

# New Business Insurance Claims Manager for the AAHA Business Insurance Program



Since the end of 2006, all veterinary workers' compensation and business insurance claims have been led and managed by Barbara C. Spear, claim account manager for The Hartford. Barbara brings twenty-six years of industry experience to this role including five years as a multi-line representative, eight years in field claim management, and ten years in claim program management roles. To enhance claim resources, The Hartford selected Barbara to lead all AAHA business insurance claim activity. "As The Hartford's partnership grows in support of the AAHA-recommended business insurance products, we commit to providing value to AAHA members," said Barbara.

## How Does This Benefit You?

When asked what benefits veterinarians can anticipate, Barbara responded, "The Hartford's integrated risk management approach combines our loss control, claim,

and underwriting resources. This integrated approach creates a detailed profile of claim types and claim trends. With this analysis, we can better educate program participants as well as their staff members to mitigate and prevent future losses. I look forward to working with our insureds and helping them avoid workers' compensation, property, and general liability claims as well as control claim costs when injuries and losses do occur."

# BUSINESS INSURANCE



Healthy Practices.  
Healthier Pets.

## news for you

PRODUCED BY HUB INTERNATIONAL MIDWEST LIMITED  
FOR THE AAHA BUSINESS INSURANCE PROGRAM

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### Questions and Answers How Your Workers' Compensation Experience Modification Factor Affects Your Premium

#### What is an experience modification factor?

Experience modification factors (also known as experience modifiers) measure your practice's workers' compensation loss history compared to other practices in your state. An experience modifier is not elective—it is linked to your annual payroll and loss history.

#### Who's eligible for an experience modifier?

Typically a practice is eligible

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# The AAHA Business Insurance Program is Your Resource for Property and General Liability too!

In the spring newsletter, we announced the launch of our new lower property/liability rates for AAHA members participating in the AAHA Business Insurance Program. If you haven't had a chance to investigate our rates and enhanced veterinary coverage, call Kim with the AAHA Business Insurance Program today at 866-380-2242 extension 4699 for an evaluation or quotation. Or, complete and return the enclosed business reply card. Don't forget to give your policy an "annual examination." These are just a few checkpoints for your consideration:

1. Have you made any improvements that would significantly increase the replacement cost of the property, or have you had an appraisal recently that lists a higher replacement cost than currently shown in your policy?
2. Have you made any investments in additional medical equipment, computers, inventory, or general office equipment and supplies that would increase the limit of business personal property insurance required?
3. Have you entered into any new contracts, including lease agreements for real estate that require special insurance consideration?

Call Kim today!



*ERISA Coverage continued from page two*

If you do not have ERISA fidelity bond coverage and you are the victim of an embezzlement involving your employee benefit plan, you could end up paying losses out of company funds, as well as pay fines or penalties for not being in compliance with ERISA. The total cost of the losses and fines could be substantial.

Case in point, below are examples of the types of losses that business owners sponsoring employee benefit plans can incur as a result of fraud or dishonesty by a fiduciary:

➔ An employee, acting as plan administrator, misappropriated certain contributions from plan participants by posting the funds to his own account. The employee also applied for loans on behalf of plan participants and, upon receiving the loan check, forged participant signatures and kept

the money for his own benefit.  
**Total loss to the plan: \$62,000.**

➔ A bookkeeper issued checks from the benefit plan to various fictitious companies that allegedly provided service to the plans. **Total loss to the plan: \$240,000.**

#### To Learn More

Call the AAHA Business Insurance Program at 866-380-2242 extension 4699. Premiums start at just \$90 annually.

## AAHA Business Insurance Program

Call 866-380-AAHA (2242) today for a coverage evaluation.

P.O. Box 1629, Chicago, IL 60690-1629

aaha@hubinternational.com

Phone: 866-380-AAHA (2242) Fax: 866-381-AAHA Fax-on-Demand: 866-920-AAHA

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Healthy Practices.  
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*\*This newsletter contains only a general description of coverages and does not include all the benefits and limitations found in the policies. Coverages may vary. All references to coverage are subject to the policy's conditions and exclusions. The insurance policy and not this newsletter will form the contract between the insured and the insurance company. Loss control content is provided for information purposes only. It is not intended to be a substitute for individual legal counsel or advice on issues discussed in this newsletter. For resolution of a specific legal issue or business concern, consult your attorney.*



# If You Offer Employees Any Retirement Benefits, You Are Required to Carry ERISA Coverage

Article provided by The Hartford

**The AAHA Business Insurance Program’s ERISA Fidelity Bond helps you comply with the law and protect your employee benefit plan participants against dishonesty and fraud.**

To meet the need for ERISA fidelity bonds among veterinary practice owners, we are pleased to introduce The Hartford’s new fidelity bond, which features:

➔ **Stand-alone fidelity coverage**

Although ERISA coverage is often added to a standard crime policy, we now offer a streamlined fidelity bond specifically for this purpose. In the event of an embezzlement involving both company assets and employee benefit plan assets, the plan must be repaid first. This can erode coverage

ERISA.

**Why Do You Need an ERISA Fidelity Bond?**

If you provide medical, dental, life, or pension benefits to employees, you are personally liable for the plan assets with which you have been entrusted. Although fiduciary liability insurance policies protect your personal assets, those policies may exclude losses that occur due to fraud or dishonesty by the fiduciary, leaving no coverage for plan participants.

As you may know, the Employee Retirement Income Security Act (ERISA) protects the employee benefit plan and its participants by requiring fiduciaries—and other persons who handle funds or property on behalf of an employee benefit plan—to carry

adequate insurance coverage through a fidelity bond.

