

KSENIJA KLASIĆ¹¹K&K Posredovanje d.o.o.

uprava@k-k.hr

INSURANCE AS AN EMPLOYEE PRIVILEGE

Abstract: *Employee privileges and their significant role in motivating and retaining employees should be a key item for every company, considering their contribution to safety and motivation of the employees. The most common privileges the employees and managers are offered by their companies are the use of mobile phones, laptops and cars for private purposes. Indirect material compensations, among other, include various insurance products, such as accident insurance, health insurance, life insurance and optional retirement insurance. The employers, however, are not motivated for offering the privileges that concern employee health and safety since the existing legislature certainly does not support this type of benefits.*

This paper evaluates the types of insurance products that may be considered as employee and management privileges. Furthermore, the benefits of such products for the employers and employees are also considered.

Key words: employee motivation, employee privileges, insurance.

INTRODUCTION

Work motivation is one of the key factors for business success. Through a correct and transparent employee rewarding system, the employers provide a frame in which a high level of work motivation is achieved. The choice of the motivational techniques most often depends on the knowledge and experience of the manager. The reward and motivation system cannot depend on the individual behaviour and attitude of the manager. Rather, it is the key part of the business and development policy, with defined rules and norms of the business system [10]. Consequently, according to [1], there are a number of material and nonmaterial compensations which the company is ready to offer to its employees. Direct material compensations are applied to the earning system, determined by the systematization of the work places in the company, and to other financial incentives that depend on the work results of the individual worker (such as bonuses, stimulation and financial rewards, etc.). Indirect material compensations include a number of benefits that the worker is entitled to based on his or her work status in the company, regardless of the work effect of the individual (such as retirement and health insurance, collective accident insurance, recourse and Christmas bonus, as well as various types of education financing and so on). This kind of reward system is effective in attracting and keeping the employees in the company.

Indirect material compensations are divided into two categories; the ones that are the legal obligation of the employer (such as the rights of the employee to a vacation and personal days off, retirement and health insurance), and the ones that the employer distributes based on his or her personal decision (such as the rights to use the company mobile phone and/or the company car for private purposes, voluntary retirement

insurance, accident insurance, life insurance, and so on). These “voluntary” indirect material compensations usually differ significantly in practice, depending on different management levels, but can also differ among employees who work on similarly or even identically ranked work positions. For example, in some companies (and institutions as well), managers can use the company vehicles free of charge, not only during the working hours but for their private affairs (using the vehicle for 24 hours), while that same benefit is not available to the employees. Furthermore, financing an expensive education programme will be made possible for the employees that are believed to use the acquired knowledge for the benefit of the company, and not for those who show interest in participating. In those cases, there have to be clear criteria which determine the rights (and obligations) of the employees. In a great number of public companies and state institutions those rights are regulated by collective contracts, as opposed to private companies, where indirect material compensations are determined “along the way”, depending on the financial results of the business.

This puts employees in private companies in a more unfavourable position, seeing that if the company lacks the financial aids, “voluntary” indirect material compensations are abolished.

Nonmaterial compensations are primarily applied to the development and acknowledgement of one’s own capabilities through extra education, identification of accomplishments and rewards in forms of recognition, advancement in one’s career, flexible work hours and so on. According to [1], employees do not only wish to satisfy their existential or material needs. However, in these times of recession, practice shows that 50% of the employees find money as the greatest motivation for work (the research was conducted by the web portal Moj Posao, in April 2012, on 597 people) [11]. Most of

them emphasise that, especially in today's hard times, money gains importance when it comes to work motivation, since it allows for the settlement of basic life expenses. In addition, they do not underrate the importance of nonmaterial compensation such as the feeling of personal achievement, recognition from their superior, the possibility of obtaining experience and advancing, but they do expect adequate material compensation, primarily their earnings, while other benefits are expected after achieving the results.

This paper considers insurance as an indirect nonmaterial compensation which the employer can, but does not have to, provide as a benefit to his or her employees. Different kinds of insurance offered on the Croatian market have been analysed from the employee and the employer point of view.

INSURANCE AS AN INDIRECT NONMATERIAL COMPENSATION

Insurance is an economic activity through which financial aid is collected in order to protect people and things from hazardous consequences of extraordinary events and remove economically harmful consequences of the aforementioned events. The economic basis of insurance consists of a dispersion of harmful consequences of the insured cases to a large number of the insured. By individual payments of insurance premiums, the insured persons form the insurers' financial funds, which are intended for the reimbursement to those insured who suffer damage [3].

