

<b>“D” Ratio</b>	A factor used in Workers’ Compensation experience rating plans. It is the ratio of small losses (those under \$2,000), plus the discounted value of large losses, as compared to the total losses which might be expected of an insured in a particular type of business.
<b>“First” Named Insured</b>	The first named insured appearing on a commercial policy. The latest forms permit the insurer to satisfy contractual duties by giving notice to the “first” named insured rather than requiring notice to all named insured’s.
<b>401(k) Plan</b>	A cash deferred arrangement that allows employees to authorize their employer to place pretax dollars in a retirement plan that invests the money. Pretax contributions (including those matched by the employer) and any earnings on them are not subject to federal income tax (most state income taxes also) until they are withdrawn.
<b>ABC Test</b>	A set of criteria used by many states to determine the relationship of a worker to the organization for which services are performed. A worker meeting these criteria is considered an independent contractor under the state’s unemployment insurance law.
<b>Accelerated Deposit Rule</b>	Also known as the one-day rule, it requires employers that accumulate a tax liability of \$100,000 or more during a deposit period to deposit the withheld taxes within one banking day of the day the liability was incurred.
<b>Accident</b>	A fortuitous event, unforeseen and unintended.
<b>Account</b>	The representation of assets, expenses, liabilities, and revenues in the general ledger, to which debit and credit entries are posted to record changes in the value of the account.
<b>Accountable Plan</b>	An employer’s business expense reimbursement plan that satisfies all IRS requirements regarding substantiation, business connection, and return of excess amounts in a reasonable period of time.
<b>Accounting Period</b>	The period covered by an income statement (e.g., month, year); also known as the business cycle.
<b>Accrual</b>	The recognition of assets, expenses, liabilities, or revenues after the cash value has been determined but before it has been transferred.
<b>Automated Clearing House (ACH)</b>	A Federal Reserve Bank or private financial institution acting on behalf of an association operating a facility that serves as a clearinghouse for direct deposit transactions. Entries are received and transmitted by the ACH under the rules of the association.
<b>Actuary</b>	A specialist in the mathematics of insurance who calculates rates, reserves, etc. (Americanism – In most other countries the individual is known as “mathematician.”)
<b>Accidental Death &amp; Dismemberment (AD&amp;D)</b>	A life insurance benefit usually included in group life insurance policies whereby the insured will be paid the principal or capital sum in the event of accidental death or dismemberment. The AD&D benefit is usually an additional death benefit equal to the policy’s face amount.
<b>Americans with Disabilities Act 1990 (ADA)</b>	Federal law that broadly prohibits discrimination against individuals with disabilities who can perform the essential functions of a job with or without reasonable accommodation.
<b>Age Discrimination in Employment Act of 1967 (ADEA)</b>	Federal law that prohibits employment discrimination on the basis of an individual’s age (40 or older).
<b>Adjuster</b>	An individual representing the insurance company and acting for the company in working on agreements as to the amount of a loss and the liability of the company in same.
<b>Adjusting Entry</b>	An entry made at the end of an accounting period to update or adjust an account before financial statements are prepared.
<b>Administrative</b>	Denotes regulations, interpretations, announcements, etc., issued by government agencies empowered to enforce laws, such as the Internal Revenue Service, the Department of Labor, the Social Security Administration, and the Equal Employment Opportunity Commission.
<b>Administrative</b>	The fee applied to the client invoice representing the cost of the employee administrative services. Usually this appears as a percentage of gross payroll or, in

<b>Fee</b>	some cases, as a fixed dollar amount per employee/month, or per check. The administrative fee is more narrowly defined as the cost of managing the client's payroll, employee benefits, and the routine personnel services produced by the leasing firm. It does not include the other employee overhead costs, such as payroll taxes, liability insurance, workers' compensation, or health insurance. Administrative fees are on the order of 2 to 6 percent of gross payroll or between \$50 to \$120 per month, per full-time employment unit. Factors that determine what the administrative fee will be for each client, depends on gross wages, the frequency of payroll, the complexity of payroll, employee turnover, number of employees participating in benefit plans, and other factors. [See Service Fee.]
<b>Administrative Law</b>	After Congress passes employment legislation, the administrative agency identified to oversee the law may write more specific regulations. These rules and regulations or policies and considered administrative law.
<b>Admitted Company</b>	An insurance company authorized and licensed to do business in a given state.
<b>Adoption Assistance</b>	Financial benefit provided by an employer to an employee to help with the child adoption process. Within certain limitations, it is excluded from federal income tax withholding, though not social security and Medicare taxes.
<b>Actual Deferral Percentage (ADP)</b>	The percentage of wages deferred by employees participating in a salary reduction plan (e.g., §401(k) plan). The IRS uses the ADP to determine whether the plan meets the agency's nondiscrimination requirements.
<b>Adverse Selection</b>	The tendency of those who are in ill health to purchase and keep life and/or health insurance in greater proportion than the average risk. Adverse selection is detrimental to the insurer.
<b>Adverse Underwriting Decision</b>	Any decision involving individual underwriting insurance coverage resulting in termination of existing insurance, declination of an application, or writing the coverage only at higher rates. For property and casualty insurance, it also includes placing the coverage with a residual market mechanism or an unauthorized insurer.
<b>Advance Earned Income Credit (AEIC)</b>	Payments of earned income credit during the year to employees who expect to be eligible for the credit. Employers make the payments out of federal income, social security, and Medicare taxes withheld from the employees' wages.
<b>Affiliated Service Group</b>	In the language of the tax code, this term refers to common ownership of the service bureau (the employee leasing firm) and the corporation, professional organization of business receiving employee leasing or temporary help services. Employees, as members of an affiliated service group, may be treated as employees of a simple employer for purposes of a qualified pension plan.
<b>After-tax Deduction</b>	A deduction from an employee's pay that does not reduce the employee's taxable wages. It is taken out only after all applicable taxes and other deductions have been withheld (e.g., union dues, garnishments, charitable contributions).
<b>Agency</b>	This term is applied to employment agencies and not to temporary help or employee leasing services. An employment agency assists in putting job seekers and employers together for a fee. Employment agencies are specifically regulated as an industry. Employee leasing and temporary help services are employers and as such come under the same employment regulations as any other employer. State regulations are beginning to appear for employee leasing.
<b>Agent</b>	The individual appointed by an insurance company to solicit, negotiate, effect or countersign insurance contracts on its behalf.
<b>Agent's Authority (or Power)</b>	The authority and power granted to an agent by the agency contract. The agent is also clothed with additional power under the legal concept of apparent agency. [see Apparent Authority]
<b>Aggregate Limit</b>	Usually refers to liability insurance and indicates the amount of coverage that the insured has under the contract for a specific period of time, usually the contract period, no matter how many separate accidents may occur.

<b>Aggregate Stop Loss</b>	The excess insurance coverage which provides protection against the accumulation of claims exceeding a specified total loss. This is protection against abnormal frequency rather than one severe claim. [see Specific Stop Loss]
<b>Aggregation</b>	The process of considering separate plans together to see whether they satisfy requirements under ERISA and/or the Internal Revenue Code. Aggregation can be either permissive or mandatory.
<b>Alien</b>	A citizen of a country other than the U.S. or one of its territories or possessions.
<b>Alien Insurance Company (Insurer)</b>	An insurance company formed under laws of a country other than the United States.
<b>American Payroll Association (APA)</b>	An organization dedicated to helping and educating payroll administrators.
<b>Apparent Authority</b>	Authority of an agent that is created when the agent oversteps actual authority, and when in action by the insurer does nothing to counter the public impression that such authority exists.
<b>Applicant</b>	A person seeking employment. In some situations, the PEO recruits, screens and determines employment eligibility of worker applicants for the client. The PEO is not serving in the capacity of a personnel agency, since the applicant will become a shared employee if that person is qualified to be assigned at a client's location.
<b>Apportionment</b>	The division of loss among insurance companies when two or more cover the same loss.
<b>Approved</b>	The condition which exists when the person or object to be insured meets the underwriting standards of the insurer.
<b>Arm's Length Personnel Office</b>	Casually used to compare a PEO with what people think of as a corporate human resource/personnel office. In this case, the PEO is somewhat like a personnel office working at a distance with the shared employees assigned to the client. The PEO provides personnel activities to the client at "arm's length."
<b>Administrative Services Only Arrangement (ASO)</b>	A system under which an employer self-insures its welfare benefit plan, but contracts with a third-party administrator such as an insurance company that provides claims administration and related services.
<b>Assets</b>	Resources acquired by a business that are consumed by the business.
<b>Assignee</b>	The person to whom policy rights are assigned in whole or in part by the original policy owner.
<b>Assignment</b>	This term describes the assignment of temporary help workers to a client-customer or transfer of rights in a policy to other than the policy owner.
<b>Assumed Liability</b>	Liability which would not rest upon a person except that he has accepted responsibility by contract expressed or implied. This is also known as contractual liability.
<b>Assumption of Risk</b>	One of the common law defenses available to an individual. For instance, one person riding with another in an automobile has generally "assumed the risk" and, therefore, has no action against the driver of the vehicle should an accident occur. This is a common law concept and has been modified by recent case law and by statute in some jurisdictions.
<b>Assurance</b>	Same as "insurance."
<b>Assured</b>	Same as "insured."
<b>Assurer</b>	Same as "insurer" (insurance company).
<b>Attachment</b>	See Wage Attachment.
<b>Attorney-in-Fact</b>	A person to whom authority is given by an individual to exchange insurance with other persons, as in reciprocal insurance.

<b>Audit</b>	A review of a business's records and procedures to determine their accuracy and completeness.
<b>Authorization</b>	The amount of insurance an underwriter says he will accept on a risk of a given class or on specific property, given for the guidance of agents and in response to requests from them.
<b>Authorization Agreement</b>	In general, a written agreement (entered into voluntarily) (authorizing an employer to withhold and distribute a portion of an employee's wages to a party designated by the employee (e.g., direct deposit, union dues, savings bonds).
<b>Average Weekly Wage</b>	A term generally used in Workers' Compensation laws. It is the basis for determining weekly benefits under such laws.
<b>Avoidance of Risk</b>	Taking steps to remove a hazard, engage in an alternative activity, or otherwise end a specific exposure. One of the four major risk management techniques. [see Risk Management]
<b>Annual Wage Reporting AWR</b>	The Social Security Administration's system of recording wages reported annually by employers on Forms W-2.
<b>Back Pay Award</b>	A cash award made to an employee that generally results from legal action to remedy a violation of federal or state wage-hour or employment discrimination laws.
<b>Backup Withholding</b>	Income tax withholding required from non-employee compensation when the payee fails to furnish the payer with a taxpayer identification number or the payer is notified by the IRS that the payee's TIN is incorrect.
<b>Balance</b>	The value of an account, as determined by calculating the difference between the debits and credits in the account.
<b>Balance Sheet</b>	A financial statement that presents a business's financial position in terms of its assets, liabilities, and owner's equity as of a certain date (generally the end of the company's fiscal year, but may be issued quarterly as well).
<b>Base Period</b>	When dealing with unemployment compensation, it generally consists of the 52 weeks, or 4 of the last 5 quarters, immediately preceding the claimant's benefit year.
<b>Base Period Wages</b>	Wages earned during the base period. The amount is generally one of several criteria used in determining a claimant's eligibility for unemployment compensation.
<b>Basic Medical Expense</b>	A basic form of hospitalization insurance which provides some limited benefits for in-hospital, surgical and outpatient expenses.
<b>Basic Rate</b>	The manual rate, from which are taken discounts or to which are added charges to compensate for the individual circumstances of the risk.
<b>Batch Processing</b>	Processing data as a group, either to assist controls or processing efficiency.
<b>Benefit Period</b>	The length of time, following the elimination period, that a disability income contract will provide benefits.
<b>Benefit Portability</b>	The ability of the employee to maintain benefits and wages while remaining with the PEO even if the client business experiences a staff reduction, discontinues the services, or goes out of business. Since the employee is a participant in the benefits of the PEO the employee may carry or port these benefits with them when they become assigned employees with another client.

<b>Benefit Ratio</b>	In the context of unemployment compensation, it is a type of experience rating system that bases an employer's unemployment tax rate on the ratio of the employer's benefit charges to its taxable payroll for a specific period of time.
<b>Benefit Wage Ratio</b>	In the context of unemployment compensation, it is a type of experience rating system that bases an employer's unemployment tax rate on the ratio of the employer's benefit wages to its taxable payroll for a specific period of time.
<b>Benefit Wages</b>	In the context of unemployment compensation, an amount charged to an employer's account when a former employee receives unemployment benefits. The amount is determined by the base period wages paid by that employer to the claimant.
<b>Benefit Year</b>	In the context of unemployment compensation, the 52-week period beginning on the first day a claim for benefits is filed.
<b>Binder</b>	In lines other than life and (usually) health, a binder is an acknowledgment (usually from the agent) that insurance applied for is in force whether or not premium settlement has yet been made or the policy issued.
<b>Blanket Insurance</b>	(1) Property-liability insurance that covers more than one type of property in one location in one policy or form instead of under separate items, or one or more types of property at more than one location. (2) A contract of health insurance that covers all of a class of persons not individually identified.
<b>BLS</b>	Bureau of Labor Statistics.
<b>Blue Cross / Blue Shield</b>	A health care provider licensed in most states as a non-profit service organization providing benefits to clients on a prepaid service basis.
<b>Bodily Injury Liability</b>	The liability which may arise from injury or death of another person.
<b>Bona Fide</b>	Refers to actions taken in good faith, without pretense or fraud.
<b>Bond</b>	An obligation of the insurance company to protect one against financial loss caused by the acts of another.
<b>Borrowed Servant Doctrine</b>	A third party who hires the regular employees of another to perform temporary services may sometimes be held liable for the torts of his or her "borrowed servant." The borrowed servant doctrine springs from the common-law and is used in the context of two employers having some control of a shared worker. The two employers are called the general employer (one having broad control), and the special employer (short-term or temporary employer). Borrowed servant doctrine is applied to employer liability cases and workers' compensation. [see Broker, General and Special Employer, Dual Employment and Joint Employment]
<b>Broker</b>	One who represents an insured in the solicitation, negotiation or procurement of contract of insurance, and who may render services incidental to those functions. By law the broker may also be an agent of the insurer for certain purposes such as delivery of the policy or collection of the premium.
<b>Broker Employer</b>	Used in a general sense to describe the employer who, in alleged joint or multiple employer relationships, supplies the work force. The broker employer in the "borrowed servant" perspectives is the general employer who hired the employee and then loaned the employee for a fee to a special employer. That transaction serves the business needs of the special employer. The broker employer pays the employee and maintains the general employer relationship.
<b>Broker of Record</b>	A broker who has been designated to handle certain insurance contracts for the policy holder.

<b>Cafeteria Plans</b>	Plans allowing employees to choose from a “menu” of one or more qualified benefits and cash (including nontaxable benefits). Under Code Section 125, benefits from a properly drafted cafeteria plan are not taxed to the employee who selects them – unless the employee actually chooses taxable benefits (and is not merely entitled to do so).
<b>Cancellation</b>	Termination of contract of insurance in force by voluntary act of the insurance company or insured, effected in accordance with provisions in the contract or by mutual agreement.
<b>Capitation Fee</b>	The set fee that an employer pays an HMO to provide care for each member employee, regardless of the actual cost of the care.
<b>Captive Insurance Company</b>	An insurance company that is partially or wholly owned by an employer.
<b>Carrier</b>	An insurance company which “carries” the insurance. (The terms insurance company” or “insurer” are preferred because of the possible confusion of “carrier” with transportation terminology.)
<b>Casualty Insurance</b>	That type of insurance that is primarily concerned with losses caused by injuries to persons and legal liability imposed upon the insured for such injury or for damage to property of others. It also includes such diverse forms; as Plate Glass, insurance against crime, such as robbery, burglary and forgery, Boiler and Machinery insurance and Aviation insurance. Many casualty companies also write surety business.
<b>Catastrophe Hazard</b>	The risk of loss by reason of simultaneous occurrence of a peril to which all insured in a group (or a very large number of insured’s) are subject.
<b>Consumer Credit Protection Act (CCPA)</b>	Federal law that restricts the amount of an employee’s earnings that can be garnished to pay creditor debts, including child support.
<b>Certificate</b>	A statement evidencing that a policy has been written and stating the coverage in general.
<b>Chemical-Right-to-Know</b>	Federal and state standards imposed on employers granting employees the “right to know” what toxic chemicals they may be exposed to in the workplace and the attending hazards. A PEO assists clients in meeting federal and state hazard communication standards.
<b>Child Support Withholding</b>	The process of withholding amounts from an employee’s compensation to satisfy a child support order from a court or a state child welfare administrative agency. The employer is responsible for withholding the amounts and paying them over to the party named in the withholding order.
<b>Central Information File (CIF)</b>	A file maintained by an Automated Clearing House (ACH) that contains depository financial institution names, routing numbers, addresses of contact persons, settlement and delivery information, and output medium requested.
<b>Circular E</b>	IRS Publication 15, Employer’s Tax Guide. This publication contains the basic rules, guidelines, and instructions for withholding, depositing, reporting, and paying federal employment taxes.
<b>Claim</b>	The demand for benefits as provided by the policy.
<b>Class Rate</b>	A rate for risks of similar hazard. Class rates, for example, apply to dwellings.
<b>Clause</b>	A term used to identify a particular part of a policy or endorsement.
<b>Client / Server</b>	A method of computing where one computer is tied to another and each share a portion of the work load, with the main data storage being on the server.
<b>Client Company</b>	A client company is the customer of the PEO.
<b>Coalition</b>	A consortium of purchasers who join together to gain better buying power, strength in numbers, or greater recognition. This concept is used by employers when purchasing medical care benefits. A coalition represents the collected interest of the group. Each

	member has a voice in the representation of the group. Slightly different from employee leasing, although casually leasing is a coalition of clients.
<b>Coordination of Benefits (COB)</b>	A group health insurance plan's COB provisions deal with the situation in which more than one plan covers a particular medical expense, in order to cut costs and prevent windfalls to employees. The general rule is that if a person is covered under one plan as an employee and under another as a dependent, the employment-related plan is the primary payor.
<b>COBRA</b>	Consolidated Omnibus Budget Reconciliation Act of 1985 – This statute requires employers to offer the option of purchasing continuation coverage to qualified beneficiaries who would otherwise lose group health insurance coverage as the result of a qualifying event (such as termination of employment or divorce from an employee).
<b>CODA</b>	Cash or Deferred Arrangement - An arrangement under a retirement plan that allows employees to either receive cash or have the employer contribute an equivalent amount to the plan.
<b>Code</b>	The Internal Revenue Code of 1986 (26 USC § 1 et seq.), as adopted by TRA 1986 (Pub. L. No. 99-514). ("Former Code" refers to repealed provisions, including those in the previous Internal Revenue Code of 1954.)
<b>Co-Employment</b>	The employment relationship where two or more legally separated employers share potential or actual employer responsibilities with a common employee(s). Co-employment and joint employment are sometimes used interchangeably even though there are subtle differences between these two terms. [see Dual and Joint Employment]
<b>Co-insurance</b>	A cost-sharing mechanism under which the employee is required to pay a percentage (e.g., 10%) of medical expenses arising after the deductible has been satisfied; the plan pays the balance.
<b>Cost-of-Living Adjustment (COLA)</b>	An adjustment of wages or benefit payments to account for changes in the cost of living, generally based on changes in the Consumer Price Index (CPI).
<b>Collectively Bargained Plan</b>	Plans whose terms have been the subject of good-faith bargaining between an employer or group of employers and employee representative(s) [e.g., union(s)]. For COBRA purposes, an employer whose group health plan covers both union and nonunion employees and their families is considered to have two separate plans, only one of which is collectively bargained.
<b>Collusion</b>	Cooperation between two or more persons secretly to defraud another.
<b>Commission</b>	That portion of the premium retained by the agent or broker as compensation for sales, service and distribution of insurance policies by him.
<b>Commissioners Standard Group Table</b>	A mortality table used in the calculation of group life insurance rates.
<b>Common Law Employee</b>	A worker who is an employee under the common law test.
<b>Common Law Liability</b>	The responsibility for injuries or damage imposed upon a party because of his actions, by that part of the law based upon custom and usage as established by the courts, as distinguished from liability under statutes passed by a legislative body.

