The Florida Senate

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Committee on Banking and Insurance Senator Rudy Garcia, Chairman

DETERRING INSURANCE FRAUD BY EMPLOYMENT AGENCIES

SUMMARY

In recent years, employers are increasingly using employment agencies to meet temporary and long-term workforce needs and reduce administrative costs, thereby allowing employers to become more competitive in the marketplace. Employment agencies can provide a cost-effective service to businesses, and particularly for small employers, that do not have the staff or expertise to keep up with complex state and federal regulations. In Florida, employers can obtain such staffing through day labors and labor pools, temporary help firms, and employee leasing companies.

However, some employment agencies have marketed insurance products that are fraudulent or nonexistent resulting in some client companies not having health and workers' compensation coverage for their employees. Certain employment agencies have engaged in premium fraud by misrepresenting employee classification codes and payroll to the insurer. Employment agencies engaging in such fraudulent activities create an unlevel playing field for legitimate employment agencies that are complying with statutory requirements. Such fraudulent activity has adversely affected the availability and affordability of workers' compensation in the voluntary market in recent years, as evidenced by the reduction in the number of insurers writing employment agencies in Florida in recent years.

It is recommended that the Legislature consider the following options:

1. Require employee leasing companies to maintain $50,000 net worth requirements after the initial licensure since the leasing company has a fiduciary role with the client company to pay taxes and benefits.

2. Require all employee leasing company licensees to submit annual audited financial statements rather than limiting this requirement to leasing companies with a payroll of greater than $2.5 million.

3. Revise the composition of the Board of Employee Leasing Companies to include an advocate for small businesses and members experienced in the area of insurance rate regulation and coverage requirements that would be appointed by the Chief Financial Officer and the Commissioner of the Office of Insurance Regulation. As an alternative, the Legislature might consider transferring the regulation of employee leasing companies from the Department of Business Regulation to the Department of Financial Services due to the complexity of insurance related issues associated with the regulation of employee leasing companies.

4. Require insurers in the voluntary market to structure policies for employee leasing companies as multiple coordinated policies or hybrids of these policies to ensure timely and accurate reporting of unit statistical data for each client company. As an alternative, the Legislature might consider continuing the use of master policies but require employee leasing companies to provide unit statistical data on each client company to the insurer on a scheduled basis.

5. Consider amending the workers' compensation law and the employee leasing law to allow client companies to obtain workers' compensation coverage directly rather than the employee leasing company, if it is no longer the intent of the Legislature to require the employee leasing company to maintain such coverage. If it is the intent of the Legislature to continue to require the employee leasing company to obtain coverage, the Department of Business and Professional Regulation should repeal its rule authorizing client-based coverage since it conflicts with the current statutory coverage requirements.

6. Provide greater specificity and authority in the law regarding the type, frequency, and format of information that employee leasing companies are required to report to the Division of Workers' Compensation within the Department of Financial Services. This would assist the division in ensuring that employers are complying with coverage requirements.

7. Revise the 30-day deadline for employee leasing companies to report the termination and initiation of client companies to the Division of Workers' Compensation and insurers, under the employee leasing law, to conform to the 5-day deadline for termination notice prescribed in the Insurance Code.

8. Clarify the definition of temporary versus long-term employment services due to statutory inconsistencies. This change will also enhance enforcement efforts to combat unlicensed employee leasing activities.

BACKGROUND

In recent years, employers are increasingly using various employment agencies to meet temporary and long term staffing needs and to reduce administrative costs, thereby allowing employers to become more competitive in the marketplace. According to the U.S. Small Business Administration, the annual cost of complying with government regulations and reporting requirements for small employers (500 or fewer employees) was approximately $5,000 per employee in 1995.[1] Subsequently, these administrative costs have increased by more than 10 percent.[2] Essentially, the employment staffing industry in Florida has three basic segments:

- *Day labor and labor pools*. These entities, regulated under ch. 448, F.S., assign their employees on a day-to-day basis to client companies (employers).
- *Temporary help firms*. These firms, which are not regulated by the state, assign their employees on a weekly, monthly, seasonal, or other basis to client companies for a period of less than one year.
- *Employee leasing companies or professional employer organizations.*[3] These companies are regulated under Ch. 468, F.S. These companies assign and actively co-employ their employees with the client company. Generally, these companies offer voluntary benefits to the employees and offer various consultation services to the client companies. These services may include, but are not limited to, human resource management, risk management, processing and payment of payroll and employment taxes, and workers' compensation insurance coverage.

