M&G|exposure

INSIDE THIS ISSUE

SPECIAL POINTS OF INTEREST

- New Transgender Regulations
- Considering a Safe Harbor 401(k)
- 7 Common Summer Health Concerns
- The Importance of Smoke Detectors

"IT'S NOT ABOUT I OR ME, IT'S ABOUT WE AND OUR"

Just this last week, we gathered all 120+ M&G employees to attend our Quarterly Staff Meeting. With everyone's various schedules and calendars, we appreciate the opportunity to gather in one room so that we can communicate our accomplishments, our progress, and our future goals to the whole team. We have found that supporting this level of transparency engages our employees and empowers them to make informed decisions while excelling in their careers.

This quarter's meeting was particularly special as we were honored to have our good friend, Jim Brabeck, CEO of Farm Supply Company, speak to us about what makes great customer service. His years of dedication to his company and to this community have provided him with valuable insight – and some great stories – about the dos and don'ts of customer service and company culture.

Jim has been the CEO of Farm Supply Company since 1969 and has worked with three generations of the Morris family here in our office. His ability to forge relationships with his sincerity and genuine spirit reminds me of the way my father, Greg Morris, did business.

Farm Supply's culture can be laid out in seven words – *if it isn't right, don't do it*. At Morris & Garritano, we have the core value *Do the Right Thing*. While our two companies excel in very different industries, both successes can be traced back to our culture and our values. We are here for our clients, to ensure that they are properly cared for, knowing that when we work together, everybody achieves more.

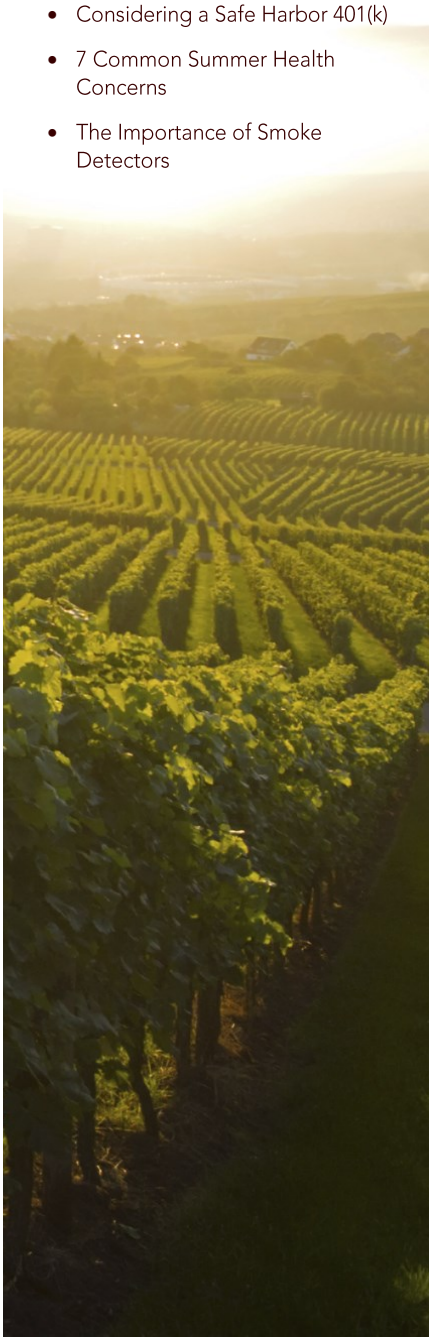
Jim taught us a powerful acronym; one that he uses in his daily interactions. It is something that not only relates to business, but to life in general – CTUIT.

