



DEDICATION SERVICE INTEGRITY

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Our commitment as your trusted insurance advisor is to assist you with your insurance needs including negotiations, implementation of plan designs, claims and risk management. We have partnered with several Human Resource Consultants, COBRA/Flex Third Party Administrators and other entities to provide personalized programs designed to fit your company's needs. By utilizing our buying power, we have had great success in creating service outsource options at reduced rates that are partially subsidized or cost free.

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Schwarzenegger Unveils Broad Plan

Source: The John & Rusty Report, California Choice

"Even though everyone has to chip in...everyone is left with a better deal," said Schwarzenegger.

"In California, 6.5 million people don't have health insurance." Schwarzenegger said. "The problem with that of course, is that the rest of the people who have insurance pay for them." That means billions of dollars in a "hidden tax" through higher deductibles, higher premiums, treatment costs and higher co-payments, he said.

Businesses that employ at least 10 workers and that don't provide insurance will be required to put 4% of payroll in a state fund so people without insurance can buy basic coverage, he said. Small businesses, which his administration says comprise 80% of all California business, would be exempt. In the past, Schwarzenegger has opposed a system known as "pay-or-play," where employers could choose to provide health insurance to their employees or be required to pay fees to a state fund that would purchase private health coverage. Businesses remain opposed to such a mandate.

His plan will not allow insurers to deny coverage to people because of age or health status. His plan also requires health insurers to put at least 85% of their premium revenues into patient care, instead of profits or administration. Hospitals and doctors will help the state insure everyone by paying a "coverage dividend" into a state fund that sells insurance to people who don't have it, he said. The coverage dividend will be 2% on doctors and 4% on hospitals.



President Bush Considers Proposal to Tax Some Employer-Sponsored Health Benefits

Jan. 16: President Bush has considered a proposal that "likely would cap some taxpayers' ability to exclude employer-provided health care from their income, as part of an effort to broaden availability of health care insurance," the Wall Street Journal reports.

The federal government currently provides tax exemptions for all employer-sponsored health benefits, a policy that will cost an estimated \$900 billion between 2006 and 2010 along with other health-related tax provisions. According to the Journal, the proposal would tax "gold-plated" executive health plans and could affect "some rank-and-file union members with particularly generous benefits."

The proposal would use the additional revenue to fund tax credits to help lower-income residents purchase health insurance, state coverage pools for lower-income residents and small business, or both. In addition to the proposal, Bush this month in his State of the Union address likely will announce plans to expand state health insurance pools and health savings accounts as part of an effort to expand coverage and reduce costs, according to Republicans close to the White House.

Democrats likely would oppose the proposal to tax some employer-sponsored health benefits over concerns about "further undermining the market for employer-provided coverage and driving up costs for those who remain in the system," the Journal reports.

Source: The John & Rusty Report, California Choice



HEALTH SAVINGS ACCOUNT INFORMATION



President Bush signs new Health Savings Account regulations— President Bush signed the Health Opportunity Patient Empowerment Act of 2006, enhancing Americans' access to tax-advantaged health care savings.

Provisions of the act include (effective January 1, 2007):

