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# Quarterly

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winter  
2010

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San Diego County Chapter

# CHSI Quarterly

winter  
2010

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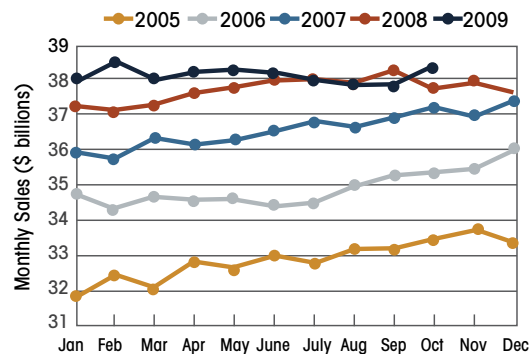
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# Legislative & Legal Briefs

## Restaurants post sales gain in October

Eating- and drinking-place sales increased in October, up 1.2 percent from September, according to the U.S. Census Bureau. Eating- and drinking-place sales were 1.5 percent above the October 2008 level. The restaurant industry fared better than the retail sector overall; total retail sales (not including foodservice) dropped 2.1 percent between October 2008 and October 2009.



## Flu Leave Pay Proposed

Congress is considering emergency temporary legislation to mandate paid sick leave for workers suspected of having H1N1 influenza (“swine flu”) — including the estimated 50 million US employees who aren’t currently eligible for any employer-provided sick leave.

Under the proposed “Emergency Influenza Containment Act” (HR 3991), employees would be entitled to five days of paid time off to “ensure that American workers are able to follow, without financial harm, the recommendations of their employer and public health authorities to stay home when they have symptoms of a contagious disease.”

The amount of paid sick leave would be calculated based on the employee’s “regular rate” and their normally-scheduled hours. Failing to provide the paid leave would be considered (and penalized as) a minimum-wage violation under the Fair Labor Standards Act (FLSA). Employers would also be required to put up a new poster (issued by the Secretary of Labor) explaining the new paid sick leave.

## 2009 Non-Compliance Champions

Failing to protect employees (1) who work on scaffolds, or (2) stand at least four feet above ground level, occupy the first two positions on this year’s list of the most frequent workplace safety violations, according to the Occupational Safety and Health Administration (OSHA).

The federal agency says “falls” account for eight percent of all occupational fatalities from trauma, and are one of the leading causes of occupational death.

OSHA officials announced the agency’s “Top 10” list of the most-common citations issued in 2009 at the National Safety Council’s annual expo in Orlando.

According to OSHA, here are 2009’s most prevalent penalties (and number of citations):

- scaffolding violations (9,093)
- fall protection (6,771)
- hazard communication (6,378)
- respiratory protection (3,803)
- lockout-tagout (3,321)
- electrical-wiring hazards (3,079)
- unsafe ladders or use (3,072)
- forklifts and industrial trucks (2,993)
- electricity hazards (2,556)
- machine guard violations (2,364)

For more about OSHA’s 2008 citations, visit the Frequently Cited OSHA Standards webpage. At that site, you can generate a report on the most frequently cited federal or state OSHA standards for your industry and number of employees.

## Costco Stops Selling Coca-Cola

Coca-Cola is the largest soft drinker manufacturer in the world. Costco is the largest warehouse club operator in the U.S. As of now, the two companies are not doing business together following Costco's decision to delist Coke's products in its clubs. According to Bloomberg, the warehouse club said it took the action because "Coca-Cola has not provided Costco with competitive pricing so that we may pass along the value our members deserve." Coca-Cola declined to comment on the story but said it was looking forward "in a spirit of fairness" to resolving the dispute.



## Restaurant Owners Charged With Tax Evasion and Comp Fraud

A South Orange County couple who operated Japanese restaurants in Irvine and Rancho Mirage has been charged with workers' compensation insurance fraud and tax evasion.

Simon Sungheok Hong and his wife, Katie Kyanghee Shinn, both 42, each have been charged with 14 felony counts. The couple operated Maki Maki, California Japanese Cuisine with locations at the Irvine Spectrum and at The River at Rancho Mirage, according to the Riverside County District Attorney's office.

Investigators determined Hong and Shinn knowingly underreported their payroll to their workers' compensation insurance carrier and the Employment Development Department and also knowingly underreported sales tax revenue to the state Board of Equalization. The total estimated loss to all agencies is \$2.9 million. With penalties and interest assessed, the total amount owed is estimated at \$5.8 million.

## San Diego Insurance Agency Owner to Repay \$24K Due to Fraud

Louise May Batchelor, 55, of San Diego was sentenced to 365 days of work furlough, 5 years probation and ordered to pay restitution to victims after pleading guilty to two felony counts of grand theft. She was sentenced in November, according to the California Department of Insurance.

At the time of the most recent crimes, Batchelor had already pleaded guilty to separate charges in October 2008 to a single felony count of grand theft for allegedly stealing insurance premiums from four business owners and issuing bogus insurance certificates. Batchelor was originally arrested in August 2008 and was released on bail.

Batchelor owned and operated Sunny SoCal Insurance Service and Louise Batchelor Insurance Service in San Diego. Batchelor sold various types of insurance including automobile, property, general liability and workers' compensation to individuals and businesses. ♦

## District Court Sums It Up

"Thus, keeping in mind that workers' compensation statutes are to be liberally construed in favor of the injured worker (citation), we hold that when an injured worker's total permanent disability payment, or life pension payment is calculated, that payment is subject to a COLA starting from Jan. 1, 2004, and every Jan. 1, thereafter."

6th District Court of Appeal – November 25, 2009  
Duncan v. Workers' Compensation Appeals Board and X.S., H034040

# Planning Ahead: Have You Considered a Buy-Sell Agreement for Your Business?

You and your business partner(s) are a team, working hard every day to meet the many demands of running a business. Teamwork has been a major part of the success of your business. You share a vision of how to run the business, where the business is going and how to get there. It's pictured in the mind of each of you. But what if an illness or injury took one of you out of the picture?

Events like the death, disability, or retirement of an owner don't have to mean the end of the business.

Business succession planning can provide for an orderly transition of ownership and business management, during lifetime or at death. One tool used in business succession planning is the buy-sell agreement. Properly designed and funded, this plan can determine who will take over the business and at what value. An owner will know that at retirement, or an earlier date, the business can be sold on a predetermined basis, thereby providing a ready market and a source of funds for the owner. In the event of the owner's death prior to retirement, the buy-sell agreement can provide for estate taxes and the surviving family's needs.

A buy-sell agreement may be established in several ways. The two most commonly used methods are a cross purchase or an entity purchase agreement.

Where there are a limited number of business owners, a cross purchase is often the favored approach. This is due to the favorable tax consequences this approach provides.

Under a cross purchase agreement, the estate of the deceased owner sells the business interest to a surviving business associate in exchange for the insurance proceeds. Each owner is legally obligated to buy the interest of his or her co-owners. Remaining owners receive a step-up in tax basis in the business.

When a cross purchase buy-sell agreement is funded using life and/or disability insurance, each owner maintains a policy on their co-owners. Since the individual owners, not the business, own these policies death benefits are tax-free and are not subject to alternative minimum tax at the corporate level. Insurance cash values can be used to fund a buyout during the lifetime of one of the co-owners.

While a cross purchase agreement is generally more favorable, the administration of this plan becomes quite cumbersome as the number of owners increases.

Under an entity purchase agreement, the business, not the owners themselves, agrees to purchase a deceased owner's business interest. Instead of co-owners maintaining a policy on each other, the business maintains only one policy on each owner.

