



2014 Agent Session



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AGENDA

1. Appraisals and Flood Mapping 1:30-2:20

- ❖ David Middendorf, Assetworks
- ❖ Tena Purdy, CIS

2. Health Care Update 2:30-3:20

- ❖ Lynn McNamara, CIS
- ❖ Carolyn Van Dyke, CIS

3. CIS Underwriting Update 3:30-4:30

- ❖ Scott Moss, CIS
- ❖ Penny Marlette, CIS
- ❖ Tena Purdy, CIS
- ❖ Debby Hande, CIS





Property Insurance Appraisals – Insuring to Value Properly

David Middendorf, Vice President AssetWorks



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AGENDA

- ✚ Insurable Values vs. Other Values
- ✚ Properly Insuring to Value
 - Values Cost Sources and Factors of Influence
- ✚ Flood Zone Designations & Mapping
- ✚ What Does an Appraisal Entail?
 - Sample Reports & Features
 - From a Simple Light Pole to Complex Structures
- ✚ Appraisal & Underwriting of Unique Structures
- ✚ Q & A



Insurable Values versus 'Other' Values

Replacement Cost:

- Estimated cost to construct a property having the same utility as the subject property.

Insurable Value:

- Estimated cost to reproduce or replace a property with deductions for depreciation and/or exclusions as defined by the insurance policy.

Reproduction Cost:

- Estimated cost to replicate a property using identical or similar materials.



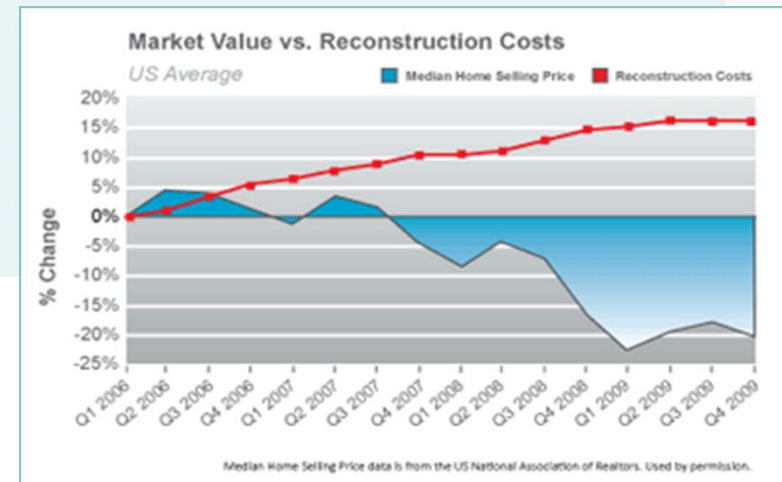
Insurable Values versus 'Other' Values

Reconstruction Cost:

- Alternative value emerging similar to Replacement Cost and Insurable Value, attempting to more acutely estimate an insurable value.
- Takes into account factors not always applicable, such as time urgency and hazardous material concerns.

Fair Market Value:

- Primarily used for tax and allocation of purchase price situations.



Insurable Values – What's Included

- 1. Hard costs to construct the building – include:**
 - Fees to the contractor and subcontractors
 - The original lump sum cost plus any reasonable cost overruns due to change orders and unforeseen conditions
 - Material costs should be reflective of the current market
 - Include sales tax and freight charges



Insurable Values – What's Included

2. Soft costs to design the building and finance the project

- Argument: These costs would not be recurring for a new building should it suffer a loss.



- While that may be true, a design professional would certainly be involved to assess the damages, recreate the drawings, guide the project through the permitting process, and likely provide construction supervision.



Insurable Values – What's Included

3. Permit fees, inspection fees, and related compliancy costs.

Zoning ordinances are considered a separate issue from building codes and are not normally addressed in an insurable value.



Insurable Values – What's Excluded

1. The cost of acquiring or developing land.

- Land is real property that is not insurable by itself.
- Impact fees can be considered land development costs.

2. Utilities

- Considered infrastructure costs and not normally insurable.

3. Site improvements

- Real property costs, also known as land improvements, may or may not be insurable depending on their type.



Insurable Values – What's Excluded

4. Building foundations

- Policy exclusions can vary as in the case of earthquake coverage and should be clearly identified.
- Including piling and/or soil engineering are legitimate hard costs, but are often excluded by the insurance policy.

5. Soft costs

- Administrative costs related to advertising, pre-design reviews, soliciting bids, employing liaison staff, public communications, committee oversight, executing related accounting, etc. are all considered soft costs.
- Admin. costs can range from negligible to more than the total hard costs.



Cost-to-construct is not all insurable

Insuring to value goes beyond the original cost-to-construct as well as a number trended year after year...

And all “property” is not the building itself.

- What about the land improvements and contents?

<u>Nbr</u>	<u>Item</u>	<u>Building</u>	<u>Contents</u>	<u>Exclusions</u>	<u>Project</u>
1	Mobilization/Demobilization			\$ 12,000	
2	Site Prep			\$ 20,500	
3	Well House Foundation & Floor	\$ 41,500			
4	Walls	\$ 56,500			
5	Roof	\$ 21,500			
6	Roofing, Gutters, Accys	\$ 14,500			
7	Painting/Drywall	\$ 5,000			
8	Sidewalk			\$ 8,400	
9	Gravel Base			\$ 22,401	
10	Precast Inlet Box	\$ 3,750			
11	Storm Drain Piping/Fittings			\$ 6,510	
12	Storm Drain End Section			\$ 5,250	
13	Floor Drains/Piping			\$ 3,500	
14	Interior Pipe/Fittings		\$ 7,800		
15	Exterior Buired Pipe			\$ 8,123	
16	Water Line, Valve, Hydrant			\$ 10,500	
17	Bollards			\$ 2,000	
18	HVAC	\$ 28,750			
19	Electrical Equipment		\$ 41,500		
20	Power Service to Site			\$ 19,500	
21	Motor Control Panel		\$ 23,419		
22	Vertical Turbine Pump/Motor		\$ 64,025		
	Total	\$ 171,500	\$ 136,744	\$ 118,684	\$ 426,927
	Total Insurable Value	\$ 308,244			



Values Costing Sources

- It is a difficult task to identify and continuously substantiate values.
- Multiple sources of value exist, and sources can reflect varying cost factors. So, to rely on one source can be limiting.
- Common sources of construction cost information include:

- Direct cost information from recently completed projects
- Inquiries with local contractors and architects
- US Department of Labor – Bureau of Labor Statistics
- Marshall and Swift/Boeckh

- RS Means Construction Cost Index
- Reed Construction Data
- Consumer & Producer Price Index
- Associated General Contractors of America



Factors Affecting Costs

Construction Commodity Pricing

- Supply & Demand
~ Globalization & Manufacturing Capacity
- Raw Material Availability
- Labor
- Margins

Specialized Local Conditions

- Coastal, seismic, flood, and wind damage prone areas
- Resort Locations
- Remote Locations
- Complex / Congested Areas
- Hillside / Entrenched Bldgs
- Green Bldgs – LEED Certified



No Substitute for a Physical Inspection

- Insurers and Underwriters are now more selective in the values they will accept.
 - Onsite inspections/appraisals every 4-5 years has become a minimum industry standard.
- Additionally, an insurance appraisal
 - ✓ provides a third party, unbiased valuation of the property's insurable value.
 - ✓ will help expedite the settlement of a claim, if a loss occurs (along with all data acquired during the appraisal).
 - ✓ demonstrates due diligence on the part of the entity and/or insurance agent.



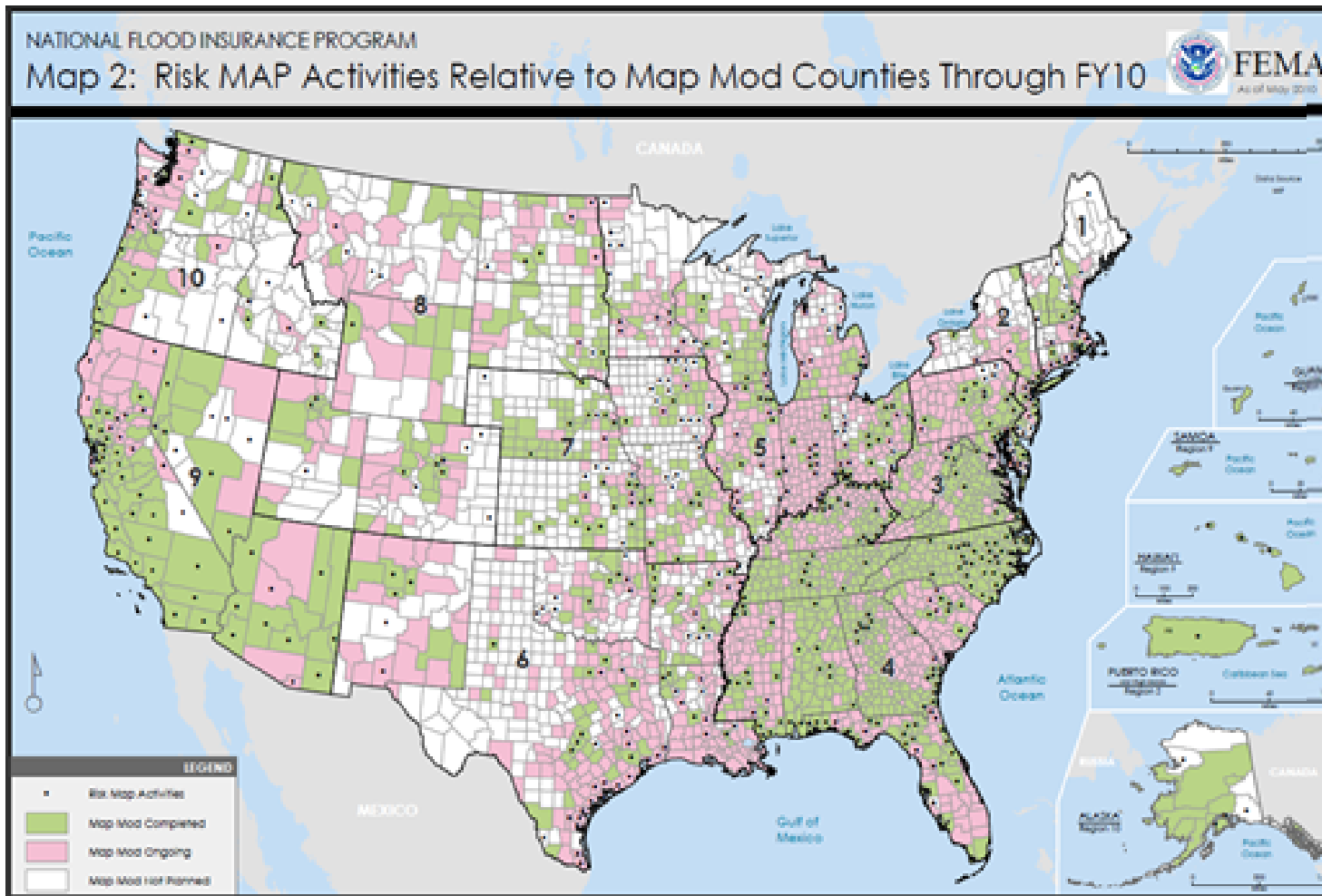
No Substitute for a Physical Inspection

- Obtaining an insurance appraisal
 - ✓ ensures that property is not wastefully over-insured or dangerously underinsured.
 - ✓ assists in placing the property coverage with a carrier by providing documentation needed to write coverage.
 - ✓ provides additional underwriting data, such as flood zone designation and mapping.



Flood Zone Designations & Mapping

2010 versus 2014....FEMA is making progress



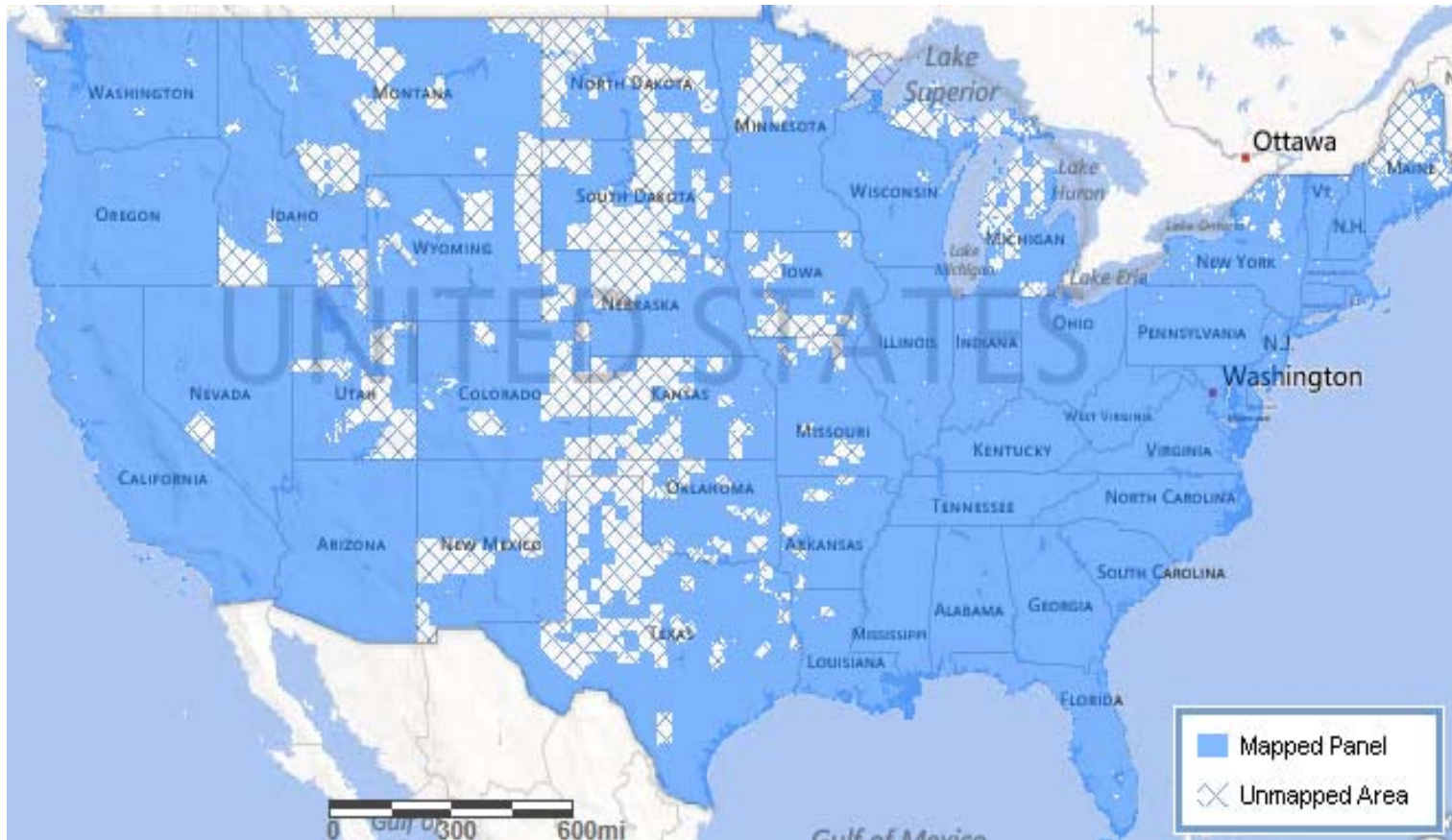
Green =
Completed

Pink =
Ongoing

White =
Incomplete

Flood Zone Designations & Mapping

Map coverage as of 12/31/13



Flood Zone Designations & Mapping

Definitions of FEMA Flood Zones

- Geographic areas that FEMA has defined according to varying levels of flood risk and type of flooding.
- These zones are depicted on the published Flood Insurance Rate Map (FIRM) or Flood Hazard Boundary Map (FHBM).

