PAYROLL CS™

Using XactPAY℠ with Payroll CS

version 2008.x.x

CS Professional Suite®

Accounting Products

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Contents

✅ Introduction and Overview

Thomson Reuters/Tax & Accounting has developed a preferred-partner relationship with The Hartford Financial Services Group, Inc., to accommodate your need for pay-as-you-go workers' compensation insurance for your Payroll CS™ (calculating payroll) clients.

Through the XactPAY service, The Hartford validates and maintains workers' compensation business- and employee-level class codes, calculates the premiums based on actual payroll information (which you transmit via CS Connect™), and draws the calculated premium directly from the client's account. This guide walks you through the steps necessary to enroll in the XactPAY service, to set up a client in Payroll CS for XactPAY, to process a client's payroll using XactPAY with Payroll CS, and then to transmit the required files via CS Connect to The Hartford.

The Hartford's XactPAY workers' compensation insurance

Through its XactPAY℠ service, The Hartford's Payroll Alliances Center offers an integrated way to process workers' compensation for Payroll CS clients.

- Payroll CS can create and transmit encrypted XactPAY files via CS Connect to The Hartford's secure FTP server, so data confidentiality is always maintained.

- With XactPAY, premiums for workers' compensation are based on actual payroll and are paid out as payrolls are processed. With no up-front deposits, no finance or billing fees, no late fees, and minimized audit adjustments, XactPAY helps clients to better manage their cash flow.

- The Hartford maintains all workers' compensation class codes (which can vary from state to state), eliminating the potential problem of incorrect class codes being entered for your clients' employees.

Note: Clients needing to insure employees in the following states are **not** eligible for the XactPAY service either because of The Hartford's underwriting position in that state or because of a state requirement to secure workers' compensation coverage from a state fund: Alaska, Florida, Hawaii, North Dakota, Ohio, Washington, and Wyoming.

Setup and processing overview

A brief outline of the processes for setting up and using XactPAY is included below, and the remaining sections of this guide cover the procedures in greater detail.

1. The accounting firm completes the two forms included in the appendix to this guide that pertain to the Strategic Alliance Agreement with The Hartford and then returns both forms to Thomson Reuters/Tax & Accounting at the address indicated.

2. Upon your referral of a specific client to The Hartford, a licensed representative from The Hartford contacts the client directly to ensure there's a good fit and to begin the client setup process in their XactPAY system.

3. The accountant completes certain setup procedures in Payroll CS by doing the following:

   a. Using CS Connect, download the XactPAY **Consent** files from The Hartford. (The relevant XactPAY setup commands for steps 3c and 3d are not accessible within Payroll CS until you have downloaded the Consent files with information for the selected client.)

   b. Set up some required **global payroll items** in Payroll CS. (The "Workers' Compensation Chart for Inclusions/Exclusions," which is provided as part of the appendix to this guide, includes state-by-state information to aid you in this setup process.)

   c. Specify the XactPAY **client setup** information, via the Utilities / Third-Party Workers' Compensation / Client Setup dialog in Payroll CS.

   d. Specify the **employee setup** information for the client using the appropriate pay items, via the Setup / Employees window.

4. The accountant transmits the client setup files from Payroll CS (from step 3 above) to The Hartford, via CS Connect.

5. As the accountant processes payrolls for the client, Payroll CS automatically saves XactPAY payroll information for each check run so that you can transmit that information to The Hartford, via CS Connect. (The transmission deadline for client payroll files — weekly or biweekly — is Wednesday at 8:00 p.m. eastern time.)

☑ Enrollment with The Hartford

This section covers the steps you and your individual clients would need to take when enrolling for the XactPAY service with The Hartford.

Accountant steps to enroll with The Hartford

1. If your firm decides to offer the XactPAY pay-as-you-go workers' compensation insurance service for your Payroll CS clients, your first step is to enroll with The Hartford using either of the following methods.

    - Call The Hartford at 877-759-2043.

    - Visit The Hartford's partnership website at **www.thehartford.com/thomsonreuters**. The website provides an overview of the XactPAY service and enables your accounting firm to learn more about the program and services available through The Hartford.

2. Complete both of the following forms, which are included as part of the appendix to this guide.

    - **Instructions and Cover Sheet for the Strategic Software Alliance Agreement (The Hartford):** Review the instructions and record both your company or service bureau name and your Firm ID on the spaces indicated.

        Note: To determine your Firm or Site ID, open your CS Professional Suite™ Accounting Products software and choose **Help / About CSA**. Your Firm/Site ID is listed just above and to the left of the box containing your firm's name and address as the licensed user of the software.

    - **Strategic Software Alliance Agreement (The Hartford):** Carefully review the entire agreement, complete the required information on the designated pages, and add your signature, printed name, title, and the date.

3. Mail the originals of both the instructions/cover sheet and the completed Strategic Software Alliance Agreement form to us at the address that is printed on the instructions/cover sheet.

Client steps to enroll with The Hartford

When any of your Payroll CS clients expresses an interest in using the XactPAY service, do either of the following to refer that client to The Hartford:

- Call 877-759-2043.

- Fax a copy of the Lead Referral Form to 877-538-1130.

Within one business day, a licensed representative of The Hartford will contact the client to help them review their insurance needs.

Upon issuance of the policy, the client will also be asked to complete and sign some forms provided by The Hartford.

Note: After your Payroll CS client has accepted The Hartford's insurance proposal for workers' compensation and XactPAY, your firm will receive the XactPAY **Consent** files from The Hartford (which you can download to Payroll CS using CS Connect). The Consent file enables you to complete the client setup steps in Payroll CS.

Global Setup Steps in Payroll CS

You next steps are to specify whether any payroll items should be excluded from total wages to arrive at workers' compensation remuneration. (Note that this will **not** affect the calculation of the actual payroll checks.)

Please refer to state-by-state information in the Workers' Compensation Inclusions & Exclusions Chart at the end of the Appendix to this guide.

Excluding pay items from wages for XactPAY purposes

For any **pay items** that need to be excluded, follow these steps.

1. Choose **Setup** / **System Configuration** / **Pay Items**.

2. Highlight the appropriate pay item in the list and click the **Edit** button.

3. Click the Special Information tab and mark the **Exclude from XactPAY wages** checkbox. In the payroll file, any payroll amounts using a pay item with this checkbox marked will be excluded from XactPAY wages. This information will be used by The Hartford to compute the adjusted payroll.

Notes

▪ Although there is some variation across the states regarding which pay items should be included or excluded, there are general standards that apply to most states. For certain special-type pay items, the Exclude from XactPAY wages checkbox should nearly always be marked, including but not limited to:

    ▪ Reported Tips

    ▪ Indirect Tips

For example, Nevada is the only state that does not exclude reported tips and indirect tips. Please see the Workers' Compensation Inclusions & Exclusions Chart in the Appendix of this guide for help in determining which pay items should be excluded from XactPAY wages.

▪ If you have created your own pay items for tip pay, you must verify that the correct special type has been selected on the Special Information tab of the Pay Items dialog. For pay items such as Tipped Wages, Reported Tips, or Tips Deemed Wages, you will need to select the appropriate type in the Special Type field so that the correct wage amounts are included in the payroll files submitted to The Hartford.