Insurance can also be defined as a legal relation based on a contract, as well as being considered a commercial and legal occupation. Through this occupation, the insurance company, with certain expenses (the insurance premium), is obliged to the insurance holder that it will pay out the insurance compensation to a certain individual (the insurer). The insurance compensation is reimbursed for a damage which was inflicted on people or things, and which was a consequence of the causes specified in the contract (insured risks). The insurance premium is defined on the size of the risks established before entering into agreement about the insurance.

Social insurance is not specified by the aforementioned definitions. In the case of social insurance, the funds are collected based on the insured person's earnings and do not have the features of the premium, since the size of risk is not defined. Furthermore, according to [7], social insurance is not a unique system, so it cannot certainly be determined by everything it includes. This paper will examine, taking into consideration social insurance, health and retirement insurances, some of which are obligatory, and some can be considered employees' benefits.

Health and retirement insurance

The Mandatory Health Insurance Law and the Voluntary Health Insurance Law helped establish social health insurance in Croatia and set a frame in which insurance companies can offer their own proposal of premium insurance products. According to the aforementioned legislations, health insurance is divided into mandatory and voluntary health insurance.

Mandatory Health Insurance

Mandatory health insurance assures that all insured people have the same rights and responsibilities from the basic health insurance based on the principle of reciprocity and solidarity. It is carried out by the Croatian Institute for Health Insurance (Hrvatski zavod za zdravstveno osiguranje – HZZO). The legislation determines who the insured are and what the extent of their rights is. Every citizen of Croatia is obliged to apply for mandatory health insurance, as well as persons residing in Croatia and foreigners with approved permanent residence in Croatia, unless the international contract on social insurance does not state differently. Also, foreigners with approved temporary residence in Croatia have to apply for mandatory health insurance. They are insured either based on the employment with an employer in Croatia or based on performing their economic or professional occupation in the Republic of Croatia, under condition that all requirements laid down by the regulations regarding foreigners working and living in Croatia are met, and international contracts on social insurance do not state differently.

Employers are obliged to pay a contribution for mandatory health insurance amounting to 15% of the gross earnings, and an extra 0,5% of the gross earnings for the event of work injury or professional illness.

Voluntary Health Insurance as Employees' Privilege

Voluntary health insurance is divided into supplementary, additional and private health insurance. According to Article 3 of the Voluntary Health Insurance Law, supplementary and additional health insurance belongs to a group of non-life insurances, conforming to the Insurance Law. The insurance policies are concluded as long-term insurance contracts, the shortest period of time being one year.

Supplementary health insurance covers a part of the expenses that are required to reach a full price of health protection from the mandatory health insurance (supplement). Additional health insurance insures a higher standard of health protection and a bigger range of consumer rights, as opposed to the mandatory health insurance. Private health insurance insures health protection to private persons who reside in the Republic of Croatia and who, according to the Mandatory Health Insurance Law and the Foreign Health Insurance Law in the Republic of Croatia, are not obliged to insure themselves.

Unlike mandatory health insurance, voluntary health insurance can be considered a benefit that the employer can, but does not have to, offer to the employee. Although the supplementary insurance (as well as the additional, according to the last changes and additions to the Law) can be contracted by HZZO, employers often opt for insurance companies, which offer a range of other services that have shown profitable for their companies. According to [9], based on an example of a company with 14,530 employees, it has been established that in the period of the first three years of observation the expenses related to sick leave were lowered by circa 36%, the number of sick leaves for circa 28%, and another 40% in the next three years. These results are a consequence of high quality care for the employees' health, lower employee frustration due to their health problems being solved rapidly and without waiting. In addition, preventive physical examination provides detection of various illnesses and other health related issues in time.

Insurance companies offer extra health insurance packages (most often including supplementary health insurance), which include a various range of health services, and also determine the premium. Sometimes employers choose cheaper packages for their employees, and the more expensive ones for managers, since they believe that managers are more liable to health risks because of the stress they encounter at their work place. In spite of the positive experience, Republic of Croatia does not motivate employers to contract these insurances since the premium for voluntary health insurance is considered as a part of the employee's salary. As a consequence, employers are avoiding this type of indirect nonmaterial compensation due to high expenses arising from contracting voluntary (supplementary, additional or both) health insurance policies for employees. The exception are public companies and state institutions, where those rights are guaranteed to the employees by a collective agreement, as well as some private companies that rated contracting this kind of insurance profitable.

