



NEWS YOU CAN USE

VITAS INSURANCE AGENCY

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TOP 10 LAWS/REGULATIONS

Host of New Laws Affecting Businesses in 2017

AT THE START of every year, a raft of new laws and regulations that affect businesses take effect and companies that fail to stay on top of the changes may end up being fined, cited or sued for not following them.

We know it's hard to keep track of all of the changes, so in this article we look at the top 10 changes for 2017 that you should be aware of.

1. Owners/officers exemption

A new law has changed who in an organization can be excluded from workers' comp coverage.

Going forward, only owners and officers who own at least 15% of a company can claim an exemption from workers' compensation coverage in California.

Any company that claims this exemption was required to submit waivers to their insurer by Dec. 31, 2016 for each officer/owner who is exempt.

2. New overtime laws or not?

Department of Labor regulations that were set to hike the white-collar overtime exemption salary threshold to \$47,476 starting Dec. 1, 2016 were put on ice by a federal judge in Texas in late November.

For now, the current \$23,660 annual salary threshold will remain – but that could change with short notice.

The big wildcard is what President-elect Donald Trump will do, as many pundits expect he will scrap the regulations.

3. New X-Mod regimen

California has new rules for calculating employers' experience modifier – or X-Mod.

The Workers' Compensation Insurance Rating Bureau replaced its static "split-point" experience rating system, in which an employer's actual workers' comp losses are divided into actual primary losses and actual excess losses below and above a \$7,000 threshold.

Under the new system, the Rating Bureau will use a variable split-point system that gives

more weight to claims frequency than cost.

This change is expected to limit the impact of one large claim on an employer's (particularly a small business's) X-Mod.

At the same time, an employer's X-Mod would be more affected by claims frequency.

4. ACA questions

With Trump's and the Republican-led Congress's promises to repeal the Affordable Care Act, all the rules that have been created for the landmark law are now in doubt.

While Republican leaders in both the House and Senate have promised to repeal the ACA as well, it's not clear how far they will go and what they would replace it with.

Trump has said he wants to eliminate public insurance exchanges and the individual mandate, but he has not touched on the employer mandate.

For now, continue following the law and wait for further news as Congress and the next president act.

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CONTACT US



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

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*Vitas Insurance
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Happy New Year*

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Top 10 Laws: Minimum Wage Hike, Legal Cannabis, More

5. Minimum wage climbs

Effective Jan. 1, 2017, the California minimum wage for businesses with more than 25 employees is \$10.50 per hour, against \$10 previously. This is another step toward a \$15 per hour minimum wage on Jan. 1, 2022.

6. First aid rules reporting

New amendments to the California Workers' Compensation Uniform Statistical Reporting Plan require that even small, medical-only first aid claims be reported.

The Workers' Compensation Insurance Rating Bureau has always required that these small claims be reported, but the requirement has never been codified.

Effective Jan. 1, 2017, insurance companies are required to report to the Rating Bureau the cost of all claims for which any medical care is provided and medical costs are incurred – including those involving first aid treatment – even if the insurer did not make the payment.

Because the rules require insurers to report these claims, they will likely pass that requirement on to you, the policyholder. That will likely include requiring you to submit all first aid bills to them for payment, rather than paying for treatment yourself.

7. Marijuana is legal

Many businesses have become concerned about the legalization of marijuana in California, particularly how it affects their rights as employers to conduct pre-employment drug testing and dealing with employees who try to use cannabis on the job.

Fortunately, Prop. 64 included a number of safeguards for employers, allowing them to have anti-drug workplace rules in place. In fact, these safeguards were built into the initiative to the point that the California Chamber of Commerce took a neutral stance on the measure.

And despite California's medical marijuana laws, courts have said that employers are not required to allow patients to imbibe prior to or while on the job. Also, because it is still illegal under federal law, you can also bar employees from keeping marijuana, transporting it or selling it at work.

Just as you have rules against working while intoxicated from alcohol, you should have similar rules for marijuana.

REPORT SMALL INJURIES:

A new law requires you to report even small first aid claims to your workers' comp insurer.



8. New cellphone law

California already bars texting or talking on the phone without a hands-free device while driving, and now there's a new law that takes into account the many new uses of smartphones.

