



Business Entities

In California, experience rating and ultimately premium is based upon ownership. Below is a guide to help you understand the important distinctions between the various types of business entities.

Individual / Sole Proprietor	LLC - Limited Liability Company	Non-Profit Corporation/Organization
<ul style="list-style-type: none"> Individual ownership For workers' compensation, spouses may own businesses together or separately (as California is a community property state) Individual owners may give themselves any title Zenith Insurance Company does not cover sole proprietors or their residing relatives and does not endorse to provide coverage as an exception 	<ul style="list-style-type: none"> Named insured is as shown in the "articles of organization" Owners are members and managing members Not required to have a managing member Only managing members may elect to be excluded from coverage A written waiver is required to be signed by each managing member to be excluded from coverage Inactive members are not shown on the policy and may not elect to be excluded For workers' compensation, all members own equal shares regardless of financial interest Do not list managing members or members names on the "named insured extension endorsement" 	<ul style="list-style-type: none"> Non-profit corporations and organizations have no ownership No one may elect to be excluded Officers of non-profit corporations who are working and paid are subject to minimum/maximum limits
Corporation	Professional Corporation	Trust
<ul style="list-style-type: none"> C corporation is publicly traded (can be either open or closed corporation) S corporation is limited to the number of stockholders (closed corporation) Ownership determined by % of voting shares Only officers and/or directors owning 15% or more stock may be excluded and must be excluded by endorsement A written waiver is required to be signed by each officer/director to be excluded from coverage Officers are not necessarily stockholders, directors are not necessarily officers or stockholders All corporations must have a president, secretary, and treasurer One person may hold all titles 	<ul style="list-style-type: none"> Professional corporations (APC or PC) are individuals or groups of individuals performing the same profession or service Must be licensed in the profession to be a shareholder. However, if there is only one shareholder, there can be an unlicensed officer who may not elect to be excluded from coverage (usually a spouse) Licensed shareholders may elect to be excluded from coverage A written waiver is required to be signed by each officer/director to be excluded from coverage 	<ul style="list-style-type: none"> Trustees take title to property to protect or conserve it for beneficiaries Trustees are equal owners for purposes of workers' compensation regardless of financial interest Trustees can be people or entities People are usually trustees of revocable trusts, corporations or banks are usually trustees of irrevocable trusts A trust shall not be combined with any other entity (exceptions apply to trusts set up for minor children and identically owned trusts)

Note: All officers, members and partners are subject to the minimum and maximum payroll amounts; trustees are not.



Business Entities (continued)

Applies to All Partnership Types	Limited Partnership	Joint Venture
<ul style="list-style-type: none"> • An association of two or more persons or entities • Does not necessarily have a partnership name • Written partnership agreements are not legally required for all types of partnerships • Limited partners are investors with no control over the business. They cannot be excluded but are usually inactive and not shown on the policy • Each general partner owns an equal share for workers' compensation purposes regardless of financial interest • Only general partners may be excluded • A written waiver is required to be signed by each general partner to be excluded from coverage • All general partners' names must be on the "named insured extension endorsement" (like an LLC or trust) 	<ul style="list-style-type: none"> • At least one general partner and at least one limited partner • General partners are considered owners and may elect to be excluded from coverage • Limited partners may not elect to be excluded however may be subject to minimum/maximum limitations if working and/or paid • A written waiver is required to be signed by each partner to be excluded from coverage 	<ul style="list-style-type: none"> • Temporary partnership of two or more entities created to carry out a single project in a specified period of time • For workers' compensation purposes, each joint venturer owns an equal share regardless of financial interest • A joint venturer may elect to be excluded from coverage based on its entity rules governing exclusion
LLP - Limited Liability Partnership	General Partnership	Joint Employer
<ul style="list-style-type: none"> • All owners are general partners and may elect to be excluded from coverage • A written waiver is required to be signed by each owner and partner to be excluded from coverage 	<ul style="list-style-type: none"> • One or more general partners • Working partners are included • General partners may elect to be excluded from coverage by endorsement • A written waiver is required to be signed by each partner to be excluded from coverage 	<ul style="list-style-type: none"> • Comprised of two or more employers who don't share common ownership but have joint liability to pay workers' compensation (usually doctors, dentists, attorneys, and CPAs) • Employees are under the simultaneous control of, and perform similar services for two or more employers • It does not matter which employer pays the employees • Joint employers may not be included

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