The top 25 employee leasing companies in Florida, ranked by number of leased employees in Florida, engaged approximately 465,000 employees in 2002.[4] As of September 20, 2004, the Board of Employee Leasing Companies reported 370 companies licensed in Florida.

Many of these employment agencies have provided their client companies with effective and necessary services; however, some of these employment agencies have operated fraudulently and marketed insurance products and health benefit plans that are fraudulent or non-existent. Certain employment agencies have engaged in premium fraud by misrepresenting an employee's classification code and payroll to the insurer. Employment agencies engaging in such fraudulent activities create an unlevel playing field for legitimate employment agencies that are complying with insurance coverage requirements.

In a traditional employee leasing arrangement, an employee leasing company will enter into an arrangement with an employer ("client company") under which all or most of the client's workforce would be employed by the leasing company and leased to the client company. Generally, the client company will terminate all or most of its employees and these employees will be engaged by the leasing company and leased to the client to perform the same work they previously performed as the client's employees. Generally, the employee leasing company and the client establish a co-employer relationship by contract to the extent allowed by state law.

[1] Drucker, Peter, *"They're Not Employees, They're People.* Harvard Business Review, February 2002. p. 3.
[2] Ibid.

[3] For purposes of this report, the terms, employee leasing company and professional employer organization are used interchangeably.
[4] *Annual Top Rank Florida Book of Lists*. Florida Trend. 2004. p. 91.

Florida Regulation of Employee Leasing Companies

In 1991, the Florida Legislature created the Board of Employee Leasing Companies ("board") within the Department of Business and Professional Regulation ("DBPR") to license and regulate employee leasing companies.[5] The board is comprised of seven members, appointed by the Governor, and confirmed by the Senate. The Governor selects five members of the board from persons engaged in the employee leasing industry and licensed under the employee leasing laws. The remaining two members are required to be Florida residents without any ties to the employee leasing business. Each member serves a four-year term.[6]

The law defines the term, "employee leasing," as "…an arrangement whereby a leasing company assigns its employees to a client and allocates the direction of and control over the leased employees between the leasing company and the client."[7] The law specifically excludes temporary help arrangements from the definition of employee leasing and these entities are not subject to state licensure requirements.[8]

Employee leasing companies are subject to the following financial requirements:[9]

- For *initial* licensure as an employee leasing company, an applicant must provide a tangible accounting net worth of not less than $50,000;
- An applicant for initial or renewal licensure is required to have an accounting net worth or have guaranties, letters of credit, or other security acceptable to the board in a sufficient amount to offset any deficiency;
- All licensees must submit a quarterly report that includes a balance sheet and an income statement, that affirms positive working capital or provide guaranties, letters of credit, or other security to offset any deficiency. In calculating the amount of working capital, a licensee is required to include adequate reserves for all taxes and insurance;[10] and
- Each employee leasing company or leasing company group with $2.5 million or more in payroll is required to submit annual financial statements audited by an independent certified public accountant with the application, and within 120 days after the end of the fiscal year.[11] If the payroll is less than $2.5 million, annual financial statements are subject to only a review by an independent certified public accountant.[12]

If an employee leasing company fails to evidence positive working capital or accounting net worth in the annual financial statements or the quarterly financial reports, the deficiencies are deemed cured if the licensee files additional information documenting action taken subsequent to the required reports which shows that the licensee's current financial status is in compliance with statutory requirements.

The law authorizes the DBPR to conduct investigations, audits, or reviews of companies to determine compliance with applicable laws and rules.[13]According to the DBPR, the Complaints/Investigations intake section reviews complaints. Based upon information and documentation provided, the DBPR makes a determination as to the legal sufficiency of the allegations. If the complaint is determined to be legally sufficient, and is not classified as unlicensed practice, a notice of noncompliance or citation is considered for minor violations. For more serious matters, and unlicensed practice, the file is forwarded for investigation. The DBPR may initiate mediation for legally sufficient complaints where mediation rules exist, and the allegations pertain to economic harm or the licensee can remedy them. All completed investigations are forwarded to the Office of the General Counsel for legal determination and legal action, if deemed appropriate.