▪ The following special-type pay items are **automatically excluded** from XactPAY wages. You do not need to mark the Exclude from XactPAY Wages checkbox for items with the following special types:

    ▪ Tips Deemed to be Wages

    ▪ Allocated Tips

- ▪ TDW Reduction

- ▪ EIC Advance

▪ For more information on items that should be included or excluded for XactPAY purposes, please refer to the Workers' Compensation Inclusions & Exclusions Chart in the Appendix of this guide.

Excluding deduction items from wages for XactPAY purposes

Important! The **Exclude from workers comp** checkbox option for a deduction item would be relevant only in states that actually allow deductions to be excluded from workers' compensation wages. For example, California allows Section 125 contributions to be excluded; however, California clients are accepted by The Hartford on a case-by-case basis.

For any **deduction items** that need to be excluded, follow these steps:

1. Choose **Setup** / **System Configuration** / **Deduction Items**.

2. Highlight the appropriate deduction item in the list and click the **Edit** button.

3. Click the **Calculations** tab, and then mark the **Exclude from workers comp calc** checkbox. In the payroll file, any payroll amounts associated with a deduction item having this checkbox marked will be excluded from XactPAY wages. This information will be used by The Hartford to calculate the adjusted payroll.

✅ Client Setup Steps in Payroll CS

The procedures detailed in this section are one-time setup steps that you will need to complete for each Payroll CS client that will be using the XactPAY service.

Retrieving the XactPAY Consent files

Use CS Connect to retrieve the required Consent files from The Hartford. The Consent files are required and enable the XactPAY commands needed to complete the client setup steps in Payroll CS.

Note: The Consent files may be relevant to multiple clients and, thus, cannot be deleted until you have created setup files for all clients listed within the retrieved Consent files.

1. From the CSA main window, choose **File / CS Connect**.

2. Mark the **Third-Party Workers' Compensation / Retrieve consent files** checkbox.
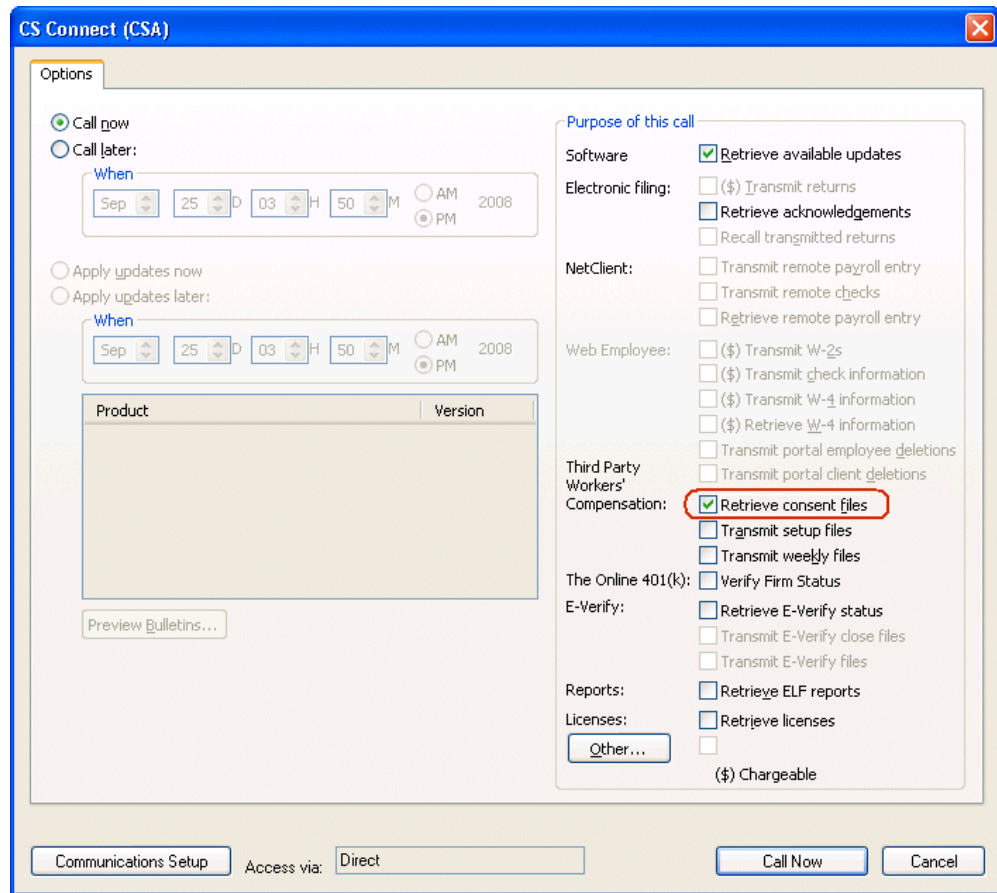
3. Mark the **Call Now** option and then click the **Call Now** button. After the available files have been retrieved, you will see a confirmation message.

Viewing the Consent files

1. Choose **Utilities / Third-Party Workers' Compensation / File Maintenance**.

2. In the File Maintenance dialog, be sure that the Consent checkbox is marked so that all available Consent files will be displayed.
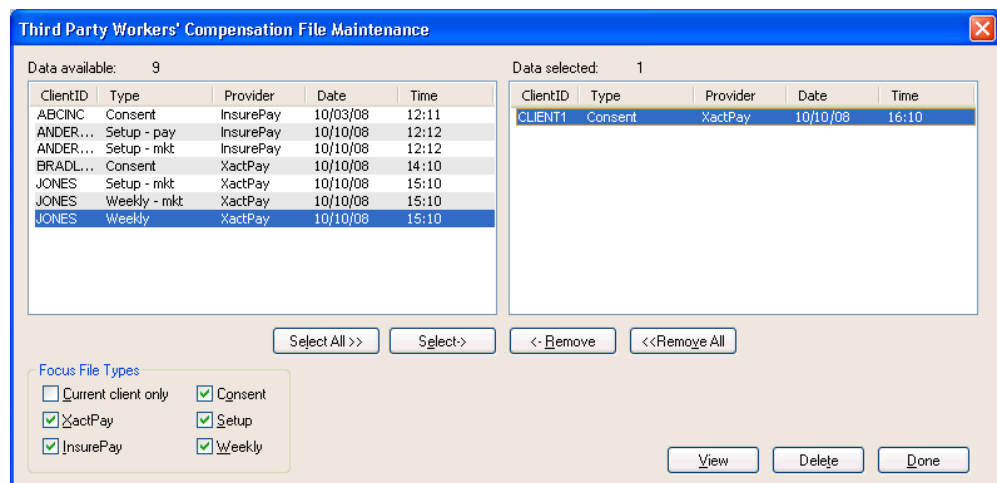
3. Move the appropriate Consent file to the Selected pane and then click the **View** button. Viewing the files in this dialog enables you to know for which of your clients you still need to create and transmit a client setup file (described later in this guide).

Notes

▪   We recommend that you print the Consent file so you will not miss any clients when creating setup files and can verify client names and FEINs submitted to The Hartford by your client.

▪   If multiple clients sign up with The Hartford at the same time, the Consent file may contain information for multiple Payroll CS clients.

Creating the client setup files

The initial client setup files that you prepare in Payroll CS (using the XactPAY Client Setup dialog and the Employees window) are used to transmit all required information about your client to The Hartford. These files must be transmitted to The Hartford (via CS Connect) prior to the transmittal of the first payroll files for the client.

