

# Staffing Insurance News



NEWSLETTER JANUARY 2011

## Professional Liability and the Staffing Firm

In recent times, reducing overhead and cutting costs have become mantras for most business owners – in many instances, those cuts can make the difference between success and failure. When it comes to reducing overhead, insurance is often targeted; business owners see some policies as unnecessary evils and somewhat intangible. While paying the premium can be frustrating, they are intensely relieved when the policy is there when they need it.

Workers Compensation and general liability (GL) insurance are givens, and the most often purchased policies by a staffing firm. More commonly overlooked or disregarded is the Errors and Omissions policy – aka Professional Liability insurance. The need for this coverage is often misunderstood; we know that accidents happen, but we don't like to think that we can make expensive mistakes. After all, we labor to put procedures in place, train staff on those procedures and keep them up to date. We check those procedures regularly and believe our staff won't make costly or damaging mistakes. Then we cross your fingers that all of these cogs keep running smoothly. Simple right?

Business owners should know that it wasn't by chance that the first E&O policy for the staffing industry was designed and introduced by World Wide back in the 1960's – it was by design. One mistake by a staffing firm owner almost caused him to lose his business, and the incident threw a spotlight on this previously unknown exposure. Over the decades, World Wide's coverage has evolved and expanded to keep up with an ever-increasing exposure.

Just what should an E&O policy cover?

Your employees: Temporary Workers, Contract Labor, and Contingent Workforce. As an employer, you are responsible for their actions as well as their mistakes.

In-house staff: Not too long ago, mailing or faxing résumés to a candidate's current employer was common, with occasional delivery problems for the candidate. Today, we use the Internet. Think for a moment: What are the chances of a quick click sending information to the wrong party?

Temporary staff: Internet searches for information about candidates or clients sometimes replace the formal required interview. Background checks are easily accessed through the web, but more often than not, some companies bypass this procedure. So, how can you be sure that person is who they say they are? The client expects you to screen and confirm previous employment, residence, skills, and training. The disclaimer "We don't perform background checks unless you ask" is not always defensible, for a few reasons: a multitude of providers perform this service today, and a client can and will conduct their own check – often only after a problem has occurred.

Unusual situations can arise that also highlight the need for an E&O policy. Consider this recent claim: a staffing firm associate was working with a candidate via e-mail. The candidate asked how to answer questions in an interview, including questions about salary. (The salary in the position was at a higher level than their pay grade and salary history.) The candidate was instructed, in writing, to give inaccurate and misleading information. After the candidate was hired, the client requested copies of the file and work that had been done in connection with the fee. This inevitably resulted in firing of the now employee, who had relocated.

The lawsuit from both parties, the candidate and the staffing firm employee, was settled for \$200K.

For more information on Errors and Omissions and all other insurance coverage for the Staffing Industry contact World Wide Specialty Programs at 631-390-0900 or visit our website at [wwspi.com](http://wwspi.com). We make it our responsibility to educate the staffing industry. We are proud to be an ASA Corporate Partner.

Dorothy Taylor is the President/CEO of World Wide Specialty Programs. She can be contacted by e-mail at [dtaylor@wwspi.com](mailto:dtaylor@wwspi.com).



World Wide Specialty Programs, Inc. · World Wide New York Insurance Services, Inc. - CA, NH, TX  
Melville, NY 11747 · 631-390-0900 · 800-245-9653 · [wwspi.com](http://wwspi.com)

*This document is advisory in nature. It is offered as a resource to be used together with your professional insurance advisors in maintaining a loss prevention program. No liability is assumed by reason of the information this document contains. No articles may be reproduced or republished in whole or in part without permission from World Wide Specialty Programs, Inc. Form # 01-2011*