



Risk Monitor

Why Life Insurance Is a Must-Have for the Self-Employed

Being self-employed definitely has its perks: freedom, flexibility, autonomy. Unfortunately, the long list of self-employment benefits doesn't usually include an actual benefit plan. That means you're on your own when it comes to insuring yourself.

If you're self-employed and don't own life insurance, you're putting your family at great financial risk. Not only would a life insurance policy provide for your family if something were to happen to you, but it would also cover the costs of your business debts.

Everyone needs life insurance

Any financial expert will tell you that whether you're self-employed or company-employed, you need life insurance—especially if you have a family who depends on your income. As long as you're alive and kicking, you can continue to earn money and maintain your family's lifestyle. However, if you were to die without life insurance, your family may find themselves in a financial crisis.

Without your income, your family certainly wouldn't be able to maintain their former lifestyle, and they may have a hard time making ends meet. They would probably struggle to pay monthly expenses, including the mortgage, credit cards and utilities. On top of that, they could face some hefty bills associated with your death, including burial and funeral costs and medical expenses.

An effective life insurance plan will ensure that all of your family's financial needs will be covered in the event of your death—from the monthly mortgage to final expenses to your child's college education.

A necessity for the self-employed

Although everyone should have life insurance, it's an absolute necessity for the self-employed. Why? In the eyes of the law, there is no difference between your personal and business assets. That means that you are personally responsible for any and all business debts.

When the owner of a sole proprietorship dies, the business legally comes to an end. Therefore, if you were to die, any of the debts or losses associated with your business will become the responsibility of your estate. This could include business loans, your office mortgage or lease payments, local, state and federal taxes, lawyer and accountant fees and any payments due to your employees, suppliers or vendors.

To pay off these debts and cover your business' financial obligations, your family may have to sell off personal assets. This would leave them with even less money to cover their ongoing financial needs.

However, with an effective life insurance plan, your family would have enough to pay off these business debts and provide for their ongoing financial needs after your death. This is why it's crucial for any self-employed person to have a life insurance plan.

Meet with a financial professional to discuss your life insurance options. He or she can assess your situation and find a plan that fits your unique needs as a sole proprietor.

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Welcome to the "Alliance Insurance Services" Risk Monitor!

It is the vision of Alliance Insurance Services to be an industry leader in providing business support and services in the areas of insurance, loss control, and human resources. Our company's total effort will be directed at reducing our client's cost of risk while helping maintain an environment conducive to employee retention.

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Avoid Lawsuits When Laying Off Workers

With the U.S. economy in recession, companies are trying to make up for declining sales by reducing expenses. Workforce reductions, though they may improve short-run profits, may also cause long-term problems if the firm does not handle them with care. Angry former employees may look for justification for legal action. The employees who remain will take on extra work with no additional compensation, while they deal emotionally with the loss of colleagues and fear that the job cutting will eventually hit them. Consequently, companies must approach layoffs with caution.

The company must first determine whether a layoff is the best option. While it may quickly reduce costs, it may also cause the company to dismiss valuable workers. This will hurt long-term productivity, lower the morale of the survivors, and wipe out valuable institutional knowledge. There is also a risk that a layoff will unfairly affect older or minority workers, which could lead to discrimination complaints. Therefore, the company should look at alternatives such as hiring and wage freezes, adjustments to employee benefits, not replacing workers who leave or retire, and job sharing.

If the company decides that it must reduce its workforce, several careful steps are required;

- Establish a specific goal for the layoff to achieve, such as a dollar amount of savings or number of positions.
- Identify those job functions and skills that it will need to operate successfully after the layoff.
- Set a timetable so that the reduction has a clear end.
- Comply with federal and state labor laws.
- Determine which jobs are unnecessary and eliminate them.