Mandatory Pension Insurance

The pension system in Croatia is divided into three pillars. The first two pillars are mandatory and the employer is obligated to pay a contribution of 20% from the employee's gross salary. Mandatory pension insurance, or pillar 1, is based on generational solidarity, and is conducted by the Croatian Institute for Pension Insurance (Hrvatski zavod za mirovinsko osiguranje – HZMO). Mandatory pension insurance for old age, or pillar 2, is based on individual capitalized savings, and is run by mandatory pension funds. The insured person opens his or her account in a bank (the custodian), and the amount is calculated to 5% of their gross salary. The payment of the pension is carried out via the pension insurance company chosen by the employee.

Voluntary Pension Insurance as Employees' Privilege

Voluntary pension insurance, or pillar 3, is based on an individual capitalized savings. It is run by voluntary pension funds, and can be considered a privilege that an employer can but does not have to offer to the employee. The pillar 2 pensions can be paid out via the pension company that the employer chooses only when the conditions for the retirement and the pillar 1 pension have been met. Voluntary pension insurance is not associated to the beginning of the retirement, but to the age of the insured person. This means that the insured person can choose his or her pension company and pension payout plan at the age of 50. It is also possible to pay a certain amount of money to the pension company on a one-time basis, and then contract the pension payout to a certain amount of years of for life, in equal or variable monthly rates.

Employers have been offered tax reliefs for this type of nonmaterial compensation since July 2010, as the employer's input in pillar 3 is not considered a salary anymore. These tax reliefs are considering a maximum input of 500 HRK a month, or 6.000 HRK a year. In that way, the employer can raise an employee's salary without changing the work contract. Also, this type of compensation is in practice also contracted through collective contracts. Furthermore, it allows the possibility to pay out a manager bonus (or part of it) using voluntary pension savings.

Except from creating contracts with open pension funds, employers can create closed pension funds for their employees' voluntary savings, with the employer's obligation to regularly deposit agreed amounts in the fund. Furthermore, the Republic of Croatia pays in incentives for all insured persons' deposits, up to 5.000 HRK a year.

Today, there are sixteen closed pension funds (in relation to six voluntary ones), whose establishers are mainly public companies (the HEP group, HAC – Croatian Motorways, Rijeka-Zagreb Motorway, etc.), unions (like the Seafarers' Union of Croatia or the Croatian Medical Union), large private companies (such as Ericsson Nikola Tesla), and even the insurance companies themselves (such as Croatia Insurance or Allianz Zagreb d.d.) [13].

Because of the aforementioned tax reliefs and state incentives, this type of reward is beneficial for both the employer and the employees.

It should be noted that voluntary pension insurance is not a part of life insurance. When contracting voluntary pension insurance, the age and health of the insured are not checked, and the amount of insurance determined in case of death of the insured is not guaranteed. In that case, the successors will be given the amount that has been deposited so far with the belonging profit [3].

Employee's privileges also include the pension purchase. Pension purchase is a lifelong severance pay, which comes in a form of extra monthly income along

with the pillar 1 pension. It is meant for the employees who have met the conditions for an early old-age pension or employees that have met the conditions for the old-age pension but will, in agreement with the employer, realize full old-age pension, in spite of early retirement or shorter work experience. Purchased pension is the difference between the early old-age pension according to the Pension Insurance Law and the pension that would be realized if the determined old age and/or determined years of retirement have been met [12].

In Croatia, this insurance has been conducted by Royal Medugeneracijska Solidarnost d.d. since 1990. Since 2010, Raiffeisen Pension Insurance Company offers almost an identical model [14]. The contribution for pension purchase is paid exclusively by the employer for his or her employee. Since the employer voluntarily decides on accepting the pension purchase and signs an agreed termination of the work contract, this unique model of taking care of the employees is considered extremely humane. It is important to note that according to the Income Tax Law, the employer's amount of the input for the pension purchase is completely non-taxable and that the decision on purchasing the pension does not exclude the opportunity for receiving a singular severance pay.

