

ERRORS & OMISSIONS

RISK MANAGEMENT ALERT

Make Sure That Contract Workers Know and Understand Your Agency

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Classification of 1099 workers is controlled by federal and state law. Employees and 1099s should be properly classified to avoid any employment law and/or IRS violations.

Regardless of how your staff is classified, they all represent your agency, and their errors or omissions can impact your customers and your business. There are benefits to using experienced contract employees from staffing agencies or 1099s. However, while they may have years of industry experience, they may not have knowledge of your agency's practices and procedures.

Training and monitoring are important for all staff, including experienced 1099s and contract workers.

It's dangerous to presume that, because your 1099 or contract worker has years of experience in an insurance agency, they understand your procedures. During the onboarding of a new employee, determine his/her knowledge of the following:

- industry best practices
- familiarity with your agency's management system
- current trends in the industry

Consider the following:

- Maintain an agency procedure manual for all staff to follow
- Host regular training events, lunch and learns, etc., to ensure all staff is up-to-date on current information
- Include 1099 and contract worker accounts in your agency's file review policy

If your application for E&O coverage requires it, include all of your 1099s and contract workers' names, positions and years of experience. This gives the underwriter, in part, the necessary information to properly review your agency staff and their experience levels. This also reduces undisclosed potential sources of E&O claims that can cause you issues at a later date.

TAKEAWAYS: Always include 1099s and contract workers in your staff training and file review practices.

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