There are some taxation differences between a cross purchase and entity purchase. Under both arrangements the death benefit proceeds, whether payable to an individual or the business, are exempt from the federal income tax. In some situations, however, a C corporation may be subject to the corporate alternative minimum tax on part of the proceeds it receives under an entity purchase. Also, under the entity purchase plan, there is no step-up in basis for a surviving owner's business interest, which is the case with the cross purchase plan.

While there are many more factors to consider when developing a buy-sell agreement, this article has provided you with an overview of the two most widely used alternatives. Your next step should be to meet with your attorney, accountant, and insurance agent to begin preparations for your business succession plan. ♦

**Business succession planning can provide for an orderly transition of ownership and business management, during lifetime or at death.**



# CRMBC Wins Another Work Comp Fraud Conviction

The California Restaurant Mutual Benefit Corporation (CRMBC) announced today another conviction for felony Workers' Compensation fraud committed against one of its employer members. Armando Landa pleaded guilty in Ventura County to one count of Work Comp fraud after being arrested for collecting benefits illegally and making false statements while an employee of CRMBC member Chicago for Ribs in Ventura.

Landa received over \$30,000 in tax free disability payments while receiving treatment over a 15 month period. During this period he took a job at another restaurant. At a deposition following his arrest, Landa denied working at any job since the injury. Intercare, the claims management company working for CRMBC, used its fraud investigation unit to develop information for the California Department of Insurance, Fraud Division. The District Attorney for the County of Ventura prosecuted the case.

"Fraud hurts everybody," commented David Mitchell, Chair of the CRMBC Board, the largest California Workers' Compensation program of its kind. "Employers face a challenging economy and Work Comp fraud makes it that much tougher. It

can cost jobs. Our aggressive anti-fraud campaign is one of the reasons that we have been able to cut costs for our employer members."

**"Fraud hurts everybody," commented David Mitchell, Chair of the CRMBC Board**

CRMBC employer members have 24 hour access to nurses for claims support through the CHSI Solutions Hotline. The CHSI Hotline also features a confidential fraud report service. CHSI, the program administrator for CRMBC, has built a secure member website for real time access to claims information and safety resources and has developed Connections, a patent pending web based management system for Workers' Compensation self-insured groups and captive insurance programs.

"Work Comp fraud goes beyond the few employees who abuse the system," said Ron Paine, Vice President of Risk Control for CHSI. "Phony providers and double billing are a major problem. Employees can be taken advantage of by unscrupulous attorneys. Our new One Source doctor network and our employee support program are going to help us in beating Work Comp fraud." ♦

## Tell It to the Judge!

U.S. Immigration and Customs Enforcement (ICE) launched a nationwide I-9 audit initiative on July 1, 2009. This action confirms the new method of enforcement promised by representatives of the Obama Administration. In April 2009, Department of Homeland Security (DHS) Secretary Janet Napolitano indicated that ICE would focus its worksite enforcement program resources on the criminal prosecution of employers that knowingly hire illegal workers and that ICE would use all available civil and administrative tools, including civil fines and debarment, to penalize and deter illegal employment.

Employers that are subject to an I-9 audit must be aware that ICE investigators may explore possible criminal charges against employers. Key advice for employers: be careful during what may appear to be a simple I-9 audit. Seemingly innocent actions such as mentioning "I knew they were illegal," improperly completing an I-9, ignoring Social Security No-Match letters and other such activities can be combined to create a case for knowingly employing or harboring illegal aliens. Taking steps in advance to audit existing I-9 records and following up on no-match issues, along with involving counsel as soon as an investigation starts, can help reduce future exposure. ♦

# CRMBC Annual Membership Meeting

CRMBC took a new approach to its Annual Meeting this year. For the first time ever, CRMBC held three regional meetings in member populated areas of California. The northern meeting was held at Wente Vineyards in Livermore, CA. The Southern meetings were held at Rancho Bernardo Inn located in of San Diego, CA and the Anaheim Marriott Suites in Garden Grove, CA. Approximately 190 Members and Brokers attended the meetings.

To ensure that Members were given the most value a new meeting format was also chosen. In addition to the Annual Meeting, that provided Members the opportunity to learn about the CRMBC program, educational Work Comp seminars on preventing and investigating accidents and fraud, as well as finding supportive doctors were presented. The afternoon break out workshops, on drug testing employees and hot wage and hour issues, were very popular among Members.

## CRMBC Stakeholders at the Regional Annual Meeting.

If you would like any information or materials from the CRMBC Annual Meeting please contact CRMBC at [crmbc@chsi-ca.com](mailto:crmbc@chsi-ca.com). ♦



## U.S. Senate Passes Tax Loss Credit for Business

U.S. companies of all sizes would get to apply losses in 2008 or 2009 to prior income over five years to receive tax refunds under a bill that passed the Senate by a unanimous vote Wednesday.

The provision was added to broader unemployment insurance legislation at the behest of corporate lobbyists who are looking to Congress for tax breaks to help revive the U.S. economy.

The bill approved by the Senate would let companies with net operating losses apply them to full-year taxable income for the prior four years and to 50 percent of income in the fifth year. It is expected to be approved quickly by the House of Representatives and sent to the White House for President Barack Obama to sign into law.

Business groups such as the National Association of Manufacturers say it is an important tool to give cash-strapped companies immediate access to capital. It would cost the government about \$10.4 billion over a decade, according to congressional estimates.

Some critics of the policy said it was corporate welfare.

A consumer group and other critics are calling it corporate welfare.

“There is no reason to think this change would lead to greater investment or to the creation or retention of jobs,” Citizens for Tax Justice, a consumer group, said in a note opposing the policy.

“Allowing a company to use its current year losses to get a refund of taxes paid in the past does not lower the costs of doing business or make it easier to profit. It would simply hand cash to business-owners who are not profiting currently.”

In the wide-ranging economic stimulus law passed earlier this year, small businesses with gross receipts of less than \$15 million were given a five year carry-back for 2008. ♦

# Nevada's New Domestic Partnership Law: How It Impacts Your Policies and Procedures

By Anthony Hall & Tamara Jankovic

Over the past decade, whether through court decisions or statutory changes, many states have gradually provided greater protections for domestic partners. Recognizing this growing national trend, the number of companies that offer benefits to domestic partners consistently increases each year. Nevada has now joined a number of states that formally recognize domestic partnerships as a binding social contract between two persons and an alternative to marriage. But how does the newly enacted Domestic Partnership Act affect employers and employees?

## Key Provisions of the Act

The new law, which passed despite a veto by Governor Jim Gibbons, went into effect as of October 1, 2009. The law gives domestic partners, gay or straight, largely the same rights as those already available to married couples. Domestic partners who register their relationship with the Secretary of State will be entitled to receive benefits such as hospital visitation, funeral planning and community property rights.

Despite the assumption that many employers may have that they are now required to provide benefits to domestic partners, the new law may give employers a choice. It states that the Act does "not require a public or private employer in this State to provide health care benefits to or for the domestic partner of an officer or employee." The Act goes on to state that it "does not prohibit any public or private employer from voluntarily providing health care benefits to or for the domestic partner of an officer or employee upon such terms and conditions as the affected parties may deem appropriate. Accordingly, under the language of the Act, there is an argument to be made that if your company provides health benefits to your employees and their spouses,

you are under the obligation to expand that coverage to include domestic partners as well. As a result, while there is some ambiguity in the language, it appears that the Act does not require an employer to provide health coverage to domestic partners, even where that employer provides such coverage for the spouse of employees.

