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George Petersen Insurance Agency

News You Can Use

GROWING RISK

Cal/OSHA: Protect Workers Against Heat Illness

AS ANOTHER scorching summer is upon us, Cal/OSHA is reminding employers with outdoor workers to take precautions to protect them against the heat.

California employers need to be especially mindful as Cal/OSHA has workplace safety regulations governing the prevention of heat illness, and the agency actively enforces its heat illness prevention standard.

Employers should also comply for the safety and well-being of their workers, as heat illness can be deadly.

Cal/OSHA is urging employers to take the following steps to prevent heat-related illness among their employees who work outdoors:

Plan – Develop and implement an effective written heat illness prevention plan (HIPP) that is specific and customized to your specific operations.

The plan must include the following heat illness prevention and response procedures:

Training – Train all employees and supervisors on heat illness prevention. Nobody should be working outside in heat if they have not been trained in heat illness prevention and emergency procedures.

Water – Provide drinking water that is fresh, pure, suitably cool and free of charge so each worker can drink at least 1 quart per hour, and encourage workers to do so. Water should be located as close as practicable to where employees are working.

Access to shade – When temperatures reach 80 degrees, you must have and maintain one or more areas of shade at all times, when employees are present.

Locate the shade as close as practical to where employees are working and provide enough to accommodate the number of employees on meal, recovery or rest periods at any time

Even if temperatures are less than 80 degrees, you must permit access to shade for workers to rest.

The importance of rest – Encourage workers to take a cool-down rest in the shade for at least five minutes when they feel the need to do so to protect themselves from overheating. Workers should not wait until they feel sick to cool down.

If an employee starts feeling unwell, they must be monitored for symptoms of heat illness and emergency procedures should be initiated if they don't improve.

High-heat procedures

When the mercury reaches 95 degrees, employers must institute high-heat procedures that include monitoring of employees, regular communication, more frequent reminders to drink water and rest, and additional cool-down rest periods.

Emergency response procedures should be site-specific and include who/how to call emergency services and steps to respond to signs and symptoms of heat illness.

Observe all employees and any newly assigned to a high-heat area. You should consider giving employees who have not been working in high temperatures time to adapt to the new conditions.

You can do this by initially providing them with lighter work, frequent breaks or shorter hours.

Get the plan right

Your heat illness prevention plan must be in writing and include all of the above.

The HIPP must be written both in English and in the language understood by the majority of employees. It must also be available to employees at the work site.

Additional information about heat illness prevention, including details on upcoming training sessions throughout the state, are posted on Cal/OSHA's Heat Illness Prevention web page.

The agency also has handy materials for your workers in English and Spanish on how to protect themselves against heat illness that you can print out and disseminate. ❖

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CONTACT US:

If you have a question about any article in this newsletter or coverage questions, contact your broker at one of our offices.

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HOMEOWNER'S INSURANCE

Your Detached Structures May Be Underinsured

YOUR HOMEOWNER'S insurance policy protects you from having to pay on your own for damage to your home caused by fire, wind, smoke and other causes.

However, your home might not be all you have to worry about. Does your property have a gazebo? A deck? A pool? An outside kitchen? A shed? A fence?

If you answered "yes" to any of these, the good news is that your policy covers those structures, too. The real question then becomes whether it's providing enough insurance to cover the cost of rebuilding or repairing them.

The standard Insurance Services Office (ISO) Homeowners 3 – Special Form, which many insurance companies include in their policies, covers "other structures" on the grounds where the home sits.

The insurance company will consider a structure to be an "other structure" and not part of the house if it is separated by clear space from the house.

They will also consider it to be separate if it is connected to the house only by a fence, utility line or something similar.

It is common for a policy to insure all of these structures for an amount equal to 10% of the amount of insurance on the house. For example, if the policy provides $300,000 coverage on the house, it will provide $30,000 for other structures.

Whether that will be enough depends on how much it will cost to repair or replace them, and how many there are. If a home has a stockade fence, a large deck and a shed, the cost of replacing all of them after a fire may wipe out the amount of insurance.

Actual cash value is typically the cost of replacing an item minus an amount for depreciation. If a 10-year-old fence would cost $10,000 to erect today, and it has a useful life of 15 years, the insurer can deduct two-thirds of that amount from the $10,000.