<b>Common Law Rules</b>	Defined as ‘the law of a county or state, based on custom, usage and the decisions and opinions of law courts. “Common-law” rules are traditional tests that are applied to determine employee or independent contractor status. A “common-law employer,” is an employer who possesses the right to direct and control an employee as to the final results and as to the details of when, where, and how the work is to be done. In such a test, the employer need not actually exercise such control. It is sufficient that the employer has the right to do so.
<b>Common Law Test</b>	A test that measures the control and direction that an employer has the authority to exercise over a worker. Where the employer has the right to direct the worker as to how, where, and when the work will be completed, in addition to controlling the result of the work, the worker is a common law employee.
<b>Common Paymaster</b>	One of two or more related corporations that pays employees who work concurrently for the related corporations. Under this arrangement, the related corporations are treated as a single employer for social security, Medicare, and FUTA tax purposes.
<b>Communications Protocols</b>	Software parameters and standards that control the transfer of information from one computer to another.
<b>Comparative Negligence</b>	In some states the negligence of both parties to an accident is established in proportion to the degree of their contribution to the accident. Several states have comparative negligence laws, and each one varies somewhat from the others. This is in contrast to contributory negligence, which is a general common law rule. [see Contributory Negligence for comparison]
<b>Compensation</b>	All cash and non-cash remuneration given to an employee for services performed for the employer.
<b>Compensatory Damages</b>	Damages recoverable or awarded for injury or loss sustained. In addition to actual loss or injury, this term may include amounts for expenses, loss of time, bodily suffering and mental suffering, but does not include punitive damages.
<b>Compensatory Time</b>	Paid time off granted to an employee for working extra hours. The Federal Wage-Hour Law places severe restrictions on the use of compensatory time to avoid paying overtime, although special exemptions are allowed for public sector employees.
<b>Competitive State Fund</b>	This term refers to a fund; established by a state to write Workers’ Compensation Insurance in competition with private insurers.
<b>Comprehensive Medical Expense Plans</b>	A form of group hospitalization which consists of basic medical expense and major medical benefits.
<b>Compromise and Release Agreement</b>	A settlement practice under which an injured worker agrees to a compromised liability amount (usually a lump sum) in exchange for releasing the employer from further liability).
<b>Compulsory Insurance</b>	Any form of insurance which is required by law.
<b>Concealment</b>	The withholding of facts by an applicant for insurance that affects an insurance risk or loss.
<b>Concurrent Employment</b>	Working for more than one related corporation under a common paymaster arrangement.
<b>Concurrent Insurance</b>	Two or more insurance policies with the same conditions, which cover the same interest in identical property. Also, two bonds, not necessarily identical in their provisions, providing common coverage for the same interests.

<b>Conditions</b>	These are provisions of an insurance policy which state either the rights and duties of the insured or the rights and duties of the insurer. Typical conditions have to do with such things as the insured's duties in the event of loss, cancellation provisions, and the right of the insurer to inspect the property.
<b>Consideration</b>	The exchange of value on which a contract is based. In life and health insurance, the consideration is usually the premium and the statements in the application.
<b>Constructive Payment</b>	An IRS rule that considers wages to have been paid to an employee when the employee has access to the wages without substantial limitations or restrictions.
<b>Consumer Price Index (CPI)</b>	A measure of the change in prices of certain basic goods and services (e.g., food, transportation, housing) developed and published by the Bureau of Labor Statistics (BLS).
<b>Contingent Employees</b>	Some labor economists believe perhaps as much as 25% of the labor force in America are classified as contingent workers. These are workers who are employed part-time, work at home, work for outside contractors, or as temporary help. Utilizing contingent employees serves to lower labor costs. Many workers supplied by the personnel help supply industry are contingent employees. Employees, found in the PEO environment are not generally considered contingent employees. The employees are regular, long-term, dedicated employees in a business.
<b>Continuation Coverage</b>	Health insurance that employees can purchase when they cease to be covered under the employer's plan as a result of a "qualifying event" such as retirement or divorce. Continuation coverage is regulated by COBRA.
<b>Contract Labor</b>	Contract labor concepts have a long history. In modern times, the term refers to having labor provided under a contractual arrangement by another company or person. This might even be through an independent contractor relationship. Variations on contract labor are some of the most multi-faceted in the labor economy today.
<b>Contract of Insurance</b>	A contract whereby an insurance company agrees to indemnify an insured for losses, provide other benefits, or render services to, or on behalf of, an insured. (The contract of insurance is often called an "insurance policy," but "policy" is merely the evidence of the agreement.)
<b>Contract Services</b>	A business or government will contract with another business to conduct their business through a service agreement. The third party organization takes all or a portion of the business and contracts to supply the products or services of the contracting party. Typically government services like audiovisual, data processing, food services, health, maintenance, vehicle or aircraft repair, printing, clerical, security, real estate, engineering, are contracted out to private businesses who specialize in these areas. The governmental services group is represented by the Contract Services Association in Washington, D.C. Contract services are also applied to private businesses.
<b>Contract Staffing</b>	A term sometimes used in place of employee leasing by companies specializing with professional businesses. Contract staffing involves more "hands-on" management by the service firm than found in employee leasing. For example, a hospital may contract with a third party contract staffing organization to manage the laboratory or the respiratory care department.
<b>Contractual Liability</b>	Liability assumed under any contract or agreement. Coverage is generally limited in liability policies, but in most cases may be provided for an additional premium.
<b>Contribution</b>	(1) The share of a loss payable by an insurer when contracts with two or more insurers cover the same loss. (2) The insurer's share of a loss under a coinsurance or similar provision.

<b>Contributory Negligence</b>	If an injured party fails to exercise proper care and in some way contributes to his injury, the doctrine of contributory negligence will probably negate or defeat his claim, even though the other party is also negligent. Contrast with Comparative Negligence.
<b>Contributory Plan</b>	A group insurance plan which requires that the participants contribute toward the cost of the plan, normally through payroll deductions.
<b>Control Group</b>	A group of key or highly compensated employees in a company whose proportion of benefits is limited under the qualification requirements of certain benefit plans (e.g., §125 or §401(k) plans). Also, employers may not use the commuting valuation method for such employees when determining the value of their personal use of a company-provided vehicle.
<b>Co-Operative Employee Services</b>	Some PEO's use this term to describe their PEO services. Personnel management is described as being a co-operative effort between the PEO and the client organization. Since both organizations may have certain legal responsibilities for the employees, the term "co-operative" illustrates how two or more employment units work together to achieve better management of personnel functions.
<b>Corridor Deductible</b>	The deductible which separates the basic from the major medical portion of a comprehensive medical plan.
<b>Cost of Living Index</b>	See Consumer Price Index.
<b>Counter Signature</b>	Signature of licensed agent or representative on a policy necessary to validate the contract.
<b>Cover</b>	(1) A contract of insurance. (2) To effect insurance. (3) To include within the coverage of a contract of insurance.
<b>Coverage</b>	Scope of the protection provided under a contract of insurance.
<b>Covered Employees</b>	For each law affecting payroll and human resources, this term defines those workers who are subject to the law.
<b>CPA</b>	Certified Public Accountant.
<b>Chartered Property and Casualty Underwriter (CPCU)</b>	A designation granted by the American Institute for Property and Liability Underwriters upon successful completion of a series of examinations and experience requirements in the fields of insurance, plus accounting, financing, economics, management and law.
<b>Consumer Price Index (CPI)</b>	Consumer Price Index.
<b>Certified Payroll Professional (CPP)</b>	Certified Payroll Professional.
<b>Civil Rights Act of 1964 (CRA)</b>	Prohibits employment discriminations on the basis of race, color, religion, sex, national origin or age.
<b>Credit Health Insurance</b>	A group disability income insurance contract whereby a creditor is protected in the event of the total disability of a debtor. The policy will pay benefits equal to the monthly installment of the debtor.
<b>Credit Life Insurance</b>	A group life insurance contract whereby a creditor is protected in the event of death of the insured prior to the indebtedness being paid in full.

<b>Credit Reduction</b>	A reduction in the credit an employer receives against FUTA tax owed for state unemployment taxes paid, where the state has not repaid a federal loan under the joint federal/state unemployment compensation program.
<b>Critical Path</b>	Management strategy that maps out deadlines that must be met to finish a project within the time allowed.
<b>CSEA</b>	Child Support Enforcement Agency.
<b>Cumulative Bulletin (CB)</b>	Bound volumes published annually by the IRS that contain information printed in that year's weekly Internal Revenue Bulletins.
<b>De Minimis</b>	Anything that is too insignificant to merit legal scrutiny, such as a fringe benefit that is provided occasionally and is too small to justify accounting for or recording it. This does not apply to cash or cash equivalents except in very specific instances such as supper money.
<b>Debit</b>	An accounting entry that increases assets and expenses and decreases liabilities and revenues.
<b>Dec Page</b>	Workers' Compensation Insurance Policy's Declaration Page – Contains job classifications, estimated annual payroll per classification, rates per classifications, MOD Factor, discounts.
<b>Declarations (Dec Sheet)</b>	A term used in insurance for the portion of the contract which contains information such as the name and address of the insured, the property insured, its location and description, the policy period, the amount of insurance coverage, applicable premiums, and supplemental representations by the insured.
<b>Declination</b>	Rejection of an application for insurance by the insurer.
<b>Deductible</b>	A cost-sharing method under which employees are required to assume part of the cost of health care (e.g. \$500 per person per year) before direct payment or reimbursement is available from the plan.
<b>Deduction</b>	An amount subtracted from an employee's gross pay to reach net pay, or an amount allowed to taxpayers as an offset against income.
<b>Deemed Substantiation</b>	Safe-harbor rules under which IRS requirements regarding the substantiation of amounts spent on employee business expenses are considered to have been met (e.g., per diem allowances).
<b>Defamation</b>	Any derogatory statement which is designed to injure a person's business or reputation. Defamation can be accomplished as libel or slander.
<b>Deferred Compensation</b>	In general, the postponement of a wage payment to a future date. Usually describes a portion of wages set aside by an employer for an employee and put into a retirement plan on a pretax basis.
<b>Defined Benefit Plan</b>	A retirement plan that uses a formula (generally based on an employee's salary and length of service) to calculate an employee's retirement benefits and is not funded by employee contributions to the plan.
<b>Defined Contribution Plan</b>	A retirement plan with benefits determined by the amount in an employee's account at the time of retirement. The account may be funded by contributions from both the employer and the employee.
<b>Dependent Care Assistance Program</b>	An employer plan providing dependent care services or reimbursement for such services.
<b>Dependent Group-Term Life Insurance</b>	Term life insurance that gives an employee death benefits should the employee's spouse or other dependents die.

<b>Dependent Life Insurance</b>	A life insurance benefit which is part of a group life insurance contract which provides death protection to the eligible dependents of a covered employee.
<b>Deposit (or Provisional) Premium</b>	The premium paid at the inception of a contract which provides for future premium adjustments. It is based on an estimate of what the final premium will be.
<b>DERM</b>	Department of Environmental Regulation Management
<b>Determination Period</b>	Under COBRA, a period of 12 consecutive months that is used to calculate the premiums for continuation coverage.
<b>Direct Deposit</b>	The electronic transfer of an employee's net pay directly into financial institution accounts designated by the employee, thus avoiding the need for a paycheck.
<b>Direct Selling System</b>	A distribution system within which the insurance company deals with the insured's through employees.
<b>Direct Writer</b>	An insurance company which sells its policies through salaried employees (licensed agents) who represent it exclusively, rather than through independent local agents, who represent several insurance companies.
<b>Disability Benefit</b>	The benefit payable under a disability income policy or a provision of some other policy, such as a Workers' Compensation policy.
<b>Disability Benefits Law</b>	A state law requiring an employer to provide disability benefits to covered employees for non-occupational injuries, in contrast to Workers' Compensation, which pays for occupational injuries. These laws are currently in effect in New York, New Jersey, Rhode Island, California and Hawaii.
<b>Disability Income Insurance</b>	A form that provides periodic payments to replace income lost when the insured is unable to work as a result of a sickness or injury.
<b>Disability Plan</b>	A plan that provides benefits to employees who are unable to work because of illness or accident. As a general rule, benefits under these plans are taxable to employees who receive them. State Workers' Compensation laws compel employers to provide coverage for job-related disabilities. Disability plans include wage continuation (sick pay) plans and plans paying temporary or long-term disability benefits.
<b>Disability, Permanent Partial</b>	See Permanent Partial Disability.
<b>Disability, Permanent Total</b>	See Permanent Total Disability.
<b>Disability, Temporary Partial</b>	See Temporary Partial Disability.
<b>Disability, Temporary Total</b>	See Temporary Total Disability.
<b>Disaster Recovery</b>	The ability to recover or maintain operational systems within a company in the event of a natural or man-made disaster or other shutdown of the system.
<b>Discrimination</b>	In the context of employee benefits, favorable treatment of highly compensated employees under an employer's plan.
<b>Dismemberment</b>	The loss of, or loss of use of, specified members of the body resulting from accidental bodily injury.
<b>Dismissal Pay</b>	Amounts paid to employees who are terminated from employment, also known as payments in lieu of notice, termination pay, or severance pay.

<b>Disposable Earnings</b>	That part of an employee's earning remaining after deductions required by law (e.g., taxes). It is used to determine the amount of an employee's pay that is subject to a garnishment, attachment, or child support withholding order.
<b>Disqualified Benefit</b>	In a welfare benefit fund context: (1) A portion of the fund that reverts to the benefit of the employer or (2) A post-retirement medical or life insurance benefit provided either (a) under a discriminatory plan or (b) with respect to a key employee but not made from the mandatory separate account. The employer is subject to an excise tax equal to 100% of the disqualified benefit.
<b>Diversification Rule</b>	An ERISA rule mandating that fiduciaries diversify plan investments to avoid the risk of large losses – unless circumstances make it imprudent to diversify.
<b>Department of Labor (DOL)</b>	The U.S. Department of Labor has enforcement authority over the regulatory and administrative (i.e., non-tax) provisions of ERISA.
<b>Double-Entry Accounting</b>	The recording of equal debits and credits for every financial transaction.
<b>Driver Leasing</b>	Truck drivers fall under driver leasing when they are employed by the driver leasing firm, and then the driver is leased to another company or organization. Leased drivers or equipment operators usually drive the equipment of the utilizing company. Equipment leasing companies may also supply both the truck and the driver. This is called "single-source" leasing. Driver leasing extends to other workers besides truck, bus, or equipment operators. Driver leasing organizations may supply many types of workers (warehouse workers, stevedores, dock workers, clerical, dispatchers, etc.) in an arrangement very similar to an employee leasing firm. The trade association for driver leasing is represented by the Driver Employer Council of America.
<b>Drug-Free Workplace Act of 1989</b>	Recipients of federal grants and most federal contractors holding contracts of more than \$25,000 must take steps to comply with this act.
<b>Dual Employment</b>	This is a general and special employer relationship, where an employee may be working for two separate employers. A contract of hire is executed jointly, or where services are to be performed for the mutual benefit of two or more persons. The employee for the most part performs work or services for each employer separately and the jobs are largely unrelated for each employer. [see Co-employment and Joint Employment]
<b>Educational Assistance Program (EAP)</b>	A program under which employers provide tuition assistance for employees' continuing education. Benefits under such programs are taxable to the employee receiving them (unless certain income exclusions available through 1989 are restored).
<b>Early Retirement Age</b>	The earliest age at which social security retirement benefits can be received - currently age 62. Individual company retirement plans may provide for benefits at an earlier retirement age.
<b>Earned Premium</b>	That portion of a premium for which the policy protection has already been given during the now-expired portion of the policy term.
<b>Economies of Scale</b>	Savings achieved by producing or buying large quantities of an item. Employee leasing is designed to achieve economies of scale for their clients in payroll and benefit administration.
<b>EDI</b>	Electronic Data Interchange
<b>EEOC</b>	Equal Employment Opportunity Commission – The federal agency that enforces ADA, ADEA, and Title VII of the Civil Rights Act of 1964.

