



Disability Insurance

Illness or Injury: How Your Business Can Protect Your Employees

ONE IN four workers will become disabled during their working years. One out of every eight will experience a long-term disability that lasts more than five years. Disability is a risk that every working person has to face, regardless of their occupation. And when people can't work due to illness or injury, their income is also at risk. You as an employer can help by offering group disability insurance to your employees.

What it covers

This insurance helps replace a portion of a worker's income if they lose their income due to an injury or illness. Generally, the benefits are paid monthly for the duration of the illness or injury, and only cover a portion of lost wages.

Typically, disability insurance policies will replace between 50 and 65% of a worker's income.

Broadly speaking, there are two kinds of disability insurance policies – short-term disability insurance for events that disrupt income for less than 90 days, and long-term disability policies, which cover benefits for a longer period of time.

Advantages of group coverage

Group disability coverage has advantages for both the employer and the workforce. In addition, some policies are portable:

Advantages to the employer

- Reduced costs compared to offering individually underwritten policies to everyone.
- Increased employee loyalty – especially after someone on the payroll has a claim
- and word gets out that these valuable benefits kicked in.
- Tax-deductible premiums.
- Easy, streamlined administration.
- List billing.

Advantages to the employee

- Affordability. The employer subsidy makes it possible for workers to get coverage they would be unable to get on their own.
- Pre-existing conditions that would make it impossible for employees to get coverage as individuals, may be waived in a group plan.
- Streamlined application process – no medical exam required.
- No prior year tax returns or income verification are required. The employer reports income information to the disability insurance carrier.

If an employee leaves the company, they can sometimes keep the policy, though they lose the employer subsidy.

Portability is an important feature, because disability insurance can be difficult to qualify for on the individual market.

But, not all employers offer this voluntary benefit.

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New Employees Account for Large Share of Injuries

A SIGNIFICANT share of overall workplace injuries occur during new employees' first year on the job, according to a recent study. The report by Travelers Cos., Inc. found that over a five-year period, injuries to new employees accounted for 35% of all workplace injuries. These injuries resulted in more than 6 million lost workdays, accounting for 37% of all lost workdays during the period.

First-year injuries were especially prevalent in four industries. They comprised:

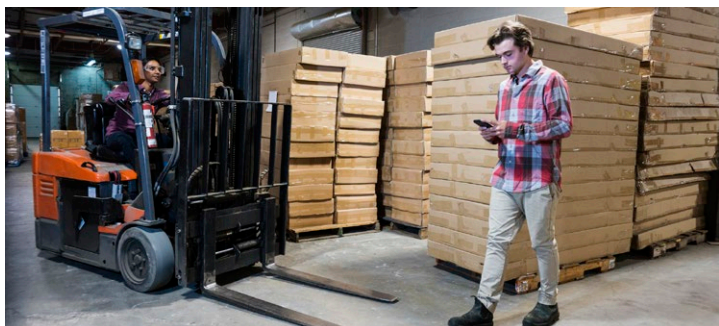
- 53% of claims and 47% of claim costs in restaurants,
- 48% of claims and 52% of claim costs in construction,
- 43% of claims and 38% of claim costs in services, and
- 39% of claims and 41% of claim costs in transportation.

The most frequent causes of injuries to new employees were:

- Overexertion (27%)
- Slips, trips and falls (22%)
- Struck by an object (14%)
- Cuts and punctures (6%)
- Caught in or between objects (6%)
- Motor vehicle accidents (6%)

Thirty-eight percent of first-year injuries were strains and sprains resulting from those overexertion and tripping accidents. Fractures accounted for 13%, some 9% were contusions, with cuts and puncture wounds, inflammation and dislocations making up 6% each.

Severe injuries such as amputations and multiple traumas were rare but costly – they comprised 8% of total claims, but 26% of total claim costs.



Employers should not assume that experienced new hires will be less likely to get hurt than those who are inexperienced. An experienced new worker may not necessarily understand their employer's expectations for safe practices.

