

Delivering essential employee benefit and commercial insurance information to customers and our members

RISK RANKINGS

Cyber Attacks the Top Concern for Businesses: Survey

A new survey has found that cyber risks are the number one concern among businesses, replacing the COVID-19 pandemic and business interruption as the top risks in 2022.

The rankings follow a year that saw an explosion in cyber attacks, massive business interruption, and supply chain disruptions that have left factories idle and store shelves bare, and record damage caused by natural catastrophes.

This annual survey provides perspective on the number and variety of threats businesses face, and which ones are causing the biggest headaches.

Here are the rankings of the top eight risks cited by risk managers in the Allianz survey:

1. CYBER RISKS

Ransomware has become the number one cyber exposure for business, just ahead of data breaches. Cyber criminals have refined their tactics, which has made it easier for them to carry out ransomware attacks.

Hackers have also started targeting tech and software supply chains, critical infrastructure, or digital single points of failure.

2. BUSINESS INTERRUPTION

The pandemic has resulted in global supply chain disruptions as ports and factories shuttered due to local COVID-19 restrictions, crimping supply chains. The demand for goods has surged, resulting in massive port congestions.

Meanwhile, criminals are carrying out cyber attacks on supply chain technology.

3. NATURAL CATASTROPHES

In 2021, the U.S. experienced 20 separate billion-dollar weather and climate disasters, putting it in second place for the most disasters in a calendar year, behind the record 22 billion-dollar events in 2020.

4. COVID-19 PANDEMIC

Pandemic risk dropped from the number two spot in the 2021 rankings as businesses are more confident in their contingency plans and safety protocols.

5. REGULATORY AND LEGAL CHANGES

Under the Biden administration, there's been an uptick in regulatory activity, in a number of areas including workplace safety, workplace discrimination, and environment.

States also enacted a slew of new workplace laws and regulations in reaction to the pandemic, and often these laws can be contradictory among states depending on different political leaderships.

6. CLIMATE CHANGE

Increasingly frequent and intense storms, wildfires, and tornadoes are causing more expensive property damage, business interruption, and insured losses.

7. FIRES AND EXPLOSIONS

Fires and explosions caused \$15 billion worth of damage globally between 2013 and 2018.

VMA Insurance has linked with Cowbell Cyber, Inc., a cyber insurance specialist that has a program for printers and creative agency businesses.

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A major fire can stop operations in their tracks. Such incidents are the most frequent drivers of business interruption insurance claims.

8. SHORTAGE OF SKILLED WORKERS

The pandemic has exacerbated the skilled worker shortage. Nearly 70% of firms reported talent shortages – the highest in 15 years, according to a ManpowerGroup survey.

Companies in most sectors report having trouble finding new staff and hanging on to valued employees as competition for talent has intensified.

VMA MEANS VALUE-ADDED

For a quote or review on workers' comp insurance, business insurance, professional liability (E&O), employment practices liability (EPL), cyber liability, health insurance, or other products, please contact David Katz.

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COST CONTROL

Eight Tips to Shorten the Life of Workers' Comp Claims

One workers' comp claim can send your rates spiraling if the injured employee stays away from work for an extended period of time.

The longer they are off work, the more costly the claim becomes, which can affect your future premiums. The best way to reduce claims costs is to get them closed at the earliest and safest time for the worker.

You can support your injured workers and get claims closed by:

1. REPORTING ACCIDENTS PROMPTLY

Require your employees to report accidents immediately, no matter how minor.

While some injuries require just first aid that can be taken care of using first aid supplies (which you should have on hand as per Cal/OSHA requirements), others are more serious. If you are unsure whether first aid can fix the problem, it's best to send the worker to a doctor.

2. ACCOMPANYING WORKERS TO THE CLINIC

Ask a supervisor to accompany the injured worker to the clinic. There are good reasons for doing this, including:

- Lawyers sometimes solicit workers outside or near these clinics.
- You gain useful feedback regarding the length of time it takes to be seen and how sanitary the clinic is. A filthy clinic does not send a good message to your employees.
- Having someone along shows you care about the worker's well-being.

3. INVESTIGATING ACCIDENTS THOROUGHLY

As soon as an accident is reported, investigate to determine what happened. Identify witnesses and separate and interview them one at a time to fully understand the whole story.

4. EXPLAINING THE PROCESS

Explain the workers' comp process and file the necessary claim forms. Answer the worker's inquiries quickly and designate someone as their primary contact.

5. KEEPING THEM IN THE LOOP

One reason that injured workers get an attorney is that they feel abandoned by their employer. Assign a supervisor to visit with the employee on a regular basis to keep them motivated to return to work and to answer any questions they have.