In addition, if any of the client's setup information **changes** during the year (including EIN, seasonal business information, payroll frequency, or client status), you need to specify the changes in the XactPAY Client Setup dialog. The updated information is saved when you click the Done button and is sent to The Hartford along with your next payroll file to notify them of the change.

Notes

▪   Data for inactive employees are not included within the setup files.

▪   If you are unable to access the XactPAY Client Setup dialog for a client for which you have already received a Consent file, please verify that the client's EIN listed in the File / Client Properties dialog is the same as that listed in the Consent file. You can view the contents of a Consent file from the Utilities / Third-Party Workers' Compensation / File Maintenance dialog.

▪   If a Consent file contains an incorrect EIN for any client, the client will need to contact The Hartford to resolve the issue. Because the client is the entity that is insured and initially provided the information to The Hartford, the client would need to correct such an error.

Procedure

To create the client setup files, complete the following steps for each applicable client.

1. Open the client in CSA.

2. Choose **Utilities / Third-Party Workers' Compensation / Client Setup**. (As noted above, this command is accessible after you have already downloaded the client's Consent file from The Hartford via CS Connect).

3. In the XactPAY Client Setup dialog, specify the following information.

   ▪ **Multiple clients with same EIN** and **Parent company.** If you have clients using the same EIN for tax filing purposes (as in a franchise, for example), mark the **Multiple clients with same EIN** checkbox for each of those clients, and select the parent company from the drop down list.

   > *Note:* For all individual clients that share the same EIN, you should select the same parent company (consolidated client), and be sure to prepare the setup files for the **individual** clients only, not for the parent client. You would process the payrolls for the clients individually as well.

   ▪ **Previous EIN (if applicable).** Use this field if your client has changed EINs after already using The Hartford's services. This information enables The Hartford to link the client's data and to ensure they have complete records within their XactPAY system.

   ▪ **Estimated annual payroll.** This information is required by The Hartford.

   ▪ **Seasonal business.** Mark this checkbox only for a seasonal client to enable the following five fields: **Explanation**, **Start month** / **day**, and **End**

month / **day**. This information allows The Hartford to know not to expect payroll files throughout the entire year.

- **Explanation.** This field is required if the Seasonal Business checkbox is marked. Enter the reason the business will be shut down.

- **Start month / day** and **End month / day.** These fields are required if the Seasonal Business checkbox is marked. Enter the month and approximate day the seasonal business will start and end operations during the year. This will alert The Hartford not to expect a file for this client during the client's off-season.

- **Number of payrolls per year.** The program calculates this number automatically (based on the default frequency selected in the Calculating Payroll tab of the File / Client Properties dialog). If the default frequency is **non-periodic**, this field remains blank. If the default frequency is **Daily**, the number in this field will be 99.

- **Client status.** Specify the appropriate information by selecting it from the drop-down list for this field, which includes the following options:

  - A – Active, current, ongoing

  - I – Inactive client

  - L – No longer a client

  - N – New Client

  - O – Out of Business

  - S – NSF condition

  - X – No longer using XactPAY

- **Status effective date.** This is the start date for the client status selected in the field above.

4. Click the **Done** button to create the initial setup file for the client, or to save any changes you have made to the information in this dialog.

Completing some additional steps for employee setup

Some additional information for employees may be required when setting up the client to use the XactPAY functionality. For example, a previous Social Security number, 1099 employee status, or multiple class code indicators might need to be added to the employee records.

Procedure

Complete the following steps for each employee to be covered by the XactPAY policy.

1. From the CSA main window, choose **Setup / Employees**.

2. Verify that the employee record includes a name in the First Name field. (Payroll CS requires only that a last name be recorded, but XactPAY requires a first name as well.)

3. Verify that the employee record lists a valid Social Security Number (SSN).

4. If the employee has a changed or corrected SSN or is a 1099 employee, highlight the employee name and (from Edit mode) choose **Edit / Third-Party Workers' Compensation Information**.

    ▪   If the employee has changed or corrected a SSN, enter the Previous SSN in the **Previous SSN** field.

    ▪   If the employee receives a 1099, mark the **1099 Employee** checkbox.
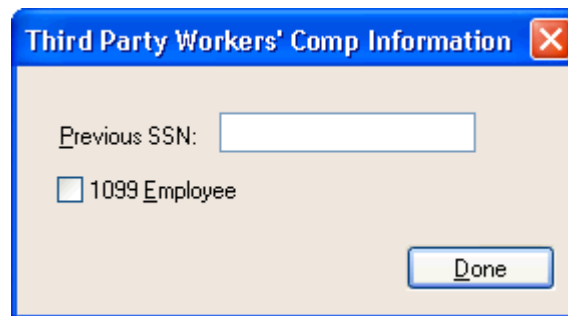
5. If the employee works in a state other than their employer's business location or works in multiple workers' compensation classes, complete the steps in the section below entitled "Special setup steps required for certain employees."

Note: To enable the program to calculate the workers' compensation amounts correctly for any tipped employees, be sure that you have set up the three special-type pay items required for all tipped employees (Tipped Wages, Reported Tips, and Tips Deemed Wages). The global setup of these items is described in the Global Setup Steps in Payroll CS section of this guide that begins on page 5.

Special setup steps required for certain employees

Special setup steps are required for any employees who work in a state other than the employer's business location or who work in multiple workers' compensation classes. For each such employee, complete the following steps.

1. In the Earnings tab of the Setup / Employees window, click the Item Properties 🔍 button for the relevant pay item.

2. In the Other tab of the Pay Item Properties dialog, enter the appropriate information (depending on the situation of the employee), as outlined below.

- **For employees working in a different state:** Select the appropriate state from the drop-down list in the **State** field.

- **For multiple-class employees:** Enter a digit in the **Multi-class identifier** field to indicate that the selected pay item has a different class code than other pay items for the employee. This digit is added to the employee's SSN to create a new employee record in your XactPAY files. Up to 11 digits may be entered in this field. (Please refer to the multiple class example included below.)

3. Click OK and then click Enter to save the information added to the employee record.

Multiple class example: Employee Joe Smith has Clerical, Manufacturing, and Construction pay items.

- For the Clerical pay item, leave the Multi-class identifier field blank.

- For the Manufacturing pay item, enter a **1** in the Multi-class identifier field.

- For the Construction pay item, enter a **2** in the Multi-class identifier field.

- The payroll files created for XactPAY will contain three records for this employee, and the employee will appear to have three different SSNs. The Hartford will contact the accountant to ask which SSN belongs to which job so that they can attribute the correct amount of wages to the corresponding class codes.

Transmitting the client setup files to The Hartford

Once you've finished creating the setup information for the client (or each of several clients), you will need to send those setup files to The Hartford via CS Connect.

1. Choose **File / CS Connect**.

2. Mark the **Transmit setup files** checkbox.

3. Click the **Call Now** button to complete the file transmission to The Hartford.

Note: To see which files have been transmitted to The Hartford, choose Utilities / Third-Party Workers' Compensation / View Log. The XactPAY Transmission log lists information about each transmission. For more details, search on **XactPAY** from the index of the CSA help browser, and then click **Third-Party Workers' Compensation Transmission Log** to open that topic.

Payroll Processing Steps for XactPAY

This section covers details for payroll processing for a client using the XactPAY service.

Entering payroll check information

Live payroll checks

When recording live payroll checks that need to be printed, you must specify the Period Beginning, Period Ending, and Check Date for each check so that information is included in the payroll files. When you print the checks, Payroll CS creates the actual payroll files that will be transmitted The Hartford via CS Connect.