Allow rollovers from health FSAs and HRAs into HSAs through 2011.	Grace Period Relief	Full Health Savings Account contribution .
<p>A one-time, tax free rollover of the lesser of the Health FSA and/or HRA account balance in effect on September 21, 2006, or the balance of the date of the rollover to an HSA is permitted at any time prior to January 1, 2012 ("Qualified HSA Distribution"). The Qualified HSA Distribution is treated as a rollover contribution for HSA purposes; therefore, it does not decrease the amount that may be contributed to the HSA during the year. The rollover must be made directly by the employer to the HSA custodian/trustee.</p> <p>The individual must continue to be an eligible individual (as defined in Code Section 223) for the 12 month period beginning with the month in which the Qualified HSA Distribution is made or the entire Qualified HSA Distribution will be included in gross income and subject to a 10% excise tax (except for failure to maintain eligible individual status due to death or disability).</p> <p>The Qualified HSA Distribution is subject to a modified comparability rule. If the employer makes Qualified HSA Distributions available to any employee, the employer must make Qualified HSA Distributions available to all employees covered under the employer's HDHP.</p> <p>The rule only applies to participants who have an HRA and/or Health FSA on September 21, 2006 (thus, it would not apply for new accounts). Qualified HSA Distributions made between 2007 and January 1, 2012, could be problematic to the extent that the balance at the time of the Qualified HSA Distribution is greater than the balance on September 21, 2006. For example, assume that the</p> <p>ber 21, 2006 is \$2,000. Assume further that the HSA balance on June 1, 2006 is \$3,000. The employer may only transfer \$2,000 (the lesser of the account balance on September 21, 2006, and the current balance). If the Health FSA is not a limited purpose Health FSA, the remaining \$1,000 Health FSA balance will disqualify the individual in accordance with Rev. Rul. 2004-45 (and subject the individual to the adverse tax consequences associated with failing to maintain eligible individual status). Thus, employers may be required to convert the Health FSA to a limited purpose FSA for all participants (see concepts set forth in our bulletin discussing Notice 2005-86) to ensure that all Health FSA participants with a Health FSA on September 21, 2006, are eligible to make Qualified HSA Distributions.</p> <p>Also, the Act fails to clarify the extent to which an employer has discretion over Qualified HSA Distributions. Must employers make Qualified HSA Distribution available until January 1, 2012 or can they limit the availability period? May employers force employees to make a Qualified HSA Distribution (e.g., where the employer wishes to establish an HSA on behalf of the employee without the employee's consent)? Also, under what circumstances is the Qualified HSA Distribution considered "made through the cafeteria plan" and thereby exempt from the comparability rules? Additional clarifying guidance from the Treasury is needed.</p>	<p>An individual is not disqualified from establishing/contributing to an HSA solely because he is a participant in a Health FSA with a grace period, so long as the individual either has a zero balance on the last day of the plan year or the individual transfers the entire balance to the HSA as of the last day of the plan year.</p> <p>This is good news for employees participating in Health FSAs with grace periods whose employers did not convert the grace period to a limited purpose grace period in accordance with Notice 2005-86. However, participants whose plan year ending balance is greater than the Health FSA balance on September 21, 2006, and are thus unable to rollover the entire balance to an HSA or who do not incur expenses prior to the end of the plan year equal to the ending balance will continue to be ineligible for an HSA until the end of the grace period.</p> <p>1-time transfer from IRAs to HSAs.</p> <p>A one-time tax free trustee-to-trustee transfer of IRA funds to an HSA is permitted to the extent the transfer doesn't exceed the maximum annual HSA contribution amount (determined in accordance with the Act). Unlike Health FSA/HRA transfers, the IRA transfer is not treated as a rollover contribution. Thus any amounts transferred from the IRA to the HSA during the year reduce the maximum amount that may otherwise be contributed to the HSA during that year.</p>	<p>An individual who first becomes an eligible individual anytime on or before the first day of December of any year is treated as though they are an eligible individual for the entire year so long as they continue to be an eligible individual (as defined in Code Section 223) during the testing period, which begins in the last month of the year that the individual became an eligible individual (without regard to when the individual became an eligible individual) and ends the last day of the 12 month period following such month.</p> <p>If the individual fails to be an eligible individual during that testing period, all contributions that could not have been made but for this rule (i.e. the contributions attributable to months preceding the month in which the eligible individual became an eligible individual) are included in gross income for the year in which the individual ceases to be an eligible individual (other than disability or death) and such amounts are subject to a 10% excise tax.</p> <p>For example, assume Bob enrolls in single HDHP coverage on June 1, 2007, with \$1,200 deductible. Bob may contribute the full annual contribution amount (determined in accordance with the Act's new contribution limit provisions). Thus,</p> <p>Bob may contribute \$2,850 for 2007 (even though he was only an eligible individual for seven months). Assume further that Bob terminates employment on February 1, 2008 and consequently loses coverage under the HDHP. Assume further that Bob does not elect COBRA because Bob's new employer offers free health coverage. All contribution amounts attributable to January 1, 2007, through May 30, 2007 (5/12 of \$2,850 or \$1,187,50) will be included in Bob's income and subject to a 10% excise tax.</p> <p>The Act reconciles the annual contribution limit (previously pro-rated) with the manner in which the deductible is typically applied under the HDHP (no prorating). Although good news overall, there are issues that arise with this new mid-year contribution rule. For example, any HDHP participant who terminates employment during the 12 month period must elect COBRA or elect coverage under another HDHP to avoid the adverse tax consequences under this new rule. Individuals who do not obtain HDHP coverage under a subsequent employer's plan may find this rule and the associated adverse tax consequences a bit onerous.</p>
<p>Continue on following page.</p>		