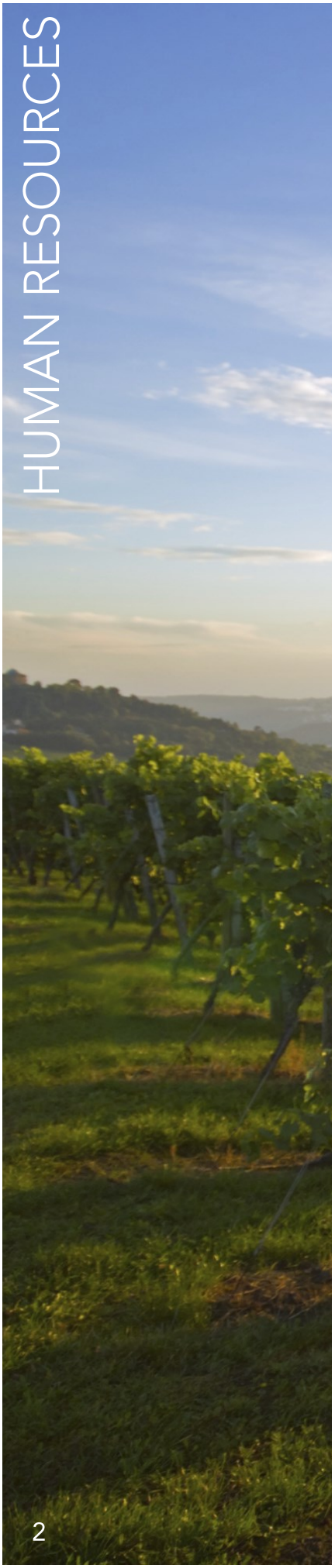
Communication | Transparency | Unity | Integrity | Trust

If we all live our lives and perform our duties in a way that exemplifies these five items, then there is nothing we can't do.

I want to thank Jim for taking the time to speak to our office. We will continue to focus on providing our clients with the best service experience possible and look forward to more opportunities to gain new insights and to always be improving.

Brendan





UPDATE TO CALIFORNIA WAGE ORDERS

Contributed by: Louise Matheny, Human Resources Consultant

The California Department of Industrial Relations (DIR) has recently updated the Wage Orders to reflect the 2017 and 2018 state minimum wage increases. The most current industry Wage Order has the revision date of "12/2016," which can be found on the bottom of the cover page for each Wage Order. Although the Wage Orders are dated 12/2016, they were just released by the DIR and will still be called Wage Order 1-2001, 2-2001,etc. At this point, the DIR has only revised the English version of the Wage Orders.

The updated Wage Orders show the state minimum wage for 2017 and 2018 as follows:

Employers With **26** Or More Employees	Employers With **25** Or Fewer Employees
$10.50 an hour on January 1, 2017	$10.00 an hour on January 1, 2017
$11.00 an hour on January 1, 2018	$10.50 an hour on January 1, 2018

Future minimum wage increases are scheduled until the minimum wage reaches $15 per hour for all size employers by 2023.

Additionally, the revision of the Wage Orders includes the updated meal and lodging credit amounts.

Once you determine the proper Wage Order for your business, it is required that you post a copy in your workplace where it is easily accessible to employees. If you need help determining which Wage Order applies to your business, contact Louise Matheny for assistance.

NEW TRANSGENDER REGULATIONS EFFECTIVE JULY 1, 2017

Contributed by: Louise Matheny, Human Resources Consultant

New regulations approved by the California Office of Administrative Law will go into effect on July 1, 2017. These regulations expand current protections for transgender persons under California's Fair Employment and Housing Act (FEHA). The FEHA provides protection to those who identify as transgender on the basis of both gender identity and gender expression – regardless of the individual's assigned sex at birth. By California law, employees are also protected to have the right to appear or dress in accordance to his or her gender identity or gender expression.

The new regulations reiterate existing protections, but also include the following amendments:

- New rules that relate to seeking gender- or sex-related information from employees and/or applicants, including seeking proof of an individual's sex, gender, or gender identity or expression.
- Employees have a right to request to be identified by their preferred gender, name, or pronoun, including gender-neutral pronouns.
- Expansion of existing definitions to include "transitioning" employees and to specifically prohibit discrimination against transitioning employees or those perceived to be transitioning.
- Revisions to FEHA regulations to use gender-neutral language

The regulations also emphasize that an employee has the right to us a restroom, locker room, or dressing room that corresponds to their gender identity or expression. Additionally, employees cannot be "required to undergo, or provide proof of, any medical treatment or procedure, or provide any identity document, to use facilities designated for use by a particular gender."

Restroom signage is also part of the new regulations, building off a law effective March 1, 2017 that required all single-user restrooms in a place of public accommodation, business, or government agency to be identified as "all-gender."

You can visit the Fair Employment and Housing Council's website for more information about these regulations.