Another question left open by the Act is whether domestic partners are considered the legal equivalent of a married spouse. Again, it is unclear whether Nevada's Domestic Partnership Act intends to distinguish, in any substantive manner, a domestic partner from a married spouse. Until courts have an opportunity to interpret the application of these somewhat contradictory clauses, the safe approach would be to treat validly registered domestic partners of your employees as the legal equivalent of a spouse through marriage.

## Whether to Implement Domestic Partner Benefits In Your Company

Roughly one-third of U.S. employers already offer domestic partner benefits to their employees, whether for opposite-sex partners, same-sex partners or both. With respect to costs associated with expanding benefits to include domestic partners, some studies found that offering same-sex domestic partner health benefits increased an employer's health plan costs by about one-half of one percent, largely because of low domestic partner enrollment. If you elect to change your company policies to voluntarily provide coverage to domestic partners pursuant to the Act, you should conduct a thorough review of (and make necessary changes to) your benefit plan documents.

**COBRA:** Currently, domestic partners and same-sex spouses are not entitled to continuation coverage under COBRA. Only qualified beneficiaries are entitled to continuation coverage, and under federal law, a qualified beneficiary can only be either an opposite-sex spouse or a dependent child. COBRA's definition of "spouse" does not include a domestic partner because through the federal Defense of Marriage Act, Congress has defined the term "marriage" to mean "only a legal union between one man and one woman as husband and wife, and the word 'spouse' refers only to a person of the opposite sex who is a husband or a wife." Therefore, if an employee's domestic partner loses coverage due to what would otherwise be a qualifying event, such as

**Continued on Page 10**

# Nevada's New Domestic Partnership Law

## Continued from Page 9

a termination of the domestic partnership as outlined by the Act, you do not have an obligation to offer COBRA coverage.

**Flexible Spending Accounts:** In most cases, an employee's flexible spending account (FSA) money may not be used to reimburse health care for a same-sex domestic partner, even if you do provide other domestic partner health benefits. This is because the IRS has ruled that employer-sponsored health benefits are exempt from taxable income only if domestic partners (same or opposite sex) are legally considered spouses or dependents under state law.

**HIPAA:** HIPAA protects the portability of employee health coverage. But whether domestic partner benefits are portable if an employee changes jobs all depends on whether the new employer offers such coverage, and on state insurance laws. Nevertheless, because your company's health plan is likely covered under HIPAA, the act's non-discrimination rules apply to domestic partners to the same extent that a spouse or dependent covered under your plan would be.

**FMLA:** Under the FMLA, an employee may only take family leave to care for a spouse, child or parent with a serious health condition. The regulations define spouse as "a husband or wife as defined or recognized under State law for purposes

of marriage in the State where the employee resides, including common law marriage in States where it is recognized." In other words, an employee's right to take family leave for a domestic partner depends on whether the relationship is considered the legal equivalent of a marriage or common-law marriage. Because it appears that domestic partners will be treated as the legal equivalent of spouses under Nevada's new law, you should re-visit your FMLA policy to ensure that an employee would be permitted to take leave to care for his or her domestic partner. However, there is a rather dated Department of Labor opinion which appears to distinguish between a domestic partner and a spouse for purposes of the Federal, FMLA. As a result, the coverage of domestic partners by FMLA in Nevada remains a matter of controversy.

## Bottom line

Under Nevada's Domestic Partnership Act, employers who offer benefits to their employees and spouses will need to carefully evaluate each benefit and determine if they are required, or if they elect, to include domestic partners. Employers should also update their handbooks and other company policies to reflect the additional category of domestic partner wherever a policy may impact an employee's spouse. Although distinct from marriage under Nevada's Constitution, domestic partners should, in most cases, be treated as the legal equivalent of spouses in any applicable situation. ♦



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# SIGs! Winning in the Soft Market

by Steve Link, EVP, Midwest Employers Casualty Company

This soft market seems unending. Despite rising cost trends (obesity, medical inflation, aging workforce, high unemployment), workers' compensation rates and premium continue to decrease (albeit at a slower rate) as competition remains intense for top line and market share. These "cost trend" facts alone should trigger increasing premium charges.

A continued soft market is even harder to comprehend when you consider what has happened to industry surplus. Losses, as a result of the economic crisis, have taken a huge bite out of industry capital. In a report published by Insurance Information Institute it was noted that, 16.2% of industry surplus was eradicated by financial losses ranking it as the largest "capital event" over the past 20 years. This percentage drop was larger than Hurricane Katrina (13.8%), Sept. 11, 2001 attack (10.9%), and Northridge Earthquake (9.6%). Historically, each time surplus growth is negative it triggers a rapid turn in the market from soft to hard. That has not happened yet.

Adding to this perfect storm and continuing to pull industry results down is investment performance. Investment gains, due to low interest rate environment fell by 51% in 2008 (decreased by \$33 billion) and are expected to decrease again in 2009. Realized capital gains also took a hit in 2008. The industry posted realized capital losses of nearly \$20 billion in 2008 and another \$8 billion in the first quarter of 2009. As the industry can no longer depend on investment income and capital gains to produce significant returns, attention must turn to producing an underwriting gain. Insurers should start underwriting more selectively and raise prices to produce a

"risk adjusted" rate of return. It has not happened.

Why? To quote Edmund "Ted" Kelly, Liberty Mutual CEO, "Common sense and property/casualty insurance are mutually contradicting." (Source: Best's Review magazine September 2009)

## What does all this mean for SIGs? SIGs create SUSTAINABLE Competitive Advantage:

Despite the "soft market" and a lousy economy, SIGs are holding their own. Sure, new business is hard to win and payrolls of existing members and premiums are down, however; current members are loyal and stay with the SIG even when the insurer competition is cheaper. Why? Isn't workers' compensation a commodity? Doesn't the rational business owner seek the lowest price? How can SIGs retain their market share and loyalty of members in a marketplace where competition is irrationally under pricing the product?

SIGs are winning in this soft market as they have developed a "sustainable competitive advantage" that builds client loyalty. The sustainable competitive advantage enjoyed by

SIGs falls in 3 main areas: Mission, Structure and Services.

**Mission:** SIG's mission is to work to maximize benefit to their members, not to maximize SIG profits. The SIG fulfills this mission by providing WC insurance to members with consistently low, stable rates, year in and year out. (Note: "Consistently low" does not always mean "the cheapest.") Structure also plays an important role in a SIGs sustainable competitive advantage. Members are the owners of the SIG. They earn a share of the underwriting profits and investment income. This fact allows members to take a longer view when considering WC purchasing decisions.

Services too are also very important in developing a SIGs sustainable competitive advantage. The SIG that develops unique and powerful services that benefits members generates lower losses, differentiates itself from the competition and cements member loyalty while creating a value proposition that favorably impacts new business sales even during prolonged soft markets.

While the soft market continues to baffle those of us in the industry that "underwrite," its comforting to know that SIGs will remain viable and prosper regardless of the length and depth of the soft market. ♦

**The sustainable competitive advantage enjoyed by SIGs falls in 3 main areas: Mission, Structure and Services.**



# FDA Targets Nutritional Claims on Food Packaging

WASHINGTON—The Food and Drug Administration said it will start cracking down on any logos and symbols on cereals, snacks and other food packages that may be misleading consumers on the products' health benefits.

Food companies put various labels on the front of packaged products as an advertising tool to attract consumers in the grocery aisle.

FDA Commissioner Margaret Hamburg said the agency is concerned that some labels may mislead consumers about the nutritional value of their products. A package carrying the popular Smart Choices label, for example, may contain a large amount of sugar, she said. A label may tout that a product contains no trans fats, but doesn't mention it contains a high percentage of saturated fat, she said. Both fats can raise bad cholesterol.

