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Employers:

Make sure your workers' compensation coverage is legitimate

State investigators recently have noted that some employers who purchase workers' compensation coverage as part of a bundle of services that may include human resources management, payroll services, tax filing and insurance administration, from professional employer organizations (PEO) are not covered by a valid workers' compensation policy.

Employers in California must carry workers' compensation coverage

If a business operating in California does not carry workers' compensation coverage, it is a criminal offense and the business is liable for up to a \$100,000 fine (California Labor Code, section 3700).

Additionally, as Division of Labor Standards Enforcement (DLSE) investigators encounter employers who do not have valid workers' compensation insurance, they will issue orders preventing the employer from conducting business until the employer shows proof of valid workers' compensation insurance.

If one of your employees is injured on the job when you are not covered by workers' compensation, that employee is paid benefits from the state's Uninsured Employers Fund. The state will take steps to recoup funds from you using the same methods it uses to collect overdue taxes, child support and student loans. The state can put a lien on your home. Your contractor's license is automatically suspended. Your assets can be attached even if held overseas or in a corporation or trust. Workers can sue you for negligence in civil court.

Workers' compensation protects the health and income of workers who get injured on the job. It also limits the employer's liability for lawsuits.

Like meeting your payroll, if you can't afford workers' compensation insurance, you shouldn't be in business.

Make sure your carrier is legitimate

It's important for employers to check that their workers' compensation carrier has a certificate of authority from the California Department of Insurance.

You can check whether your workers' compensation carrier is licensed on the Web site of the California Department of Insurance <http://www.insurance.ca.gov/docs/FS-Licensesstatus.htm> by entering either the name of your carrier or its license number.

The California Division of Workers' Compensation advises that if you are considering the services of an employee leasing company or labor contractor, you should proceed with caution. Generally, even though such a service must have workers' compensation coverage under its own policy, you or your company must be listed as

an additional insured. Before signing, ask to see the policy or have it reviewed by a knowledgeable professional.

Leasing company or labor contractor

Many temporary agencies use PEOs, but PEOs also deal directly with individual employers. There is widespread use of PEOs by small business in the construction industry and other industries with a high risk of workplace injuries.

The fact that you engage a PEO does not release you from liability. Employers have a responsibility to ensure their workers are covered by a valid workers' compensation policy. So before you turn your vital programs like workers' comp and payroll over to a third party, be sure you are dealing with a reputable, legally insured PEO.

Here is a checklist from the California Association of Professional Employer Organizations that will help you figure out if a PEO is okay:

- Check the PEO's certificate of insurance.
- Find out what services the PEO will offer. Meet the people who provide the services.
- Check the company's references. Make sure they are paying payroll taxes.
- See if the company is a member of the California or National Association of Professional Employer Organizations.
- How does the PEO cover employee benefits? Is it licensed in California? Self funded?
- Review liability for the service agreement. Look at the cancellation process for the PEO and your business.

Useful links for employers:

An Employer's Guide to Workers' Compensation
California Department of Industrial Relations
<http://www.dir.ca.gov/DWC/erguide.pdf>

Check the status of your license
California Department of Insurance
<http://www.insurance.ca.gov/docs/FS-Licensestatus.htm>

Los Angeles County District Attorney's Office
<http://da.co.la.ca.us/workerscompfraud.htm>

National Association of Insurance Commissioners
<http://www.naic.org/index.htm>

Workers compensation insurance
<http://www.workerscompensationinsurance.com/>