

State Fund’s Guide to Complete Submissions for Workers’ Compensation Insurance

Types of Entities and Eligibility for Exclusion

Depending upon the type of entity, some employers can be eligible for exclusion from coverage. What is exclusion and why is it important? Exclusion means that a person’s payroll is not included in the premium payment calculation; accordingly, the ‘excluded’ person is not entitled to workers’ compensation benefits. When an owner is eligible for exclusion, State Fund requires a signed State Fund Exclusion Letter.

A list of legal entities along with eligibility for exclusion is listed below. The chart provides the requirements and information for each entity; however, please click the corresponding links for more detailed information.

| Entity Type | Required Information | % of Ownership | Excluded/Included | Link to more information |
|--------------------------|---|-------------------------------------|---|--|
| Sole Proprietor | Legal Name listed in proper format | 100% | Not covered | Sole Proprietor |
| Husband and Wife | Both Legal Names listed in proper format | 50% – 50% | Not covered | Husband and Wife |
| General Partnership | 1. Legal Names of all Partners listed in proper format 2. Payroll and description of duties for Covered Partners | Equal Ownership | Covered Partners subject to Minimum/Maximum earnings | General Partnership |
| Limited Partnership (LP) | 1. Names of General/Limited Partners 2. Payroll and description of duties for Covered Partners | Equal Ownership of General Partners | Only General Partners can be Excluded, (not Limited Partners) subject to Minimum/Maximum earnings | Limited Partnership (LP) |
| Corporation | 1. Legal Names of President, Secretary, Treasurer, and Directors 2. Actual payroll and job descriptions for all Covered Officers | Combined total must equal 100% | See additional information below | Corporation |
| Non-Profit Corporation | 1. Names of President, Secretary, Treasurer, and Directors 2. Actual payroll and job descriptions for all Covered Officers | No Ownership | See additional information below | Non-Profit Corporation |
| Non-Profit Organization | 1. Names of Officers 2. Actual Payroll and job description for Covered Officers | No Ownership | See additional information below | Non-Profit Organization |

| Entity Type | Required Information | % of Ownership | Excluded/Included | Link to more information |
|-------------------------------------|--|-----------------------|--|---|
| Limited Liability Company (LLC) | 1. Names of Managing Members and Members 2. Actual payroll and job descriptions for Covered Members | Equal Ownership | Only Managing Members can be Excluded/Included subject to Minimum/Maximum earnings | Limited Liability Company (LLC) |
| Limited Liability Partnership (LLP) | 1. Names of Limited Liability Partners 2. Actual payroll and job description for Covered Partners | Equal Ownership | Covered Partners subject to Minimum/Maximum earnings | Limited Liability Partnership (LLP) |
| Trust: Revocable | Names of Trustor, Trustee and Beneficiary | See information below | | Trust |
| Trust: Irrevocable | Names of Trustee-Beneficiary | See information below | | Trust |
| Associations | No officers listed on policy | No Ownership | All working persons considered employees | Association |

Sole Proprietor (also referred to as an Individual Ownership)

Required:

1. List Owner's Name in the following format: 'Last Name, First Name Middle Name'
Example: Doe, John Paul

Additionally:

- Individual owners are not covered in the policy contract.

Husband and Wife

Required:

1. List Husband and Wife's name in the following format: 'Last Name, First Name Middle Name'
Example: Doe, John Paul and Doe, Mary Jane

Additionally:

- When a sole proprietor is married, State Fund will write the policy naming both husband and wife as policyholders and treat them as a single entity.
- Husband and Wife Owners are not covered in the policy contract.
- The spouse could be an employee, or a partner, or a fellow officer.
- If both spouses exercise management control, a partnership may exist (thus, husband and wife are not automatically put into this entity code).

General Partnership

Required:

1. List all partners of the general partnership.
2. For partners that are individuals, list their names in the following format:
'Last Name, First Name Middle Name'
3. Provide the estimated annual payroll and complete description of duties for all partners who request coverage

Additionally:

- All partners are equal owners in the partnership, regardless of their investment and are equally liable for the debts of the partnership.
- All partners can elect coverage or exclusion. If they elect coverage they are subject to executive minimum/maximum payroll requirements and if exclusion is requested, they must sign a State Fund Partnership Exclusion Letter to endorse exclusion.
- Partners can be any kind of entity, not just individuals. It would be possible to have a partnership of partnerships or a partnership of corporations or partnerships of multiple different entities.
- If a partner is other than an individual person, the complete listing of the other entity ownership must be provided. Exclusion eligibility is determined by the entity that is a partner and eligible principals must sign a State Fund Partnership Exclusion Letter to endorse exclusion.

Limited Partnership (LP)

Required:

1. List all General Partners; LPs must have at least one General Partner.
For General Partners that are individuals, list their name in the following format:
'Last Name, First Name Middle Name'
2. Provide the estimated annual payroll and complete description of duties for all General Partners who request coverage.

