise specified by written contract.
- b. The carrier and the PEO may agree to a retrospective rating program or any other permitted pricing program regardless of policy issuance method (MCP or master policy).

~~The Premium must be charged on the policy of the party to an employee leasing arrangement that is securing coverage for the leased workers as indicated below. The party, to an employee leasing arrangement that is not securing coverage for the leased workers, must furnish satisfactory evidence that the other party, to the employee leasing arrangement had workers compensation insurance in force covering the leased workers. For each employee leasing arrangement for which such evidence is not furnished, additional premium must be charged on the policy of the party to the employee leasing arrangement that originally did not intend to secure coverage for the leased workers as follows:~~

- c. ~~The risk must provide a complete payroll record of the leased workers. Premium on such payroll must be based on the classifications and rates that would have applied if the leased workers had been direct employees of the client~~PEO must provide its workers compensation carrier with the proper and necessary documentation to allow the carrier to determine and charge a premium that is commensurate with the exposure and anticipated claim experience for all employees covered under policies issued by the carrier in the name of the PEO. This documentation must include (1) a listing of all covered employees provided to each client company, by classification code and (2) the total eligible wages, by classification code, and the premiums due to the carrier for the employees provided to each client company.

~~Failure to maintain and provide the carrier with the required documentation may result in the PEO being considered noncompliant with the applicable North Carolina statutes and the policy terms and conditions.~~

### 4. Administration-Master Policy



- b. ~~If the payroll records of the leased workers are not provided, 100% of the full employee leasing arrangement price must be established as the payroll of the leased workers. The premium must be charged on that amount as payroll.~~



Exception to 3-D-3-b:

~~1. If investigation on a specific employee leasing arrangement contract discloses that a definite amount of the contract price represents payroll, such amount if deemed reasonable must be the payroll for the premium computation.~~

~~e. If an experience modification has been established for the risk, such experience modification must be applied to the premium developed for the leased workers.~~

#### 4. ~~Multiple Coordinated~~ **Policies**

##### ~~a.~~ **Eligibility**

~~The labor contractor must meet each of the following requirements at application and thereafter to qualify for securing coverage on a multiple coordinated policies basis:~~

- ~~1) It is in good faith entitled to insurance required under the workers compensation laws, state and federal, and has been unable to secure such insurance in a regular manner.~~
- ~~2) Its officers, directors and any person with a five percent or greater interest do not owe any undisputed workers compensation premium to the current or prior insurers; and~~
- ~~3) It provides all information required under each policy in accordance with this rule.~~
- ~~4) It is in compliance with all state laws applicable to employee leasing arrangements.~~

~~In order for the labor contractor to secure the coverage for the workers leased to a client, the client must be in good faith eligible to receive the insurance. The client is not in good faith entitled to insurance if any of the following circumstances exist, at the time of application or thereafter, or other evidence exists that the client is not in good faith entitled to insurance:~~

- ~~1) If, at the time of application, a self-insured client is aware of pending~~

~~bankruptcy proceedings, insolvency, cessation of operations or conditions that would probably result in occupational disease or cumulative injury claims from exposures incurred while the client was self-insured.~~

- ~~2) If the client, while insurance is in force, knowingly refuses to meet reasonable health and safety requirements.~~
- ~~3) If the client, or an enterprise with a common managing interest, has an outstanding obligation for workers compensation premium on previous insurance that is not the subject of a bona fide dispute.~~

**b.a. Policy Issuance**

Each

- ~~1. A policy issued to a PEO to cover the leased workers of a specific employee leasing PEO arrangement on a multiple coordinated policies master policy basis must be issued in the name and FEIN of the client and PEO in accordance with this rule and all other rules governing the issuance of a standard workers compensation insurance policy for assigned risk business policy.~~
- ~~2. Direct workers of a client shall not be included on the PEO's policy for the leased workers. Executive officers, sole proprietors, partners, and LLC members of a client who are employees of the client but who are not leased from a PEO under a PEO arrangement will be considered direct workers. A separate policy is required by the client for its direct workers, subject to the North Carolina Workers' Compensation Act.~~
- ~~3. Each client shall be issued a certificate of insurance on the PEO's single policy. The certificate of insurance shall require that the insurer provide notice of cancellation to the licensee PEO and each client company of the licensee PEO.~~
- ~~4. Master policy issuance is only available in the voluntary market.~~