<b>Effective Date</b>	The date on which an insurance policy or bond goes into effect, and from which protection is furnished.
<b>Electronic Funds Transfer (EFT)</b>	The transfer of money electronically from an account in one financial institution to an account in another financial institution (see Direct Deposit).
<b>Electronic Federal Tax Payment System (EFTPS)</b>	The successor to TAXLINK, it allows employers to make federal tax deposits electronically through the ACH network.
<b>Earned income Credit (EIC)</b>	A tax credit that is available to low-income employees. It may be taken when the employee files his or her individual tax return, or partially paid in advance by the employer during the year.
<b>Employer Identification Number (EIN)</b>	The employer's account number with the Internal Revenue Service, it consists of nine digits (00-0000000).
<b>Elective Deferral</b>	The amount of pretax dollars that an employee chooses to have the employer contribute to a qualified deferred compensation plan (e.g., a 401(k) plan) in the employee's behalf, also known as pretax contributions or employee contributions.
<b>Elimination Period</b>	The period of time during which the insured must be totally disabled before any disability income benefits are payable. Also known as the waiting period.
<b>Emergency Accident Benefit</b>	A group medical benefit which reimburses the insured for expenses incurred for emergency treatment of accidents.
<b>Employee</b>	An employee is one who has an employer. This circular definition is found in the tax law illustrating how difficult it is to define an employee. Employees differ from being an independent contractor by the nature of having an employer. When Congress passes social legislation, such as the Fair Labor Standard Act, it extends certain rights to employees. These included the right to certain minimum wage standards, and overtime pay, etc. Employees who are hired by a leasing organization possess these same rights.
<b>Employee Appraisals</b>	The work performance of an employee is evaluated by either the supervisor, the employee leasing firm, or both. An employee leasing firm will assist a client in employee appraisals in the same way a personnel department assists corporate management in a larger company to properly conduct employee appraisals
<b>Employee Assistance Program (EAP)</b>	An employee benefit designed to offer an employee assistance in resolving certain personal problems affecting their job performance. This includes counseling in matters of family, drug, emotional concerns, and other issues. Usually a leasing firm uses a third party administrator for the plan. The benefit helps employees cope with the pressures and stress of life.
<b>Employee Benefits</b>	An indirect form of employee compensation, in addition to wages. Some employee benefits are mandated by law. These include social security, unemployment, and workers' compensation. Other employee benefits are sponsored voluntarily by employers. It is usual to talk about health-care, life insurance, retirement, vision care, or other welfare benefits in this context. Employee benefits are a primary consideration in utilizing the services of a PEO.
<b>Employee Business Expenses</b>	Amounts spent by an employee for travel, lodging, meals, etc., while on the employer's business. Reimbursements for such expenses may be excluded from income if they are properly accounted for.
<b>Employee Certificate of Insurance</b>	The employee's evidence or participation in a group insurance plan, consisting of a brief summary of plan benefits. The employee is provided with a certificate of insurance rather than the actual insurance policy.

<b>Employee Contract Services</b>	Sometimes used in place of employee leasing. Employee leasing might be more accurately called employee contract services or employee administrative services. Employee contract service employs the existing regular employees of a utilizing company and contracts to maintain and help manage these human resources of the company. To achieve this, the service firm must become the employer of the leased-employees for payroll, benefits and other purposes. Employee contract services has the potential to create co-employment. [see HR-Outsourcing]
<b>Employee Discipline</b>	In PEO, it is usual for the supervisor of the employees to take charge of “low-level” employee discipline (reprimands). The supervisor will contact the PEO for guidance in matters of greater employee errors or misconduct. Generally a PEO becomes involved in full discipline, or termination cases. The PEO issues the final check to the employee. Personnel action records are maintained by the PEO. [see Employee Appraisal]
<b>Employee Handbook</b>	This is a personnel policy or employment guide provided to the shared employees in the form of a standard personnel handbook by the PEO. The employee handbook outlines the employment relationship between the PEO, the client, and the employee. The handbook also contains descriptions of employee benefits and service programs that are available to the employee through the PEO. The client may add amendments to the standard employee handbook to meet individual or unique business needs.
<b>Employee Job Order</b>	When a client has a vacancy in their work force they refer their needs to the employee leasing firm by using an employee job order form or some other type of job needs communication. This form is also used in a temporary help service. This is the method that the leasing firm has in determining the qualifications and standards that are required by the client.
<b>Employee Leasing</b>	A legal agreement which transfers the right to use an asset from the owner to another individual or business organization is called a leasing agreement. Rudiments of this concept are applied to a worker or employee asset to create the concept of employee leasing. The term employee leasing for the service industry has come to mean a business service whereby a firm specializing in payroll accounting, personnel management, employee benefit, and risk administration, offers its skills and expertise to the subscribing business. The long-term, regular dedicated employees of the subscribing business are transferred to the leasing firm’s payroll and benefits resources. The leased-employees return to the subscribing business via the avenue of employee leasing. This has the potential to establish a co-employment relationship. The employee leasing firm is an employing unit, does all the human resource and payroll clerical work and keeps the payroll tax deposit books as the employer. The subscribing unit, or subscriber, receives the services of the leased-employees free from the encumbrances associated with payroll and benefit management through a quasi-leasing transaction. Employee leasing is different from labor contracting because employees receive employee benefits and there is a greater responsibility and integration into the subscribers personnel management. Member firms are served by the National Staff Leasing Association and National Association for Alternative Staffing. [see Employee Contract Services]
<b>Employee Leasing Welfare Arrangement</b>	A new term to replace the MEWA designation found in ERISA, which is thought to regulate self-funded welfare plans and employee leasing arrangements. A MEWA does not accurately describe an employee welfare plan sponsored by an employee leasing firm when governed by ERISA. New legislation, using an ELWA, has been proposed to the Congress by the membership of the NSLA. This term and the proposed regulation is designed to clear up the confusion as to why a leasing benefit plan is not operating in a multiple employer welfare arrangement. The goal is to regulate self-funded employee benefit plans sponsored by employee leasing firms and avoid confusion created by the 1982 MEWA amendment in ERISA. [see MEWA]

<b>Employee Organization</b>	Is a labor union or any organization in which employees participate, and which exists for the purpose to bargain with employers. The definition is used in social legislation to define a labor union. PEO's are not an employee organization since employees do not bargain with the PEO.
<b>Employee Training</b>	Many PEO's provide "low-level" training in such areas as telephone techniques, quality customer services, how to supervise, and how to conduct employee appraisals. Employee training in the shared employment arrangement is usually general in nature. The specific job training of a shared worker remains with the supervisor or client.
<b>Employee Welfare Benefit Plan</b>	Any plan, fund, or program that is established or maintained by an employer and/or an employee organization to provide benefits (e.g., medical, sick pay, and vacation benefits) to plan participants or their beneficiaries. Under Department of Labor regulations, certain severance pay arrangements and supplemental retirement income payments may be treated as welfare plans rather than pension plans.
<b>Employee's Withholding Allowance Certificate</b>	The federal Form W-4 or an equivalent state or local form on which the employee states the number of withholding allowances he or she claims. The form is used by the employer to determine the amount of federal, state, and local income taxes to withhold from the employee's compensation.
<b>Employee-Pay-All-Plans</b>	Plans that are paid for entirely by the employees, with no financial input from the employer.
<b>Employer</b>	An employer is a person, a business, or a corporation, for whom an individual performs a service, of whatever nature, as an employee of such a person. The presence of control over the worker is often given great importance. The definition does not necessarily mean a person exercising control, but rather the right to control. An employer compensates an employee through the payment of wages for the workers services. There are many attributes attached to an employer, depending on the definition used in social legislation and the common-law. Under PEO conditions, the PEO pays the workers from its own accounts, it sits at the source of wages. Thus for payroll tax law purpose the PEO is the employer. This might be different for labor laws. An employer is responsible for complying with social legislation which covers employment. Since PEO is likely to create a co-employment relationship there is the potential to be an employer by both the PEO and the client organization. A PEO is the employer for payroll tax purposes, but with less eminence for application of labor law governance because the client has day-to-day supervision of the employees. The client controls the work environment, not the leasing firm. The definition of an employer, the conduct of the PEO and the client, and previous court decisions in this area, will influence the employer determination as to whether or not there is a joint employer determination.
<b>Employer Service</b>	A service company that either targets one, a few, or many of the needs of employers today. Focuses on those needs usually associated with the role of an employer. A payroll service is a limited employer service. A case management service company helping employers control their workers compensation claims is a limited employer service. Employee leasing is attempting to broaden the coverage and provide a wider array of employer services from payroll to benefit administration to the managing of the routine personnel affairs for an employer.
<b>Employer's Liability Coverage</b>	This is coverage B (Part Two) of the Standard Workers' Compensation Policy. It provides coverage against the common law liability of an employer for injuries to employees as distinguished from the liability imposed by a Workers' Compensation law. Employers Liability applies in situations where a worker does not come under these laws.

<b>Employer's Supplemental Tax Guide</b>	IRS Publication 15-A. This publication provides more detailed information for employers than Circular E (Publication 15), especially in the areas of employee status determinations and fringe benefit taxation and reporting.
<b>Employer-Employee Relationship</b>	Employment law does not give an all inclusive definition of the employer-employee relationship, but there are tests used by courts of law to define the employment relationship that have developed over time. In the case of employee leasing, this includes meeting several major tests of the employer-employee relationship. These are, but are not limited to: (1) The right to hire and discharge employees; (2) collect withholding taxes at the source of wages; (3) the payment of wages or salaries; (4) providing employee benefits; (5) changing employee salaries and wages; (6) establishing conditions of employment through employee policies; (7) retaining the right to terminate; and (8) maintaining a sufficient right to direct and control the manner in which the services of the employee are performed at the clients' location. There is a substantial body of labor and IRS rulings, opinion letters, worker compensation cases, labor and tax court cases, etc., establishing the employer-employee relationship for the leasing arrangements. In both temporary and employee leasing, there is commonly sufficient overlap of the employment relationship with the client to create a co-employment relationship.
<b>Employer-Provided Benefit</b>	A benefit that is provided, directly or via employer contributions, by an employer.
<b>Employment Agency</b>	An enterprise engaged in recruiting and supplying personnel to employers and job seekers. No employer-employee relationship is established between the employment agency and the job seeker. Among the associations representing the interests of this industry is the National Association of Personnel Services and local chapters of this organization.
<b>Employment Contractors</b>	Employers or labor suppliers who solicit employees and then lend them out to client-customers for a service fee. Temporary help supply services and employee leasing are sometimes called employment contractors. This term is not widely used. [see Labor Contractors]
<b>Employment Counselor</b>	A counselor is a placement agent working for an employment agency which assists prospective employees in finding employment. In most states, counselors are licensed to act in this capacity. [see Employment Agency]
<b>Employment Eligibility</b>	Under the Immigration Reform and Control Act of 1986, an employer is required to determine the eligibility of every new employee for employment. This means that each employee must offer proof of identity, and the employer, in turn, must be able to verify employment eligibility.
<b>Employment Law</b>	Results of decades of legislative activity. Refers to an extensive collection of labor laws (federal, state and local governments) that govern employment. If federal and local laws conflict and cannot be reconciled, the federal law preempts or governs. Leasing firms are covered by employment laws.
<b>Employment Verification</b>	The process of determining whether a newly hired employee is authorized to work in the United States under the Immigration Reform and Control Act.
<b>Employment-at-Will</b>	Many states are known as "Employment-at-Will" states. An employment relationship may be terminated at any time, at the will of either the employer or the employee, for any reason or for no reason at all.
<b>Encumbrance</b>	Any outside interest in or right to property founded on legal grounds, such as a mortgage, lien for work and materials, or a right of dower. It diminishes the interest of the person owning the property.
<b>Endorsement</b>	A form attached to the policy bearing the language necessary to change the terms of the policy to fit special circumstances.

<b>Enterprise Coverage</b>	A test for determining whether an employer's entire operation is covered by the Fair Labor Standards Act. It is based on the employees' involvement in interstate commerce and employer's annual volume of revenue.
<b>Equal Pay Act (EPA)</b>	Under the Fair Labor Standard Act (FLSA), the Equal Pay provision states that persons performing jobs requiring equal skill, effort and responsibility can not be paid different wage rates based upon their sex.
<b>EPO</b>	Exclusive Provider Organization
<b>Employee Retirement Income Security Act of 1974 (ERISA)</b>	ERISA is the basic law designed to protect the rights of beneficiaries of employee benefit plans offered by employers, unions, and the like. ERISA imposes various qualification standards and fiduciary responsibilities on both welfare benefit and retirement plans, and provides enforcement procedures as well.
<b>Escheat</b>	In the context of payroll, the turning over of unclaimed wages to the state after a period of time determined by state law.
<b>Enumeration Verification System (EVS)</b>	A service offered by the Social Security Administration allowing employers to verify the accuracy of their employees' social security numbers by sending in a magnetic tape or diskette of their data for review by the SSA.
<b>Excess Deferral</b>	The amount of an employee's deferred compensation that exceeds the IRS's annual contribution limit.
<b>Exclusions</b>	Causes, conditions or property listed in the policy which are not covered and for which no benefits are payable.
<b>Exclusive Agency System</b>	A distribution system within which agents function under contracts that limit representation to one or more insurance companies under common management and that reserve to the insurance company the ownership, use, and control of policy records and expiration data.
<b>Exclusive Benefit Rule</b>	The ERISA requirement that plans, by their terms and operations, be maintained for the exclusive benefit of employees who are plan participants. Under ERISA, fiduciaries have a duty to administer plans solely in the interest of participants and beneficiaries and are not permitted to allow plan assets to inure to the benefit of the employer.
<b>Exemplary Damages</b>	See Punitive Damages
<b>Exempt Employees</b>	While this term can refer to anyone not covered as an employee under a certain law, it generally means those employees who are exempt from the minimum wage, overtime pay, and certain recordkeeping requirements of the Federal Wage-Hour Law.
<b>Expatriate</b>	For U.S. payroll purposes, a U.S. citizen or resident alien who lives and works outside the U.S.
<b>Expense Constant</b>	A flat charge added to the premium of small accounts where the premium is so low that the cost of issuing and servicing the policy cannot be recovered. Most often used with Workers' Compensation policies.
<b>Experience</b>	The loss record of an insured, a class of coverage, or an insurance company.
<b>Experience Rating</b>	(1) In the context of unemployment compensation, it is the employer's past record of unemployment claims activity. This past record can then be used to determine the employer's unemployment tax rate (i.e., the higher the turnover rate, the higher the tax rate); or  (2) A method of reviewing the actual claims history of an individual group for purposes of determining a renewal rate. This method is used in lieu of pooling group insurance risks.

<b>Expert Systems</b>	Terminology found in computer systems to lead a person through a series of intelligent decisions toward the solution of a technical problem. Has been used in employee leasing to describe how a client can take advantage of the expert systems that a leasing firm maintains in managing their human resources. PEO's maintain these expert systems to help their clients solve the technical problems of managing.
<b>Expiration</b>	The date upon which a policy will cease to cover, unless previously canceled.
<b>Exposure</b>	(1) State of being subject to the possibility of loss. (2) Extent of risk as measured by payroll, gate receipts, area or otherwise. (3) Possibility of loss to a risk being caused by its surroundings.
<b>Express Authority</b>	Authority of an agent that is specifically granted by the insurer in the agency contract or agreement.
<b>Extended Benefits</b>	Unemployment benefits paid beyond the normal 20 or 26 weeks allowed by most states (authorized by federal legislation).
<b>External Audit</b>	An audit of an organization's financial statements by a disinterested third party (e.g., an outside accountant or accounting firm).
<b>Facility Staffing</b>	A term that describes a temporary help or other personnel supply firm which provides staffing services to a subsidiary, division or department in a larger corporation. The labor supply firm is responsible for staffing the entire group of employees. Often includes training and limited supervision. Usually this is not a temporary situation, but is longer in duration than days or weeks. Facility staffing is an alternative staffing strategy that a company might use to reduce the head-count in a company and retain core employees.
<b>Fair Labor Standards Act</b>	FLSA [see Federal Wage-Hour Law]
<b>Financial Accounting Standards Board (FASB)</b>	The body that sets uniform standards for treatment of accounting items. In the employee benefits context, FASB has prepared an exposure draft concerning disclosure of unfunded retiree welfare benefit liabilities.
<b>FAVR</b>	Fixed and variable rate mileage allowance.
<b>Federal Wage-Hour Law</b>	The Fair Labor Standards Act of 1938, as amended. It regulates such areas as minimum wage, overtime pay, and child labor for employers and employees covered by the law.
<b>Federally Qualified HMO</b>	An HMO that meets the standards set forth in the HMO Act and can "mandate" an employer to provide HMO coverage to employees in the HMO's service area.
<b>Fedwire</b>	Electronic funds transfer system owned and operated by the Federal Reserve Banks, which serves as a same-day settlement procedure for electronic federal tax depositors.
<b>Federal Employer Identification Number (FEIN)</b>	Assigned to all businesses for tax reporting purposes.
<b>FELA</b>	Federal Employer's Liability Act
<b>Fellow Servant Rule</b>	A common law defense used by employers before the passage of compensation laws. It held that if an employee was injured due to the carelessness of a fellow employee, the right of action was against the fellow worker and not against the employer.
<b>Federal Insurance Contribution Act (FICA)</b>	The statute that requires employers and employees to pay Social Security taxes. It also describes the combined taxes levied for social security and Medicare.