Handwritten or after-the-fact payroll checks

For handwritten or after-the-fact payroll checks, Payroll CS creates the payroll files that will be transmitted to The Hartford when you record and save the checks.

Responding to diagnostic messages

When creating the payroll files for XactPAY, Payroll CS will display a diagnostic message if there are missing or invalid SSNs, if any employee's first name is left blank, or if no period beginning or period ending date was entered for a check.

If you receive a message about a missing or invalid SSN, use the following steps to ensure that the correct information for the employee is contained within the payroll file.

1. In the Payroll Check Entry window, void and duplicate the check.

2. Correct the SSN for the employee by choosing Setup / Employees, selecting the employee record, and then adding or modifying the SSN.

3. Print the payroll check — or, for a handwritten check, reenter the check by adding the Period Beginning, Period Ending, Check Date, and Check Number.

Performing file maintenance (for audit purposes only)

For audit trail purposes, you may occasionally need to view and/or delete one or more XactPAY files, either before or after transmittal to The Hartford via CS Connect. To do so, you can use the Third-Party Workers' Compensation File Maintenance dialog.

▸ To open this dialog, choose Utilities / Third-Party Workers' Compensation / File Maintenance.
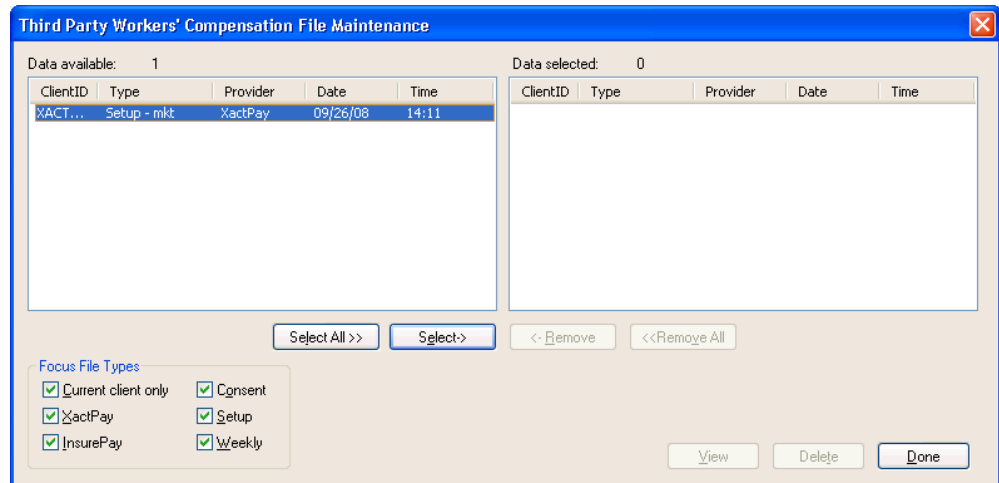
Important! Keep in mind that deleting files from this File Maintenance dialog does **not** prevent those files from being transmitted to The Hartford. (That step, if needed, can be done using the Queue Maintenance dialog instead.)

Performing queue maintenance prior to transmittal

If you need to delete any XactPAY files or to remove individual employee records from a specific file prior to transmittal to The Hartford via CS Connect, you must use the Third-Party Workers' Compensation Queue Maintenance dialog.

▸ To open this dialog, choose Utilities / Third-Party Workers' Compensation / Queue Maintenance.
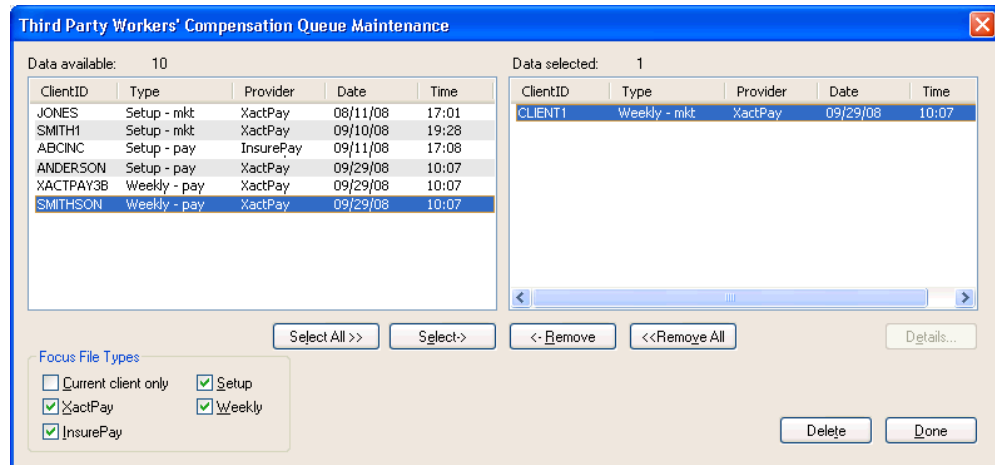
Notes

- Marking or unmarking the checkboxes in the Focus File Types group box will cause the dialog to display only the selected file types.

- Selecting a payroll file and clicking the Details button opens the Third-Party Workers' Compensation Employee Record Maintenance dialog, which displays each employee in the selected file(s) and the amount of gross payroll in the file for each record.

Transmitting each period's payroll files

After you have completed each period's payroll processing for your client, you can transmit the XactPAY payroll files (which Payroll CS has created automatically), via CS Connect. Please keep in mind that you will need to transmit your payroll files to The Hartford after **each** payroll run for the client.

1. Choose **File / CS Connect**.

2. In the CS Connect dialog, mark the **Transmit weekly files** checkbox.
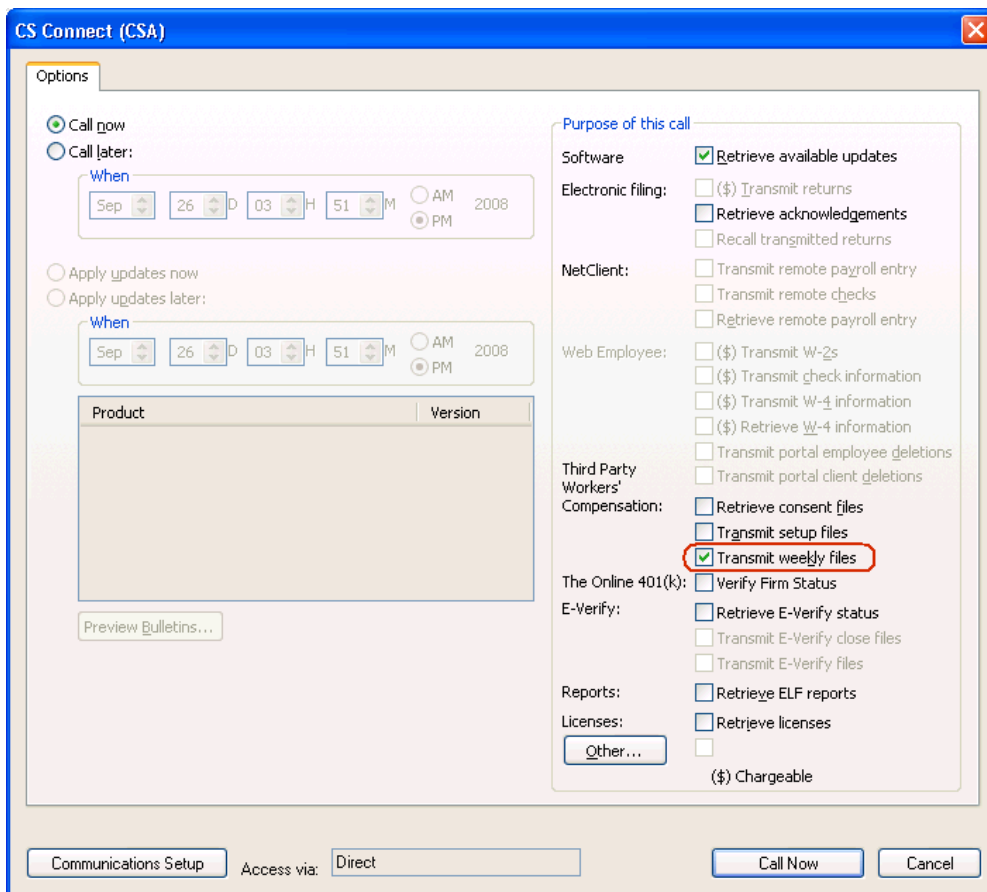
3. Click the **Call Now** button to transmit the files.

