



# RISK REPORT

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## EMPLOYEE BENEFITS

### Transit Parity Ushered in with 2016 Federal Budget

**O**N DEC. 18, 2015, President Barack Obama signed a federal budget bill into law for 2016. This bill increased the maximum monthly tax exclusion for employer-provided mass transit benefits in order to make it equal to the limit for employer-provided qualified parking benefits.

This increase provides permanent equivalence between mass transit and parking benefits, which is often referred to as “transit parity.” Transit parity means that the federal Internal Revenue Code (Code) no longer favors parking benefits over mass transit benefits. The increase applies retroactively to months after 2014.

Transit parity is a welcome development for employers, especially those with employees who utilize public transit.

#### Action steps

Employers that sponsor qualified transportation fringe benefit plans should update their plan design and work with their vendors to implement the maximum limits.

Some major cities now require employers to offer transit benefits to their employees.

Employers in these cities should ensure that they are in compliance with local requirements.

Employers that provided “excess transit benefits” for 2015 should work with their tax advisors to comply with guidance from the Internal Revenue Service (IRS) on the retroactive application of transit parity.

In addition, employers should review their reimbursement methods for transit passes. According to IRS guidance, effective Jan. 1, 2016, employers cannot reimburse employees in cash for transit benefits if a terminal-restricted debit card is readily available in the relevant geographic area.

#### Qualified fringe benefits

Code Section 132(f) permits employers to provide certain transportation fringe benefits to employees on a pre-tax basis. These benefits include qualified parking,

mass transit (commuter highway vehicle and transit passes) and bicycle commuting expenses. Employees typically pay for qualified parking and mass transit benefits through pre-tax payroll deductions.

There are limits on all transportation fringe benefits. These limits are subject to cost-of-living adjustments (if any) for future years, as announced by the IRS.

In prior tax years, a series of temporary measures created parity between the mass transit and qualified parking limits. But, these measures expired about a year ago.

Before the 2016 budget bill was enacted, the monthly tax exclusion for mass transit benefits for 2015 was \$130, while the exclusion for qualified parking benefits was \$250. The 2016 budget bill increased the monthly tax exclusion for mass transit benefits, making it equal to the limit for qualified parking benefits. ❖

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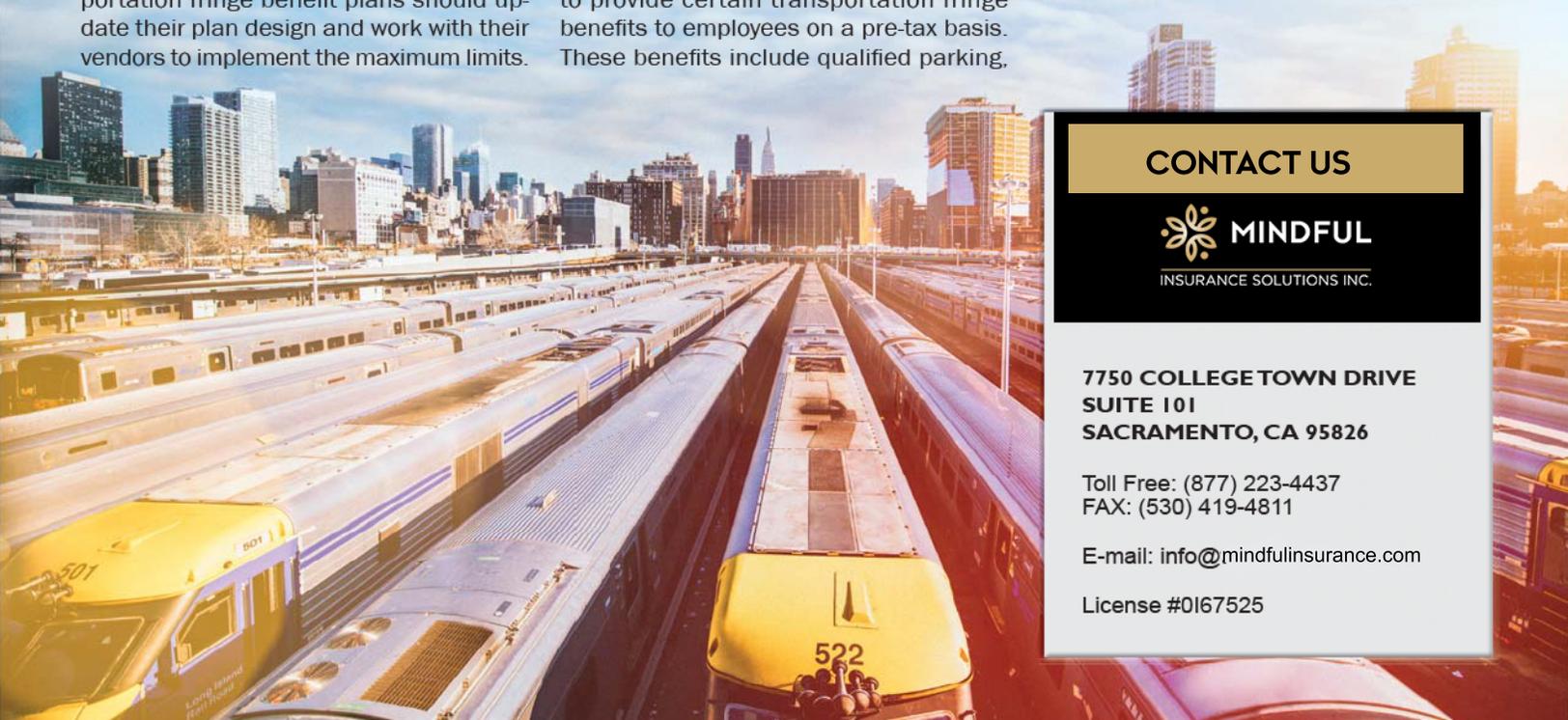


