October 2021 | **Volume 12** | Issue 4

# George Petersen Insurance Agency

## News You Can Use

**ACA COMPLIANCE**

# Group Plan Affordability Level Set for 2022

THE IRS has announced the new affordability requirement test percentage that group health plans must comply with to conform to the Affordable Care Act.

Starting in 2022, the cost of self-only group plans offered to workers by employers that are required to comply with the ACA, must not exceed 9.61% of each employee's household income.

Under the ACA, "applicable large employers" – that is, those with 50 or more full-time and/or full-time equivalent employees – are required to provide health insurance that covers 10 essential benefits. Also, those benefits must be considered "affordable," meaning that the employee's share of premiums may not exceed a certain level (currently set at 9.83%). The affordability threshold must apply to the least expensive plan that an employer offers its workers.

The threshold has been reduced from the 2021 level because premiums for employer-sponsored health coverage increased at a lower rate than usual this year as many people stayed away from hospitals for routine procedures due to the pandemic.

## Affordability example

The lowest-paid worker at Company A earns $25,987 per year. To meet the affordability requirement, the worker would have to pay no more than $2,497 a year in premium (or $208 a month).

## Penalty alert

Failing to offer a plan that meets the affordability requirement to 95% of full-time employees will trigger penalties of $4,060 per worker receiving subsidized coverage through an exchange. That's the full-year penalty, but it's typically charged monthly.

### Out-of-pocket maximums

The IRS also sets out-of-pocket maximum cost-sharing levels for every year. This covers plan deductibles, copayments and percentage-of-cost co-sharing payments. It does not cover premiums. ❖

## Out-of-pocket limits for 2022

The new out-of-pocket limits for 2022 are as follows:

**Self-only plans** – $8,700, up from $8,550 in 2021.

**Family plans** – $17,400, up from $17,100 in 2021.

**Self-only HSA-qualified HDHPs** – $7,050, up from $7,000 in 2021.

**Family HSA-qualified HDHPs** – $14,100, up from $14,000 in 2021.

George Petersen Insurance Agency

## CONTACT US:

If you have a question about any article in this newsletter or coverage questions, contact your broker at one of our offices.

**Auburn**
**Colusa**
**Eureka**
**Fort Bragg**
**Ferndale**
**Gualala**
**Redding**
**Santa Rosa**
**San Rafael**
**Ukiah**

**Phone: 1-800-236-9046**
**E-mail: info@gpins.com**

*License No. : 0603247*

# Wildfires Make for Difficult Insurance Market

MORE BUSINESSES in wildfire-prone areas are facing a difficult commercial property insurance market as insurers reduce their exposure and some have left the market altogether.

Many businesses in areas that have already been ravaged by fires in the past, or those located in areas that are near forests and large grassy areas, are seeing their premiums increase – sometimes substantially by 300% or 400%.

Also, more businesses are finding few insurers that are willing to cover their properties.

According to a new report by insurance rating firm AM Best, California wildfires have caused over $4 billion in commercial property losses for insurers in three of the past four years.

It's expected that 2021 fire losses could be even greater than those of the prior four years.

## The fallout

- Some insurers have stopped writing property insurance in high-risk areas.
- Most insurers are increasing their rates substantially in high-risk areas.
- Insurers are requiring policyholders to have mitigation measures like defensible space (see below).
- Many policies have worse terms. One winery owner interviewed by the *Los Angeles Times* said that his premium was typically $200,000 with a $25,000 deductible. His new policy costs $800,000 and includes a $500,000 deductible, and would only cover 20% of the value of his buildings.

## The new playbook

Many insurers are applying three metrics in evaluating exposure to fire:

**Brush mapping** – This is a map of the tinder and brush, nearby trees and other items that could contribute to your building(s) catching fire.

**Wildland-urban interface** – The closer that a building is to nature, the more at risk it is. A wildland-urban interface is defined by the Forest Services as a place where "humans and their development meet or intermix with wildland fuel."

**Concentration of properties an insurer covers in your area** – If your carrier has a high concentration of policies for other properties in your area, they may opt to non-renew policies in order to reduce their exposure.

