



Accountants' Guide to Workers' Compensation and Health Insurance for Small Businesses

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Accountants, as trusted advisors, are often called upon to help small business clients figure out their insurance needs.

EXECUTIVE SUMMARY

Accountants, as trusted advisors, are often called upon to help small business clients figure out their insurance needs. To better understand what help accountants can offer small businesses when it comes to insurance, ADP commissioned the research unit of SourceMedia (publisher of *Accounting Today*) to conduct a survey of accountants. Among those surveyed, the insurance topics of most interest to clients are *workers' compensation insurance* and *health insurance*. Few accounting firms have a licensed insurance agent available — only 8% of survey respondents were licensed or had a licensed insurance agent in the firm. As many as 39% of those surveyed have no insurance agent to call on when clients need insurance advice.

Clients appreciate advice about managing high workers' comp premiums and claims. Accountants should discuss whether clients' premium payments are correct, whether their employees and subcontractors are classified correctly and whether there are any inaccuracies in the payroll calculations, such as misreporting of gratuities or independent contractor wages. Accountants can suggest integrating premium payments with payroll, as a way to increase accuracy of premium payments and minimize the impact of insurance audits.

Since the passage of the Affordable Care Act, clients face more confusion than ever about health insurance, an important and substantial investment in their employees. Nearly a third of small businesses say finding a plan that fits a wide variety of employees' needs is their biggest frustration, according to CEB Research¹. Accountants can provide unbiased information about the types of benefits that small businesses generally offer, including voluntary benefits. They can educate clients about the tax advantages of certain qualified health plans — for example, a premium-only plan can reduce a small business' taxes and those of its employees.

If clients are not receiving adequate service from their business insurance broker, accountants can offer to make an appropriate referral. This paper offers topical conversation starters that accountants can use, as well as a useful small business insurance checklist.

¹ CEB Research, December 2013, cited in ADPIA Health & Benefits – What should you know before shopping for group health coverage?

INTRODUCTION

CPAs who work with small business clients tend to wear many hats — including that of *de facto* insurance advisor. It's a testament to the esteem with which clients regard their accountants that they tend to consult them about all sorts of matters, including the complexities of business insurance. It is both an obligation and a benefit for accountants to discuss insurance needs with clients. Not only do they have a responsibility to make clients aware of possible deficiencies, but coming to the table with reliable insurance information fosters trust, adds value and aids client retention.

Dan Bloch, an accountant in North Babylon, NY, makes it a regular practice to discuss health insurance, workers' comp and other coverage with his small business clients. "We talked about health insurance a lot last year. Many clients are small corporations who provide health insurance to themselves or to employees," says Bloch. Clients frequently ask about proper reporting of insurance payments on W-2 forms or how to handle situations with multiple corporations, when some employees have insurance but others don't. Other clients may be confused by state mandated paperwork for workers' compensation. "There's a risk to the accountant in not discussing insurance issues," he says. "There is the prospect of the client hearing valuable information from someone else. You don't want to be in the position of having the client bring the information to you before you bring it to them."

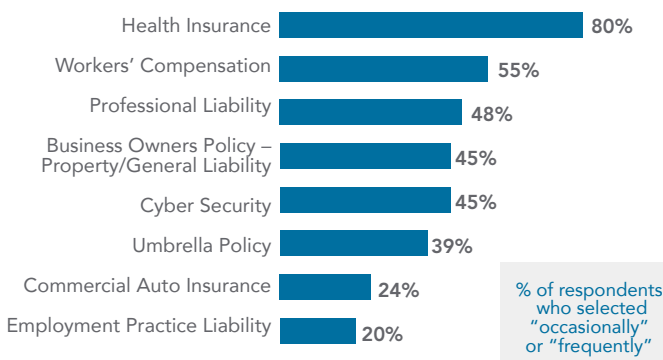
As part of the research, respondents shared the non-tax topics they most often discuss with clients as well as how insurance discussions are handled at their firms (see charts below).

"There's a risk to the accountant in not discussing insurance issues... You don't want to be in the position of having the client bring the information to you before you bring it to them."

— Dan Bloch

TOPICS ACCOUNTANTS DISCUSS WITH CLIENTS

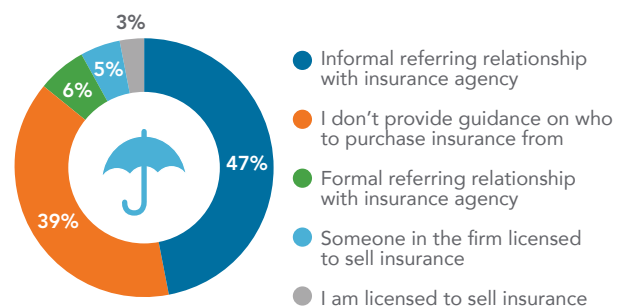
How frequently have you discussed any of the following non-tax related topics or solutions with your clients in the last 12 months?