Special Flood Hazard Areas (SFHA) – High Risk

- Represent the areas subject to inundation by 1-percent-annual chance flood.
- Structures located within the SFHA have a 26-percent chance of flooding during the life of a standard 30-year mortgage.
- Federal floodplain management regulations and mandatory flood insurance purchase insurance requirements apply in these zones.



Flood Zone Designations & Mapping

Special Flood Hazard Areas (SFHA) – High Risk

ZONE	DESCRIPTION
A	Areas subject to inundation by the 1-percent-annual-chance flood event. Because detailed hydraulic analyses have not been performed, no Base Flood Elevations (BFEs) or flood depths are shown.
AE, A1-A30	Areas subject to inundation by the 1-percent-annual-chance flood event determined by detailed methods. BFEs are shown within these zones. (Zone AE is used on new and revised maps in place of Zones A1–A30.)
AH	Areas subject to inundation by 1-percent-annual-chance shallow flooding (usually areas of ponding) where average depths are 1–3 feet. BFEs derived from detailed hydraulic analyses are shown in this zone.
AO	Areas subject to inundation by 1-percent-annual-chance shallow flooding (usually sheet flow on sloping terrain) where average depths are 1–3 feet. Average flood depths derived from detailed hydraulic analyses are shown within this zone.
AR	Areas that result from the decertification of a previously accredited flood protection system that is determined to be in the process of being restored to provide base flood protection.
A99	Areas subject to inundation by the 1-percent-annual-chance flood event, but which will ultimately be protected upon completion of an under-construction Federal flood protection system. These are areas of special flood hazard where enough progress has been made on the construction of a protection system, such as dikes, dams, and levees, to consider it complete for insurance rating purposes. Zone A99 may be used only when the flood protection system has reached specified statutory progress toward completion. No BFEs or flood depths are shown.



Flood Zone Designations & Mapping

Coastal High Hazard Areas – High Risk

Coastal High Hazard Areas (CHHA) represent the area subject to inundation by 1-percent-annual chance flood, extending from offshore to the inland limit of a primary front al dune along an open coast and any other area subject to high velocity wave action from storms or seismic sources. Structures located within the CHHA have a 26-percent chance of flooding during the life of a standard 30-year mortgage. Federal floodplain management regulations and mandatory purchase requirements apply in these zones.

ZONE	DESCRIPTION
V	Areas along coasts subject to inundation by the 1-percent-annual-chance flood event with additional hazards associated with storm-induced waves. Because detailed coastal analyses have not been performed, no BFEs or flood depths are shown.
VE, V1-V30	Areas along coasts subject to inundation by the 1-percent-annual-chance flood event with additional hazards due to storm-induced velocity wave action. BFEs derived from detailed hydraulic coastal analyses are shown within these zones. (Zone VE is used on new and revised maps in place of Zones V1–V30.)



Flood Zone Designations & Mapping

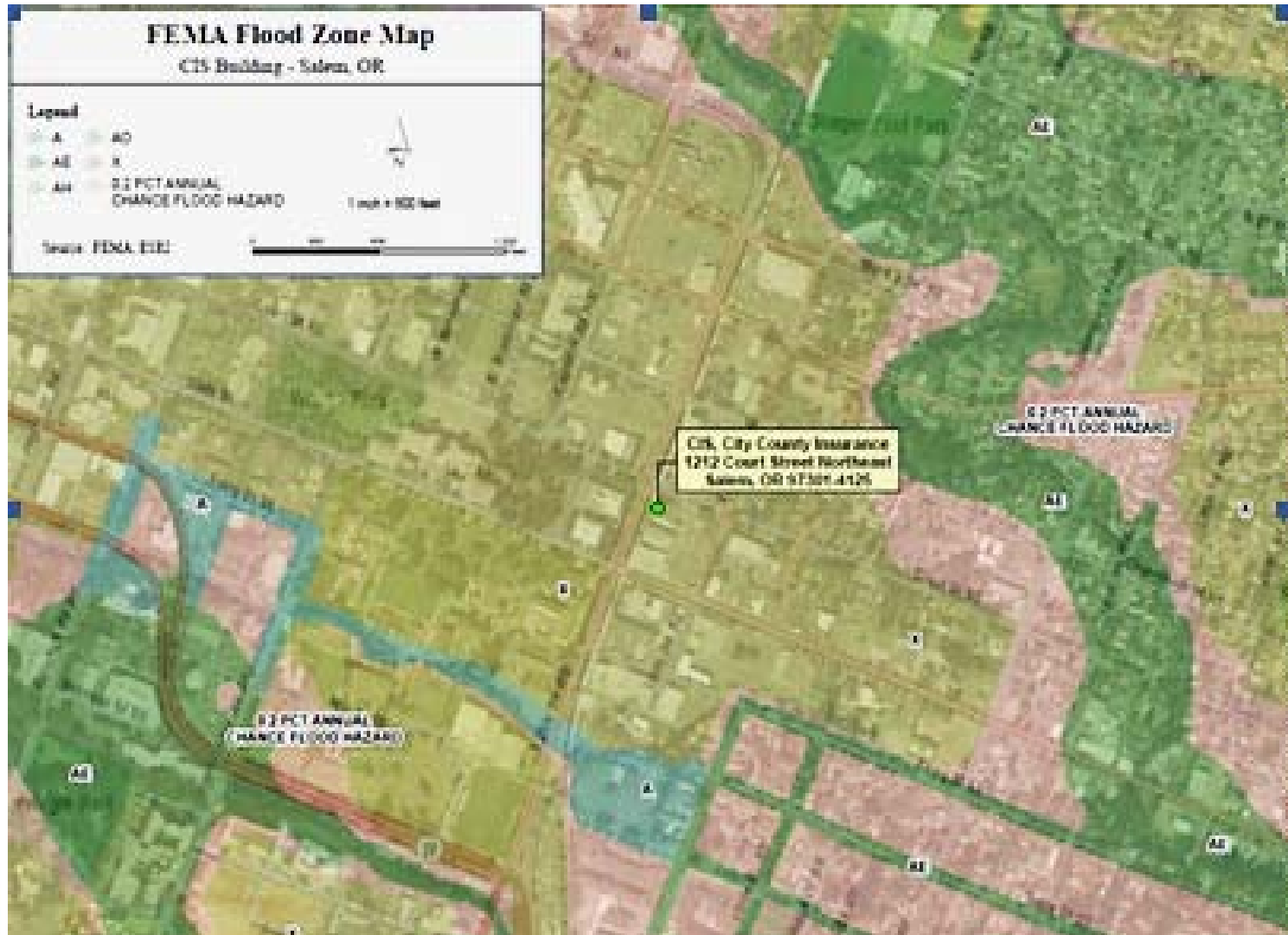
Moderate and Minimal Risk Areas

Areas of moderate or minimal hazard are studied based upon the principal source of flood in the area. However, buildings in these zones could be flooded by severe, concentrated rainfall coupled with inadequate local drainage systems. Local stormwater drainage systems are not normally considered in a community's flood insurance study. The failure of a local drainage system can create areas of high flood risk within these zones. Flood insurance is available in [participating communities](#), but is not required by regulation in these zones. Nearly 25-percent of all flood claims filed are for structures located within these zones.

ZONE	DESCRIPTION
B, X (shaded)	Moderate risk areas within the 0.2-percent-annual-chance floodplain, areas of 1-percent-annual-chance flooding where average depths are less than 1 foot, areas of 1-percent-annual-chance flooding where the contributing drainage area is less than 1 square mile, and areas protected from the 1-percent-annual-chance flood by a levee. No BFEs or base flood depths are shown within these zones. (Zone X (shaded) is used on new and revised maps in place of Zone B.)
C, X (unshaded)	Minimal risk areas outside the 1-percent and .2-percent-annual-chance floodplains. No BFEs or base flood depths are shown within these zones. (Zone X (unshaded) is used on new and revised maps in place of Zone C.)

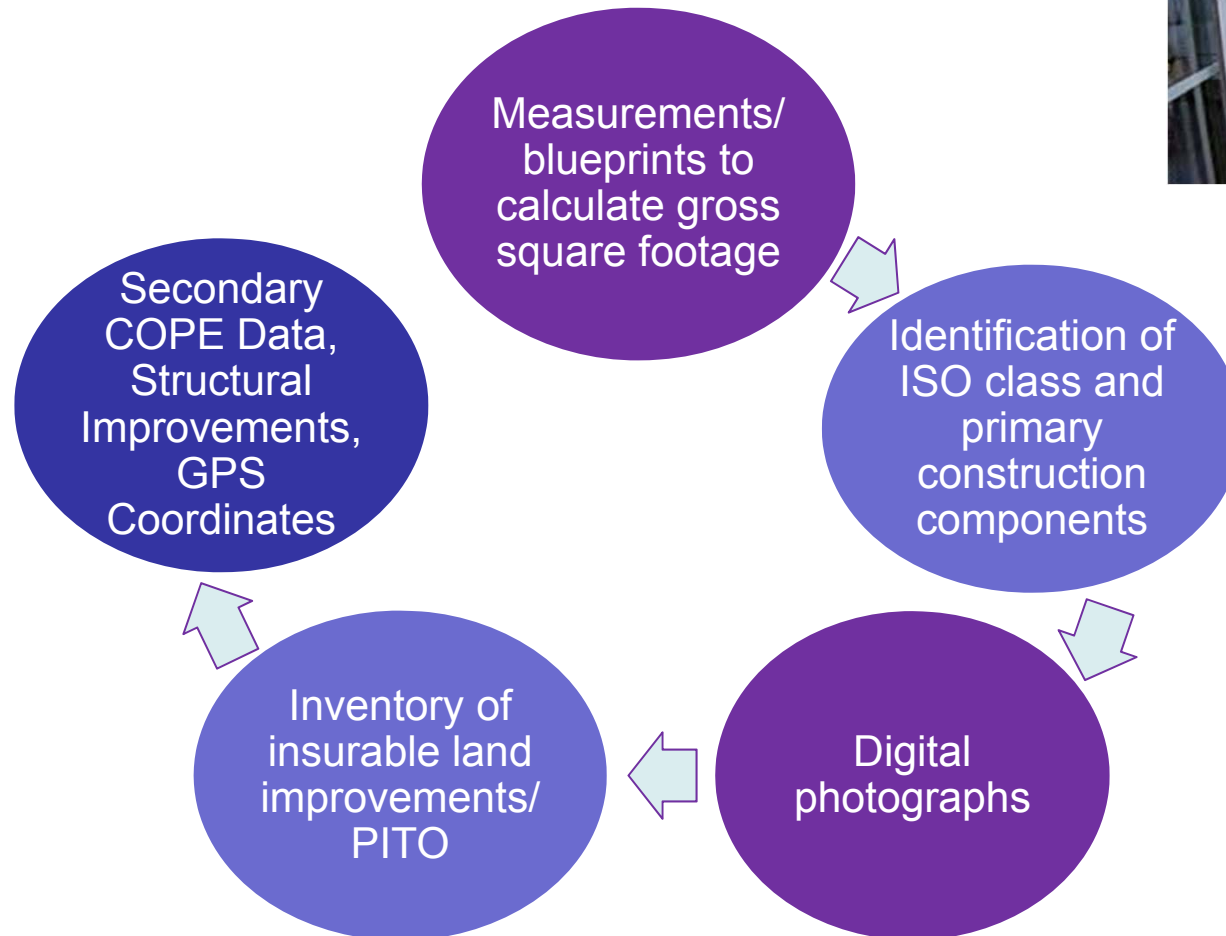


Flood Zone Designations & Mapping

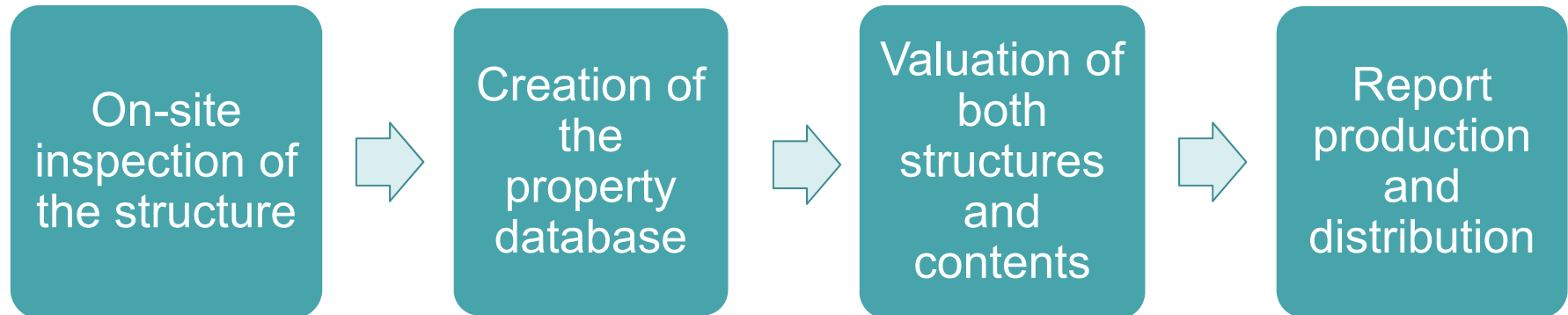


What does a Property Appraisal Entail?

