

Zekerweten

Nieuwsbrief van VMD KOSTER verzekeringsgroep



UPDATE PENSION AND INCOME INSURANCES AUTUMN 2016

Cybercrime is increasingly common. Almost every entrepreneur has to deal with some form of cybercrime and data loss.

Targeted (computer) hacking or loss of a laptop has a major impact on your business. Yet few companies take action to limit damage. Therefore, we discuss three misconceptions.

Absenteeism is also an important issue for 2017. How can you reduce sick leave and limit the financial consequences? In this update, we give a few tips. For detailed advice contact your advisor at VMD KOSTER.

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Misconceptions about cybercrime

There are many misconceptions doing the rounds in businesses about the Cyber and Data Risks insurance. We are happy to dispel a few of those.

MISCONCEPTION 1: ONLY LARGE BUSINESSES ARE OPEN TO CYBER RISKS

Professional criminals are getting better at organising themselves. There are increasing numbers of large-scale attacks, which are targeted at the theft of money and valuable information. Businesses are falling victim to this in increasing numbers. The total amount of damage for the business community currently stands at around 10 billion euros annually. And that does not only involve banks and government services. Every business can be targeted.

MISCONCEPTION 2: THE CONSEQUENCES OF CYBER CRIME ARE NOT SO BAD

Cyber criminals want your money. How do they get their hands on that? Through CEO fraud, for example. Or possibly through a virus that locks up all your files. Only after payment are you able to continue working. This is referred to as ransomware. Besides the money you are required to hand over, your business transactions are often halted for a period of time. That will also entail damage to your reputation, over and above the loss of turnover. In addition, you will incur costs arising from investigation, communication and legal assistance.

A data leak can also have substantial financial consequences. The costs involved by a data leak are estimated to be on average € 182.- per record. That amount must therefore be multiplied by the number of leaked records. The damage soon mounts up when hundreds, thousands or even tens of thousands of clients are involved. An administrative fine may also be imposed up to a maximum of € 820,000 or 10% of the annual turnover.

MISCONCEPTION 3: THERE IS NO SUITABLE INSURANCE

The risks described above are covered by a Cyber and Data Risks insurance. This provides extensive cover, which is logical since the risks are also extensive. You are insured against the consequences of hacking, system cracking, loss of data, data theft and cyber attacks. This insurance is just as indispensable as insurances for damage to your business premises, inventory and property.

MISCONCEPTION 4: INSURING CYBER RISKS IS VERY EXPENSIVE

The premium for the Cyber and Data Risks insurance depends on the chosen insured amount and the size of your company. This means that the premium will suit your company and this insurance is also affordable for smaller businesses. For a company with an annual turnover of less than one million euros and an insured limit of € 500,000, for example, the premium is only € 1,039 per year. That is perfectly acceptable for an insurance which can help to prevent a great deal of nuisance and inconvenience.

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Why are many employers returning to UWV for the WGA risk?

Employers are making an important choice this year in relation to the Return to Work (Partially Disabled) Regulations or WGA. Will this risk be insured publicly (by the UWV) or privately (WGA excess insurance with an insurer)? The UWV has now published the premiums for 2017 and it has become clear that the premiums with the UWV will be slightly higher on average. There are, however, large differences to be seen between the sectors.

DO YOU PAY THE SECTOR PREMIUM OR AN INDIVIDUAL PREMIUM?

Under which WGA category you fall as employer depends on your total wage bill. A small employer is only required to pay a sectoral premium. A medium-sized employer is required to pay a combination of the sectoral as well as the individual premiums. A large employer pays a premium that is based completely on the WGA loss of the company itself. How do you know to which category you belong?

