LEADERS' CHOICE INSURANCE

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NEWSALERT

Workplace Safety & Liability

Holding a Safe End-of-Year Holiday Party

LAST YEAR, most companies cancelled their holiday parties as COVID-19 case rates started surging after the Thanksgiving holidays and as people started spending more time indoors.

Cases have once again been rising in the run-up to December, so many businesses are approaching their holiday plans with the safety of their staff top of mind.

If you're concerned about the safety of your staff, there are number of issues you'll have to consider in light of the pandemic as well as other safety issues that you need address:

Make attendance voluntary. Many people are still nervous to be in public places or in large crowds. They may be immunocompromised or live with someone who is. They may fear contracting COVID-19 and bringing it home. Don't force anyone to go to the party. Make it voluntary.

To mask or not to mask? Masks have become a major trigger point in American society and a political issue that inspires outrage among some. The Centers for Disease Control still recommends masking and social distancing, but many companies who have a majority of staff who have been vaccinated have decided to hold parties without mask requirements.

Companies will have to consider transmission rates in their communities before deciding whether to require masks at their parties.

Choose a venue carefully. Select a location that is large enough to provide additional space for your employees, since COVID-19 is still actively circulating. Ideally arrange for an outdoor space but if you go with an indoor venue, make sure it has ample space.

Keep events small. The scale, nature and venue for your event should be chosen considering the local situation. The number of people attending will have to be within the allowable limits under state or local regulations. If there are no local rules, make sure that you have ample space for everyone to socially distance.

Serve food and drinks safely. CDC guidelines recommend that at large events all food be served to people at tables and not offered as a buffet, where people can breathe over the offerings. That also means that appetizer stations are out, as well.

One option if you don't want to have a sit-down dinner that is served is to provide bento-style boxes of food for people to pick up and bring to a table to eat. That way all the food is covered.

If you do want to have food out so people can graze, consider keeping it under see-through covers liked domed cloches.

Also, you should consider not having champagne towers or punch bowls. Instead try to provide drinks in bottles that your staff can open on their own, or have a bar with a hired bartender who serves bottles and pours glasses of wine or mixed drinks.

Use technology. Some companies are planning to hold Zoom-based parties to reduce the risk of transmission.

A solution for some businesses may be a hybrid event where some people are on-site and others join in via Zoom or other platforms. This is an ideal way to include vulnerable individuals who may be at special risk, for whatever reason.

While "virtual mingling" might not have quite the same zing to it, employees joining in from home can still relax and chat with colleagues.

See 'Event' on page 2

Leaders' Choice Insurance Services
Wishes You a Happy Holiday

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Evolving Threat

Why Your Firm Likely Needs Cyber Insurance

SMALL AND mid-sized businesses are increasingly being targeted for cyber attacks, as criminals consider them low-hanging fruits that often do not have the resources in place to mount a strong defense.

A severe attack on a small company can incapacitate its ability to do business, and even push it into bankruptcy. That's particularly likely if the criminals are also demanding that the business pay a ransom to unlock its network.

That's why it's important to not only have safeguards in place to avoid being compromised in the first place, but to also take out cyber insurance.

If you are running a small or mid-sized company, the threat is very real. Hiscox's "2019 Cyber Readiness Report" estimated that cyber-security incidents would cost businesses over $5 trillion within the next five years alone.

Your Business May Need Cyber Coverage If...

- You use network-connected production printing devices,
- You store your clients' financial data on a shared network drive,
- You process client fees and payments electronically,
- You communicate via e-mail, messaging services or phone, or you allow employees to access systems and client data from their own smartphones.

Cyber insurance coverage will vary among different policies and insurance companies. Below are some of the highlights that are standard in most policies.

Network security coverage

This aspect of cyber insurance covers your business in the event of network security failure. This can include a data breach, malware infection, cyber extortion demand, ransomware or business e-mail compromise.

Network security coverage will reimburse for expenses that you incur as a result of the cyber incident, including:

- Legal expenses
- IT forensics
- Negotiation and payment of a ransomware demand
- Data restoration
- Breach notification to consumers
- Setting up a call center
- Public relations expertise
- Credit monitoring and identity restoration.

Privacy liability coverage

Privacy liability coverage protects your company from liabilities that stem from a cyber incident or privacy law violation.

These third party costs can arise, for example, from liabilities required in a contractual obligation, as well as regulatory fines or penalties levied by government agencies.