<b>Fidelity Bond</b>	Protects an insured business against dishonest acts such as embezzlement, forgery and theft committed by employees. Since PEOs are not as likely to be injured as the client it is probably better for the client to maintain the fidelity bonding. Illustrates how co-employers can assign the risk to one employer and not the other.
<b>Fiduciary</b>	Any person (in the legal sense of an individual, corporation, etc.) that exercises discretionary authority or control over the administration of the plan or the management or disposition of plan assets or that gives investment advice to the plan for a fee or other compensation.
<b>Financial Statements</b>	Reports that summarize business's financial position and operating results (comprised of a balance sheet, income statement, and statement of cash flow).
<b>Federal Insurance Contribution Act (FIT)</b>	Withheld from an employee's wages when they are paid.
<b>Flat Cancellation</b>	Cancellation of a policy free of any charge or penalty to the insured, as contrasted to short rate or pro-rate cancellation.
<b>Flat Rate</b>	A fixed rate not subject to any subsequent adjustment.
<b>Flat Rate Withholding</b>	See Supplemental Wages.
<b>Flexible Benefit Account</b>	A type of medical or dependent care expense reimbursement option under a cafeteria plan or which is a cafeteria plan standing alone. Coverage is paid for by employer contributions, or salary reduction contributions, or both.
<b>Flexible Benefits</b>	These are employee benefits that are administered through Section 125 of the Internal Revenue Code. Flexible benefits offer employers and employees greater flexibility and economic gains with benefit plans. Sometimes referred to as a salary reduction plan. Many small businesses cannot qualify for flexible benefits or do not have the resources to administer the plan. By joining a leasing firm they are able to become more competitive with larger businesses because the leasing firm has the resources to administer the plan. [see Cafeteria Plan]
<b>Fair Labor Standard Act (FLSA)</b>	Adopted in 1938 - Covers minimum wage, overtime pay, equal pay for equal work, and child labor standards. Prohibitions against age discriminations were added in 1967. [see Federal Wage-Hour Law]
<b>Fluctuating Workweek</b>	An arrangement between an employer and a nonexempt employee to pay the employee a fixed weekly salary even though the employee's hours may vary from week to week.
<b>Family Medical and Leave Act (FMLA)</b>	- Requires employers with 50+ employees to give up to 12 weeks of family leave to employees for reasons of birth, adoption, or care of a family member who is ill.
<b>Fair Market Value (FMV)</b>	Used to determine the value of non-cash, employer-provided benefits for payroll tax purposes, or the value of facilities provided to employees in lieu of wages.
<b>Foreign Earned Income Exclusion</b>	An election by a U.S. citizen or resident alien working abroad to exclude up to \$70,000 in foreign earned income from the taxpayer's gross income.
<b>Foreign Housing Cost Exclusion</b>	An exclusion from income for reasonable foreign housing expenses exceeding a base housing amount that is available to U.S. employees working abroad whose tax home is not in the U.S.
<b>Foreign Insurer</b>	An insurer formed under the laws of another state other than the state in which the property is written.
<b>Fortuitous Event</b>	An unforeseen accident.

<b>Fringe Benefits</b>	Compensation other than wages provided to an employee, such as health and life insurance, vacations, employer-provided vehicles, public transportation subsidies, etc., that may be taxable or nontaxable.
<b>Flexible Spending Arrangement (FSA)</b>	An arrangement that allows an employee to have pretax dollars deducted from wages and put into an account to pay for health insurance deductibles and co-payments and dependent care assistance (separate accounts for medical and dependent care FSA's).
<b>FTD</b>	Federal Tax Deposit
<b>Full-Flex</b>	Full-flex Cafeteria (125) Plan – Includes P.O.P. plus the payment of reimbursable medical expenses with pre-taxed dollars.
<b>Funding</b>	Accumulating money or other assets that can be used to pay for plan benefits – e.g., by creating a welfare benefit trust or other welfare benefit fund.
<b>Federal Unemployment Tax Act (FUTA)</b>	Requires employers to pay a certain percentage of their employees' wages (.8% - up to a maximum wage limit - \$7,000) as a payroll tax to help fund unemployment compensation benefits for separated employees. Paid quarterly, filed annually.
<b>GAAP</b>	Generally Accepted Accounting Principles - A set of rules and procedures set forth by the Financial Accounting Standards Board that outline accepted accounting practices broadly and in detail.
<b>GAO</b>	General Accounting Office
<b>Garnishee</b>	In a payroll context, an employer that receives an order requiring withholding from an employee's wages to satisfy a debt. A garnishee can also be a debtor against whom a creditor has brought a process of garnishment.
<b>Garnishment</b>	A legal proceeding authorizing an involuntary transfer of an employee's wages to a creditor to satisfy a debt.
<b>Governmental Accounting Standards Board (GASB)</b>	Group that sets the standards for sound governmental financial management.
<b>Guaranteed Annual Wage (GAW)</b>	A plan guaranteeing employees their annual income (regardless of the work available) or that they will be kept on the payroll (although possibly at a lower wage).
<b>General Death Benefit</b>	A benefit payable under a group term life insurance plan on the death of an employee, without special conditions (e.g., double indemnity for accidental death). This is the type of benefit that can qualify for special tax treatment under an IRC Section 79 group term life insurance policy.
<b>General Employer</b>	In joint employer situations or court cases involving multiple employers, the general employer is the original employer who retains the employment agreement with the employee. This is the employer with broad control. The term is found in general and special employment arrangements in the borrowed servant doctrine. The courts and administrative agencies identify the general employer as the employer who is maintaining the employee on the payroll and providing benefits and is responsible for the long-term employment relationship. The borrowing or short-term employer is called the special employer. [see Borrowed Servant and Special Employer]
<b>General Ledger</b>	A ledger containing all the transactions in the debit and credit accounts of a business.
<b>Golden Parachute</b>	Payments made to business executives in excess of their usual compensation (e.g., stock options, bonuses) in the event the business is sold and the executives are terminated from employment.

<b>Governing Classification</b>	The classification assigned to the operations of an insured which carries the largest amount of payroll.
<b>Grace Period</b>	The period of time that the policy owner has to pay the group insurance premium following the due date: usually identified as one month or 30 days.
<b>Gross-up</b>	An IRS-approved formula that employers can use to determine the taxable gross payment when the employer wishes to pay the employee's share of tax.
<b>Group Enrollment Period</b>	An annual period of at least 10 working days during which employees must be given the option of enrolling in one or more federally qualified HMO's or switching from an HMO to another health plan option offered by the employer.
<b>Group Health Plan</b>	Under ERISA, an employee welfare benefit plan providing medical care to participants and beneficiaries, either directly or indirectly (e.g., through insurance or otherwise). Under the Internal Revenue Code, a plan maintained by an employer to provide medical care, directly or indirectly, to employees, ex-employees, and their families.
<b>Group Insurance</b>	The employee welfare plan, fund or program that is established by the employer for providing medical, surgical, hospital, life, dental or other benefits at group rates. Insurance companies provide group rates depending on the number of employees and the experience of the company. Small employers with only a few employees do not qualify for group rates.
<b>Group Legal Services Plan</b>	An employer-funded program that provides personal legal services to employees and their spouses and dependents. Benefits received under a group legal services plan are taxable to the employee (unless certain income exclusions available through 1989 are restored).
<b>Group Term Life Insurance</b>	Term life insurance that is provided to employees, with the cost being borne by the employer, the employee, or both.
<b>Group Term Life Insurance Plan</b>	A plan qualifying under Code Section 79 to provide employees with employer-paid life insurance coverage at little or no tax cost. Employees have taxable income only to the extent that (1) The cost of insurance providing a group term general death benefit exceeds the cost of providing \$50,000 of coverage or (2) The plan contains non-qualifying features. Special rules may apply to highly compensated employees or key employees.
<b>Group Universal Life Insurance</b>	A program (usually on an employee-pay-all basis) that provides employees with universal life insurance, giving them a choice between a fixed death benefit or a death benefit that is a multiple of compensation plus the policy's cash value at the time of death. Group universal life insurance does not qualify for special tax treatment under Code Section 79.
<b>Guaranteed Standard Issue (GSI)</b>	An underwriting term used to describe the fact that a group insurance contract was issued without reference to any medical underwriting. All group participants are covered regardless of health history.
<b>Guaranteed Cost</b>	Premium charges on a prospective basis, fixed or adjustable, or on a specified rating basis, but never on the basis of loss experience. In other words, the cost is guaranteed to the extent that it will not be adjusted based on the loss experience of the insured during the period of coverage.
<b>Graphical User Interface (GUI)</b>	Software that interacts between the user and the application in a user friendly manner to simplify user tasks and shorten the learning curve. GUI's use a mouse to maneuver around a window.

<b>Hazard</b>	A specific situation that increases the probability of the occurrence of loss arising from a peril, or that may influence the extent of the loss. For example, accident, sickness, fire, flood, liability, burglary, and explosion are perils. Slippery floors, unsanitary conditions, shingled roofs, congested traffic, unguarded premises, and uninspected boilers are also hazards.
<b>Highly Compensated Employee (HCE)</b>	In the context of certain fringe benefit plans, an employee who is an owner or officer of a business or whose salary exceeds a certain amount (indexed each year for inflation). Many benefits offered by employers do not qualify for favorable tax treatment if they discriminate in favor of highly compensated employees. An employer may also be restricted in their use of safe-harbor valuations of benefits provided to such employees.
<b>Health Care Financing Administration (HCFA)</b>	An agency of the U.S. Department of Health and Human Services that is responsible for administering the Medicare and Medicaid programs
<b>HHS</b>	The U.S. Department of Health and Human Services, which promulgates the regulations issued under the HMO Act.
<b>High-Low Substantiation Method</b>	A safe-harbor method (deemed substantiation) for reimbursing lodging, meal and incidental expenses incurred by an employee who is traveling overnight on the employer's business.
<b>Health Maintenance Organization (HMO)</b>	An organization of medical care providers that provides a specified range of medical care in return for a set "capitation fee," without regard to the actual cost of providing medical care for each HMO member.
<b>Hold Harmless Agreement</b>	A contractual arrangement whereby one party assumes the liability inherent in a situation, thereby relieving the other party of responsibility. Such agreements are typically found in contracts like leases, sidetrack agreements, and easements. For example, a typical lease may provide that the lessee must "hold harmless" the lessor for any liability from accidents arising out of the premises.
<b>Home Health Care</b>	A group medical benefit which provides coverage for home visits of nurses and other providers to help a claimant with day-to-day living activities following a period of hospitalization or medical treatment.
<b>Hospice Care</b>	A group medical benefit which pays for expenses incurred in a hospice which is an organization providing pain control treatment for the terminally ill.
<b>Housing Allowance</b>	Payment made to a U.S. citizen or resident alien working abroad to make up the added cost of obtaining reasonable living quarters in a foreign country.
<b>HRIS</b>	Human Resource Information System
<b>HR-Outsourcing</b>	Contracting to provide fully or partially integrated human resource management services to a client. The HR-outsourcing firm might only service the 401(k) plan of a corporation, or other activity. A block or all of human resource functions or activities, within a business, are outsourced to a specialized third party who provides these services. The employees of the business may receive their payroll from the outsourcing firm but are actually paid through the business's federal and state employer identification numbers and not the outsourcing firm's account. The outsourcing services also report and maintain the employees on the business's insurance policies. The service is similar to employee leasing, except the outsourcing firm does not share the employer role with the client. [see Staffsourcing and Employer Service]

<b>Human Resource Management</b>	Expansion on an older idea called personnel management. Human resource management is involved in the strategic planning for a business, centered around the workforce. Employee leasing firms provide human resource outsourcing services by integrating payroll, benefits and personnel activities into one complete employer convenience.
<b>I-9 Form</b>	Immigration and Naturalization Service's form used to verify employment eligibility.
<b>Insurance Institute of America (IIA)</b>	An institution offering a variety of insurance diplomas after the successful completion of certain examinations.
<b>Immigration Reform and Control Act of 1986 (IRCA)</b>	Law enacted in 1986 that prohibits employers from hiring persons who are not authorized to work in the U.S. and from discriminating against those based on their national origin or citizenship.
<b>Implied Authority</b>	Authority of an agent that the public may reasonably believe the agent to have. If the authority to collect and remit premiums is not expressly granted in the agency contract, but the agent does so on a regular basis and the insurer accepts, the agent has implied authority to do so.
<b>Impute</b>	The addition of the value of cash/non-cash compensation to an employee's taxable wages in order to properly withhold income and employment taxes from the wages.
<b>Incidents of Ownership</b>	Rights that will result in the inclusion of life insurance policy proceeds in the policy holder's estate for federal estate tax purposes.
<b>Income Statement</b>	A financial statement showing a company's results of operations for an accounting period or fiscal year.
<b>Income Tax Treaties</b>	Treaties between the U.S. and foreign countries that may have provisions governing the tax treatment of U.S. employees working in those countries, as well as aliens from those countries working in the U.S.
<b>Incurred Losses</b>	The losses occurring within a fixed period, whether or not adjusted or paid during the same period. As an example, in Workers' Compensation claims losses occur during a given policy period, but benefits may continue to be paid for many years. The estimated value of the total claim would be an "incurred loss" for the policy period during which the loss occurred.
<b>Indefinite Assignment</b>	See Long-Term Assignment
<b>Indemnity</b>	A method of providing payment for medical expenses whereby an insured indemnifies or reimburses the insured for covered expenses.
<b>Independent Contractor</b>	A person who performs services for another; but who is not a common-law employee because he or she is a member of a traditionally independent profession or exercises such control over the services as to preclude the existence of an employment relationship.
<b>Individual Retirement Arrangement</b>	A trust created or organized for the exclusive benefit of an individual or his or her beneficiaries.
<b>Individual Taxpayer Identification Number (ITIN)</b>	A tax reporting identification number issued to aliens in the U.S. who cannot get a social security number but are required to file a tax or information return with the IRS; required for all returns filed after December 31, 1996.

<b>In-Force</b>	Insurance on which the premiums are being paid or have been fully paid. In life insurance, usually refers to insurance by face amount. In health, usually refers to premium volume being paid to insurance company or insurance companies in aggregate.
<b>Information Return</b>	A return sent to the IRS (e.g., 1099 series) or the SSA (e.g., Form W-2, Copy A along with Form W-3 or 6559) that indicates information relevant to tax liability.
<b>Information Statement</b>	A statement sent to a payee (e.g., 1099 series) or an employee (e.g., Form W-2) that indicates payments made and taxes withheld by the party issuing the statement.
<b>In-house Salespeople</b>	Sales representatives who work for one PEO and only represent the one company. In-house salespeople are trained and responsible to the leadership of the PEO and work closely in conjunction with the operations.
<b>Inpatient</b>	A person who has been admitted to a hospital for treatment and has been assigned to a bed and a room.
<b>INS</b>	Immigration and Naturalization Service
<b>Inspection</b>	Independent checking on facts about an applicant or claimant, usually by a commercial inspection agency.
<b>Insurability</b>	Acceptability of an applicant for insurance to the insurance to the insurance company.
<b>Insurable Interest</b>	Any interest in a subject of insurance or any legal relation to it of such a nature that a certain happening might cause monetary loss to the insured.
<b>Insurable Risk</b>	Risk with a probability of acceptable loss. An insurance carrier is willing to cover such a risk. Unless a leasing firm can give confidence to the insurer, the insurer may declare that employee leasing is not an insurable risk. Also a risk which meets most of the following requisites: (1) The loss insured against must be capable of being defined. (2) It must be accidental. (3) It must be large enough to cause a hardship to the insured. (4) It must belong to a homogeneous group of risks large enough to make losses predictable. (5) It must not be subject to the same loss at the same time as a large number of other risks. (6) The insurance company must be able to determine a reasonable cost for the insurance. (7) The insurance company must be able to calculate the chance of loss.
<b>Insurance</b>	A formal social device for reducing risk by transferring the risks of several individual entities to an insurer. The insurer agrees, for a consideration, to assume, to a specified extent, the losses suffered by the insured.
<b>Insurance Company</b>	(1) Every person or company engaged in the business of making contracts of insurance. (2) The party to an insurance arrangement who undertakes to indemnify for losses, provide other pecuniary benefits, or render service.
<b>Insurance Policy</b>	Broadly, the entire written contract of insurance. More narrowly, the basic written or printed document, as distinguished from the forms and endorsements added thereto.
<b>Insured</b>	The party to an insurance arrangement to whom, or on behalf of whom, the insurance company agrees to indemnify for losses, provide benefits, or render service. This term is preferred to such terms as policy holder, policy owner, and assured. [see Named Insured]
<b>Insured Plan</b>	A welfare benefit plan that is funded by the employer's purchase of policies from commercial insurers.