HOUSE PASSES CHANGES TO OVERTIME RULES

Contributed by: Louise Matheny, Human Resources Consultant

On May 2, 2017, the House of Representatives passed the Working Families Flexibility Act (also known as H.R. 1180). If approved, H.R. 1180 would authorize private employers to offer compensatory time instead of overtime pay for nonexempt employees who work more than 40 hours per week. H.R. 1180 still needs approval from the Senate and the executive branch before it becomes law.

Compensatory time off is already a common practice for many federal and state employers, but it is not currently allowed by the Fair Labor Standards Act (FLSA) for private employers. H.R. 1180 would amend the FLSA to allow this practice, if certain conditions are met.

Because H.R. 1180 is not yet law, no action steps are currently required of any employers.

We will continue to monitor the progress of this bill through the legislative process and update you as more information becomes available. In the meantime, contact Morris & Garritano Insurance for more information regarding the FLSA and overtime wage payment requirements.

HOW REPEALING THE ACA COULD AFFECT EMPLOYER-SPONSORED HEALTH PLANS

Contributed by: Keith Dunlop, Director of Compliance

Since the Affordable Care Act (ACA) was enacted in 2010, employers and health insurance issuers have had to make numerous changes to employer-sponsored group health plans offered to employees. If the ACA is repealed, many plan terms may no longer be required. These changes may be beneficial for employers, but could be confusing or, in some cases, unwelcome for employees.

The ultimate impact of repealing the ACA will depend on the specific details of the repeal, and any replacement, that is enacted. While steps have been made toward repeal, it is unclear what impact those steps may have or what an ACA replacement will look like.

Potential Impacts on Employer-Sponsored Plans

Listed below are a number of ACA provisions that have a significant impact on employer-sponsored group health plans. Additional requirements apply to plans in the small group market, such as premium rating restrictions and the requirement to offer an essential health benefits package. Although it is unclear which, if any, of these provisions will be affected in the future (and to what degree), it is helpful for employers to be aware of the potential impact on their employer-sponsored coverage.

- Prohibition on Lifetime and Annual Limits
- Out-of-Pocket Maximum Limits
- Waiting Period Limit
- Prohibition on Pre-existing Condition Exclusions
- Dependent Coverage to Age 26
- Preventive Care Coverage Requirement
- Prohibition on Rescissions
- Patient Protections Regarding Choice of Health Care Providers and ER Benefits

Healthcare Reform Status

On March 6, 2017, Republican leadership in the U.S. House of Representatives introduced two budget reconciliation bills—collectively known as the American Health Care Act (AHCA)—to repeal and replace the ACA. The AHCA has been amended several times since it was introduced. To address concerns raised by both Democrats and fellow Republicans, the House Republicans released two sets of amendments to the legislation. However, on March 23, 2017, House leadership withdrew the AHCA before taking a vote. After the withdrawal, Republicans made additional amendments (the MacArthur amendments) to the AHCA, followed by a separate corrective amendment. A new House vote on May 4, 2017, resulted in a 217 to 213 party-line vote to pass the AHCA.

The AHCA has now moved on to the Senate. It is likely that the Senate will make significant changes to the proposed legislation before scheduling a vote. Under the budget reconciliation process, the AHCA would only need a simple majority vote in the Senate to pass, however as of this writing, no vote has been scheduled and revisions to the bill have not been publically released.

In the interim, the Affordable Care Act remains the law of the land.

HEALTHCARE PLAN AFFORDABILITY PERCENTAGES WILL DECREASE FOR 2018

Contributed by: Keith Dunlop, Director of Compliance

On May 5, 2017, the Internal Revenue Service (IRS) issued Revenue Procedure 2017-36 to index the contribution percentages in 2018 for purposes of determining affordability of an employer's plan under the Affordable Care Act (ACA). For plan years beginning in 2018, employer-sponsored coverage will be considered affordable if the employee's required contribution for self-only coverage does not exceed:

- **9.56 percent** of the employee's household income for the year, for purposes of both the pay or play rules and premium tax credit eligibility; and
- **8.05 percent** of the employee's household income for the year, for purposes of an individual mandate exemption (adjusted under separate guidance).

Employer Shared Responsibility Rules

The ACA's employer shared responsibility or "pay or play" rules require Applicable Large Employers (ALEs) to offer affordable, minimum value health coverage to their full-time employees (and dependents) or pay a penalty. The affordability of health coverage is a key point in determining whether an ALE will be subject to a penalty, and whether an employee is eligible for a premium subsidy on the Insurance Exchange.

