



M&G | exposure

There has been a lot of action in the world of health care over the last few months. We have been monitoring the changes and developments closely and know that you may have had some concerns over what it all means. This month, I'd like to feature an article written by Dan Troy, a Principal, Practice Leader and Employee Benefits Advisor here at Morris & Garritano. His ample knowledge and experience with employee benefits and health care reform allows him to provide keen insight into the history and future of our health care system.

Additionally in this edition of M&G | exposure, our Director of Compliance, Keith Dunlop, offers up a deeper dive into the current state of US health care.



HEALTH CARE REFORM: AN ISSUE FOR THE AGES

Contributed by: Dan Troy, Principal, Practice Leader & Sr. Employee Benefits Advisor

With Congress' latest attempts at Health Reform, as well as the passage of the Affordable Care Act (ACA) in 2010, it is important to recognize that the issue has been an ongoing topic of national attention for over 100 years. Many agree on the concepts of an individual's guaranteed access to care and affordable health insurance coverage; however, there is much less agreement once detailed plans are drawn because the subject is complex and impacts people in many ways. If history is a reliable indicator, reform efforts are likely to continue into the foreseeable future.

Past reform efforts have taken many shapes at both the federal and state level. While none have resulted in sweeping national reform, they have incrementally addressed the most pressing challenges of the period. The establishment of Medicare and Medicaid in 1965 as well as the State Health Insurance Program for Children (SCHIP) in 1997 are examples of incremental improvements at the federal level. State measures have also resulted in improvements such as California's small-employer insurance rules that went into effect in 1993 and guaranteed access to insurance coverage and provided community rating protection.

While some will argue that it can't be refined further, the ACA implemented significant reforms that few are eager to roll back. Signature pieces of the legislation include: the elimination of pre-existing condition limitations, annual or lifetime coverage limits, new financial assistance to offset premium or benefit costs, and medical loss ratio requirements that insurers must meet or provide rebates.

With the passage of each new reform measure, a new set of rules apply to insurers, employers and individuals alike. This impact will continue regardless of what measures are enacted going forward.

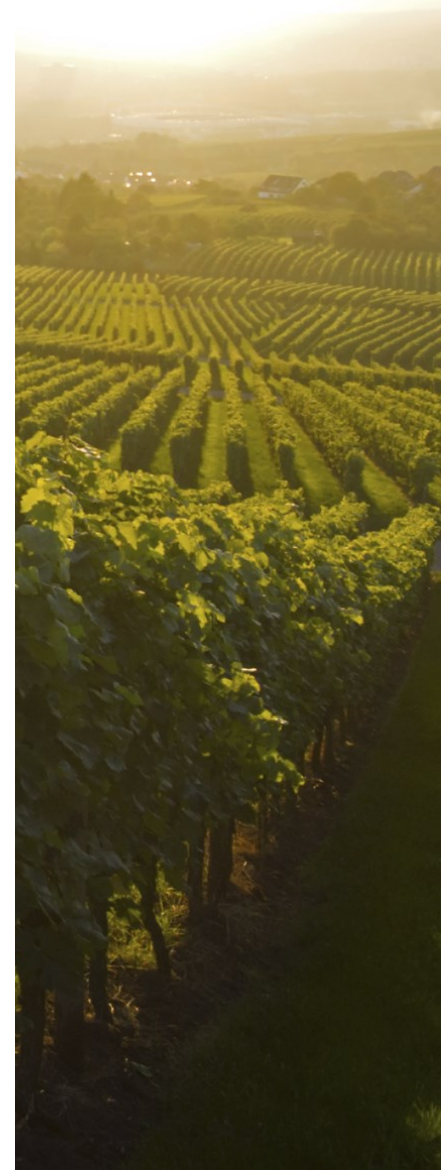
The recent turn of events are just the latest developments in a national discussion that will likely continue into the foreseeable future. While we cannot predict the developments to come, we will continue to provide an exceptional team of advisors, service professionals, and compliance specialists to assist and guide our clients every step of the way.

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- Hire to Fit Your Company Culture
- The ACA Will Remain in Place
- It's Marathon Time!



UPCOMING SEMINARS YOU SHOULD KNOW ABOUT

Contributed by: Louise Matheny, Human Resources Consultant

UnitedAg HR Roundtable: Workplace Violence! Are You Prepared?