Pension purchase is applied in processes of restructuring and rationalization of business in companies and institutions, and is followed by an inevitable measure of the decrease in the number of the employees, most often the ones that are soon to be retired. Lately, pension purchase has often been applied in companies that are mostly state owned and in public services. Thus the Republic of Croatia as an employer in reality gives a privilege to the employee who has to retire earlier because of business restructuring. It can also be considered a reward for his or her life-long work. However, when handing out this privilege to the employee, the employer must be aware of the public warning of 27 March 2012, in which HANFA (Croatian Financial Services Supervisory Agency) warns that the Royal Intergenerational Solidarity Company operates in Croatia without their consent, and therefore it cannot supervise the legitimacy of their business, or influence the adequate protection of rights and interests of the insured [13].

TYPES OF INSURANCE THAT MAY BE CONSIDERED AS EMPLOYEE PRIVILEGES

Injury insurance, life insurance and voluntary travel insurance are types of insurance which the employer is not obliged to contract and that are considered as employee privileges. Damage liability insurance for the employees can also be considered a privilege since the damages are paid to the employee, but it serves to protect the financial interests of the employer. In this way, long-lasting court disputes are avoided, and the employee receives the compensation in a more

adequate period of time. However, all insurances that do not have the savings component or that do not provide some easily measured benefit (such as the physical examination that comes with voluntary health insurance), are not considered privileges by the employees. The premium of these kinds of insurances is recognized as the expense of the employer.

Accident Insurance

Accident insurance is most often contracted as a combined collective accident insurance for all of the employees in the company who have signed a work contract with the employer, noted in the personnel records, whether they are employed for a determinate or indeterminate period of time. Accident insurance can be contracted for other employees as well, such as the employees who are employed under a service contract, pupils and internship students, pupils and students employed via authorized pupil and student centres, persons on professional training, employees who have been assigned by authorized agencies, etc. Since this is a premium insurance, every insurance company offers their own insurance terms and conditions and disability tables, and the employer has to decide which of the offered terms and conditions are most acceptable to them. With accident insurance, there are differences in the cover range that individual insurers offer, so it is recommended to study the insurance conditions before signing the contract. Negotiating with the insurers about modifying their conditions to meet the specific needs of the employer and the employees in a certain company is also possible. In case the employer cannot decide by himself how to choose the insurance coverage, he or she can authorize an insurance broker who will represent his or her interests in further contacts with the insurance companies.

An accident is any sudden event, outside of the insured person's volition, which, by producing an external, sudden impact to the insured person's body, results in their death, total or partial disability, temporary incapacity or health deterioration which requires medical attention [2]. Since the insurance covers persons, the amount of damages in case of an accident will be the one contracted by the employer, or a part of it. The disability percentage is determined on the basis of contracted disability tables, and every insurance company can change that percentage on their own accord. The higher the insurance sum, the higher the damages, so sometimes different policies are contracted for employees and managers, who usually have higher insured sums.

Injury always occurs due to some danger which is tried to be avoided or prevented at any moment. Aim of work safety in all businesses is preventing injury and health damage while working, or at least eliminating and decreasing their harmful consequences. The insurer's obligation in occupational accident insurance exists only when the accident occurred while performing the activity that is explicitly stated in the policy (for example an administration worker,

construction worker, etc.), and while travelling to or from the work place (if the contract states it).

The insurers' conditions determine which events are considered an accident (such as being run over, having a car crash, being hit by an object, getting electrocuted or hit by a lightning, falling down, slipping, getting injured by a weapon, getting stung or bitten by an animal or insect, etc.), and which are not (contagious, professional and other illnesses, etc.). The insurers also state under which conditions the insured person does not have the right to claim damages (such as an accident that occurred while the insured was under the influence of alcohol).

The insurers, while contracting accident insurance policies, warn that the risks that happen to the insured while doing certain sports (the list of which is provided by the insurer) are not covered by the policy. Sometimes particular sports can be insured with an extra fee. Also, some occupations are more risky than the others so the insurers demand an extra supplementary premium. For example, some insurers include recreational and amateur sporting without any special contracting and without the extra insurance premium, while others do not.

