

# Staffing Insurance News



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## The art of expansion: Look before you leap, then leap!

As the economy stabilizes, the horizon is full of brand-new business opportunities. This is welcome news for staffing firms who have weathered the recession and are focused on new business avenues. Growth, however, can also give rise to a new set of questions: namely, where to expand, how fast to expand, and how to explore new business segments successfully. As the economic cogs swing back into motion, it pays for your firm to be as informed as it can be.

Over the last two quarters, staffing firms have seen a gradual uptick in business and demands for increased staff and services. Because the industry has been dormant for a while, the industry has unbridled enthusiasm for these new opportunities that lead into exciting but unfamiliar territory. In a few words, growth is good. As they say, "yes" to meeting the staffing needs of new sectors, firms also need to sort out how to evolve and adapt, both operationally and with regards to insurance. Managing expanded services, payroll increases, and increased staffing levels is an invigorating balancing act that requires self-education and due diligence.

One of the trends is that of vendor management systems (VMS), which offer an attractive, automated way to reach a broader clientele. VMS can compel staffing firms to diversify their own talent pools to meet the needs of new industries. Does your insurance cover your company when working with a VMS? The VMS becomes the direct contact and business negotiator between you and a new client. Usually the contract you sign with a VMS transfers all liability to you. You may find your company is liable for things you never imagined.

With a VMS, be sure you understand what is required of you up front. In the past, you may have been accustomed to asking clients to perform background checks. If the arrangement now requires your firm to perform those checks, make sure you have procedures in place to do this. For instance, if you are pulling from your existing talent pool, when was the last time you performed a background check on those individuals – and will that suffice? Consider working with your attorney to develop language for your agreement to reinforce what you are responsible for, and what you have agreed to.

From a WC perspective, you may normally perform a site inspection of a new workplace for a client obtained. The contract you sign with the VMS may preclude you from inspecting the client site. Loss reporting procedures may also need to be retooled – how you are notified, who notifies you, and when – late loss reports to your insurance carrier could negatively impact your coverage and experience mod. You just need to address any necessary changes to your business operating procedures.

New work programs present another opportunity for staffing industry growth. Public agencies select service providers who are able to include contract specific coverage requirements within their insurance policy. Be sure your policy is broad enough to cover those requirements before you sign any agreements.

How do you ensure your firm is ready for growth? You need to plan. Your plan will not only include the clients but the employees you expect to place. Your employees are your product; if the product is poor your planned growth will cost you clients, not just new clients, but existing clients too. You may also become embroiled in lawsuits as a result of expanding beyond your insurance coverages and or with the addition of below your established standards for employees. Enlist your attorney and insurance broker to review the contracts you are considering will keep you apprised of any additional or different risks you may expose your company to. This is an exciting time, a time to grow, just be sure you grow with confidence.

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