

**SAMPLE**  
Employee Benefit Program  
Plan Highlights – 2009

PLAN	BENEFIT	
<b>MEDICAL PPO</b>  <a href="http://MYLIFEPLAN.COM">MYLIFEPLAN.COM</a>  <b>MEDICAL PPO</b>	<b>Blue Shield of California PPO Plan 500 Standard</b> <ul style="list-style-type: none"> <li>• Deductible: \$500/individual / \$1000 per family</li> <li>• 70% PPO/50% Non-PPO (of negotiated fees)</li> <li>• Office Visit: \$40/visit – (Mammograms and Pap Test for other than routine screening subject to deductible)</li> <li>• Hospital: \$500 Admit then 70% in-network</li> <li>• Maximum Out of Pocket: \$4,000 Ind./\$8,000 Family PPO (excludes deductible)</li> <li>• Lifetime maximum: \$6,000,000</li> <li>• Prescription Drugs: \$10 Generic / <u>Brand</u>: First a \$250 deductible then \$30 Brand Name Formulary/ \$50 Non-Formulary</li> </ul>	<b>Employee/Employer Contribution</b>  See employee handbook  Eligibility: First of the month following date of hire
<b>HMO</b>	<b>Blue Shield of California Access + HMO 15</b> <ul style="list-style-type: none"> <li>• Deductible: None</li> <li>• Calendar Year co-pay Maximum: \$2,000 for Individual / \$4,000 for family</li> <li>• Preventive Care: No Charge</li> <li>• Office Visit: \$15 / visit – Access + specialist \$30 /visit</li> <li>• Hospital: \$300 / admission</li> <li>• Outpatient Surgery: \$250 p/surgery</li> <li>• Emergency Room: \$100/visit</li> <li>• Lifetime Maximum: Unlimited</li> <li>• Prescription Drugs: \$15 Generic/\$30 Brand Name Formulary / \$45 for non-formulary brand.</li> </ul>	
<b>DENTAL</b>	<b>Principal</b> <ul style="list-style-type: none"> <li>• Preventive Services: 100% In &amp; Out of Network</li> <li>• Basic/Major Deductible: \$50/year</li> <li>• Basic Services: 90% In-Network; 80% Out of Network</li> <li>• Major Services: 60% In-Network; 50% Out of Network</li> <li>• Maximum Benefit Preventive/Basic/Major: \$1,500/year</li> </ul>	Employer pays 50% of the premium for the employee
<b>VISION</b>  <a href="http://WWW.VSP.COM">WWW.VSP.COM</a>	<b>VSP – vision services plan</b> <ul style="list-style-type: none"> <li>• Exam: \$20 co-pay</li> <li>• Prescription glasses: \$20 co-pay</li> <li>• Exam: every 12 months</li> <li>• Glasses: every 12 months</li> <li>• Frames: every 24 months</li> </ul>	Employer pays 100% of the premium for the employee
<b>LONG TERM DISABILITY</b>	<b>Standard Insurance Company</b> <ul style="list-style-type: none"> <li>• 90 day elimination period from date of disability</li> <li>• 60% of earnings, less deductible income</li> <li>• Maximum monthly benefit of \$6,000</li> <li>• Benefits are payable to age 65</li> </ul>	Employer pays 100% of the premium
<b>LIFE INSURANCE</b>	<b>Standard Insurance Company</b> <ul style="list-style-type: none"> <li>• 1 X Base Annual Earnings to a \$125,000 Maximum</li> </ul>	Employer pays 100% of the premium

Eligibility for benefits is effective on the first of the month following date of hire. This sheet describes only highlights of our benefit program. In all instances, the master contracts with insurance companies are the governing documents. Benefits provided through:

# Entrepreneurship Brownbag Series

## Part IV: Protecting My Best Asset – Me

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Susan's boutique insurance firm specializes in quality, cost effective employee benefits for professional service firms and non-profit organizations, including self-employed professionals and consultants. Shargel works with many firms in the architecture, design, real estate, and construction fields. Susan has over 25 years of experience in insurance. She's gained accolades for combining big picture insight and detailed knowledge to help clients design plans that work in both cost and quality. She was named Business Owner of the Year by SF Small Business Network in 2003.

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Ken has been an insurance professional for over 23 years in various safety, risk management, managerial and consulting positions. He works with clients in a variety of industry sectors throughout California and Oregon. Ken established the first "Employer School" training course at Wells Fargo Insurance Services, which has since grown to a full suite of management training programs and over the years has been asked to present at numerous professional organizations and business groups on different insurance topics.