<b>Insurer</b>	See Insurance Company
<b>Insuring Agreement (or Clause)</b>	That portion of an insurance contract which states the perils insured against, the persons and/or property covered, their locations, and the period of the contract.
<b>Internal Audit</b>	An audit of a business's policies, procedures, operations, and records carried out by employees of the business as opposed to outside parties.
<b>Internal Control</b>	Measures used by a company to safeguard company assets by preventing errors, waste, embezzlement, and fraud.
<b>Internal Revenue Bulletin (IRB)</b>	Issued regularly (weekly except during the summer) by the IRS, the IRB contains recently issued regulations, revenue procedures, and other agency announcements.
<b>Internal Revenue Code (IRC)</b>	Federal tax laws. Generally referred to as the Internal Revenue Code of 1986, which was the year of the latest major overhaul of the Code. The IRC also comprises Title 26 of the United States Code.
<b>Interstate Commerce</b>	The exchange of goods and/or services across state lines. It provides a basis for congressional and federal government agency regulation of wages and hours of work and other employment-related matters.
<b>Investment Manager</b>	Under ERISA, the registered investment advisor, insurance company, or bank and trust company to which a plan's named fiduciary delegates investment authority over plan assets pursuant to an express authorization in the plan documents. Investment managers must acknowledge in writing that they are fiduciaries with respect to a plan.
<b>Independent Practice Association (IPA)</b>	A type of HMO consisting of coordinated groups of physicians practicing out of individual offices.
<b>IRA</b>	Individual Retirement Arrangement
<b>Immigration Reform &amp; Control Act of 1986 (IRCA)</b>	Fines and penalties for hiring undocumented illegal aliens. Fines up to \$10,000 per worker per violation; up to \$10,000 per incident.
<b>IRP-BBS</b>	Information Reporting Program Bulletin Board System
<b>Internal Revenue Service (IRS)</b>	The federal agency, which is part of the U.S. Department of the Treasury, that is charged with primary responsibility for administering, interpreting, and enforcing the Code. (Note, however, that the Secretary of the Treasury – and not the IRS – issues regulations under the Code.)
<b>Insurance Services Office (ISO)</b>	An organization of the property and liability insurance business designed to gather statistics, promulgate rates and develop policy forms.
<b>Job Description</b>	A statement of the work or tasks assigned to a given job. Smaller businesses often do not produce job descriptions but this is changing with the new Americans with Disability Act or ADA.
<b>Joint Employment</b>	Joint employment occurs when a single employee comes under contract with two employers, and under the simultaneous control of both, and simultaneously works for both employers. When the service for each employer is the same or nearly the same, then both employers are liable for workers' compensation and other applicable labor laws. The joint employment concept grew out of the borrowed servant doctrine where it was recognized that an employee may have two or more employers simultaneously through joint employment. [see also Borrowed Servant Doctrine, Dual Employment and Joint Employers]

<b>Joint Tenancy</b>	Ownership of property shared equally by two or more parties under which the survivor assumes complete ownership. This is different from a tenancy in common where the heirs of a deceased party to the tenancy inherit his or her share.
<b>Key Employee</b>	In the context of certain fringe benefit plans, an officer or owner (of all or a significant part) of a business whose annual pay exceeds a certain amount. Many benefits offered by employers do not qualify for favorable tax treatment if they discriminate in favor of key employees.
<b>Labor Contractor</b>	This is a general term applied to an individual or an agency that provides labor for a specific project or endeavor. The labor is usually unskilled or untrained. The labor contractor usually moves around from job to job bringing their own labor force to achieve a specific task. Largely found in agriculture. Employees are given little tenure or benefits, although this depends on the type of contracting involved. A labor contractor may have the responsibility of providing seasonal workers on a farm during harvest. Another example may involve a labor contractor for a nuclear power plant. Employee leasing firms do not use the term labor contracting to describe their service. [see Employment Contractor]
<b>Labor Leasing</b>	This is sometimes used casually with employee, staff, or worker leasing. The terminology is more often used in blue-collar, as opposed to white-collar, labor leasing arrangements. Labor leasing is also a form of co-employment.
<b>Lapse</b>	Termination of a policy because of failure to pay the premium.
<b>Law of Large Numbers</b>	This law states that the larger the number of exposures considered, the more closely the losses reported will match the underlying probability of loss. The simplest example of this law is the flipping of a coin. The more times the coin is flipped, the closer it will come to actually reaching the underlying probability of 50% heads and 50% tails.
<b>Leased Employees</b>	Employees of a leasing agency who are hired and trained for the client firm through the agency. Withholding, depositing and reporting responsibilities remain with the leasing agency.
<b>Lent Servant Doctrine</b>	This refers to a common-law doctrine under a condition where one “master” loans his “servants” to another master for a fee or benefit. The doctrine appears in court cases where two or more masters are implicated in the negligent acts of their servants. The doctrine is also called the borrowed servant doctrine. It is more accurately used in temporary help situations where the employment is expected to be of a short duration, the general and special employer situation. [see Borrowed Servant Doctrine and Joint Employment]
<b>Levy</b>	An attachment to satisfy a tax debt or a court judgement.
<b>Liabilities</b>	Debts of a business that have yet to be paid.
<b>Liability</b>	Broadly, any legally enforceable obligation. The term is most commonly used in a pecuniary sense.
<b>Liability Insurance</b>	That insurance that pays and renders service on behalf of an insured for loss arising out of his responsibility, due to negligence, to others imposed by law or assumed by contract. Also insurance that covers against bodily injury or property damage to others, to third parties. Liability insurance has been a problem in the past for leasing firms and/or clients because the insurers do not know how to underwrite the risk or are unwilling to take the risk.
<b>Liability Limits</b>	The sum or sums beyond which a liability insurance company does not protect the insured on a particular policy.
<b>Licensing</b>	As used here refers to the state licensing employee leasing by meeting certain standards to protect the public interest. Licensing is governed by a board which interprets the state regulations and standards. Usually given higher respect than registration. Florida and Arkansas are licensing states of employee leasing.

<b>Limit of Liability</b>	The maximum amount which an insurance company agrees to pay in case of loss.
<b>Limits</b>	(1) Maximum amount of benefit payable for a given situation or occurrence. (2) Ages below or above which the insurance company will not issue a new policy or above which it will not continue a policy in force.
<b>Lloyd's</b>	Generally refers to Lloyd's of London, England, an institution within which individual underwriters accept or reject the risks offered to them. The Lloyd's corporation provides the support facility for their activities.
<b>Loading</b>	The amount added to the pure insurance cost to cover the cost of the operations of an insurer, the possibility that losses will be greater than statistically expected, and fluctuating interest rates on the insurer's investment. The "pure" insurance cost is that portion of the premium estimated to be necessary for losses.
<b>Local Area Network (LAN)</b>	A network in which all computers are physically attached to each other and data are transmitted at high speeds over short distances.
<b>Local National</b>	An employee who works in the country where his home base is located, even though the employee may actually be a citizen of another country.
<b>Long Term Assignment</b>	A job assignment that is realistically expected to last more than 12 months.
<b>Long Term Care Benefits</b>	Benefits for expenses incurred by a covered insured in a skilled nursing facility (i.e., a nursing home).
<b>Long Term Care Insurance</b>	An insurance contract providing for coverage of qualified long-term care services, including diagnostic, preventive, treating, mitigating and rehabilitative services, which is treated as an accident and health insurance contract for payroll tax purposes.
<b>Lookback Period</b>	The 12-month period running from July 1 of the second preceding calendar year through June 30 of the preceding calendar year. The employer's payroll tax liability during this period determines its depositor status for the current year. The period may be different for some employers.
<b>Loss</b>	Generally refers to: (1) The amount of reduction in the value of an insured's property caused by an insured peril, (2) The amount sought through an insured's claim, or (3) The amount paid on behalf of an insured under an insurance contract.
<b>Loss Constant</b>	A flat amount included in the premium for small Workers' Compensation policies, for dwellings in some jurisdictions, and for some prescribed Inland Marine Insurance lines. The purpose of the loss constant is to offset the greater-than-average loss experience which most small risks have when compared to all other risks in a given classification.
<b>Loss Conversion Factor</b>	A term used in a retrospective rating plan. It is a factor applied to the losses in the formula to give the insurer the funds needed to handle the investigation of claims.
<b>Loss Expectancy</b>	An underwriter's estimate of the probable maximum loss to be suffered on an exposure being considered, with attention given to the expected level of loss prevention activities on the part of the insured.
<b>Loss Prevention Service</b>	Engineering and inspection work done by insurance companies or independent organizations with a view to removing any dangerous conditions which would augment the probability of loss or damage.
<b>Loss Ratio</b>	The losses divided by the premiums paid. The numerator (losses) can be losses incurred or losses paid, and the denominator (premium) can be earned premiums or written premiums, depending on what use is going to be made of the loss ratio.

<b>Loss-of-Income Benefits</b>	Benefits paid for inability to work for remuneration because of disability resulting from accidental bodily injury or sickness. The loss of income may be real or presumptive.
<b>Loss-of-Income Insurance</b>	Insurance paying loss-of-income.
<b>Lost Policy Release</b>	A statement signed by the insured releasing the insurance company from all liability under a lost or mislaid contract of insurance, so that a replacement policy may be issued.
<b>Magnetic Media Reporting</b>	Use of a computerized method of filing information with government agencies, such as magnetic tape, diskette cartridge, or electronic filing from one computer to another.
<b>Mainframe</b>	A large, powerful computer that is generally used for company-wide computing since it can handle multiple users and tasks at the same time.
<b>Major Medical</b>	A contract which provides a lifetime sum of money following a deductible for covered medical expenses. Benefits are provided on a coinsurance or co-payment basis.
<b>Mandated Benefits</b>	Sometimes referred to as a payroll or statutory taxes. Mandated benefits include social security, unemployment benefits, and workers' compensation. Usually refers to those benefits which are controlled by law. Mandated benefits may vary from 10 to over 100 percent of the gross payroll for an employer. Employee leasing employers are subject to mandated benefits just like any other employer.
<b>Manual</b>	A book published by an insurance or bonding company, a conference or a rating association or bureau, giving rates, classifications and underwriting rules for some phase of insurance or bonds in a particular territory.
<b>Manual Rates</b>	Usually the published rate for some unit of insurance. An example is in the Workers' Compensation Manual where the rates shown apply to each \$100 of the payroll of the insured, \$100 being the "unit."
<b>Margin</b>	The difference between what a PEO pays as an employer and what it bills to clients. The margin may have contributions from billing for administration fees, and other components that produce earning for the firm.
<b>Marketing</b>	The process of planning and executing the concept of PEO to create customers. Selling is one aspect of marketing. Marketing is designed to create the selling environment for employee leasing.
<b>Master Contract</b>	The actual group policy which is provided for the employer.
<b>Matching Principle</b>	Matching revenue earned during an accounting period with the expenses incurred in generating the revenue.
<b>Medical Care</b>	Under the IRC definition, diagnosis, cure, mitigation, treatment, or prevention of disease or affecting any structure or function of the body; also traveling for or incidental to medical care. Insurance for medical care is treated as medical care; so is the cost of prescription drugs and insulin.
<b>Medical Plan</b>	An arrangement sponsored by an employer that reimburses employees for costs of personal injuries or illness.
<b>Medical Savings Account (MSA)</b>	An arrangement through which an employer or an employee (but not both) can put tax-preferred contributions into an account for the payment of health care deductibles under a high deductible health insurance plan.
<b>Medical Support Withholding</b>	The process of withholding amounts from an employee's compensation to satisfy a medical support order from a court or a state child welfare administrative agency. The employer is responsible for withholding the amounts and paying them over to the party named in the medical support withholding order.

<b>Medicare</b>	A federal hospital insurance program for individuals age 65 or older and some disabled persons. It is funded through the hospital insurance (HI) component of FICA tax.
<b>Medicare and Medicaid Coverage Data Bank</b>	A data bank to be established by the U.S. Department of Health and Human Services to receive information required to be reported regarding group health plan participants.
<b>Merit Rating</b>	[see Experience Rating]
<b>MET</b>	Multiple Employer Trust – A method of providing group health insurance benefits for groups which normally could not obtain such coverage. An insurer will establish a number of occupational trusts and each trust will provide coverage to the trust members.
<b>Multiple Employer Welfare Arrangement (MEWA)</b>	A non-collectively bargained arrangement or plan maintained to benefit employees of two or more employers that are not under common control. ERISA generally does not preempt state law with regard to MEWA's. Small employers participating in MEWA's may be exempt from COBRA's continuation-coverage requirement, and other special rules that apply under COBRA.
<b>Minimum Premium</b>	The smallest premium which an insurance company will accept for writing a particular policy or bond for a designated period.
<b>Minimum Wage</b>	The lowest amount that an employer can pay its employees per hour under federal or state law.
<b>Minimum-Premium Insurance Arrangement</b>	A method of funding welfare benefit plans under which benefits are self-insured by an employer or trustee up to a set trigger point; a commercial insurer is liable for all benefits above the trigger point.
<b>MIS Manager</b>	The person in an employee leasing firm who is responsible for implementing and overseeing the business' information systems. This is a very crucial role in the firm. As the firm grows it becomes more important.
<b>Miscellaneous Benefits</b>	Benefits provided by a group medical policy which cover most inpatient medical expenses except room and board charges and surgical fees.
<b>Misrepresentation</b>	The use of written or oral statements of the insured or insurance company misrepresenting the risk, terms, coverages, benefits, privileges or estimated future dividends of any policy.
<b>MOD</b>	Experience Modification Factor – Workers' Comp MOD Factor – MOD Rate
<b>Mode Premium</b>	The premium paid according to the mode of payment selected by the policy owner; that is, monthly, quarterly, semi-annually, or annually (or any other mode acceptable to the insurance company.)
<b>Monoline Policy</b>	Any insurance coverage written as a single line policy.
<b>Monopolistic State Fund</b>	The state-operated company in those states having laws which require that all businesses buy Workers' Compensation Insurance from the state. Private insurers cannot compete in these states.
<b>Moral Hazard</b>	A condition of morals or habits that increases the probability of a loss from a peril.
<b>Morale Hazard</b>	An attitude that increases the probability of loss from a peril. The attitude of, "it's insured; so why worry?" is an example of a morale hazard.
<b>Morbidity</b>	The statistical probability of an individual becoming disabled at a given age. Morbidity tables are used to help calculate health insurance premiums.

<b>Mortality</b>	The statistical probability of a person dying at a given age. Mortality tables are used to help calculate life insurance premiums.
<b>MQGE</b>	Medicare Qualified Government Employee, who only has the Medicare component of FICA, but not social security, withheld from wages.
<b>MSA</b>	Medical Savings Account
<b>Multiple Employer Welfare Arrangement</b>	A welfare benefit plan which is established or maintained for the purpose of offering or providing employee benefits to the employees of two or more employers. The term worked its way into ERISA law in 1982. The U.S. Department of Labor has determined that a leasing firm is likely to be a MEWA if it offers a self-funded employee welfare benefit plan. [see ERISA and ELWA]
<b>Multiple Worksite Report (MWR)</b>	A report developed by the Bureau of Labor Statistics to help it collect statistical information on U.S. businesses with multiple worksites.
<b>Mutual Insurance Company</b>	A nonprofit cooperative owned by the policyholders. Any excess income is returned to the policyholders, either in the form of dividends or as a reduction in the insurance premiums. Mutual companies specialize in medical and life insurance. Some court cases come close to identifying the self-funded employee benefits sponsored by leasing firms as a mutual insurance company, although it is recognized that such a plan is not an insurance policy. [see ELWA and MEWA]
<b>Mutual Insurance Company (Insurer)</b>	An incorporated insurance company without incorporated capital whose governing body is elected by the policyholders. The policy holders are the shareholders and they share in the success and sometimes the failure of the company.
<b>MWR</b>	Multiple Worksite Report
<b>NACHA</b>	National Automated Clearing House Association
<b>NAIC</b>	National Association of Insurance Commissioners
<b>Named Fiduciary</b>	For ERISA purposes, a fiduciary to which the ERISA plan document gives express authority to control plan operations and administration.
<b>Named Insured</b>	Any person, firm or corporation, or any member thereof, specifically designated by name as insured(s) in a policy as distinguished from the others who, though unnamed, are protected under some circumstances. A common application of this latter principle is in liability policies wherein by a definition of “insured” protection is extended to interests (not designated by name) according to their status or in particular situations or circumstances.
<b>NAPEO</b>	National Association of Professional Employer Organization’s
<b>National Council of Compensation Insurance (NCCI)</b>	Regulatory body which classifies and regulates Workers’ Compensation Insurance for “Client” states. Establishes rates and job classification codes for these states. Each classification has a 4-digit code (clerical–8810; driver–7380, etc.)
<b>Negative Account Employer</b>	An employer whose state unemployment tax payments are less than the benefits charged to its unemployment reserve account.
<b>Negligence</b>	Failure to use that degree of care which an ordinary person of reasonable prudence would use under the given circumstances. Negligence may be constituted by acts of either omission or commission or both.
<b>Net Pay</b>	That part of an employee’s wages that remains after all deductions have been subtracted (e.g., taxes, health insurance premiums, union dues, etc).
<b>Network</b>	System connecting computers and applications that consists of the physical connection (topology) and the software.

<b>New Hire Reporting</b>	The reporting of newly hired and rehired employees to state agencies to facilitate the collection of child support and/or to uncover abuse in the state's unemployment compensation, workers' compensation, or public assistance programs.
<b>NLRB</b>	National Labor Relations Board
<b>No-Additional-Cost Services</b>	A tax-free fringe benefit for employees consisting of free services offered by an employer at no substantial additional cost to the employer.
<b>NOC</b>	Not Otherwise Classified – A term often found in the classification section of liability or workers' compensation rating manuals. If a listing is followed by a NOC, it means to use this classification if an insured cannot be classified more specifically.
<b>Non-accountable Plan</b>	An employer's business expense reimbursement plan that does not meet the requirements regarding business connection, substantiation, and returning excess amounts. Payments made under the plan are included in employees' income.
<b>Non-admitted insurance Company (Insurer)</b>	An insurance company not licensed to do business in a given state.
<b>Non-assignable</b>	A policy that the owner can not assign to a third party. Most policies are non-assignable unless approval is given by the insurer.
<b>Non-cash Fringe Benefits</b>	Benefits provided to employees in some form other than cash (e.g., company car, health and life insurance, parking facility, etc.), which may be taxable or nontaxable.
<b>Non-compliance Period</b>	Under COBRA, the period beginning on the date a violation first occurs. The period is used to compute the penalty excise tax imposed on employers that violate COBRA rules.
<b>Non-concurrency</b>	The situation which exists where a number of insurance policies, intended to cover the same property against the same hazard or hazards, are not identical as to the extent of coverage or the interest insured.
<b>Non-contributory Plan</b>	A group insurance plan which is entirely paid for by the employer. No employee contributions are required.
<b>Non-discrimination Rules</b>	Rules that deny the employer, the employee, or both, certain tax benefits if plans discriminate in favor of certain employees, such as highly compensated employees or key employees.
<b>Non-discrimination Testing</b>	Tests that determine whether benefit plans provided by an employer discriminate in favor of highly compensated or key employees. If such discrimination is found, the employer will lose its favorable tax treatment for the benefit. Benefits provided under the plan may be taxable to employees receiving them.
<b>Non-Exempt</b>	Employees who are eligible for overtime pay.
<b>Non-exempt Employees</b>	Employees who are covered by the minimum wage and overtime provisions of the Fair Labor Standards Act. They may be paid on an hourly or salary basis.
<b>Non-occupational Coverage</b>	A health insurance plan which provides benefits for non-work-related expenses only. Work-related expenses or claims are not covered.
<b>Non-productive Administration</b>	This is another cornerstone advantage for clients who use PEO services – the elimination of employer inspired paperwork and administration. By utilizing PEO's, a client business is able to outsource significant portions of the employer non-productive administration burden. Typically, this consumes, by some economists' estimates, from 4% to 12% of a manager's time.
<b>Non-qualified Plan</b>	In the context of employee benefits, an employer plan that does not meet IRS qualification requirements.