Category	Total wage bill
Small employer	Less than €322,000
Medium-sized employer	Between €322,000 and €3,220,000
Large employer	More than €3,220,000

CHOICE BETWEEN UWV AND WGA EXCESS INSURANCE

This year it appears that no single ideal solution exists for many companies. The UWV often works out cheaper, but as self-insurer you keep a much stronger hold on absenteeism and the premium you will be paying in the future. By calculating the costs of a number of different scenarios and making a thorough comparison, your best option will become clear. The next moment for amending the choice will be on 1 July 2017. The decision must be made three months in advance.

Improved Premium Scheme Act

The Improved Premium Scheme Act [*Wet verbeterde premie-regeling*] has come into force. This means that participants with an available premium scheme or a capital sum agreement (hereinafter referred to as premium scheme) will in future be able to choose whether they would like fixed pension benefits or variable pension benefits. A person choosing for variable benefits will continue to invest the pension capital after his or her retirement date. The aim in doing so thereby is to achieve higher levels of pension benefits.

WHY THIS NEW ACT?

The standard practice is that the accrued pension capital is converted on the commencement date into lifelong, guaranteed periodical benefits. The pension insurer calculates the level of those benefits on the basis of a number of factors. Once the pension benefits have started, then these remain at the agreed level for life. Over the last few years, particularly due to the continuing low interest rates, it has been difficult for participants with a premium scheme to achieve the best possible level of pension benefits.

The new Act will make it possible also to profit from investments with a higher risk during retirement. This provides the chance of higher returns and therefore higher benefits. Moreover, the level of the benefits is not as heavily dependent on the interest rate at the time of purchase. However, continuing to invest can have the opposite effect. Lower benefits may result if, for example, the investment results are disappointing.

VARIABLE PENSION BENEFITS

Not all pension administrators will be offering the variable pension benefits straight away. Many pension administrators are still struggling with the question as to whether, and if so in what way, they will be able to offer suitable benefits products which comply with the requirements of this new Act. We are keeping a close eye on this. If the current pension administrator does not offer a variable benefit scheme, then we will be able to carry out a market exploration so that the participant will be able to go ahead with this choice anyway.

ADVICE IS IMPORTANT!

Full and open communication and a clear view of the risks are essential for being able to make a responsible decision. It is also important to place this possibility into the right perspective. Does this represent the largest portion of your pension benefits or a smaller portion? In case of the latter, the participant may well be prepared to accept greater risks. Also, how certain are any other supplementary benefits and state pension benefits? It is advisable to get professional support when answering these questions.



Three tips for bringing sickness absence under control

Sickness absence has a large financial impact on businesses. However, it is not uncommon for employers to worry too little about this simply because the financial consequences are underestimated. Employers estimate the costs of an employee who is sick to be 143 euros per day. This sum is, in fact, 230 euros per day.

TIP 1: KNOW YOUR RESPONSIBILITIES

Employers are responsible for a sick employee for twelve years. During the first two years the wages must continue to be paid to a greater extent. The employee subsequently receives follow-up benefits, the costs of which are also passed on to the employer. There are good insurance solutions for this, but an employee who is sick for a long time will in any case have financial consequences. For this reason it is important that employers do everything they can towards the reintegration of employees.

TIP 2: CHOOSE FOR PROFESSIONAL SUPPORT

Expert support is obligatory for drawing up and implementing the policy for working conditions and sickness absence. However, that is sometimes lacking. Besides the importance of this for the company, i.e. low sickness absence and low

costs, it is also in the interests of the employee, namely good health and effective guidance during sickness.

Our research shows that companies which have a case manager in charge of this particular matter score far better in terms of absenteeism. The case manager is the appointed contact person for both the employer as well as the employee. He or she gives advice about the best possibilities for a speedy return to work and organises the contact between the parties. The approach is one of demedicalisation: the term absenteeism is used preferably before sickness, and possibilities are reviewed rather than symptoms.