Source: SourceMedia Research, April 2015

WHEN CLIENTS NEED ADVICE ON PURCHASING INSURANCE

Nearly half of accountants surveyed have an informal referring relationship with an insurance agency — a value-add for clients.



Source: SourceMedia Research, April 2015

ACCOUNTANTS' GUIDE TO WORKERS' COMPENSATION INSURANCE

About 55% of accountants said workers' comp was an occasional or frequent topic of discussion. "You definitely have a duty, whether it's written or not, to let your clients know when they may have deficiencies. If clients are not interested in discussing insurance, that's no excuse. It's your job as their trusted advisor to find a knowledgeable agent, colleague or peer, who can offer guidance. You can't shy away," says Bloch.

THE BASICS

Workers' comp falls under property and casualty insurance, a category which also includes business owners policies (BOP), commercial auto insurance and umbrella insurance. Workers' comp requirements vary but nearly every state requires it. Due to the high cost of coverage it is often a major concern for business owners. In 2012, the total cost of workers' comp to employers was \$83.2 billion, and \$62 billion in benefits were paid, according to an August 2014 report from the National Academy of Social Insurance.

Workers' comp carrier audits can be performed annually, quarterly or monthly. Accountants can help clients prepare for these audits and uncover possible risks.

THE CHALLENGES

Many accountants feel underprepared to discuss workers' comp issues. Only 15% of respondents said they were very confident in their ability to advise clients on worker's comp insurance.² Survey respondents used a variety of strategies for limiting liability when discussing insurance, with one respondent stating, "We provide advice primarily at the time an entity is establishing. We recommend only categories rather than specific providers." Others said they avoid the topic or only speak in terms of examples of policies they use themselves.

Carrier audits are a source of uncertainty and stress for many business owners. Collecting large amounts of documentation for audits can be hectic and time-consuming without a system in place. Documents needed include quarterly reports, payroll registers, timecards, federal tax records, state unemployment records, overtime pay by employee, payments to subcontractors, subcontractor certificates of insurance and payroll records.

MANY
ACCOUNTANTS
FEEL
UNDERPREPARED
TO DISCUSS
WORKERS' COMP
ISSUES.
ONLY
15%
OF
RESPONDENTS
WERE VERY CONFIDENT.

² SourceMedia survey Q2H

HELP FOR CLIENTS

Prior to a workers' comp carrier audit, small business clients should look for potential red flags like premium overpayments or money owed.

HERE ARE SOME USEFUL PROMPTS:

Are your client's premium payments correct? Has your client had any unexplained changes in premium costs? Has your client been improperly charged for employees, like subcontractors who have their own coverage? Has your client had a change in the number of employees that is not reflected on the policy?

Clients may want to evaluate the accuracy of their classifications. There are more than 700 company classification codes and many more for employees. Improper classifications could mean clients overpay or underpay their premiums — which could impact their cash flow. Examples of classification errors include: a clerical worker listed as a warehouse worker; an administrative assistant who occasionally fills in as a delivery driver; a seasonal hire listed as a permanent employee; or a worker who switched to part-time hours. Also, new hires or positions that were eliminated can cause errors.

Premiums can also be thrown off by inaccuracies in payroll calculations – for example, gratuities or independent contractor wages being mistakenly lumped in and reported together with payroll.³

Clients can solve a number of workers' comp headaches by integrating premium payments with payroll. For example, ADP's Pay-by-Pay[®] Premium Payment Program is a cost effective solution that can help improve the accuracy of premium payments, organize documentation and minimize the impact of audits. For more information, visit insurance.adp.com.

Clients can solve a number of workers' comp headaches by integrating premium payments with payroll.