If you have any employees that drive on the job, you need to update your employee manual to reflect Assembly Bill 1785, which prohibits motorists from driving "while holding and operating" a hand-held wireless telephone or a wireless electronic communication device.

Because people use their phones now for more than just texting and talking – think interacting with apps, using Facebook or surfing the Net – the law needed updating.

But it authorizes a driver to operate a smartphone mounted on a vehicle's windshield like a GPS or on the dashboard or center console "in a manner that does not hinder the driver's view of the road," and if the driver can activate or deactivate a feature or function "with the motion of a single swipe or tap of the finger."

9. ACA document deadline change

The IRS extended the deadline for distributing Affordable Care Act health insurance reporting forms to their employees to March 2 from Jan. 31.

This law only applies to applicable large employers (those with 50 or more full-time or full-time equivalent workers). The law requires those employers to distribute forms 1095-C (Employer-provided Health Insurance Offer and Coverage) and 1095-B (Health Coverage) to employees.

The deadlines for filing other ACA-related forms with the IRS have not changed.

10. Smoking in the workplace

There has been a loophole in the California law that prohibits smoking of tobacco products inside an enclosed place of employment, unless the only employee is the owner and operator of the business.

The new law expands the prohibition on smoking in all enclosed places of employment to all establishments of any size, including a place of employment where the owner-operator is the only employee. ❖

HEADS UP: You can only use a smartphone if it's mounted on the windshield or dashboard.



WORKERS' COMPENSATION

Pre-existing Conditions Weigh Heavily on Claims



YOUR WORKERS' underlying health can greatly affect the amount of time they are off the job recovering from a workplace injury. A new study has found that workers with pre-existing health issues like hypertension, obesity and mental health spend 60% more time recovering from workplace injuries than healthy workers.

As those injured workers collect indemnity benefits during that extra time, the cost of a claim sometimes increases substantially.

The findings in the study of more than 7,000 workers' comp claims by Newport Beach, Ca.-based Harbor Health Systems should be a wake-up call for employers to try to help workers address their health problems, if possible. These types of claims also had higher rates of litigation and surgery and longer durations of temporary total disability days.

Seven 'comorbidities' studied

- Obesity
- Diabetes
- Mental health
- Multiple comorbidities (one or more of the above)
- Hypertension
- Addiction
- Tobacco use and

The takeaway

The results of the study were a confirmation that underlying health problems will worsen outcomes. Only tobacco use seemed to have no discernable difference on claims outcomes.

Employers can encourage their employees to improve their health through company wellness plans and ensure that they have access to health insurance to treat their medical issues.

Claims management experts say that insurance company adjusters need to intervene early in cases where injured workers are saddled with these comorbidities. ❖

DURATION AND COST INCREASE

- For claims involving multiple comorbidities, claim duration increased by 76%.
- For claims involving addiction, duration increased 67%.
- For claims involving obese individuals, duration rose 55%.
- For claims with multiple comorbidities, total incurred costs increased 341%.
- Claims in all the comorbidity groups had significantly higher temporary total disability days compared to the control group.
- TTD days increased by 285% for multiple comorbidities claims and 274% for addiction-related claims.



LITIGATION SPIKES

- Litigation rates for claims with multiple comorbidities increased 147%.
- Litigation rates for addiction-related claims increased 224%.
- Litigation rates for mental health-related claims rose 248%.

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HOMEOWNER'S ENDORSEMENTS

Five Coverages You May Not Know You Need

WHEN YOU own a home, you may have extenuating circumstances and/or own property that your insurance may not cover.

There are a number of extra coverage options you can add on to your policy, which are known as endorsements.

They are essentially riders that you purchase separately but tack on to your homeowner's coverage as a policy extension.

In fact, there may be risks in your home that you never thought of and that won't be covered by your homeowner's policy.

Here are five that you should be aware of, as recommended by the insurance trade publication *National Underwriter*.

'Additional Insured Residence Premises'

This endorsement is specifically for people who have an ownership interest in a property but don't live there.

This could come in handy for you if you are helping your adult children out when buying a home and you want to protect your part of the investment should the house be damaged or destroyed in a calamity.

