

New Workers' Compensation Law in PA Expands Coverage to Small Businesses

Pennsylvania lawmakers passed a bill to expand workers' compensation insurance coverage so that sole proprietors, members of partnerships and members of LLCs may purchase the insurance beginning late August. Prior to the change in the law, sole proprietorships, partnerships and LLCs were exempt from mandatory workers' compensation insurance requirements, and they could not even purchase such insurance if they wanted to. The bill does not mandate insurers offer coverage to these types of businesses; it merely allows them to do so.

Since calculating an average weekly wage for these types of business may be difficult, the bill provides a rebuttable presumption that a sole proprietor, member of a partnership or member of an LLC's average weekly wage is 50 percent of the statewide average weekly wage for the purposes of calculating benefits.

The law has broad support in the small business community and the insurance industry. Advocates of the new law see it as beneficial for the state's economy. When Gov. Tom Corbett signed the bill, he noted that partnerships and LLCs are growing business models in the state and expanding workers' compensation insurance options in the state for these types of business makes the state a friendlier climate for those looking to start such businesses.

By allowing these types of businesses to purchase insurance, they allow the owner-employees to protect themselves from economic catastrophe if they get injured and are not able to work while they recover. Previously, a sole proprietor would have no income in such a situation because no one else would

be able to run the business in his or her absence and no money would be coming in. Now, a sole proprietor can purchase workers' compensation insurance and if he or she does sustain an injury, he or she will still have some money to pay bills.

The possibility of purchasing workers' compensation insurance also benefits sole proprietors, partnerships, and LLCs in their business practices. Sometimes when such businesses need to hire consultants and contractors they need to provide a certificate of coverage to show that they have workers' compensation insurance. If a business could not produce such proof of coverage, then it could not hire the contractor or consultant. Now that these small businesses have the option of purchasing coverage, the possibility of doing business with more people widens.

In passing the new law expanding the availability of workers' compensation insurance coverage, the Pennsylvania legislature has taken a step that is uniquely pro-business and pro-worker and allows those who own their own businesses peace of mind that comes from knowing that if they get injured they do not face economic collapse.