The employer shared responsibility rules generally determine affordability of employer-sponsored coverage by reference to the rules for determining premium tax credit eligibility. Therefore, for 2014, employer-sponsored coverage was considered affordable under the employer shared responsibility rules if the employee's required contribution for self-only coverage did not exceed **9.5 percent** of the employee's household income for the tax year.

The affordability percentage is indexed, and as of 2017 the number had risen to **9.69 percent**.

Affordability Adjustment

For 2018, Rev. Proc. 17-36 decreases the affordability contribution percentage to **9.56 percent**. This means that employer-sponsored coverage will be considered affordable under the employer shared responsibility rules if the employee's required contribution for self-only coverage does not exceed 9.56 percent of the employee's household income for the tax year.

Employers may use an affordability safe harbor to measure affordability of their coverage. The three safe harbors measure affordability based on **Form W-2** wages from that employer, the employee's **rate of pay** or the **federal poverty line** (FPL) for a single individual. IRS Notice 2015-87 confirmed that ALEs using an affordability safe harbor may rely on the adjusted affordability contribution percentages for 2015 and future years.

Action Steps

These updated affordability percentages are effective for taxable years and plan years beginning January 1, 2018. **This is the first time since these rules were implemented that the affordability contribution percentages have been reduced**. As a result, some employers may need to reduce their employee contributions for 2018 to meet the adjusted percentage.

CONSIDERING A SAFE HARBOR 401(K) RETIREMENT PLAN

Contributed by: Jon Pollock, Employee Benefits Advisor

It may be advantageous for a plan sponsor to consider adopting a safe harbor design for their retirement plan. Adopting a safe harbor retirement plan design permits an employer to essentially avoid discrimination testing (the testing is deemed met). Remember, this testing limits highly compensated employees' contributions based upon non-highly compensated employees' contributions. By making a safe harbor contribution, highly compensated employees can defer the maximum amount allowed by their plan and Internal Revenue Code limits without receiving any refunds. General rules for all safe harbor contributions include the following:

- Safe harbor contributions are 100 percent vested.
- There may be no allocation requirements imposed on safe harbor contributions, for example, a 1,000-hour service requirement or a last day employment rule.
- Safe harbor contributions may be used toward satisfying the top heavy plan minimum contribution requirement.
- All eligible participants must receive a written notice describing the applicable safe harbor provisions between 30 and 90 days before the beginning of the plan year. This notice must be provided for each year the plan will be safe harbored.

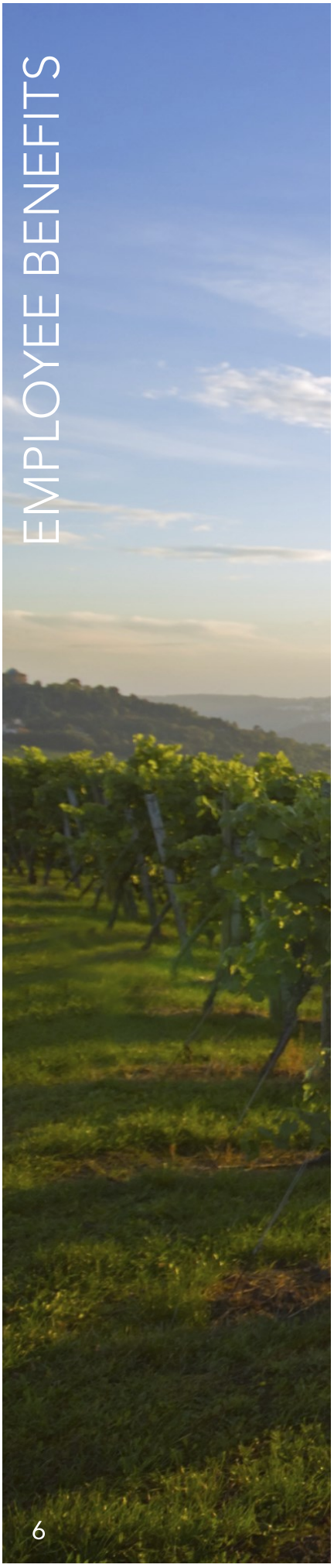
Generally, there are two types of safe harbor contributions:

1) The non-elective contribution, which is a 3 percent contribution to all eligible participants, or

2) A matching contribution to participants who are contributing to your plan.

