

THE REPORT

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WORKPLACE SAFETY/LIABILITY

Playing It Safe During the Holidays

AS THE holiday season nears, your business will have new safety considerations to confront. From holiday parties and risk of electrical shock to fires and trips and falls, companies have a set of safety and risk management challenges that may not be present during most of the year.

Decorations present their own set of safety challenges, and so does a company party. To ensure your staff's and visitors' safety, and reduce your liability, consider the following:

Safety while decorating

Keep all relevant OSHA regulations in mind when decorating your workplace, including:

Ladder safety – Make sure that your employees don't stand on tables or desks when hanging lights. Insist that they use a ladder and that they have a partner to hold it steady.

Keep walkways unobstructed – When employees are decorating, ensure they keep all walkways free of wires, cords, boxes or any of the material you are putting up. When people are working amid clutter, they can easily trip and fall.

Install wisely – Also make sure that your employees do not put up decorations in a way that can impede movement of your workers or office visitors, or create trip hazards or expose staff to getting caught in the decorations.

Unobstructed exits – Do not place decorative items in exit corridors or on sprinklers. It's essential to ensure that none of your decorations block exit signage or fire safety equipment.

Office parties

If you're throwing an office party, your biggest concern should be potential liability from labor laws and liability if alcohol is served.

Consider the following tips to ensure that festive cheer doesn't turn into a legal nightmare:

Limit your employer liability – Make sure that the party is not tied to any specific religious tradition and is referred to as a "holiday party."

Apply your workplace policies on behavior, including those on violence, harassment, discrimination and general code of conduct, even if you've chosen a venue other than your workplace. Prior to the event, let employees know the standards to which they will be held.

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PACIFIC DIVERSIFIED
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WISHES YOU AND YOUR
FAMILY A HAPPY HOLIDAYS!

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MARKET HARDENING

What's Behind Commercial Insurance Rate Hikes?

BY NOW, you have probably noticed that your commercial insurance rates have been on the rise in the last few years, across most of your policies. A confluence of circumstances have driven up commercial insurance premiums in recent years. Here are four to note:

Insurance claim inflation

In March 2022, the consumer price index (CPI) jumped 8.5% from a year earlier, the fastest 12-month pace since the early 1980s. Inflation in insurance claims has been rising even faster than CPI, outpacing increases in premiums.



Higher materials costs

As the cost of materials to make repairs to a business following an insured event rises, so does the cost of claims for an insurer. That, in turn, means the insurer may have to charge more for commercial property policies when they are purchased or renewed. From December 2019 through December 2021, the price of construction materials rose by 44.1%, with some lumber prices in mid-2021 up 400%.



Natural disasters

2021 was the seventh year in a row the U.S. suffered at least 10 catastrophes that each resulted in a billion dollars in insured losses. When more natural disasters strike or disasters do more damage, the cost of claims goes up significantly, which means that the price an insurer can offer for an insurance policy may also increase at purchase or renewal.



Cyberattacks

In 2021, 37% of businesses were hit by ransomware attacks. The surge in attacks has led to an increase in claim payouts which again, leads to higher premiums for businesses.



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Carefully Consider Whether You Should Serve Alcohol

Avoid activities or items such as mistletoe, a game of Twister, or inappropriate music that could lead to physical contact, unwanted social pressure or inappropriate conversation.

Take any complaints stemming from the party seriously. As you normally would with any other incident, document, investigate and take appropriate action.

Alcohol at parties – Alcohol is a liability, so you should carefully think about whether you should serve it. Consider:

- Hiring professional bartenders who have their own insurance and are certified for alcohol service. Speak with the vendor to determine what protocols it uses to keep from serving minors and others who are visibly intoxicated.
- Offering an array of non-alcoholic beverage choices.
- Not having an open bar. Instead, hand out drink tickets to

control consumption.

- Stopping serving alcohol at least at least an hour before the event ends.
- Serving food for party-goers to munch on, in order to slow absorption of alcohol into the bloodstream.
- Giving a supervisor or manager the authority to cut off the serving of alcohol to anyone who is intoxicated.
- Providing alternative transportation, which may include free cab rides.

The takeaway

The holidays are fast approaching, but if you get an early start on planning for them you can keep safety top of mind to ensure nobody gets hurt and your firm doesn't get sued. ❖

The ABCs of Group Retirement Plans

THE FOUNDATIONAL concept of a group retirement solution—the multiple employer plan — has deep roots. Dating back to the early 20th century and formalized by the Taft-Hartley Act of 1947, multiple employer plans (or MEPS) began as vehicles to make agreements between management and labor unions possible across numerous employers in the same industry.