It is possible to contract accident insurance for a period of 24 hours, as well as for the times of travelling to and leaving from work. If an accident occurs during working hours, the insurer will pay the employee the damages defined by the accident insurance contract or the liability insurance contract. For injuries that have occurred while travelling to and leaving from work it is not possible to request the employer's responsibility for inadequate work protection. In that case, the responsibility lays in the momentary concentration of the driver, his or her abiding of traffic regulations, and so on. Despite that, the legislator has foreseen that the employee's salary calculation and accounting has the same status whether the injury occurred while travelling to and leaving from work, or while at the work place. This means that every such injury creates extra costs for the employer, since he or she does not only pay for the injured employee's salary but also for the salary of the new employee, who will replace the injured one [4].

When an accident occurs, the injured insured person is obliged to visit the doctor immediately, or call the doctor for examining and providing necessary help. The insured also has to undertake all necessary treatment measures and follow the doctor's advice and directions concerning his or her treatment. The accident has to be reported to the insurer immediately, or in the shortest period of time after the time of the accident. The insurer is authorized by the insured, the contractor, the user, a health institution or any other legal or natural person to ask for extra explanations and evidence concerning the accident. The insurer can also undertake actions for the purpose of a medical examination of the insured with other doctors and

medical committees to establish various circumstances about the reported accident.

On an example of a medium-sized construction company that mostly does business as a contractor, and sometimes as an investor [4], the importance of accident insurance for the employer has been shown. The period between 2002 and 2007 has been examined (the period can be considered relevant for the research since after this period, the recession and decline in employment in the construction business occurred). During the given period, the employees who got injured during the working hours were semiskilled, and the employees with higher and university education got injured during travelling to and leaving from work. Injuries during working hours amounted to 2.136 absence hours, which equals to a monthly absence of 12,4 employees out of the total employee count. Financially, this represents a loss of about 182.000 HRK (about 24.000 euro). Injuries that occurred while travelling to and leaving from work amounted to 624 hours of employees' absence, and a financial loss of about 51.500 HRK (about 6.800 euro). The analysis of the injuries at work showed that the injuries occurred because the employees did not use personal protection means and did not follow the employers' directions, but also because of the employers' failure to provide certain protection measures. The injury with the biggest consequences (in term of the amount of sick leave) is an injury that occurred because of the employee's inattention and because he or she did not follow the employer's directions. However, practice has shown that it is not enough for the employer to buy and hand out personal protection means to the employee, but to insure that the employees are using them. Consequently, the injuries occur because either the employee or the employer did not completely follow work safety directions.

The legislator, in this case the Republic of Croatia, failed to recognize the importance of this kind of employee insurance, so this insurance (as well as voluntary health insurance) is treated as a part of the employee's salary if it is contracted for a 24 hour period. Therefore, the employers rarely decide on paying for accident insurance for their workers, but it is no rarity that they organize the cheapest collective accident insurances for their employees at the insurance companies with which they have a long term contract, along with the use of special discounts. In this case, it is recommended to pay the premium in monthly rates in a way that the monthly rate be deducted from the insured person's salary. The height of the monthly premium depends on the contract, on the risks covered by it and on the insured sum. Damages are always paid to the employee or his or her legal successors. In that way the employee does not have extra insurance expenses, but still provides an adequate insurance protection for a reasonable price. Naturally, the premium is not treated as a salary since all obligations connected to the salary are already accounted for.

Collective combined employee insurance is specific because, besides the usual risks of death and partial or permanent disability caused by an accident, it allows contracting the coverage of medical bills up to a certain amount, a daily fee for an injury induced hospital stay, compensation in case of death caused by a disease and compensation in case of specific sudden illnesses. Because of the covered risks listed above, this type of insurance is sometimes mistaken for life insurance.

The insurer pays the damages to the insured (the employee). The amount of the damages is based on the percentage of the disability determined by the insurer. In case of death of the insured, the damages will be paid out to the legal successors or the appointed user. This insurance protects the individual, the employee, and not the employer who pays for the insurance. Therefore, this insurance can be considered as an employee privilege, especially if it is contracted for a 24 hour period.

Travel Insurance

Travel insurances can be considered a privilege when the employer contracts them for his or her employees who travel abroad. It is the obligation of the employer to pay a special fee for using health protection abroad, which cannot be delayed until returning to Croatia (a person must apply to HZZO before the trip). However, employers often decide to contract travel insurance policies with insurance companies, which can cover accident travel insurance and baggage insurance along with health insurance. This makes the employees (or more often managers) better protected on their trip, and this insurance can be considered a privilege. Travel insurance does not cover treatment of chronic illnesses or operations, but only emergency medical assistance (and, for example, emergency transport to Croatia for further treatment).