There are two options from which to choose, for the matching contribution, either the basic or the enhanced match. The basic safe harbor matching contribution is defined as a 100 percent match on the first 3 percent of compensation deferred and a 50 percent match on deferrals between 3 percent and 5 percent of compensation. Alternatively, the employer may choose an enhanced matching formula equal to at least the amount of the basic match; for example, 100 percent of the first 4 percent deferred. All that said, employers wishing to explore a safe harbor solution should also be aware that it may entail more cost (if their present contribution structure is less than the required safe harbor required structure).

To learn if a safe harbor feature is appropriate for your plan, please contact Morris & Garritano's Retirement Plans Department.



7 COMMON SUMMER HEALTH CONCERNS

Contributed by: Celia Silacci, Employee Benefits Department Manager

For many, summertime includes family vacations, long sunny days, water play, and plenty of BBQ outdoor feasts. As we all know, the season can include a few other surprises.

Here are seven health woes that are most common this time of year.

Asthma Attacks

Increased levels of pollution, pollen, and mold growth from humidity can cause a spike in attacks. Be sure to maintain your daily medications even when traveling, consider indoor activities, and turn on the air conditioning for added pleasure.

Swimmer's Ear

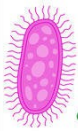
During the summer months is when heat and humidity can fuel the growth of bacteria that can cause Swimmer's Ear. This can be prevented by simply tilting the head so the ear can drain – gently pulling your lobe in several directions until the water drains out. If this doesn't work, try placing your blow dryer on its lowest setting – hold it several inches away from your head for safety. There are over-the-counter medications that can be used as well.

Heat Exhaustion & Stroke

These forms of hyperthermia happens when the body overheats. Older adults are most susceptible because we lose our ability to dissipate heat as we age. The best thing to do is to avoid exerting yourself during the hottest hours of the day and stay hydrated.

Food Poisoning

Hot and humid days create bacteria. Keep your perishable foods refrigerated or in a cooler with ice. Food should not be left out for more than 2 hours – 1 hour with temperatures higher than 90 degrees.



Coxsackie Virus

Children younger than ten are most commonly affected and experience fever, sore throat, oral ulcers, and blisters. Coxsackie is contagious, lasts about a week, and will go away on its own. Simple home remedies such as saltwater mouth rinses with cool, soft food choices should help prevent further irritation of the mouth. Seek medical attention if dehydration becomes a threat.

Lyme Disease

You should seek medical attention if you experience fever, headache, body aches, rash, facial paralysis, or arthritis after a tick bite. If your summer adventures are going to take you on long walks in the woods or mountains, consider arming yourself with repellent as well as conduct a full-body tick check.

Poison Ivy, Oak, and Sumac

Exposure can cause painful swelling and itching but can be treated with over-the-counter remedies such as hydrocortisone cream, calamine lotion, and oral antihistamines. If you experience a fever or the exposure has affected delicate parts of the body, seek medical care immediately.

Stay safe and enjoy your summer!

CLOSE—BUT NOT COMPLIANT

Contributed by: Michael Schedler, Loss Control Consultant

Have you heard the phrase “almost only counts in horseshoes and hand grenades”? Well, the same can be said in regards to safety compliance in the work place – being *close* to compliant is not the same as *being* compliant. If a particular job requires employees to wear safety glasses, they should be covering their eyes, not resting on top of their head. If a piece of machinery states its limit is 110 psi, it should not be operated at 120. These scenarios are called “near compliance” and they have a tendency to lead to increased exposures and incidents.

While one problem with near compliance is its ability to create the opportunity for injury, another issue is the common hard stance reaction that takes place after an incident. Supervisors generally have a “snap back” or “slap back” approach to safety compliance after an incident – approaching safety rules and regulations with a renewed vigor. However, this level of enthusiasm is difficult to maintain and oftentimes the lax level of near compliance eventually returns.

A better solution is to fully understand that near compliance is not considered full compliance and that you must work towards maintaining high standards at all times.

Why Does Near Compliance Exist?

