

Examining Temporary Staffing Agency Risks



There are many reasons to utilize the services of a temporary staffing agency. Like all outsourced business services, temporary staffing agencies can help contain overhead costs while saving time and money on recruiting efforts for host employers.

Since temporary staffing agencies screen personnel before sending them to host employers, companies should be reasonably confident they will receive quality candidates. In addition, temporary staffing agencies have a pool of employees who are available on short notice to host employers.

As in all relationships, the one joined by a temporary staffing agency and a host employer is more likely to be successful if both parties have a clear understanding of their respective roles.

For example, a temporary staffing agency should be able to expect temporary employees will be treated with the same dignity and respect accorded permanent employees. Host employers should be able

to expect temporary employees will be knowledgeable regarding appropriate behavior in an office environment.

Coverage for temporary workers

Insurance coverage is another area requiring a clear understanding up front to ensure all parties — the temporary staffing agency, the host employer and the temporary worker — have proper coverage in the event of an insurance claim. Here are a few guidelines for host employers and temporary staffing agencies:

General Liability — A host employer's commercial general liability policy will apply if a temporary employee sues the company for bodily injury when the host employer is found at fault. Loss

experience can be protected by obtaining an indemnification/hold harmless agreement, while being named as an additional insured on the temporary staffing agency's commercial general liability and auto liability policies.

Workers' Compensation Insurance — The temporary staffing agency should be required to purchase workers' compensation insurance on employees it supplies to a host employer. In addition, the policy should include:

Waiver of Subrogation — The temporary staffing agency's workers' compensation carrier should waive its rights of subrogation against the host employer in the event it pays a loss which, it might be argued, is the host employer's fault.

Alternate Employer Endorsement — The host employer should require the temporary staffing agency to add its organization as an "alternate employer" on its workers' compensation policy. This helps to clarify the employee is covered by the

temporary staffing agency's workers' compensation insurance program.

Third Party Bodily Injury, Property Damage & Personal Injury — The host employer's commercial general liability and auto liability insurance program will apply to claims made against it. If the temporary employee will be operating a motor vehicle while on company business, a well-written contract should clarify where this coverage will come from.

Temporary worker risks

Following are additional risk and insurance considerations when hiring temporary workers:

Auto — Auto risks are not just limited to a temporary employee driving on a host employer's behalf, but also to incidents, which may occur while the employee is driving on the premises/parking lot. If an accident occurs and the host employer is charged in a lawsuit due to the temporary

employee's negligence, it is advisable to confirm the presence of insurance coverage (other than the organization's) that can be triggered to protect its interests.

Theft — A temporary employee's theft of money or inventory is an insurable exposure as part of a commercial crime program with legal liability coverage.

Professional Liability — A temporary employee providing professional services may make an error or omission causing third-party economic damages. If applicable, the host employer should require the temporary staffing agency to insure its professionals' work.

Negligent Entrustment — Negligent entrustment refers to an organization's liability for permitting employees to drive while on company business. As an example, when it comes to texting, it represents allegations of negligence because the host employer did not instruct employees they are not allowed to read or respond to text

messages while driving. An auto insurance policy does not exclude coverage for allegations of negligent entrustment. Therefore, if a host employer is sued for allowing a poor driver to drive on company business, the organization will be covered.

Of course, temporary staffing agencies and host employers share control over the temporary employee. Therefore, they are both responsible for the temporary worker's safety and health. The temporary staffing agency and the host employer should establish their respective responsibilities for compliance with applicable OSHA standards in their contract. 📌

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