

Paid Sick Leave Law Takes Effect on July 1

CALIFORNIA'S PAID sick leave law takes effect July 1 and if you haven't begun preparing for this change, you should start now. If you don't you may run afoul of state wage and hour laws, exposing you to legal action.

Even if you already provide paid sick leave for your staff, you should familiarize yourself with the new law.

The California Chamber of Commerce recommends the following for employers in the Golden State:

What you should be doing now

- Post the new paid sick leave notice in a place where staff can easily see it.
- Provide the updated wage theft notice to nonexempt employees.
- Check if there's a local ordinance for paid sick leave.
- Review your existing policies for sick leave.
- Ensure your policies cover all eligible staff, for all permissible uses.
- Choose which method you'll use to provide paid sick leave benefits to employees – accrual, lump sum or existing policy.
- Communicate your paid sick leave policy to your staff.
- Train supervisors about specific paid sick leave rights for employees.
- Update your payroll systems to track sick leave.

On July 1 and after

- Begin providing paid sick leave benefits to employees who have worked for more than 30 days, or after 90 days of being hired.
- Follow the law's requirements regarding usage, record-keeping and timely payment.
- Track paid sick leave and show how many days of leave an employee has available, either on a pay stub or on a written document issued the same day as the paycheck.



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LIABILITY MANAGEMENT

Make Sure Driving Staff Have Proper Car Insurance

WHEN YOU pay your workers the IRS-set mileage rate of 57.5 cents per mile, you are not only reimbursing them for the gas they use, and the wear and tear on their car, but also for their insurance.

If you have employees that drive as part of their job, or even those that run errands for you, you need to make sure they are insured.

If you anticipate that any of your staff will drive on the job, even if it's infrequently, you should set insurance requirements for them so that your firm is not held liable in case of an accident.

Workers' Comp Applies

If your worker is hurt in a collision while carrying out duties for you, your workers' comp policy will cover their injury.

California requires drivers to carry the minimum amount of coverage (15/30/5):

- \$15,000 for injury/death to one person.
- \$30,000 for injury/death to more than one person (if more than one passenger is in the car).
- \$5,000 for damage to property (such as another vehicle).

Those are the maximums that the insurance will cover. But they are not enough to cover most accidents today (imagine if your employee rams into a late-model Mercedes).

Worse, if one of your employees is in a car accident while on the job and hospital costs or damage costs to the other person's vehicle exceed the maximums, your company will be responsible for covering the rest. ❖

Minimum Coverage You Should Require

To protect your firm financially, you should require any driving staff to carry at least 100/300/50:

- \$100,000 for injury/death to one person.
- \$300,000 for injury/death to more than one person (if more than one passenger is in the car).
- \$50,000 for damage to property (such as another car).



RISK MANAGEMENT

Employee Theft Hits Small Firms Hardest: Study



THE MAJORITY of employee thefts are occurring in organizations with 500 employees or less and the median loss is \$280,000, according to a new report.

The main types of theft are outright theft of cash and check fraud, with rogue employees writing checks to acquaintances and trying to cover their tracks in the firm's accounting system, according to the "2015 Hiscox Embezzlement Watchlist" by the specialty insurer Hiscox.

Half of employee thefts were perpetrated by individuals in senior positions, and the median age of perpetrators was 50, the report states.

Hiscox based the findings of its report on employee theft cases active in U.S. federal courts in 2014. Among its findings in the latest report:

- More than 60% of employee theft involved women.
- The median age of employees who committed theft was 50.
- Employees not in the finance or accounting sections of the company committed over half of the tallied thefts.
 - Retail and health care companies sustained the largest average losses – at \$606,012 and \$446,000, respectively.
 - 21% of employee theft in companies with fewer than 500 employees took place in the financial services industry – banks, credit unions and insurance companies. Financial services organizations dealt with average employee theft losses of \$271,000.
 - Non-profits dealt with average employee theft losses of \$202,775.
 - Nearly 75% of total losses included direct theft of cash or misuse of bank deposits or transfers.

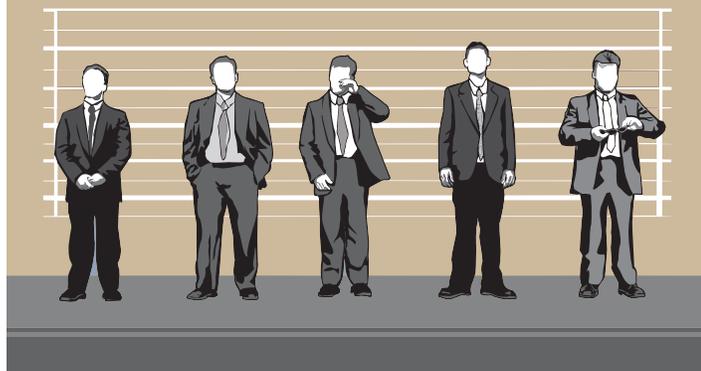
CRIME SNAPSHOT

The Rotten Gatekeeper

IN SOME cases, the fraud starts where the buck stops: the CFO.

In one such action in New Jersey, the accused CFO was suspected of siphoning off more than \$6 million from his employer to pay for a variety of personal expenses, running the gamut from real estate taxes and motor vehicle costs to credit card bills.

For a full seven years, the CFO designated his own business as a company vendor, cutting checks for services that were never performed, which he deposited into his personal bank accounts. He was asked for copies of the invoices, prosecutors said, but he informed colleagues he kept the invoices in his office.

