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Virtual assistants save cash

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Q: We run a marketing agency that wants to grow by adding people, but not expanding our bricks-and-mortar facilities. If we hire full-time and part-time telecommuters in California and in other states, do we need to purchase workers' comp insurance? How about other types of liability insurance?

Eager to expand in S.F.

A: You need workers' comp coverage for all employees - no matter whether they are working 40 hours a week in your main office, 20 hours a week in their own homes, or one hour a week at the corner Starbucks.

You would *not* need workers' comp coverage if these folks were independent contractors. But keep in mind that the Internal Revenue Service and state tax officials have very strict rules for what constitutes an independent contractor.

You can't simply declare someone a contractor as a way to get out of paying workers' comp or employment taxes. (For a summary of California and federal rules about employee-versus-contractor, see links.sfgate.com/ZBRY.)

As for liability insurance with telecommuters, Bruce Callander of Sweet & Baker Insurance Brokers in San Francisco offers the following tips:

-- Make sure your general liability policy doesn't include a "designated premises endorsement" that would limit coverage to your main place of business.

-- Add a rider to your general liability policy that would provide coverage for vehicles owned by your employees. This is called "non-owned and hired auto coverage."

"Say you've got Mr. Work-out-of-his-home, and he's running to an appointment in his own car and hits someone on company time," Callander said. "His personal auto policy is in the first position (for covering liability), but if he is uninsured or under-insured, the plaintiff's lawyer will say, 'This happened on company time, therefore there's liability against the business.'"

-- Consider adding coverage for employment practices liability, if your business is adding significant numbers of staff. This would cover legal fees and damages stemming from lawsuits over wrongful termination, job discrimination and sexual harassment.

"The larger a company becomes, the more valuable this is," Callander said. "That's because as a company grows, you have a series of sub-managers and can start to lose control" over how employees are being managed.

Free legal clinic: Got legal questions about your small business? The Renaissance Entrepreneurship Center and Legal Services for Entrepreneurs are offering a free legal clinic on Dec. 10 in San Francisco.