"We are looking very seriously at this issue," Dr. Hamburg told reporters Tuesday.

Mike Hughes, chairman of Smart Choices, a voluntary nutrition-labeling program, said it will work with the FDA on labeling issues, but he defended the program. "The Smart Choices Program was developed during an open and lengthy collaborative process that included some of the most experienced and accomplished professionals in nutrition science," he said. "And we note that the Smart Choices Program complies

with all U.S. laws and regulations."

The Grocery Manufacturers Association, the food industry group in Washington, said the industry will work with the FDA to figure out what nutrition information is useful to consumers. The group said the industry has already introduced or reformulated more than 10,000 products to reduce calories, sugar, sodium, fat and trans fat or add nutrients such as whole grains or minerals.

The federal government has been concerned for years about the impact of processed food—which often contains sugar, salt, sodium and other ingredients—on obesity, which contributes to chronic diseases such as diabetes. The announcement of the labeling crackdown comes as Congress is considering health-overhaul legislation that addresses the prevention of such costly chronic illnesses.

Until now, the FDA has largely focused its labeling rules on the "Nutrition Facts Panel" on the back or side of the package. That list includes serving size, calories and other information on nutrients. Many consumers have found it useful, and companies reformulated their products to make them healthier.

But Dr. Hamburg said labeling on the front of packages has made consum-

ers less likely to check the Nutrition Facts Panel. The FDA said it will begin examining those labels and will punish companies with "explicit or implied nutrient content claims" that are inconsistent with federal labeling rules, she said.

Federal law prohibits the use of false or misleading claims on food labels, and FDA enforcement action can range from warning letters to fines to product seizures.

Dr. Hamburg also wrote a letter to the food industry, asking food makers and retailers to help the agency develop labeling standards for the front of packages. She cited the approach in Britain, where the government sets rules for a voluntary labeling system. The industry uses a traffic-light symbol to indicate high, medium or low levels of salt, saturated fat, sugar and other selected ingredients in their products. "It's easy to understand," she said.

If that fails, Dr. Hamburg said, the FDA will develop a set of mandatory criteria. In fact, the agency currently is working on a proposal that would define criteria that must be met for manufacturers and retailers to make claims on food labels. ♦



# California Pizzeria Owner Pleads to Insurance Fraud

Two Southern California men who were arrested on Oct. 15 for workers' compensation insurance fraud in Orange County.

The state Insurance Commissioner, Steve Poizner, said that Sanjiv Mahendra Shah, 53, of Placentia and Abu M. Hossain, 59, of Chino Hills have pled guilty to 13 counts of fraud and one count of conspiracy in a workers' compensation insurance fraud case that began in 2005.

As part of the plea agreement, Shah and Hossain have agreed to pay \$380,126 in restitution to the State Compensation Insurance Fund and Fireman's Fund. Each will serve 120 days in jail, serve three years probation and pay an undetermined amount of fines. Sentencing is Jan. 26, 2010.

Shah owns Sonic Foods and United Pizza. Hossain was Shah's bookkeeper. From 2005 to 2008 it was alleged that Shah, with Hossain's help, under-reported employee payroll by \$6.71 million to lower his workers' compensation insurance premiums to the State Compensation Insurance Fund and later the Fireman's Fund. Combined, the premium losses to State Fund and Fireman's Fund over the three-year period totaled \$375,553.

The fraudulent activity was discovered by State Fund in May 2006 and forwarded to the California Department of Insurance and Orange County District Attorney's Office for investigation. ♦

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# Worker, Homeownership, and Business Assistance Act of 2009

A newly signed law is expected to help jump start the real estate market because it provides valuable incentives not just to first-time homebuyers, but to other taxpayers who already own homes.

The Worker, Homeownership, and Business Assistance Act of 2009 also contains benefits for unemployed Americans, struggling businesses and others. Here are the highlights:

**1.** The homebuyer tax credit is extended for first-time purchasers and a modified credit is now provided to more people. Under a previous law, there is a temporary federal tax credit for first-time homebuyers, which is worth up to \$8,000 for eligible purchases between January 1 and November 30, 2009 (\$4,000 for married taxpayers filing separately). To qualify for the credit, the home sale must have closed by November 30, 2009, when the tax break was set to expire. Merely having a contract by that date was not enough.

Under the new law, there is an extension of the first time homebuyer credit until April 30, 2010. (However, if a homebuyer signs a binding contract before May 1, 2010, and the transaction closes before July 1, 2010, the credit is still available.)

Expansion of the credit: Effective for home purchases after November 6, 2009, a smaller credit is also available to “long-time residents of the same principal residence.” In other words, you don’t have to be buying a home for the first time to claim a credit of up to \$6,500 (\$3,250 for married taxpayers filing separately). How does the law define “long-time residents?” To qualify, a homeowner must have owned and used the same principal residence for any consecutive five-year period in the eight-year period that ends with the new home purchase date.

A range of people can benefit from the credit expansion. For

example, a couple can “move up” from a \$300,000 home to a \$500,000 residence and claim the credit, as long as they meet the income limits explained below. An older “empty nest” couple downsizing from a \$500,000 home to a \$300,000 residence may also be able to benefit, if they meet the other requirements.

Higher income limits. Under the previous law, the homebuyer credit was phased out for single taxpayers with modified adjusted gross incomes (MAGI) of \$75,000 to \$95,000 (\$150,000 to \$170,000 for married couples filing jointly). Under the new law, the phase-out begins at \$125,000 for single taxpayers and \$225,000 for married joint filers.

New limit on the purchase price. Under the new law, houses with a price of more than \$800,000 are not eligible for the credit. This limit applies to homes purchased after the new law’s enactment date of November 6, 2009.

**2.** All businesses can elect to carry back net operating losses (NOLs) incurred in 2008 or 2009. The new law includes a significant expansion of the NOL rules, which were scheduled to expire this year. Under a previous law, small businesses (defined as having average gross receipts of \$15 million or less) could elect to carry back 2008 net operating losses (NOLs) for either three, four, or five years to claim refunds of federal income taxes paid in earlier years.

This



**“I just signed into law a bill that will help grow our economy, save and create new jobs and provide relief to struggling families and businesses.”**

**--President Barack Obama, November 6, 2009**

was a beneficial exception to the general NOL carryback rule, which allows businesses to carry back most losses only two years.

The new law expands a similar election to all businesses -- no matter how high their gross receipts are. Under the Worker, Homeownership, and Business Assistance Act, businesses can carry back NOLs for up to five years, but in the fifth year, there is a 50 percent income limit on the NOL offsets.

It can be a great way for eligible businesses that are hurting in today’s economy to improve cash flow with a refund of taxes they paid years ago when profits were up.

This is just a basic outline of NOLs. For more information, contact your tax adviser.

**3.** Unemployment benefits are extended for individuals who have lost their jobs. The new law provides more federal benefits for unemployed Americans. Specifically, it extends benefits by at least 14 weeks -- and 20 weeks in states that have unemployment rates of more than 8.5 percent.

However, the new law does not extend the exclusion from gross income, for federal tax purposes, \$2,400 of unemployment benefits received this year. That provision is scheduled to end on December 31, 2009.

President Obama signed the new law on the same day that federal government figures were released showing that the nation’s unemployment rate was up to 10.2 percent -- the highest level since 1983. ♦

# Groups Call for Balance in Immigration, Worker Protection Law Enforcement

Workplace immigration raids during the Bush administration interfered with ongoing labor investigations and allowed employers to exploit workers who complained about conditions on the job, labor groups said in a report.

