

# Risk Monitor



## Inside...

PAGE 1...

Curtail Workers' Comp Costs in a Tough Economy

PAGE 2...

Collect COIs to Manage Subcontractor Risk

PAGE 3...

Show Employees Their Hidden Paychecks

PAGE 4...

Young Adults and High Earners Have Greatest Risk for Identity Theft



## Curtail Workers' Comp Costs in a Tough Economy

Workers' compensation costs are always a concern for employers—but in today's tough economy, employers should be more watchful than ever. As financially stressed employees grow increasingly worried about their money problems, many are preoccupied and less attentive on the job. This can greatly increase the risk of an injury. Plus, when employees become anxious about potential layoffs, workers' compensation claims may increase as workers look for a way to maintain their income.

This is precisely why employers need to take every possible measure to rein in workers' comp costs right now. Here are a few steps you can take to make sure employees stay happy and claims don't mushroom out of control:

### Open the lines of communication

Everywhere they turn, employees are hearing bad news about the economy. Consequently, workers are growing increasingly anxious about their job security and financial well-being. Now more than ever, it is absolutely critical for employers to keep the lines of communication open with their worried employees.

However, while it's important to give workers the morale boost they need, it's also important to be truthful. Don't sugar-coat a bad situation. Studies show that employees who work for employers who are truthful, fair and supportive have lower levels of stress, anxiety and depression.

Research also shows that workers trust their immediate boss more than the company's senior leaders. Therefore, direct supervisors should offer their employees plenty of support right now and

immediately address any widespread anxiety or rumors.

### Keep a close watch on claims

Although employers should always meticulously monitor claims, this becomes even more vital in a rough economy. That's because many workers may attempt to abuse the system when they are feeling financially stressed.

As you scrutinize the amount and type of claims being filed by your employees, keep an eye out for suspicious trends or patterns. This may help you identify potential abuse. If you suspect any type of exploitation, report it immediately.

### Give employees the right title

If your company has recently gone through lay offs or experienced a reduction in workforce, some workers may have changed positions or taken on additional responsibilities. If this is the case, ensure that your employees' job classifications are up-to-date.

### Encourage good health

Companies with wellness programs, fitness opportunities, nutritious food choices and other health-related perks have healthier, more productive employees. Healthy employees are less likely to suffer from illness or injury—which means they are less likely to miss work.

This is why it's so important to adopt some sort of wellness program for your employees and establish a relationship with a qualified occupa-

*continued on page 3*

## Welcome to the Galloway Chandler McKinney Newsletter!

It is with great satisfaction that we bring this newsletter to you. In this issue and in coming months, we will discuss pertinent risk management topics which may affect your organization. We sincerely hope that you will find this newsletter informative and please do not hesitate to contact us should you have any questions or needs.



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# Collect COIs to Manage Subcontractor Risk

You carry insurance to protect your business from liabilities. If you use subcontractors and vendors, it's also important to make sure they have appropriate insurance. Collecting certificates of insurance is the best way to make sure they are covered – and that you're protected.

Certificates of insurance provide evidence that your subcontractors and vendors have insurance. They indicate the timeframe for which the subcontractor or vendor is covered and the amount of coverage. There are two main reasons it's in your best interest to collect these certificates.

## 1. You can be held liable for accidents or damages

The primary reason to collect certificates of insurance is to make sure your company isn't held responsible if your subcontractor or vendor incurs uninsured liability. Since they are doing work for your benefit, you can be held responsible if something goes wrong. As you know, workplace accidents and damages can be extremely costly, so it makes sense to ensure your vendors and contractors are properly insured.

**Certificates of insurance provide evidence that your subcontractors and vendors have insurance.**

## 2. Your insurance rates could increase

In addition to being held liable for accidents or damages that occur as the result of an action by an improperly insured subcontractor or vendor, you could also find your own insurance rates rising. Even if you don't end up covering liabilities for an uninsured subcontractor or vendor, some insurers audit clients' risk management practices. Collecting certificates of insurance indicates sound risk management practices, while failure to do so is a sign that such practices should be improved.

## Getting the certificates you need

So how do you make sure you obtain the insurance certificates you need to manage risk effectively? The best way is to ask for them up-front – before subcontracted work or vendor operations begin. Subcontractors and vendors are generally more

forthcoming with documentation when they are actively engaged in trying to obtain your business. The subcontractor or vendor should be able to easily obtain a certificate of insurance from the company that provides the policy.

However, once you obtain the certificates you need, it's important to make sure they are up to date as long as subcontracting or vendor work for your company continues. Certificates of insurance indicate the coverage timeframe. When the coverage is set to expire, you'll need to get a new certificate of insurance for the renewed coverage. It's a good idea to keep track of coverage expiration dates so you can make sure you update your documentation.

## Protecting your company



Getting certificates of insurance from your subcontractors and vendors is an important way to manage risk for your own business. Having proper documentation helps ensure that you don't incur unexpected liabilities. It's also a positive sign that you take risk management seriously.

Reputable subcontractors and vendors should understand how vital this evidence is for your protection. And since obtaining certificates of insurance is a fairly simple matter, they should be able to supply the up-to-date documentation you require quickly and conveniently. It can take a little perseverance to make sure you get what you need, but it's well worth it.



# Show Employees Their Hidden Paychecks

A top-notch workforce is essential to your company's success. It's always important to have engaged, loyal employees, and in an economic downturn, it's more critical than ever to keep employee morale high to maintain the competitive edge top-quality employees bring.