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## RISK MANAGEMENT

# Preventing Warehouse and Factory Fires

**O**NE OF the biggest risks to warehouses and factories is fires, which can spread rapidly in these environments.

Facilities that are most at risk are those that have high ceilings, large footprints and hold large quantities of inventory that is stored close together.

If you don't have a fire prevention system in place, your inventory is at risk, as well as machinery and the building itself.

If you operate such a facility, you need to make sure that you reduce the risk of fires, and that you keep your inventory clear of any potential ignition sources.

To start, you need to understand what kind of ignition sources you have in your facility and how to identify hazards. Next, put together a fire protection plan.

Your plan will depend on the materials and inventory that you are storing and using.

For example, materials in corrugated cartons are much less combustible than plastic packaging. And inventory such as paint, oil and sawdust is extremely flammable.

### Shelving

One of the first orders of business is to evaluate your current shelving design.

One factor is the height of your storage. The higher you stack inventory, the greater the fire suppression challenge. Sprinkler systems that run along the ceiling have to reach not only the top layers of your inventory, but also the bottom layers.

One solution is to install in-rack sprinklers.

Another issue to consider is solid versus open shelving.

Solid shelving increases the fire risk because it creates an enclosed area where the fire can burn more easily.

Fires to products on open shelving are easier to douse and they don't spread as easily.

Also, the warehouse should be neat and items properly stored. Failing to arrange storage can increase your risk because:

- Crowded aisles may block fire exits and make it harder for people to escape, and
- Fires spread more easily in cramped warehouses.

### Dust danger

When accumulated dust particles are suspended in the air and contained in a confined space, all it takes is one small ignition source – like static electricity or metal-on-metal friction – to set off a chain reaction and a burst of fire.