'Other Members of Your Household'

This coverage is becoming more and more important as more people cohabitate.

While you may own a house and live with a boyfriend or girlfriend (not a spouse) and consider them a member of the household, the insurance company would not consider them insured.

An additional insured cannot be a guest, household employee, tenant or boarder. Whomever you intend to cover must be identified by name on the endorsement.

'Other Structures Increased Limits'

Maybe you've built a new man cave – a small cottage in the back yard outfitted with a giant plasma TV, nice sound system and bar.

However, since it's a detached structure, your homeowner's policy will not likely cover the entirety of the loss, should it burn down or suffer some other damage or theft.

Besides sheds and your man cave, "other structures" can also include gazebos, patios, barbeque pits, swing sets and other items in your backyard.

Under the typical homeowner's policy, other structures are covered at 10% of the policy limits. So if your home is insured for \$200,000, your other structures would be insured for 10% of that – \$20,000.

If you've got pricey stuff in your backyard, you may want extra coverage.

'Mechanical Breakdown'

This endorsement was only issued for the first time in 2014 and it covers the mechanical failure of household appliances like: central air conditioning, central vacuums, chairlifts and elevators, electric vehicle charging stations, heating systems, including water heaters, home automation and security systems, saunas, hot tubs, therapeutic baths, swimming pool pumps and filtration systems, stoves, wall ovens, refrigerators, well-water pumps, and sump pumps.

The basic limit is \$5,000, but you can buy higher limits.

'Water Back-up, Sump Discharge/Overflow'

While your policy will cover damage from a sump pump back-up or overflow, it won't cover the cost of a sump pump that breaks down. This endorsement will cover that. ❖

If you have decked out your backyard, your policy may fall short if you file a claim.

Call Us: 530-823-3733

ACCIDENT INSURANCE

A Benefit That Can Save Your Workers from Ruin

EVEN IF you are providing your staff with health benefits, they could be left under great financial pressure if one of them has a major accident off the job that leaves them debilitated and unable to work.

Millions of working Americans struggle with managing out-of-pocket expenses for non-medical and medical expenses after suffering an unexpected event such as an accident.

If you are already offering your employees health insurance coverage, you can help fill the gap by also offering voluntary accident insurance, which can pay for:

- Lost wages,
- Deductibles and other expenses not covered by insurance,
- Transportation to and from hospitals and doctors, and
- Home modifications.

Accident insurance could mean the difference between a healthy recovery from a medical condition or financial hardship.

WHY YOUR EMPLOYEES NEED COVERAGE

- Health insurance only covers a portion of expenses, but only after the employee has paid their deductible and copay.
- Employees sometimes have to pay out-of-pocket for medicines, medical equipment, and visits to out-of-network physicians.
- Employees have to pay out of pocket for travel to appointments, home accommodations, caregiving and housekeeping if they cannot do those things on their own after an accident.
- Lost wages are a sometimes overlooked cost of illness or injury. Lost wages can be an issue not only for the employees directly impacted by illness or injury, but also for family members who are providing care for them.

TYPES OF ACCIDENT INSURANCE

Traditional treatment-based plans. These pay benefits based on the occurrence of an accidental injury and the type of treatment or procedure required to treat an injury. The injured individual will often submit a separate claim for each service they receive related to the accident. For example, if the individual was in a car accident in which they broke both legs, they would file individual claims for:

- The costs not covered by health insurance for each service to treat the injury.
- The cost of paying for transportation to doctor's visits and physical therapy sessions.
- Each time a home caregiver visits them to provide care.

Incident-based plans. These pay benefits based upon the incident and type of injury. This can simplify the claims process by reducing the number of claims that must be submitted. In the case of the car accident victim with broken legs above, they would likely be required to submit evidence only for the fractures and for their hospital stay to be reimbursed.

Benefits to the employer

- A more robust benefits package. Offering accident insurance paid for by employees allows you to provide a more robust benefits package that can improve employees' satisfaction with their jobs.
- Potential for improved productivity. Employees under financial pressure may be less productive than those who are not, and knowing they have accident insurance can put their fears to rest.
- Low cost and administrative burden. Most employers offer accident insurance that is paid for by the employee, meaning there is little or no cost to the organization. ❖