<b>Non-renewal</b>	Termination of insurance coverage at an expiration date or anniversary date. This action may be taken by an insurer who refuses to renew, or by an insured who rejects a renewal offer.
<b>Non-resident Agent</b>	An agent licensed in a state in which he is not a resident.
<b>Non-resident Alien</b>	An individual from a foreign country working in the U.S. who does not pass either the “green card” or “substantial presence” residency test, but is subject to federal income tax on U.S. source income.
<b>Normal Credit</b>	Amount of an employer’s required contributions paid timely into a state unemployment insurance fund, to a maximum of 90% of the employer’s basic federal unemployment tax rate, taken as a credit against the employer’s federal unemployment tax.
<b>Normal Retirement Age</b>	Currently 65, the age at which retirees may receive unreduced social security benefits. Individual company retirement plans may use a different age.
<b>Nurses’ Registry</b>	Personnel supply firms that specialize in the assignment of nurses and other professional workers to hospitals, clinics, professional offices, and home care. The registry may collect fees from the nurses. Consequently the registry business is specifically regulated in many states. In other cases, the registry is the general employer of the nurses, or medical worker, and leases the services of their employees to their clients or customers (a special employer) for a fee. This is similar to a temporary help firm, but specializing with nurses or nursing care.
<b>OASDHI</b>	Old Age, Survivors, Disability and Health Insurance – The system of social insurance benefits for the aged, surviving dependents, and disabled workers set up by the Social Security Act of 1935, plus amendments and additions.
<b>OASDI</b>	Old Age, Survivors and Disability Insurance, also known as social security.
<b>Obligee</b>	A person to whom a debt is owed.
<b>Obligor</b>	A person who owes a debt.
<b>OBRA ‘93</b>	The Omnibus Budget Reconciliation Act of 1993.
<b>Occupational Accident</b>	An accident arising out of or occurring in the course of one’s employment and caused by hazards inherent in or related to it.
<b>Occupational Disease</b>	Sickness or disease arising out of or in the course of employment. State compensation laws provide coverage for this type of loss.
<b>Occupational Hazard</b>	A condition in an occupation that increases the peril of accident, sickness, or death therefrom.
<b>Occurrence</b>	An event that results in a insured loss. In some lines of insurance, such as liability, it is distinguished from accident in that the loss does not have to be sudden and fortuitous and can result from continuous or repeated exposure which results in bodily injury or property damage neither expected nor intended by the insured.
<b>OCSE</b>	Office of Child Support Enforcement
<b>ODFI</b>	Originating Depository Financial Institution
<b>OMB</b>	Office of Management and Budget
<b>On-Call Time</b>	Non-work time during which employees are required to be available to handle job-related emergencies.
<b>Online Processing</b>	Processing performed under direct control of the computer (can be batch or realtime).
<b>Open Enrollment Period</b>	See Group Enrollment Period.

<b>Operating System</b>	The computer program that controls the basic operations of a computer (e.g., MS-DOS, UNIX).
<b>Opportunity Wage</b>	A reduced minimum wage that can be paid to teenagers during their first 90 days at work.
<b>Originating Depository Financial Institution (ODFI)</b>	A financial institution that is qualified to initiate deposit entries submitted by an employer as part of the direct deposit process.
<b>Occupational Safety and Health Act (OSHA)</b>	A federal statute which establishes safety and health standards on a nationwide basis. The act is enforced by Labor Department safety inspectors and also provides for the recordkeeping of statistics relevant to work injuries and illnesses. Employers must: a. Furnish employment workplace, free from recognized hazards that may cause death or serious physical harm to employees. b. Comply with OSHA Standards.
<b>Other Compensation</b>	Compensation other than wages and tips that an employer must report on an employee's W-2.
<b>Other Insurance Clause</b>	A provision found in practically every insurance policy except life and sometimes health, stating what is to be done in case any other contract of protection embraces the same property and/or hazard.
<b>Outpatient</b>	An individual who has not been admitted to the hospital but may receive medical treatment as an emergency room patient or receives treatment outside of the hospital.
<b>Outplacement</b>	After a company lays off workers the outplacement activities are designed to assist job-hunting and other assistance. PEO's attempt to place laid off workers with other clients.
<b>Outplacement Services</b>	Services provided by employers to help employees find a new job after a layoff or reduction in force.
<b>Over-Insurance</b>	A condition in which (1) More insurance is in force on the insured or the risk than the potential loss, or (2) So much is in force as to constitute a moral or morale hazard (such as so much disability insurance being in force that it becomes profitable to become disabled.)
<b>Overtime</b>	Hours worked in excess of maximums set by federal or state law that must be compensated at a premium rate of pay (e.g., under the FLSA, all hours worked over 40 in a workweek must be paid at no less than 1½ times the employee's regular rate of pay).
<b>Owner's Equity</b>	The assets of a company minus its liabilities.
<b>P.O.P.</b>	Premium Only Plan for 125 Plans
<b>Package Policy</b>	Any insurance policy including two or more lines or types of coverages in the same contract.
<b>Partial Disability</b>	See Permanent Partial Disability and Total Partial Disability.
<b>Partial Loss</b>	A loss under an insurance policy which does not either (1) Completely destroy or render worthless the insured property, or (2) Exhaust the insurance applying thereto.

<b>Participating Depository Financial Institution (PDFI)</b>	A financial institution that can accept direct deposits and transmit or receive entries.
<b>Participating Provider</b>	A health care provider who has contracted with a service organization such as Blue Cross/Blue Shield to provide health care benefits to plan members.
<b>Party in Interest</b>	A person who stands in a relationship to a plan (e.g., sponsor, fiduciary, provider of services) that is close enough to result in the prohibition of certain transactions (e.g., sales, loans, leases, exchange of property).
<b>Payroll Audit</b>	An examination of an insured's payroll record by a representative of the insurer to determine the final premium due on a policy for the latest policy year.
<b>Payroll Period</b>	The period of service for which an employer pays wages to its employees.
<b>Payroll Register</b>	A report listing the compensation paid and deductions taken from each employee's wages for the payroll period.
<b>Payroll Service</b>	Businesses run to payroll services to obtain paychecks, a payroll register, and tax summaries. Broadly speaking this is outsourcing the payroll function. The business, using the payroll service, continues to maintain the employer-employee relationship. This is an established industry with such leaders as ADP, Paychex, and Bank of America. Some payroll services, such as Paychex, are expanding into the full employer convenience concept, but without sharing the risk or assuming the employer mantle with their clients.
<b>Payroll Taxes</b>	Employers are appointed, as agents of the government, to withhold federal, state and local income tax from employee's wages, tips and other compensation. These obligations are severely regulated and carry heavy penalties if they are not done correctly.
<b>Payrolling</b>	A term primarily found in the temporary help literature. Refers to situations where all or a portion of a client-customer's employees are on the payroll of the temporary help firm but working at the client-customer's location. Very similar to employee leasing arrangement except the temporary help firm generally does not sponsor employer provided benefits to the payrolled employees. The utilizing company may want to screen or interview the temporary employees because of safety or experience requirements, but they do not want the record keeping obligations associated with payroll and withholding. PEO is not payrolling, although payroll administration is one of the foundations of PEO. PEO services are broader and more complex in nature than payrolling.
<b>Pensions</b>	Congress passed a "safe-harbor" provision in 1982 (TEFRA) allowing businesses and professional corporation to adopt employee leasing for pension planning advantages. In most cases, this provision improved pension benefits to the rank-and-file employees in professional organizations. This safe-harbor codification is often described as the starting point for the employee leasing-industry. More accurately this is the first time that the term "employee leasing" found its way into federal legislation. If a leasing firm offers a retirement plan it is likely to be a 401(k) plan.
<b>PEO</b>	Professional Employer Organization
<b>Per Diem</b>	A flat daily rate of reimbursement for business expenses (e.g., meals, lodging, and incidentals incurred by employees while traveling overnight on business).
<b>Percentage Method of Withholding</b>	One allowable method for calculating federal income tax withholding from an employee's wages, most often used when the calculation is automated.

<b>Permanent Partial Disability</b>	A condition where the injured party's earning capacity is impaired for life, but he is able to work at reduced efficiency.
<b>Permanent Total Disability</b>	A condition where the injured party is not able to work at any gainful employment for the remaining lifetime.
<b>Persistency</b>	The tendency or likelihood of insurance business not lapsing or being replaced by another insurer's product; an important underwriting factor.
<b>Personal Earnings and Benefit Estimate Statement</b>	Statement from the Social Security Administration that provides an employee with a year-by-year display of the employee's earnings reported to the SSA and an estimate of retirement, survivors, and disability benefits the employee (and family) may be eligible for, now and in the future.
<b>Personal Injury</b>	Injury other than bodily injury arising out of false arrest or detention, malicious prosecution, wrongful entry or eviction, libel or slander, or violation of a person's right to privacy committed other than in the course of advertising, publishing, broadcasting or telecasting.
<b>Personal Injury Coverage</b>	Liability insurance coverage for third party claims for damages which are other than physical such as, libel, slander, false arrest, wrongful eviction, invasion of privacy, etc.
<b>Personnel Management</b>	Functions associated with recruiting and preparing workers for work in a company. Also personnel management often oversees compensation and compliance with a broad range of employment and payroll regulations. PEO's outsource these functions to clients.
<b>Personnel Supply Services</b>	These make up the industry that provides employment services to businesses for a fee and on a contractual basis. Listed under Standard Industrial Code 7363. Both temporary help and employee leasing firms are considered practicing in the personnel supply service industry. [Placement – This term describes the successful placing of a job candidate, by an employment agency, for a client employer. The agency derives income from successful placements but does not employ the job candidate.]
<b>Physical Hazard</b>	The material, structural, or operational features of the risk itself, apart from the morale or moral hazards of the persons owning or managing it.
<b>Plan Administrator</b>	Under ERISA, the plan sponsor (e.g., employer) or person that the plan instrument designates as the plan administrator.
<b>Plan Sponsor</b>	The employer or employee organization that establishes or maintains a plan; the association, committee, joint board of trustees, or similar group if the plan is established or maintained by two or more employers and/or employee organizations.
<b>Policy</b>	The written contract effecting insurance, or the certificate thereof, by whatever name called, and including all clauses, riders, endorsements, and papers attached thereto and made a part thereof.
<b>Policy Anniversary</b>	The anniversary of the date of issue of a policy as shown in the policy declarations.
<b>Policyholder</b>	Literally, the person who has possession of the policy. Thus the term is non-functional as commonly used. [see comment under Insured]
<b>Policy Period (or Term)</b>	The period during which the policy contract affords protection, e.g., six months, or one or three years.
<b>Policy Year Experience</b>	The measure of premiums and losses for each 12-month period a policy is in force. Losses occurring during this 12-month period are assigned to the period regardless of when they are actually paid.
<b>Positive Account Employer</b>	An employer whose state unemployment tax contributions are more than the benefits charged to its unemployment reserve account.

<b>Power of Attorney</b>	Authority given one person or corporation to act for and obligate another, to the extent laid down in the instrument creating the power. In reciprocal insurance each client gives the individual or incorporated manager (attorney-in-fact) authority to exchange insurance for him with other clients. A reciprocal contract of insurance cannot be completed without this power of attorney.
<b>Pre-Admission Authorization</b>	A cost containment feature of many group medical policies whereby the insured must contact the insurer prior to a hospitalization and receive authorization for the admission.
<b>Pre-existing Condition</b>	Any medical condition for which the insured sought medical treatment or advice prior to the effective date of insurance coverage. In many health policies these are not covered until after a stated period of time has elapsed.
<b>Preferred Provider Organization (PPO)</b>	PPO's are health care providers that contract with employers, insurance companies, and other third-party payers to deliver health care services to an employee group at a reduced fee. They give considerable freedom of choice and are less expensive to set up compared to HMO's. A PPO does not have the same incentives as an HMO to contain costs. A PPO may be one of the health-care options provided by in a leasing firm's repertoire of employee benefits.
<b>Preferred Risk</b>	An insurance classification indicating a risk that is superior to the average risk on which the rate has been calculated and thus eligible for a reduced rate.
<b>Pregnancy Disability</b>	Disability that is caused, or contributed to, by pregnancy, childbirth, or related medical conditions. Under Title VII of the Civil Rights Act of 1964, employers must treat such disabilities on a parity with other, non-pregnancy-related conditions.
<b>Premises</b>	The particular location of property or a portion thereof as designated in a policy.
<b>Premium</b>	(1) Part of the consideration for the insurance, by whatever name called. (2) The periodic payment made to keep a policy in force. Premium and rate are sometimes incorrectly used interchangeable. Technically, rate is the amount charged for a given unit of insurance coverage, and premium is the sum of the unit rates for a given policy. (3) In annuities, the purchase payment. Premium is (or will be ) due on a given date.
<b>Premium Pay</b>	In a payroll context, it can have two meanings. It can be the extra pay above an employee's regular rate of pay that is paid for working overtime hours. Or it can be a special pay rate for work done on weekends, on holidays, during undesirable shifts, or for doing dangerous work.
<b>Presumptive Disability</b>	A disability involving loss of sight, hearing, speech, or any two limbs, which is presumed to be a permanent and total disability. In such cases, the insurer does not require the insured to submit to periodic medical examinations to prove continuing disability.
<b>Pretax Deduction</b>	A deduction taken from gross pay that reduces taxable wages.
<b>Private Letter Ruling (PLR)</b>	A ruling provided by the IRS when requested by a taxpayer wanting know how the tax laws apply to a particular factual situation. The ruling applies only to the taxpayer requesting it, and cannot be relied on by other taxpayers.
<b>Pro Rata</b>	(1) Distribution of the amount of insurance in one policy, among the several objects or places covered, in proportion to their value or to the amounts shown. (2) The distribution of liability among the several insurance companies having policies on the risk.
<b>Pro Rata Distribution</b>	A provision, also known as the Pro Rate Distribution clause, used in the writing of certain blanket policies. Its purpose is to divide the amount of insurance carried under a single item in the policy form among the several subjects of insurance in that proportion which the value of each subject of insurance bears to the total value of all property covered under that single item in the policy form.

<b>Pro Rata Liability Clause</b>	Provides that losses will be paid in the proportion that the amount of the policy bears to the entire amount of insurance on all policies covering the loss. This provides for insurance companies to appropriately share in the loss when more than one policy exists yet prevents the insured from collecting in total from several insurance companies and making a profit.
<b>Pro Rata Cancellation</b>	The termination of an insurance contract or bond, premium charge being adjusted in proportion to the exact time the protection has been in force. [see short Rate]
<b>Probability</b>	The likelihood or relative frequency of an event expressed in a number between zero and one. The throw of a die is an example. The probability of throwing a five is found by dividing the number of faces that have a five (1) by the total number of faces (6). That is a probability of one-sixth or one divided by six, which is 0.17.
<b>Probationary Period</b>	A waiting period for new employees of a business which establishes their eligibility to participate in the employer's group insurance plan.
<b>Producer</b>	Term commonly applied to an agent, solicitor, or other person who sells insurance, producing business for the company and for a commission (if so paid) for himself.
<b>Professional Liability Insurance</b>	Liability insurance to indemnify professionals, doctors, lawyers, architects, etc. for loss or expense resulting from a claim on account of bodily injuries because of any mal practice, error, or mistake committed or alleged to have been committed by the insured in his profession.
<b>Prohibited Risk</b>	Any class of business which an insurance company will not insure under any condition.
<b>Prohibited Transaction</b>	Specified transactions (e.g., sales and exchanges, leases, and loans) between the plan and a party in interest that are forbidden by ERISA. The Department of Labor has the power to exempt individual transactions or classes of transactions from the restriction.
<b>Proof of Loss</b>	A formal statement made by the insured to the insurance company regarding a loss. The purpose of the proof of loss is to place before the company sufficient information concerning the loss to enable it to determine its liability under the policy or bond.
<b>Property Damage (Liability) Insurance</b>	Protection against liability for damage to the property of another not in the care, custody and control of the insured, as distinguished from liability for bodily injury. In the majority of cases, property damage insurance is written in connection with the bodily injury protection, the premiums and limits of insurance being distinct.
<b>Property Insurance</b>	Insurance which indemnifies a person with an interest in physical property for its loss or the loss of its income-producing ability.
<b>Proximate Cause</b>	The effective cause of loss or damage; an unbroken chain of cause and effect between the occurrence of an insured peril or a negligent act and resulting in injury or damage to property.
<b>Prudent Man Rule</b>	Under ERISA, the standard of care to which fiduciaries are held – i.e., the care, skill, diligence, and prudence that a prudent man, acting in a like capacity and familiar with such matters would use in conducting an enterprise of the same character and aims under similar circumstances.
<b>Punitive Damages</b>	Also known as Exemplary Damages. Damages awarded over and above compensatory damages to punish a negligent party because of wanton, reckless, or malicious acts or omissions. This serves to make an example of the wrongdoer. It is agreed that general liability policies cover punitive damages when included with compensatory in a lump sum, but it is up to the courts to decide whether or not they are to be awarded. This is difficult for the courts, for if the wrongdoer's insurance covers punitive damages, the punishment effect is lost.

