

# Frequently asked questions by startup businesses

## Staffing

### **Do I need to have a legal business name before obtaining a quote?**

Yes, an insurance policy quote needs to list the correct named insured, so it is important to make sure your business entity is properly filed and a federal employer id number is secured prior to obtaining a quote.

### **Is it necessary to file my business entity in all the states where my employees work?**

In most cases, yes. Many states require companies to properly file their entities if employees will be performing work there. Some states will not issue a workers' compensation policy under your business entity name until this registration is completed. You should check with your local state(s) to confirm the requirements.

### **Why does the carrier require a completed insurance application?**

The application gathers specific information about placements, revenue, number of employees (both internal and temporary), payroll, and other important variables. This information is necessary for the carrier to properly analyze your business exposures.

### **Why are the business owner's resume, business plan, and pro-forma (forward looking) financials necessary to quote insurance for a new venture?**

Insurance carriers rate based on perceived exposure to loss. Since carriers are not able to view how you have managed the business in the past or prior claims reports, they utilize this information to review your experience within the industry. Carriers also use this information to determine how you plan to manage and grow your business, as well as how you will be able to fund this new operation.

### **Why is it important to know which states my employees will be working in for a workers' compensation policy?**

Each state assigns a specific rate to a workers' compensation class code. Although your employees might be performing the exact same job, the rates vary by state.



## Does my workers' compensation policy cover all states?

It is imperative to check with your broker before placing an employee in a new state. Your broker will ensure that your carrier is properly informed. Certain states will require you to work directly with their state program to secure coverage, and others require that a state be manually listed on your policy for coverage to exist.

## What if I decide to make a placement outside of my niche or a type of placement I did not originally disclose to my insurance broker?

Before making the placement, you will need to have a conversation with your broker to confirm that the carrier is comfortable with the placement. Depending on the position and exposures, the carrier may choose not to insure this type of placement.

## What if my estimated workers' compensation payrolls are different than the actual payrolls?

After your policy expires, your insurance carrier will conduct an audit to validate the payroll was paid out during that policy period. The carrier will then determine if a refund or additional premium is due. Many carriers offer pay-as-you-go workers' compensation policies, allowing you to pay premiums in real-time based on actual payroll data.

## How do I report 1099 (independent contractor) employee payroll to my insurance carrier for general liability, workers' compensation, etc.?

As a business owner, you'll be required to obtain a copy of your 1099 employee(s) certificate of insurance outlining the coverages in force (general liability, workers' compensation, etc.). This ensures their payroll does not get reported under your business operations. Although 1099 employees are typically viewed as self-employed, if you're not able to obtain a certificate of insurance, their payroll will become your responsibility, and the carrier will charge an additional premium based on the reported payroll.

## What is a waiver of subrogation and why do I need it for my general liability, workers' compensation, etc.?

Contracts often require that you obtain a waiver of subrogation to satisfy the insurance requirements. This means your insurer relinquishes the right to collect from the party you're contracted with for damages paid on behalf of your business, regardless of fault. This is also referred to as a transfer of rights of recovery. This endorsement may be available on a blanket basis for all eligible contracts and may result in an additional premium.



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## Should I sign a contract with a potential client before reviewing the insurance requirements?

No, it is important to review the insurance requirements first, as the additional premium could affect your cost of doing business. In addition, you want to ensure the correct insurance limits are in place to avoid a breach of contract with your client.

## What is an alternate employer endorsement?

When an entity is scheduled as an alternate employer, this endorsement can be added to the workers' compensation policy to provide that entity with primary workers' compensation and employer liability coverage as if it were an insured on the policy. This protects the alternate employer (your customer) from claims brought against them by your employee.

## How are temporary staffing employees classified under a workers' compensation policy?

In workers' compensation, temporary staffing employees are classified based on the governing class code in which they're working. This is determined by the majority of payroll, excluding standard exception classes (such as clerical, drivers, or sales). Consider what the company, where the temporary employee is being placed does (e.g., construction, manufacturing, retail), what the temporary employee will be doing, and whether their job duties fall into standard exception classifications.

## What is a professional employer organization (PEO)?

A PEO is a firm that provides a service allowing your business to outsource certain employee management tasks, such as employee benefits, payroll, workers' compensation, recruiting, risk/safety management, as well as training and development. The PEO effectively becomes the employer of record for tax and insurance purposes through a process known as joint or co-employment. A key advantage of using a PEO for workers' compensation insurance coverage is that they can often obtain it at a lower cost than your business could on an individual basis. The PEO negotiates insurance coverage that includes both the PEO and your business.



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