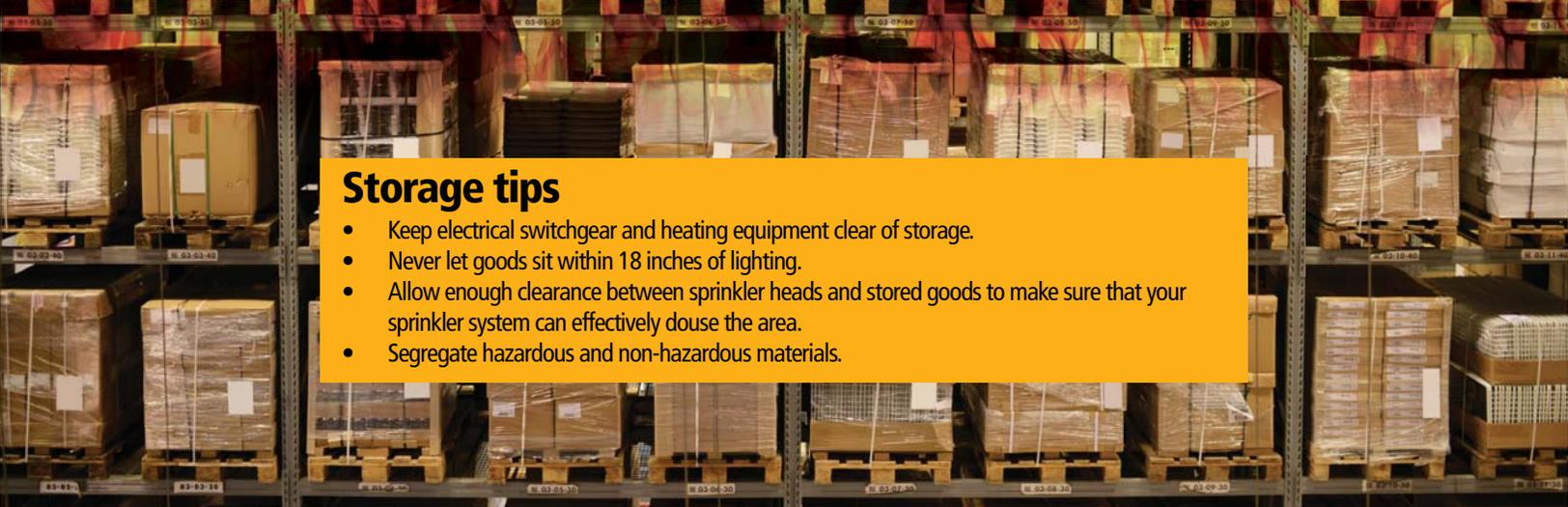
When that happens it creates a rise in temperature and a rise in pressure.

That pressure will push outwards and if your building is not designed to contain that explosion and vent it safely, the result can be widespread damage.

On top of that, the initial explosion may dislodge additional dust on horizontal surfaces, which will add to the fire, putting at risk your entire facility. ❖

### Dust fire prevention

Fires can be prevented via proper housekeeping and regular maintenance and upkeep of equipment, and the installation of vacuum-powered dust collectors on the outside of the warehouse.



### Storage tips

- Keep electrical switchgear and heating equipment clear of storage.
- Never let goods sit within 18 inches of lighting.
- Allow enough clearance between sprinkler heads and stored goods to make sure that your sprinkler system can effectively douse the area.
- Segregate hazardous and non-hazardous materials.



## WORKERS' COMP

# Tech Roots out Fraud, Identifies Problem Claims

**W**ITH DECADES of information in their databases, many insurers have started using those statistics to their advantage to intervene earlier in problem claims and to identify potential fraud.

With years of data to rely on, insurers have identified certain triggers that can indicate that a claim may require additional intervention and more hands-on management.

A predictive modeling program will alert a claims adjuster when it identifies certain parameters or events.

This early identification of problem claims is helping employers and insurers achieve better outcomes for injured workers, as well as save money and time.

As the trend continues, it should help reduce claims costs by eliminating more fraud and also lower the cost of some claims and reduce the time some injured employees are away from work recovering.

Conventional wisdom in workers' comp is that 20% of the claims account for 80% of the losses. Efforts such as early claims reporting, medical case management and return to work have long proved essential for reducing claims.

Predictive modeling aims to improve the ability of insurers to identify claims that require early intervention.

Insurance predictive modeling applies statistical techniques and algorithms on insurance and claims data to develop variables that predict the likelihood of a particular situation (like a worker staying off work for longer than average).

While predictive modeling has been successfully used for years by automobile insurers, it's been slower to catch on in workers' comp, particularly because it requires multiple data sets for which data availability can be scarce.

Predictive modeling begins with the first notice of loss and then continues to monitor for certain trigger points and specific actions during a claim's lifecycle.

In the case of a potentially fraudulent claim, some of these could include the number of prior injury claims submitted by a claimant and the amount of time that an allegedly injured claimant is out of work. ❖

### Employer tackles medical costs

Supermarket chain Ahold USA, a self-insured employer, started using predictive modeling in early 2012.

Ahold's model uses claim characteristics, medical transaction details, and other data sources to identify factors that are predictive of higher claims costs.

Some of the indicators the company uses include multiple visits to doctors and the use of certain prescription drugs.

The model then prioritizes claims that need special handling and medical case management.

This helps injured employees receive appropriate medical care to reach maximum medical improvement and return to work sooner.

The company's predictive modeling can indicate whether a claim has the propensity to develop adversely.

It can also be used to evaluate the likelihood that a claim will result in litigation.