- On-site inspection of the structure



What does a Property Appraisal Entail?



Implement a system to manage the property database and perpetuate building values moving forward.



Calculating Content Values

- Based on a “modeling” approach that was developed to meet the valuation needs of public entities without the extensive time required for a detailed inventory.

Computer Models

- AssetWorks utilizes models of more than 100 building types and their contents.

Field Inspection

- A field inspection of each building is conducted and the building’s contents will be identified.

Estimate Value of Content

- We estimate the value of contents in a particular building by taking a square foot equipment index of a like facility and applying it to the calculated area of the building.



Calculating Content Values



Equipment Values

- **Equipment values** may adjust to account for variations in density and quality of equipment present.



Special Consideration

- **Special consideration** is given to buildings with specialty equipment (water, sewer, utilities, etc.), where content value can vary greatly.



Results of an Onsite Appraisal – Case Study

Property Schedule Prior to Appraisals

420 Structures Listed on the SOV

\$230,946,800 – Building Value

\$106,418,900 – Personal Property

\$337,365,700 – TIV

Property Schedule After Appraisals

879 Structures Actual

\$440,558,050 – Building Value

\$159,981,100 – Personal Property

\$600,539,150 – TIV



Results of an Onsite Appraisal – Sample Report

01/25/2010
DBU12X

Sample Entity - USA
Building Detail Report

As of: 01/31/2010
Page: 1

Entity: 001 SAMPLE ENTITY USA
Site: 008 SAMPLE HISTORICAL STRUCTURE
Building: 001 HISTORICAL STRUCTURE
 200 ANY STREET
 ANY CITY, US 00000
Department: 2010 2010 APPRAISAL
Year Built: 1929 **Year Acquired:** 1929
Nbr. of Stories: 2 **Square Footage:** 15,920
Basement: YES **Adds/Renovations:** YES
Occupancy: HISR HISTORICAL RESIDENCE
Frame Type: JM JOISTED MASONRY
ISO Class: 2 JOISTED MASONRY
GPS Latitude: 00 00.001N
GPS Longitude: 000 00.002W
Flood Zone: X
Fire Protection: FIRE ALARM - MANUAL
 FIRE ALARM - AUTOMATIC
 SPRINKLER SYSTEM
 INTRUSION SYSTEM



GENERAL BUILDING CHARACTERISTICS

Exterior Walls: STONE ON MASONRY, NATIVE STONE
Roofing: SLATE, TERRA COTTA
Foundation: CONCRETE FOUNDATION WALLS, CONCRETE FOOTING FOUNDATION
Floor Finish: BRICK, WOOD
Ceiling Finish: PLASTER, WOOD
Partitions: WOOD PANELING ON STUDS, BRICK

Services:
 ELECTRICAL
 PLUMBING
 HEATING - CENTRAL (HOT WATER)
 AIR CONDITIONING - CENTRAL

Features:
 BUILT-INS (CABINETS, LOCKERS, BOOKCASES)
 COVERED ENTRANCE WAY
 COVERED WALKWAY
 WINDOW TREATMENTS

Notes:

HISTORIC LANDMARK - CITY HISTORY AND LANDMARKS FOUNDATION. ORNATE WOOD WALLS, DECORATIVE PLASTER AND WOOD CEILING, DECORATIVE CONCRETE ARCHITECTURE, 8 FIREPLACES, CHANDALEERS, STAINED GLASS WINDOWS, CARVED WOOD MANTLE AND FIREPLACE BACK DROPS, CROWN MOLDING, ETC. ARTWORK INSURABLE VALUE SEPARATE FROM STANDARD CONTENTS.

VALUATION CONCLUSIONS

Replacement Cost New:	4,753,100
Exclusion Amount:	285,230
Replacement Cost Less Exclusions:	4,467,870
Contents Value:	313,500
Artwork:	2,000,000

Results of an Onsite Appraisal – Secondary COPE Data

03/03/2009
DS01

Sample School District
Building Secondary COPE Characteristics Report

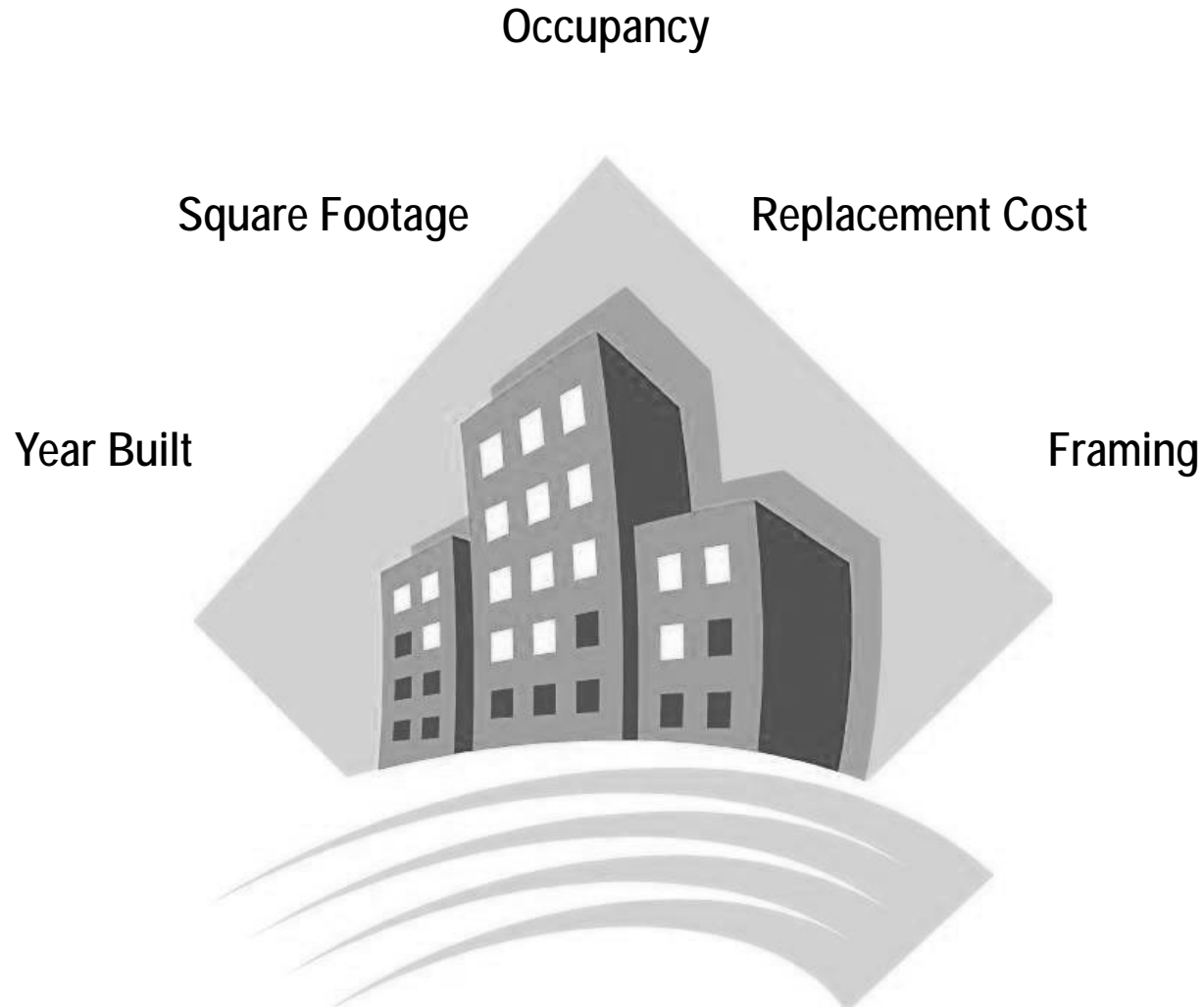
As of: 12/31/2008
Page: 1

Entity:	001	ELEMENTARY SCHOOL	Building:	003	CLASSROOM WING (KA-KB)
Site:	08	ELEMENTARY SCHOOL #1			1234 MAIN STREET
Department:	00	NONE			ANYTOWN, CA 90000

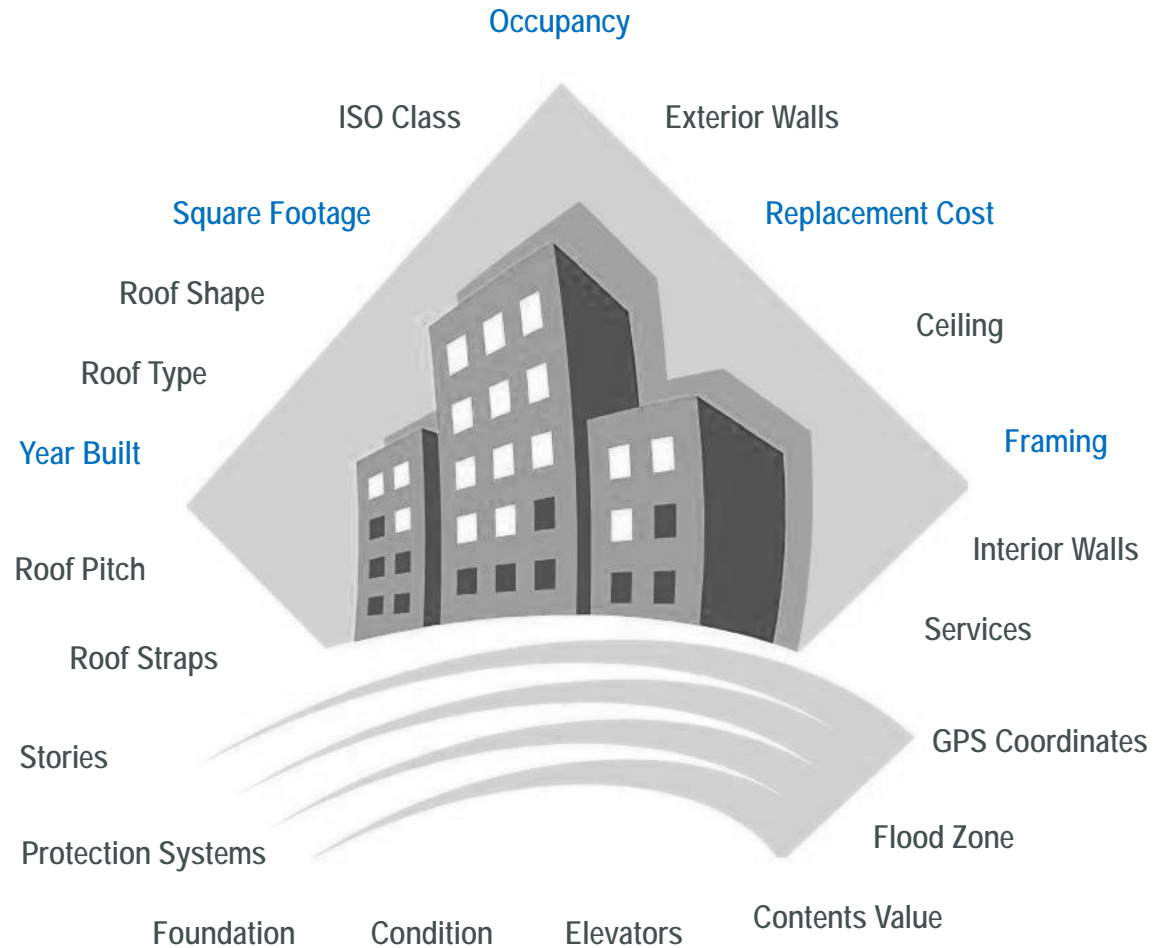
Earth Quake	Code	Description	Wind Storm	Code	Description
Setbacks & Overhangs	1	No	Cladding Type	0	Unknown
Cladding Type	1	No Cladding	Wind Resistance - Windows	1	Engineered Shutter
Ornamentation	2	Average	Roof Framing Type	3	Light Gauge Steel Purlins
Pounding	0	Unknown	Roof Geometry	9	Braced Gable - High Pitch
Rooftop Tank	1	No	Architecture Elements	0	Unknown
Shape Configuration			Mechanical & Electrical (Ground Level)	0	Unknown
Building Exterior	0	Unknown	Mechanical & Electrical (Building Side)	1	None
			External Ornamentation	2	Little Ornamentation
			Wind Resistance - Doors	3	Not Designed for Wind Protection
			Roof Parapets	0	Unknown
			Roof Covering	0	Unknown
			Flood Protection		
			Roof Age	2	Five to Ten Years