The result is approximately $3,333. The company would compare that to the cost of repair. If repairing it would cost more, the insurer would pay the lower amount.

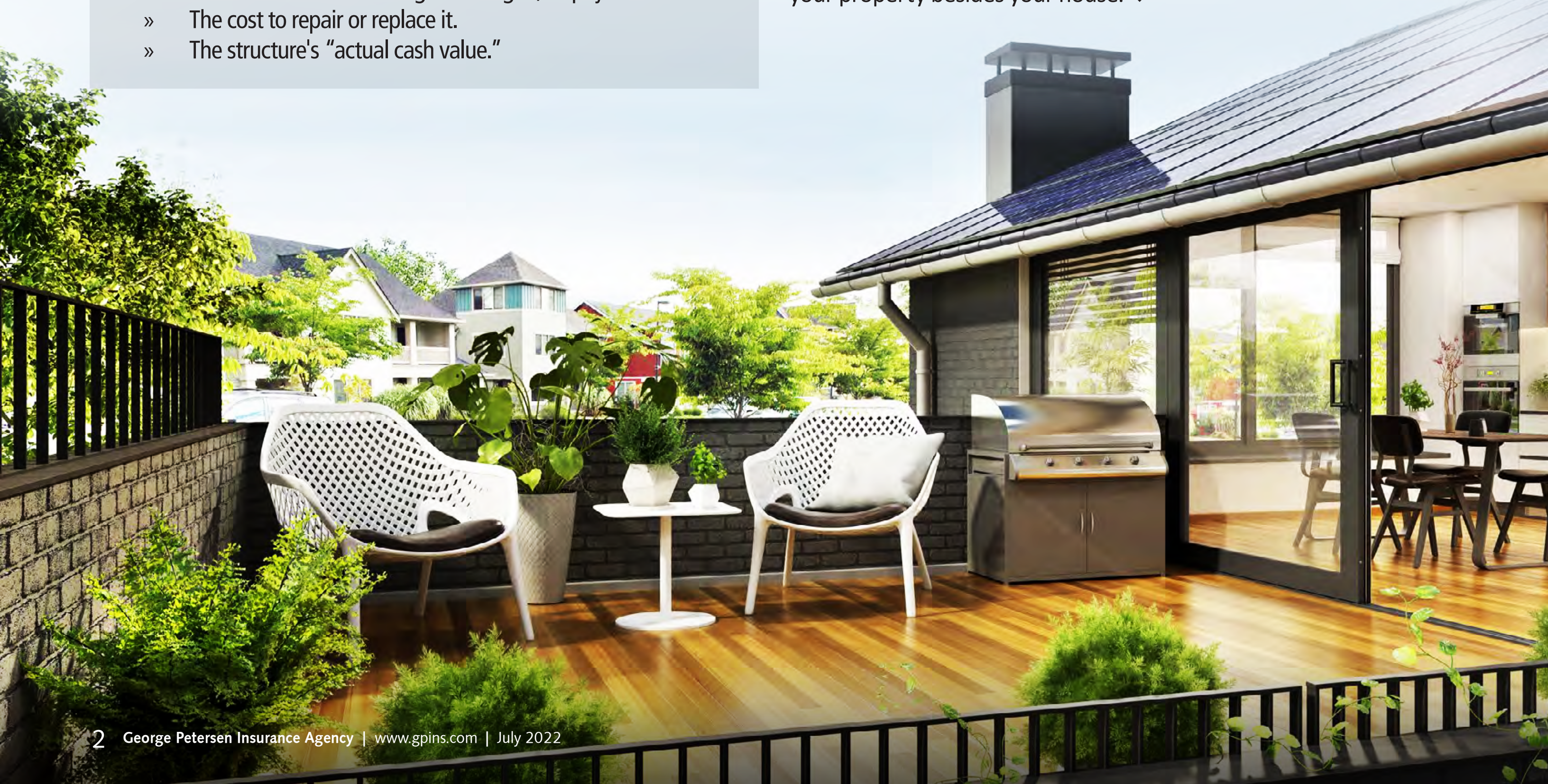
What you can do

- Find out what the cost would be to replace the structures on your property that are not attached to the house. Compare that figure to the amount of other structures insurance your policy provides. Your current policy may provide enough, but find out whether the insurance company will depreciate the value of a deck or similar property.
- We can offer you coverage options, so give us a call. The ISO form is the standard, but it is seldom sold unchanged. Also, all insurance companies are different and their products are not identical. It pays to compare alternatives. Some carriers might offer larger amounts of coverage on other structures, and some policies might not permit the company to depreciate the property.

