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HEFFERNAN INSURANCE BROKERS
Because You're Different

Workers' Compensation

Bureau Recommends Further Rate Cut

WORKERS' COMP insurance rates will likely continue sliding in 2020 after California's rating agency submitted its recommendation that the state insurance commissioner reduce the average benchmark rates by 5.4%.

If the recommendation is approved, it will be the ninth consecutive rate decrease since 2015 (some years had two decreases), which has resulted in the average benchmark rate for all class codes, falling a combined 45% since then.

The Workers' Compensation Insurance Rating Bureau, which makes the filing at least once a year, said average claims costs continue falling due to the effects of reforms that took effect in 2014.

The Rating Bureau tracks workers' comp costs in the state and makes the recommendations for changing the benchmark rates, which insurers use to price their policies. Every class code gets its own rate, which will change depending on the trends in claims costs and numbers for that class code.

Insurers use the benchmark rates as guideposts for pricing their own policies, but in the end, they can price the policies as they wish.

On top of the benchmark rate, insurers will add surcharges for various classes or regions, and add on administrative costs to arrive at their own rates. Also, rates will not fall for all employers.

Rates depend on a number of factors, including an employer's claims history and region. Policies in Southern California, for instance, are often surcharged because of the amount of cumulative trauma claims filed in the region.

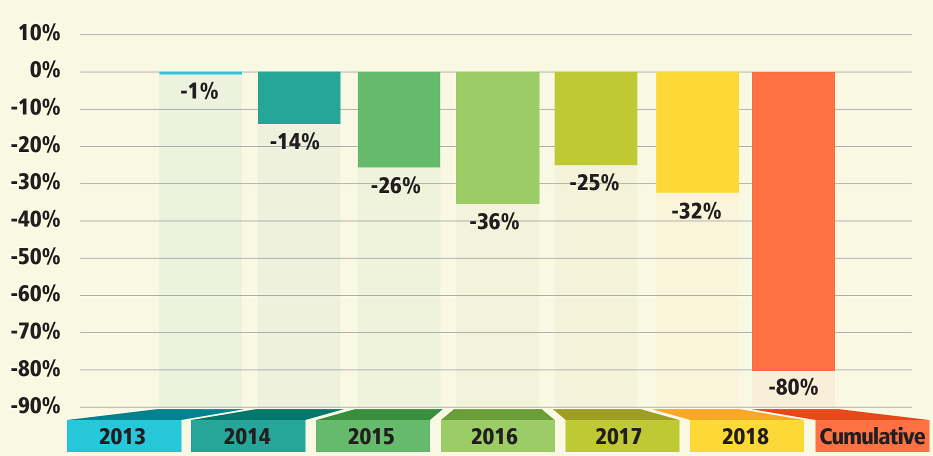
The Rating Bureau will review accident-year experience valued as of June 30 once it has the figures, and it could amend the rate filing later. The state insurance commissioner will hold a hearing on the rate filing in September or October, and then make a final decision on the rate change.

WHY RATES ARE FALLING

Rates are still declining because:

- Old claims costs are less than expected.
- Claims are being settled more quickly.
- Drug costs continue falling sharply.
- Fewer liens on claims are being filed.

CHANGE IN PHARMACEUTICAL COSTS PER CLAIM BY SERVICE YEAR



Source: Workers' Compensation Insurance Rating Bureau

What to do

Just because rates have been falling, do not waver in your focus on safety.

Here are some mistakes to avoid:

Complacency – When your premium falls, it's easy to shift focus away from workplace safety, injury management and cost containment to other business matters.

This is a mistake and can cost you in additional workplace injuries.

Focusing on just premiums – Indirect costs – including overtime, temporary labor, increased training, supervisor time, production delays, unhappy customers, increased stress, and property or equipment damage – represent several times the direct cost of an injury.

Expecting rates to stay low forever – Rates are cyclical. The key is to ride the low rates for as long as you can through unwavering attention to workplace safety and claims management.

Chasing low rates – One benefit you have from working with us is continuity, and jumping ship to another broker just to save a few thousand dollars on your premium is not always a smart choice, particularly if the new brokerage is not involved in helping you keep claims costs low. ❖

CONTACT US

If you have any questions regarding your coverage or our products, please call us at one of our offices:

Walnut Creek	Petaluma
San Francisco	Los Angeles
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Wildfire Risk

More Insurers Non-Renew Property Coverage

BUSINESS PROPERTY coverage is getting more difficult to come by for firms located in areas susceptible to wildfires.