The stepped-up immigration enforcement came at the expense of rigorous enforcement of labor protections that are guaranteed to all workers regardless of immigration status, the groups said.

“The single-minded focus on immigration enforcement without regard to violations of workplace laws has enabled employers with rampant labor and employment violations to profit by employing workers who are terrified to complain,” said the authors of the report by the AFL-CIO, National Employment Law Project and American Rights at Work Education Fund.

The groups called on the Obama administration to balance immigration and labor law enforcement.

They recommend a return to the type of agreement forged in 1998 between the Labor Department and the now-defunct Immigration and Naturalization Service. It established rules for cooperation but prohibited immigration enforcement from trumping labor law enforcement to ensure immigrant employees would not fear complaining about problem employers.

“You can do both. You can enforce immigration laws and you can protect the workers who are being victimized by unscrupulous employers,” said Julie Martinez Ortega, American Rights at Work research director.

Martinez acknowledged that the Obama administration has ended high-profile raids. Homeland Security Department spokesman Matt Chandler said work site enforcement policy distributed to Immigration and Customs Enforcement in April emphasizes targeting immigrants who have committed crimes and focuses on employers who knowingly hire people who cannot legally work in the

country to “target the root cause of illegal immigration.”

Among the disruptive enforcement actions highlighted by the labor groups:

- Agriprocessors slaughterhouse in Postville, Iowa, in 2008, where at least three state and federal labor agencies were investigating when ICE raided the plant.
- Pilgrim’s Pride plants in five states in 2008, where a union recruiting campaign was ongoing and a law firm was developing a wage-and-hour lawsuit against the company when ICE raided.
- Arrests and detention of several day laborers in Port Arthur, Texas, in 2008. They had complained to their employer for failing to pay their promised \$13 an hour wage for demolition work after Hurricane Ike hit the Texas coast. The workers were evicted from the refinery where they were housed and the employer tipped off local police and ICE.

Mark Krikorian, executive director of the Center for Immigration Studies, said the Bush administration work site raids helped further worker protections.

The 2008 raid at the Agriprocessors plant came after repeated reports of violations that never resulted in action against the employer. The raid “burst open all the problems that were there,” said Krikorian, whose center supports tougher immigration reform.

He said the report is “background music” for labor’s ultimate objective of winning legalization for illegal immigrant workers. ♦



# Social Network Sites Provide New Tools for Fraud Claim Investigations

## Investigators use web to deny invalid claims

Workers Compensation claims investigators have a new tool to use when researching fraudulent claims. Social networking Web sites, such as MySpace, Facebook and LinkedIn, are growing increasingly popular with young people and adults alike. These sites allow people to reconnect with old friends and colleagues and to make new connections. However, as with most other Web sites, these sites also allow the posting of communications that the posters may come to regret.

Claimants who are supposedly off work due to injury in the work place sometimes tell a different story on their social networking site. Some claimants post dates and locations of sports competitions, band performances and even the debut of

a new business. While others simply brag of their Workers Compensation (W.C.) claims that actually occurred over the weekend and away from the workplace.

In the past W.C. claim investigators had to rely on video and photo surveillance. Investigators would clock long hours of surveillance in order to document and prove that a claim was fraudulent. With the use of technology, those long hours are diminished to minutes. Pictures, messages and videos are posted on the social networking sites with date stamps. The claimant is putting hard evidence of fraud directly into the investigators hands.

One recent case involved a delivery driver who filed a wrist injury claim that caused him to be permanently off work; the claimant's employer suspected fraud and notified his workers compensation carrier. Traditional surveillance

**It's not uncommon for claimants to post events with dates to their social networking sites, therefore making it easy for investigators to find them.**

of his residence produced no results. The investigator then located his MySpace homepage and found postings from, not only the claimant himself, but also the claimant's friends about a golf competition, post date of loss, that he had competed in. In addition to the postings, date stamped pictures showed the claimant playing in the tournament and enjoying other activities that an injured person would not be able to engage in.

During times when pictures and postings do not provide "hard" evidence of fraud, it's not uncommon for claimants to post events with dates to their social networking sites, therefore making it easy for investigators to find them.

Another case that recently occurred involved a woman who filed a back injury claim. Her Facebook site showed date stamped pictures of quilts that she had made and was selling at the local flea market. One picture caught the investigator's eye; it was a photo of the women with a wide smile holding

**Continued on Page 17**



# Social Network Sites Provide New Tools for Fraud Claim Investigations

Continued from Page 16

multiple quilts in outstretched arms. The picture wasn't necessarily evidence in itself, but it did cause suspicion. The investigator traveled to the flea market and watched the women as she climbed in and out of her vehicle and set up and took down her booth. Video surveillance was taken and the claim was quickly denied. Sources did not comment on if this case was referred for prosecution.

The evidence is not necessarily used to prosecute against claim, a majority of the time the evidence is used to support the denial of a claim. However, investigators are using the social networking evidence to gain fraud convictions that can result in claimants paying fines and even serving jail time.

Communicating online has become an ordinary part of life today. Social networking web sites offer new and exciting ways to meet new people and to stay in touch with people all over the globe. For investigators, they open up an entirely new way to collect information. ♦

If you see three or four of the following, be wary:

1. **Disgruntled employees: lay-offs, demotions, firings. HR should make them feel included. Forty to 50 percent of workers file workers' compensation claims are filed within six months of termination during layoffs.**
2. **Injured employees who are hard to contact while they are off work.**
3. **New employees are statistically more likely to commit fraud.**
4. **Workers' compensation claims with no witnesses.**
5. **Accidents on Fridays or Mondays (depending on your company's workweek, look for events at the end or beginning of the week.)**
6. **Your company is about to announce layoffs or the union has an announced strike coming up. Or, if your business is outdoors and the weather is about to turn cold – examine claims during these times more closely.**

## Nevada Firm Predicts Dim Construction Prospects for Vegas

A Las Vegas research firm says the struggling economy should bring commercial construction to a virtual standstill around Las Vegas next year. The research firm, Applied Analysis, says nine major commercial projects are under construction in southern Nevada, and development will essentially cease once most of them wind down early next year. That's in sharp contrast with 2007, when commercial development was booming and there were 75 to 100 projects under construction.

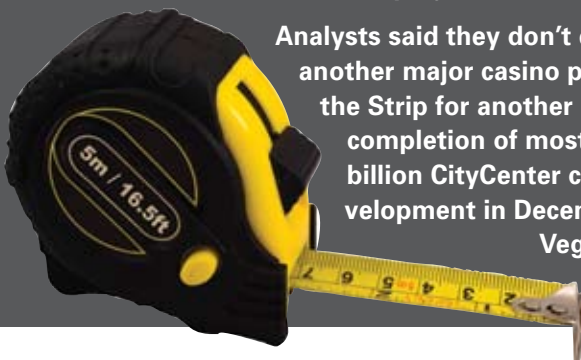
Analysts said they don't expect another major casino project on the Strip for another decade after completion of most of the \$8.5 billion CityCenter casino development in December. Las Vegas now has the same

amount of space occupied as it did in 2006, and there has been millions of square feet added since then. The office market has 11.2 million square feet of empty space, with a vacancy rate of nearly 23 percent. That equates to about five years of inventory.

Steve Holloway, executive director of the Associated General Contractors of Las Vegas, said it may be another two to five years before commercial construction picks up in the private sector and that hope for the near term is expanded government spending.

"Once CityCenter is done, that is going to be it for a while," Holloway said. "It is going to be ugly. There is so much supply that it will remain idle for a while.