Wednesday, April 26, 2017

9:00am – 10:30am

Far West Tavern

300 E. Clark Ave., Orcutt, CA

Featured Speaker: Kelly McMillin, Former Chief of Police for the Salinas Police Department



Kelly McMillin

Former Chief of Police
Salinas Police Dept

ABOUT THE SESSION

1 out of 3 organizations experienced workplace violence last year— most of those incidents were preventable.

No one wants to believe violence can happen in their own company. Unfortunately, that means even experienced HR professionals and managers often miss the warning signs or take too long to respond to a threat in a situation where every second counts.

We will help you assess the risk of violence in your own company and learn what steps will have a real and lasting impact on everyone's safety. You'll be able to demonstrate you've taken every precaution to provide a safe workplace for your employees. After all, if a violent incident ever does occur in your organization, you'll know you did everything possible to prevent it, especially since you'll be dealing with the police, OSHA, and the legal issues that inevitably follow these events.

REGISTRATION & COST

UnitedAg Members: Free

Non-Members: \$15.00 / attendee

Register Online: www.unitedag.org/events/hr-roundtable

Register by E-mail: membership@unitedag.org

Questions? E-mail membership@unitedag.org or call (800) 223-4590

Get it Right from the Start: State Labor Law and Payroll Tax Seminar

May 23, 2017

9:00am – 3:00pm

America's Job Center of CA

Third Floor Training Room

880 Industrial Way

San Luis Obispo, CA

*Building behind the trees and up off the road. Free parking to right of building.



ABOUT THE SESSION

You will receive information from the EDD and Division of Labor Standards Enforcement on:

- Recordkeeping, reporting requirements, employer obligations, and payment requirements.
- Common wage and hour law application.
- Employer and employee rights and responsibilities.
- How to distinguish between an employee and an independent contractor

REGISTRATION & COST

There is no charge for this seminar.

To make reservations, visit the EDD website at www.edd.ca.gov/Payroll_Tax_Seminars/ or call 866-873-6083

HIRE TO FIT YOUR COMPANY CULTURE

Contributed by: Louise Matheny, Human Resources Consultant

Poor hiring decisions can be extremely costly for your company, in terms of business interruption, wasted recruiting and training resources, lower employee morale, and more. You may realize that an individual is not a good fit, or a new employee may choose to leave if the job doesn't match his or her expectations. In both circumstances, many of these separations are due to the fact that the hired individuals did not fit the company culture and therefore lacked productivity, creativity and/or morale.

Culture is the unifying element that holds everyone in an organization together. Unlike an established mission statement, culture encompasses the written and unwritten behavioral norms and expectations of those within the company. Culture can set one company apart from others, and it can include the value of work-life balance issues, the way the company is organized, the extent to which leaders follow through on mission statements, and many other factors.

Companies looking to hire individuals that fit with their culture must first identify and understand it. For instance, if your organization recognizes personal achievements and awards individuals for a job well done, then a team-oriented employee might not be the best fit. But if your company values the total team performance versus the contributions of just one individual, then someone looking for personal recognition might not be as satisfied working for your company. Ultimately, if the fit is not right between the company and individual, then both will lose interest and the relationship will probably fail.



Screening to Find a Cultural Fit

Developing a screening process that integrates prescreening based on your company culture can be accomplished with the following steps.

- Ask employees at various levels of the organization how they see your company culture. Then, identify the similarities that arise among individuals—motivations, values, core competencies, etc.
- Create a brand to describe your organization to potential employees.
- Ask questions about traits that you cannot or do not want to train someone how to do (being self-motivated, possessing integrity, etc.). Questions should determine if candidates have values and competencies that match with the company's culture.
- Role-play during the interview process to observe candidates in action. Or, allow them to try out the position for a day to see if it seems like a good fit for them (and for you).
- Know the laws applicable to hiring.
- Make sure management is trained on how to properly interview for behaviors.
- Maintain accurate records of all your hiring decisions. During an audit or discrimination claim, you will need to produce valid justification for your decisions.
- Human resources should stay on top of monitoring, learning, and studying the culture of the organization, and then design policies that align with the culture. HR should constantly be asking if the organization is truly what it claims, if it needs to modify the culture to be more competitive and if it is remaining compliant with all hiring laws.