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**Teresa Ruiz**, AIA, LEED AP, an Associate with BAR Architects has specialized in the design of mixed-use and multifamily housing for over 10 years. A registered architect, her recent completed projects include The Courtyards at 65th Street in Emeryville; North Park – The Sycamores in San Jose; and BAR Architects' LEED-CI certified in San Francisco. She is currently working on a transit-oriented mixed-use development in South Hayward, as well as a 64-unit affordable housing complex in Healdsburg. Teresa currently serves as a member of ULI's San Francisco's Programs Committee.

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## AGENDA

### PART I – HEALTH CARE AND BENEFIT PLANS

#### 1. Small Group vs. Individual Coverage

- a) Individual Coverage: If you currently have other coverage from a previous employer, you can extend that coverage through COBRA or CalCOBRA. You will pay what your

employer paid for your premium plus an additional percentage.

OR

If you don't have access to COBRA, or aren't interested, you can apply for individual health insurance on your own.

b) Small Group Coverage:

*To qualify for small group coverage you must have:*

*two or more full-time employees, including yourself-Full-time means working at least 30 hours per week on a regular basis. Part-time and contract employees do not count for qualification purposes.*

*two or more full-time employees who have worked at least 50% of the previous quarter-Carriers require payroll records from the prior quarter or the previous six weeks, usually a DE-6 form.*

c) Differences between individual and group health insurance:

Individual health insurance:

- coverage is **not** guaranteed
- acceptance is based on medical underwriting
- premiums based on age, detailed health history, residence
- basic plans and benefits
- higher out-of-pocket expenses

Small group insurance:

- coverage **is** guaranteed
- premiums are limited to +/- 10% of standard market rates
- standard rates based on employee age/ residence demographics
- richer plans and benefits
- lower out-of-pocket expenses

## 2. AB 1672 Protections

AB1672 is legislation that protects small businesses with 2-50 employees in the group insurance market.

a) Guaranteed Acceptance

Carriers are required to market to and sell all available plans to all eligible small groups. Eligible groups have 2-50 full time employees, can provide payroll records for six weeks prior to applying, and meet minimum participation requirements set by the carrier.

b) Standardized Premiums

Under AB1672, carriers are required to standardize rates for all small group employers. No single employer can be charged more than 10% above or below these standard rates, regardless of the health history of the employees, the industry or any other factor. Carriers are allowed to adjust standard rates twice a year. Within the allowed range, rates are based on geography, group size and plan utilization.

c) Age Banded Rates

In the small-group market, carriers use age-bands to define premiums for coverage. The premiums, for both single coverage and family, are based on the group employees' ages. Age bands include: <29, 30-39, 40-49, 50-54, 55-59, 60-64, 65+

## 3. Offering Choice

a) Single carrier-wide options

Offering a variety of plans from a single carrier. For example, you can offer an HMO, a PPO, and an HSA-qualified plan. Or you can offer a high-deductible PPO, a lower deductible PPO, and an HMO.

Multiple carriers-more choice

b) Multiple carriers

Offering plans from more than one carrier, usually a major carrier plus *Kaiser Permanente*. This can be done through a purchasing pool. With a purchasing pool like California Choice, the employer/ employees can choose from several major carriers and a few smaller carriers. Plans differ from the carriers' standard plans, and premiums will be higher.

#### 4. Pre-Tax Benefits

a) Premium-Only Plans for employee contributions

If your employees pay for any part of their insurance premiums - for themselves and/or their dependents - a Premium Only Plan (POP) allows them to do so pre-tax.

The "plan" is a legal document that makes it legal for you, the employer, to withhold money from employees' paychecks to pay premiums.

Employees income taxes are reduced, and employer payroll taxes are reduced

b) Flexible Spending Arrangements (FSAs)

Flexible spending arrangements (FSAs) allow the employer and/or employee to contribute pre-tax dollars to special accounts to reimburse medical and dependent care expenses. Monies not used during the calendar year or during the documented grace period revert to the employer.

- *Medical Expense Reimbursement Accounts* can be used to pay for qualified medical expenses under IRS Pub 502, including listed over-the-counter (OTC) products. The employer sets a cap on contributions; the employee chooses how much to contribute. Funds are "use it or lose it," but current rules allow employers to offer a 2-1/2 month grace period after the end of the plan year.

- *Dependent Care Expense Reimbursement Accounts* can be used for childcare expenses up to \$5,000 tax-free per year under IRS Dependent Care Expenses rules. (If married, both spouses must work and earn income to exclude funds from taxable wages.)

c) Health Reimbursement Arrangements (HRAs)

*Health Reimbursement Arrangements are funded by employers to reimburse employees for qualified medical expenses per IRS Publication 502.* Employees can also use HRA funds to pay for medical premiums.

They can be structured in a variety of ways, but are often used in conjunction with a high deductible health plan.

