

# People

## Hiring

As your company employs more people, risk increases. Employees can take legal action against the business. And the more staff there are, the greater the chance of something going wrong.

### First hire

Before you make your first hire, there are a number of employment laws to get your head round. Plus, a ton of paperwork.

Get a legal expert to check everything's completed correctly. Laws around hiring apply at Federal and State level.

As a general rule, before hiring your first employee you'll need to:

- Have an EIN (Employer Identification Number)
- Make sure the employee is eligible to work in the U.S.
- Complete all tax paperwork (W-4, W-2, and state taxes)

Most states require you get Workers' Comp insurance too. You'll face penalties if you don't. It's good to have anyway. It protects your business from the cost of workplace injuries, which can be crippling.

### Question time

When you're trying to find the right fit for the job, you want to ask a lot of questions. Just remember what it's illegal to ask in an interview. Even questions like 'how old are your children?' can appear discriminatory.

Prepare a list of interview questions – and stick to them. If in doubt, use pre-approved sample interview questions.



### Screen saver

Pre-employment screening is vital -- 85% of candidates lie on their resumes. Without it you could be recruiting again, sooner than you think. So once a candidate makes it past the interview, make sure they pass a background check before putting your offer on the table.

When you've offered a candidate a position, an employment contract signed by both parties is essential. It's the first line of defense if you're sued by a disgruntled employee.

### Keeping things above board

As your business grows, you may want to bring in directors. For their expertise, experience, or financial support.

Choose carefully. Appointing someone who makes poor decisions or acts in their own interest instead of the company, its employees, or shareholders, can devastate your business.

Plus, once they're in, it can be tricky to remove them from the board. And by the time you do, the damage might already be done.

No matter how many employees you have, as a business owner you still risk being sued as an individual. And if you've got directors on the board, their personal assets may be at risk from claims of wrongdoing too.

### Example claims include:

- Lack of, or poor, governance
- Mismanagement of company funds
- Underperformance (of stock, or the company)
- Breach of duty, care, or company law
- Failing to comply with rules and regulations
- Making decisions without the right authority
- Poor employment practices

Directors' and officers' insurance can protect directors' personal assets and those belonging to the business from the cost of wrongdoing claims.

Find out more by downloading InsuranceBee's free [SMB risk guide](#)