Your homeowner's insurance should provide you with as much protection as possible for the price you can afford. Find out before something happens how well it protects the valuable structures on your property besides your house. ❖

Other Structure Coverage Specifics

- The ISO form does not cover damage to a fence, patio, pavement, swimming pool, pier, wharf or dock that results when water or ice freezes, thaws, puts pressure on or puts too much weight on them.
- Just like the house and the contents inside it, these structures are almost never covered for losses caused by earth movement, floods, power failure, neglect, or extra costs from the enforcement of updated building codes.
- The ISO form permits the insurance company, when one of these structures that is not a building is damaged, to pay the lower of:
  - » The cost to repair or replace it.
  - » The structure's "actual cash value."



WORKERS' COMPENSATION

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.

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. ❖

EMPLOYEE BENEFITS

Many Employees Choosing the Wrong Health Plans

A NEW STUDY has found that many people in employer-sponsored health plans are enrolling in plans that are costing them more than they ought to be paying.

Many employees choose pricey plans with low deductibles, which force them to spend more up front on premiums to save just a few hundred dollars on their deductible.

As a result, many employees are spending hundreds, if not thousands of dollars more on their health care/health coverage than they need to.

Study 1: The deductible angle

A study by Benjamin Handel, a U.C. Berkeley economics professor, found that the majority of employees at one company he studied were in the highest-premium, lowest-deductible plan ($250 a year) their employer offered.

As a result, the average employee spent about $4,500 a year on health care, compared to only $2,032 had they gone with the cheaper plan (which had a $500 annual deductible) and received exactly the same care.

Study 2: Too many choices?

Additionally, the research paper "Choose to Lose: Health Plan Choices from a Menu with Dominated Options," published in *The Quarterly Journal of Economics*, found that more choices also didn't yield more savings for individuals in employer-sponsored plans.

The study examined a company's health plan offerings, that included 48 different combinations of deductibles, pharmaceutical copayments, coinsurance and maximum out-of-pocket expenses. All of the plans offered the same network of doctors and hospitals. The results:

- Workers paid an extra $528 in premiums for the year to keep their deductible at $750 instead of $1,000. In other words, they paid $528 to save $250.
- For nearly every plan with a deductible of $1,000, the additional premiums required to reduce the deductible, with all other plan attributes fixed, exceeded the maximum possible out-of-pocket savings provided by the lower deductible.
- The lowest-paid workers were significantly more likely to choose the most expensive plans.

Both of the studies above looked at plan options with relatively low deductibles when compared with high-deductible health plans, which have become more popular with time.

Their findings: At firms offering both an HDHP and a low-deductible plan, selecting the HDHP typically saves more than $500 a year.

Strategies

To help offset the cost of an HDHP, you can offer your staff health savings accounts, which offer a tax-advantaged way to save for health care costs. While there are annual contribution limits, HSAs allow your employees to roll over their balance from year to year. The funds they contribute to their HSA are pre-tax, so the savings are significant.

The Study 2 authors surmised that many people choose the costlier health plan for two reasons:

- **Inertia** – It's easier for consumers to stick with their old plan rather than crunch the numbers to see if a new plan may be more appropriate.
- **Deductible aversion** – When employees see a low-deductible plan they may associate it with better quality care, even though the network and coverage may be the same.

The best strategy to guide your staff to the plan that best suits them is to educate them. You should have workshops for your staff prior to open enrollment, to help them understand why the higher-deductible plan may often be the best choice for them if they want to save money on their overall premium and out-of-pocket expenses.

Ideally, you could encourage them to set aside the same amount of money in their HSA that would be enough to cover their deductible. This way, your employees would not feel burdened by health expenses they may have to pay for during the year. ❖