Note: To view the list of files that have been transmitted to The Hartford, choose Utilities / Third-Party Workers' Compensation / View Log. For more details, search on **XactPAY** from the index of the CSA help browser, and then click **Third-Party Workers' Compensation Transmission Log** to open that topic.

Submission deadline

The Hartford will expect to receive payroll files for your client on a schedule based on the actual payroll frequency you entered in the client's XactPAY setup file.

The XactPAY submission deadline for your payroll files is Wednesday 8:00 p.m. eastern time so they can be retrieved on Thursday by The Hartford.

Because Thomson Reuters/Tax & Accounting has a close partnership with The Hartford, you can be sure that your files will be received and processed securely and in a timely manner.

Notes

- Please keep in mind that if you submit two sets of files using different period beginning, period end, and check dates for the same client at the same time, your client will pay two premiums — one for each payroll. This might happen, for example, if you were going on vacation and processed payroll a week early. In this case, you would be submitting two sets of files for your client.

- To view your XactPAY data in the Workers' Compensation Report, complete the setup steps for the report and then select **XactPAY** from the Calculation drop-down list in the report options. For more details, search on **Workers Compensation Report** from the index of the CSA browser.

☑ Appendix: XactPAY Agreement Documents

This appendix contains paperwork you will need prior to the start of processing for XactPAY clients using Payroll CS.

Instructions / cover sheet and Strategic Software Alliance agreement form

To set up XactPAY services with The Hartford, you will need to complete and sign **both** of the following forms and return them to us at the address noted below.

- Instructions / Cover Sheet for the Strategic Software Alliance Agreement (The Hartford) (page A-3).

- Strategic Software Alliance Agreement (The Hartford) (page A-5).

Complete both of the forms listed above and return them to the following address:

Thomson Reuters
Tax & Accounting
Professional Software & Services
ATTN: Mr. James. Paille
6300 Interfirst Drive
Ann Arbor, MI 48108

Workers' Compensation Inclusions / Exclusions Chart

To aid your firm's setup of global pay items in Payroll CS to use for the employees of your XactPAY clients, please refer to the state-by-state rules in listed in the Workers' Compensation Inclusions & Exclusions Chart (page A-11).

Instructions and Cover Sheet for the Strategic Software Alliance Agreement for Using Third-party Workers' Compensation Services with Payroll CS

Before your firm will be able to use the special features within Payroll CS™ that enable you (as the payroll processor or payroll service bureau) to set up and transmit data to The Hartford for its XactPAY™ workers' compensation services, you need to first do all of the following:

1. Enter your firm name and Firm (or Site) ID on the line indicated below. (To determine your Firm or Site ID, open your CS Professional Suite™ Accounting Products software and choose **Help / About CSA**. Your Firm/Site ID is listed just above and to the left of the box containing your firm's name and address as the licensed user of the software.)

   COMPANY OR SERVICE BUREAU NAME: _____

   _____

   FIRM (OR SITE) ID: _____

2. Carefully read all of the information on the accompanying form called "Strategic Alliance Agreement for The Hartford," and then complete the form by entering the required information on the following pages:

   a) Page 1, your company location.

   b) Page 4, the date on which the agreement shall take effect.

   c) Page 5, your initials (on the first blank line).

   d) Page 6, your signature, title, and the date.

3. Attach this form to the completed and signed original copy form "Strategic Alliance Agreement (The Hartford)" and mail both to the following address:

   Thomson Reuters
   Tax & Accounting
   Professional Software & Services
   ATTN: Mr. J. Paille
   6300 Interfirst Drive
   Ann Arbor, MI 48108

STRATEGIC SOFTWARE ALLIANCE AGREEMENT

THIS AGREEMENT, (the "Agreement") is made by and between, Thomson Reuters (Tax & Accounting), a Texas Corporation, and the undersigned payroll processing company ("Service Bureau") with offices located at _____

_____.

      WHEREAS, THOMSON REUTERS (TAX & ACCOUNTING) has entered into a Strategic Alliance Agreement with Hartford Fire Insurance Company and its affiliated insurance companies ("Hartford") with respect to Hartford's marketing and sale of certain commercial insurance products (the "Hartford Agreement"); and

      WHEREAS, THOMSON REUTERS (TAX & ACCOUNTING) wishes to form an alliance with Service Bureau to offer, in connection with the Hartford Agreement, an integrated payroll and workers' compensation insurance payment system to Service Bureau's commercial business Clients (the "Program") using Hartford's XACTPAY® processing system for workers' compensation insurance; and

      WHEREAS, the proposed alliance contemplates that THOMSON REUTERS (TAX & ACCOUNTING) will provide to Hartford certain information with respect to Service Bureau's commercial business Clients; and

      WHEREAS, Service Bureau is willing to cooperate with THOMSON REUTERS (TAX & ACCOUNTING) to allow Hartford in connection with Hartford's marketing of its commercial insurance products and its integrated payroll product under the Program and wishes to provide THOMSON REUTERS (TAX & ACCOUNTING) with information regarding its commercial business Clients;

      NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth below, the parties agree as follows:

1. Insurance Products; Program Administrator Functions; XACTPAY ® Processing.

    (a) Insurance Products. The insurance policies offered by Hartford under the Program will include the following types of coverage: workers' compensation, general liability, automobile, umbrella liability, property and other lines of insurance as may be agreed upon between THOMSON REUTERS (TAX & ACCOUNTING) and Hartford. The parties acknowledge and agree that the insurance sales and service activities contemplated herein will be made to Service Bureau's commercial business Clients (hereinafter referred to as the "Target Clients") meeting Hartford's underwriting eligibility guidelines. The parties acknowledge and agree that subject to applicable laws, Hartford has reserved the right to suspend, modify or restrict its underwriting and eligibility guidelines with respect to any line or lines of insurance offered hereunder.