What you can do

Fortunately, there are steps employers can take to prevent their newest employees from getting hurt while at work and minimize lost time from accidents. These include:

- Having a formal hiring process and clear job descriptions that emphasize the workplace safety culture.
- Using behavioral interviews and background checks to determine whether prospective employees will fit within your safety culture.
- Analyzing each step in performing a particular job to identify the associated safety hazards, and ways to reduce or eliminate them.
- Including safety information in new employee orientation.
- After accidents occur, analyzing them to determine their root causes. Document what happened, where, how long the employee had been with the company, and estimate how frequently the type of accident could recur if no changes are made.
- Implementing return-to-work programs so that injured workers can return quickly, even if only in a reduced capacity.
- Continuously training employees on safe practices.

As for the last bullet point, you should conduct regular safety meetings that cover:

- Training on how to safely perform their work, and
- Training on general workplace policies, identification of workplace hazards, and your safety expectations.

Finding and hiring good employees is difficult and expensive.

The last thing you as an employer want is for a good new hire to get hurt and miss many days of work. It affects productivity and morale, raises workers' compensation costs, and may discourage good employees from staying with you.

It is in the best interests of employers and employees to prevent workplace injuries to the extent possible. Accidents can be prevented or made less likely to occur. ❖

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Premiums Are Generally Deductible as Business Expense

Disadvantages

Less flexibility. Group disability is a one-size-fits all product and your employees' needs may vary.

Less coverage. Some workers may be able to get more robust plans on the individual market than carriers offer via group plans.

More restrictive definitions. With disability insurance policies, the definition of the word "disability" in the contract itself is of paramount importance. For example, some policies, known as "own occ" policies, pay benefits if you cannot work in your own profession.

Other policies will not pay benefits if the worker can work in another field.

Taxation of disability insurance

Group term premiums are generally deductible to the company as a business expense, just like any other wage expense. The value of the premiums, however, is not usually taxable as income to the worker.

Disability insurance benefits may or may not be taxable, depending on the circumstances.

Generally, if the recipient didn't pay taxes on the premiums, then the benefits are taxable as ordinary income. This is true for most employer-paid group health insurance plans. If the employee paid part of the premiums, then a similar percentage of benefits will be tax-free. ❖

Surveillance Cameras and Video Monitoring: Pros and Cons

IF YOU ARE concerned about loss through employee theft, thieves breaking in after you close, or just want to improve security on your premises, video surveillance is the way to go.

Video monitoring and surveillance have become extremely affordable, easy to implement and effective, and they are excellent risk management and loss-reduction tools.

For a small investment, cameras can stream video that you can monitor via a website or phone app and record activities at your business, on-site or remotely.

Image storage is almost limitless, and the video history of your facility can be kept in multiple locations for safety and ease of replacement. Each day of video can be kept in a log and easily indexed.

This video record has multiple uses. In real time, monitoring can deter violent crime, shoplifting or employee theft. For example, it can help address customer service by dispatching employees to underserved areas of a store, and recognize a need for restocking merchandise or securing a blind area on the premises.

Effective uses of monitoring, surveillance

Certainly, watching the perimeter of the business, exits, entrances and sensitive areas prevents break-ins and provides evidence when crimes occur.

Monitoring the inside of the business after hours does much the same and helps detect fires, water leakage, earthquake damage and other losses where a quick response is vital.

The benefits

- Discourages criminals from choosing your facility as a target,
- Catches parking lot fender-benders and other accidents,
- Is useful inside a store to prove the legitimacy or illegitimacy of slip and fall claims,
- Creates a record of what occurs on your premises, and
- Uncovers employee theft and customer shoplifting.
- Allows you to monitor your business from any remote location.

It can also be an effective training tool. You can use tape to:

- Show staff and new hires examples of good customer service, poor service and difficult customers;
- Help new employees identify regular customers on sight;
- Demonstrate good lifting techniques and other safety tips;
- Show examples of correct and incorrect behavior.