Travel insurances (or insured travel) are the most similar to the model that is applied in the EU. Insurance companies with headquarters in Croatia sign contracts on business and technical cooperation with specialized travel insurance companies. One of the most famous such companies is the Swiss insurance company ELVIA Reiseversicherungs Gesellschaft, a member of the Allianz Group. Insurance companies also work with the German Mercur Assistance and French CORIS Group, which has its branch in Croatia [5]. In case there is a need for emergency medical assistance, there companies provide a direct contact via a call centre to the person who will guide the insured to the nearest doctor or hospital 24/7. It should be stressed that some companies have special agreements with the doctors, so the insured does not pay any medical expenses up to the amount contracted on the policy. If there is a need to pay for medical intervention, the insurance company will compensate the fee to the employer in a much shorter period of time than HZZO.

Statistics have shown a significant growth of travel insurance in Croatia, but do not point out those contracted by the employers for their employees.

Therefore, it is not possible to claim their share and status on the Croatian insurance market with certainty.

Life Insurance

Employees often consider life insurance the most profitable privilege their employers can offer. In general, an endowment assurance is contracted, since it covers case of death and survival, and it includes a savings component. Sometimes, the endowment assurance policy includes a supplementary accident insurance, with significantly higher insurance amounts than in collective accident insurance. Agreement of the insured person, employee or manager is obligatory with this insurance, according to the Law on Obligatory Relations.

The research of the influence of the insurance on the banking business defined that 82% of bank clerks prefer health insurance. They believe that the bank contracted health insurance for their protection and welfare, thus giving them a better incentive for working harder [8]. Accident and life insurance are significantly less represented, which can be attributed to the sample on which the research was conducted. Life insurance is mostly manager privilege, and employee life insurance versions should be connected to the interests of the employers, not the employees.

According to the Income Tax Law, the tax treatment of life insurance is determined based on the status of the person entitled as the insurance beneficiary on the insurance policy. The life insurance policy holds the names of the policyholder (always the employer), the insured person (always the employee) and the insurance beneficiary (employer, the insured, or a person appointed by the insured, with the approval of the policyholder). Therefore, there are three different types of the life insurance tax treatment.

In the first case, when the employer is the insurance beneficiary, he or she wants to protect their economic interest which would be at risk by the death of the insured. Premium payments are treated as an expense during the insurance period. After the insurance period, or when the insured case occurs, the insured amount is treated as an income. If the employer's business ended with a profit at the end of the insurance period, he or she is obliged to pay the income tax. The employer can contract whole-life insurance (valid only in case of death) for the managers of co-owners of the company, or as a guarantee for a loan.

The second case deals with an endowment assurance (survival and case of death). The insured person is a private person (the employee, his or her family, or someone else), the life insurance premium payments paid by the employees for their employers and other people are considered as receipts on the basis of dependent work (article 12, paragraph 2, Income Tax Law). In this case, the insurance premium is treated as a salary. The payout of the insured amount is treated as an employee's income which is taxable according to the Income Tax Law. The assigned surtax is also

calculated. This model is often used in insuring managers as a reward (severance pay), for a period of their appointment or choice.

In the third case, when the insured in case of survival is a legal person (the employer), and the insured in case of death is a private person (the employee's family, etc.), life insurance premium payments are treated as the employee's salary. However, when the insurance expires, the insured amount is paid to the employer and represents income. If the employer agreed with the employee to pay the arranged amount after the insurance policy expires, they will have to arrange who will bear the cost of tax and surtax. Practice shows that it is the employee in most cases. If the insured case is realised, and if the employee dies during the duration of the insurance, the insured amount is then paid to the private person (the insured beneficiary) – the legal successor stated in the policy.

All of these versions are liable to change by the legal regulations. Therefore, the employer must decide on the profitability of contracting of the specified insurance, which can, but does not have to, be an employee privilege. With this type of insurance the employees most often do not think about the specified versions. They consider the life insurance policy a privilege, so when the insured case occurs, they sometimes end up disappointed.