**b. Endorsements**

- ~~1. The following endorsements are applied under the master policy basis:~~

<u>Type of Policy</u>	<u>Endorsement</u>	<u>Purpose</u>
<del>Client Policy (direct workers)</del>	<del>North Carolina Professional Employer Organization (PEO) Client Exclusion Endorsement (WC 32 03 07)</del>	<del>Attach the WC 32 03 07 to the client policy issued to cover only the direct workers of the client. This endorsement is attached to the client's policy that is not part of the master policy arrangement.</del>

<u>PEO Policy (direct workers)</u>	<u>North Carolina Professional Employer Organization (PEO) Exclusion Endorsement (WC 32 03 05)</u>	<u>If a separate policy is issued to the PEO to cover its direct workers, attach the WC 32 03 05 to that policy. WC 32 03 05 excludes coverage for workers leased to specified clients.</u>
<u>PEO Policy (leased workers)</u>	<u>North Carolina Professional Employer Organization (PEO) Extension Endorsement (WC 32 03 06)</u>	<u>Attach the WC 32 03 06 to the Master Policy issued to the PEO to cover workers it leases to its clients. The endorsement makes the policy applicable to the employees leased from the PEO to the client. Coverage for direct workers of the PEO can be provided if properly indicated on the endorsement.</u>

2. The Alternate Employer Endorsement (WC 00 03 01A) should not be used for specifying clients written under the master policy basis.

**c. Cancellations/Nonrenewals:**

1. When a policy written in accordance with the Master Policy method to cover clients' leased workers is canceled, the insurance company writing the policy shall provide an individual notice of cancellation to the licensee PEO and to each client of the licensee PEO as required by North Carolina statutes/and or regulations.
2. If the insurer fails to provide individual notices of cancellation to the licensee PEO and the client companies, the insurer shall remain liable on the risk for losses incurred by the client companies that would have been covered by the workers' compensation policy prior to the attempted cancellation.

**d. Experience Rating**

1. Refer to Rule 5-A, Employee Leasing/Professional Employer Organizations, in the **Experience Rating Plan Manual** for the rules regarding treatment of experience rating modifications.
2. Refer to the Rule 3-F, Evasion of Experience Rating Modification, in the **Experience Rating Plan Manual** for the rules regarding evasion of an experience rating modification.
3. The PEO's experience rating modification, if any, applies to the policy covering the PEO's direct workers and to the policy covering the clients of the PEO arrangement written under a master policy basis.

**5. Administration-Multiple Coordinated Policy (MCP)**

**a. Policy Issuance**

1. If a licensee PEO provides workers' compensation coverage pursuant to the MCP method, the PEO will obtain a separate policy for each client company of the PEO.

- a. Each policy issued to cover a client company's leased workers shall identify the PEO and the name of the client company. The insurer shall specify the name of the PEO for the client company by using the designation "L/C/F" (Labor Contractor For) on the policy in the following manner: Company PEO L/C/F Client XYZ.
  - b. Direct workers of a client shall not be included on the policy covering the leased workers. Executive officers, sole proprietors, partners, and LLC members of a client who are employees of the client and who are not leased workers from a PEO under a PEO arrangement will be considered direct workers of the client. A separate policy is required by the client for its direct workers, subject to the North Carolina Workers' Compensation Act.
  - c. Each policy will have the same expiration date, including any new client added midterm.
  - d. Each policy will have the same renewal date.
  - e. ~~If a client leases~~ A policy issued to cover the direct employees of the labor contractor under a workers from more than one PEO, there must be a separate policy for the leased workers of each PEO.
  - f. The client company of a PEO shall have a continuing obligation to provide coverage as required by Chapter 97 of the NC General Statutes, the Workers Compensation Act, for any employees of the client company who are not leased workers and not otherwise covered under a MCP.
  - g. Multiple coordinated policies can be issued in the assigned risk and voluntary market. ~~The multiple coordinated policies~~ policy method is the only method available in the assigned risk market.
2. The PEO must have a separate standard policy covering the direct workers of the PEO.
- a. A policy issued to cover the direct workers of the PEO under a MCP basis ~~must~~ will be issued in the name ~~of the labor contractor~~ and FEIN of the PEO in accordance with this rule and all other rules governing the issuance of a standard ~~workers compensation insurance policy for assigned risk business~~ policy.
  - b. ~~Deposit~~ If the PEO has no direct workers in North Carolina, a policy will be issued to cover the PEO which reflects classification code 8810-Clerical Office Employee NOC on an "if any" basis and the minimum premium for classification code 8810 will be charged as the minimum premium for the policy.