## PROTECTING YOUR COMMERCIAL PROPERTY

- **Zone 1 (0-5 feet):** Concrete, gravel mulch and low-growing plants or lawns are good choices for this zone. Avoid combustible materials.
- **Zone 2 (5-30 feet):** Vegetation island. Prune low tree branches. Remove shrubs.
- **Zone 3 (30-100 feet):** Thin out vegetation between trees. Don't let tree canopies touch.

### Coverage options

If all insurers have rejected a property, we have two options:

**The non-admitted market** – These insurers, which include Lloyd's of London, are often willing to write buildings in higher-risk areas, but they too have increased their underwriting criteria.

**The California FAIR Plan** – If we cannot find an insurer in the non-admitted market, the last choice is the FAIR Plan, which is the market of last resort for property owners.

Policies cover losses from fire, lightning and explosion only. Also, policies are limited in what they will pay out, so if you have millions of dollars tied up in equipment and/or inventory, the policy may not be enough to cover all the damage you incur from a wildfire.

The maximum limit for commercial properties is $3 million for structures and $1.5 million for all other coverages, for a combined $4.5 million limit for all commercial properties at one location. But there are some exceptions.

But, in October, Insurance Commissioner Ricardo Lara ordered the FAIR Plan to increase coverage limits for commercial property policies to $5.6 million for the building and $2.8 million for all other coverages. These new limits will take effect the first quarter of 2022.

### Your options

We have the ability to layer excess property coverage in addition to the FAIR plan to increase the overall coverage limit. Also, for perils that are not covered by the FAIR plan we can offer a "differences in conditions" policy. A DIC policy combined with the FAIR Plan can provide similar coverage to that of a standard commercial policy. ❖

WORKPLACE SAFETY

# OSHA to Issue Large-Employer Vaccine Mandate Rule

THE BIDEN administration has announced plans to mandate businesses with 100 or more employees to require their workers to be vaccinated for COVID-19 or be tested for the coronavirus on a weekly basis.

The order is part of a sweeping six-part "Path Out of the Pandemic" plan, which focuses on expanding vaccinations, opening schools safely, improving care for coronavirus patients and protecting the economic recovery.

## 'Path Out of the Pandemic' Plan

- Requires federal workers and federal contractors to be vaccinated.
- Requires health care workers in hospital settings that see Medicare and Medicaid patients to be vaccinated.
- Requires employers to give staff time off to get vaccinated.
- Calls on large entertainment venues to require proof of vaccination or a negative COVID-19 test for entry.

Employers are obviously concerned about the impending rules, particularly how they will be enforced and how to handle employees that opt for weekly testing or who refuse to be vaccinated based on religious or health reasons.

Since the order will be an emergency temporary standard (ETS), expect OSHA to issue the new rules within 30 to 60 days after President Biden's Sept. 9 announcement.

### What to expect

An ETS can only remain in effect for six months, after which it has to be replaced by a permanent standard or sunset.

OSHA has already started work on the rule that the administration says "will require all employers with 100 or more employees to ensure their workforce is fully vaccinated or require any workers who remain unvaccinated to produce a negative test result on at least a weekly basis before coming to work."

Employment law attorneys say that depending on how the new rules are written, it may be a burden on many employers to collect and track weekly test results for those workers who choose not to be vaccinated. The added bookkeeping headache may prompt some employers to abandon it and impose a mandatory vaccine policy.


California has a law that has been on the books long before the pandemic that requires employers to pay for mandatory medical tests or reimburse employees who pay for those tests themselves.

Also, the Fair Labor Standards Act requires employers to pay employees for time spent undergoing testing during the workday or for time used on their days off to get tested.

Also, it's expected that the ETS will require employers to accommodate workers who won't get vaccinated based on medical issues or due to a "sincerely held religious belief."

There are still many questions that employers have:

- How will the 100-employee threshold be counted?
- How will employers collect proof of vaccination?
- What type of COVID-19 tests will be acceptable?

### What you can do now

If you employ 100 or more people, you can get an early start by encouraging your employees to get inoculated against coronavirus. That way, when the rule comes into effect, you'll have a good start.

You should also decide if you want to allow employees to forgo vaccination and instead be tested.

