PAYROLL SERVICE PROVIDER SUPPLEMENTAL

For payroll service providers, reporting agents, and payroll bureaus that process clients' wages, direct deposits, and payroll tax deposits and filings without co-employing workers. PEOs use CWCO-SUP-PEO; staffing firms use CWCO-SUP-STAFF. Complete with ACORD 125. Attach a sample client service agreement, the funds-flow diagram (client to trust account to employees and tax agencies), the latest SOC 1 report, audited or reviewed financials, and five years of loss runs.

1 APPLICANT / BUSINESS INFORMATION

LEGAL BUSINESS NAME | DBA | FEIN | YEARS IN BUSINESS

BUSINESS ADDRESS | CITY / STATE / ZIP | WEBSITE

Entity type:
☐ Sole proprietor ☐ Partnership ☐ LLC ☐ Corporation ☐ Nonprofit

PRIMARY CONTACT / TITLE | PHONE | EMAIL

PAYROLL SOFTWARE / PLATFORM | ODFI / PROCESSING BANK | IRS ARRANGEMENT (PSP, REPORTING AGENT, 3504 AGENT)

2 OPERATIONS

Book of business:
☐ Client employers ☐ Employees paid per year ☐ States filed in ☐ Largest client (employees) ☐ Payroll runs per month

ANNUAL PAYROLL PROCESSED ($) | ANNUAL TAX DEPOSITS MADE FOR CLIENTS ($) | LARGEST SINGLE-DAY FUNDS HELD ($)

Services (check all that apply):
☐ Payroll processing ☐ Direct deposit / ACH origination ☐ Payroll tax deposits and filings ☐ W-2 / 1099 preparation ☐ Time and attendance
☐ Benefits / 401(k) administration ☐ Pay cards or earned-wage access ☐ HR outsourcing (no co-employment)

2-1 Do any clients' funds pass through accounts owned by the applicant? ☐ Yes ☐ No
IF YES, EXPLAIN

3 EXPOSURE & RISK QUESTIONS — CLIENT FUNDS, ACH & FIDELITY

In 2019 MyPayrollHR's owner diverted about $35 million of client payroll by changing ACH instructions; when his bank froze the accounts, roughly $26 million was pulled back from employees at more than 1,000 companies.

3-1 Are client funds held in segregated trust accounts that are not used for operations? ☐ Yes ☐ No
IF NO, EXPLAIN

3-2 Are trust accounts reconciled daily by someone other than the person who initiates payments? ☐ Yes ☐ No
IF NO, EXPLAIN

3-3 Do changes to ACH files or bank instructions require two people to approve? ☐ Yes ☐ No
IF NO, EXPLAIN

3-4 Do owners or officers have sole authority to move client funds? ☐ Yes ☐ No
IF YES, EXPLAIN

3-5 Are client funds ever used to cover other clients' payrolls or the applicant's expenses? ☐ Yes ☐ No
IF YES, EXPLAIN

3-6 Has the applicant borrowed against receivables or client funds? ☐ Yes ☐ No
IF YES, EXPLAIN

3-7 Is any client paid before its funds have cleared? ☐ Yes ☐ No
IF YES, EXPLAIN

3-8 Are employees with access to funds background-checked? ☐ Yes ☐ No
IF NO, EXPLAIN

This supplemental is an intake document. It does not replace any carrier application and affords no coverage.

3-9 Are requests to change an employee's direct deposit account verified by call-back? ☐ Yes ☐ No
IF NO, EXPLAIN

3-10 Has a bank frozen, reversed, or held the applicant's payroll funds in the past 5 years? ☐ Yes ☐ No
IF YES, EXPLAIN

4 EXPOSURE & RISK QUESTIONS — TAX FILING ERRORS, DATA & CONTRACTS

Clients remain liable to the IRS for taxes their provider failed to deposit, plus penalties and interest, so a provider's filing errors come back as client claims. Reporting agents must tell clients in writing that they remain responsible.