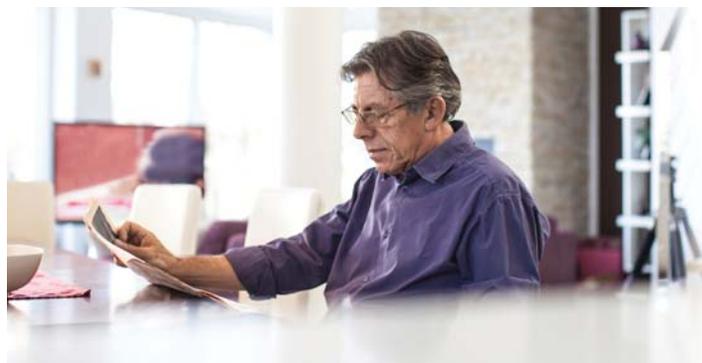


What you can do

While you can reduce the risk of theft through background checks, you have to be proactive in your fraud detection efforts, Doug Karpp, national underwriting leader for Crime & Fidelity at Hiscox, recommends.

For small business owners, Hiscox recommends:

- Sending bank statements directly to your home for a review to ensure they can't be falsified prior to reconciling accounts;
- Periodically reviewing payroll reports to look for anomalies; and
- Signing all of the checks yourself, or keeping the signature stamp under lock and key.



KNOW YOUR BOOKS: *If you own a small business, have bank statements sent directly to your home for inspection.*

For all organizations, Hiscox recommends:

- Establishing best accounting practices. You should require dual signatures or dual review on disbursements (checks and wires). It is also important to create separation in key business processes. For instance, separate the money from record-keeping so that no single employee can control a process from beginning to end, and don't let the accounts payable person reconcile bank accounts.
- In staff training sessions, illustrate the damaging effects of fraud can have on your firm, and provide advice on how to spot fraud.
- Setting the "tone at the top." Have everyone from management, auditors and the leadership team talk about fraud prevention. Be sure employees are aware of internal controls and ask them if they know of any weaknesses in the controls and how to improve them.
- Creating a hotline for reporting misconduct. Half of all tips come from workers, says the Association of Certified Fraud Examiners.
- Conducting comprehensive audits designed to identify fraud. Surprise audits are particularly effective because fraudsters will not have time to alter, destroy or misplace records and other evidence. ❖

The Insurance Solution

Employee theft insurance covers loss of funds, securities or other property as a result of theft by an employee.

877-731-7905

INJURY CLAIMS

ACA May Spur Cost-shifting to Workers' Comp

AS THE AFFORDABLE Care Act prompts more health plans to use the capitation payment model for health care providers, more treatment costs may be shifted to the workers' comp system, according to a new study.

And that would mean higher premiums for employers.

The Worker's Compensation Research Institute (WCRI) analyzed health plans in 30 states and noted in its research that as more health plans use capitation, doctors will try to get more patients treated under workers' comp.

This expected cost-shifting, which the institute said is already underway, will end up increasing workers' comp claims and costs, which will be passed on to employers in the form of higher premiums.

Claims-shifting is already taking place in states where capitated plans are popular, especially California, New York, Pennsylvania, Michigan and Massachusetts. That's because workers' comp pays physicians more than they receive under capitated health plans.

In the workers' comp system doctors are paid a fee for service, while capitated health plans pay them a monthly fee per patient regardless of whether they treat them or not.

ACOs also contribute

The other factor contributing to the trend is the formation of accountable care organizations (ACOs), which follow the capitation model. The Affordable Care Act encourages the creation of these organizations, in which doctors and hospitals share financial and medical responsibility for coordinating services to patients.

In an ACO, doctors and hospitals are rewarded for the quality of medical outcomes and for keeping costs low. In addition to rewarding doctors with higher payments, shifting cases to workers' compensation has the possible benefit of removing these cases from an ACO's accountability formula, the study notes.

The report predicts that the expected trend will result in tens of millions of dollars in additional costs flowing into the workers' comp system.

Richard Victor, executive director of the Cambridge, Massachusetts-based WCRI, told the media on a conference call that under capitation

doctors are indirectly incentivized to move treatment into workers' comp because they've already been paid the capitated rate from the health insurer. They get paid whether they treat the patient or not.

But if the patient is treated under workers' comp, they can generate additional revenues because they'll get paid for the services they provide.

"If it's work-related, then the provider gets the same fee for service as what's paid by workers' comp," Victor said. "If it's not work-related, the provider's already been prepaid for any care that they give."

The doctor typically determines if an injury is work-related. If a patient comes in complaining of back or joint pain, those could be caused by a combination of their job or factors outside of work.

Victor emphasized that he's not alleging fraud on the part of providers, just that they will ask more questions to determine if there is any causality from the patient's work.

While it's usually obvious if an injury is work-related, like broken bones, cuts or impact injuries from falls, soft-tissue injuries to the back, a knee or shoulder aren't as clear-cut.

The injuries could be the result of years on the job performing the same task, or sitting every day.

This ambiguity creates an opportunity for financial incentives to influence a doctor's decisions, the study says.

Preliminary findings from the study found that in states where most group health plans are fee-for-service (like workers' compensation) and where capitation plans serve less than 10% of the market, there was no case-shifting effect.

But in states where capitated health plans have a market share of more than 22%, there was a 30% increase in soft-tissue workers' comp claims.

The WCRI provided the following examples:

- If capitation increased from 30% to 55% in Pennsylvania (a state with high capitation), there would be an 8.5% shift of soft-tissue claims to workers' comp.
- In Illinois (which has a low capitation rate), if capitation jumped from 12% to 27%, there would be a 12% increase in soft-tissue workers' comp claims. ❖



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