K.A.R. 40-3-59. Workers compensation policies. (a) For the purpose of this regulation and K.S.A. 40-955 and amendments thereto, each of the following terms shall have the meaning specified in this subsection:

1. “Advisory organization” means an entity licensed by the commissioner for the reporting of claims and experience data for the administration of the workers compensation experience rating system.
2. “Client” has the meaning specified in L. 2012, ch. 142, § 2, and amendments thereto.
3. “Covered employee” has the meaning specified in L. 2012, ch. 142, § 2, and amendments thereto.
4. “Master policy” means a single policy issued to a professional employer organization or professional employer group for the covered employees and any direct-hire employees of the professional employer organization or the professional employer group.
5. “Multiple coordinate policy” means an agreement under which a separate policy is issued to or on behalf of each client or group of affiliated clients of a professional employer organization or a professional employer group, but payment of obligations and certain policy communications are coordinated through the professional employer organization or the professional employer group. This term is also known as a “multiple coordinated policy.”
6. “Professional employer group” has the meaning specified in L. 2012, ch. 142, § 2, and amendments thereto.
7. “Professional employer organization” has the meaning specified in L. 2012, ch. 142, § 2, and amendments thereto.

(b) When submitting a master policy to the commissioner for examination, the insurer’s filing shall include a detailed rule stating the manner in which the insurer will track and report payroll and claims data for each client to the advisory organization in a manner that identifies both the client and the professional employer organization and that is acceptable to the advisory organization. The adjustment of annual premiums based on previous loss experience, which is also known as experience rating modification, shall be calculated for each client as if the client were the sole employer of the client’s covered employees. Failure of the insurer to provide this detailed rule with the insurer’s filing to the commissioner shall result in the disapproval of the master policy.

(c) Each master policy shall cover only one professional employer organization or professional employer group.

(d) Each master policy shall be issued in the name of the professional employer organization or professional employer group and shall require that each covered client hold a certificate of coverage identifying that client as an alternate employer.

(e) Each insurer or its authorized representative shall issue a certificate of coverage to each client covered under a master policy. Each certificate of coverage shall meet the following requirements: K.A.R. 40-3-59

1. The certificate of coverage shall specify the effective date of the client’s coverage and the expiration date of the underlying master policy. A renewal certificate of coverage shall be issued to each client each time the master policy is renewed. If the insurer cancels the master policy for nonpayment of premium, the insurer shall give the professional employer
organization or professional employer group and each client at least 10 days’ written notice before the effective date of cancellation.

(2) The certificate of coverage shall provide that the client is entitled to 30 days’ notice before coverage can be cancelled or nonrenewed with the client’s consent, unless either of the following conditions is met:

(A) Replacement coverage is provided by the professional employer organization or professional employer group with no break in coverage.

(B) The insurer has notified the client when the certificate of coverage is first issued that the master policy will be cancelled or nonrenewed in less than 30 days.

(f) Cancellation or nonrenewal of a client’s coverage at the initiative of the professional employer organization or professional employer group without the written consent of the client shall not be effective, unless at least one of the following conditions is met:

(1) The insurer has given at least 30 days’ advance notice to the client.

(2) The professional employer organization or professional employer group has given at least 30 days’ advance notice to the insurer and the client. K.A.R. 40-3-59

(3) Coverage for all covered clients has been replaced with no break in coverage, and the professional employer organization has given advance notice to the insurer and the clients.

(g) Each professional employer organization or professional employer group shall be responsible for payment to the insurer of any premiums, policyholder assessments, and deductible reimbursement charges under a master policy or a multiple coordinated policy, whether or not the professional employer organization or professional employer group has received timely payment from the client. A client's failure to pay any fees to the professional employer organization or professional employer group when the fees are due shall not constitute nonpayment of premium pursuant to K.S.A. 40-2,120, and amendments thereto, or K.A.R. 40-3-15. (Authorized by K.S.A. 40-103 and K.S.A. 2012 Supp. 40-955; implementing K.S.A. 2012 Supp. 40-955; effective Jan. 31, 2014)