The DBPR is authorized to conduct on-site quarterly inspections and audits of licensees. As an alternative to these quarterly audits and inspections, the DBPR will

[5] Ch. 91-93, L.O.F., effective October 1, 1992.
[6] Section 468.521, F.S.
[7] Section 468.520(4), F.S.
[8] Ibid
[9] Section 468.525, F.S.
[10] Rule 61G7-10.001, F.A.C.
[11] The objective of an audit is to obtain sufficient, competent evidence that provides a reasonable basis for expressing an opinion on the financial statements taken as a whole.
[12] A review of the financial statements provides limited assurances regarding the financial statements since the scope of a review is substantially more limited than an audit and does not express an opinion.
[13] Section 468.535, F.S.

accept timely filed quarterly reports documenting compliance with Part XI of Ch. 468, F.S.[14] According to board staff, an independent consultant engaged by the board conducted one on-site audit during the last 3 years.

Representatives of the employee leasing industry cited nonpayment as the most common reason for the termination of an employee leasing arrangement. In Florida, the cancellation notification period in a leasing arrangement is governed by contract with the client company.[15] Since the law does not require employee leasing companies to provide any prior notice of termination of the leasing agreement to the client companies, a client company could incur a gap in coverage. Some employee leasing company representatives expressed concerns about mandating any type of prior notification to the client company due to liability concerns, although leasing companies are obligated in many states, including Florida, for the payment of payroll and other employment-related liabilities irrespective of payment by the client.

To address concerns regarding potential liabilities subsequent to a termination notification, an employee leasing company could require a deposit or letter of credit. However, representatives of some leasing companies indicated that, as a rule, they do not require deposits from small client companies. As part of the credit underwriting process, some employee leasing companies currently review the credit scores and financial statements of potential client companies and require a deposit or a letter of credit, if warranted. In some instances, this credit review is not triggered unless the payroll exceeds a certain amount.

Generally, insurers are required to provide 30-days' notice to the policyholder, in this instance, the employee leasing company, prior to the expiration or cancellation of a workers' compensation policy. For cancellation due to nonpayment, the insurer is required to provide notice 10 days prior to the effective date of the cancellation.[16]

Florida Insurance-Related Requirements for Employee Leasing Companies

For purposes of workers' compensation insurance coverage requirements under ch. 440, F.S., the law defines the term, "employer," to include employment agencies, employee leasing companies, and similar agents who provide employees to other persons.[17] The term, "employment agencies," is not defined in ch. 440, F.S.[18] Any person defined as an "employer" by ch. 440, F.S., is required to provide workers' compensation coverage to its employees by either securing coverage or meeting the requirements to self-insure.[19] Generally, temporary staffing arrangements are the named employers on workers' compensation policies according to the National Council on Compensation Insurance. The employee leasing laws specifically require employee leasing companies to provide coverage to their employees.[20] However, rules of the Board of Employee Leasing Companies appear to conflict with these statutory coverage requirements by allowing, as an option, the client company to provide and maintain such coverage.[21]

A leasing company is required to notify its insurer within five days after the termination of a client. If an employee leasing company has received notice of cancellation or nonrenewal from its insurer, the employee leasing company must notify all client companies within 15 days unless the leasing company obtains another policy with an effective date that is identical with the date of the prior coverage.[22]

Generally, employee leasing companies obtain workers' compensation insurance coverage for client employers through a master policy or multiple coordinated policies. In a master policy arrangement, an insurer issues a single policy to the employee leasing company that covers the leased employees of the client companies. The policy generally excludes coverage for any of the client's employees who are not part of the leasing arrangement. Under a multiple coordinated policy, individual client policies are issued in the name of and coordinated under a central policy issued to the employee leasing company. In many states, including Florida, the law allows insurers in the voluntary market to issue master policies to employee leasing companies. In the residual market, each client

[14] Rule 61G7-10.003, F.A.C.
[15] Section 627.192, F.S.
[16] Section 440.42(3), F.S.
[17] Section 440.02(16)(a), F.S.
[18] Chapter 440, F.S., also uses the term, "help supply services," in s. 440.11(2), F.S. This section provides that tort immunity provisions extend to an employer and to each employee of an employer that uses the services of a help supply service when the borrowed employees are acting in the furtherance of the employer's (client's) business.
[19] Sections 440.11(2) and 440.38(1), F.S.
[20] Section 468.529(2), F.S.
[21] Rule 61G7-10.0014, F.A.C.
[22] Section 627.192(5), F.S.

company is generally listed as the insured under a multiple coordinated policy. By its silence on the issue, Florida law allows the use of multiple coordinated policies in the voluntary market. Currently, Florida insurers reportedly do not issue multiple coordinated policies in the voluntary market.