While the multiple employer solutions we know today may look different, their underlying benefits have endured the test of time. In fact, their structure becomes even more relevant every day as business owners adapt to the evolving world around them, and as they look to manage expenses and resources while attracting and retaining top talent.

On December 20, 2019, the Setting Every Community Up for Retirement Enhancement (SECURE) Act was signed into law, which included several provisions that impact group retirement plans, including the creation of a new type — the Pooled Employer Plan, or PEP. Read below for an overview of the different core types of group plans and their key differences.

What's a MEP?

A MEP is a tax-advantaged retirement plan established under section 413c of the Internal Revenue Code that permits unrelated employers (businesses) with some commonality to join together to form a single plan.

A third party that the participating businesses have in common — like an industry-based or locality-based association the business are members of, for example — will take on the roles and responsibilities of the plan sponsor.

While MEPs existed prior to the SECURE Act, they now involve less risk for each employer who participates, as the “One Bad Apple” rule was eliminated.

This rule previously meant that if one employer had a compliance failure, it could disqualify the entire plan. Other terms for types of MEPs include Association Retirement Plans (ARPs) and the new PEPs, which became available Jan. 1, 2021.

What's a MEAP?

A Multiple Employer Aggregation Program (MEAP) is a group retirement program that multiple unrelated employers can join through their association with an offering organization. That offering organization acts in an endorser capacity for the MEAP, as opposed to a plan sponsor capacity, like the PEP or MEP.

The key difference is that the joining employers still maintain their own single plan and are not grouped into one large plan with other participating employers.

The program aggregates many of the services to create efficiencies and typically includes administrative and investment fiduciaries to oversee many operational and fiduciary tasks for the program and its adopting plans.

The MEAP is excellent for employers who want to take advantage of collective purchasing power, a reduction in administration time and less fiduciary responsibility and risk, while avoiding many of the administrative and plan design complexities associated with joining a single plan with several other employers.

What are PEPs?

Introduced under the SECURE Act, a PEP is a type of MEP, but without the requirement of all businesses sharing a commonality.

A Pooled Plan Provider operates as a single plan and can offer the PEP to employers that want to take advantage of collective purchasing power, a reduction in administration time and less fiduciary responsibility and risk.

Another term for PEP is an Open MEP. Under the SECURE Act, a MEP may change to the PEP structure and remove the affiliation requirement, making it open to any 401(k) plan to join.

A financial professional can guide you

For employers looking to offer retirement benefits for your employees, it's important to work with a financial professional to determine the best fit for your organization, including your desired oversight and the number of employees. ❖



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WORKERS' COMPENSATION

Contractors with No Workers Will Need Coverage

A NEW LAW will require almost all contractors in California to carry workers' compensation coverage, regardless of if they have employees or not.

According to the author of the bill, State Sen. Bill Dodd, D-Napa, the new law was necessary due to the tendency of many small contractors to claim they have no employees, when in fact they regularly hire day laborers or undocumented aliens.

Since a firm with only an owner and no employees is not required to carry workers' comp coverage, those workers would not be covered if they are injured on the job.

As a result, the worker would have to pay out of pocket for medical care and would be out lost wages, which workers' compensation insurance would cover. Many, desperate for cash, end up suing the entity or individual who hired the contractor to achieve redress.

There is also a competition issue. Contractors who follow the law are often at a cost disadvantage when bidding against those that don't purchase workers' compensation coverage and use off-the-books labor.

Currently, only roofers are required to carry workers' comp insurance even if they claim to have no employees.

Two-phase introduction

Gov. Gavin Newsom in September signed into law SB 216, which was sponsored by the Contractors State License Board. The law will take effect in two phases:

1. High-priority sectors first – Starting July 1, 2023, it will require the following contractors to carry workers' compensation coverage regardless of whether they have employees or not:

- Concrete (C-8 license),
- Heating and air conditioning (C-20),
- Asbestos abatement contractors (C-22), and
- Tree service contractors (D-49).

2. All sectors – Starting Jan. 1, 2026, it applies to all licensed contractors or applicants for licensure, regardless of classification, unless they are organized as a joint venture and file a certificate of exemption from workers' compensation.

The new law requires the Contractors State License Board to suspend the license of any of the specified contractors if, between July 1, 2023 and Jan. 1, 2026, it finds a contractor had employees and did not have comp coverage. ❖

OSHA's Most-Cited Safety Violations

Fed-OSHA recently announced its top 10 most frequently cited workplace safety violations for 2022.

1. Fall Protection – General Requirements
2. Hazard Communication
3. Respiratory Protection
4. Ladders
5. Scaffolding
6. Lockout/Tagout
7. Powered Industrial Trucks
8. Fall Protection – Training Requirements
9. Personal Protective and Lifesaving Equipment – Eye and Face Protection
10. Machine Guarding



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