CONVERSATION STARTERS: WORKERS' COMP

1. Did you know ergonomic employee injury claims add up to \$20 billion in U.S. workers compensation insurance costs each year, according to the Bureau of Labor statistics? This includes repetitive stress, tendonitis, back injury and carpal tunnel syndrome. Making changes to the workplace to protect against eyestrain, poor posture and back injuries can help protect people and manage your risk.⁴
2. Did you know 40% of injured employees have been on the job less than a year, according to the U.S. Occupational Safety and Health Administration? Some insurers offer workplace safety assistance, and a written workplace safety plan might lower your workers' comp costs.⁵

OTHER PROPERTY AND CASUALTY INSURANCE

In addition to workers' comp, accountants should discuss clients' other potential property and casualty needs. These could include:



**Business
Owner's Policy**



**Commercial
Auto Insurance**



**Umbrella
Insurance**

³ ADP Guide P&C 3 steps to uncover WD savings pdf, ADP Infographic – P&C – 5 Tips to a Better Audit ⁴ ADP Infographic: P&C Tips for Work Ergonomics
⁵ ADP Guide P&C 5 Steps to Implement Workplace Safety

ACCOUNTANTS' GUIDE TO HEALTH AND BENEFITS

Health and benefits insurance is of critical importance to small businesses; 80% of accountants surveyed occasionally or frequently discussed health insurance with clients.

THE BASICS

Health and benefits insurance includes health, dental, vision, prescriptions and long- and short-term disability. Health insurance offered by employers help protect clients' employees against expenses from illness or accidents. It can include coverage of preventative care, such as wellness programs. Clients can choose from: fully-insured plans, partially self-funded plans, managed care plans, physician-hospital organizations and high deductible health plans.

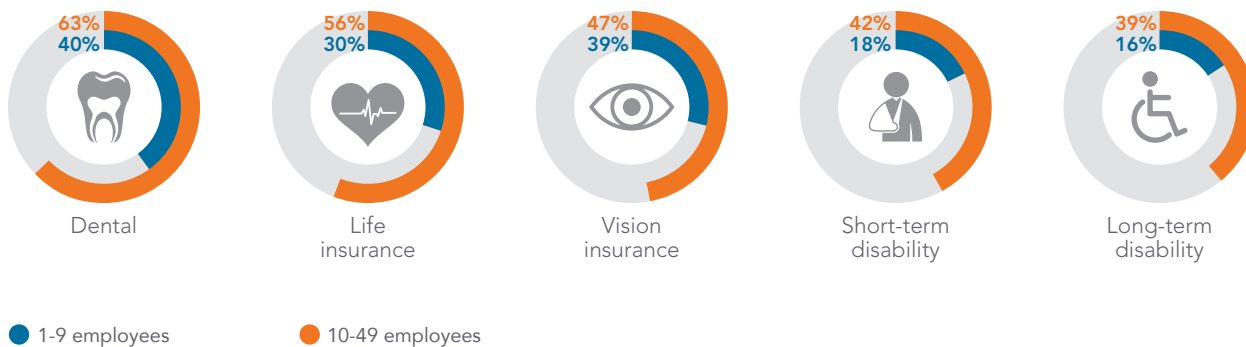
Finding appropriate group health coverage is a challenge; 32% of small businesses say that finding a plan that fits a wide variety of employees' needs is their biggest frustration, according to CEB Research from December 2013. Although health benefits represent a substantial investment of time and money, they help clients attract and retain top talent, increase productivity and reduce absenteeism — and gain tax advantages, in some cases. More than half of employees cite benefits as an important reason they stay with their current employer, according to the 2014 Met Life Employee Benefit Trends survey.

Clients may lose out on employee retention if they don't offer a competitive benefits plan. This includes companies with fewer than 50 employees. Among companies with 1 to 9 employees, 42% offer group health insurance. That jumps to 72% among companies with 10 to 49 employees, according to the 2013 SBS Market Snapshot Survey #771. In addition, a substantial portion of small employers offer ancillary benefits, as illustrated by the following chart:

80%
OF
ACCOUNTANTS
SURVEYED
OCCASIONALLY
OR
FREQUENTLY
DISCUSSED
HEALTH
INSURANCE
WITH
CLIENTS.

ANCILLARY BENEFITS OFFERED BY SMALL COMPANIES

Employers round out benefits packages to stay competitive



Source: 2013 SBS Market Snapshot Survey #771⁶

⁶ http://adpia.client.adpinfo.com/content/ADPIA-HB-07-2014-02139111?cid=elq_sales_enablement_

THE CHALLENGES

In a post-ACA world, accountants often feel ill-equipped to talk about health and benefits, or worry about liability if they give advice. The truth is, no one really knows how the Affordable Care Act will affect the overall employee benefits landscape. Clients are struggling to make the right decisions and welcome the opportunity for unbiased discussion with a trusted advisor.

Over half of accountants surveyed answered clients' general health insurance questions (57%) or provided general advice (51%). About a quarter of respondents provided actionable specific advice (28%) or a referral to an insurance broker or agent (26%).⁷

Accountants needn't be licensed insurance experts to offer valuable help. They can offer perspectives from their area of expertise. For example, clients can save on taxes for themselves and their employees with certain types of qualified health plans.