General Data	Description
Distance to Nearest Fire Hydrant	NONE
Distance to Nearest Fire Department	500 MI.
Distance to Nearest Ocean or Gulf	1,000 MI.
Year of Last Electrical Upgrade	2008
Year of Last Plumbing Upgrade	2008
Year of Last HVAC Upgrade	2008
Year of Last Roof Replacement	2008

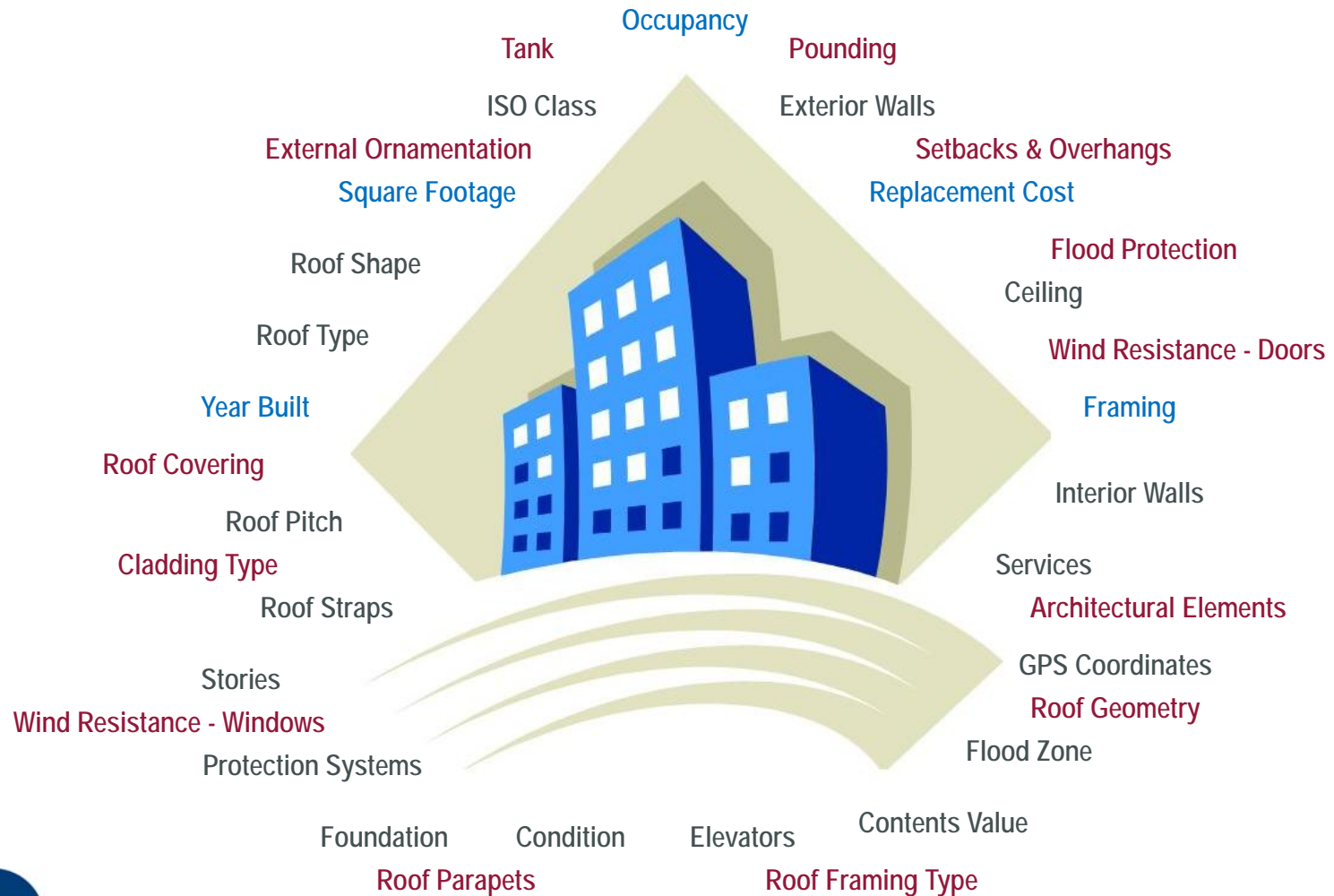
Basic Underwriting & COPE Data



Supplemental Underwriting Data



Enhanced Underwriting & CAT Modeling Data



The Simple Light Pole

Example

Concrete Base w/
Metal Pole

15' @ \$97/lin. Ft.

Pole = \$1,455

1 Fixture (\$1,545)

Total Value = \$3,000



The Complex County Courthouse



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The Complex County Courthouse

Rare & Unique Construction Components

- Highest concentration of **Scagliolia** in the world. (Plaster construction material designed to look like marble).
 - Worked with the Scagliolia Co. of Leeds, England to establish values
- **Muller Tile Floors** – No longer made as company does not exist and existing tile is from original construction in 1902.
 - Worked with Image Tile of Bloomfield, NJ to establish reproduction value.



The Complex County Courthouse

Item	Cost	% of Cost
Foundations	\$ 1,251,100	1%
Frame & Exterior	\$ 25,257,000	22%
Roof	\$ 3,346,000	3%
Interior	\$ 30,428,000	27%
Services	\$ 10,212,000	9%
Features	\$ 11,873,000	10%
Adjustments	\$ 32,288,000	28%
Total Value	\$114,655,000	100%
Cost Per Sq. Ft.	\$ 780.35	Full CRN

* Cost comparative methodology would suggest \$350 per square foot which would result in a \$63M discrepancy in the event of a loss.



Unique Structures Causing Valuation/Underwriting Challenges

U.S. Space & Rocket Center Dormitory – Huntsville, AL



Unique Structures Causing Valuation/Underwriting Challenges

Hydroelectric Dam – Spokane, WA



Unique Structures Causing Valuation/Underwriting Challenges

Astoria Column



Unique Structures Causing Valuation/Underwriting Challenges

The Oregon (Oswego) Furnace, built in 1866, is the only surviving charcoal iron furnace in the western United States.



Unique Structures Causing Valuation/Underwriting Challenges

End of the Oregon Trail Interpretive Center

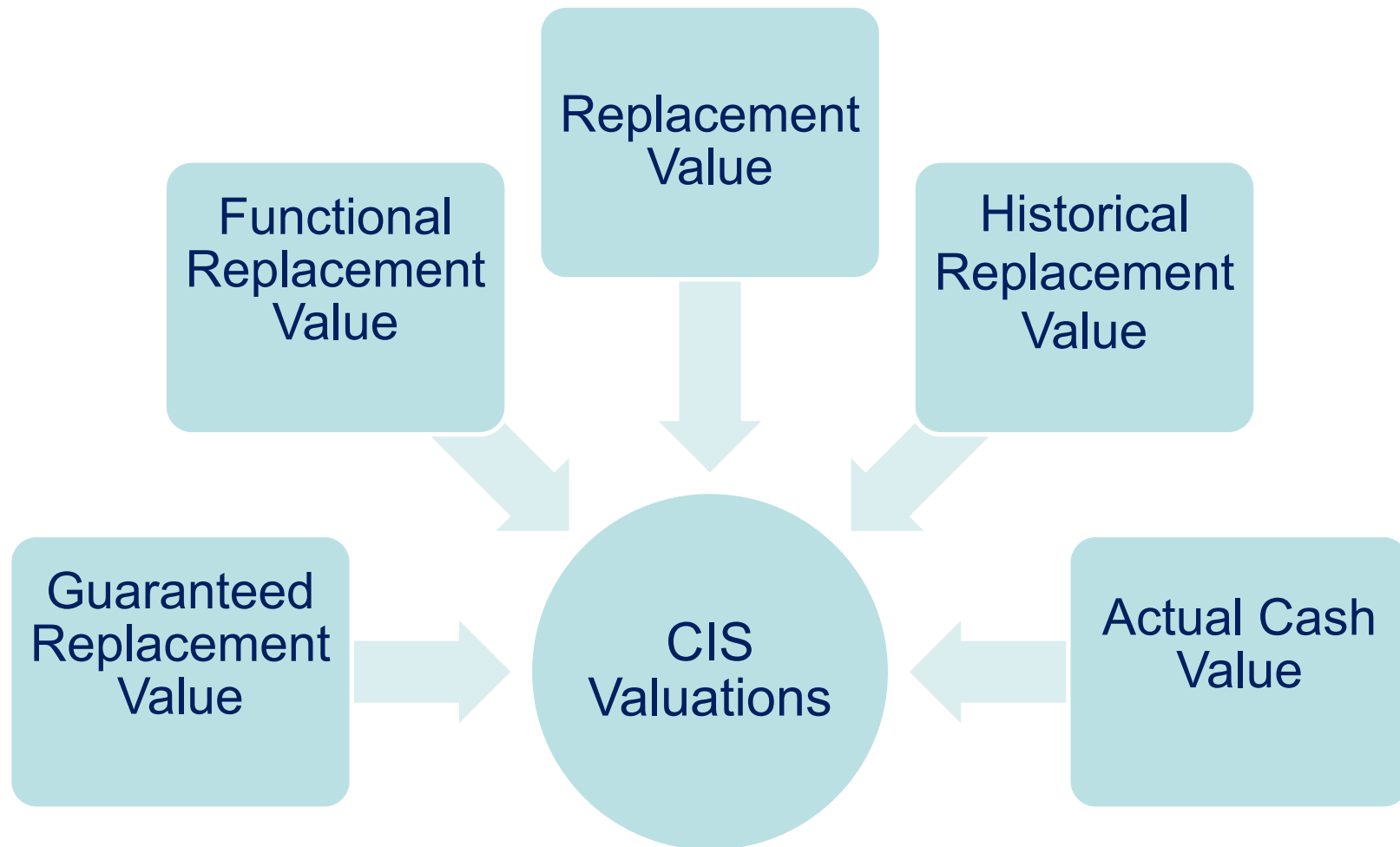


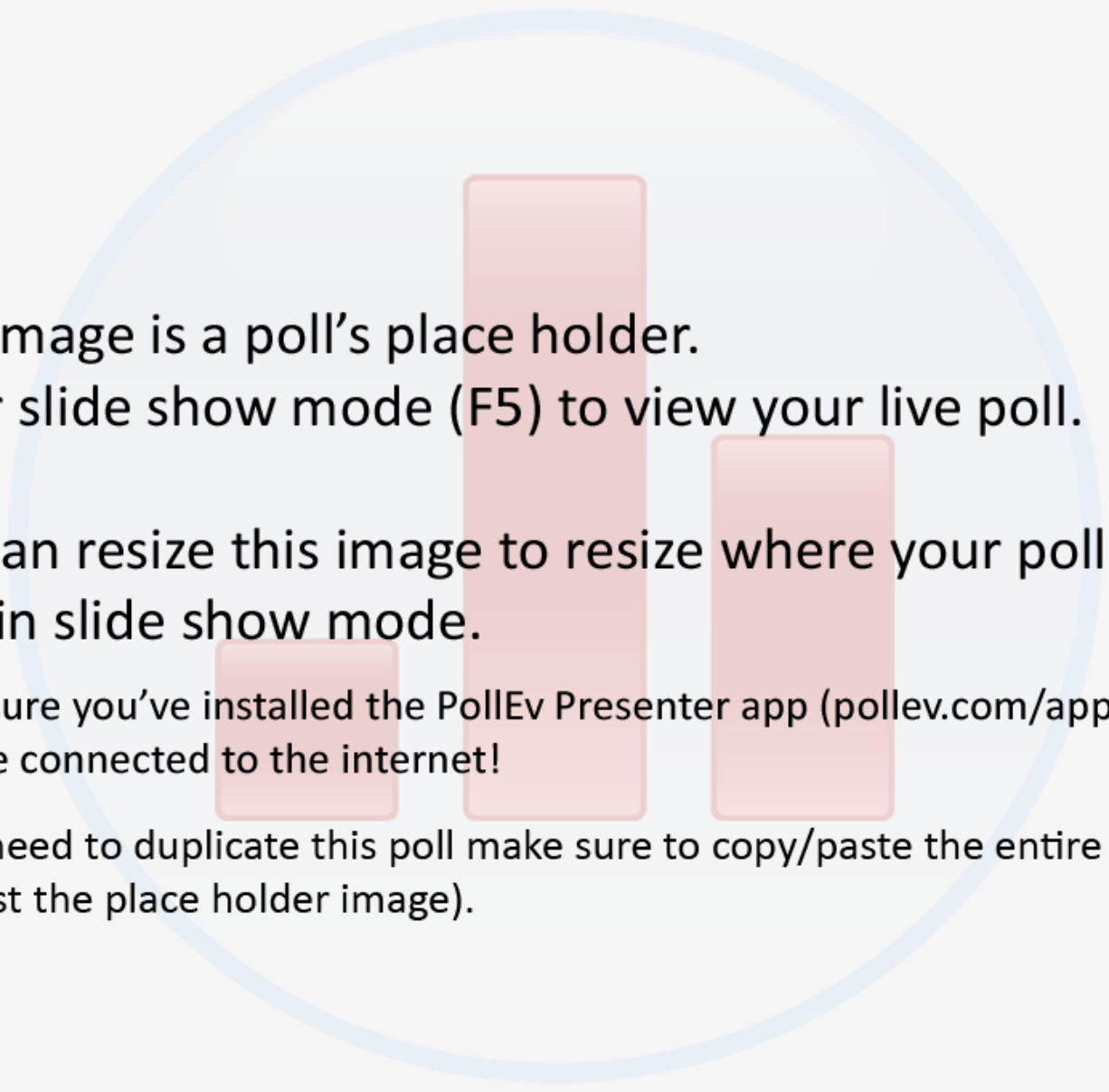
Unique Structures Causing Valuation/Underwriting Challenges

Treatment Plants – Always a challenge



CIS Valuations





This image is a poll's place holder.
Enter slide show mode (F5) to view your live poll.