We recommend an HRA as an option to meet the City and County of San Francisco's Employer Spending Requirement. The Prepaid Healthcare MasterCard HRA is specially designed to be affordable and easy for small businesses to administer.

d) Health Savings Accounts (HSAs)

*Health Savings Accounts are special tax-qualified accounts that can only be used with compatible qualified High-Deductible Health Plans.* These plans differ from traditional plans in significant ways.

Both the employer and employee can contribute on a pre-tax basis. Accounts are fully portable and are owned by the employee.

e) 401k Retirement Plans

*With a 401k plan, employers and employees contribute pre-tax to a retirement account.*

Usually employers will match a percentage of employee contributions. Even small companies can set up a 401k. It is one of the most valuable benefits you can offer.

f) Pre-tax Transit & Parking

*The IRS allows public transportation and parking costs to be paid for pre-tax, up to annual limits.*

## **PART II - Business Insurance 101 and 201- What do I need and Why do I need it?**

*Any business endeavor involves Risk; some of which you can transfer, some you can control, and some you have to retain. This presentation will focus on Insurance as a risk transfer solution and will provide the basic understanding of what types of coverage might be needed by the business owner given various types of operations. (\* will indicate special concern for ULI Entrepreneur)*

### **1) Property Coverages**

a) Building- Real property- Construction, Occupancy, Protection

b) Business Personal property- anything that moves.

c) Personal property of others- leased, rented or borrowed and in your care and control

d) Improvements or betterments- Leasehold interest

\**ULI* - Value is usually at “replacement cost”- Deductible?

Ordinance and Law coverage

Earthquake is excluded, flood is excluded

### **2) Time Element-**

a) Business Income and/or extra expense - If you have a loss, how long will it take to get back up and running after a loss?

\* *ULI* - Look for “Actual loss sustained” if possible

### **3) Inland Marine**

a) Contractors Installation floater- coverage for the materials and equipment being used or going into an installation

b) Builders Risk- Coverage during the course of construction for the structure

c) Electronic Data processing- can include coverage for “malicious programming”

**4) Crime-** money, securities, and other property. This coverage is for employee dishonesty including customers’ goods. Computer fraud is separate. Often called “fidelity” coverage. \*

\* *ULI-* Fidelity coverage is not “fiduciary” coverage.

### **5) Liability Coverages-**

- a) Commercial General Liability- covers Bodily injury and property damage for which you may have legal liability. Will provide “defense” if named in such a case. Covers premises, your offsite operations, and your completed operations.  
\* **ULI**- Homeowners policies exclude “business activities”  
Limits are usually \$1M occurrence/ \$2M or \$3M aggregate  
“occurrence” versus “claims made” form
- b) Professional liability- architects, engineers, attorneys, accountants, design, real estate, environmental consultants, etc. Covers for allegations of “errors and omissions” (E&O) related to your work.  
\* **ULI**- Travelers has a good policy for accounting, design, real estate and legal professionals that also covers network and information security offenses.
- c) Directors and Officers - coverage for allegations of poor decisions made by management of a company
- d) Employment Practices - Sexual harassment, discriminatory hiring/firing, etc
- e) Employee benefits - errors made on benefit plans
- f) Owners and Contractors Protective (OCP) - Project specific liability program designed to provide coverage for vicarious liability of sub-contractors when they may not be able to provide insurance, (Condos, residential tract homes, etc)
- g) Contractors Pollution - owners and contingent transport, completed operations, disposal, etc.
- h) Environmental site liability - covers if pollutants are found on the property. For property owners, developers, real estate portfolio owners, etc.
- i) Liquor Liability - if you sell, manufacture, or distribute- Special events?
- j) Foreign Liability - You may need if you have overseas operations.  
\* **ULI**- Liability coverage is often secured to meet a contract requirement.  
Contracts will usually require “additional insured” status. Make sure your policy provides the correct language and doesn’t charge extra for additional insureds.

## 6) **Commercial Auto- Coverage for use of vehicles**

- a) Liability- What limits are appropriate?
- b) Physical damage- Collision and comprehensive
- c) Uninsured and underinsured motorists- 30% of drivers uninsured?

d) Hired and non-owned- Vehicles you rent or employee's use of their own vehicles in the course of business creates a "vicarious liability for the organization

\* *ULI*- If you have one vehicle, personal auto policy is OK, if you explain that you use vehicle in business.

7) **Workers Compensation** - if you have an employee, you are required to have the coverage by law.

\* *ULI*- Independent contractors- You may be asked to provide proof of coverage for yourself in a contract. This is not possible in most cases and is EXTREMELY expensive to do so. A "certificate" is possible to obtain for approximately \$500 from the State Fund.

Also, be cautious about deeming an "employee" an "independent contractor. The penalties for not carrying workers comp when required are high and you may be found liable in any case.