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THE INSIDER

BATES INSURANCE GROUP

Quarterly Newsletter
3rd Quarter 2017

Donate to A Good Cause:

If you are looking to make a 2017 charitable contribution and would welcome a suggestion, please consider supporting the fight against Rheumatoid Arthritis. This is a cause that is near and dear to the Bates family as it has impacted one of our own. To read more or to donate please visit the Bates Donation Page. Thank you!!

Harvey & Irma - Flood Insurance

The recent storms have shaken many of us and once again brought the topic of flood insurance to the forefront. In the past I've discussed the need for a flood policy to protect your home and business from flood damage.. But like any insurance policy it is important to understand that even flood policies have their limitations. Lets take a quick look at what a flood policy is, a limitation that affects most midwesterners, and why a flood policy is still worth the premium in a total loss.

Flood policies are written by the NFIP (National Flood Insurance Program) which is overseen by FEMA. A flood as defined by the National Flood Insurance Act of 1968 is "1) A general and temporary condition of partial or complete inundation of two or more acres of normally dry land area or of two or more properties from: a) Overflow of inland or tidal waters, b) Unusual or rapid accumulation of runoff or surface waters from any source, c) mudflow. 2) Collapse or subsidence of land along the shore of a lake or similar body of water as a result of erosion or undermining caused by waves or currents of water exceeding anticipated cyclical levels that result in a flood as defined in A.1.a. above.

One area of a flood policy that often times catches mid-westerners off guard is how the FEMA controlled flood policies cover basements. Most of us have a basement. It's just part of midwestern living. As such a basement is defined as "any area of the building, including any sunken room or sunken portion of a room, having its floor below ground level (subgrade) on all sides." That means that a walkout basement is not considered a "basement" in the eyes of the flood policy, while a true subgrade basement is. If you have a flood policy and you have a true basement, your coverage is automatically limited to the following:

1. Central air conditioners
2. Cisterns and the water in them
3. Drywall for walls and ceilings in a basement and the cost of labor to nail it, unfinished and unfloated and not taped to the framing.
4. Electrical junction and circuit breaker boxes
5. Electrical outlets and switches
6. Elevators, dumbwaiters, and related equipment, except for related equipment installed below the base flood elevation after September 30, 1987
7. Fuel tanks and the fuel in them
8. Furnaces and hot water heaters
9. Heat pumps
10. Nonflammable insulation in basement
11. Pumps and tanks used in solar energy systems
12. Stairways and staircases attached to the building, not
13. separated from it by elevated walkways;
14. Sump pumps;
15. Water softeners and the chemicals in them, water filters, and
16. faucets installed as an integral part of the plumbing system;
17. Well water tanks and pumps;
18. Required utility connections for any item in this list; and
19. Footings, foundations, posts, pilings, piers, or other
20. foundation walls and anchorage systems required to support a building.

If you have elected to cover personal property, those items of property in a building enclosure below the lowest elevated floor, or a basement, is limited to the flowing items:

1. Air conditioning units, portable or window type;
2. Clothes washers and dryers; and
3. Food freezers, other than walk-in, and food in any freezer.

As you can see coverage in a basement is very limited especially to personal property. This can come as a surprise at the time of a loss so be sure that you understand your flood policy and its purpose.

There is no such thing as an all encompassing insurance policy. They all come with their limitations and exclusions but that doesn't mean they don't serve a purpose. If your chief concern is protecting personal property being stored in a true basement, then a flood policy probably isn't worth the premium. However if your interest is protecting your home against against a catastrophic event, a flood policy will replace the basic structure, the appliances, and then some.

Insurance Products

Property
Work Comp
Umbrella
BOP
Commercial Auto
Professional
Cyber Liability
EPLI
Boiler
Bonds
Homeowners
Personal Auto
Personal Umbrella
Jewelry
Group Health
Group Dental
Group Disability
Group Vision
Individual Health
Individual Dental
Individual Life
Individual Disability
Individual Vision

Coverage Options for Terminated Employee; COBRA vs Individual Health Plan

In order to advise individuals about their options during a coverage transition related to job change, brokers and employers should understand the rules governing special enrollments under the Affordable Care Act (ACA).