You can resize this image to resize where your poll will load in slide show mode.

Make sure you've installed the Pollev Presenter app (pollev.com/app) and are connected to the internet!

If you need to duplicate this poll make sure to copy/paste the entire slide (not just the place holder image).



THANK YOU!

“ Unfortunately, it is too often only after a loss occurs that the agent/broker learns what he or she should have known previously! ”



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Contact Information

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HEALTHCARE REFORM:

The Fun Has Just Begun!



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Agenda

- Healthcare Reform
 - The basics
 - The impacts for your public entity clients
 - What CIS is doing
- CIS Benefits offerings



The most
important thing
to remember?



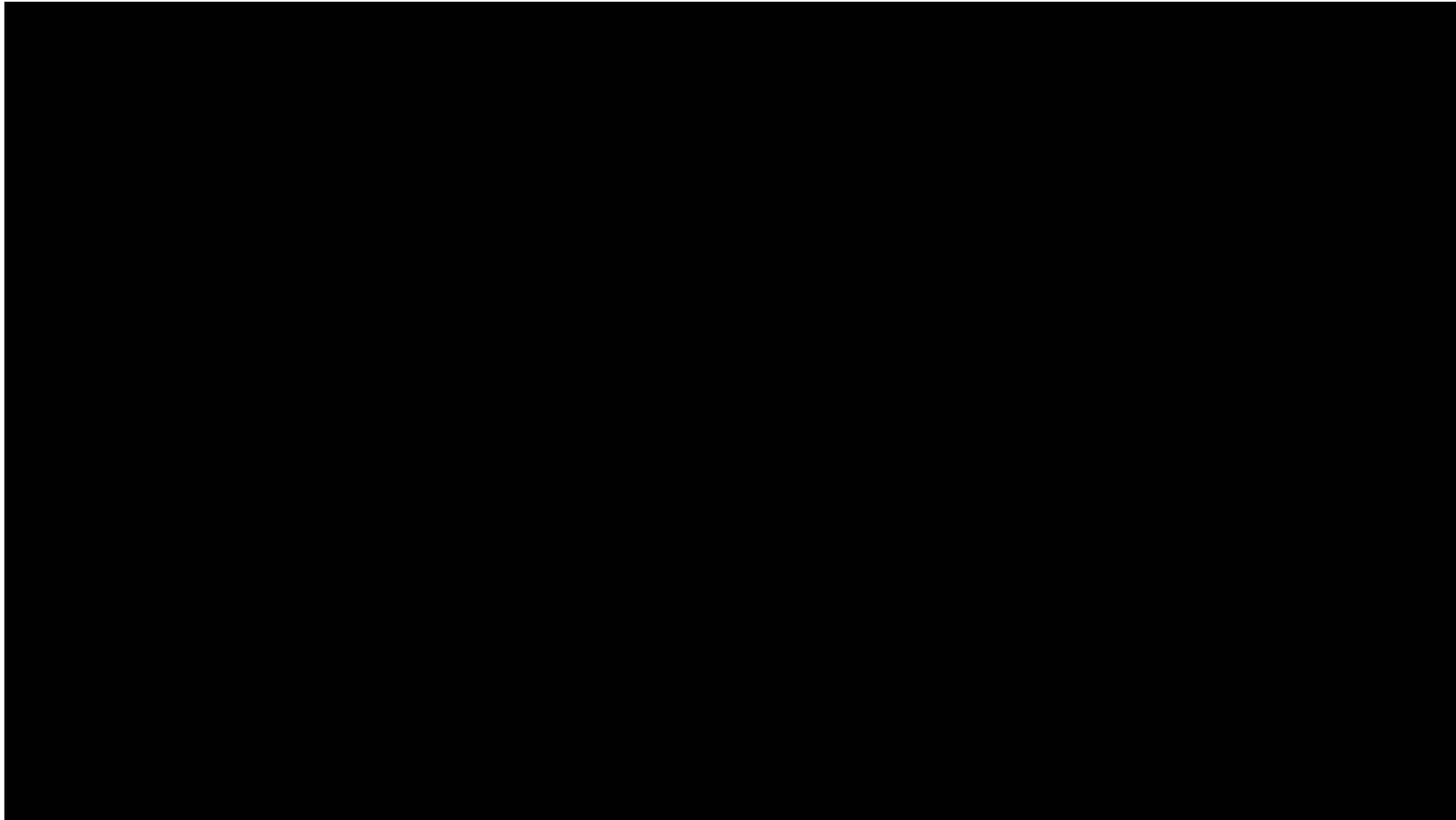
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Don't shoot the messengers!



The Basics

<http://youtu.be/JZkk6ueZt-U>



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Some More Basics

Essential Health Benefits

Comprehensive package of items & services that have to be offered in individual and small group market, in and out of the exchanges.

Minimum Essential Coverage











The type of coverage an individual needs to have to meet the individual responsibility requirement under the Affordable Care Act. This includes individual market policies, job-based coverage, Medicare, Medicaid, CHIP, TRICARE and certain other coverage.

Minimum Value

The requirement that a plan will pay at least 60% of the “allowed costs.”



EHBs: 10 categories

- ✓  Ambulatory patient services;
- ✓  Emergency services;
- ✓  Hospitalization;
- ✓  Maternity and newborn care;
- ✓  Mental health and substance use disorder services, including behavioral health treatment;
- ✓  Prescription drugs;
- ✓  Rehabilitative and habilitative services and devices;
- ✓  Laboratory services;
- ✓  Preventative and wellness services and chronic disease management; and
- ✓  Pediatric services, including oral and vision care.





EXPLORE
COVERAGE

GET
STARTED

LEARN
MORE

GET HEALTH INSURANCE

Phone | Languages | Help

Welcome to Cover Oregon

We believe health insurance should be affordable, flexible and accessible to everyone. So we've made it easy for Oregonians to compare and enroll in health insurance plans that fit their needs and budget. Explore our website to learn more!



Get Started Today

Cover Oregon Certified Agents and Community Partners are your gateway to easy enrollment in health insurance. Find one near by to help you get started today — it's free.

Enroll Online—Coming Soon

Online enrollment is coming soon! Sign-up to receive an email notification when it's available.

- ▶ [Sign up](#)
- ▶ [Get help now](#)

Browse Plans

Looking for an individual policy or a plan for a business? Feel free to browse your plan options.

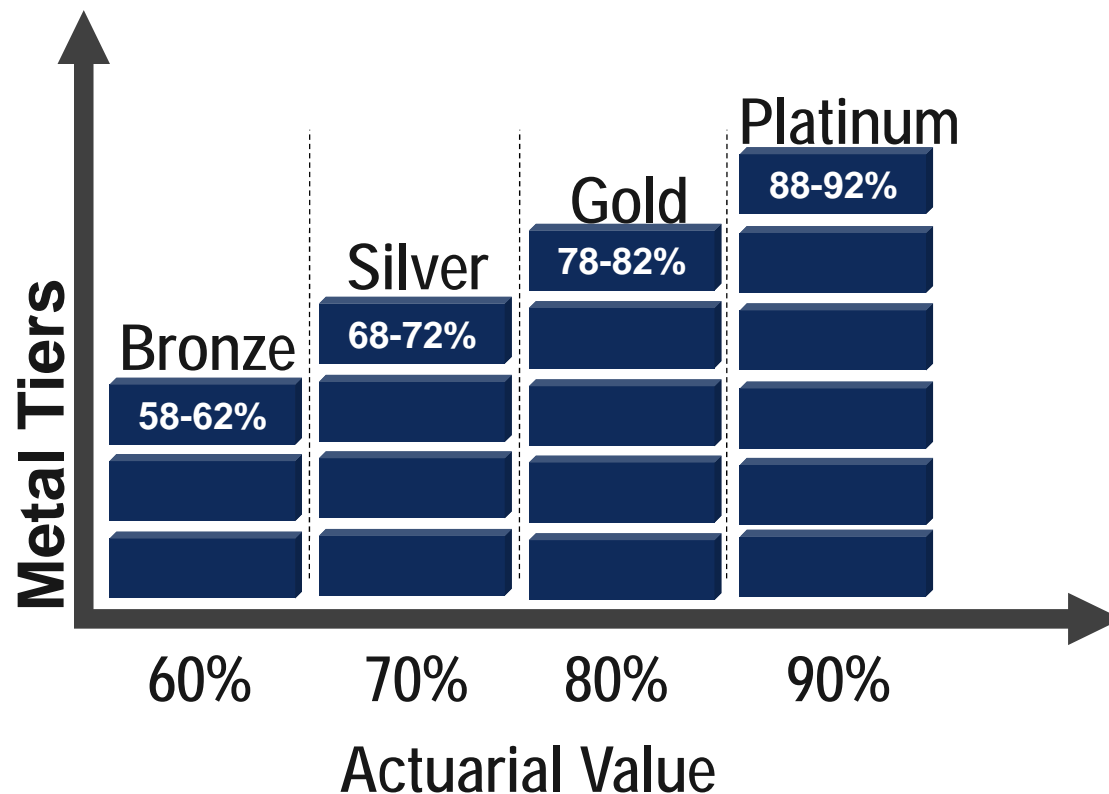
- ▶ [Browse individual plans](#)
- ▶ [Browse employer plans](#)



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Actuarial Value (AV) & Metal Tiers

- Actuarial value is the expected % of in network health care costs a health plan will cover based on cost sharing provisions (i.e. deductible, copay, coinsurance, out of pocket maximums)
- Cover Oregon & small group plans must fit in these tiers



[UPDATE YOUR ENTRIES](#)
[FINANCIAL SAVINGS](#)

Annual estimated tax credit
\$1,462

Monthly estimated Advanced Premium Tax Credit
\$122

What does this mean?

Your monthly plan premium (shown on the right) will be reduced by the dollar amount of the monthly estimated advanced premium tax credit (shown above).

When you choose to enroll in a plan, you will be able to apply your advanced premium tax credit amount to the premium cost and see how much you will owe each month.

[VIEW ALL PLANS](#)
[FILTERS](#)

Browse plans

Based on the information you entered, the plans listed below should be available to the people in your household. The premium costs you see below are only estimates and do not factor in any financial savings you might get.

1 - 10 of **72** plans

10 per page

Price: High to Low

« Previous

Next »

\$308
per month



Compare

HEALTH CO-OP SIMPLEGOLD PPO
99389OR0060001-01

DEDUCTIBLE (I): \$1,500^c
DEDUCTIBLE (F): \$3,000^c
OOP MAX (I): \$6,350
OOP MAX (F): \$12,700
PLAN LEVEL:



GOLD

[VIEW DETAILS](#)

\$306
per month



Compare

FOUNDATIONCARE GOLD PLAN EPO
96383OR0050002-01

DEDUCTIBLE (I): \$3,000^m
DEDUCTIBLE (F): \$6,000^m
OOP MAX (I): \$3,000
OOP MAX (F): \$6,000
PLAN LEVEL:



Who's eligible for a subsidy?

- Those who:
 - are between 133% and 400% of the federal poverty level and enroll in coverage through an Insurance Exchange,
 - are not eligible for coverage through a government-sponsored program like Medicaid or CHIP, **and**
 - are not eligible for coverage offered by an employer or are eligible only for employer coverage that is unaffordable or that does not provide minimum value.



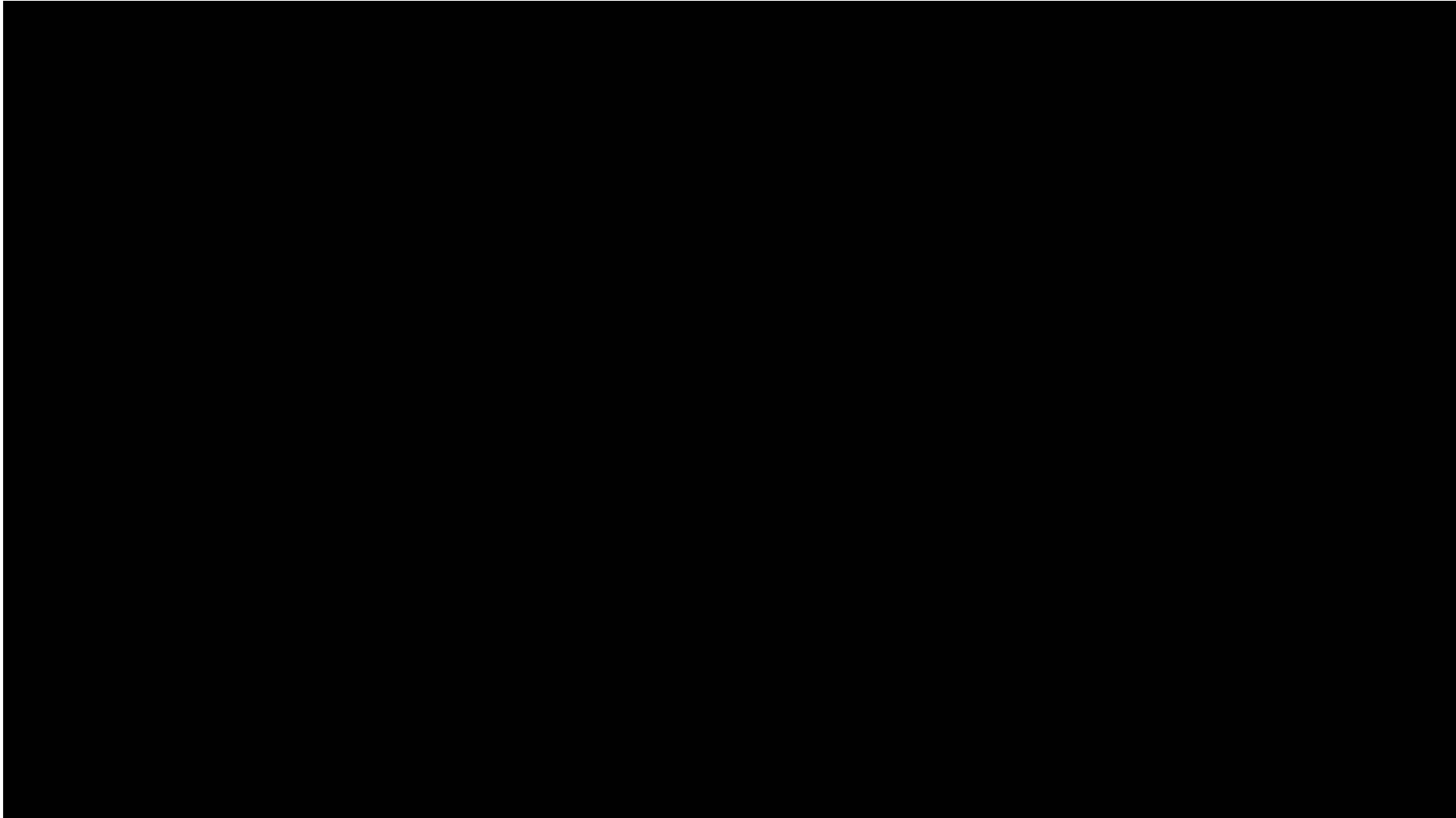
Exchanges – Premium Assistance

- Premium assistance is based on:
 - The cost of the second-lowest cost silver plan offered through the exchange, AND
 - The household income of the applicant
- Maximum premium allowed to charge is sliding scale from 2% (for 133% of FPL) up to 9.5% (300%-400% of FPL) of household income
 - Premium assistance covers the remaining cost
- Cost sharing assistance available up to 250% FPL



