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CONTACT:

Susan Nolan
Mike Humphreys
NCOIL National Office
518-687-0178

PEO MODEL ON NCOIL BACKSTRETCH

Troy, New York, February 7, 2007 — After a year of working through complex issues regarding professional employer organization (PEO) practices, members of the National Conference of Insurance Legislators (NCOIL) Workers' Compensation Insurance Committee will consider an amended *Model Act Regarding Professional Employer Organizations (PEOs) in Workers' Compensation Insurance* on March 1, during the March 1 through 4 NCOIL Spring Meeting in Savannah, Georgia.

Senator Carroll Leavell (NM), who is sponsoring the proposed model act, said, "In working on the model we tried to balance the convenient services that a PEO can provide with the need for client-level rating and reporting to eliminate a potential source of fraud in the industry."

The proposed model act would require, among other things, that a PEO register with an appropriate state authority and that the experience rating of a PEO client remain with the client regardless of its relationship with the PEO. The model would also require client-level experience reporting. The model emphasizes client-level rating and reporting because of past abuses where, in the course of a PEO-employer relationship, the experience rating of a PEO would be used to acquire an insurance policy instead of the rating of an employer.

Proponents of the model view a "client-level" approach as a means of resolving confusion over proof of coverage and potential gaps in coverage, as the client would remain responsible for demonstrating compliance with state laws.

Additional approaches that states have implemented to regulate PEO workers' comp coverage include multiple-coordinated policies, or MCPs, and master policies. Under an MCP, an insurer may issue separate policies to separate clients under the coordination of a PEO, while under a master policy, an insurer issues a single policy to a PEO that provides coverage for multiple clients.

An NCOIL Working Group, formed at the 2006 Annual Meeting, has received and reviewed comments from interested parties, including representatives of the National Association of

Insurance Commissioners (NAIC), National Association of Professional Employer Organizations (NAPEO), and National Council on Compensation Insurance (NCCI).

Interested parties expressed concern regarding the types of policies an NCOIL model would permit, potential gaps in coverage that could leave employees uninsured, and the absence of a provision requiring the reporting of experience data to a designated statistical organization.

The Working Group was formed to review comments from interested parties and to consider recommending a revised version of the proposed model act to the full Committee at the Spring Meeting.

The Committee meeting is scheduled from 9:15 to 10:15 a.m. The NCOIL Spring Meeting will be held at the Hyatt Regency Savannah.

NCOIL is an organization of state legislators whose primary focus is insurance legislation and regulation. Many legislators active in NCOIL either chair or are members of the committees responsible for insurance legislation in their respective state houses across the country. More information is available at www.ncoil.org.

For further details, please contact the NCOIL National Office at 518-687-0178 or at mhumphreys@ncoil.org.