The devastating wildfires of the last few years, along with the thousands of homes and businesses that have been burned or damaged due to these events, have resulted in insurers becoming more selective about the properties they will cover.

We are seeing non-renewals of property insurance in wildfire-prone areas on a scale we've never seen before. If your policy is not renewed, you are faced with shopping in a market that is more selective and with insurers requiring that you take certain steps to safeguard your property.

What's going on

Fires are becoming more frequent, hotter and more widespread. Insurers have had to pay out record amounts in fire claims during the last few years, which has taken its toll on many of them.

Some insurers are non-renewing property policies of all sizes in high-risk areas, and the practice has become widespread.

THE NEW PLAYBOOK

Many insurers are applying three metrics in evaluating exposure to fire:

Brush mapping – This is a map of the tinder and brush, nearby trees and other items that could contribute to your building(s) catching fire.

Wildland-urban interface – The closer that a building is to nature, the more at risk it is. A wildland-urban interface is defined by the Forest Services as a place where "humans and their development meet or intermix with wildland fuel."

Concentration of properties an insurer covers in your area – If your carrier has a high concentration of policies for other properties in your area they may opt to non-renew policies in order to reduce their exposure.

The options

If all insurers have rejected a property, we have two options:

The non-admitted market – These insurers, which includes Lloyd's of London, are usually willing to write buildings in higher-risk areas, but they too have increased their underwriting criteria.

The California FAIR Plan – If we are unable to find an insurer in the non-admitted market, the last choice is the FAIR Plan, which is the market of last resort for property owners that cannot get coverage elsewhere.

Policies cover losses from fire, lightning and explosion only. Also, policies are limited in what they will pay out, so if you have millions of dollars tied up in equipment and/or inventory, the policy may not be enough to cover all the damage you incur from a wildfire.

The maximum limit for commercial properties is $3 million for structures and $1.5 million for all other coverages, for a combined $4.5 million limit for all commercial properties at one location. But there are some exceptions.

Your options if you go to the FAIR Plan

If the FAIR Plan coverage is not enough coverage or falls short, we can find another insurer that provides excess coverage that would kick in at a certain dollar amount of damage.

And for the aforementioned risks that are not covered, we would have to also find you a "differences in conditions" policy. Combined with FAIR Plan coverage, adding such a policy can nearly mimic the coverage of a commercial policy. ❖

PREVENTION TIP: Apply fire-fighting foam (both pretreatment and suppression) on all combustible building materials. Also, you may consider installing a wildfire foam-spraying system.

PROTECTING YOUR COMMERCIAL PROPERTY

- **Zone 1 (0-5 feet):** Concrete, gravel mulch and low-growing plants or lawns are good choices for this zone. Avoid combustible materials.
- **Zone 2 (5-30 feet):** Vegetation island. Low tree branches should be pruned. Remove shrubs.
- **Zone 3 (30-100 feet):** Keep tidy. Thin out vegetation between trees. Remove shrubs. Don't let tree canopies touch.

Workplace Safety

Ten Steps to Improve Your Employees' Driving

VEHICLE CRASH statistics are startling. A vehicle crash occurs every five seconds, someone is injured in a crash every 10 seconds, and someone dies in an accident every 12 minutes.

Since most of these crashes occur on workdays or while a person is commuting to or from work, employers are often impacted by them and also bear a cost as the employee involved in the accident misses work.

The "Guidelines for Employers to Reduce Motor Vehicle Crashes" booklet provides employers with a simple driver safety program that can be implemented in the workplace.

The booklet – produced by the Network of Employers for Traffic Safety, OSHA, and the National Highway Traffic Safety Administration – is applicable to businesses of all sizes, firms with or without a fleet of company vehicles, and regardless of whether personal or company vehicles are driven by employees during the work day.

Here is the 10-step safety program in brief:

1. Involve all levels of staff in the initial planning phase of the driver safety program. You need employees to be involved and a commitment from your senior management. Remember, employees that see management disregarding or not abiding by the new program aren't very likely to value or abide by it either.