    (b) Program Administrator Functions. Service Bureau understands and agrees that during the term of this Agreement, Hartford will act as administrator for the Program. As program administrator, Hartford may provide the following services with respect to the Target Clients: (i) advertising, soliciting, receiving and responding to inquiries related to the sale and service of insurance policies to Target Clients; (ii) provide insurance quotations to Target Clients; (iii) accept insurance applications; (iv) underwrite coverages (subject to a Target Client's satisfaction of Hartford's underwriting eligibility guidelines); (v) issue insurance policies

and certificates of insurance; (vi) bill and collect insurance premiums; (vii) receive, process, pay and otherwise administer insurance claims; and (viii) handle all usual and customary insurance services typically handled by Hartford in connection with its call center operations, including, but not limited to, policy renewals, nonrenewals and cancellations.

(c) *XACTPAY® Processing System.* Service Bureau acknowledges and agrees that in order to process workers' compensation business using Hartford's XACTPAY® system pursuant to the terms of the Hartford Agreement, Hartford will provide THOMSON REUTERS (TAX & ACCOUNTING) with a "Consent File" daily which THOMSON REUTERS (TAX & ACCOUNTING) file shall pertain only to Target Clients using the XACTPAY® system. THOMSON REUTERS (TAX & ACCOUNTING) shall forward all Consent Files to Service Bureau and Service Bureau shall provide all enrollment information to THOMSON REUTERS (TAX & ACCOUNTING) as requested in the Consent Files. The purpose of the Consent File is to set forth the information required to be provided by THOMSON REUTERS (TAX & ACCOUNTING) in order for Hartford to process XACTPAY® business.

(d) *Billing.* Service Bureau acknowledges and agrees that except for XACTPAY® business, any policies issued by The Hartford in connection with The Program will be directly billed by Hartford under its Total Account Billing System ("TABS").

2. THOMSON REUTERS (TAX & ACCOUNTING) Software Files; Cancellation Matters; Payroll Representatives.

(a) *Payroll, Marketing, Marketing Set-Up and Employee Set-Up Files; EFT Information.* Under the Hartford Agreement, THOMSON REUTERS (TAX & ACCOUNTING) must provide Hartford: (i) on a weekly basis, a Marketing Data file and a Payroll Data file; and (ii) on a daily basis, a Marketing Set-Up file and a Payroll Set-Up file as Consented by Hartford in the Consent File as referenced in Section 1 above in connection with the Program. THOMSON REUTERS (TAX & ACCOUNTING) must update such files so that each contains the most current information of each Client Insured based on THOMSON REUTERS (TAX & ACCOUNTING) records. In order to allow THOMSON REUTERS (TAX & ACCOUNTING) to fulfill its obligations under the Hartford Agreement, Service Bureau hereby agrees to fully cooperate with THOMSON REUTERS (TAX & ACCOUNTING) and to provide all necessary data and information, including, but not limited all data files. Service Bureau further agrees to provide through electronic means such other information as reasonable requested by THOMSON REUTERS (TAX & ACCOUNTING) or Hartford in order to process XACTPAY® workers' compensation business.

(b) *Cancellation Matters.* Service Bureau acknowledges that the accuracy of Hartford's workers' compensation premium calculations depend on the timeliness of payroll-related information being provided by Service Bureau to THOMSON REUTERS (TAX & ACCOUNTING) and then by THOMSON REUTERS (TAX & ACCOUNTING) to The Hartford with respect to each insured Target Client. In that regard, Service Bureau agrees to notify THOMSON REUTERS (TAX & ACCOUNTING) within five (5) days after an insured Target Client ceases to use the XACTPAY® service provided the Target Client notifies Service Bureau in writing of their intent to cease to use the XACTPAY® service and/or Service Bureau payroll service. In the event such written notification is not provided and in order to determine the Target Client's intent in continuing XACTPAY® service and/or Service Bureau's payroll service, Service Bureau agrees that Hartford may contact Target Client within three (3) days after the second consecutive time in which such Client fails to run its normally scheduled payroll or, if sooner, within thirty (30) days' after Hartford fails to receive normally scheduled workers' compensation premium payments. Nothing herein shall be construed to limit Hartford's right to cancel policies of insurance issued under the Program subject to all applicable cancellation and

nonrenewal laws. Service Bureau shall not be responsible to Hartford for workers' compensation premiums earned prior to the effective cancellation date unless Service Bureau is notified by Target Client as provided above and fails to notify THOMSON REUTERS (TAX & ACCOUNTING) within the five (5) day period described above. In the event Service Bureau does not provide proper notification, as specified above, the termination of XACTPAY® service for an insured to Hartford, Service Bureau shall be liable to THOMSON REUTERS (TAX & ACCOUNTING) for earned premiums not paid to Hartford that are associated with the additional time of insurance coverage, if any, caused by the delay in reporting the cancellation notice.

(c) Payroll Representatives. Service Bureau agrees that it will actively promote the XACTPAY® service, which is branded as "Pay-As-You-Go Worker's Compensation" for THOMSON REUTERS (TAX & ACCOUNTING) marketing purposes, to its current and prospective clients. The parties agree, confirm and acknowledge that all insurance transactions contemplated herein will be conducted directly between Target Clients and Hartford. The parties hereto understand and agree that nothing contained in this Agreement and no action taken under this Agreement shall be construed to cause THOMSON REUTERS (TAX & ACCOUNTING) or Service Bureau to be an insurer of any risks or a solicitor, producer, agent, broker or underwriter for any policy written or made available hereunder. Furthermore, Service Bureau agrees that its employees and representatives shall not, in any way, solicit or sell insurance to the Target Clients or hold themselves out to the public as a solicitor, producer, agent, broker or underwriter for any policy written or made available by Hartford under the Program. Service Bureau agrees to comply with all laws applicable to the conduct of its business activities under this agreement.

3. *License Grant; Intellectual Property Ownership*: Service Bureau acknowledges and agrees that THOMSON REUTERS (TAX & ACCOUNTING) and Hartford shall retain all right, title, and interest in and to all intellectual property it obtains by its development or acquisition from a third party, whether outside or under this Agreement, before, during and after the term of this Agreement. Intellectual property includes, but is not limited to: proprietary technologies and processes imbedded in either desktop software or Web-based workflows.

4. *Promotional Materials.* In order to protect the name, reputation, and goodwill of The Hartford and THOMSON REUTERS (TAX & ACCOUNTING) , neither THOMSON REUTERS (TAX & ACCOUNTING) nor Service Bureau shall use Hartford's or Hartford's affiliated companies' names, trademarks, service marks or logos for any purpose whatsoever without the prior express written consent of Hartford.

5. *Royalty Fee.* In consideration of the right to use Service Bureau's payroll data listing of Target Clients and in consideration of the Service Bureau providing THOMSON REUTERS (TAX & ACCOUNTING) with information regarding its Target Clients, THOMSON REUTERS (TAX & ACCOUNTING) agrees to pay Service Bureau a royalty equal to 3.5% of all (both new and renewal) written premiums for policies written under the Program during the term of this Agreement. The royalty payment shall be made to Service Bureau at the address specified at the beginning of this Agreement, on a quarterly basis as follows: on or before April 30 (for the first quarter), on or before July 31 (for the second quarter), on or before October 31 (for the third quarter), and on or before January 31(for the fourth quarter). THOMSON REUTERS (TAX & ACCOUNTING) will make all computations based on information provided by Hartford on royalty payments. Such payments shall constitute payments solely for the Service Bureau providing information regarding its Target Clients to THOMSON REUTERS (TAX & ACCOUNTING) and shall in no manner be considered compensation or reimbursement for the sale, solicitation, negotiation, or effectuation of a contract of insurance or as income from a partnership or joint venture. The parties, in good faith, agree to make an appropriate adjustment to the royalty

payments due hereunder as a result of any policies of insurance cancelled during the first policy year. Service Bureau understands and agrees that Hartford shall have no obligation to pay any royalty or other fee to Service Bureau with respect to the Program.