Individuals who leave a job now have two options for obtaining health care coverage:

1) Shop for an individual policy, either directly from an insurance company or through a health insurance marketplace like MNsure or healthcare.gov. Because the ACA does not permit insurers to turn down applications or set individual premiums based on an individual's medical history or pre-existing conditions, obtaining individual coverage during periods of job transition is now a more attractive option than it was before these reforms took effect. During the annual open enrollment period, individuals may enroll in coverage for any reason, without experiencing a qualifying event. The federal open enrollment period for 2017 is Nov 1st-Dec 15th, however Minnesota's Exchange MNsure has extended this open enrollment to Jan 15, 2018. Outside of the open enrollment period, an individual will have to meet certain criteria to qualify for special enrollment.

2) Continue coverage through their former employer under the Consolidated Omnibus Budget Reconciliation Act (COBRA). In this situation, the individual continues to be covered by the employer's health benefits plan, but pays the full cost of the coverage without the benefit of an employer's contribution. Individuals have 60 days from their job termination to enroll in their employer's COBRA continuation plan. COBRA coverage may continue for up to 18 months as long as the individual continues to pay his or her premiums.

COBRA and the ACA's special enrollment periods

Outside of the open enrollment period, individuals who are losing access to employer-based coverage due to a job transition or whose COBRA coverage is expiring will qualify for a "special enrollment" into individual or family coverage from a health insurance marketplace or insurance company. Individuals have 60 days from the date that the employer-based coverage ended to enroll in individual or family coverage or elect to continue on their employer's plan through COBRA. Individuals whose COBRA coverage is expiring also have 60 days from the date their COBRA coverage ends to enroll in a qualified health plan through a health insurance marketplace or directly with an insurance company.

It's important to note that **voluntarily terminating COBRA coverage or being terminated for not paying premiums DOES NOT qualify an individual for special enrollment**. Individuals who enroll in COBRA coverage should do so with the intent of keeping it in force until individual coverage can be obtained during the next open enrollment period for individual coverage or until job-based coverage through a new employer is in effect. Employers, agents and brokers can assist individuals by educating them about enrollment periods and coverage options. They will need to understand that COBRA premiums will be higher than what they paid as an employed member of the group and that they will likely be locked into their coverage choice - individual or COBRA coverage - until at least the next open enrollment period.

Quarterly Quote:

If you want to be average do what other do.
If you want to be awesome do what no one does.

-Alexander Den Heijer

Inheriting an IRA

Retirement Accounts provide a tax-deferred inheritance to its beneficiaries. Yet the rules can be complicated, especially for spouses! For this article, I assume the IRA owner dies before age 70 or before beginning what the IRS calls the "Required Beginning Date".

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2nd) As a recipient, you are either a spouse or not.

If you are not a spouse, then you will have 2 options:

1. Take a lump-sum check(s) over a max 5 year period following death.....100% taxable to you!
2. 'Roll' monies into an "Inherited IRA" account. In this case, recipient is required to receive taxable annual distributions over your lifetime based upon your life expectancy. This is an IRS formula, but generally is as follows: Subtract your age from 85.....this is the divisor. Take the amount of the account and divide by the divisor, and this is you annual required distribution.

If you are a spouse, then you 3 options:

1. Same as option a above....take out the money in 5 years and pay taxes.
2. Somewhat same as above, "roll into inherited IRA". Yet, for a spouse, the required distributions are deferred until the owner would have turned 70½ years old. So, you can choose to defer withdrawals and let the account grow, or can choose to take out some, and pay taxes. Lastly,

as a spouse, you can choose to roll an Inherited IRA to your own later

3. Spouse can treat IRA as his/her own or "Roll" it to an existing IRA if already have one. In this case the inheritance status is eliminated, and IRA ownership rules prevail.