- **Example: Family of 4**
 - 2014 income: \$73,273 (317% FPL)
 - Silver level plan cost: \$12,250
 - Premium Assistance: \$5,290 (covers 43% of premium)
 - Family premium cost: \$6,960 (covers 57% of premium)





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The Price of Reform



The Price of Reform

- 2014-16 federal Transitional Reinsurance fee
 - \$5.25 per life, per month – expected to raise \$12 billion
 - Should decrease in 2015 and 2016
- Oregon Supplemental Reinsurance fee (HB 3458)
 - Merger of existing programs with exchange
 - OMIP fee eliminated
 - \$4 per life, per month, 2014; \$3.50 in 2015, \$2.20 in 2016
- Both effective January 1, 2014



The Price of Reform

- Health Insurer Tax:
 - Effective Jan. 1, 2014; no end date
 - Paid by insurers... but passed along to insureds
 - Assessed on fully-insured plans; self-funded plans not subject
 - Further clarification sought on governmental health pools
 - Estimated at 2%
 - Need to raise \$8 billion nationwide in 2014; increases thereafter - \$14.3 billion in 2018
 - Cost to each insurer will be determined proportionally



The Price of Reform

- Patient-Centered Outcomes Research Institute (PCORI) fee
 - Implemented for plan years beginning 10/1/12
 - Continues for 7 years
 - Initially \$1/year x average number of employees; now \$2
 - Applies to both fully-insured & self-insured



2018: “Cadillac Tax”



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2018: “Cadillac Tax”

A 40% excise tax on the portion of employer-sponsored health coverage that exceeds \$10,200 a year for single coverage and \$27,500 for families.

(Higher limits for “high risk” professions.)

Indexed to cost of living in 2019+



2018: “Cadillac Tax”



▶ Paid by plan sponsor or insurer

▶ Passed along to employer

Size Matters: Over or under 50 employees?

50 + = Large employer

Under 50 = Small employer



Under 50

Don't have to offer coverage, but if you do...

Plans, rating subject to small market rules

- Small group plans must include essential benefits
- Rating factors can only be age, gender, tobacco use, geography; Oregon does NOT include gender
- Not applicable if group participates in a *bona fide association* treated as a large group (like CIS)

Eligible for Cover Oregon SHOP group plans

- But not small employer tax credit – only for business & 501(c) organizations
- Eligibility expands to groups up to 100 in 2016



Over 50

Subject to
Employer Shared Responsibility
Provision

aka “Play or Pay”



Employer Shared Responsibility

- Starting in ~~2014~~ 2015, an applicable large employer will need to **offer to its full-time employees affordable health coverage with minimum essential benefits in a plan that meets minimum value standards.**
- If **no affordable coverage** is offered and at least one full-time **employee receives a premium tax credit** for purchasing coverage through the Exchange, the employer may be subject to an **Employer Shared Responsibility** penalty.



2014 (or 2015...) Changes



Delayed until January 1, 2015

- For large employers (50+):
 - Shared Responsibility Provision (“Play or Pay”)
 - Employer reporting
 - “30 hour rule”



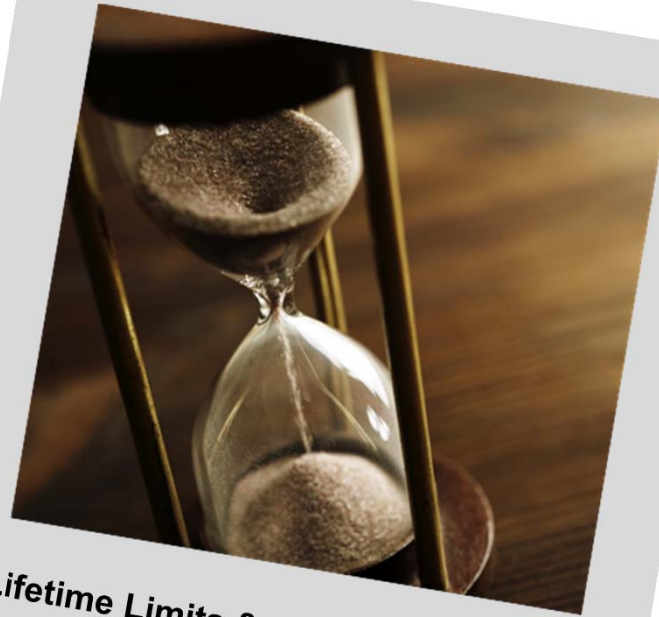
Not Delayed

- Individual mandate
- Benefit changes
- New fees/taxes





ACA Benefit Changes for 2014



Lifetime Limits & Waiting Periods

1 Lifetime limits

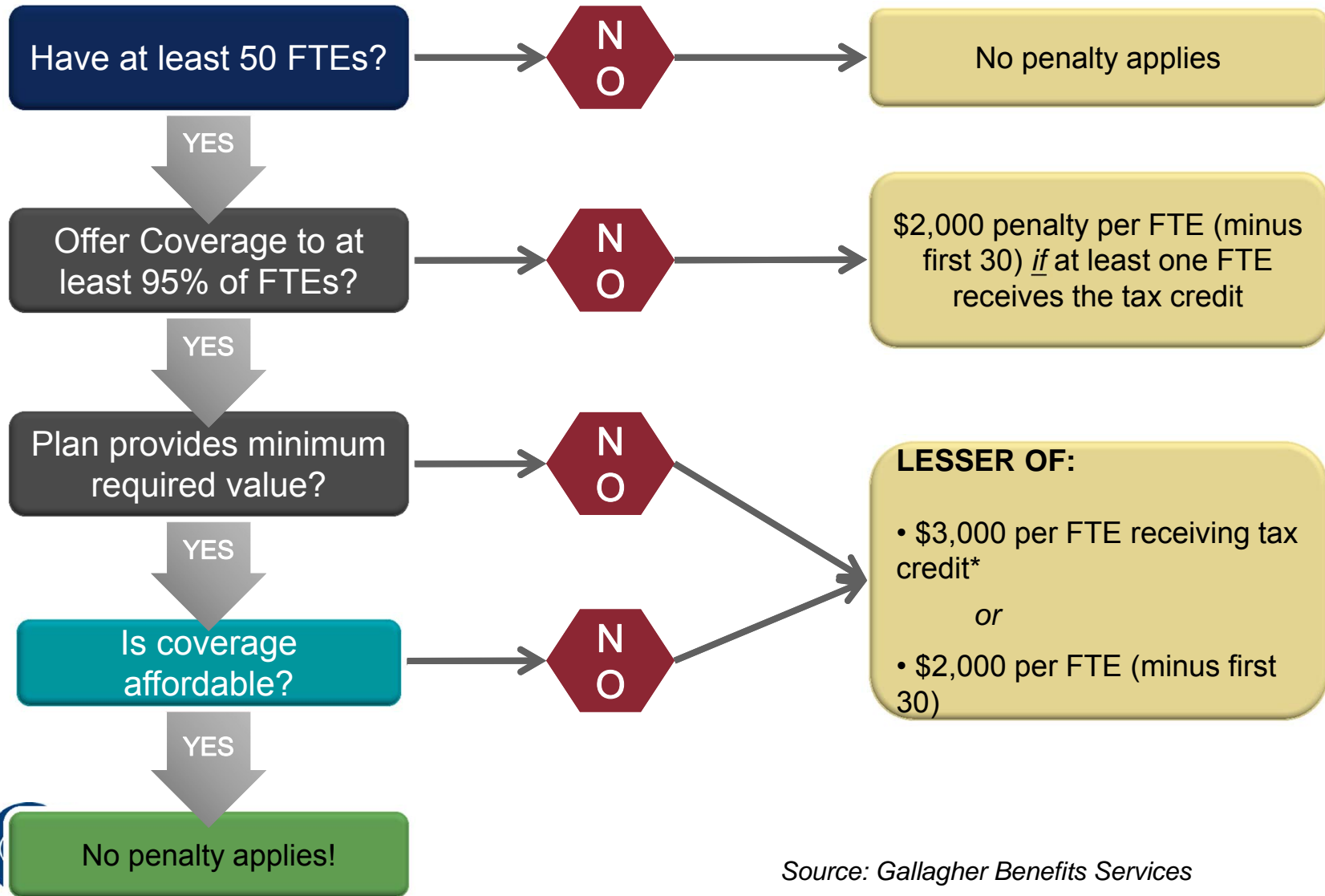
are removed; annual limits on Essential Health Benefits are also prohibited.

2 Waiting periods

for medical/vision/dental plans cannot exceed 90 days; coverage must be effective within 90 days of hire.



Healthcare Reform: Planning for 2015



Source: Gallagher Benefits Services

What's the plan's value?



HHS: Actuarial Value Calculator & Minimum Value Calculator



Minimum value = 60%



Virtually all public employer plans will exceed minimum value



Example: CIS HDHP2 (\$2,500 deductible) = 73.7%



What is affordable?

- For employees at 400% of Federal Poverty Level, coverage for which the employee's premium cost does not exceed 9.5% of family income
- Based on the lowest-cost plan offered by the employer, *whether or not the employee is enrolled in that plan*



What is affordable?

Example: single employee making \$45,960

- 1 Has medical coverage that meets standards
- 2 Employer pays 75% of employee-only coverage
- 3 Assume premium of CIS average of \$506.82/mo.
 - 9.5% of employee income = 363.95
 - Employee premium contribution = \$126.70

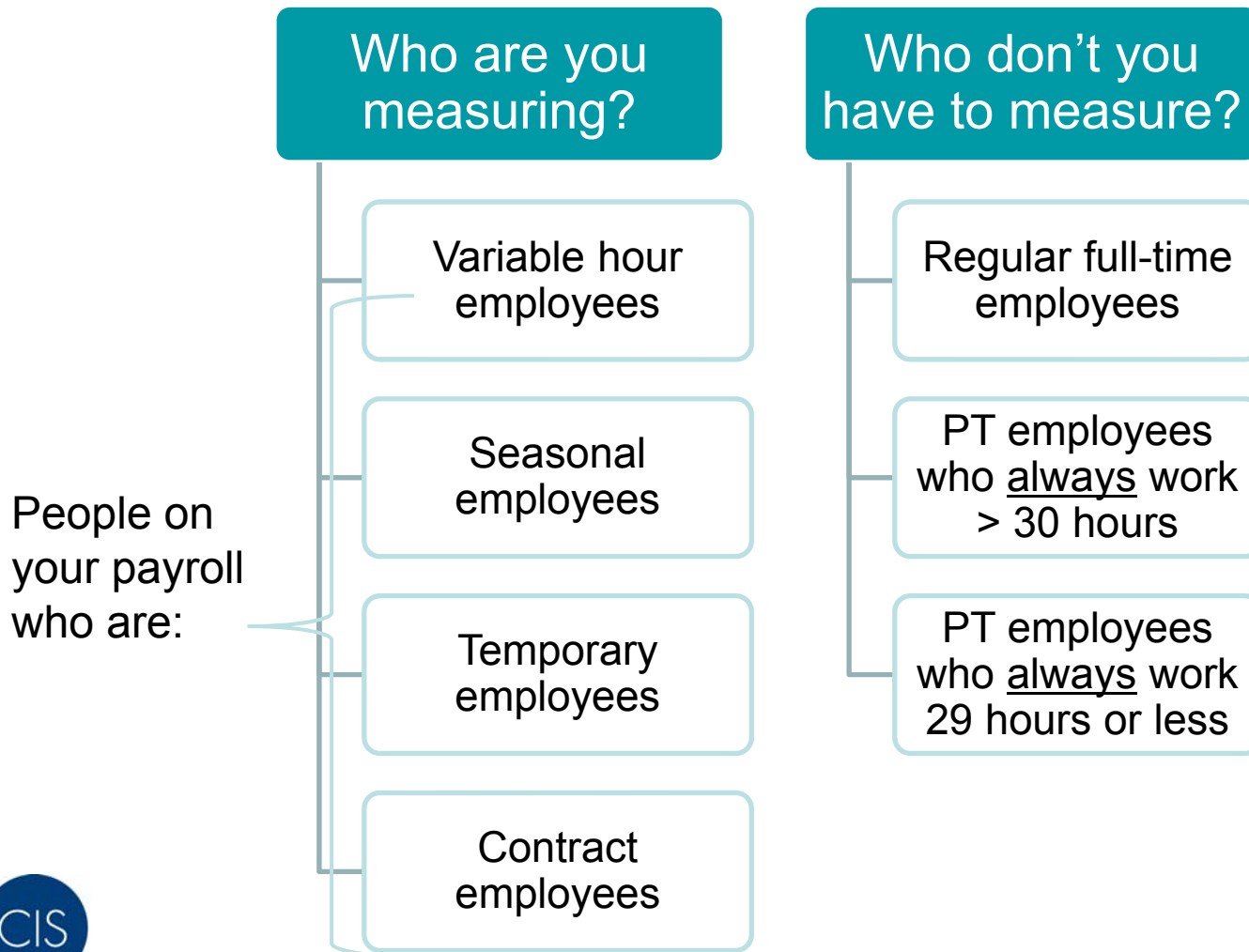
Result:

Employee has affordable coverage



WHO IS A FULL-TIME EMPLOYEE?