6. Term. The term of this Agreement shall be continuous commencing on
_____ and shall continue until terminated by either party in accordance with the following: this Agreement may be terminated with or without cause by either party by giving one hundred eighty (180) days' prior written notice thereof to the other party. This Agreement shall be terminated immediately per the termination of the Hartford Agreement. This Agreement shall remain in effect until so terminated. This Agreement is subject to Hartford's approval of Service Bureau's application to participate in the Program. In the event that Hartford does not approve Service Bureau for participation in the Program, this Agreement shall terminate immediately. Any such termination shall not relieve Hartford or any other person or entity of any liability under any of the insurance policies written under the Program prior to the effective date of such termination.

7. Confidentiality. THOMSON REUTERS (TAX & ACCOUNTING) and Service Bureau agree that all of their non-public records (including, but not limited to, all businesses set forth in any marketing and payroll files), data and information containing or otherwise reflecting their internal affairs ("Confidential Information") which are acquired or made available to the other party (the "recipient party") will be held and treated by the recipient party or their agents, employees and representatives in confidence and will not, without the prior written consent of the transmitting party, be disclosed by the recipient party or its agents, employees or representatives to any person (other than Hartford) and will not be used by the recipient party other than in connection with the Program and activities contemplated by this Agreement and by the Hartford Agreement. Confidential Information provided to the recipient party shall not be used by the recipient party to the detriment of any other party hereto. In the event of a breach or threatened breach of these provisions, the injured party shall be entitled to seek both: (i) a preliminary or permanent injunction in order to prevent the continuation of such harm; and (ii) money damages insofar as they can be determined. Nothing in this Agreement shall be construed to prohibit the injured party from also pursuing any other remedy, the parties having agreed that all remedies shall be cumulative.

8. Non-solicitations. Nothing contained herein and no action taken hereunder shall be construed to cause THOMSON REUTERS (TAX & ACCOUNTING) or Service Bureau to be an insurer of any risks or a solicitor, producer, agent, broker, or underwriter for any policy written or made available hereunder.

9. Relationship of the Parties. The relationship of THOMSON REUTERS (TAX & ACCOUNTING) and Service Bureau to each other is that of independent contractors. Nothing herein shall create any association, joint venture, partnership or agency relationship of any kind between the parties. Neither party is authorized to incur any liability, obligation, or expense on behalf of the other, to use the other's monetary credit in conducting any activities under this Agreement, or to represent that THOMSON REUTERS (TAX & ACCOUNTING) or the Service Bureau is in the business of providing, selling, soliciting, or effecting the insurance products and/or insurance-related services.

10. Ownership of Expirations. Service Bureau acknowledges and agrees that Hartford shall own all right, title and interest in and to all policy expirations and records related thereto which are associated with the sale of Hartford's insurance policies under the Program.

11. Limitation of Liability. IN NO EVENT SHALL ANY PARTY HERETO BE LIABLE TO THE OTHER OR OTHERS FOR LOST PROFITS OR SPECIAL, INCIDENTAL OR

CONSEQUENTIAL DAMAGES ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

12. *Arbitration.* Any controversy or claim arising out of or relating to this Agreement or the breach thereof, shall be settled by arbitration in Connecticut in accordance with the commercial arbitration rules of the American Arbitration Association. Each party will pay its own costs and expenses associated with the arbitration, including its own attorneys' fees. All costs and expenses necessary to utilize the arbitration services of the American Arbitration Association including, but not limited to, the place in which the arbitration is held and the costs and expenses of the arbitrator, shall be shared equally by the parties. The parties agree that the arbitrator shall be released from judicial formalities and shall not be bound by strict rules of procedures and evidence; provided, however, all testimony shall be transcribed and the arbitrator's award shall be accompanied by findings of fact and a statement of the reasons for his or her decision. The decision of the arbitrator shall be final and binding on both parties. Judgment upon the award rendered by the arbitrator may be entered and enforced in any court of competent jurisdiction. All matters relating to such arbitration, including the terms of any settlement or award, shall be maintained in strict confidence by the parties. Except as provided for by law, the parties agree that in no event shall the arbitrator be allowed to award, nor shall he or she award, punitive, exemplary or consequential damages of any nature whatsoever or any other form of damages against a party hereto, except for direct damages. Except as provided for by law, each party hereto hereby waives its right to consent punitive, exemplary and/or consequential damages of any nature whatsoever (including, but not limited to, any loss of profits, loss of business, loss of data or interruption of business) save and except for direct damages. Subject to the foregoing, the parties hereto agree to be bound by the results of the arbitration. _____ Initialed on behalf of Service Bureau _____ Initialed on behalf of THOMSON REUTERS (TAX & ACCOUNTING).

13. *Applicable law:* This Agreement is entered into, made, and delivered in the State of Connecticut and the parties agree shall be interpreted and construed under Connecticut law.

14. *Amendments; Waiver.* This Agreement may be amended, modified or supplemented at any time by written agreement duly signed by the persons authorized to sign agreements on behalf of THOMSON REUTERS (TAX & ACCOUNTING) and Service Bureau. Any failure by either party hereto to comply with any term or provision of this Agreement may be waived by the other party at any time by an instrument in writing signed by or on behalf of such other party, but such waiver shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure to comply.

15. *Binding Effect; Assignment.* This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors and permitted assigns. Except as contemplated herein, this Agreement and each party's rights, duties and obligations under this Agreement are not transferable or assignable without the prior express written consent of the other party. Any attempt to transfer or assign this Agreement or any of its rights, duties or obligations under this Agreement without such consent is void.

16. *Notices.* Any notice under this Agreement shall be considered sufficiently given if (a) personally delivered, (b) sent prepaid using a nationally known carrier of overnight mail, or (c) deposited in the United States mail, postage prepaid, sent certified or registered mail, addressed at the addresses set forth above. Either party may change the address to which notices should be sent by written notice to the other party in compliance with this paragraph.

17. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes and replaces all prior and contemporaneous agreements, oral or written, between the parties relating thereto.

18. Severability. All provisions of this Agreement are severable. If any provision or portion hereof is determined to be unenforceable, then the remaining portions of the Agreement shall remain in full effect.

19. Counterparts; Construction. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same instrument. The parties acknowledge that this Agreement has been prepared and drafted through the efforts of the parties hereto and agree that in the interpretation, construction and enforcement of the terms and conditions of this Agreement, there will not be applied against any party the normal rule of construction that vague or ambiguous terms are to be construed against the drafting party.

20. Headings. The descriptive headings of this Agreement are intended for reference only and do not affect the construction, meaning or interpretation of this Agreement.

21. Non-exclusivity. The agreements and rights hereunder are non-exclusive and each party shall have the right, without liability or accountability to the other, to engage in its own business activities, alone or in conjunction with contractual relationships with others.