The Division of Workers' Compensation ("division") is responsible for ensuring that employers comply with workers' compensation coverage requirements. The division conducts onsite visits of jobsites to determine compliance. In addition, the division maintains a proof of coverage database that is available to the public that also assists in determining the status of an employer's coverage. In May 2004, the division established a formal referral process with the Department of Business and Professional Regulation (DBPR) to provide notice regarding noncompliance with ch. 468, F.S., requirements. These referrals include noncompliance with coverage requirements and unlicensed employee leasing company activity. This process allows the Bureau of Compliance within the Division of Workers' Compensation to track and monitor all referrals submitted to the DBPR and all referrals that the DBPR submits to the Bureau of Compliance regarding workers' compensation coverage.

Prior to the implementation of this formal process, representatives of the division had informally contacted staff of the Department of Business and Professional Regulation regarding businesses that were allegedly not complying with ch. 468, F.S., requirements. Unless the Division of Workers' Compensation provides notification to the Department of Business and Professional Regulation, representatives of the Department of Business and Professional Regulation have indicated that an investigation, related to noncompliance with workers' compensation coverage requirements, generally would not be triggered.

Under the provisions of the employee leasing law, an employee leasing company is required to maintain and make available to its workers' compensation insurer certain information concerning client companies and covered employees.[23] Each employee leasing company is also required to notify the Division of Workers' Compensation, the Department of Revenue, and the insurer within 30 days after the initiation or termination of a client company.[24] However, this provision conflicts with s. 627.192, F.S., which requires an employee leasing company to provide notice to the insurer of a termination of client within 5 days after the termination. Each employee leasing company is required to submit to the Department of Revenue client lists on a biannual basis.[25]

Upon termination of an employee leasing arrangement, each employee leasing company is required to maintain and furnish to the insurer adequate information to permit the calculation of an experience rating modification factor[26] for each lessee or client company upon the termination of the employee leasing agreement.[27] The insurer is responsible for reporting to the National Council on Compensation Insurers, Inc., (NCCI) the data necessary to calculate the experience rating modifications for employers. According to NCCI, year-to-date results through September 2004 indicate that 94 percent of the carriers report their unit report data in a timely manner.

The insurer of the employee leasing company is authorized to require certain information to determine exposure under such a policy and to collect the appropriate premium and to audit the leasing company on an annual basis. At this time, the Office of Insurance Regulation does not verify compliance with this annual audit requirement.[28]

METHODOLOGY

Committee staff reviewed current laws and rules relating to employment agencies to determine whether such state regulation provides adequate oversight and enforcement authority of these entities to ensure that insurance coverage is provided to the client employers as required by law. Staff interviewed representatives of the employment agency industry, insurance industry, state regulators, and other interested parties.

[23] Section 468.529, F.S.
[24] Section 468.529(3), F.S.
[25] Section 443.036(18), F.S.
[26] The term, "experience rating modification," means a factor applied to a premium to reflect a risk's variation from the average risk. It is determined by comparing actual losses to expected losses, using the risk's own experience. [s. 627.192(2)(b), F.S.].
[27] Section 627.192(4), F.S.
[28] Pursuant to 624.3161, F.S., the Office of Insurance Regulation conducts market conduct examinations of insurers. Recently, the scope of market conduct examinations of workers' compensation insurers has included a review of the accuracy and timeliness of unit statistical reports by insurers to NCCI.

FINDINGS

Oversight of Employee Leasing Companies

A review of disciplinary actions taken by the board indicates that 68 companies were cited for failure to maintain positive working capital or net worth during the last five fiscal years. Eleven of those companies also failed to maintain or provide workers' compensation coverage. The board also cited an additional 21 licensees for failure to provide or maintain workers' compensation coverage during the last five years. A review of the Department of Business and Professional Regulations final orders did not generally provide the amount of the net worth deficit; however, one final order indicated that one company reported a net worth deficit of $1.2 million for 1997. Subsequently, the company reported a net worth deficiency of $9.6 million for 1998. The company also failed to pay $8 million owed in payroll taxes. Another final order indicated that another company reported a working capital deficit of $58,000 and failed to maintain workers' compensation coverage for its employees.

Committee staff reviewed the regulation of employee leasing companies in other states. At least 18 other states provide for the regulation of employee leasing companies by the insurance or labor regulatory agency. Tennessee established a board comprised of three industry representatives, one consumer advocate, and one representative appointed by the insurance regulator to regulate employee leasing companies.