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Provisions of the act, continued:

Allow greater employer contributions for lower-paid employees (under \$100,000).	Increase in annual Health Savings Account contribution.	Earlier indexing of cost of living adjustments.
<p>For the purpose of applying the comparability rule to contributions made to the HSAs of non-HCEs, HCEs are not considered comparable participating employees. This will allow employers to contribute more to the HSA of a non-HCE without violating the comparability rule. Most employers already avoid the comparability rule where contributions are made through a cafeteria plan.</p> <p>For example, assume employer contributes \$500 to Bob's HSA. Bob is a full-time employee of an employer with single coverage. Bob is also an HCE. The employer contributes \$700 to Rick's HSA. Rick is also a full-time employee of the employer with single coverage but Rick is a non-HCE.</p> <p>NOTE: The employer must comply with the comparability rules with respect to contributions made to HSAs of HCEs respectively. Thus, using our example above, all full-time</p>	<p>non-HCEs with single coverage must receive \$700 (or prorated amount in accordance with the comparability regulations)—the same as Rick—and all full-time HCEs with single coverage must receive \$500 (or prorated amount in accordance with the comparability regulations)—the same as Bob.</p> <p>The comparability rules already do not apply to contributions made through a cafeteria plan (and such contribution variations favoring non-HCEs is permissible under Code Section 125 cafeteria plan non-discrimination rules) but employers who do not maintain a cafeteria plan (such as small employers) should find this rule helpful. But for the Act, employers could not contribute more to the HSAs of non-HCEs than they contribute to the HSAs of HCEs without violating the comparability rule.</p> <p>NOTE: . Additional guidance may be needed.</p>	<p>The maximum contribution amount is the statutory maximum for single or family coverage, whichever is applicable. The HSA contribution limit no longer refers to the individual's HDHP deductible amount.</p> <p>For example, assume Bob's deductible for single HDHP coverage in 2007 is \$1,200. Bob may contribute \$2,850 even though his deductible is only \$1,200.</p> <p>The change will allow employers and/or HSA account holders to contribute additional amounts to the HSA to cover not only current medical expenses subject to the HDHP deductible but also other current out-of-pocket expenses above the deductible and/or future medical expenses. This will help HSA account-holders reduce current and future out-of-pocket liability.</p> <p>In addition, the new rule certainly makes post deductible HRAs and Health FSAs more valuable. Prior to the Act, if the individual had both HDHP comprehensive coverage and a post deductible HRA/Health FSA with a lower deductible, the contribution was based on the lower deductible. However, under the Act, an HRA with a lower deductible will not impact the contribution requirement. This further reduces the burden shifted to employees in CDHP's-driven health care</p>
FSA		
<p>There is no statutory limit on the amount of money that can be contributed to health care flexible spending accounts. However, some companies place a limit of \$2K to \$3K on FSA's. Once the amount of contribution has been designated during the open enrollment period that occurs once each year, the employee is not allowed to change the amount or drop out of the plan during the year unless he or she experiences a change of family status. By law, the employee forfeits any unspent funds.</p>		
<p>The Department of Treasury / NAHU -John Hickman & Ashley Gillihan</p>		

More Tax Relief:: President Bushes State of Union address on Healthcare



President Bush will propose a tax deduction of \$7,500 for individuals and \$15,000 for families regardless of whether they buy their own health insurance or receive medical coverage at work, according to published sources. Employees with policies costing above the \$7,500 and \$15,000 limits would pay taxes on the excess. Individuals and families who purchase healthcare insurance directly would, for the first time, have some tax relief.

Health Savings Account—2007 Allowable Amounts

HSAs Indexed annually

Minimum Deductible for High Deductible Health PlanIndividual: \$1,100 Family: \$2,200

Maximum ContributionIndividual: \$2,850 Family: \$5,650

- Catch-Up Provision for Individuals 55+ years: \$800 per eligible account.

Note: amounts prorated for partial year.