**b. Endorsements**

1. The following endorsements are applied to the various policies under the MCP arrangement.

<u>Type of Policy</u>	<u>Endorsement</u>	<u>Purpose</u>
<u>PEO Policy (direct workers)</u>	<u>North Carolina Professional Employer Organization (PEO) Exclusion Endorsement (WC 32 03 05)</u>	<u>Attach the WC 32 03 05 to the policy issued as part of a MCP arrangement to the PEO to cover its direct workers. WC 32 03 05 excludes coverage for workers leased to specified clients.</u>
<u>PEO Policy (leased workers)</u>	<u>North Carolina Professional Employer Organization (PEO) Extension Endorsement (WC 32 03 06)</u>	<u>Attach the WC 32 03 06 to the policy issued to the PEO as part of the MCP arrangement to cover leased workers. This policy is written as Company PEO L/C/F Client XYZ. The endorsement makes the policy applicable to the employees leased from the PEO to the client. Note that coverage for direct workers of the PEO cannot be selected on the endorsement when the policy is part of the MCP arrangement.</u>
<u>Client Policy (direct workers)</u>	<u>North Carolina Professional Employer Organization (PEO) Client Exclusion Endorsement (WC 32 03 07)</u>	<u>Attach the WC 32 03 07 to the policy issued to the client to cover only the direct workers of the client. This endorsement is attached to the client's policy that is <b>not</b> part of the MCP arrangement.</u>

2. The Alternate Employer Endorsement (WC 00 03 01A) should not be used for specifying clients written under the MCP arrangement.

**c. Cancellations/Nonrenewals**

1. When a policy written in accordance with the MCP method to cover a client's leased workers is cancelled, the insurance company writing the policy shall provide individual notices of cancellation to the PEO and to the client of the PEO as required by North Carolina statutes/and or regulations.
2. If a PEO ceases to exist, the policy issued to the PEO to cover its client's leased workers will remain in force to policy expiration and will be non-renewed in accordance with the MCP method. The carrier must provide notice to the client regarding the status of the policy covering the client's leased workers.

**d. Experience Rating**

1. Refer to Rule 5-A, Employee Leasing/Professional Employer Organizations, in the **Experience Rating Plan Manual** for the rules regarding treatment of experience rating modifications.

2. Refer to the Rule 3-F, Evasion of Experience Rating Modification, in the *Experience Rating Plan Manual* for the rules regarding evasion of an experience rating modification.
3. The PEO's experience rating modification, if any, applies to the policy covering the PEO's direct workers.
4. A client's experience rating modification, if any, applies to:
  - The policy issued to the PEO covering the client's leased workers under the MCP and
  - Any other policy(ies) covering the client's direct workers

**Note:** The client's experience rating modification will include the client's experience, if any, for the time period applicable under the Experience Rating Plan Manual, even if that time period extends to the period prior to the PEO arrangement.

#### e.e. Premium Discount

~~The multiple coordinated~~

In the voluntary market, all policies of a single written under the MCP basis, written by the same insurance carrier and referencing the same PEO as labor contractor may be combined for the purpose of computing deposit premiums. A deposit premium is payable at the time of application and at the time of renewal premium discount purposes. Assigned risk policies are not eligible for premium discount.