There are two most common reasons that near compliance can occur in a workplace:

1. Disagreement on the meaning of “safe”

   It only takes one person with influence to change the meaning of “safe”. While a safety standard may be set on a piece of equipment, the first time someone says “Eh…it’s working well enough” – and nothing bad happens – that lesser level of safety is now the new norm.

2. Overreliance on rules and regulations to address exposure

   When a company has too many rules or overly complicated procedures employees, are bound to get confused and not accurately follow the policies. Additionally, supervisors can get overwhelmed trying to enforce it all.

To overcome near compliance, it is important for leadership to view a commitment to safety as not only a priority, but as a value in the company – allowing it to become part of its culture.

Preventing Compliance Slippage

Odds are, if you’re in a company of near compliance, there are two certainties:

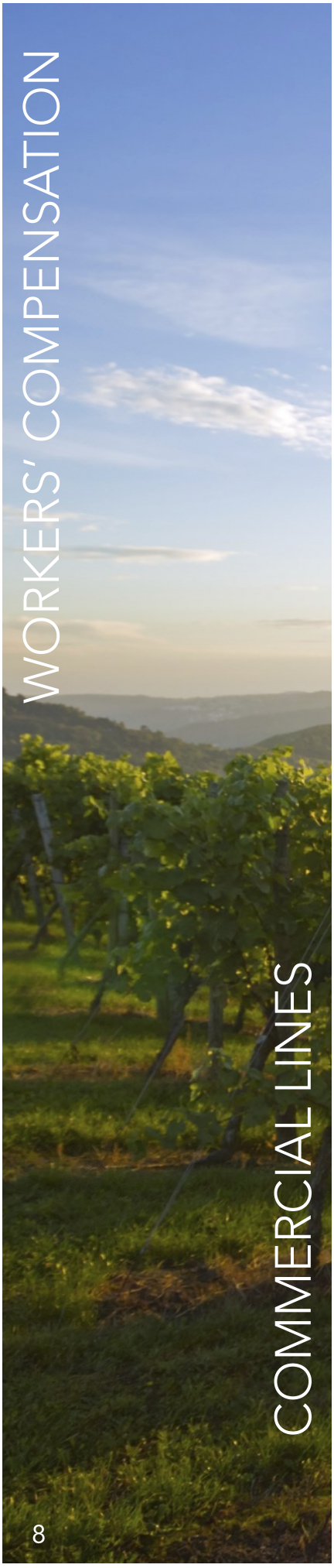
- Unless addressed, the level of compliance will continue to slip further and further from being safe
- Firing an employee for falling victim to relaxed safety standards that leadership created and/or allowed is not a solution

To determine why compliance is lessening, an assessment must be performed to determine the root cause of the slippage. Once completed, the company can then address each issue and help create a safe decision-making process.

Asking the following questions can help determine if your organization is in need of a near compliance assessment:

- Is my leadership committed to the full execution of our company’s safety standards and procedures?
- What is the risk appetite in my organization?
- What is preventing us from adopting a culture of commitment to safety compliance?

If you can provide honest answers to these questions, you are one step closer to becoming fully compliant.



WHAT IS AN RFA?

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

An RFA is a "Request For Authorization" sent to the insurance carrier by a treating physician. A carrier cannot approve any course of treatment without submission of this request. In the request, the physician is required to outline the treatment plan to support the requested treatment.

The RFA is then forwarded to the Utilization Review Department for further analysis to determine if the request should be granted. Utilization has 5 business days to issue their response.

Unfortunately, our local Urgent Care Providers have been extremely busy and the process to send the Request For Authorization to the carrier has been experiencing significant delays.

How Can I Be Proactive In This Process?

If your employee has not heard back from the Provider regarding the referral within 5-7 days, I recommend either you or the employee follow up with the Provider to see if the "RFA" has been submitted to the carrier. If it has, you can contact the claims examiner to determine what is holding up the authorization.

If you are experiencing this delay frustration, please do not hesitate to call our office for additional guidance.