Maximum Out-of-Pocket ExpensesIndividual: \$5,500 Family: \$11,000



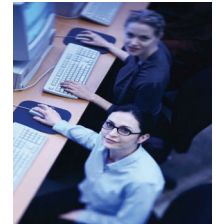
Final AB 1825 Sexual Harassment Training Regulations - expected to become effective February 2007

AB1825 requires employers who do business in California, and who have more than 50 employees, to provide all supervisors with training on how to prevent sexual harassment in the workplace. (50+ employees means “employing fifty or more employees for each working day in any twenty consecutive weeks in the current calendar year or the preceding calendar year. All 50 employees do not need to reside in California.) The first training deadline was December 31, 2006. Sexual harassment training must also be repeated every two years, making 2007 a “retrain” year for most organizations. With respect to the ongoing training obligation, newly hired or promoted supervisors must be trained within six months of the assumption of a supervisory position.

“Supervisor” is any individual, located in California, having the authority: ...to hire, transfer, suspend, lay off, recall, promote, discharge, assign, reward, or discipline other employees, the responsibility to direct them, to adjust their grievances, or effectively to recommend that action...if the exercise of that authority is not of a merely routine or clerical nature, but requires the use of independent judgment. Sexual Harassment Training is no longer required for supervisors located outside of California. Note: A new supervisor who received AB 1825 compliant sexual harassment training (from a different employer) within the two years prior to the assumption of the supervisory position need not be trained within six months.

Regulations - not retroactive

- **The Regs are not final, but will likely undergo very little changes before they are adopted.** Pay close attention when training in 2007.
- **E-Learning and webinars need to be highly interactive (questions, skill-building activities, hypotheticals), and include the ability for learners to submit questions.** Questions must be responded to in no more than 2 business days.
- **Your classroom trainer, or the developer of an online program, needs to be a true expert in harassment prevention.** A generic training background is not enough, and a quick “[primer]” on harassment issues won’t prep someone for this role. Remember that in the event of litigation, these trainers and developers may be deposed or even spend time on the witness stand.
- Sexual Harassment Training records must be documented including: Supervisory employee’s name; Training date; Type of training; Name of the training provider
- **New Businesses or Newly Covered Business:** New Businesses must provide sexual harassment training within six months of their incorporation or formation, and thereafter, every two years. Businesses that expand to 50 employees and/or contractors must provide sexual harassment training within six months of hitting the 50-person threshold, and thereafter, every two years.
- **Two hours of e-learning means a program that cannot be completed in less than 2 hours.** Practically speaking, this means your training program needs: (1) a timer that requires learners who complete in less than 2 hours to view additional content until the 2 hour threshold is met, or (2) required media elements that cannot be completed in less than 2 hours.
- **Training content can go beyond sexual harassment to include other protected categories, such as race and religion.** Time spent on these other areas counts toward the two-hour standard.
- **Training records must be documented and kept for a minimum of 2 years.**
- **Training programs must cover the elements of an employer’s harassment policy and how to handle complaints.**
- **Retraining Must be Calendared Using Individual Tracking.** Employers must track training for each supervisor measured two years from the date of the completion of the last training for that individual. The December 2005 regulations permitted “Training Year” tracking, which allowed employers to designate a “training Year” in which to train supervisors. Under the old regulations, the employer could then retrain supervisors by the end of the next training year. The practical impact is that supervisors trained in early ‘05 need to be trained in early ‘07 versus the end of ‘07. *That moves the training deadline up for employers who started AB 1825 training efforts early in 2005. Source— harassmenttraining.elt-inc*



What Should Employers Do?

1. **If you are using e-learning, ensure that the sexual harassment training program is sufficiently interactive and includes** engaging questions, skill-building activities, and numerous hypothetical scenarios about harassment, each with one or more discussion questions. It should also include the ability to ask questions. You should then set up a process whereby questions can be consolidated, reviewed, and responded to within two business days.
2. **Ensure that your classroom/webinar trainer can meet the stringent experience requirements** detailed above. Ask yourself whether you would be comfortable with your trainer or e-learning vendor being cross-examined about relevant credentials and expertise.
3. **If you have more than 50 employees, assume AB1825 applies to you even if you do not have 50+ employees residing California.** In training more expansively, consider the fact that the California sexual harassment training regulations will likely set the standard for national training programs. Several employers are rolling out their California sexual harassment programs nationally, and several states are considering legislation similarly to AB 1825.
4. **Carefully audit who is exerting supervisory influence over California employees.** The FEHA definition of “supervisor” is very broad and includes employees that some employers would not typically define as supervisors. Cast a wide net in defining your sexual harassment training audience. You may consider making modifications to your HR Information System (HRIS) to explicitly track this information.
5. **Train beyond sexual harassment to cover other forms of unlawful workplace harassment** (within the two hours of training). Under the EEOC Guidelines and federal case law, this broad coverage is required and represents a cost effective use of training time and resources.