4-1 Can clients view their own EFTPS tax deposits? ☐ Yes ☐ No
IF NO, EXPLAIN

4-2 Does the applicant pay penalties caused by its own filing or deposit errors? ☐ Yes ☐ No
IF YES, EXPLAIN

4-3 Have tax deposits been late or missed for any client in the past 3 years? ☐ Yes ☐ No
IF YES, EXPLAIN

4-4 Does the applicant redirect clients' IRS or state mail to its own address? ☐ Yes ☐ No
IF YES, EXPLAIN

4-5 Do client contracts cap the applicant's liability for errors? ☐ Yes ☐ No
IF NO, EXPLAIN

4-6 Has a SOC 1 Type II audit been completed in the past 12 months? ☐ Yes ☐ No
IF NO, EXPLAIN

4-7 Is multi-factor authentication required for all client and staff portal access? ☐ Yes ☐ No
IF NO, EXPLAIN

4-8 Are Social Security numbers and bank account data encrypted at rest? ☐ Yes ☐ No
IF NO, EXPLAIN

4-9 Has the applicant had a data breach or ransomware event in the past 5 years? ☐ Yes ☐ No
IF YES, EXPLAIN

4-10 Do resellers or accountants sell the applicant's services under their own name? ☐ Yes ☐ No
IF YES, EXPLAIN

5 PAYROLL, SALES & REVENUE

ANNUAL GROSS REVENUE ($)	FLOAT / INTEREST INCOME ($)	TOTAL ANNUAL PAYROLL ($)	EMPLOYEES

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6 PRIOR INSURANCE & LOSS HISTORY

Attach currently valued loss runs for the last 5 years.

E&O CARRIER / LIMIT	CRIME / FIDELITY LIMIT (INCL. CLIENT PROPERTY)	CYBER LIMIT

DATE OF LOSS	DESCRIPTION	TOTAL INCURRED ($)	OPEN / CLOSED

6-1 Has a client claimed losses from a payroll or tax error in the past 5 years? ☐ Yes ☐ No
IF YES, EXPLAIN

6-2 Has the applicant suffered a fraudulent funds transfer or employee theft? ☐ Yes ☐ No
IF YES, EXPLAIN

6-3 Has any carrier declined, cancelled, or non-renewed coverage for this operation in the past 5 years? ☐ Yes ☐ No
IF YES, EXPLAIN

6-4 Is the applicant aware of any incident or circumstance that could give rise to a claim? ☐ Yes ☐ No
IF YES, EXPLAIN

7 RISK MANAGEMENT & SAFETY

7-1 Are client tax deposits matched to filed returns every quarter? ☐ Yes ☐ No
IF NO, EXPLAIN

7-2 Is there a written incident response plan for payroll that cannot be funded on time? ☐ Yes ☐ No
IF NO, EXPLAIN

7-3 Are users' access rights to payment systems reviewed at least quarterly? ☐ Yes ☐ No
IF NO, EXPLAIN

8 SIGNATURE & FRAUD WARNING

The undersigned declares that the statements and answers given in this supplemental are true, complete and correct to the best of their knowledge, and that no material fact has been withheld or misstated. The applicant agrees that this supplemental, together with all ACORD applications and attachments, forms the basis of any submission to insurers and may be relied upon by them. Signing this supplemental does not bind coverage. This supplemental is an intake document prepared by Cory Washington & Co. LLC to support carrier submission; it does not itself provide coverage.

FRAUD NOTICE: Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance containing any materially false information, or conceals for the purpose of misleading information concerning any fact material thereto, may be committing a fraudulent insurance act, which is a crime and may subject such person to criminal and civil penalties. State-specific fraud warnings appear on the insurer's application.

APPLICANT / AUTHORIZED SIGNATURE (TYPE FULL NAME)	TITLE	DATE

PRODUCER — CORY WASHINGTON & CO. LLC	PRODUCER SIGNATURE (TYPE FULL NAME)	DATE