**What Does an ERISA Fidelity Bond Cover?**

This bond protects the plan and its participants against fraud or dishonesty by the bonded trustee or fiduciary.

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“ If you do not have ERISA fidelity bond coverage...you could end up paying losses out of company funds, as well as pay fines or penalties...”

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limits needed to make practice operations whole.

➔ **Clear language**

Our ERISA Fidelity Bond incorporates the terminology “funds or other property” and “fraud or dishonesty” directly from the statute, and provides automatic coverage for ERISA employee welfare or pension benefit plans of the sponsoring practice, without having to name each plan. By using language directly from the law, our bond provides the coverage your practice needs to be in compliance with

**What are the Required Limits?\***

ERISA requires that fiduciaries have bond coverage valued at an amount that is at least:

- ➔ 10% of the plan assets handled
- ➔ \$1,000 and not greater than \$500,000 (unless the Secretary of Labor prescribes a greater amount)

\* Does not take into consideration non-qualified assets as determined by statute.

**What are the Risks of Not Having Bond**  
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*Experience Modification Factor continued from page one*

if it pays \$5,000 or more in annual premium. However, because workers' compensation insurance is state regulated, the premium threshold varies. Practices need at least three years of loss history for an experience modification factor.

**How would my practice benefit from an experience modifier?**

If your practice has fewer losses than expected, an experience modifier can save you money. A modifier less than 1.0 will earn your practice a discount. For example, an experience modifier of .90 will earn you a 10% premium discount. If your practice pays \$10,000 in annual premium, a 10% discount would save you \$1,000!

**In what cases would my practice not benefit from an experience modifier?**

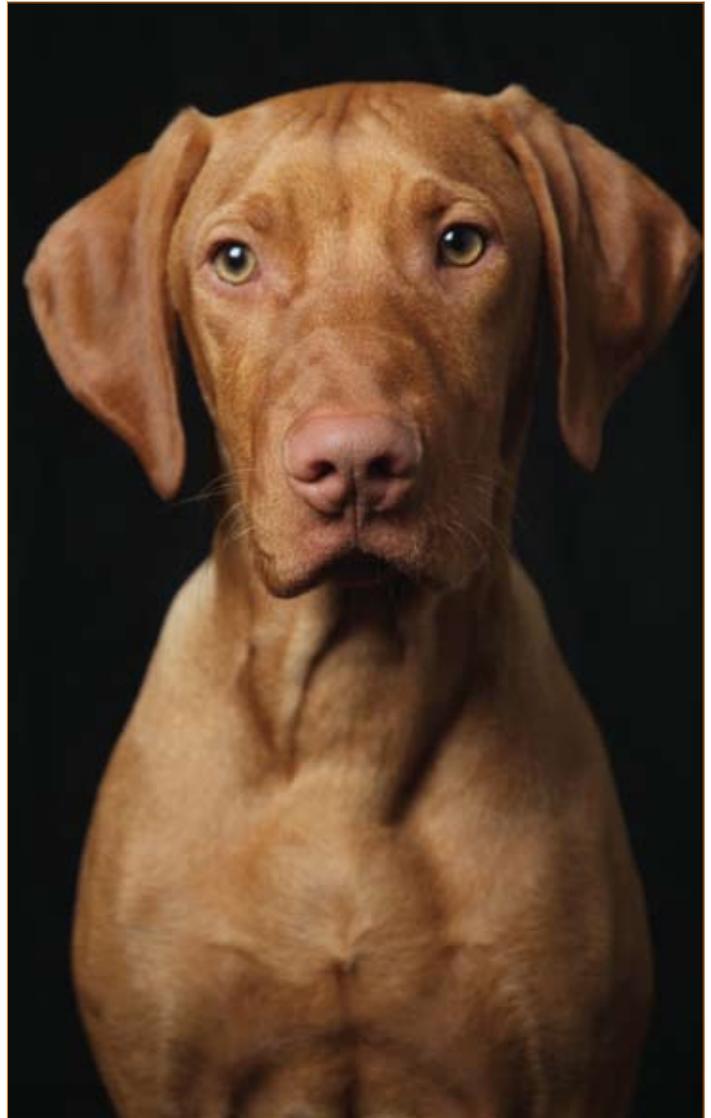
If your practice has more than expected losses, your experience modification factor is calculated at greater than 1.0. For example, if your factor is 1.1, you are assessed a 10% debit to your premium. This is done in an effort to recoup the money that is paid for higher than average losses.

Another scenario to consider is that when you buy another practice, you inherit that practice's experience modification factor. If the practice has a poor loss history you will pay for it with a higher experience modifier and a higher annual premium.

**Who assigns experience modification factors?**

The National Council on Compensation Insurance (NCCI) assigns experience modifiers based on your practice's annual premium. NCCI is a not-for-profit rating, statistical and data management services organization ([www.ncci.com](http://www.ncci.com)). If you do not know your current modification factor, you can call NCCI at 800-622-4123.

The NCCI considers several factors when establishing experience modification factors. First, the Council assumes everyone will have an expected number of losses. Next, it takes into account the industry average, size of payroll, and the individual practice's loss history. (Please note: not all states use NCCI, but most have similar workers' compensation rating bureaus.)



**What can I do if my practice's experience modifier is above 1.0 because of a history of losses?**

Experience modification factors can be disputed by contacting NCCI at 800-622-4123.

Practicing more safely is the best way to help control your practice's experience modification factor. Loss control and loss prevention should be number one at your practice. Not only will you improve your experience modifier, but also you'll improve employee morale, provide better client service, and increase your practice's bottom line.