Don't Become Drained by Culture

Although finding a cultural match is beneficial, sometimes desperately seeking individuals who align with the company culture can backfire. Here's why:

- If the company promotes itself differently than how the culture really is, then prospective employees will be lured in under false pretenses. If employees realize that they've been sold on a company inaccurately, they will probably leave shortly after being hired and will lack the morale needed to succeed while they are still there.
- People who are too similar to one another tend to lack the zest needed to be proactive. If your entire company is full of mediocre performers, no one will stand out to motivate others to work harder. Along these same lines, groupthink may set in.

THE AFFORDABLE CARE ACT (ACA) WILL REMAIN IN PLACE

Contributed by: Keith Dunlop, Director of Compliance

On March 6, 2017, House Republicans issued two bills to repeal and replace the ACA through the budget reconciliation process. These bills became collectively known as the American Health Care Act. The proposal would have ended the employer and individual mandates, replaced health insurance subsidies with tax credits, enhanced health savings account laws, eliminated certain ACA taxes, and would have modernized the Medicaid system.

A House vote was scheduled to take place on March 23, 2017, however the bill was pulled from consideration after it became clear that the American Health Care Act would not have passed.



Was a Full Repeal of the ACA Even Possible?

No. Two separate bills that make up the American Health Care Act were released in response to a budget resolution passed by Congress on January 13, 2017. The budget resolution is a nonbinding spending blueprint that directs House and Senate Committees to create federal budget “reconciliation” legislation. To become law, budget reconciliation bills must go through the legislative process. However, a budget reconciliation bill is generally filibuster-proof, and can be passed by both houses with a simple majority vote.

A full repeal of the ACA cannot be accomplished through the budget reconciliation process. A budget reconciliation bill can only address ACA provisions that directly relate to budgetary issues—specifically, federal spending and taxation. A full repeal of the ACA must be introduced as a separate bill that would require 60 votes in the Senate to pass.

What Happens Next?

Following the failure of the American Health Care Act, both President Trump and Speaker of the House Paul Ryan announced that the Republicans would move on to other legislative agenda items, namely tax reform and infrastructure spending. Speaker Ryan said during a press conference on March 23rd, “we will be living with Obamacare for the foreseeable future.”

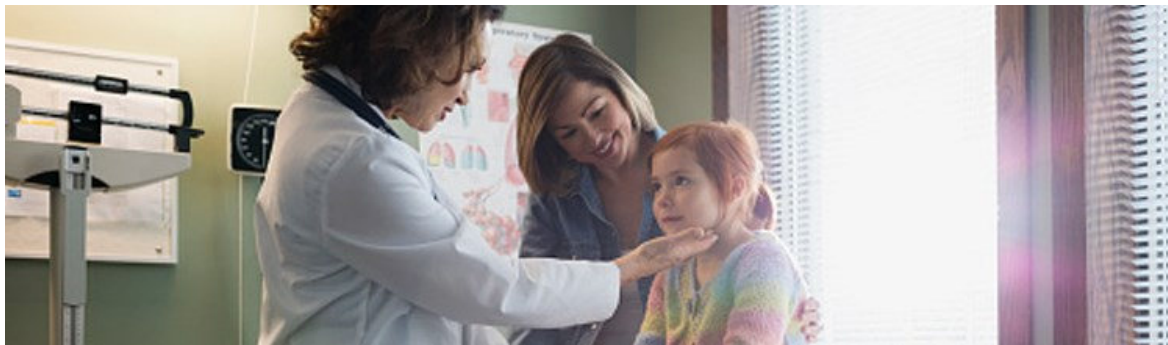
Congress may choose to pursue a new bipartisan ACA repeal and replacement measure in the future. However, with midterm elections occurring in 2018, many in Congress may be hesitant to embrace any ACA replacement that is unpopular with constituents.

Will the Government Continue to Enforce the ACA?

Yes. All regulations associated with the ACA remain in full force and effect at this time, including all penalties and fines that could be assessed by the IRS or the Department of Labor. On January 20, 2017, President Trump issued an Executive Order directing governmental agencies and departments to minimize the regulatory burdens of the ACA. However, this order is largely symbolic – following the order would require revision of current regulations through the Administrative Procedures Act (APA). Under the APA, agencies cannot rescind existing regulations until they engage in a new notice-and-comment rulemaking process (including required public comment period and delayed effective dates) and observe other procedural requirements. To date, no agency has begun this process.