#### d.a. Endorsements

##### 1) Labor Contractor Policy

~~Attach the Labor Contractor Exclusion Endorsement (WC 00-03-21) to the labor contractor's policy to exclude~~

#### 6. Where Client Insures Its Leased Workers

If a client company provides workers compensation coverage for workersto its leased to specified clients.

##### 2) Client Policy

~~Attach to each client's policy the Multiple Coordinated Policy Endorsement (WC 00-03-23) to provide coverage for workers leased from the specified labor contractor and the Labor Contractor Endorsement (WC 00-03-20 A) to extend coverage to the labor contractor.~~

#### 5. Audit

~~The insurer must audit any policy issued pursuant to Rule 3-D-2 above within 90 days the terms of the policy effective date, and may conduct periodic audits thereafter to determine whether all classifications,~~

experience modifications and estimated payrolls utilized are appropriate, their PEO agreement and as permitted in North Carolina General Statute 58-89A-110(j), apply the following endorsement to the policy issued to the client company.

<b><u>Type of Policy</u></b>	<b><u>Endorsement</u></b>	<b><u>Purpose</u></b>
<u>Client Policy (leased workers)</u>	<u>North Carolina Professional Employer Organization (PEO) Client Extension Endorsement (WC 32 03 08)</u>	<u>Attach the WC 32 03 08 to the policy issued to the client to cover leased workers. The endorsement makes the policy applicable to the employees leased from the PEO to the client. Coverage for direct workers of the client can be provided if properly indicated on the endorsement.</u>

**WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY**

**WC 32 03 05**

(Ed. 04-17)

**NORTH CAROLINA PROFESSIONAL EMPLOYER ORGANIZATION (PEO) EXCLUSION ENDORSEMENT**

Certain words and phrases in this endorsement are defined as follows:

*Client or Client Company:* A person or entity that contracts with a licensee (licensed professional employer organization group) and is assigned employees by the licensee (licensed professional employer organization group) under that contract.

*Professional Employer Organization (PEO):* A person that offers professional employer services. The term PEO includes “staff leasing service companies,” “employee leasing companies,” “staff leasing companies” and “administrative employers” who offer or propose to offer professional employer services in North Carolina.

This endorsement is used to exclude workers you lease to specified clients from this PEO policy, which only covers direct (non-leased) workers. Your policy, to which this endorsement is attached, does not provide coverage for workers you lease to any clients listed below or others added subsequent to policy issuance even if not endorsed on the policy. Any changes to such information must be reported to the carrier immediately.

Schedule

<b>Client</b>	<b>Address</b>
---------------	----------------

This endorsement changes the policy to which it is attached and is effective on the date issued unless otherwise stated.

**(The information below is required only when this endorsement is issued subsequent to preparation of the policy.)**

Endorsement  
Insured

Effective Policy No.

Endorsement No.  
Premium:

Insurance Company

Countersigned by \_\_\_\_\_

**WC 32 03 05**



**NORTH CAROLINA PROFESSIONAL EMPLOYER ORGANIZATION (PEO) EXTENSION ENDORSEMENT**

Certain words and phrases in this endorsement are defined as follows:

*Client or Client Company:* A person or entity that contracts with a licensee (licensed professional employer organization group) and is assigned employees by the licensee (licensed professional employer organization group) under that contract.

*Professional Employer Organization (PEO):* A person that offers professional employer services. The term PEO includes "staff leasing service companies," "employee leasing companies," "staff leasing companies" and "administrative employers" who offer or propose to offer professional employer services in North Carolina.

This endorsement is used to extend coverage to leased workers provided by the PEO listed in Item 1 of the Schedule and shown as Named Insured on the policy to the client listed in Item 2 of the Schedule, in the state listed in Item 3 of the Schedule. Your policy, to which this endorsement is attached, provides coverage for workers you lease to any client listed in the Schedule. This endorsement does not extend coverage to temporary employees.