IN WITNESS HEREOF, **the parties hereto have caused this Agreement to be executed by their respective duly authorized representatives on the dates set forth below.**

On behalf of "SERVICE BUREAU"

By:_____

Printed: _____

Title: _____

Date:_____

On behalf of "THOMSON REUTERS (TAX & ACCOUNTING)"

By:_____

Printed: _____

Title: _____

Date:_____

Workers' Compensation Inclusions & Exclusions Chart

State	Exclude Premium Overtime	Shift Differential On call Premium Pay	Exclude Tips	Employee Payments for Salary Reduction	Excludable Bonuses	Vacation Pay	Holiday Pay	Sick Pay	Exclude Unearned Severance Pay	Exclude Third-Party Sick Pay		Employee Payroll Limitation
AL	Yes	Include	Yes	Include	None	Incl.	Incl.	Incl.	Yes	Yes		No
AK	Yes	Include	Yes	Include	None	Incl.	Incl.	Incl.	Yes	Yes		No
AZ	Yes	Include	Yes	Include	None	Incl.	Incl.	Incl.	Yes	Yes		No
AR	Yes	Include	Yes	Include	None	Incl.	Incl.	Incl.	Yes	Yes		No
CA	Yes	Include	Yes	Exclude	None	Incl.	Incl.	Incl.	Yes	Yes		No
CO	Yes	Include	Yes	Include	None	Incl.	Incl.	Incl.	Yes	Yes		No
CT	Yes	Include	Yes	Include	None	Incl.	Incl.	Incl.	Yes	Yes		No
DE	No	Include	Yes	Include	None	Incl.	Incl.	Incl.	Yes	Yes		No
DC	Yes	Include	Yes	Include	None	Incl.	Incl.	Incl.	Yes	Yes		No
FL	Yes	Include	Yes	Include	None	Incl.	Incl.	Incl.	Yes	Yes		No
GA	Yes	Include	Yes	Include	None	Incl.	Incl.	Incl.	Yes	Yes		No
HI	Yes	Include	Yes	Include	None	Incl.	Incl.	Incl.	Yes	Yes		No
ID	Yes	Include	Yes	Include	None	Incl.	Incl.	Incl.	Yes	Yes		No
IL	Yes	Include	Yes	Include	None	Incl.	Incl.	Incl.	Yes	Yes		No
IN	Yes	Include	Yes	Include	None	Incl.	Incl.	Incl.	Yes	Yes		No
IA	Yes	Include	Yes	Include	None	Incl.	Incl.	Incl.	Yes	Yes		No
KS	Yes	Include	Yes	Include	None	Excl.	Excl.	Excl.	Yes	Yes		No
KY	Yes	Include	Yes	Include	None	Incl.	Incl.	Incl.	Yes	Yes		No
LA	Yes	Include	Yes	Include	Unanticipated Bonus & Profit Sharing	Incl.	Incl.	Incl.	Yes	Yes		No
ME	Yes	Include	Yes	Include	None	Incl.	Incl.	Incl.	Yes	Yes		No
MD	Yes	Include	Yes	Include	None	Incl.	Incl.	Incl.	Yes	Yes		No
MA	Yes	Include	Yes	Include	None	Incl.	Incl.	Incl.	Yes	Yes		No
MI	Yes	Include	Yes	Include	None	Incl.	Incl.	Incl.	Yes	Yes		No
MN	Yes	Include	Yes	Include	None	Incl.	Incl.	Incl.	Yes	Yes		No
MS	Yes	Include	Yes	Include	None	Incl.	Incl.	Incl.	Yes	Yes		No
MO	Yes	Include	Yes	Include	None	Incl.	Incl.	Incl.	Yes	Yes		No
MT	Yes	Include	Yes	Include	None	Incl.	Incl.	Incl.	Yes	Yes		No
NE	Yes	Include	Yes	Include	None	Incl.	Incl.	Incl.	Yes	Yes		No
NV	No	Include	No	Include	None	Incl.	Incl.	Incl.	No	Yes		40,930
NH	Yes	Include	Yes	Include	None	Incl.	Incl.	Incl.	Yes	Yes		No
NJ	Yes	Include	Yes	Include	None	Incl.	Incl.	Incl.	Yes	Yes		No
NM	Yes	Include	Yes	Include	Safety Bonus	Incl.	Incl.	Incl.	Yes	Yes		No
NY	Yes	Include	Yes	Include	None	Incl.	Incl.	Incl.	Yes	Yes		No
NC	Yes	Include	Yes	Include	None	Incl.	Incl.	Incl.	Yes	Yes		No
ND	Monopolistic State											
OH	Monopolistic State											
OK	Yes	Include	Yes	Include	None	Incl.	Incl.	Incl.	Yes	Yes		No
OR	Yes	Include	Yes	Include	Unanticipated & Safety Bonus Profit Sharing	Excl	Excl		Yes	Yes		No
PA	No	Include	Yes	Include	None	Incl.	Incl.	Incl.	Yes	Yes		No
RI	Yes	Include	Yes	Include	None	Incl.	Incl.	Incl.	Yes	Yes		No
SC	Yes	Include	Yes	Include	None	Incl.	Incl.	Incl.	Yes	Yes		No
SD	Yes	Include	Yes	Include	None	Excl	Excl	Excl	Yes	Yes		No

Workers' Compensation Inclusions & Exclusions Chart

State	Exclude Premium Overtime	Shift Differential On call Premium Pay	Exclude Tips	Employee Payments for Salary Reduction	Excludable Bonuses	Vacation Pay	Holiday Pay	Sick Pay	Exclude Unearned Severance Pay	Exclude Third-Party Sick Pay		Employee Payroll Limitation
TN	Yes	Include	Yes	Include	Bonuses & Profit Sharing	Incl.	Incl.	Incl.	Yes	Yes		No
TX	Yes	Include	Yes	Include	Safety Award	Incl.	Incl.	Incl.	Yes	Yes		No
UT	Yes	Include	Yes	Include	None	Incl.	Incl.	Incl.	Yes	Yes		No
VT	Yes	Include	Yes	Include	None	Incl.	Incl.	Incl.	Yes	Yes		No
VA	Yes	Include	Yes	Include	None	Incl.	Incl.	Incl.	Yes	Yes		No
WA	Monopolistic State											
WV	Monopolistic State											
WI	Yes	Include	Yes	Include	None	Incl.	Incl.	Incl.	Yes	Yes		No
WY	Monopolistic State											

A. Overtime
1. Definition
Overtime means those hours worked for which there is an increase in the rate of pay:
a. For work in any day or in any week in excess of the number of hours normally worked, or
b. For hours worked in excess in 8 hours in any day or 40 hours in any week, or
c. For work on Saturdays, Sundays, or holidays.

Note: Forms of incentive pay commonly referred to as "shift differential" or "premium pay" associated with working other than normal shift hours during the standard work week are not to be considered overtime.

2. Exclusion of Overtime Payroll
a. Payroll Records
The extra pay for overtime shall be excluded from the payroll on which premium is computed in (1) or (2) below, provided the insured's books and records are maintained to show pay separately by employee and in summary by classification.
(1)   If the records show separately the extra pay earned for overtime, the entire extra pay shall be excluded.
(2)   If the records show the total pay earned for overtime (regular pay plus overtime pay) in one combined amount, and time and one-half is paid for overtime, 1/3 of this total pay shall be excluded. If double time is paid for the total pay and the total pay for such is recorded separately, 1/2 of the total pay for double time shall be excluded.

B. Third Party Sick Pay
1. Definition
Where sick pay benefits are paid by an insurance company or other third party to an employee.

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