Therefore, while healthcare reform remains on the Republican legislative agenda, the Affordable Care Act is the law of the land and must be followed.

Contact Morris & Garritano Director of Compliance Keith Dunlop at kdunlop@morrisgarritano.com for questions regarding this or any other ACA-related issue.



SECTION 125 PLAN COMMON QUESTIONS

Contributed by: Celia Silacci, Employee Benefits Department Manager

What is a Section 125 Plan?

A Section 125 plan allows employees to purchase qualified benefits, such as health insurance, with pretax dollars. The rules in Section 125 of the Internal Revenue Code (Code) make this possible. A Section 125 plan is also commonly referred to as a cafeteria plan. The two basic and most common plans implemented are:

Premium Only Plan

Flexible Spending Account

What is a Premium Only Plan?

A premium only plan is the most basic—and most popular—type of Section 125 plan. A premium only plan, or POP, allows employees to pay their portion of insurance premiums with pretax dollars. Benefits that are typically offered within a premium only plan include health, dental, vision, accidental death and dismemberment, short- and long-term disability, and group-term life insurance on the life of the employee.

What is a Flexible Spending Account?

Under Code Section 125, employees may make pretax contributions to a flexible spending account (FSA). An employee may seek reimbursement from the FSA for expenses paid for child care, health plan deductibles and eligible medical expenses not otherwise covered under a health plan. An FSA allows employees to increase their spendable income by allowing them to pay these expenses with pretax dollars.

There are three types of benefits that may be offered through an FSA:

- **Health FSA** – Pays for eligible medical expenses incurred by the employee or the employee's spouse and dependents.
 - In 2013, the Affordable Care Act (ACA) imposed a \$2,500/plan year limit on salary reduction contributions to a health FSA. Since then it has increased to the current health FSA contribution limit of \$2,600.
- **Dependent Care FSA** – Pays for day care expenses that allow the employee or the employee's spouse to be employed or attend school.
 - There is a statutory limit on the amount of expenses that can be paid pretax under a dependent care FSA: \$5,000 (if the employee is married and filing a joint return or is a single parent) or \$2,500 (if the employee is married but filing separately)
- **Adoption assistance** - Pays for expenses that an employee incurs in connection with the adoption of a child.

It is important to understand that FSAs are subject to the use-it-or-lose-it rule. Therefore, money remaining in the account at the end of the plan year (or grace period, if applicable) is forfeited, subject to the IRS' relaxed rule for carryovers of up to \$500.

If you think a Section 125 would benefit your employees and you would like more information, please contact your Account Manager at Morris & Garritano.

BIG CAL/OSHA PENALTY INCREASES ON THE RISE

Contributed by: Michael Schedler, Loss Control Consultant



For years California has had the highest penalties in the nation for occupational safety and health violations. Unfortunately, employers are about to see them get even higher. According to the Department of Finance's 2017-2018 legislative season budget, penalties for general violations could potentially jump to a maximum of \$12,471 per violation. That is a 78% increase from the current maximum of \$7,000.

Willful and repeat violations will also increase 78%, from a maximum of \$70,000 to \$124,709. Even simple violations such as posting or recordkeeping will see a penalty increase from \$5,371 to \$12,471.

These increases are not just for one time. The bill also allows for annual increases based on inflation. The maximum penalty will be adjusted each January based on the percentage increase in the Consumer Price Index for All Urban Consumers (CPI-U) for the preceding October. Additionally, the bill's language also eliminates penalties pertaining to asbestos-related work in the amounts of \$2,000 per violation and \$20,000 per willful or repeat violation. It also removes a \$2,000 serious violation civil penalty in regards to the use of carcinogens.

Congress approved these increases last year since, according to H.D. Palmer, deputy director of external affairs for the state Department of Finance, the maximum penalties had not been adjusted since 1990 and "OSHA-approved state plans are required to have penalty levels at least as effective as the federal OSHA."

REMEMBER! CHANGES TO FIRST AID CLAIM REPORTING

Contributed by: Mary Jean Collins, Workers' Compensation Claims Analyst

In our December 2016 newsletter, we told you about a new amendment that, as of January 1, has since gone into effect. This new amendment by the Workers Compensation Insurance Rating Bureau (WCIRB) requires insurers to report medical costs incurred on First Aid claims to the WCIRB, regardless of who paid the medical fees.