When determining which employees to dismiss, the company may legally use criteria such as length of service with the company,

the necessity of a certain job classification, employee status (i.e., part-time or temporary), or employees' performance records. Management should review candidates for dismissal to ensure that the cutback does not disproportionately impact classes of employees protected by law. If managers can find no other compelling business reason for terminating those employees, they must seek out alternatives.

Once managers have made selections and the decision to proceed, they must inform the affected workers in a professional manner. They should be able to clearly explain the reasons for the action; workers' entitlement to benefits such as severance, health coverage, and others; and post-employment services available to the workers, such as outplacement. The workers may express emotions ranging from stunned silence to rage; the managers must be prepared to deal with their reactions in a businesslike manner. Remaining employees will have concerns about their own futures and the firm's outlook. Management should, to the extent possible, explain the reasons for the layoff, the likelihood of additional job cuts, and the business goals the firm seeks to achieve through the layoffs.

The company must take particular care when the layoff involves older employees. Severance packages usually require the employee to waive his right to press a claim under federal law. However, regulations impose procedural requirements that an employer must meet before a court will consider the waivers valid. Companies must take special care to meet those requirements.

Shrinking a company is an unpleasant prospect that no manager relishes. Employee lawsuits may well result from a workforce reduction. However, if the firm handles the action with care and sensitivity, it can make such claims less likely and will be in a better position to defend itself against claims that do arise.

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- **Frequent (daily) inspections:** A competent employee should inspect materials and equipment on a frequent basis. OSHA typically defines "frequent" as daily. Therefore, these checks should be completed daily or even more often if necessary.
- **Motor vehicles and mechanized equipment:** Although OSHA does not provide any specific requirements for this type of equipment, the administration does point out that all equipment being left unattended at night should have appropriate lights, reflectors or barricades to identify the machinery's location. Additionally, OSHA provides specific requirements for this equipment if it is being used or transported in the

vicinity of power lines. (See OSHA 1926.550(a) (15))

- **Off-highway motor vehicles:** All motor vehicles that operate within an off-highway jobsite must be inspected at the beginning of each shift. The worker inspecting the vehicle must ensure that all essential parts and equipment are in safe operating condition and free of any apparent damage that could cause equipment problems or failure. The service brakes (including trailer brake connections, emergency stopping system, parking system (hand brake), horn, tires, steering mechanism, seat belts, coupling devices, safety devices and operating controls must all be checked.

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Responding to Reports of Sexual Harassment

Sexual harassment is a serious issue for all organizations. It demeans and humiliates the targets, lowers workplace morale and reduces productivity as employees spend energy worrying about the latest offense rather than furthering the business. It can also inspire employee lawsuits, bad publicity for the organization, and criminal charges. Even the best of organizations may face incidents of sexual harassment at some point. If it happens, how the organization responds is of the utmost importance.

The organization must take every report of harassment seriously. Brushing off a worker complaint as frivolous could be the basis for future legal action. The person receiving the complaint must judge it by two standards. First, would a reasonable person be offended by the alleged conduct? Second, did the person making the complaint actually take offense at the alleged conduct? If the answer to both questions is yes, the organization should conduct a more in-depth investigation.

Harassment complaints fall into three general categories. In full-fledged complaints, the complainer firmly believes she has been harassed, wants it stopped, and is willing to provide details as to what happened. "For your information" complaints involve employees who don't necessarily want the employer to do anything, and are unwilling to provide details. Anonymous complaints may provide great detail or none, may be legitimate or complete fiction, and may or may not be from employees. Regardless of the type of complaint, the organization should take it seriously and investigate thoroughly.

Once it has determined that harassment occurred, the nature of the organization's response depends on the seriousness of the offense. Less serious offenses include jokes, teasing, off-color comments, cartoons and photos, and profanity. The offender may not have intended harm toward anyone. Unless he has habitually done these things despite warnings, a reprimand may be in order. More serious are uninvited and unwelcome physical contacts (hugs,

kisses, pats on the butt, etc.), acts directed at a particular person or group of people (repeated comments about a woman's clothing), and intentionally harmful actions or words (insults about a person's sexual preference.) Some may require disciplinary action at the first offense (touching a woman's breast), while others may deserve a reprimand unless repeated (insults).