Your policy, to which this endorsement is attached, does not provide coverage to your direct workers unless such coverage is selected by marking the box by the statement below:

Direct workers of the Named Insured on the policy are provided coverage.

(This option is available only if the policy is written on a master policy basis.)

The insurance afforded by this endorsement applies only to the parties named in the Schedule.

- |                                      | <b>Schedule</b> | <b>Address</b> |
|--------------------------------------|-----------------|----------------|
| 1. <b>PEO</b>                        |                 |                |
| 2. <b>Client</b>                     |                 |                |
| 3. <b>State where Work Performed</b> |                 |                |

**This endorsement changes the policy to which it is attached and is effective on the date issued unless otherwise stated. (The information below is required only when this endorsement is issued subsequent to preparation of the policy.)**

Endorsement Effective  
Insured

Policy No.

Endorsement No.  
Premium \$

Insurance Company

Countersigned by \_\_\_\_\_

**NORTH CAROLINA PROFESSIONAL EMPLOYER ORGANIZATION (PEO) CLIENT EXCLUSION ENDORSEMENT**

Certain words and phrases in this endorsement are defined as follows:

*Client or Client Company:* A person or entity that contracts with a licensee (licensed professional employer organization group) and is assigned employees by the licensee (licensed professional employer organization group) under that contract.

*Professional Employer Organization (PEO):* A person that offers professional employer services. The term PEO includes “staff leasing service companies,” “employee leasing companies,” “staff leasing companies” and “administrative employers” who offer or propose to offer professional employer services in North Carolina.

This endorsement is used to exclude leased workers from your policy, which only covers your direct (non-leased) workers. Your policy, to which this endorsement is attached, does not provide coverage for workers you lease from any PEO(s) listed below or others added subsequent to policy issuance even if not endorsed on the policy. Any changes to such information must be reported to the carrier immediately.

Schedule

<b>PEO</b>	<b>Address</b>
------------	----------------

This endorsement changes the policy to which it is attached and is effective on the date issued unless otherwise stated.

**(The information below is required only when this endorsement is issued subsequent to preparation of the policy.)**

Endorsement Insured	Effective Policy No.	Endorsement No. Premium:
Insurance Company	Countersigned by _____	

WC 32 03 07

**WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY**

**WC 32 03 08**

(Ed. 04-17)

**NORTH CAROLINA PROFESSIONAL EMPLOYER ORGANIZATION (PEO) CLIENT EXTENSION ENDORSEMENT**

Certain words and phrases in this endorsement are defined as follows:

*Client or Client Company:* A person or entity that contracts with a licensee (licensed professional employer organization group) and is assigned employees by the licensee (licensed professional employer organization group) under that contract.

*Professional Employer Organization (PEO):* A person that offers professional employer services. The term PEO includes "staff leasing service companies," "employee leasing companies," "staff leasing companies" and "administrative employers" who offer or propose to offer professional employer services in North Carolina.

This endorsement is used to extend coverage to leased workers provided by the PEO listed in Item 1 of the Schedule to the client listed in Item 2 of the Schedule and shown as Named Insured on the policy, in the state listed in Item 3 of the Schedule. Your policy, to which this endorsement is attached, provides coverage for workers you lease from any PEO listed in the Schedule. This endorsement does not extend coverage to temporary employees.

Your policy, to which this endorsement is attached, does not provide coverage to your direct workers unless such coverage is selected by marking the box by the statement below:

Direct workers of the Named Insured on the policy are provided coverage.

The insurance afforded by this endorsement applies only to the parties named in the Schedule.

**Schedule**

**Address**

- 1. **PEO**
- 2. **Client**
- 3. **State where Work Performed**

**This endorsement changes the policy to which it is attached and is effective on the date issued unless otherwise stated. (The information below is required only when this endorsement is issued subsequent to preparation of the policy.)**

Endorsement Effective Insured

Policy No.

Endorsement No. Premium \$

Insurance Company

Countersigned by \_\_\_\_\_

**WC 32 03 08**