"Unless some huge project magically takes off, I think southern Nevada is going to remain in this recession two to five more years," he said.



# Ricardo's first to offer "Pay at Table" technology

With the current economic slump, one can understand the apprehension a restaurant patron feels when a server walks away with their credit or debit card. The question on every customer's mind is, could they be "skimming" my credit card information. Sources indicate that 70% of skimming, which is when credit card numbers are stolen and sold on the internet, occur during restaurant transactions.

Bob Ansara, a Las Vegas Restaurant Owner of Ricardo's, uses at your table technology, to help put his customers' mind at ease and limit the opportunity for "skimming" to occur. Everyone has a fraud or identity theft incident that has either

occurred to them or someone they know. Therefore, customers can appreciate the system's ability to provide a greater comfort level by allowing the entire transaction to be completed right in front of them.

Pin based terminals have been used in Europe for years, but have not been popular in the United States until recently. Ansara is among a rapidly growing population of restaurant operators who are taking advantage of this technology.

The Ingenico device offers not only peace of mind, but also increases operational efficiency and customer service. Wait staff are no longer trekking back and forth from the dining room to the payment terminal.



The device is easy to use, once the transaction has been run there is a gratuity authorization option that allows for a set 15%, 18% or the ability for the patron to choose the dollar amount for the tip. While more and more customers are starting to take advantage of the new service, those that show the most appreciation are young customers who are used to technology and are frequent debit card users. ♦



## Workplace Outlook 2010

As we look ahead to 2010, the legal landscape is uncertain in several key areas that have yet to be addressed at the Federal level; but if passed, will have a substantial impact on all businesses, in particular small business. Areas of interest that we are following include national healthcare, the Employee Free Choice Act, the Healthy Families Act and various versions of mandated paid leave and COBRA, in particular the COBRA subsidy.

Of course national healthcare has become front and center, and there are many versions and different areas of focus, not all of which are supportive of business. Most recently, we participated in a call with Senator Reid who briefly discussed his

healthcare proposal for small business which would include tax credits. Unfortunately, the call lasted only ten minutes and we were unable to drill down to the details. Stay tuned...

What was big news earlier this year, the Employee Free Choice Act (EFCA), took a back seat to the economy and healthcare but it still has life. This may become front and center again next year.

The Healthy Families Act would provide up to 56 hours of paid leave time for full and part time employees, per year. This would apply to employers with 15 or more employees. We have seen the current administration pass the expansion of FMLA and military leave this year and

providing greater work/life balance appears to be an ongoing goal.

If you complied with the Cobra subsidy this year, now is the time to start gathering your records to submit for reimbursement. We have not had an indication that the subsidy will be extended past December 31, 2009.

And, as you plan your budget for next year, a recent study conducted by the Society of Human Resource Management states that job security is still the biggest concern for employees and many companies are planning on lifting salary freezes, reinstating 401(k) matches and restoring salaries. The average planned increase will be 3%. ♦



# Obama Announces Small- Business Lending Push

After enduring months of criticism that his administration had done too little to help small businesses weather the recession, President Obama said Wednesday that “there’s still too little credit flowing to our small businesses” and unveiled initiatives he said would open the spigot.

The measures, announced by Mr. Obama at a small records storage company in Maryland, would allow smaller community banks to borrow at low rates from the Treasury Department’s Troubled Asset Relief Program. It would also raise the loan caps on several popular Small Business Administration programs.

Under the administration plan, banks with less than \$1 billion in assets could borrow from the program at a lower interest rate than financial institutions are required to pay.

In exchange, banks must demonstrate how they would increase lending to small businesses and follow up with quarterly reports. According to the White House, most business loans by the community banks that are eligible for the new rules are made to small businesses.

In addition, community groups that lend to small businesses in low-income areas under a Treasury Department program will be able to borrow relief money at just 2 percent annually for eight years. In the past, banks have been leery of the such loans because the program allows the government to buy warrants for the banks’ common stock and because it requires the institutions to limit executive

compensation. But the small banks probably will not have to issue warrants in that program rules contain an exception for infusions of less than \$100 million. The proposal as described Wednesday caps the infusions at \$20 million.

The small institutions would be subject to the same compensation rules as any other relief recipient, said Gene Sperling, senior counselor to Treasury Secretary Timothy F. Geithner, in an interview. But, he added, “for these smaller community banks, the executive bonus restrictions will usually affect only their single most highly compensated employee.”

But some community bankers remain concerned. “I think that could be a damper on community bank involvement in this program, said Cam Fine, president and chief executive of the Independent Community Bankers of America, a trade association. “Those family-owned banks are not going to want to subject themselves to compensation restrictions imposed by TARP, because it is their own personal money

that is the capital of the bank.”

Changing the S.B.A. loan limits will require approval from Congress. The administration’s plans, which would raise the limit on the most

popular loan to \$5 million from \$2 million, are identical to provisions of a bill introduced by Senator Olympia J. Snowe of Maine. She is the ranking Republican on the Senate Small Business Committee and is seen as perhaps the only Republican who may vote for a Democratic-led health care bill.

In a statement, Ms. Snowe indicated she appreciated the gesture. “These actions will help satisfy the capital needs of small businesses looking to start or expand their operations,” she said.

Unlike the S.B.A. proposals, the bailout plan can take effect at the administration’s direction.

“Our goal is to conduct a wide spread consultation with the small business and small bank community for a few weeks, and get this operational as quickly as is practical,” Mr. Sperling said. ♦

**What can happen if you implement significant cost shifting in your health plan in order to save money? Large premium increases can cause employees to drop coverage, in particular younger, more healthy employees, leaving your plan with a less desirable risk pool.**

# Fewer Fatalities in 2008

About 5,071 employees died in the United States because of their jobs last year, reports the Bureau of Labor Statistics (BLS). Although there were almost 14 occupational work fatalities each day in 2008, this preliminary count represents the lowest annual fatality total since 1992, and a 10 percent decrease from the 5,657 deaths recorded in 2007.

Using “improved” statistics (based on hours worked rather than the number of jobs), the 2008 death count resulted in a fatality rate of 3.6 deaths per 100,000 full-time workers, down from the 4.0 final rate of 2007.

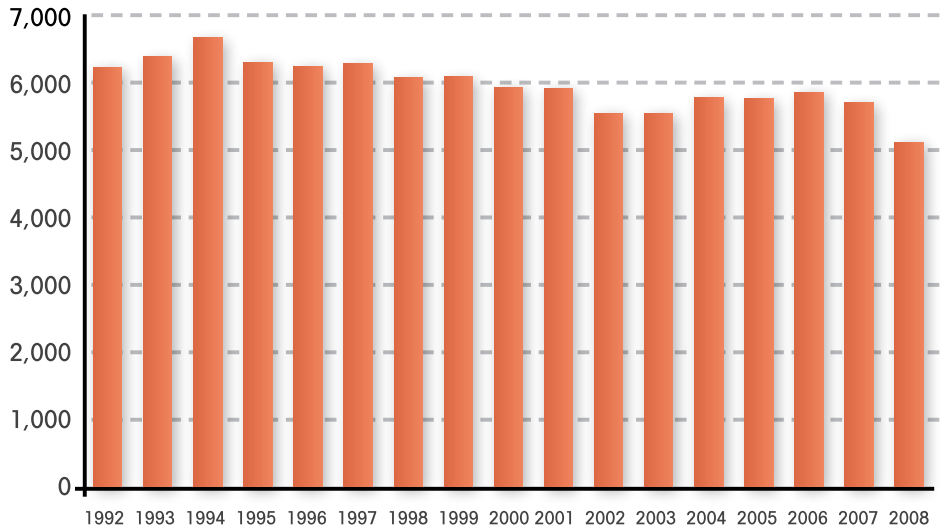
Transportation incidents accounted for

2,053 (40 percent) of 2008’s fatalities, and fell 13 percent from last year’s (and the series previous low of) 2,351 cases. Similarly, the 680 fatal falls in 2008 represent a 20-percent decline, albeit from the series high of 847 fatal falls recorded in 2007.