Human Resources Corner by Susan Dubin

HR Professionals, Preserve Your Work E-Mail!

Work e-mail is often hastily stored and often a forgotten resource for documentation. Amendments to the Federal Rules of Civil Procedure, effective 12/01/06, mean that now more than ever those e-mails may come out of the woodwork and surprise employers during litigation, unless employers adopt systems to organize and keep tabs on the data. HR Professionals should urge employers to adopt a system to quickly find relevant e-mail information according to Roger Matus, CEO of Inboxer Inc. He describes e-mail as "a treasure trove for lawyers" and emphasized that it will become the subject of mandated discussions early in litigation. Under the new rules, employers will have to provide plaintiffs' attorneys with access to electronic documents that might be used in litigation even before a discovery request has been made. Because of the new responsibility of the employer to respond timely to these requests, one suggestion is to use a product that can provide fast access to e-mail so an employer can run key word searches. The challenge for HR and Legal will be persuading CFO's that the costs of *not* preserving documents in good faith will pale in comparison to the costs of taking proactive measures.

What Our Clients are Saying about Us :

The level of service is unsurpassed. Whether it be a **claim problem** or sharing a resource, maintains a **constant level of communication** with clients. The level of service is unsurpassed. -**Mary Schwei, HR Manager @ J. h Snyder, Inc.**

Danone has provided me with her services directly for the last 6 years while at two separate companies. Most recently, she **assisted me with a major transition from a PEO status to us managing our own corporate employee benefits, payroll and workers compensation.** This was an extremely difficult and challenging task, but w/ her consistent assistance and knowledge in the industry it was achieved. Danone also services us with property and casualty and risk management services. We have been operating on our own since 5/1/05 w/o the PEO and we have a great safety record and executive management is very pleased with our progress. I recommend that you allow Danone the opportunity to provide you with a quote for your review this coming year within the following insurance services: Employee Benefits, HR Consulting, Workers Compensation, Property & Casualty and Risk Management Services. -**Mary Magallon, HR Manager @ Rapid Rack Industries**

I have found the **COMMITMENT** impeccable. Assertive without being pushy, inquisitive without being intrusive, and capable and competent in all of our interactions. Intuitively understands my role as HR Director and will work with me until we get the job done. Always one step ahead of everyone else. Honest, straightforward. If the answer is not known, **will always find the answer** before the day is through. -**VP of Operations @ Studio Systems, Inc.**

Do your homework, **present all the numbers. Work hardest to secure the best coverage for the least amount of money.** Continually **educating.** The best broker I have ever had the privilege to work with. -**Sandra Johnson, HR Director @ Crest National**

Since I became Director of HR at Peerless back in February, with no background in benefits, not only have you been **generous with your knowledge, you have made my problems your problems.** You held my hand through every step of my first open enrollment process while negotiating rates with our providers that were well below what we had a right to expect. When we encountered a potential compliance issue with our 125 plan, **you not only worked harder than our high priced attorneys to solve it, you actually surfaced the technical information that resolved the matter in our favor.** What's amazing in this age of mediocrity is that you saw all that as simply doing your job even though it meant not one dime of additional income to you or your company. When it came to our annual health fair, you not only arranged for all the benefits providers to be there, you brought decorations and food and raffle prizes and even donated the DVD player which incentivized our weight loss competition participants. You turned what could have been an ordinary event into a fun, informative and educational day for everyone concerned. **In my 15 years of HR consulting before coming to Peerless, I encountered and interacted with a number of benefits brokers. While many were pleasant and seemingly competent, none held a candle to you or your firm** (because Connie and Martha have performed just as amazingly well as you yourself have). -**Jan Bowler, Sr. Director, HR Peerless Systems**

It's about you, your company, your employees and their families Health and Welfare.



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