Drawbacks

There are also a few disadvantages of setting up video surveillance systems in the workplace:

Employee privacy – It is not necessary that the employer should monitor employees' each and every step and activity.

Moreover, if the video surveillance systems and cameras are set up at inappropriate places, you can be liable for invasion of privacy claims.

Possible decrease in morale – Video surveillance can really have a bad effect on the morale of employees. It can create a feeling in the minds of workers that the company does not trust them and has a doubt about their activities.

This might even lead to unhealthy relations between workers and company management, and a decrease in productivity.

False sense of security – An employee surveillance system can sometimes lull you into a false sense of security. When you have active surveillance, you automatically assume that you have all of the necessary angles covered.

Not foolproof – Employees that want to defeat your monitoring system can find methods that you may have missed when you installed the system.

Responding to employee theft

A final word on what to do if you catch someone doing something illegal. Never confront an employee one-on-one about theft. Always have a third party in the room, preferably an HR manager. ❖



Reporting Claims Later Can Push up Costs 50%

ONE OF the keys to keeping the costs of a workers' compensation claim from spiraling out of control is prompt claims reporting.

Claims are routinely filed late, either by the injured worker who fails to report it to the employer, or the employer dawdling or procrastinating and not reporting the claim to its insurer.

Either way, those delays result in delays in treatment, which can exacerbate the injury, leading to additional medical care and higher costs.

In fact, one study by Boca Raton, Fla.-based National Council on Compensation Insurance (NCCI) found that the average claims for workplace injuries that were reported four weeks after the incident, ended up costing nearly 45% more than claims that were reported in the first week after injury.

Waiting to file claims three to four weeks after the injury ended up costing 29% more, according to the NCCI.

The message for employers is to require staff to promptly report workplace injuries and for businesses to report injuries to their insurer as soon as possible after they are made aware of them.

Those added claims costs, while originally borne by the insurer, can come back to haunt you in the form of higher premiums during your next policy renewal.

The NCCI, which helps set rates in more than 30 states around the country, found in its study that claims that were reported more than two weeks after an incident were characterized by the following:

- More attorney involvement, and
- More use of lump-sum settlement payments.

"These characteristics suggest that claims with a delay of more than two weeks are more complex to settle, take longer to close, and involve a longer period before the injured worker can return to work," the NCCI wrote in its report.

The fallout

Many employers delay reporting workplace injuries, particularly if they seem minor at the time. But this mentality can backfire badly.

Effects of Delayed Reporting

- Delaying reporting makes an investigator's job harder. The longer the time between the accident and reporting leaves the potential for inaccuracies, misstatements and even destroyed evidence in cases where the claim is falsified by the worker.
- The chances of litigation increase with delayed reporting. Claims reported on the same day they occur involve an attorney 13% of the time, compared to 32% for claims reported after week four, the NCCI found.
- Any delay in medical treatment, even if it's just a week or two, could end up making injuries worse, resulting in more treatment and medications. It also is likely to extend the life of the claim as the worker's injuries may take longer to heal and they could be unable to work.
- Claims that stay open longer have a lower closure rate at 18 months after injury, according to the NCCI.
- By delaying reporting, employers shortchange their workers, which can affect employee morale.

The takeaway

When you become aware of a workplace injury, start the reporting process as soon as possible. The longer you wait, the costlier the claim likely will be and the more chance your injured worker will hire an attorney.

Establish a claims reporting protocol for all employees to follow. They should be required to immediately report any work-related injury, no matter how small. That includes first aid claims.

Put in place protocols to ensure that any injury report gets to your office's point person so the next step can be determined. Let employees know that it's in their best interest to report any work injuries and that you won't retaliate for filing a claim.

If all employees are responsible for reporting injuries to their supervisor, every supervisor needs to know what their own responsibilities are, as well. ❖