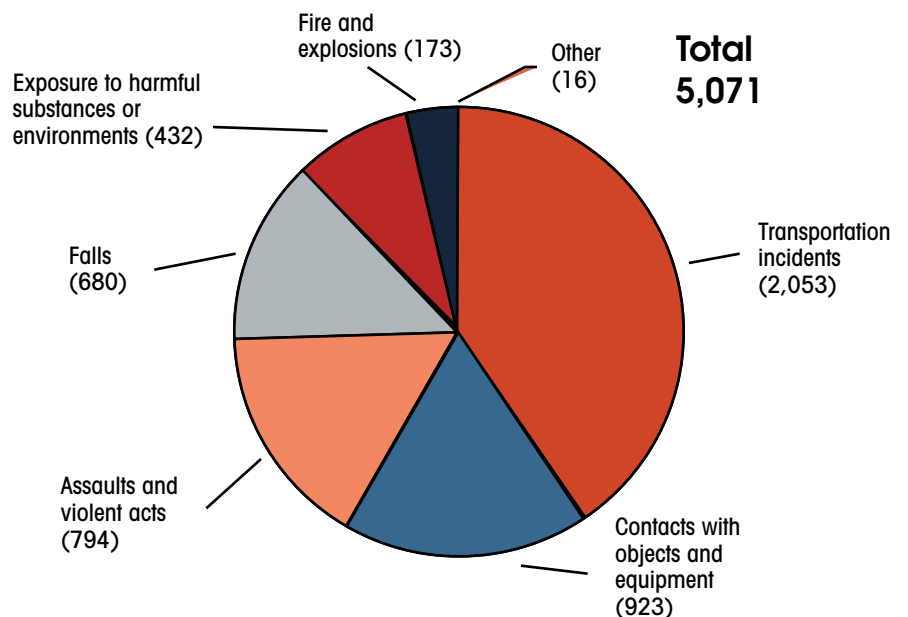
While the number of workplace homicides (517) fell 18 percent in 2008 (and represent a 52 percent decrease from 1994’s high of 1,080 homicides), suicides rose from 196 in 2007 to 251 in 2008, an increase of 28 percent and the highest self-inflicted death total recorded by the BLS.

The BLS says “economic factors” were one lifesaving factor. “Average hours worked at the national level fell by one percent in 2008, and some industries that have historically accounted for a significant share of worker fatalities, such as construction, experienced larger declines in employment or hours worked,” reports the BLS. For additional death-related details, see the BLS Census of Fatal Occupational Injuries report and charts. ♦

Number of fatal work injuries, 1992-2008



Fatal occupational injuries by event or exposure in 2008



# U.S. Senate Passes Tax Loss Credit for Business

U.S. companies of all sizes would get to apply losses in 2008 or 2009 to prior income over five years to receive tax refunds under a bill that passed the Senate by a unanimous vote Wednesday.

The provision was added to broader unemployment insurance legislation at the behest of corporate lobbyists who are looking to Congress for tax breaks to help revive the U.S. economy.

The bill approved by the Senate would let companies with net operating losses apply them to full-year taxable income for the prior four years and to 50 percent of income in the fifth year. It is expected to be approved quickly by the House of Representatives and sent to the White House for President Barack Obama to sign into law.

Business groups such as the National Association of Manufacturers say it is an important tool to give cash-strapped companies

immediate access to capital. It would cost the government about \$10.4 billion over a decade, according to congressional estimates. Some critics of the policy said it was corporate welfare.

**Allowing a company to use its current year losses to get a refund of taxes paid in the past does not lower the costs of doing business or make it easier to profit. It would simply hand cash to business-owners who are not profiting currently**

A consumer group and other critics are calling it corporate welfare.

"There is no reason to think this change would lead to greater investment or to the creation or retention of jobs," Citizens for Tax Justice, a consumer group, said in a note opposing the policy.

"Allowing a company to use its current year losses to get a refund of taxes paid in the past does not lower the costs of doing business or make it easier to profit. It would simply hand cash to business-owners who are not profiting currently."

In the wide-ranging economic stimulus law passed earlier this year, small businesses with gross receipts of less than \$15 million were given a five year carry-back for 2008. ♦



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# Why Self-Insurance Is the Answer to Our Health Care Mess

by Peter Roff - FOXNews.com

Despite its current problems, the U.S. economy is still the envy of the world, largely because it is still more or less governed by an entrepreneurial spirit. The idea that a person with a new idea or a better idea can, as a general principle, succeed through hard work and yes, luck, is still a vital component of what used to be called "The American Dream."

It's also in danger of becoming extinct. Thanks to the heavy hand of government and the rapacious nature of the lawsuit brigade, individual initiative is being taxed, regulated and sued – if not out of existence – then into the backseat of the American economy. Big business, in partnership with big government and big law, is attempting to level the playing field among existing actors and push the little guy, the future competitor, out of the way.

Health care reform is one example of that idea in practice. The efforts underway by the Obama White House, by Senate Majority Leader Harry Reid and House Speaker Nancy

Pelosi

to force a government-run health insurance system on working Americans will be a job killer. The public option provision requires billions in new tax dollars gathered from fines and assessments on businesses as well as outright federal levies to be funded. And it would allow big business to rid itself of future legacy costs by abandoning its current health insurance programs.

**Critics say the self-insurance model is loaded with risk and that workers could suffer as a result. Those who utilize self-insurance disagree.**

Such a move would require them to pay a substantial penalty but, say more than a few analysts, that penalty would likely cost a company less than it would to maintain its current plan.

One real loser in such a move would be the workers, who would then be forced into a public option, government-run program long on waiting time and rationing and short on quality care. Another would be American small business, who would be saddled with the mandate and the expense and, in effect, handed a competitive disadvantage against the bigger companies.

It doesn't have to be this way. Even now, small business is showing that there are sensible, market-friendly alternatives to government-run plans, even with mandates in place, which represent a better deal for employers and their employees.

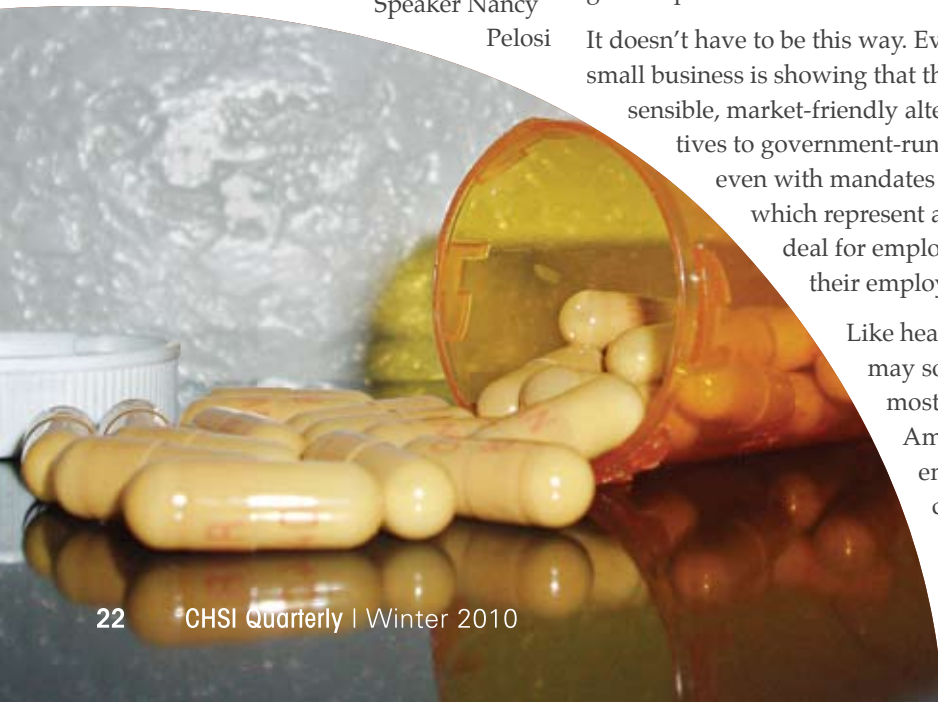
Like health care may soon be, most every American employer carries a mandate