HELP FOR CLIENTS

Many small businesses offer group health coverage in order to compete for the best workers – especially in businesses that need specialized talent. In fact, 86% of companies with 10 to 20 employees now offer health insurance, according to a 2014 survey from the National Small Business Association. Here are some ideas that may result in financial savings for your clients.

Wellness is an important benefits buzzword these days, especially considering \$84 billion worth of productivity is lost annually among workers with chronic health conditions, like obesity or high blood pressure. But small businesses have lagged in adopting wellness best practices, due to a perception that they're too expensive. But developing a healthy work environment for employees can pay dividends in terms of employee satisfaction, productivity, less absenteeism and possibly lower health plan premiums.

As businesses grow, clients may want to add ancillary benefits. Between 2009 and 2012, the number of employers offering at least one voluntary benefit increased 77%, according to a November 2012 report from Eastbridge Consulting Group. Options such as vision, dental, life insurance, and short- and long-term disability are increasingly viewed by job candidates as important differentiators among potential employers.

An employer may be able to reduce taxes by implementing a premium-only plan (POP). As an additional advantage, employees may enjoy a tax break as well. Discuss whether a POP is appropriate for your client.⁸

Small businesses sometimes continue with the same insurance broker year after year, even if they're not getting the best coverage and rates. Clients who are stuck in a rut may pay more than they should or miss out on new options.

If you sense that your client is stuck in a suboptimal insurance broker relationship, you can add value by making a referral to an insurance agent you know and trust, such as one of the licensed professionals at Automatic Data Processing Insurance Agency, Inc. (ADPIA).*

BETWEEN
2009-2012,
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OF EMPLOYERS
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ONE
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77%

⁷ SourceMedia survey Q2E ⁸ ADP fact sheet HB POP Overview for CPAs

CONVERSATION STARTERS: HEALTH AND BENEFITS

1. When did you last review your health plan? Are you paying for options on your health plan that nobody uses? Are your plan features a good fit for your employees and their families?
2. Are you taking full advantage of all available tax deductions for qualified health plans? Would you be interested in discussing a POP plan, which may reduce taxes for you and your employees?
3. Are you happy with your insurance broker? Did your plan premiums increase last time you renewed? Does your insurance agent bring you a variety of options, or is it always the same plan from the same carrier?

SMALL BUSINESS CHECKLIST FOR ACCOUNTANTS

- 1 Do I have copies of workers' comp and health insurance policies for this client on file? Are they paid up to date?
- 2 Has my client ever paid fines related to workers' comp or health insurance?
- 3 When was the last time my client met with a licensed insurance agent?
- 4 What risks are associated with my client's industry?
- 5 What is the norm in my client's industry for workers' comp coverage? Health insurance coverage? Property and casualty coverage?
- 6 Does the ACA impact this client?
- 7 Is employee retention an issue for this client?
- 8 Does my client have any workers' compensation lawsuits pending?

CONCLUSION

By taking the opportunity to discuss insurance topics with their clients, accountants can deepen their relationships and cement their position as trusted advisors. One way to become a useful resource without having to become an insurance expert is to develop an informal referring relationship with a licensed insurance professional. The knowledgeable staff at ADPIA, an affiliate of ADP, is ready to work with you to make sure your clients get the proper information and solutions for their business insurance needs.

SUGGESTED RESOURCES

WORKERS COMPENSATION

<http://insurance.adp.com/en/what-we-offer/property-and-casualty/workers-compensation.aspx>

PROPERTY & CASUALTY

<http://insurance.adp.com/en/what-we-offer/property-and-casualty>

HEALTH & BENEFITS

<http://insurance.adp.com/what-we-offer/health-and-benefits.aspx>

<http://insurance.adp.com/what-we-offer/health-and-benefits/premium-only-plan-pop.aspx>

METHODOLOGY

In April 2015, SourceMedia Research conducted a study among 349 accounting and tax professionals. Respondents were drawn from *Accounting Today* and *Tax Pro* subscribers.

ABOUT SOURCEMEDIA RESEARCH

SourceMedia Research provides full custom B2B research solutions for marketers, agencies and other targeting business sectors, such as accounting, banking, payments, mortgage, insurance, HR/employee benefits and wealth management. SourceMedia Research is a unit of SourceMedia Inc., whose B2B media brands include *Accounting Today*, *Financial Planning*, *American Banker*, *The Bond Buyer* and *Employee Benefit News*.

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