2. Compose a written policy and procedure with explicit and enforceable rules regarding driver safety. These rules should be centrally posted and periodically distributed to all your employees. Department managers can further discuss the rules during department and in-service meetings.

3. Have all employees sign a safety contract. They should sign regardless of whether they are driving their own or a company vehicle. By signing the document, the employee is acknowledging that they've read and understood your policy and are agreeing to follow it.

4. Keep driving records on all employees. You can set up a time to periodically review the records for any drivers with driving violations. Make sure that your policy clearly specifies how many violations will result in an employee having their company-related driving privileges revoked.

5. Part of the safety program should be creating a process to report and investigate all crashes, even those that are minor. Your policy should make it mandatory for employees to report any vehicle accident they're involved in. The process should also establish a method of investigation to determine how and why the crash happened, and if it was preventable.

6. The selection, maintenance and inspection of your company fleet should also have a specific set of guidelines. For example, the guidelines might include:

- The safety features offered by various models when selecting new fleet vehicles.
- Routine maintenance that will need to be performed in accordance with manufacturer recommendations.
- Mechanical performance.

7. Consider what disciplinary actions you may take in response to preventable accidents and traffic violations. Make sure that your policy clearly establishes the consequences for each type of infraction and for subsequent infractions within a set period of time.

8. Establish an incentive program to recognize and reward employees that have avoided accidents and traffic violations. Drivers who have exemplary driving records and who meet or exceed preset criteria receive a reward or monetary incentives.

9. Reinforce what you've already established. Continue to provide your employees with refresher courses on driver safety.

10. Take steps to ensure that all employees are obeying traffic laws and highway safety regulations. Workers who have been driving for an extended period of time often take shortcuts. Enforce consequences so that they know this isn't acceptable behavior. ❖

Compliance

New Pay Data Due to EEOC by Sept. 30

EMPLOYERS WITH more than 100 workers have to meet a Sept. 30, 2019 deadline to report detailed information on how they compensate workers – broken down by gender, race and ethnicity – to the Equal Employment Opportunity Commission.

The data is part of the EEO-1 form that employers have been required to file for years. There are now two components to the form:

Component 1 – This information includes the number of employees who work in a business, broken down by category, race, sex and ethnicity. The deadline for submitting this information was May 31. This is the same information employers have been filing for years.

Component 2 – This newly required information includes hours worked and pay data from employees' W-2 forms, broken down by race, ethnicity and sex. This is due by Sept. 30.

The second component, initiated by the Obama administration, was supposed to have taken effect in 2017, but after President Trump took office, he halted the roll-out of the rule, on the grounds that reporting such detailed salary information was a burden on companies.

Several worker-advocacy groups filed suit, challenging the hold on the pay-data collection provisions. On March 4, 2019, a federal judge lifted the stay and ordered the EEOC to start collecting the data.

Why does EEOC want the information?

The EEOC says the detailed information on salaries will help its investigators determine which of the discrimination complaints that it receives merit further processing.

The EEOC uses information about the number of women and minorities that companies employ to support civil rights enforcement and analyze employment patterns, according to the agency.

The basics of EEO-1

Businesses with at least 100 employees, and federal contractors with at least 50 employees and a contract of $50,000 or more with the federal government, must file the EEO-1 form.

For the new rules, the EEOC has revised the form, which will require employers to report wage information from box 1 of the W-2 form and total hours worked for all employees by race, ethnicity and sex within 12 proposed pay bands (example: $24,440-$30,679 is one band) and 10 occupation bands (like professionals, technicians or sales people).

Component 2 data

Here's what you will need to include in the component 2 data:

Pay data – Identify the number of employees (based on a combination of race and sex) that fall within each of 12 compensation bands for each EEO-1 job category. Employers will not be required to submit names or Social Security numbers for any employee.

To identify the compensation band in which to count an employee, employers must use Box 1 of Form W-2. Employers may not use gross annual earnings instead of Form W-2's Box 1 earnings.

Hours-worked data – List the total number of hours worked by employees (based on a combination of race and sex) within the same compensation band and job category.

What to do

The EEOC has created a web-based portal for filing the EEO-1 form along with instructions and fact sheets, all of which you can find *here*.

The portal will remain open until the Sept. 30 filing deadline. If you have not already received login information, you can do so on the portal page. ❖