TIP 3: PREVENT UNJUSTIFIED ABSENTEEISM

It is known that an employee will sometimes report sick without actually being sick. Fraudulent absenteeism is difficult to prove and also difficult to tackle. However, there are still a number of possibilities open to employers: keeping in contact with the employee, particularly if the reason for the absenteeism is not medical. Providing serious attention can prevent a great deal of absenteeism. Regularly asking questions about the personal situation of employees, both at work as well as outside of work.

Supplementary income for employees in the WGA

There is a good safety net available in the Netherlands for employees who are unfit for work. However, a person who is long-term unfit for work will be unable to avoid a drop in income. As employer, you can limit the level of that drop through a WGA-gap insurance. Such insurance is not obligatory, but it may be expected of a good employer.

WHO IS AFFECTED BY THE WGA?

The WGA (Werkhervatting Gedeeltelijk Arbeidsgeschikten or Return to Work (Partially Disabled) Regulations) is intended for employees who are sick for two years or longer and who are declared to be partially unfit for work (loss of income between 35% and 80%). In addition, employees who are fully unfit for work (loss of income of more than 80%), but who will probably recover sufficiently also fall under the WGA.

HOW DOES THE WGA-GAP INSURANCE WORK?

Employees, who are partially unfit for work and who earn less than half of what they could earn, can fall back on the WGA follow-up benefits. These follow-up benefits represent a particular percentage of the minimum wage. These benefits can cause a substantial gap in your employee's

income. With a WGA-gap insurance you can offer your employees a supplementary benefit.

PREVENTING FINANCIAL PROBLEMS FOR YOUR EMPLOYEE

You can calculate the consequences for your employee using the calculation tools, which can be found on our website. This will show you that a WGA-gap insurance covers a great deal of ground. For example, you will thereby reduce the chance of financial problems suffered by your employee who is partially unfit for work. It is not easy for employees to insure themselves individually against these financial consequences. That is far more expensive for them, it provides less cover and there are medical safeguards.

WIA EXCESS: SOLUTION FOR EMPLOYEES WITH AN INCOME HIGHER THAN THE WAGE LIMIT

The consequences of being unfit for work are different for every employee. The legislation provides for benefits up to a maximum of 70% of the maximum annual salary (the WIA wage limit for 2016 is € 52,766.37). This leads to a greater reduction for employees who earn more than that. With a WIA-gap insurance you will be able to provide a supplement to the statutory WIA benefits.



Independent pension advice

As pension advisers, we play a clear role and provide added value by pension advice, management and communication. We stand alongside the client (the employer). The first task is to make a good inventory. We take a look at the company's future expectations, for example, the expenditures to be made and what is on offer from competitors and/or businesses in the same sector. We then go in search together for a suitable pension scheme that will fulfil the requirements.

Pension schemes and pension management are complex matters and they touch on many different areas. The pension adviser ensures that the pension is implemented and effected in the correct manner by the employer. As pension adviser we do our best to relieve the employer as much as possible from the arrangements and the worries. We also find it important that the employees have a good understanding of exactly what has been arranged and who pays what. Experience shows that a pension scheme as fringe benefit is valued highly all round!

MANY PARTIES INVOLVED

The complexity mainly involves the fact that many parties, such as the employer, employee, pension administrator

and, more often than not, also the accountant and the wages administration, are all involved. On top of that, a large amount of legislation applies. Moreover, there are many possible choices to be made. This means that we regularly see mistakes and financial setbacks, caused by a lack of knowledge and experience on the part of the employer concerning pensions. That may concern any of the following:

- Incorrect salary transfer
- Obligatory affiliation with a business sector pension fund (jointly and severally liable company!)
- Employees who are not registered or registered too late
- No regular checks on data, such as marital status
- Distinction made on the basis of temporary employment contract or other type of employment contract
- Incorrect tuning between the wages administration and the deduction of the employee's contribution.

ADDED VALUE OF A PENSION ADVISER

In short, professional independent and clear advice and management is necessary, even though that advice is at times underestimated. That advice helps to prevent mistakes from being made, financial risks from being run and recovery operations from being necessary.