Network business interruption coverage

Network business interruption coverage kicks in if a cyber incident has led to your company being unable to operate fully or partially.

For example, if your network goes down due to a cyber event, the insurance will pay for your lost profits, expenses and extra costs incurred during the time your business was interrupted. ❖

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Plan Ahead If You Want to Hold an In-Person Holiday Event

Live, interactive games that cyberspace attendees can participate in are limited only by your imagination.

Invite employees to make suggestions, and you might be surprised by what people come up with.

The no-party option. Some firms are holding off and instead providing their staff with additional time off to spend with family.

The decision

Deciding on whether to hold a holiday party, and how to hold one, requires planning and a focus on safety for everyone who will be attending.

While safety should be top of mind for any company event, with the ongoing pandemic in the background, it's important that employers focus on protecting their staff from infection again this year. ❖

Changes to Construction Dual Classes on Tap

THERE COULD be significant changes coming for a number of construction dual-classification codes that could see the threshold for the higher-wage workers jump by as much as $5 per hour.

Currently, 16 of the Workers' Compensation Insurance Rating Bureau's construction and erection class codes are divided into two separate classifications based on the hourly wage of the employees, and each of these classifications has a different advisory workers' comp benchmark rate. Insurers use these benchmark rates as guideposts for setting their own rates.

Proposed High-Wage Thresholds

Class Code	2022 Threshold	Change from Current
Masonry (5027/5028)	$32	+$4
Electrical Wiring (5190/5140)	$34	+$2
Heating/Plumbing/Refrigeration (5183/5187)	$31	+$3
Automatic Sprinkler Installation (5185/5186)	$32	+$3
Concrete/Cement Work (5201/5205)	$32	+$4
Carpentry (5403/5432)	$39	+$4
Wallboard Application (5446)/5447)	$38	+$2
Glaziers (5467/5470)	$36	+$3
Painting/Waterproofing (5474/5482)	$31	+$3
Plastering/Stucco Work (5484/5485)	$36	+$4
Sheet Metal Work (5538/5542)	$29	+$2
Roofing (5552/5553)	$29	+$2
Steel Framing (5632/5633)	$39	+$4
Excavation/Grading/Land Leveling (6218/6220)	$39	+$5
Sewer Construction (6307/6308)	$39	+$5
Water/Gas Main Construction (6315/6316)	$39	+$5

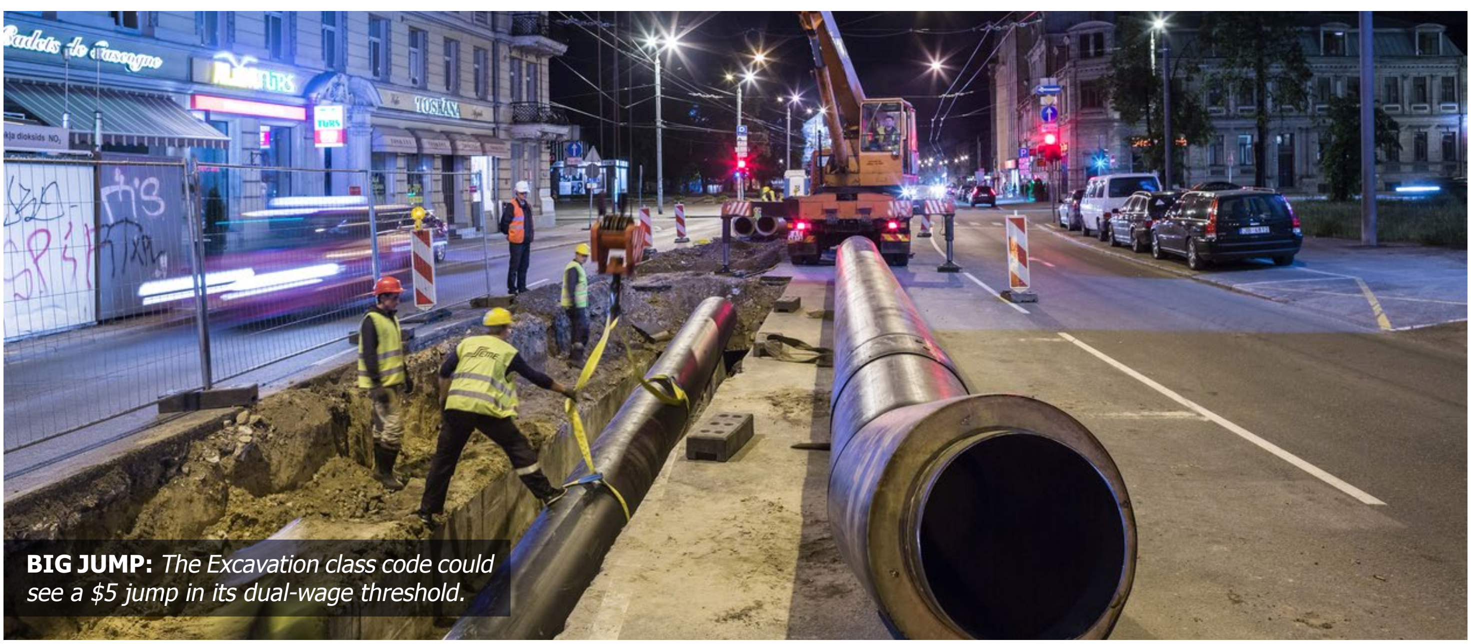
Because lower-wage workers in these classes have considerably more workplace injuries and more severe injuries, the pure premium rates for these workers can sometimes be twice as high as those for high-wage workers.