<b>Pure Premium</b>	A term used in insurance rate making. It refers to that portion of the total premium which is needed to pay expected losses. It does not take into account money needed for other company expenses.
<b>Pure Risk</b>	Risk that only involves the chance of loss. Leasing firms that do not obtain payroll prepayment are at pure risk for at least one payroll cycle.
<b>QMCSO</b>	A Qualified Medical Child Support Order – A court order satisfying certain form and content requirements, under which the group health plan must pay plan benefits to the child or children listed as alternate payee(s).
<b>Qualified Asset Account</b>	An account consisting of assets set aside for future payment of benefits by a welfare benefit fund. The Internal Revenue Code sets limits on the deduction employers may take for additions to a qualified asset account.
<b>Qualified Beneficiary</b>	A person entitled to COBRA continuation coverage because of his or her status on the day before a qualifying event occurs. Covered employees under a group health plan can be qualified beneficiaries; so can their covered spouses and covered children.
<b>Qualified Benefit</b>	A non-cash benefit that a cafeteria plan is permitted to offer.
<b>Qualified Cost</b>	The limit on a employer's tax deduction for contribution to a welfare benefit fund. It equals the fund's qualified direct cost and permitted additions to a qualified asset account, minus the fund's after-tax income for the taxable year.
<b>Qualified Direct Cost</b>	The aggregate benefits and administrative expenses of a welfare benefit fund that a cash-basis employer would be entitled to deduct if it paid the expenses directly.
<b>Qualified Non-Guaranteed Contract</b>	An insurance contract that is excluded from the Internal Revenue Code's definition of a welfare benefit fund. All insurance contracts are treated as qualified non-guaranteed contracts unless they provide a guarantee of renewal at set rates and do not provide only insurance protection and non-guaranteed policy dividends or experience-rated refunds determined by factors other than the level of welfare benefits paid.
<b>Qualified Plan</b>	A benefit plan that meets IRS qualification requirements for tax-favored treatment (e.g., nondiscrimination).
<b>Qualifying Event</b>	An event that entitles a person to elect continuation coverage under COBRA – e.g., termination of employment for reasons other than gross misconduct, or separation or divorce from a covered employee. The nature of the qualifying event determines whether continuation coverage will be available for 18, 29, or 36 months.
<b>Rate</b>	The per unit cost of insurance [see also Premium]
<b>Rated</b>	Usually used in combination, rated-up or rated policy. A policy issued with an extra premium charge because of physical or moral impairment. A form of substandard.
<b>Rating Bureau</b>	An organization that classifies and promulgates and in some cases compiles data and measures hazards of individual risks in terms of rates in a given territory.
<b>Reasonable Basis Test</b>	A standard used to determine whether a worker can be treated as an independent contractor whether or not the common law test is met, based on prior court and administrative rulings, IRS audits, or longstanding practice in the industry.
<b>Rebate</b>	Giving to the policy owner some part of the agent's commission (or something of value) as an inducement to buy, which is an illegal action.
<b>Recipient</b>	In the language of the Internal Revenue Code the term recipient refers to client to PEO services. The recipient is the organization or corporation that obtains the services of the shared-employee.
<b>Reciprocity</b>	In payroll, a relationship between states under which privileges granted by one are returned by the other (e.g., reciprocal enforcement of child support orders, reciprocal agreements not to tax non-residents working in a state).

<b>Reconciliation</b>	The process of ensuring that amounts withheld, deposited, paid and reported by employers agree with each other and that if they do not, determining the reasons and making the necessary corrections.
<b>Red-Lining</b>	Discriminating unfairly against a risk solely because of its location. An example would be refusing to insure a risk because the building is located in a depressed area or location. Sometimes these areas are referred to as blackout areas.
<b>Reduction of Risk</b>	Taking steps to reduce the probability or severity of a possible loss. For example, installing alarms and sprinkler systems to reduce the risk of fire loss to a building. One of the four major risk management techniques. [see Risk Management]
<b>Regular Rate of Pay</b>	An hourly pay rate determined by dividing the total regular pay actually earned for the workweek by the total number of hours worked.
<b>Regulations</b>	The means by which government agencies administer and enforce laws (e.g., rules issued by the IRS to enforce the tax laws).
<b>Rehabilitation Act of 1973</b>	A federal law prohibiting discrimination against qualified disabled individuals by federal government contractors and grantees.
<b>Rehabilitation Benefits</b>	Physical and/or vocational rehabilitation benefits provided to an injured person following a work-related injury, and intended to restore the person to a point where gainful employment is possible.
<b>Reimbursement</b>	Payment of an amount of money related to the amount of the loss to, or on behalf of, the insured upon the occurrence of a defined loss.
<b>Reimbursement Financing</b>	An unemployment insurance financing system that allows employers to pay back to the state unemployment trust fund any benefits paid to their former employees, rather than paying a tax based on their experience rating. This form of financing is most often used by nonprofit groups and public sector employers.
<b>Reimbursement Fund</b>	See Flexible Spending Arrangement
<b>Reinstatement</b>	(1) Putting a lapsed policy back in force. (2) The payment of a claim under some forms of insurance reduces the principal amount of the policy by the amount of the claim. Provision is usually made for a method of reinstating the policy to its original amount. This may be done automatically either with or without premium consideration or at the request of the insured.
<b>Reinsurance</b>	(1) A contract of indemnity against liability by which the insurance company procures another insurance company to insure it against loss or liability by reason of the original insurance. (2) Insurance by one insurance company of all or part of a risk accepted by it with another insurance company which agrees to reimburse the insurance company for the portion of the claim reinsured. The insurance company obtaining the reinsurance is called the "ceding insurance company;" the insurance company issuing the reinsurance is called the "reinsurer." A reinsurer may, in turn, seek reinsurance on some portion of the risk it has reinsured, a process known as "retrocession."
<b>Rejection</b>	(1) Refusal by an insurer to underwrite a risk. (2) Sometimes used to refer to the refusal or denial of a claim by an insurer.
<b>Related Corporations</b>	A group of corporations meeting certain common ownership and concurrent employment requirements that may be treated as one employer for social security, Medicare and FUTA purposes.
<b>Relational Data Base (RDB)</b>	A file management system that organizes data into a series of tables, each containing a series of related data in columns and rows.

<b>Relative Value Schedule</b>	A surgical schedule which basically compares the value of one surgical procedure to another and establishes the surgical fee to be paid.
<b>Release</b>	(1) To give up, abandon, and discharge a claim or an enforceable right to one as against another. (2) Name of the instrument or form evidencing such an act.
<b>Renewal</b>	The continuation in full force and effect of something that is about to expire. With an insurance policy it is made either by the issuance of a new policy or renewal receipt or certificate, to take effect upon the expiration of the old policy.
<b>Representations</b>	On an application, facts that the applicant represents as true and accurate to the best of his or her knowledge and belief. [see also Warranty]
<b>Reserve</b>	(1) An amount representing actual or potential liabilities kept by an insurer to cover debts to policy holders. (2) An amount allocated for a special purpose. Note that a reserve is usually a liability and not an extra fund. On occasion a reserve may be an asset, such as a reserve for taxes not yet due.
<b>Reserve Ratio</b>	In the context of unemployment compensation it is a type of experience rating system that bases an employer's unemployment tax rate on the ratio of taxes less benefits to taxable payroll.
<b>Reserves</b>	Funds set aside to meet projected withdrawals or unexpected losses. If a leasing firm self-funds its benefit program it should reserve for projected losses after the plan is discontinued or faces unexpected losses.
<b>Resident Alien</b>	In the context of payroll, an individual who passes either the "green card" or "substantial presence" test for determining resident status in the U.S. Resident aliens are generally subject to federal income tax withholding and social security and Medicare taxes on the same basis as U.S. citizens.
<b>Residual Markets</b>	Various insurance markets outside of the normal agency-company marketing system. Residual markets include government insurance programs, specialty pools (aviation risks and nuclear risks), and shared market mechanisms (assigned risk plans).
<b>Retention</b>	(1) The amount of liability assumed but not reinsured by an insurance company. (2) A risk management form which means to retain a risk rather than insuring or transferring it. [see Reinsurance]
<b>Retention of Risk</b>	Assuming all or part of a risk instead of purchasing insurance or otherwise transferring the risk. One of the four major risk management techniques. [see Risk Management]
<b>Retiree Medical Account</b>	A separate account that is contained in a pension or annuity plan, providing health benefits subordinate to the plan's retirement benefits.
<b>Retro Plan</b>	Retrospective rating differs from experience rating in that "Retro" rating will estimate expected losses for the upcoming policy year and require a deposit based on that estimate.
<b>Retrospective Rating</b>	A plan for which the final premium is not determined until the end of the coverage period and is based on the insured's own loss experience for that same period. It is subject to a maximum and minimum. A plan of this type can be used in various types of insurance, especially workers' compensation and liability, and is usually elected by only very large insured's. [see also Basic Premium]
<b>Return Premium</b>	The amount due the insured if a policy is cancelled, reduced in amount or reduced in rate. [see Pro Rata and Short Rate]
<b>Revenue Procedure</b>	Official statements from the IRS on how to carry out tax compliance.

<b>Revenue Rulings</b>	Published decisions issued by the IRS that apply the tax laws to a particular set of facts. They can be used by taxpayers to determine their tax liability in similar factual situations.
<b>Risk</b>	(1) A chance of loss. (2) A person or thing insured. (Impaired or substandard risk: An applicant whose physical condition or moral habits do not meet the standard on which the rate is based.)
<b>Risk Management</b>	Growing in importance in employee leasing firms as well as for other employers. The process where risks are evaluated and minimized by applying known technologies and resources to gain better control over losses and claims, particularly in health and workers' compensation programs.
<b>Risk Management</b>	Management of the pure risks to which a company might be subject. It involves analyzing all exposures to the possibility of loss and determining how to handle these exposures through such practices as avoiding the risk, retaining the risk, reducing the risk, or transferring the risk, usually by insurance.
<b>Rollout</b>	Termination of a split-dollar life insurance plan by giving the employee complete ownership and control of the life insurance policy.
<b>Safe-harbor</b>	An IRS-approved alternative method (usually a short-cut) for complying with IRS rules, regulations and procedures (e.g., per diem allowances and high-low substantiation).
<b>Salary Reduction Contribution</b>	A contribution (also called an elective contribution) made to purchase a cafeteria plan benefit under an agreement between employer and employee. Such a contribution is a pretax contribution, which is not included in the employee's taxable income.
<b>Schedule</b>	A list of specified amounts payable for surgical procedures, dismemberments, ancillary expenses, and the like in hospital and medical reimbursement policies.
<b>SDI</b>	State Disability Insurance
<b>SECA</b>	Self-Employment Contributions Act
<b>Second Injury Fund</b>	Special funds set up by each state to pay all or part of the compensation required when a partially disabled employee suffers a subsequent injury. Because the compound effect of two injuries can be greater than the effect of the same two injuries in isolation, employers might be reluctant to hire the handicapped if they had to bear the full burden for a second injury. Second injury funds relieve employers of some of this burden.
<b>Segregation of Duties</b>	A basic principle of internal control that prevents individuals from having responsibility for all phases of a job process, thus guarding against misuse or misappropriation of company assets.
<b>Self-dealing</b>	Under ERISA, prohibited activities by a plan fiduciary such as using plan assets for personal profit, accepting bribes or kickbacks from anyone dealing with the plan, or acting on behalf of a party whose interests are adverse to those of the plan.
<b>Self-Employment Contributions Act (SECA)</b>	This law requires self-employed individuals to pay both the employer and employee share of social security and Medicare taxes.
<b>Self-inflicted Injury</b>	An injury to the body of the insured inflicted by himself.
<b>Self-Initiated PEBES (SIPEBES)</b>	A Personal Earnings and Benefit Estimate Statement sent by the SSA without a request from an employee.

<b>Self-insurance</b>	An employer's practice of paying benefits out of its own assets or funds (without involvement of a commercial insurer) to pay benefits.
<b>Self-insured Medical Reimbursement Plan</b>	A plan that reimburses employees for their medical expenses but does not use accident and health insurance policies or prepaid health care plans (e.g., HMO's) for this purpose.
<b>Simplified Employee Pension Plan (SEP)</b>	Like an employer sponsored modified IRA, with maximum annual deposits equal to a 401(k). Immediate vesting. Must be offered to all employees, including part-time. Applies only to companies with less than 25 employees. Effective in 1997, no longer a legal plan. Those in existence must freeze, roll-over, or buy out.
<b>HMO Service Area</b>	The geographic area within which an HMO provides health care.
<b>Service Benefits</b>	Medical expense benefits provided by service associations whereby benefits are identified in terms of days of coverage instead of monetary values.
<b>Service Business</b>	Businesses which provide intangible products or perform useful labor. PEO is a service business.
<b>Service Fees</b>	A service fee is similar to an administration fee but broader. In a service fee approach all of the labor overhead is collected into one entry on the client's invoice, and includes the administration fee. Often the service appears as a percentage multiplier of the employee's gross wages, such as 1.27% of the employee's gross wages. On the average, service fees may vary between 15% to 30% of the gross wages of the employee's at a client location. [see Administration Fee]
<b>Settlement</b>	Usually, a policy benefit or claim payment. It connotes an agreement between both parties to the policy contract as to the amount and method of payment.
<b>Severance Pay</b>	A payment offered by some employers to terminated employees (usually those who are terminated through no fault of their own) that is designed to tide them over until new employment is secured.
<b>Severance Pay Plan</b>	A plan that pays benefits (usually proportionate to length of employment) to employees undergoing a voluntary or involuntary separation from service.
<b>Shift Differential</b>	Extra pay received by employees for working a less-than-desirable shift (e.g., evenings or late nights).
<b>Short Rate</b>	The term "short rate" in insurance and bonding is used to describe the charge required for insurance or bonds taken for less than one year, and in some cases, the earned premium, including a penalty, for insurance or bonds cancelled by the insured before the end of the policy period or term of bond.
<b>Short Term Assignment</b>	A job assignment that is realistically expected to and in fact does last less than 12 months.
<b>Short-Term Policy</b>	A policy written for a period of less time than is normal for that type of policy.
<b>SIMPLE Plans</b>	Savings Incentive Match Plans for Employees of Small Employers.
<b>SIPEBES</b>	Self-Initiated Personal Earnings and Benefit Estimate Statement
<b>SIT</b>	State Income Tax
<b>Small Business</b>	Companies or firms which are independently owned and generally have fewer than 500 employee-based workforce. The number may vary. This is the business sector where employee leasing has proven to be the most effective in HR-outsourcing or staffsourcing the human resource/personnel activities.
<b>Social Security</b>	The Old Age, Survivors, and Disability Insurance (OASDI) component of FICA.

<b>Social Security Administration (SSA)</b>	The federal government agency that administers social security.
<b>Social Security Number (SSN)</b>	An individual's taxpayer identification number, it consists of nine digits (000-00-0000).
<b>Sole Employer</b>	This term refers to the traditional employer-employee relationship where there is only one employer relationship established with an employee. A few PEO's identify themselves as the sole-employer of the leased-employees. Technically this is not employee leasing since leasing is highly likely to establish a co-employer relationship with the client. Sole-employer "employee leasing" is found in service contracting and in independent contractor arrangements. [see Joint Employer]
<b>Solicitor</b>	An individual appointed and authorized by an agent to solicit and receive application for insurance as a representative of such agent.
<b>Sop-Loss Insurance Arrangement</b>	A funding mechanism for welfare benefit plans under which an employer self-insures the plan benefits but arranges to have an insurance company pay for claims above a specified level, such as 120% of expected claims.
<b>SPD</b>	The summary plan description required by ERISA that is distributed to plan participants. It explains the material terms of the plan and contains required technical information and a notice of ERISA rights.
<b>Special Accounting Rule</b>	A safe-harbor rule that allows employers to treat certain non-cash fringe benefits provided to employees in November or December as received in the following year. If an employer uses the special accounting rule, the employee must also report the benefit for the same period.
<b>Special Employer</b>	This term is used in general and special employment. A special employer is a person or organization that is deemed to share an employer-employee relationship with the general employer. It applies more accurately where the general employer momentarily relinquishes control over their employee(s) to another employer. Special employer arose out of the borrowed servant doctrine. General and special employment may be found in employee leasing, but there are legal usages that give a more narrow construction of these terms. The term is more applicable to the temporary help industry. [see Borrowed Servant Doctrine, Broker and General Employer]
<b>Special Wage Payments</b>	Payments made to employees in the year they retire for services performed in the years before the year they retire. These payments require special reporting by employers so that retirees' social security benefits are not reduced under the annual earnings test because of amounts earned in prior years.
<b>Specific Rate</b>	A rate applying to an individual property, as in fire insurance rates.
<b>Specific Stop Loss</b>	The excess risk insurance that provides protection to the employer against a high claim from any one case or individual. This protection applies to a single claim rather than to the total claims or aggregate stop loss. [see Aggregate Stop Loss]
<b>Split Shifts</b>	A workday that is divided into two parts separated by a spread of hours longer than the conventional rest or meal period.
<b>Split-Dollar Plan</b>	A life insurance plan that gives both the employer and the employee an interest in a cash-value life insurance policy on the employee's life, either (1) The employer owns the policy, and the policy is endorsed to show the employee's beneficial interest (endorsement method) or (2) The employee owns the policy and makes a collateral assignment to the employer to evidence the employer's beneficial interest. The employee has taxable income equal to the value of death benefit coverage paid for by the employer.