We wanted to remind you of this change as we have since received questions, mainly "How does this change affect me?"

Basically, this means that if a claim fits the First Aid Criteria and you pay the medical bill directly to the provider, it will still be included on your Experience Modification worksheet. On the other hand, should you allow your carrier to pay the medical bill, they will only be charged the contracted rates, which could be substantially lower. In other words, you may find it in your best interest to *think twice before paying a claim out of pocket*.

If you have any questions regarding this or any other Work Comp claim reporting matter, please contact our Workers' Compensation Claims Analyst, Mary Jean Collins, mcollins@morrisgarritano.com



DRONES: INSURANCE FROM THE SKIES

Contributed by: Adam Peterson, Commercial Risk Advisor

We have talked a bit before about drones and how individual hobbyists and businesses are utilizing them more and more. We also discussed how insurance carriers are working to keep up with the new coverages and regulations that are required when objects take to the open air. From a different perspective, however, those same insurance carriers are breaking into the drone game themselves.

Many insurance carriers are embracing drone technology to analyze data for roof inspections, claims estimates, wildfire reports and site inspections to uncover hidden exposures related to parking lots, missing railings, fire pits, sidewalks, trampolines, and more.

BetterView, an insurance technology startup that captures and analyzes data from drones, said it has performed more than 6,000 roof top inspections alone for insurers since its inception two years ago.

These types of inspections will allow insurance adjusters to direct a contracted smartphone user to the exact area they'd like to cover – while the adjusters remain in their office. Impressively, the drones are powerful enough to zoom into a single roof shingle to view damage.

In the past year, more than 670,000 drones have been registered, according to the Federal Aviation Administration. The latest aerospace forecast also estimates that by 2020 there could be as many as 7 million drones sold in the United States. With the increase in usage and the advancement in technology, one can only imagine what we'll be using them for next.

SPRING CLEANING TIPS

Contributed by: Marie Bloomstine, Personal Lines Department Manager

Love it or hate it, the time for spring cleaning is upon us! We know it can be a daunting task—especially if you've been putting it off for longer that you'd like to admit. But if you just focus on some key areas around your home, you can ensure that your time is being well spent because you are providing a safe environment for yourself and your family.

INSIDE YOUR HOME

Replace air filters

Use organic cleaners



Test the batteries in your smoke detectors

Check your carbon monoxide detectors

Review or create a family emergency plan

Clean out the medicine cabinet

Update your first aid kit

Check your fire extinguishers



OUTSIDE YOUR HOME

Check your pipes for damage

Trim trees and plants around the yard

Clear walkways of any overgrown plants

Clean out chimneys and gutters

Take your vehicle in for a maintenance check

Repair any loose or damaged deck boards or house siding

Remove clutter from storage areas

Watch out for pests and insects



IT'S MARATHON TIME!

Contributed by: Sara Holloway, Marketing Coordinator

Have you noticed that there have been a lot more runners out-and-about in SLO recently? It may be because it has finally stopped raining, but we're guessing it has more to do with the fact that it's time for the annual SLO Marathon and Half!

As the annual sponsor of the race's Team Initiative, Morris & Garritano is once again lacing up our sneakers and warming up our cheering voices! We have employees, friends, and family participating in all of the weekend's races – 5k, half and full marathon. Beyond that, we also have over 20 volunteers that will be working the aid station along Foothill Boulevard, providing much needed water, fuel and encouragement to the runners.

M&G recently hosted a course-preview run and breakfast at our office, and it is clear that these athletes are ready to get out there! We encourage and support healthy lifestyle choices for our employees, and we are proud and excited to continue that practice for our running community.

Marathon weekend is April 29th and 30th. Whether you are running, volunteering, or simply handing out high-fives, enjoy the day and be safe!



MORRIS & GARRITANO INSURANCE

With a tradition of excellence in insurance services since 1885, we offer all lines of business and personal coverage with a staff of over 120 professionals.

Our monthly newsletter is where you can find informative articles relating to the Commercial Lines and Employee Benefits industries.

For day-to-day updates and more information about our community and our company, follow us on Facebook, Twitter or LinkedIn.

Visit our website, or check us out on Yelp!

Please contact us for more information or questions on anything mentioned in this newsletter.



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