Time to measure...



MONTH	STANDARD	STANDARD	EXAMPLE NEW HIRE		
NOVEMBER 2013	<p>Standard Measurement Period (11/01/13 - 10/31/14)</p>				
DECEMBER 2013					
JANUARY 2014					
FEBRUARY 2014					
MARCH 2014					
APRIL 2014					
MAY 2014					
JUNE 2014				Example Hire Date: 06/16/2014	
JULY 2014					
AUGUST 2014					
SEPTEMBER 2014					
OCTOBER 2014					
NOVEMBER 2014	<p>Administrative Period (11/01/14 - 12/31/14)</p>	<p>Standard Measurement Period (11/01/14 - 10/31/15)</p>	<p>Unique Measurement Period (07/01/14 - 06/31/15)</p>		
DECEMBER 2014					
JANUARY 2015	<p>Stability Period (01/01/15 - 12/31/15)</p>				
FEBRUARY 2015					
MARCH 2015					
APRIL 2015					
MAY 2015					
JUNE 2015					
JULY 2015					
AUGUST 2015					
SEPTEMBER 2015					
OCTOBER 2015					
NOVEMBER 2015		<p>Administrative Period (11/01/15 - 12/31/15)</p>	<p>Administrative Period (07/01/15 - 08/31/15)</p>		
DECEMBER 2015					
JANUARY 2016		<p>Stability Period (01/01/16 - 12/31/16)</p>	<p>Stability Period (09/01/15 - 08/31/16)</p>		
FEBRUARY 2016					
MARCH 2016					
APRIL 2016					
MAY 2016					
JUNE 2016					
JULY 2016					
AUGUST 2016					
SEPTEMBER 2016					
OCTOBER 2016					
NOVEMBER 2016					
DECEMBER 2016					

Employer Reporting

- Employers will have to report certain information about health coverage to the government
- Applies to:
 - “Applicable large employers”
 - “Offering employers” that provide coverage if employee cost exceeds 8% of income
- Applies to coverage offered after Jan. 1, 2015
- First returns to be filed in 2016



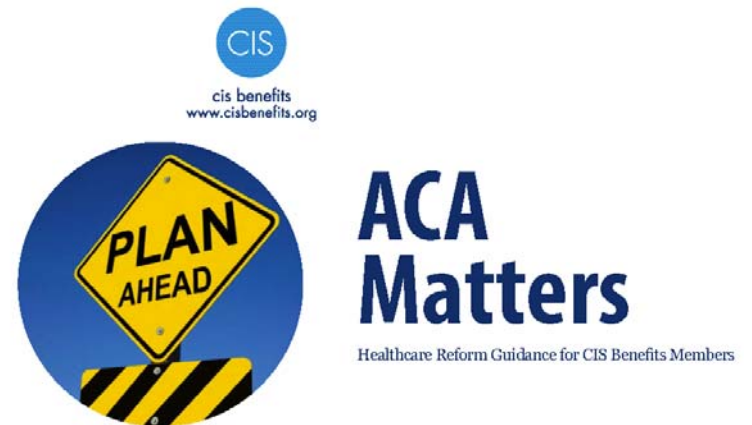
Helping Members with the ACA

CIS Benefits members receive at no charge:

- Training on ACA provisions
- Access to the CIS Affordable Care Act website
- “ACA Matters” newsletter
- “ACA Answers,” a service to provide answers to entity-specific ACA questions
- Templates for required employer notices to employees
- For large employers, a consultant-provided analysis of the impact of “Play or Pay” on the entity (valued at \$600).



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Issue 3, August 14, 2013

THIS INFORMATION IS FOR EMPLOYERS WITH 50 OR MORE FULL-TIME EMPLOYEES (INCLUDING FULL-TIME EQUIVALENTS)

“Play or Pay” : What it Means for Large Employers

By now, you've probably determined whether your entity is "large" – 50 or more employees – or "small" as defined by the federal Affordable Care Act (ACA). *The information in this newsletter applies only to large employers.*

When the ACA was enacted in March 2010, Congress knew that most employers with 50+ employees generally offer some employer-paid medical coverage to their workers. The ACA is designed to (a) encourage employers to continue providing coverage, (b) make the employee share of the premium "affordable", and (c) potentially provide coverage to more people.

Large employers that choose not to "play" as intended – those that reduce or drop coverage, or put a greater share of cost on employees – will potentially have to "pay" in the form of penalties. The mandate calls for penalties to be imposed if the employer doesn't offer "affordable" coverage to at least 95% of its employees

READ MORE ON NEXT PAGE

QUESTIONS?

Have questions about the information in this newsletter?

CIS and our benefit consultants at The Partners Group have teamed up to respond to your ACA questions. Send your question via e-mail to acaanswers@cisoregon.org. You'll receive an initial response within the next business day.

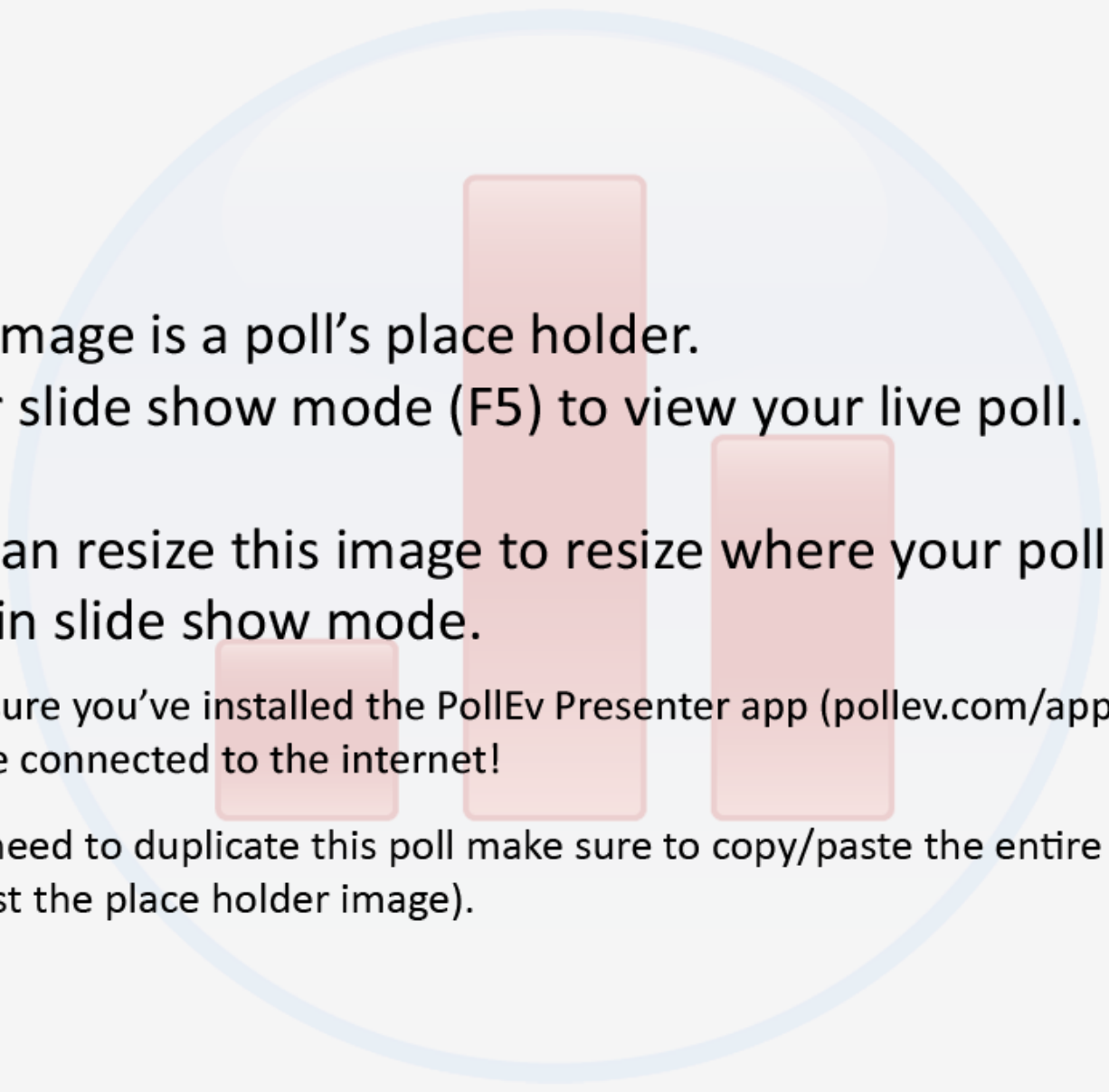
503-763-3800 800-922-2684
www.cisbenefits.org
1212 Court St. NE, Salem, OR 97301

CIS Benefits: Still a Great Value



- Below-market rate changes
- Benefits of self-insurance without the risks
- Transition options for large employers
- Great services, benefits for employees
- Value-added services, financial support for employers
- Agents welcome!





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Enter slide show mode (F5) to view your live poll.

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THANK YOU!



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CIS Underwriting Topics

- | | |
|--------------------------------------|-------|
| 1. New Bonus Program | Scott |
| 2. Risk Management Certification | Scott |
| 3. Risk Management Incentives | Scott |
| 4. Earthquake/Flood DIC Coverage | Scott |
| 5. Volunteer Management | Penny |
| 6. New Business Partnerships | Penny |
| 7. Renewal Update | Tena |
| 8. Scheduling Items | Tena |
| 9. Washington Comparisons | Tena |
| 10. Flood Coverage | Tena |
| 11. Underwriting Services Consultant | Debby |
| 12. Agent Toolkit | Debby |



Bonus Program - One Percent up to \$1,000



Executive Risk Management
Team (Liability)



On-line Learning (Liability)



Elected Official Training
(Liability)



Bonus Program - One Percent up to \$1,000



COOP Plan (Property)



Volunteer Management
Policy (Workers'
Compensation)



1. Executive Risk Management Team



Small Members may include elected officials as participants



2. On-Line Learning



- Learning Management Plan
 - Annual plan for required training for all employees
- Majority of staff have taken one online class from CIS Learning Center

OSHA's 2013 TOP TEN Most Frequently Cited Violations

- | | |
|---------------------------|-------------------------------|
| 1. Fall protection (C) | 6. Powered industrial trucks |
| 2. Hazard communication | 7. Ladders (C) |
| 3. Scaffolding (C) | 8. Lockout/tagout |
| 4. Respiratory protection | 9. Electrical: systems design |
| 5. Electrical: wiring | 10. Machine guarding |

C = Construction standard



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3. Elected Officials Training

Elected Officials Watch With Agent

- Intro to CIS video
- Intro to CIS Coverages
- Governing Basics
- Government Ethics
- Preventing Harassment & Discrimination
- OLLI/EO certification tracks



4. COOP Plan & Agility

Develop Continuity
of Operations Plan



Profile in Agility



One table top
exercise



5. Volunteer Management Program

Volunteer Policy & Volunteer Coordinator

Approved policy with volunteer management fundamentals & an assigned volunteer coordinator

Volunteer Roster

Active roster of all volunteers

Volunteer Resolution

Approved current volunteer resolution



Risk Management Certification



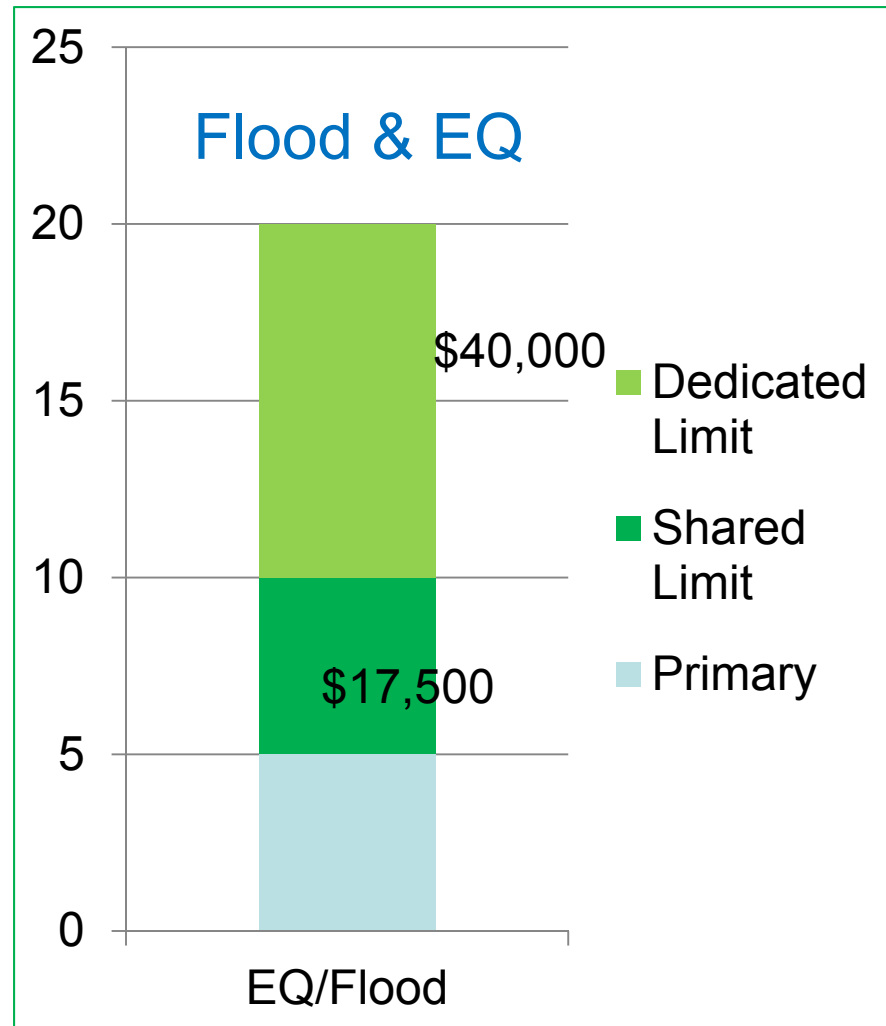
Risk Management Incentives

- All Members: 25% of Liability Contribution up to \$5,000
- For Members with over \$20,000 in Liability Contribution CIS will match up to \$2,500
- See CIS website: Risk Management Incentives
- Must use by May 2016