For each of these classification pairs, a specific hourly wage threshold is used to determine whether the payroll and claims for an employee are assigned to the "high wage" or "low wage" classification. There are currently 16 pairs of dual-wage classifications.

The Rating Bureau's Classification and Rating Committee is debating a proposal to increase the wage threshold for separating high- and low-wage workers in these codes, with three of the codes designated for increases of $5 per hour.

It usually revisits these class codes every two years. ❖

NOTE: If approved by WCIRB's governing committee and the state insurance commissioner, these changes would take effect Sept. 1, 2022.



BIG JUMP: *The Excavation class code could see a $5 jump in its dual-wage threshold.*

Workers' Compensation

Pay Attention to Policy Milestones to Cut Costs

ONCE THEY'VE paid their annual premium, many employers pay scant attention to their workers' comp policy until the renewal date starts closing in. Unfortunately, that's not the best time to attempt to control costs.

Because workers' comp is one of the most loss-sensitive insurance policies, and as claims can sometimes be paid out for decades, it's incumbent on you to proactively manage claims.

One way to do that is through a quarterly claims review process, the timing of which is in line with the calculation of your company's Experience Modification Factor (X-Mod), which is the one factor you can control to reduce premiums.

It's important to review loss runs and assess all open claims three months into the new policy year, because the critical number crunching for calculating the X-Mod takes place six months after the policy anniversary date.

This gives you three months to reduce or close claims that will affect the X-Mod calculation.

Policies that renew on Jan. 1, 2022 use the losses from policies that were effective in 2018, 2019 and 2020. In other words, it looks at the claims from four years ago to one year prior. It will not include the most recent year's claims payouts, as they are still too fresh.

This is when it's time to focus on trying to close claims and reducing reserves on existing claims. The top priority is getting the injured employees back to full or modified duty. If that isn't possible and return to work appears unlikely, then consideration should be given to settling the claim.

Six months after policy inception is the most important day of the workers' comp year, because this is when the insurance company sends loss information to the rating bureau to be used in the calculation of your X-Mod. This is known as the "valuation date," or sometimes, the "unit stat" date.

This information includes not only the money that the insurance company has spent on claims, but also what it expects to spend (the reserves). In effect, your insurer takes a snapshot of your loss information and it is absolutely critical that these numbers be correct.

With few exceptions, once the bureau has the numbers, they are set in stone. Unfortunately, the numbers are often inaccurate because gauging claims costs is not an exact science. Also, errors happen, like an insurer over-reserving for a claim, which is sometimes difficult to reverse quickly.

The window of opportunity is short and the process of correcting mistakes can take time, which is another reason for the comprehensive review three months after the policy's inception.

Put reserves in focus

Pay close attention to reserves. The reserves represent what the insurance company thinks the ultimate cost of the claim will be. It is not a guess, but it is more of an art than a science. Its accuracy depends on the precision of the adjuster in evaluating the employee's medical condition, anticipated time away from work, cost of medical care and other relevant costs.

Yet, the cost projections get counted exactly the same as the dollars paid out, so if the reserve is set too high, you will pay too much.

Although the X-Mod is set at the sixth-month mark, it is a good idea to continue the quarterly review process at nine months. Throughout the year, proactive management of all open claims will ensure that you don't get any surprises at renewal. ❖