One way you keep your best employees on board is by offering a generous benefits package. But do your employees fully appreciate your investment? According to many surveys, they don't. Employees tend to focus on their share of the costs, and many grossly underestimate the amount their employers pay. Employees also tend to underestimate what employers pay for other benefits such as paid time off (PTO), tuition reimbursement, pension or 401(k) plans and statutory benefits like employer-paid Social Security.

So how do you make sure employees know and appreciate how much you spend on their benefits—traditional benefits like health, dental and life insurance as well as benefits like PTO and statutory benefits? Communication is the key.

One of the most effective ways to drive home the point is to present the full costs of all the benefits you provide as an employer in the form of a "hidden paycheck." For example, if you pay an average of 20% of an employee's salary on providing a traditional benefits package, an additional 5% on matching 401(k) contributions and approximately 10% each on PTO and statutory benefits, you could provide a "hidden paycheck" communication outlining the following for an employee who receives an annual salary of \$50,000:

## Your Hidden Paycheck

- \$50,000 in salary
- \$10,000 in employer contributions for health, dental and life insurance
- \$5,000 for time off
- \$2,500 in 401(k) contributions
- \$2,500 for statutory benefits
- \$70,000 = TOTAL COMPENSATION

Of course, the amounts will vary depending on how much you contribute to employee benefits. But as you can see, even with fairly conservative estimates, the amount is significant. A hidden paycheck communication gives employees a big-picture view and increases their appreciation for employer contributions.

There are a variety of ways in which you can present hidden paycheck information. It can be as simple or elaborate as you choose. For example, if calculating the actual amount you contribute to each employee's non-cash compensation would be too time-consuming, you could determine a company-wide average and use those figures, as long as you make it clear the number is an average. You might consider conveying hidden paycheck information up front when you first hire employees. Or you could make it an annual tradition, presenting hidden paycheck information at year-end in the form of an annual total pay statement for every employee.

No matter how you choose to convey the information, revealing hidden paycheck amounts is a worthwhile endeavor. It can help you get the word out about how much you actually spend, raising employee awareness of your investment in your human capital. It can build valuable good will, which is a critical commodity, especially in times of economic hardship, when your need for a competitive edge is greatest.

## continued from page 1... Curtail Workers' Comp Costs in a Tough Economy

tional medical provider. Find physicians who follow ACOEM (American College of Occupational and Environmental Medicine). Although they may be more expensive, it's well worth the cost. These experts will take time to understand your company's needs and ensure your workers stay healthy, productive and on the job—which will save you untold amounts of money in the long run.

### Educate your employees about finances

In our current economic downturn, many of your employees are likely struggling to manage their finances. They don't know where to turn for financial advice and expertise.

To relieve some of their stress, consider sponsoring office workshops and classes about financial matters like reducing credit card debt, investing wisely, securing a home loan and

saving for college. This will give your employees the financial guidance they need while ensuring that they stay happy and productive on the job.

In any economy, whether it's up or down, one thing is always clear: every day a worker is off the job, the employer loses money. Although you may be focused on other company problems right now, such as a reduced workforce, dwindling budgets and a decrease in sales, it's important to maintain your focus on workers' compensation issues.

Try to cut back on illnesses and injuries with a wellness program and other health perks. If an employee is injured, do everything possible to return that worker safely to the job as quickly as possible. After all, the longer an employee is out of work, the more difficult it is to get him back to work—and the higher the price tag for the employer.

# Young Adults and High Earners Have Greatest Risk for Identity Theft

According to Javelin Strategy & Research, which recently released its 2007 Identity Fraud Survey Report, young people and those earning more than \$150,000 are the most likely victims of identity theft.

Young adults between the ages of 18 and 24 are at the greatest risk for identity fraud because they are the least likely to take safeguards such as shredding documents and using anti-virus software and firewalls. Over five percent of those surveyed in this age group reported having been victimized.

Of those who responded, more than seven percent with annual incomes above \$150,000 said that they had been victims of identity theft. The researchers also found that this group is twice as likely to not use paper statements and bills. Instead, they opt for electronic bills, which is a method of preventing fraud. They are also 65 percent more likely to monitor their accounts online, which allows them to spot a fraudulent event before large amounts of money are lost.

The survey also revealed that Americans earning less than \$15,000 are the least likely to be victims of identity fraud. Only 2.8 percent of those polled reported being victims. However, this group takes the longest to discover fraud when it happens. It takes them on average 70 percent more time for them to detect a fraud than it does for higher income populations. These victims spent an average of 44 hours resolving the fraud. Lower income victims are also more than twice as likely to cut their overall spending, nearly three times more likely to not purchase merchandise online, and three times more likely to refuse to bank online.

Research showed that 500,000 fewer adults in the United States were victims of identity fraud in 2006 than in 2005. Only 3.7 percent of adults were victims in 2006, as compared to 4

percent in 2005. This is a continuation of the annual decrease in this type of crime that has been occurring since data was first collected in 2003. In that year, 4.7 percent of the adult population was victimized.

There has also been a significant reduction in the incidents of new account fraud reported in the past 12 months. This fraud happens when criminals use a victim's personal data to establish a new account. Such fraud dropped from 1.5 percent in 2006 to one percent in 2007. Additionally, when fraudulent accounts were



opened, many victims caught it quicker because of the ability to view statements online. The average fraud amounts dropped from more than \$10,000 in 2006 to \$7,260 in 2007. Survey respondents said that resolution times had also improved significantly. It took 25 hours to resolve a fraudulent event in 2006, as compared with only 5 hours in 2007.

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