Liability Insurance for Damages to Employees

General liability insurance (third part liability insurance) covers the responsibility of the insured for damage due to death, body or health injury, as well as damaging or destroying third party possessions. Furthermore, the responsibility for the damage that has happened because of the occupation (profession) of the insured, property ownership, legal relationship or a specific capacity as the source of damage is also covered. This paper considers exclusively damage liability insurance towards the employees, that the employer can contract with damage liability insurance towards third parties, and can be considered an employee privilege.

Insurance premiums are not the same for all occupations. For riskier occupations, where more frequent and bigger damage is possible (such as forestry or civil engineering), the insurance premiums are higher.

The maximum coverage of the insurer in liability insurance is determined by the harmful event. Every employer must calculate which risk and how much risk is present, and which part overcomes their financial abilities. Based on that, the employer determines the insured limit. It is possible to limit it on a yearly level regardless of the number of the claims. In that case the premium is lower since the coverage is actually lower [4].

In liability insurance towards the employees, the damages will be paid out to the employee who suffered the damage only if all safety measures were taken

during work. If the employee is to blame for the accident by his or her negligence or by disobeying the rules, the insurer will decline to pay out the damages, or it will be paid out in a smaller amount, in proportion to the share of the injured person's fault in the damage. In spite of the differences in individual insurance companies' conditions, the contract usually excludes the insured person's responsibility for purposely caused damage.

The employers often contract liability insurance towards employees only after an accident occurred, and the employer was forced to cover the damages. Sometimes the employees never got the damages because the company ceased working, the employer established a new one, and court processes were too expensive and long-lasting, with a questionable outcome. Today, legal regulations demand a third part liability insurance policy from the employers, along with professional liability insurance policy. The segment of employees' insurance is being neglected and not demanded (it is only sometimes that the contractual parties such as, for example, investors, demand liability insurance towards employees). Therefore, this insurance can be considered an employee privilege because the employees get a sense of security and trust in the employer by paying a small premium. Additionally, the employer can avoid the risk of long-lasting, arduous court disputes and the expenses for their business, which is, when it comes to accidents, usually not negligible (in case of death or disability). At the same time, the employees are aware that if they do not follow the rules, they will not get the damages from the insurance company and are in that way encouraged to approach work safely, so this privilege has a positive effect on managing human resources in the company.

CONCLUSION

Work motivation is one of the key factors in the success of business systems. Employee privileges play a very important role because they can significantly add to attracting and keeping high-quality employees. Beside the standard direct and indirect material compensation, insurance policies are being offered more often. Employees are usually acquainted with the rights that arise from social insurance, but other kinds of insurances and the risks they cover are known only to few.

Voluntary health insurance (that often includes supplementary and additional insurance) is useful to both the employer and the employees, according to the research conducted so far. However, employers are not motivated to offer privileges of safety and health to their employees. The existing legal regulation is not in favour of the situation, since it treats the costs of such policies as salaries and requires additional expenses.

Voluntary pension insurance have a more beneficial legal treatment, so voluntary pension insurance policies and pension purchases are being contracted, and closed voluntary pension funds are being established.

Concerning the scheduled end of the recession, one can expect that the number of funds in times to come will grow and that the employers will be more motivated for such investments into their employees.

Insurances that the employer is not obliged to contract and that can be considered employee privileges are accident insurance, life insurance and voluntary travel insurance. These types of insurance are considered a privilege by the employees only if they have direct benefit from them. However, the way in which the insurance is contracted is important, and that especially applies on the tax treatment of life insurance.

Damage liability insurance is most often not considered a privilege by the employees, even though it helps avoid long-lasting court disputes, and the employee gets his or her fee in a more adequate time.

Employers are willing to contract insurances as an employee privilege, but the state should support the improvement of safety and employee protection with a more suitable tax policy. The employees should be acquainted with the types of insurance the employers offer as a privilege, should recognize the benefits they have or will have in the future, and repay the employer with their dedicated work.

