

Senate Commerce Committee

Aaron Jones 271-2609

SB 655, relative to employee leasing companies and workers' compensation coverage options.

Hearing Date: February 10, 2026

Time Opened: 10:00 a.m.

Time Closed: 10:16 a.m.

Members of the Committee Present: Senators Innis, Ricciardi, McGough, Fenton and Reardon

Members of the Committee Absent : Senator Murphy

Bill Analysis: This bill permits client companies or leasing companies to secure workers' compensation coverage.

Sponsors:

Sen. Innis

Sen. Rochefort

Sen. Murphy

Sen. Pearl

Sen. Ward

Sen. McGough

Rep. Labrie

Rep. Peternel

Who supports the bill: Senator Daniel Innis, Senator Ruth Ward, Senator Tim McGough, Senator David Rochefort, Justin Worrell (Insperity), Maria Dongas

Who opposes the bill: Marissa Chase (NHAJ), Heather Menezes (NHAJ)

Who is neutral on the bill: Danielle Albert (NHDOL), Wesley Gardner (NHDOL)

Summary of testimony presented in support:

Senator Daniel Innis

- Professional employer organizations, also known as PEOs, help small and mid-sized businesses manage some of the most complex and costly parts of running their business, such as human resources, payroll, benefits administration, and regulatory compliance.
- PEOs allow small businesses to offer competitive benefits, such as health insurance, retirement plans, and workers' compensation coverage.
- By reducing administrative burdens, small employers can focus on growing their business, hiring workers, and staying competitive in the tight labor market.
- Senator Innis emphasized that this bill would not reduce, weaken, or avoid workers' compensation coverage. Coverage would remain mandatory, and all employees would still need to be covered.

- Under existing law, PEOs are required to hold a workers' compensation policy in every case. New Hampshire is one of only a few states with such restrictions.
- This bill would provide flexibility by permitting either the PEO or the client business to secure and maintain coverage, depending on what worked best for the employer.
- In states where flexibility exists, PEOs are still the primary source of coverage. There are situations, particularly for multi-state employers or businesses with specialized risk profiles, where a client-held policy can lower costs.
- Senator Innis reiterated that this bill would not make coverage optional, reduce the number of people covered, or weaken enforcement. Instead, it would remove a barrier that would modernize the employee leasing statute, support small businesses, and preserve worker protections.

Justin Worrell, Managing Director for Governmental and Regulatory Affairs, Insperty

- In New Hampshire, PEOs are licensed under RSA 277-B.
- PEOs offer a unique business model by entering into long-term contractual relationships where employer responsibilities are allocated between two parties. Under existing statute, these relationships are codified as co-employment.
- PEOs provide comprehensive HR solutions to small and mid-sized businesses across three areas.
 - First, they help with compliance assistance across the various state and federal laws.
 - Second, payroll and paychecks come from PEOs. They are the W-2 employer for all worksite employees, and they are responsible for submitting payroll taxes to the IRS.
 - Finally, they help to administer benefits.
- Mr. Worrell said they can provide small businesses with a Fortune 500 workplace experience while the client runs the day-to-day operations.
- Mr. Worrell said it was not their intention to make coverage optional; instead, they want to allow clients and PEOs to choose an arrangement that best fits their needs.
- Clients could already have coverage from a carrier that they have known for a long time, so they could prefer to continue that relationship rather than go with what is offered by the PEO. They also might receive cost savings from their current coverage provider.
- Requiring different coverage for a single New Hampshire employee could discourage multi-state employers from using a PEO. Mr. Worrell said they have had clients terminate New Hampshire employees due to this barrier.
- Mr. Worrell offered to work with the stakeholders to address conflicts and clarify notification requirements.

Summary of testimony presented in opposition:

Heather Menezes, Attorney, Shaheen Gordon

- Attorney Menezes asked what would happen to an employee if there was not appropriate coverage provided by a client company.
- Attorney Menezes said there might be a fix that could be made to the bill, but the intent of workers' compensation was to ensure coverage was easy and quick for an injured employee. It could be difficult for an injured employee if they do not know who they can make a claim against, if the client company does not supply appropriate coverage, or if an out-of-state employer is involved that New Hampshire has no control over.

Neutral Information Presented:

Danielle Albert, Deputy Commissioner, and Wesley Gardner, Director of the Workers' Compensation Division, New Hampshire Department of Labor

- The Department was neutral on the bill, but they understood its intention.
- This bill would amend the leasing statute, RSA 277-B, to authorize client companies in a PEO contractual relationship to have the option of securing workers' compensation coverage if it is part of the PEO contract.
- PEOs are specific relationships entered into under statute where the PEO is engaging in a co-employment relationship with the client company. The statute sets forth requirements that each co-employer must abide by.
- PEOs are responsible for certain employer obligations, and client companies are responsible for others.
- To operate in New Hampshire, PEOs must be licensed through the Department of Labor.
- Under the proposed language, Deputy Commissioner Albert said there was a conflict in RSA 277-B:5. Specifically, in the amended language, it states, "No unlicensed leasing company shall be provided workers' compensation coverage."
- Deputy Commissioner Albert said addressing these conflicts would help both the Department in its regulatory capacity in overseeing requirements as well as the participants, so they can understand what is required of them.
- If a client or employer company works with a PEO, and they elect to secure workers' compensation insurance coverage themselves, the Department was concerned with reporting requirements.
 - Currently, the Department receives proof of coverage reports from all employers, including PEOs.
 - If a client company obtained a regular non-PEO policy, that is how it would be reported to the Department. Deputy Commissioner Albert said this could impact their ability to tie together client companies that are in a contractual agreement with a PEO.

- When policies are reported right now, those policies come through assigned as a PEO specific policy.
- Deputy Commissioner Albert recommended language that would require client companies, if they elect through a PEO contract to secure coverage, to advise their employees who is the employer of record for the purposes of workers' compensation. Currently, this is the PEO since they handle payroll. If an employee is not aware of who has delineated that responsibility, however, it can be difficult to pursue claims and name the appropriate employer if they come forward with a workers' compensation dispute.

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Date Hearing Report completed: February 13, 2026