Net worth requirements varied considerably among the states. For example, Montana, Oklahoma, and Tennessee require the maintenance of $50,000 in net worth. New York requires leasing companies to maintain $75,000 in net worth. New Hampshire, New Jersey, and New Mexico require a net worth of $100,000. Georgia requires a leasing company to maintain net worth equal to greater of $10,000 or 2.7 percent of taxable payroll for the preceding year. The amount of net worth in Texas ranges from $50,000 - $100,000, contingent upon the number of employees. Vermont requires a leasing company to maintain net worth in the amount of $100,000 or 5 percent of liabilities, whichever is greater.

Oregon requires an employee leasing company to provide 30-days notice to a client company prior to termination by the leasing company. Virginia requires an employee leasing company to notify the client company of its intent to cancel the agreement at the time of or prior to termination. The workers' compensation coverage is required to continue until the termination or 15 calendar days after the receipt of the notice, whichever occurs later.

The Division of Workers' Compensation has referred six cases of companies allegedly engaged in an unlicensed employee leasing activity to the DBPR for follow-up since May 2004. The DBPR found that there was no violation or insufficient evidence in four cases and the remaining two cases are still under investigation by the DBPR.

Insurance Compliance and Enforcement Actions by the Department of Financial Services

During the period of 2001-2004, the Division of Workers' Compensation within the Department of Financial Services issued 11 stop-work order penalties for approximately $3.2 million to employee leasing companies for failure to maintain workers' compensation coverage.[29] Seven penalties were paid in full. One employee leasing company received a $1.9 million stop-work order penalty for noncompliance with coverage requirements during this period. According to the division, the principal of this company has subsequently filed for bankruptcy and has not paid the penalty. A penalty issued to another employee leasing company for $861,792 also remains outstanding.

Committee staff requested that the Department of Business and Professional Regulation provide any follow-up information regarding the companies cited by the Division of Workers' Compensation ("DBPR"). The DBPR did not initiate investigations related to six cases, including one case that resulted in a company being fined $189,000. The DBPR closed one referral because the department indicated that the company was not conducting business in 2002, although the Division of Workers' Compensation had cited it in 2002 for working without coverage. In four cases, the DBPR issued some type of agency action, which included issuing letters of guidance, revoking licenses, and fining one leasing company $800 for failure to maintain workers' compensation coverage. This particular company that had was fined by the DBPR had been previously fined by the Division of Workers' Compensation $68,589, based on payroll, for failure to maintain coverage.

[29] Subsequently, one of the stop-work orders was released since the company provided proof of coverage.

According to the Division of Insurance Fraud of the Department of Financial Services, eight cases involving employee leasing companies, representing almost $18 million in premium fraud (premium avoided), remain open for the period of 2001-2004.[30] One of the eight cases allegedly involves $10 million in workers' compensation premium avoidance and one of these companies, allegedly involved in more than $1 million in premium avoidance, has filed for bankruptcy.

State and National Regulatory Trends

In response to regulatory concerns associated with leasing companies, the National Association of Insurance Commissioners ("NAIC") and the International Association of Industrial Accident Boards and Commissions Joint Working Group recently issued a report in 2002 regarding employee leasing companies and professional employer organizations.[31] The report notes that the initial 1991 NAIC employee leasing model regulation and law requires the use of multiple coordinated policies in the residual market and allows multiple coordinated policies or master policies in the voluntary market. The 2002 report focused on problems associated with the use of master policies including the following:

- Potential gaps in coverage may exist due to an employer failing to notify the leasing company of new hires.
- The use of master policies by the employee leasing company makes it difficult to determine whether a particular client company has coverage for all employees at a job site.
- Clients of leasing companies may lose relevant data necessary for calculating subsequent individual experience ratings due to data reporting and data system limitations.
- A client can potentially secure different rating plans for coverage if they secure coverage through an employee leasing company. It is unclear what insurance rate the employee leasing company is charging the client.

Although the 2002 report acknowledged that the use of master policies creates the least regulatory burden, concerns regarding the accuracy and reporting of payroll, loss data and coverage data outweighed this advantage. The report recommended requiring the use of multiple coordinated policies in the voluntary market for the following reasons:

- Enhances compliance and enforcement efforts matters related to coverage;
- Allows individual employers to be experienced rated; and
- Provides greater accuracy in reporting statistical data including classification data.