REFERENCES

- [1] F.Bahtijarević-Šiber: "Management ljudskih potencijala, Zagreb, Golden marketing", 1999.
- [2] M.Bijelić: "Osiguranje i reosiguranje", Zagreb, Tectus, 2002.
- [3] K.Klasić, I.Andrijanić: "Osnove osiguranja – načela i praksa", Zagreb, TEB, 2007.
- [4] K.Klasić, M. Janžetić: "Osiguranje osoba na gradilištima", UDK 624:657.446, Sigurnost 52 (1) 35-47 (2010), ZIRS, Zagreb, 2010.
- [5] K.Klasić, K.Kaleb: "Modeli osiguranja rizika u turizmu, Zbornik Visoke poslovne škole Libertas", ISSN: 1846-9728, str 197-213, UDK 338.48:368, Zagreb, 2008.
- [6] N.Mašić: "Životno osiguranje- osnovni principi", Zagreb, 2008.
- [7] N.Muslim: "Prava radnika od zapošljavanja do umirovljenja", Sigurnost 53 (2) 109-117 (2011)
- [8] T.Peruško: "Unaprjeđenje bankarskog poslovanja primjenom osiguranja bankarskih kadrova", Ekonomska istraživanja, 114-126, Vol 19 No 1, 2006.
- [9] A.Šijaković, J.Kereta, D.Kiš: "Utjecaj dobrovoljnog dodatnog zdravstvenog osiguranja na stopu bolovanja i smanjenje troškova", Sigurnost 50 (4) 385-390 (2008).
- [10] M.Varga: "Upravljanje ljudskim potencijalima kroz motivaciju", Zbornik radova Međimurskog veleučilišta u Čakovcu, Vol. 2 No. 1, 2011.
- [11] Portal Moj Posao, www.moj-posao.net/Press centar: Novac je u današnje vrijeme najbolji motivator za rad, (14.04.2012).
- [12] Royal međugarancijska solidarnost d.d., www.royal-mirovina.hr (14.04.2012).
- [13] Hrvatska agencija za nadzor financijskih usluga, www.hanfa.hr (15.04.2012).
- [14] Raiffeisen mirovinsko osiguravajuće društvo, www.rmod.hr, (14.04.2012).
- [15] Zakon o dobrovoljnom zdravstvenom osiguranju, NN 85/06, 150708, 71/10.
- [16] Zakon o mirovinskom osiguranju, NN 102/98, 127/00, 59/01, 109/01, 149/02, 177/04.
- [17] Zakon o obveznom zdravstvenom osiguranju, NN 150/08, 94/09, 153/09, 71/10, 139/10, 49/11, 22/12.
- [18] Zakon o obveznim i dobrovoljnim mirovinskim fondovima 49/99, 63/00, 103/03, 177/04, 71/07, 124/10, 114/11
- [19] Zakon o obveznim odnosima, 35/05, 41/08
- [20] Zakon o osiguranju, NN 151/05, 87/08, 82/09
- [21] Zakon o porezu na dohodak, NN 177/04, 73/08, 80/10, 114/11.

BIOGRAPHY

Ksenija Klasić, holds a Ph.D. in Information Sciences. She works in K&K Insurance Brokers Ltd. as a member of board and licensed insurance broker. She also works as a part – time professor of information sciences and insurance at Polytechnic of Zagreb, Karlovac University of Applied Sciences, University College of Applied Sciences in Safety, RRIF University College for Financial Management and others. Her research interest involve: application of information systems in the insurance, bank insurance and business organisation in insurance companies.



OSIGURANJE KAO POVLASTICA RADNIKA

Ksenija Klasić

Rezime: Uloga povlastica radnika trebala bi biti važna stavka u svim poduzećima, jer može značajno pridonijeti privlačenju i zadržavanju zaposlenika. Jedan od važnijih razloga za pružanje povlastica je sigurnost i motivacija zaposlenika. Najčešće beneficije koje radnici i manageri koriste odnose se na korištenje mobitela, prijenosnih računala pa i automobila u privatne svrhe, dok u neizravne materijalne kompenzacije spadaju i razna osiguranja poput osiguranja od nezgode, zdravstvenog osiguranja, životnog osiguranja, dobrovoljnog mirovinskog osiguranja. Međutim, poslodavci nisu motivirani za pružanje povlastica sigurnosti i zdravlja radnicima. Tome svakako ne pogoduje ni postojeća zakonska regulativa.

U radu se obrađuju vrste osiguranja koje se mogu smatrati povlasticama radnika i managementa, te utvrđuje njihova isplativost sa stajališta radnika i poslodavca.

Ključne riječi: motivacija zaposlenika, osiguranje, povlastica radnika.