99 BOTTLES OF WINE ON THE FLOOR...

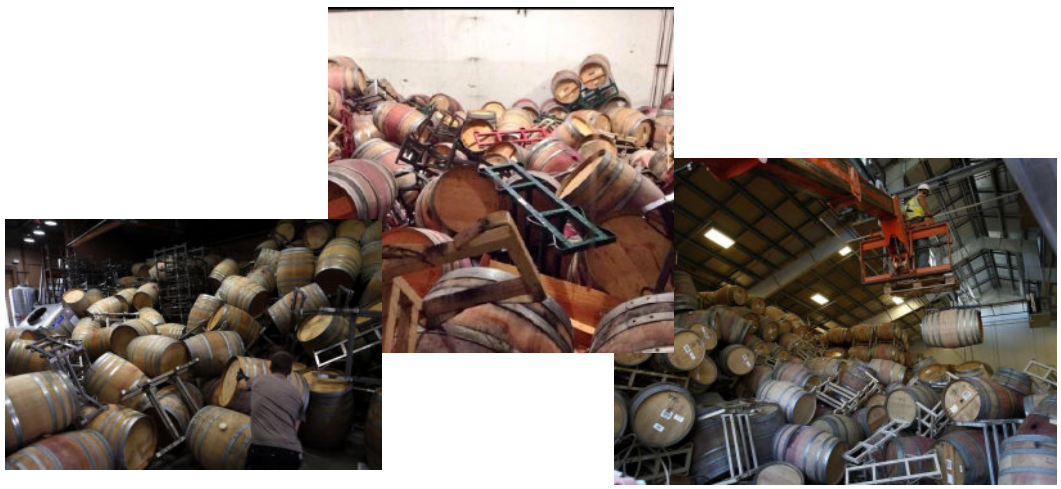
Contributed by: Mark Anelli, Commercial Lines Risk Advisor

When wineries think about earthquake insurance, common themes that come to mind are that it is an excluded coverage on their standard policy and that it is really expensive. Additionally, most would consider the deductibles to be so high that the only way for the coverage to payout would be in a catastrophic total loss. Unfortunately, that is exactly what earthquakes are known to do – to upend your world in a matter of seconds.

The 2014 earthquake in Napa cost the wine industry $83 million. Of the wineries impacted, many did not have earthquake coverage, while others had a traditional earthquake policy, but could not file a claim as the damage fell under their deductibles.

What some of these wineries may not have known, is that there are options for earthquake insurance when it comes to protecting your business. A traditional earthquake policy is the best option if you want to ensure coverage for your winery structures and wine making equipment. However, if you are wanting to protect your current and future inventory of wine products, there are insurance options available that specifically cover that inventory from all perils, including earthquake, and carry a much more reasonable deductible than the traditional policies.

If you have questions about insuring your wine-related assets, or would like to learn more about protecting them from any natural disaster, please feel free to contact our office.



THE IMPORTANCE OF SMOKE DETECTORS

Contributed by: Marie Bloomstine, Personal Lines Department Manager

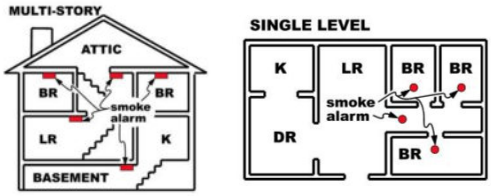
Smoke detectors are one of the most important safety devices you can install in your home. Once you've installed smoke detectors, it's absolutely vital to test them regularly to ensure that they will work during a fire. After all, what good are they if they aren't working when you need them the most?

Use this guide to ensure that your smoke detectors are working properly:

- Press the test button on the unit and wait for it to sound.
- Light a candle and hold it six inches below the detector so the heated air will rise into the detector.
- If the alarm doesn't sound within 20 seconds, blow out the candle and let the smoke rise.
- If the alarm still doesn't sound, open the detector and clean the unit. Then, test the unit again.
- If the detector still isn't working, it should be replaced immediately.

Replacing smoke detector batteries is critical to their usefulness. A great way to remember to change your smoke detectors' batteries is to do so twice a year during Daylight Saving Time. When you set your clocks forward or back an hour, also change your smoke detectors' batteries to keep your home and your family safe.

It is best practice to install a working smoke detector on every level of the home and in any sleeping areas.



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.

San Luis Obispo
1122 Laurel Lane
San Luis Obispo, CA 93401

Phone: 805-543-6887

Fax: 805-543-3064

Santa Maria
2721 Santa Maria Way
Santa Maria, CA 93455

Phone: 805-361-1750

Fax: 805-361-1728

E-mail:
info@morrisgarritano.com