<b>SSA-EIBBS</b>	Social Security Administration Employer Information Bulletin Board Service
<b>Staff Leasing</b>	This term that can be found in the literature that: is essentially synonymous with the term “employee leasing.” Staff leasing because the preferred terminology for leasing in a professional office or business that utilized the leasing services for their white-collar workers and provided “safe-harbor” employee pensions. [see Employee Leasing]
<b>Staffing</b>	The term is often used by temporary help services. The term staffing services is beginning to be used for all specialty personnel supply services.
<b>Staffsourcing</b>	Outsourcing the human resource/personnel client businesses. This is fundamentally the same service as PEO but without assuming the employer role with the client. Staffsourcing integrates its services directly into the client’s company and outsource the personnel department or human resource functions. [see HR-Outsourcing ]
<b>Standard Exceptions</b>	In Workers’ Compensation insurance certain classes of employees are classified separately for rating, rather than being included in the main classification for a risk. Examples would be clerical office employees, outside sales representatives, draftsmen, drivers, chauffeurs and their helpers.
<b>Start-up Company</b>	A business that is just beginning to offer employee leasing services. A new venture.
<b>Stated Amount</b>	Relating to an agreement by the insurance company to pay a specified amount of money to or on behalf of the insured upon the occurrence of a defined loss. In contrast to a reimbursement benefit.
<b>Statute of Limitations</b>	A period of time established by law during which parties can take legal action to enforce their rights.
<b>Statutory Employees</b>	Special groups of employees identified by law (e.g., full-time life insurance salespeople, certain homeworkers) whose wages are not subject to FITW, but are subject to FICA and FUTA.
<b>Statutory Non-employees</b>	Special groups of workers who may qualify as common law employees but are treated under the law as independent contractors (e.g., qualified real estate agents and direct sellers) whose compensation is not subject to federal income tax withholding or employment taxes.
<b>Stock Insurance Company (Insurer)</b>	An incorporated insurance company with capital divided into shares and owned by the shareholders.
<b>Stop Loss</b>	The point at which the insured’s out-of-pocket expense or coinsurance payments cease and the insurer begins to pay 100% of the covered medical expenses.
<b>Straight Time</b>	The standard number of work hours during a workweek for which an employee’s regular rate of pay will be paid.
<b>Sub-Limit</b>	Any limit of insurance which exists within another limit. For example, special classes of property may be subject to a specified dollar limit per occurrence, even though the policy has a higher overall limit; a health insurance policy may limit certain benefits to fixed dollar amounts or maximum amounts per day, even though the overall coverage limit is higher.
<b>Subrogation</b>	The legal process by which an insurance company seeks from a third party who may have caused the loss, recovery of the amount paid to the insured.
<b>Subrogation Waiver</b>	A waiver by the named insured giving up any right of recovery against another party. Normally an insurance policy requires that subrogation (recovery) rights be preserved. In commercial property insurance, a written waiver of subrogation rights is permitted if it is executed before the loss occurs.

<b>Subscriber</b>	This is the recipient of the services provided by an employee leasing company. The subscriber may assume the role of the special employer depending on how much employer responsibility is exercised through day-to-day supervision or control. [see Client-Company and Special Employer]
<b>Client Service Agreement</b>	This is the contractual obligations or service agreement between the client and the PEO. The agreement spells out the terms and duties of each employer in the PEO arrangement. This includes the PEO's responsibilities for hiring, paying the wages of the employees, maintaining and administering employee benefits, and other employer services. The client also has a duty to the employees and the PEO. The allocation of employer responsibilities is found in the agreement.
<b>Substantiation</b>	In the context of reimbursed employee business expenses, the requirement that employees keep records of the time, place and business purpose of reimbursable expenses they incur, including receipts (also used to track business use of company-provided vehicles).
<b>SUI</b>	State Unemployment Insurance
<b>Supper Money</b>	The irregular and occasional payment of amounts to employees who work late to cover the cost of meals eaten during that extra working time.
<b>Supplemental Unemployment Benefits (SUB)</b>	Employer plans that provide supplements to state unemployment compensation benefits.
<b>Supplemental Wages</b>	Compensation received by employees other than their regular pay, such as bonuses, commissions and severance pay. Income tax may be withheld from such payments at a flat rate under certain circumstances.
<b>Supplementary Payments</b>	A provision in most liability policies under which the insurer agrees to pay defense costs, premiums on various bonds, interest accruing after a judgment, and other reasonable expenses in addition to the limit of liability.
<b>Surgical Schedule</b>	Usually a part of a basic medical expense plan which itemizes various surgical procedures and the monetary benefit allocated to each procedure.
<b>Surplus Line</b>	Coverage procured in an unlicensed insurance company because of its unavailability in the licensed market.
<b>SUTA / SUI</b>	State Unemployment Tax Act – Varies from state to state; from 0%-6%.
<b>Table I</b>	Refers to IRS Uniform Premium Table I, which is used to calculate the value of group-term life insurance over \$50,000.
<b>Take-Home Pay</b>	In the context of a federal tax levy, the amount of an employee's wages that remains after all normal deductions in effect at the time of the levy have been subtracted.
<b>TAMRA '88</b>	Technical and Miscellaneous Revenue Act of 1988
<b>Target Risks</b>	Policyholders, or prospects for insurance, whose values require large premiums are considered targets for insurance agents. Also used to describe risks of large value and severe hazards that are difficult to insure.
<b>Tax Equalization Plan</b>	A plan offered by an employer to an employee working abroad that would provide the employee with the same take-home pay he or she would have in the U.S.
<b>Tax Protection Plan</b>	A plan offered by an employer to an employee working abroad that would guarantee the employee a foreign tax obligation no larger than he or she would have in the U.S.
<b>Tax Reform Act of 1986</b>	Sweeping tax reform legislation that lowered tax rates and sought to eliminate many of the loopholes in the tax laws.
<b>Taxable Wage Base</b>	The maximum amount of employee compensation subject to social security, FUTA and state unemployment insurance taxes.

<b>TAXLINK</b>	A system that allows employers to use EFT to make tax deposits, to be replaced in 1997 by the EFTPS.
<b>Taxpayer Identification Number (TIN)</b>	A social security number or employer identification number, which serves as the taxpayer's account number with the IRS.
<b>Technical Services</b>	A company or firm that provides highly qualified engineering or technical support personnel, on a contract basis, for assignment to programs either in the client's company or the technical services offices. Some people consider this to be a specialized branch of the temporary help industry. Technical services include temporary professional workers, such as engineers, software design engineers, technical writers, programmers, aerodynamic engineers, etc. [see Job Shops]
<b>Technical Temps</b>	This refers to a professional or highly skilled temporary worker. Technical temps are employees who perform work of a technical nature, requiring specialized training, usually acquired in colleges, technical schools or through special courses and involving the use of independent judgement. [see Job Shop and Technical Services]
<b>TEFRA</b>	Tax Equity and Fiscal Responsibility Act of 1982
<b>Temporary Agent</b>	A person who is licensed to act as an agent for a brief period of time (usually 90 days) without taking a written examination. Temporary licenses are commonly granted to allow someone to continue the business of an agent who has died, become disabled, or entered active military service.
<b>Temporary Assignment</b>	See Short-Term Assignment.
<b>Temporary Employee</b>	This term is used to describe a "temporary" or part-time employee who is assigned by the temporary help organization to meet the changing work patterns of a client-customer. Temporary employees are under the supervision of the businesses to whom they are assigned, while remaining on the payroll of the supplying organization. The duration of this relationship is usually short-term but may last for several years.
<b>Temporary Help Agency Employees</b>	Workers hired through temporary help agencies who are screened and trained by the agency to provide services for client firms. They are employees of the agency, rather than the client firm.
<b>Temporary Help Industry</b>	Temporary help services is designed to supply workers to client-customers on a temporary basis. The industry is represented by the National Association of Temporary Services (NATS) and other temporary help associations. NATS defines temporary help services as "a business providing assistance to customers in the handling of excess or special work loads." To do this, it assigns its own employees to assist the customers. An employer-employee relationship exists between the temporary help service firm and the temporary employee. A supplier-purchaser relationship exists between the temporary help service firm and its customer, and this relationship is of the normal contractual kind found everywhere in business.
<b>Temporary Partial Disability</b>	A condition where an injured party's capacity is impaired for a time, but he is able to continue working at reduced efficiency and is expected to fully recover.
<b>Temporary Total Disability</b>	A condition where an injured party is unable to work at all while he is recovering from injury, but he is expected to recover.
<b>Temp-to-Perm</b>	Some temporary firms assign a temporary employee to a customer on the assumption that if the customer likes the employee the employee may be permitted to be hired by the customer – "try before you hire" practice. NATS has taken a position that this practice is similar to an employment agency and should not be part of a temporary help service organization. Incidental hiring, which sometimes happens, is not "temp-to-perm."

<b>Term Life Insurance</b>	Insurance that provides death benefit coverage for a specified period, without permanent policy benefits such as cash or loan value.
<b>TFA</b>	Treasury Financial Agent
<b>Third Party Insurance</b>	Protection of the insured against liability for damage to or destruction of the bodies or property of others. The third party is the person injured or whose property is damaged, the other two parties being the insured and the insurance company. The term may often have a broader meaning in casualty insurance.
<b>Third-country National</b>	In the context of U.S. payroll, someone who is a non-U.S. citizen working in a country other than the U.S.
<b>Third-Party Sick Pay</b>	Payments made by a third party, such as a state or private insurer, to employees because of non-job-related illness or injury.
<b>TIB-4</b>	The Social Security Administration's Technical Information Bulletin, which includes the requirements and specifications for magnetic media reporting of annual wage and tax information.
<b>Time Limits</b>	The limits of time within which notice of claim and proof of loss must be submitted.
<b>Time-and-a-Half</b>	Payment of 1½ times an employee's regular rate of pay for hours worked over 40 in a workweek, as required by the Federal Wage-Hour Law (for non-exempt employees only).
<b>Tip Credit</b>	A reduction in the minimum wage allowed for tipped employees (e.g., 50% of the federal minimum wage).
<b>Tip Reporting Alternative Commitment (TRAC)</b>	An agreement between a hospitality employer and the IRS that bases FICA assessments on employee audits and requires the employer to educate its employees on tip reporting.
<b>Title VII</b>	The portion of the Civil Rights Act of 1964 that deals with discrimination in employment. Title VII forbids employment discrimination (e.g., in hiring, firing, and promotion) based on suspect criteria such as race, sex, religion, and national origin.
<b>Total Disability</b>	See Permanent Total disability and Temporary Total Disability
<b>Totalization Agreements</b>	Agreements between the U.S. and foreign countries that prevent double social security and Medicare taxation of U.S. employees working abroad and aliens working in the U.S.
<b>TPA</b>	Third Party Administrator – A licensed organization which primarily provides administrative services and support for employers who elect to self-insure health care benefits.
<b>TRA '84</b>	The Tax Reform Act of 1984, enacted as part of the Deficit Reduction Act of 1984.
<b>TRAC</b>	Tip Reporting Alternative Commitment
<b>Transacting Insurance</b>	Includes solicitation and inducement, preliminary negotiations, effecting a contract of insurance and transaction of matters subsequent to effecting the contract and arising out of it.
<b>Transfer of Risk</b>	Shifting all or part of a risk to another party. Insurance is the most common method of risk transfer, but other devices, such as hold harmless agreements, also transfer risk. One of the four major risk management techniques. [see Risk Management]
<b>Traumatic Injury</b>	An injury to a person's physical body caused by an outside source, as distinct from physical disability caused by sickness or disease.

<b>Treasury Financial Agent (TFA)</b>	One of two banks chosen to implement the Electronic Federal Tax Payment System for depositing federal taxes electronically.
<b>Treasury Regulations</b>	Regulations promulgated by the U.S. Department of the Treasury. IRS is a part of the Treasury Department, and regulations interpreting the Internal Revenue Code are technically Treasury Regulations.
<b>Trust Fund Taxes</b>	The amounts withheld by employers from employees' pay for federal income, social security and Medicare taxes. They are referred to as trust fund taxes because the money is held in a special trust fund for the U.S. government. Amounts withheld for state and local income taxes are held in trust for the state or local government.
<b>Twisting</b>	Inducing or seeking to induce a policy owner by misrepresentation to terminate an existing policy to take a new policy.
<b>UC</b>	Unemployment Compensation
<b>Unallocated Benefit</b>	A benefit providing reimbursement of expenses up to a maximum but without any schedule of benefits as such.
<b>Unauthorized Insurance Company (Insurer)</b>	An insurance company not licensed in the state in which it is termed unauthorized. A non-admitted insurer.
<b>Underwriter</b>	(1) A person trained in evaluating risks and determining the rates and coverages that will be used for them.  (2) An agent, especially a life insurance agent, who might qualify as a "field underwriter." In theory, the agent is supposed to do some underwriting before submitting the case to the home office underwriter; i.e., to make a decision on the basis of facts known to him on whether or not the risk is sound and to report all facts known to him that might affect the risk.
<b>Underwriting</b>	The process of selection, classification and rating of insurance risks for the purpose of issuing insurance coverage on it.
<b>Unearned Premium</b>	That portion of an advance premium that has not yet been used for coverage written. Thus in the case of an annual premium, at the end of the first month of the premium period, 11 months of the premium would still be "unearned," etc.
<b>Unemployment Insurance</b>	Government sponsored protection to assist workers who have been laid off or even quit their jobs through not fault of their own. The unemployment income lasts only a few months. This insurance represents a significant contribution on the part of an employer as a percentage of employees' gross wages.
<b>Uniform Interstate Family Support Act (UIFSA)</b>	Model state child support enforcement law under which employers must put into effect a child support withholding order from another state's child support enforcement agency if the order appears "regular on its face."
<b>Uninsurable Risk</b>	A risk that few, if any, insurers are willing to assume because of the difficulty of calculating the probable losses. Employers who cannot obtain insurance for certain risks may fund this themselves, go out of business, or attempt to operate without insurance.
<b>USC</b>	United States Code, where federal laws are compiled.
<b>Use-it-or-Lose-it Rule</b>	A rule forbidding cafeteria plans to let participants defer receipt (and taxation) of compensation from year to year by carrying over unused pretax contributions or plan benefits.

<b>Utilizing Employer</b>	This is a convenient term used by regulating agencies or courts to identify the employer, who controls the manner in which employees perform their assigned work, even though they are not the employer who pays the wages of the employees. This is equivalent to the term client, recipient or client-customer. Used in both temporary help and PEO. [see Special Employer]
<b>Vacation Pay Plan</b>	An employee plan that compensates employees for holidays and vacation (including vacation time that has been earned but not taken).
<b>VEBA</b>	Voluntary Employees' Beneficiary Association – A tax-exempt welfare benefit fund regulated by Code Section 501(c)(9) that pays death, sickness, accident, or other benefits to members, their dependents, and/or beneficiaries.
<b>VEVRA</b>	Vietnam Era Veterans' Re-adjustment Assistance Act 1974 – Prohibits government contractors and subs from discrimination against disabled veterans and veterans from the Vietnam War era.
<b>Void</b>	A term used to describe a policy contract that is completely free of all legal effect.
<b>Voidable</b>	A policy contract that can be made void at the option of one or more of the parties to it. An example would be a property insurance policy which is voidable by the insurer if the insured commits certain acts.
<b>Voluntary Compensation Insurance</b>	A coverage similar to Workers' Compensation used in circumstances in which workers' compensation coverage does not apply or is not required by law.
<b>Voluntary Contribution</b>	Advance payments of unemployment tax that can reduce an employer's state unemployment tax rate.
<b>Wage Assignment</b>	A voluntary agreement by an employee to transfer portions of future wage payments (e.g., insurance premium deductions, credit union deductions).
<b>Wage Attachment</b>	An involuntary transfer of an employee's wage payment to satisfy a debt.
<b>Wage Continuation Sheet</b>	A periodic report (e.g., quarterly) from employers to state unemployment agencies containing employees' names, total wages, and unemployment taxable wages.
<b>Wage Orders</b>	State agency directives that set wage and hour standards, usually for specific industries.
<b>Wage-bracket Withholding Method</b>	A procedure for calculating the amount of federal income tax to be withheld from an employee's wages based on wage-bracket tables classified by the employee's marital status and payroll period.
<b>Wage-Hour Law</b>	See Federal Wage-Hour Law
<b>Waiting Period</b>	The period of time between the beginning of a disability and the start of disability insurance benefits. Also called the elimination period.
<b>Waiver</b>	(1) A rider waiving (excluding) liability for a stated cause of accident or (especially) sickness. (2) A provision or rider agreeing to waive (forego) premium payment during a period of disability. (3) The giving up or surrender of a right or privilege that is known to exist. It may be effected by the agent, adjuster, or insurance company employee or official orally or in writing.

<b>Workers Adjustment and Retraining Notification Act of 1989 (WARN)</b>	Applies to businesses of 100+ employees. Requires a 60-day advance notice, in writing, to unions (if applicable), employees and municipality involved, of any ordered mass layoffs or plant closings. Exceptions – sales, transfers, relocations or consolidations, strikes and lock-outs, temporary facilities, or projects.
<b>Warranty</b>	A statement made on an application for insurance that is warranted to be true in all respects. If untrue in any respect, even though the untruth may not have been known to the person giving the warranty, the contract may be voided whether or not the untruth or inexactness is material to the risk. Statements on life and health insurance applications are, in the absence of fraud, not warranties but representations. [see also Representations]
<b>Welfare Benefit Fund</b>	A fund created by an employer to pay welfare benefits to employees or their beneficiaries pursuant to an employee benefit plan.
<b>Welfare Benefit Plan</b>	See Employee Welfare Benefit Plan
<b>White Collar Employees</b>	In the context of the Federal Wage-Hour Law, these are executive, administrative, professional (including computer-related professionals), or outside sales employees who are exempt from the law’s minimum wage, overtime pay, and certain recordkeeping requirements.
<b>Wide Area Network (WAN)</b>	A network in which information is transmitted over long distances at relatively slower speeds using telephone lines.
<b>Withholding</b>	Subtracting amounts from an employee’s wages for taxes, garnishments or levies, and other deductions (e.g., medical insurance premiums, union dues). These amounts are then paid over to the government agency or other party to whom they are owed.
<b>Worker Classification</b>	The process of determining whether an individual performing services for a business is either an employee or an independent contractor.
<b>Workers’ Compensation (WC)</b>	(1) A schedule of benefits payable to an employee by his employer without regard to liability, required by state law in the case of injury, disability, or death as the result of occupational hazards. (2) Insurance agreeing to pay Workers’ Compensation law benefits on behalf of the insured employer.
<b>Work-sharing Plan</b>	An agreement to reduce some employees’ hours to avoid laying off other employees. Those employees whose hours were reduced receive partial unemployment benefits.
<b>Workweek</b>	The basis for determining an employee’s regular rate of pay and overtime pay due under the Fair Labor Standards Act. It can be any consecutive 7-day (168-hour) period chosen by the employer (e.g., Saturday through Friday, Wednesday through Tuesday).
<b>Write</b>	In insurance terms, to insure, to underwrite or to sell.