    èThis last option can be tricky and best answer depends on personal circumstance. Yet, normally this option is best if the inheriting spouse is younger than deceased, yet older than 59½. This last point is most important, because if you are under 59½, and roll into your own IRA, then you cannot access this account without penalty (10% on top of taxes) until you turn 59½. As such, it is almost always better to roll to an "Inherited IRA" which allows for early withdrawals, and avoids any penalty. Then, after you turn 59½, you can roll it to you own IRA if it make sense in future.

If the deceased was over 70 upon death, then the rules change further...becoming more complicated. I recommend seeking professional advice if you have any concerns.

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Did You Know?

The Equifax breach has impacted 143 million Americans.
Here's how to stay proactive...

- Check to see if your info has been exposed... Click Here
- Enroll in Equifax's free credit monitoring
- Stay on top of monthly statements and credit changes
- Consider a credit freeze
- Change your passwords
- Be wary of Phishing email attacks
- Help family and friends that may not be proactive...

Health Insurance Update

It appears Congress will likely not pass any legislation this year on the Affordable Care Act (ACA). The two leading parties are at odds as to how to come together and the majority party appears not to agree on the magnitude of the change. That being said, it appears that at some point action will have to occur in order for ACA to continue forward. It is a failed law and is only surviving due to subsidies to the insurance companies for their losses. Once those stop, the law will collapse.
One remarkable fact is that this year, the uninsured rate nationally hit its lowest point in ten years at 12.9 percent. The only problem with that is 12.9% is really not remarkable because the uninsured rate in 2008 was 14.3, two years before ACA took effect. Wow, a trillion dollar law, that has turned the healthcare world upside down; it was supposed to be affordable and did not achieve it's two primary goals. Individual health plan premiums have skyrocketed since 2010, and the number of uninsured have not appreciably dropped. In fact, the uninsured rate was at 17.1%, it's highest point in the last 10 years in 2013, three years after the law took effect, and didn't start dropping again until the second quarter of 2014.
There is no question in my mind that action has to be taken to help structure an affordable healthcare system (for tax payers) that will provide patients, doctors, and insurance companies, the means to obtain affordable and effective health care. The nation cannot afford to add another entitlement to the already financially struggling Medicare and Social Security laws that exist. Single payers systems, like the one Bernie Sanders has introduced, are an easy psychological fix suggesting just let the government take it over and you won't have to worry about premiums, deductibles, and out-of-pocket expense. Just ask Bernie how it will be paid for and how much it will cost. Many states have proposed single payer systems with the most recent being California and Colorado, and all but Vermont (Bernie's home state) failed when the proposed bills talked about expense and payment. Also, no single payer system (socialized medicine) has effectively worked worldwide. Either the bureaucracy is to much to deal with, creating long lines and incompetent government decision making, or the cost is enormous for the tax payers of those counties. England's National Health Tax that pays for their nationalized medical program is at 20% in 2017 and climbing. That is in addition to the sales tax or value added tax (VAT) of 20% on almost all goods and services, in addition to other taxes such income tax, etc... In the Scandinavian countries, taxes are so high for their social programs and government costs that getting folks to work a full year without tax disincentives is a real challenge.

I do believe there are drafts of health insurance plans just sitting in our government, yet to be shared, that could dramatically change our health care challenges and head our country in the right direction. However, the discourse in Washington prevents anything meaningful from happening at this time. I suggest that if you as a voter feel trapped with the current state of affairs in health care, become informed and cast your votes going forward for those candidates that represent the direction you believe we should head. I am going to do just that. I hope that you have been somewhat enlightened by me sharing my opinion on ACA updates over the past couple of years. I promise to move on to other topics until something significant happens, or there is news worthy to report on this topic. Here's hoping that won't be too long from now.

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Insurance Companies

AAA	Colonial Life	HealthPartners	Safeco
ACE/Chubb	Companion Life	Liberty Mutual	SFM
Assurant	Delta Dental	Lloyds of London	Spirit Dental
Avesis	EMC	Medica	Standard
Berkley Risk	Encompas	MetLife	Sun Life
BCBS	Guardian	MJUA	Travelers
CNA	Hanover	OneBeacon	UNUM
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