The professional employer organization generally assumes the responsibility, as a co-employer with the client, to purchase workers' compensation coverage for its co-employees in the voluntary market. As of 2005, 11 states will allow employee leasing companies to maintain the workers' compensation policy for the client companies as a multiple coordinated policy basis or a variation of this arrangement.[32] Five states require the client company to secure workers' compensation coverage.[33] The remaining states generally allow the employee leasing company to maintain coverage through a master policy arrangement.[34]

On October 10, 2004, the Florida Workers' Compensation Premium Task Force adopted a report on professional employer organizations that included recommendations to address workers' compensation premium fraud in professional employer organizations ("PEOs").[35] The Task Force report noted that an employer could avoid its prior experience rating, based on its claims' experience, by entering into a PEO arrangement since the PEO is not required to use the experience rating of the individual employer. The report noted, "Such efforts by an employer outside of a PEO to avoid an experience modification could be found to be a fraudulent act." The report included the following recommendations:

[30] The remaining 12 cases investigated during that period were closed due to insufficient evidence, jurisdiction issues, or other reasons.

[31] *Report on Employee Leasing and Professional Employer Organizations to the NAIC Workers' Compensation Task Force and the IAIABC Executive Committee.* June 2002.

[32] *Workers' Compensation Matrix.* National Association of Professional Employer Organizations.

[33] Ibid.

[34] The California State Compensation Fund allows the employee leasing company to maintain the policy as a master policy or multiple coordinated policy basis unless the client company is experience rated or the client leases 50 percent of the payroll. In those instances, a multiple coordinated policy is required.

[35] In 1992, the Department of Insurance created the task force, which is comprised of private and public sector stakeholders. The chief of the Bureau of Workers' Compensation Fraud of the Division of Insurance Fraud within the Department of Financial Services serves as the chairperson.

- Require the PEO to obtain coverage through a master policy and require the insurer to issue all clients individual policies;
- Require each client to complete an application for coverage; and
- Derive premium charged to each client based upon the client's individual policy.

This approach would assist compliance and enforcement efforts by providing more detailed coverage information regarding client companies. This approach would also allow tracking of individual client experience rating. It is unclear whether all client exposures, leased or not leased, would be covered under the coverage suggested by the task force.

RECOMMENDATIONS

It is recommended that the Legislature consider the following options:

1. Require licensees to maintain $50,000 net worth requirements after the initial licensure.

2. Require licensees to submit annual audited financial statements, regardless of the amount of payroll.

3. Revise the composition of the Employees Leasing Board to include a representative for small businesses and members experienced in the area of insurance rate regulation and coverage requirements that would be appointed by the Chief Financial Officer and the Commissioner of the Office of Insurance Regulation. As an alternative, the Legislature might consider transferring the regulation of employee leasing companies to Department of Financial Services due to the coverage and insurance related products provided by employee leasing companies.

4. Require insurers in the voluntary market to structure policies for employee leasing companies as multiple coordinated policies or hybrids of these policies to ensure timely and accurate reporting of unit statistical data for each client company. As an alternative, the Legislature might consider allowing the use of master policies but require employee leasing companies to provide unit statistical data for each client company to the insurer on a scheduled basis.
5. Consider amending the workers' compensation law and the employee leasing law to allow client companies to obtain workers' compensation coverage, rather than the employee leasing company, if it is no longer the intent of the Legislature to require the employee leasing company to maintain such coverage. If it is the intent of the Legislature to continue to require the employee leasing company to obtain coverage, the Department of Business and Professional Regulation should repeal its rule authorizing client-based coverage since it conflicts with the current statutory coverage requirements.

6. Revise the 30-day deadline for employee leasing companies to report the termination and initiation of client companies to the Division of Workers' Compensation and insurers, under the employee leasing law, to conform to the 5-day deadline for termination notice prescribed in the Insurance Code.

7. Provide greater specificity in the law regarding the type, frequency, and format of information to be maintained and reported by the employee leasing companies to the Division of Workers' Compensation to assist the division in ensuring that employers are complying with coverage requirements. For example, due to the large volume of terminations and initiation of client companies by employee leasing companies, mandating electronic reporting of such information would provide information in a more timely and cost-effective manner.

8. Require the reporting of client lists to the Division of Workers' Compensation twice a year, as required currently for unemployment compensation purposes, to assist the division in its compliance and enforcement efforts.[36]

9. Authorize the Division of Workers' Compensation to assess penalties against employee leasing companies for failure to comply with reporting requirements.

10. Clarify the definition of temporary versus long-term employment services to address statutory inconsistencies and to provide greater enforcement tools for combating unlicensed employee leasing activity.

[36] Section 443.036, F.S.