Larger employers should regularly check for new guidance on unsettled issues such as:

- Whether the employee count will include part-time, full-time and temporary workers,
- Who will bear the financial costs for weekly testing, and
- Whether time spent obtaining a test and awaiting results is compensable time. ❖

## WHIP+ Program Reauthorized

The Extending Government Funding and Delivering Emergency Assistance Act (H.R. 5305), signed into law by President Biden on Sept. 30, provides $10 billion for the reauthorization of the Wildfire and Hurricane Indemnity Program Plus (WHIP+).

WHIP+ will help to cover losses caused to various crops damaged in 2020 or 2021 by wildfires, droughts or other natural disasters nationwide – this includes harvested adulterated wine grapes and quality loss due to smoke exposure as covered losses.

**View the fact sheet here.**

**Read the full bill here.**

## COVID Paid Sick Leave Law Expires

The California Supplemental Paid Sick Leave law, effective from January 1 to September 30, 2021, expanded the previously enacted COVID Paid Sick Leave Law that states eligible employees may receive up to 80 hours of leave.

Since the law's expiration, employees are subject to use personal sick or vacation leave for COVID-related absences.

Some local jurisdictions in California have enacted legislation requiring paid sick leave for COVID-related absences past the September 30, 2021 expiration date. Check your local ordinances to ensure proper compliance.

## HOMEOWNER'S/RENTER'S INSURANCE

# Protecting Your College Student's Property

WHILE YOU already have enough to worry about when your child leaves for college, you don't want the specter of them dealing with the theft or damage of their possessions while there.

For less than $180 a year, you can protect your child's possessions against theft or damage caused by fire, lightning, smoke, vandalism, electrical surges, windstorms or hail, water damage from utilities or appliances, and more. The same insurance also provides liability protection for students living off-campus.

Considering that a laptop can cost anywhere from $500 to $2,000, that $179 premium to replace such items doesn't seem so bad.

Also, your child likely has a number of other expensive items, such as a smartphone, TV, tablet, computer, printer, furniture, clothes, jewelry or bike. In other words, plenty of pricey stuff.

### What kind of insurance does your college student need?

Renter's insurance, although they may not actually require it – depending on your current insurance coverage, as explained below.

An added benefit of purchasing a renter's policy in the student's name is that any claims filed will not be on the record of your own policy.

Some insurers allow students rooming together off-campus to purchase a joint renter's policy, whereas others require that each student has renter's insurance.

### Does your homeowner's policy cover your child?

Homeowner's policies typically cover the belongings of students younger than 26 who live away from home and are enrolled in classes. But policies vary, so call us to learn the specifics of what is and isn't covered in your own policy.

But if you rely on a coverage extension from your homeowner's policy, your student would have limited coverage on their possessions, as most policies limit the amount of insurance to 10% of the total coverage for personal possessions. Some possessions, like jewelry, electronics and computers, may have specific coverage limits.

If your child lives off-campus, the possibility exists that their personal property will not be covered by your homeowner's policy.

### How much coverage would I need?

Ask your child to create an inventory of the items they have at college. From that you can make an informed decision about the amount of coverage they require and whether any specific endorsements (like jewelry coverage) should be purchased.

Creating an inventory is easy. An internet search will provide inventory templates that your child can fill out and send home to keep off-site. They can also use a free iPhone or Android inventory app called "NAIC Home Inventory."

Back up this written list with photos or videos of valuables.

### How else can you protect your kid's belongings?

Aside from purchasing insurance, here are some common-sense tips you can share with your child:

- Tell them to engrave their electronics and other possessions with their name and phone number, or mark items with an invisible permanent marker – a simple action that can help police validate stolen items.
- Keep digital copies of store receipts for high-ticket items.
- Tell your child and their roommates to lock the door every time they leave their room. They should also store valuables like wallets and keys out of sight as a habit.
- If they have something really valuable that they can do without, ask them to leave it at home.
- Tell your child not to leave their backpack, laptop or other possessions unattended in dining halls, in the library or anywhere on campus, including in classrooms. Use a laptop security cable to deter thieves.

### The takeaway

It's easy to gamble and say no to insurance. But for an average rate of under $15 a month, you can get peace of mind, and if the unexpected happens, you'll be covered. ❖