Positive, encouraging messages of the employee's value to the company are often the best medicine.

6. RETURNING THEM TO WORK

Have a return-to-work program in place. If the physician clears the individual to return to work or for light duty with restrictions, make sure the worker, their supervisor, and fellow employees understand the restrictions.

7. HAVING INSURANCE WITH A DOCTOR NETWORK

Get coverage with an insurer with a network of occupational medicine physicians who are more experienced in treating industrial injuries.

8. MONITORING THE CLAIM

Regularly reach out to the claims adjuster who is handling the claim to find out how the worker is progressing on getting back to work.



PAYING TOO MUCH FOR WORKERS' COMP?

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LITIGATION RISK

Workplace Class-Action Lawsuits Are Spiking

Class-action lawsuits by workers against employers have risen dramatically during the COVID-19 pandemic and settlement amounts have hit record levels, a trend that is likely to continue in 2022, according to a new report.

The report by law firm Seyfarth Shaw, LLP highlights the biggest litigation threats employers face in these unprecedented times of economic upheaval and a tight labor market. While the types of class-action lawsuits comprise a wide range of allegations, the report found four areas that were particular threats to businesses.

STATUTORY LIABILITY

Statutory suits included actions over breach of contract for employee benefits, antitrust law violations, and violations of anti-harassment and privacy laws. Class-action settlements jumped nearly seven-fold in 2021.

Much of that amount was to settle sexual abuse allegations against two universities. Large settlements were also reached for collecting fingerprint and handprint data without workers' consent, and over allegations that employers colluded to limit wages.

The COVID-19 pandemic inspired employee lawsuits as businesses attempted to bring workers back on-site or implement hybrid work arrangements, according to Seyfarth Shaw.

Employer vaccine and masking mandates produced employee pushback. It is too early to know how large future settlements will be, but the large numbers of affected employees suggest that the overall amount will be sizable.

ERISA

Allegations that employers violated the federal Employee Retirement Income Security Act more than doubled last year.

Half the settlements were for alleged mismanagement of 401(k) plans. Alleged breaches of fiduciary duties (such as overpaying administrative fees) and underfunding plans made up the rest.

WAGE AND HOUR

Minimum wage hikes have made lost-wage cases more costly.

There is also more focus on firms' alleged misclassification of workers as independent contractors. The trend of employees working remotely because of the pandemic may also spawn claims that employers are not paying them for all the hours they work.

DISCRIMINATION

This includes claims such as gender discrimination related to pay, and sexual harassment. There were also large settlements of age and racial discrimination claims.

Some COVID-19-related suits alleged discrimination based on disability or religious beliefs, as workers argued that their health status or religion precluded them from getting vaccinated.

There were also charges of retaliation against workers who raised concerns about workplace safety or who sought disability or religious accommodations.

INSURANCE SOLUTION

Businesses are vulnerable to employee lawsuits on any of these grounds, even when they take preventative steps. Even groundless lawsuits are expensive to defend and can result in hundreds of thousands of dollars in legal fees.

Employment practices liability insurance covers allegations of discrimination, harassment, invasion of privacy, and may cover claims of wage and hour violations.

Employee benefits liability insurance covers claims of mismanagement of benefit plans, while employee dishonesty insurance may cover thefts committed by plan administrators.

Umbrella or excess liability insurance policies provide additional coverage for these types of lawsuits.

Contact David Katz at david@vma.bz or 415-489-7614 to find out about the available options.

SEXUAL HARASSMENT PREVENTION TRAINING CERTIFICATION

VMA offers Sexual Harassment Prevention training certification free to our Members via the Mineral cloud-based platform. This training must be completed for new hires and completed every two years for current employees.

Get more details here: main.vma.bz/hr-support/mineral





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For more information on VMA's workers' comp, health, or voluntary benefits programs, please contact VMA Insurance Services.

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ABOUT US

RiskReport is provided to members of Visual Media Alliance (VMA) and clients of Visual Media Alliance Insurance Services (VMAIS). VMAIS provides a full suite of insurance programs including property and liability, commercial auto, management liability, professional liability (errors & omissions), and group health programs to over 550 firms since 1985.

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401(k) Mandate Deadline Looms

By June 30, 2022 California employers with five or more staff must offer a 401(k) plan to their employees or sign them up for the state-run CalSavers Program. Larger employers had earlier deadlines.

While the CalSavers program comes at no cost to the employer, the accounts are riddled with high fees that employees have to bear and few investment choices. They are also not true 401(k) plans, but Roth IRAs that are funded with earnings after taxes and employers are not allowed to contribute to them.

VMA has evaluated several 401(k) plan providers and recommends:

- Catalina Capital Group
- Diversified Financial Advisor Plan



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