The most serious offenses involve deliberate physical, mean-spirited and possibly criminal acts. Grabbing, forcible kissing, lewd exposure and attempted rape are all examples of this kind of conduct. These may warrant immediate disciplinary action and may require involvement from law enforcement officials.

The organization should assign the investigator based on the seriousness of the alleged offense. A supervisor may be sufficient for less serious offenses like e-mailed jokes or suggestive calendars. Acts like sexual insults, unwelcome advances and demands for sexual favors call for the involvement of upper management. The most serious offenses may require hiring an outside investigator or attorney; alleged criminal conduct will necessitate getting the police involved. In addition, the worker making the complaint may prefer speaking to someone of the same sex, of a certain age, or who shares the worker's background. Organizations may want to have a group of people prepared to investigate claims so they can deal with such requests. However, all investigators must remain objective and free from bias toward either party.

A response appropriate to the situation is vital to an organization's reputation, future employee relations, and vulnerability to lawsuits. The organization's advance preparation will make this easier and may make it more attractive to insurance companies that provide employment practices liability insurance. Ultimately, the seriousness with which an organization treats the possibility of sexual harassment may discourage it from happening in the first place.

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Additionally, if jobsite conditions require lights, reflectors, windshield wipers, defrosters or fire extinguishers, these parts must be inspected, as well. If any defects are discovered, the damaged part must be repaired before the vehicle is put to use on the jobsite.

- **Earthmoving equipment:** According to OSHA, earthmoving equipment includes scrapers, loaders, crawlers, wheel tractors, bulldozers, graders, tractors, off-highway trucks and other such equipment. While the administration does not offer specific inspection checklists for this equipment, OSHA does say that seat belts must be provided on all equipment required to have seat belts as specified by OSHA 1926.602.

- **Properly trained employees:** Heavy equipment must be inspected frequently and regularly by a competent person who is designated by the employer. OSHA explains that these employees must be properly trained in inspection guidelines to be considered a "competent person."

If you want to keep your workers safe and your jobsite running smoothly, it's important to have comprehensive inspection checklists in place for each piece of heavy machinery. It's also important to train your employees on proper inspection techniques and ensure that they walk through these checklists each and every day. For more information, visit the OSHA website at www.osha.gov.

Keep the Jobsite Safe with Heavy Equipment Inspection Guidelines

From off-highway dump trucks, pickups and flatbeds to earth-moving equipment like loaders, bulldozers and scrapers, jobsites are constantly swarming with heavy equipment. Most modern construction jobs would simply be impossible without this crucial equipment. However, if not properly inspected on a regular basis, these machines can quickly turn from helpful to downright dangerous.

The Occupational Safety & Health Administration (OSHA) rules are somewhat vague when it comes to the proper inspection of heavy equipment. That's why safety experts say your best bet is to refer to the manufacturer's manual to find inspection criteria for each unique piece of machinery.

Drawing up your own inspection checklists

Unfortunately, heavy equipment manuals often do not include a thorough inspection checklist. If that's the case, you should create your own checklist, using the operating instructions and maintenance procedures as a guide.

You may want to include two or three different checklists: a site safety checklist, a safety equipment checklist and a systems checklist (including oil system, hydraulic system, etc.) As you build

these checklists from information provided in the equipment operating manual, you may also want to refer to the general OSHA inspection guidelines that apply to your specific equipment.

Once you have these inspection guidelines in place, you'll want to introduce the checklists to your employees. It's important to train each heavy equipment operator to walk through the checklist for their equipment on a daily basis—before they crank up and get to work.

Understanding the general OSHA guidelines

Although OSHA does not provide comprehensive inspection guidelines and checklists, the administration does offer some general requirements. Here a few of OSHA's inspection rules that should be a part of your customized inspection guidelines:

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