



Understanding the Downside of PEOs

PEOs (Professional Employer Organizations) are companies which provide Employee Benefits (including Workers Compensation) and HR services as an outsourced alternative for employers. Your workers become their employees but continue to work at your company. These programs are very popular in Florida, Texas and Southern California where the Workers Compensation system is in great distress and therefore they are a necessary alternative. PEOs have significant shortcomings and in our opinion they put the employer into a potentially perilous position.

THE DOWNSIDE OF PEO's:

- The worker is no longer your employee and therefore can sue your company in addition to collecting Workers Compensation. In a traditional situation employees can only sue employers in very specific situations.
- You are no longer an "insured", which means:
 - You do not have protection from the State Insurance Department
 - You do not have legal rights against the insurance company in a dispute
 - You are not entitled to loss runs
 - You are not entitled to receive notice of cancellation of coverage
- You lose your experience modification, which means:
 - When you try to re-enter the traditional marketplace you have to do so without loss runs and an experience modification
- A large percentage of PEOs have gone out of business, sometimes providing little notice and usually no loss runs.
- There is an adverse selection process in favor of poorer risks because those who have a debit mod have a greater incentive to join.
- The salespeople do not have to be licensed or trained in insurance.
- Because of the exposure, PEOs are not covered by insurance agents errors and omissions policies for the liability of insolvency.



When working with a PEO, it is unfortunate that the insurance aspects of the relationship are often overlooked ... at significant risk to your business.

Butwin Insurance Group has been approached many times to sell PEOs. We will not sell PEOs, buy it for ourselves, nor recommend them to others. Our job is to reduce or eliminate risk. We believe this product does the exact opposite.

" 2 A.M. is a lousy time to find out you chose the wrong insurance broker. "