It may also provide the ability to identify workers' compensation claims with a greater likelihood of surgery. Such tools allow adjusters to develop case strategies at first notice and gain control over the claim as it progresses.

The results for Ahold have been positive, resulting in lower workers' comp expenditures in "low seven digits."

### Insurer bird dogs fraud faster

National insurance company Chubb Corp. has been using predictive modeling for both its workers' comp and automobile claims.

At Chubb, predictive modeling begins with the first notice of loss and then continues to monitor for certain trigger points and specific actions during a claim's lifecycle, such as the number of prior injury claims submitted by a claimant and the amount of time that an allegedly injured claimant is out of work.

The model flags claims based on patterns that have historically proven fraudulent and patterns that the claims adjuster may not detect. If a claim is flagged, the adjuster can investigate further and/or monitor the claim.

If certain warning signs appear, the claim is referred to Chubb's insurer's special investigation unit. At that point the SIU can work with the claims adjuster to investigate further.

Before predictive modeling at Chubb, it could take up to 180 days to spot potentially fraudulent workers' comp claims and assign them to the SIU. Now that number is down to six days.

Also, predictive modeling has led to a significant increase in accepted referrals to the insurer's SIU. As a result, the number of investigation days has decreased, and the company has achieved significant cost savings.



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## WORKPLACE SAFETY

# Protecting Your Workers in the Rain

**E**MPLOYEES WORKING in the rain face specific hazards, such as poor visibility and wet, slippery surfaces.

When it's wet and windy, potential hazards at a worksite can be exacerbated. Working in the rain can cause slippery surfaces and limited visibility.

It's also riskier to use heavy equipment in the rain, particularly when moving heavy loads, putting workers on the ground – and even the public – in danger. But, steps can be taken to mitigate such hazards.

It's imperative that you as an employer ensure your employees' safety, especially during this heavy year for rain.

When working in the rain, train your employees to:

- **Move cautiously** – While workers may be tempted to move fast in the rain to avoid getting wet, this can be dangerous, especially on slippery surfaces. If anything, they should work more slowly and deliberately in all of their tasks.
- **Use the correct equipment** – If workers must use electrical tools or equipment, they need to check that they are specifically rated for outdoors. Also, the tools should have textured, no-slip grips and handles.
- **Don proper footwear** – Workers should wear footwear with heavy treads that can reduce the chances of slipping.
- **Remember rain gear** – Proper rain gear includes rain pants and a raincoat. The best clothing is ventilated to help your workers stay comfortable. If it's cold and rainy, they should also wear wool or synthetic materials that can stay warm even when wet.
- **Wear non-slip gloves** – Workers should wear gloves that provide a sticky grip even when wet. Gloves should be snug and long enough for a jacket sleeve to prevent water from entering.
- **Keep vision clear** – Workers who wear glasses (if they must wear goggles for certain jobs) should apply anti-fog spray to them. It's also advisable to wear a hat to keep rain from their eyes. They shouldn't use headgear that narrows their field of vision.

- **Work in proper lighting** – When working at night, workers should make sure lighting is adequate and the lights used are rated for outdoor use.

- **Ensure visibility** – When it's raining, visibility decreases and it's easy for motorists and machine operators to have trouble seeing properly. Workers should wear high-visibility clothing, especially in areas with vehicle traffic and heavy machinery. Don't wear rain gear or vests that have become dull or are no longer reflective.

### Cold stress

When it rains, it's often cold, too – and wet clothing can exacerbate the cold.

Employees working outdoors for prolonged periods of time when it's cold must be protected from cold stress. Cold stress can cause frostbite, hypothermia and trench foot.

OSHA advises that cold stress is not limited to freezing temperatures, and can occur in outdoor temperatures in the 50-degree Fahrenheit range when rain and wind are present.

OSHA requires addressing this hazard by using protective clothing, in particular the use of layers with an outer material that protects against wind and rain.

Although OSHA generally requires employers to pay for their workers' protective equipment, employers are not required to pay for ordinary clothing such as raincoats.

### Heavy-work dangers

Rain makes operating cranes, derricks and hoists more dangerous as well, particularly when moving large and heavy objects. Heavy rain combined with wind speed can make loads difficult to control. Also, if a rainstorm is accompanied by lightning, equipment such as a crane can become a lightning rod.

If you feel you cannot adequately protect your workers during a storm, you should not conduct operations in the rain. ❖