to purchase workers' compensation insurance, which they typically do through the traditional insurance market. For employers, despite what the trial bar may allege, such insurance is at the heart of small business because it means employees are taken care of in the event of accidents on the job. Contrary to the odd example that often makes news, an injured worker is an unproductive worker, meaning that it is not just the employee who suffers economic damage when someone is hurt on the job.

In the government-run, government-mandated model, employers are left mostly on the sidelines once they sign the check putting the policy in force. An employer with an injured worker is left out of the equation once an accident occurs, leaving them at the mercy of the insurance company administering the plan, the state – which may or may not investigate – and their attorneys, who may or may not hammer out a settlement in which the employer has little or no say.

In such a system, which already sounds like what the Obama administration is proposing for health care, the affected parties have little to do and, as a result, have little incentive to improve on the system. But there is an alternative, already in place, in certain parts of the country in which small- and medium-sized businesses are banding together into co-ops called self-insured groups, which are proving to be a good deal for employers and employees.

These self-insured groups, in which businesses pay in to a fund that is used to administer the program and to pay out claims, give employers more control, and more responsibility, over what goes on in their warehouses, on their shop floors and in their plants. The process of self-insurance requires, for economic reasons that business owners make safety work for



# Second Generation Hispanics Change Marketing Rules

The Hispanic population continues to grow at a rate much faster than the rest of the U.S. population and their numbers are having a profound effect on many aspects of American society, reports Adweek.

According to the Census Bureau, the number of Hispanics has grown from 38 million individuals living in the U.S. in 2000 to nearly 50 million today. The biggest part of that growth has come from second-generation Hispanics. Based on the government's statistics, 88 percent of Hispanic children were born in the U.S. compared to 61 percent of adults.

"In the 2010 Census, we'll see confirmation of a shift from Hispanic consumers who are first generation, where Spanish is the dominant language, to second-generation, bilingual, bicultural consumers. It totally transforms how we market," Cynthia

McFarlane, chair of Publicis Groupe's Conill, a Latino agency, told Adweek. "These are consumers who are as influenced by American culture as the country of origin of their families. There is a new American culture forming, and these consumers are having a tremendous impact on mainstream America."

"We know the general market has become increasingly multicultural, with Hispanic music, Hispanic tastes, the Hispanic palate influencing a lot of general-market initiatives," said Cristina Vilella, director of marketing at McDonald's USA. "We lead with Hispanic insights but make sure they appeal to the general market."

McDonald's has runs ads with Spanish taglines in general-market media and has also used "Spanglish" in the chain's general market ad campaign for its Big Mac Quarter Pounder. ♦

## Why Self-Insurance Is the Answer to Our Health Care Mess

Continued from page 27

them. By sharing risk, the businesses that participate in the self-insurance process can deliver the benefits mandated by law in ways that help rather than hurt the company's bottom line. And, unlike the government model, in a way that helps keep costs under control.

In California, where problems with the workers' compensation system are legendary, recent reforms pushed by Gov. Arnold Schwarzenegger helped reduce costs in the short-run by nearly 60 percent. As soon as the reforms went into effect, however, the trial lawyers and other who benefit financial from the government model immediately started to put pressure on the politicians to start raising the costs again. Rather than buckle to the pressure, State Insurance Commission Steve Poizner, who wants to follow Schwarzenegger into the governor's mansion, pointed to the self-insurance model as an instructive lesson of ways to make the government program work.

Critics say the self-insurance model is loaded with risk and that workers could

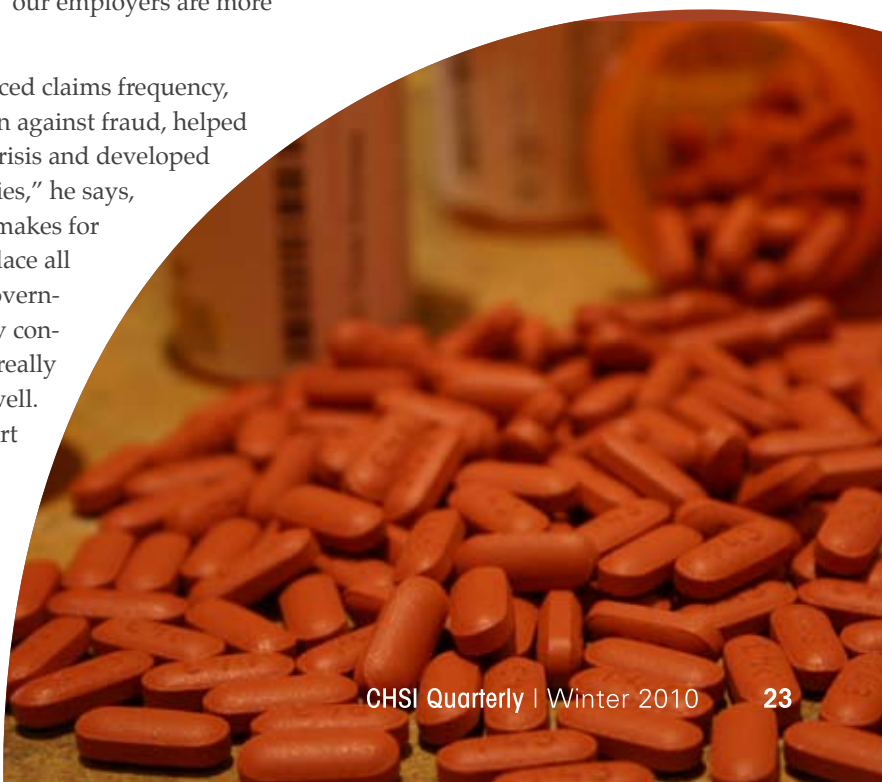
suffer as a result. Those who utilize self-insurance disagree.

David Mitchell, who chairs the California Restaurant Mutual Benefit Corporation – the state's largest self-insurance group – acknowledges the Schwarzenegger reforms were "invaluable." But what has really made the difference for CRMBC, he says, is that "our employers are more involved."

"We have reduced claims frequency, fought and won against fraud, helped employees in crisis and developed new technologies," he says, adding that it makes for a better workplace all around. The government model, by contrast, does not really serve anyone well. Rising costs hurt businesses and that, in turn, hurts workers. The self-insurance

model, because it operates based on real risk in which plan participants have an ownership stake, simply makes better sense – which makes it a model, not just for workers' compensation reform, but for other types of insurance as well. ♦

Peter Roff is a senior fellow at the Institute for Liberty.



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