Additionally:

- General Partners are considered equal owners of the LP.
- General Partners can elect coverage or exclusion. If they elect coverage they are subject to executive minimum/maximum payroll requirements and if exclusion is requested, they must sign a State Fund Partnership Exclusion Letter to endorse exclusion.
- Limited Partners have limited legal liability (up to the amount of their investment in the business) and are not eligible for exclusion.
- If Limited Partners work in the business, they are covered as an employee.

Corporation

Required:

1. Provide the name(s) of the officers who hold the Corporation Officer titles of:
 - President or Chairman of the Board, or both
 - Secretary
 - Treasurer or Chief Financial Officer
2. Provide ownership of 100% of all outstanding shares of stock

3. Provide the estimated annual payroll and complete description of duties for all Corporate Officers and/or Directors who are either ineligible for exclusion or who request coverage.

Additionally:

- They may have other officers, with duties and titles as stated in the Bylaws, or as the Board of Directors determines. Unless otherwise stated in the Articles of Incorporation or the Bylaws, the same person may hold any number of offices.
- A Corporate Officer and/or director may only be excluded from coverage under the following conditions:
 - When the corporation outstanding stock is owned 100% by the officers and/or directors.
 - When the officers and/or directors to be excluded owns stock in the corporation.
- Working Corporate Officers who are not excluded by endorsement are covered and subject to premium charge at minimum/maximum payroll requirements.
- Working Directors who are not excluded by endorsement are covered at their actual wages.

Non-Profit Corporation

Required:

1. Provide the name(s) of the officers who hold the Corporation Officer titles of:
 - President or Chairman of the Board or both
 - Secretary
 - Treasurer or Chief Financial Officer
2. Provide the estimated annual payroll and complete description of duties for all Corporate Officers who are covered.

Additionally:

- They may have other officers, with duties and titles as stated in the Bylaws, or as the Board of Directors determines. Unless otherwise stated in the Articles of Incorporation or the Bylaws, the same person may hold any number of offices.
- There is no stock ownership. The 'owners' for Experience Rating Plan purposes are the members of the Board of Directors.
- If officers are working and paid they cannot be excluded and are subject to minimum/maximum limits.
- Executive Directors are usually employees, not officers, and are not subject to minimum/maximum payroll requirements.
- State Fund does not extend coverage to officers who consider themselves volunteers (working and NOT PAID), unless it receives a resolution or written request from the Board of Directors, dated prior to an injury, that deemed the officers employees prior to an injury and volunteer coverage is endorsed to the policy.

Non-Profit Organization (Unincorporated)

Required:

1. Provide a list of the Organization Officers.
2. Provide the estimated annual payroll and complete description of duties for all Corporate Officers who are covered.

Additionally:

- Control is vested in the organization's officers. The Articles of Association and Bylaws determine the authority of officers and committees to act on behalf of the organization. There is no stock ownership. Ownership is considered to be equally divided among the Board members or members of a comparable governing body.
- Working and paid officers cannot be excluded and are not subject to the minimum/maximum limits.
- Unpaid workers are considered 'volunteers'. They are not covered, unless the employer passes a board resolution to deem the volunteers 'employees' for workers' compensation purposes and volunteer coverage is endorsed on the policy.

Limited Liability Company (LLC)

Required:

1. Provide the names and titles for all:
 - Members
 - Managers
 - Manager-Members
2. Provide the estimated annual payroll and complete description of duties for all Members, Managers, or Manager-Members who request coverage or are ineligible for exclusion from coverage.

Additionally:

- Each Member is treated as though each owns an equal share of the entity.
- Only LLC working Members who are Managers are eligible for exclusion from coverage. If they elect coverage they are subject to executive minimum/maximum payroll requirements, and if exclusion is requested they must sign a State Fund Limited Liability Company Exclusion Letter to endorse exclusion.

Limited Liability Partnership (LLP)

Required:

1. List all Limited Liability Partners.
2. Provide the estimated annual payroll and complete description of duties for all partners who request coverage.

Additionally:

- California permits only licensed accountants, architects, attorneys, engineers (civil, electrical, or mechanical) and land surveyors to form and own limited liability partnerships (LLPs).
- For purposes of unit statistical reporting and experience rating (i.e., for purposes including formatting, reporting, determining ownership, combinability, excludability, and payroll) an LLP is treated in the same manner and according to the same rules as a partnership.
- Limited Liability Partners can elect coverage or exclusion. If they elect coverage they are subject to executive min/max payroll requirements, and if exclusion is requested they must sign a State Fund Partnership Exclusion Letter to endorse exclusion.

Trust

Required:

1. Provide the names and titles for all:
 - Trustors
 - Trustees
 - Beneficiaries
2. Provide the type of Trust – Revocable or Irrevocable
3. Provide the full legal name of the trust
Example: John Jones Family Trust dated 1-1-2009
Example: Jim Brown Living Trust

Additionally:

- Whoever holds control is considered to have ownership.
 - In a revocable trust, it is generally the Trustor.
 - In an irrevocable trust, it is the Trustee.

Association

- No stock ownership.
- All working persons are considered employees.
- No officer information is required.
- If incorporated, treat as a non-profit corporation.