Earthquake & Flood DIC

- CIS has **six** \$10,000,000 blocks of DIC to sell. Dedicated limits for \$40,000.
- First come basis

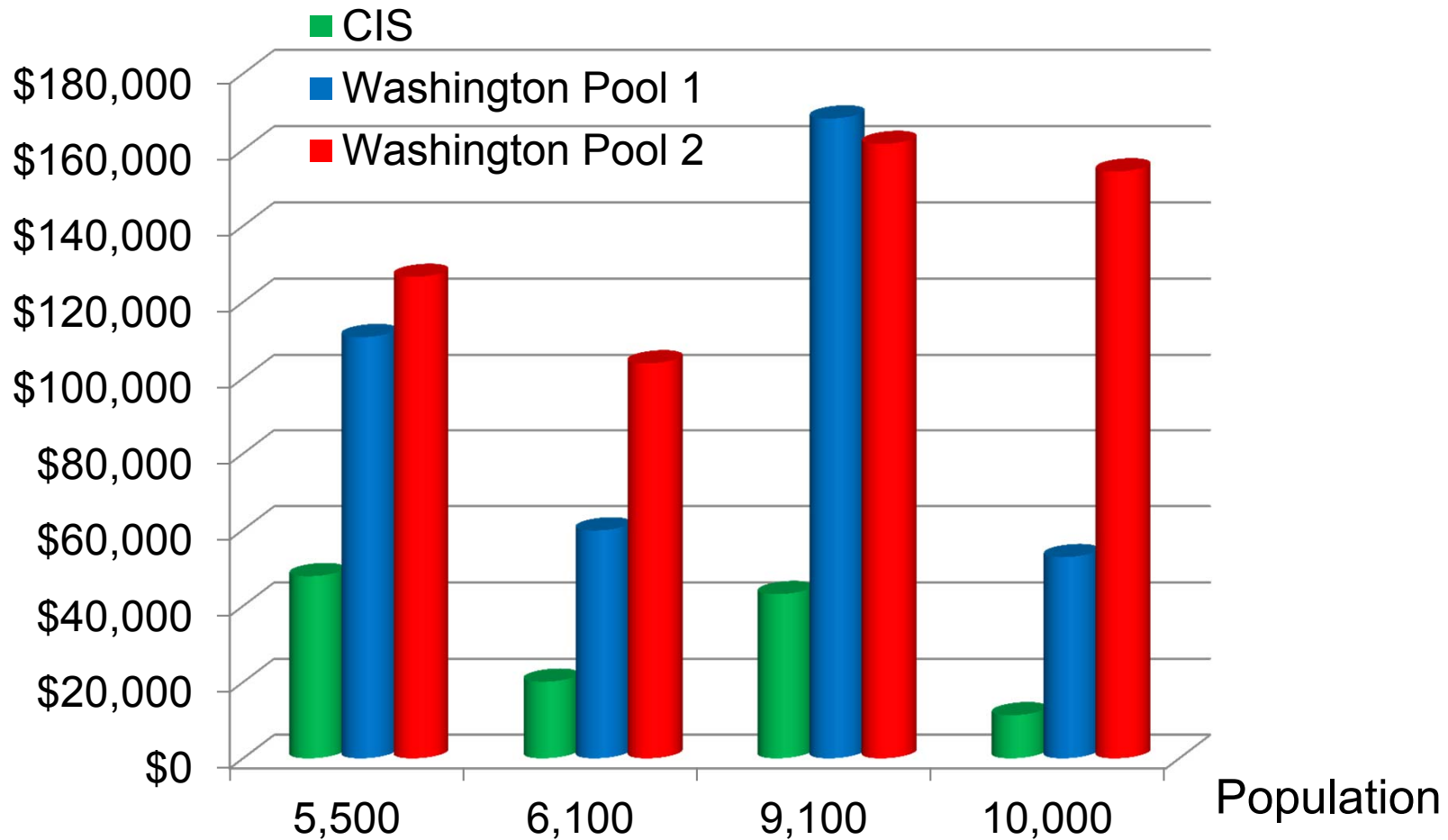


CIS Underwriting Topics

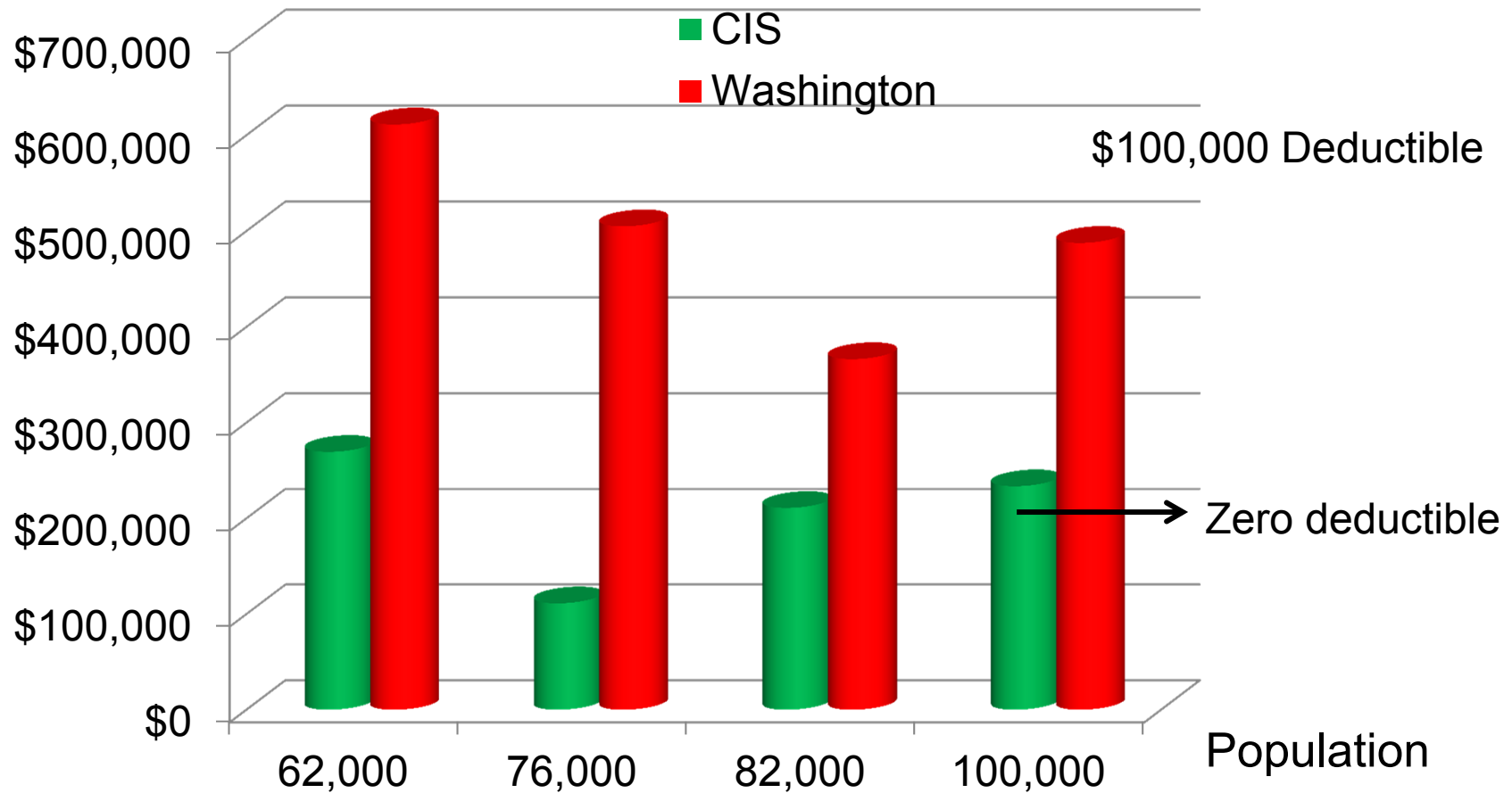
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Comparison of Cities Liability Contribution



Comparison of Counties Liability Contribution



CIS Flood Coverage

- Shared Limits
 - \$5m as sublimit of property coverage
 - Excess Flood available to purchase - \$500 per million
- \$10m DIC dedicated limits available to purchase at \$40,000
- Flood Deductible
 - \$25,000 in non-SFHA areas
 - \$500,000 in SFHA for properties eligible for NFIP
 - 5% for properties not eligible – minimum \$100,000



CIS Flood Coverage (cont'd)

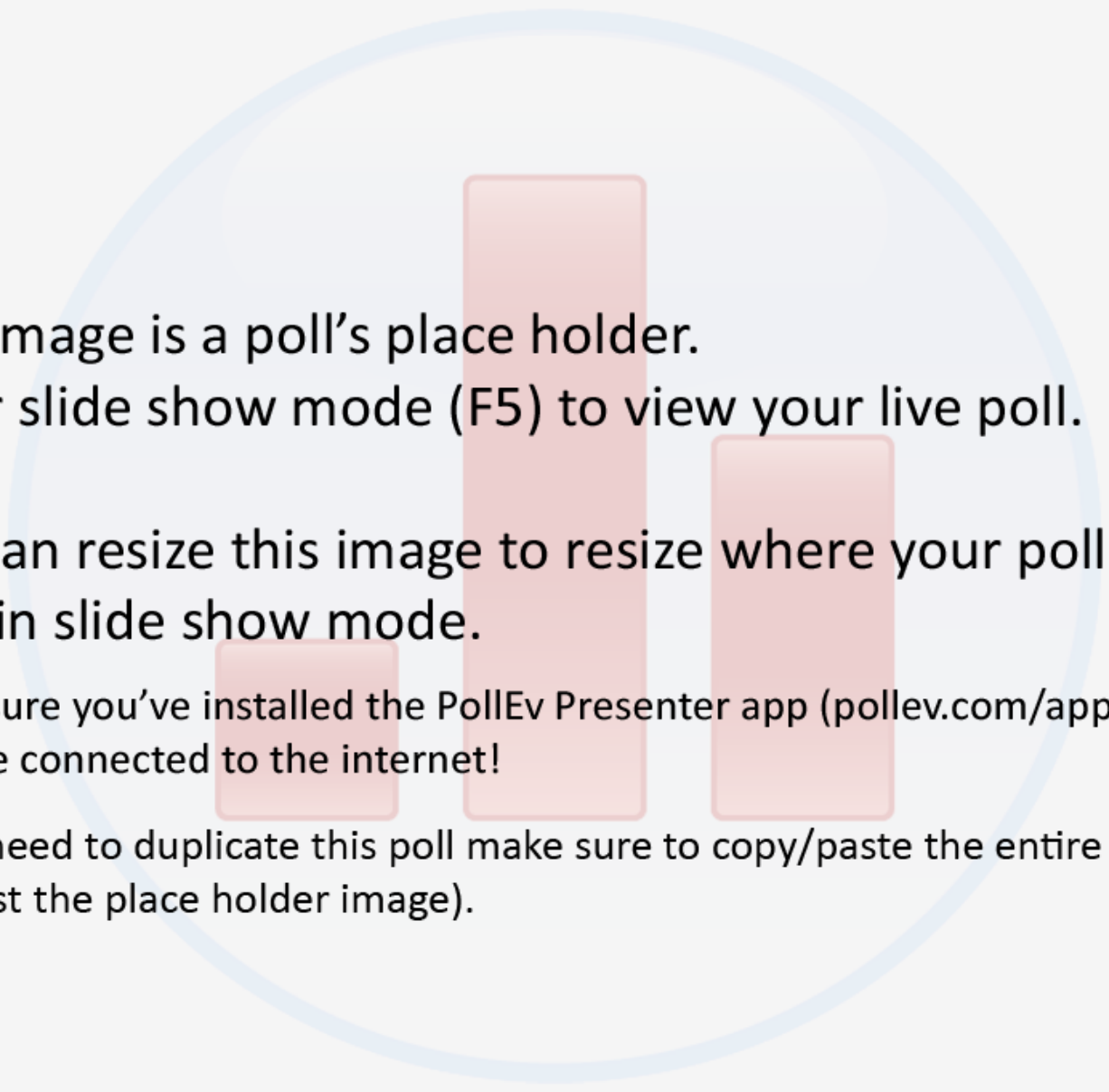
- Community must participate with NFIP for CIS flood coverage
- Cat Flood or Earthquake loss & basis of recovery
 - GRV drops to RV (110% of scheduled limit when occurrence exceeds \$100m)
 - Pool maximum exceeds \$200m, members loss recovery is prorated, except for members who purchase DIC dedicated limits.



CIS Underwriting Topics

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