

## James E. Krist—2015 H.H. Red Nelson Agent of the Year Award Recipient

Jamie Krist, MBA, CIC of West Des Moines, Iowa, was recognized at the Independent Insurance Agents of Iowa's 109th Annual Convention held September 16th in Altoona, IA by being honored for the prestigious H.H. "Red" Nelson Agent of the Year Award for 2015 (Posthumous). The Independent Insurance Agents of Iowa represents almost 680 member agencies in the state and over 10,000 licensed insurance agents.

Mr. Krist has been actively involved with the Association for a number of years having served on multiple committees including the Independent Agents of America National Technical Affairs Committee and Big I of Iowa Board of Directors in numerous capacities prior to his passing away March 31, 2015. Jamie received a presidential citation for his work within the insurance industry in 2013, and was instrumental in changes in the homeowners policy form change with the Insurance Services Office in regards to the "where you reside" issue as well as the Workers Compensation legislation for sole proprietors and single member LLC's, which passed unopposed in July 2015. Jamie was recognized for his leadership in his community and the insurance industry.

## 2015 New Staff!



**Ryan Edgington**

Ryan has almost 10 years Property and Casualty insurance sales background. He started his insurance sales career at Allied/Nationwide. Ryan then transitioned to State Farm and most recently was at Knapp Tedesco Insurance in Ames. While Ryan has extensive P&C background, he specializes in Workers Compensation where he works with clients/prospects to improve their experience mod by utilization of safety programs and strong risk management.

Ryan lives in Ames and will be specializing in the Ames area as well as northern Iowa. In addition to his professional experience, Ryan has a CWCA designation as well as his Series 7 and 66.

Val joins Krist as a Sr. Account Manager and a Certified Risk Manager (CRM). She has several years of Property and Casualty experience. Val was employed at Inspro from 2009 - 2015 as a Sr. Commercial Lines Account Manager. Prior to Inspro, she worked at Krist Insurance for five years.



**Valeri Eide**

In addition to her professional experience, Val has her CRM designation.

## Electronic Funds Transfers (EFT) and Insurance

In today's speed of doing business, we would like to revive the use of EFT's. Just like much of the rest of the world, the insurance industry has adapted to the changing financial marketplace and is making things more automated for items like endorsements and bill paying. The benefit of going to EFT to pay your insurance premiums are; avoiding cancellations for missing a bill by mail, avoiding installment fees, minimizing your down payment installment (commercial) and budgeting for the monthly withdrawal. Similar to how you pay other household bills, business bills and online purchases, take a look at setting up your personal or commercial policies on EFT to save on future headaches and streamline your time!

## Commercial Corner

### Independent Contractor or Employee? Why does it Matter?

In today's challenging fiscal environment, both federal and state governments are taking enhanced steps to combat employer misclassification. In 2012 and 2013 after hiring 300 additional investigators, the Department of Labor (DOL) collected more than \$18.2 million in back wages on behalf of 19,000 employees who had been misclassified. Recently the DOL has announced that it is providing \$10.2 million in funds to 19 states to enhance the misclassification auditing program and other initiatives aimed at cutting down on classification mistakes both unintentional and willful. Iowa is to add 90 new auditors. Because of this increase, employers should be concerned and diligent on how to efficiently handle this going forward.

Employers who classify an employee as an independent contractor see the following advantages:

- **Federal and State Tax**
- **Legal responsibilities related to labor laws including workers compensation**
- **Savings in the employer-based health and pension plans**

**Avoid verification of citizenship** The US Supreme Court has not established a single rule or test for determining whether an individual is an independent contractor or an employee, however, the DOL stresses seven factors the Court has considered significant:



*1. The extent to which the services rendered are an integral part of the business (examples: Does the worker play an integral role in the business by performing the primary type of work that the employer performs for his customers or clients? Does the worker perform a discrete job that is one part of the business' overall process of production? Does the worker supervisor any of the organizations employees?)*

*2. The permanency of the relationship (example: How long has the alleged independent contractor worked for the same company?)*

*3. The amount of the alleged contractor's investment in facilities and equipment (example: Does the worker use his or her own tools or equipment?)*

*4. The nature and degree of control by the company (examples: Does the alleged contractor work for any other company (s): Who is responsible for quality control?)*

*5. The alleged contractor's opportunities for profit and loss (example: Did the alleged contractor make any investment such as insurance or bonding?)*

*6. The amount of initiative, judgement or foresight in open market competition with others required for the success of the claimed independent contractor (example: Does the worker advertise independently via yellow pages, business cards, etc.?)*

*7. The degree of independent business organization and operation*

An independent contractor is in business for him or herself invests in his or her own equipment and supplies and has a broad customer base.

Penalties are extensive and include: uncollected tax money, 5 percent of the tax amount that should have been shown on Form 941 (maximum is 25%), deposit penalty of 2% to 5%, an accuracy penalty of up to 20% of tax underpayment as well as criminal penalties if it is determined willfully intended to defraud the government by mislabeling employees as independent contractors (maximum fine of \$10,000, prison sentence of up to five years or both).

It is important that we take notice of these changes within the DOL and evaluate our workforce to ensure correct classification. Should you need assistance at evaluating your workforce, please reach out to your Account Executive at Krist Insurance.

## OSHA Penalties to Increase by up to 50% in 2016

One provision in the Bipartisan Budget Act of 2015, will allow OSHA to increase the maximum penalty amounts it imposes on employers that violate occupational safety and health standards. These increases will become effective August 1, 2016.

Violation	Current Max	Increased Max
Non-serious	\$7,000	\$10,500
Serious	\$7,000	\$10,500
Willful/Repeated	\$70,000	\$105,000
Willful (death)	\$10,000	\$15,000
Uncorrected	\$7,000	\$10,500



## Car Sharing—Will my Coverage Respond?

The simple answer is “it’s complicated”. Your typical personal home and auto policies will not provide coverage for these types of exposures. With the rising number of sites out there for “sharing” like Uber, Lyft, Air BNB, etc.; we as insurance agents need to do a good job of educating the general public of the exposures that this presents. If you, as the customer, are looking at providing or already providing, we must ensure the correct coverage is in place to fill any potential gaps you may have from these changing dynamics.

Let’s look at the Transportation Network Companies (TNC’s) like Uber and Lyft. Your personal auto policies will not cover this due to the public livery exposure that is commonly associated with Taxi’s and For Hire public transportation. If you are going to be a driver for these services you will need to look at a commercial policy for your auto as there are certain limits required to participate in public livery and to avoid the commercial use exclusion in your personal auto policy. Some carriers are starting to develop a crossover product, such as a usage based insurance model, which will be able to register the amount of use for personal and commercial exposures and charge the correct premium for the exposures. Unfortunately, we are still in the infancy of these products and are still having to find solutions to these changing environments.

## Personal Lines Round Up

**Personal Umbrella—Why Should I Have One?** Perhaps the best bargain in insurance is the personal umbrella policy. The personal umbrella policy (PUP) is a necessary addition to insurance protection for most insureds. One of the best ways to understand the need for a personal umbrella is to review your actual needs with your personal lines account manager. Claim history shows the very real consequences of everyday situations that quickly exhaust underlying liability limits leaving you personally financially liable for damages. Please see some claims examples below.

- ***A babysitter was watching 2 young children over summer break. A small wading pool was set up in the family’s back yard. The babysitter made sure neither of the children were near the pool and went inside to answer the phone. When she came out of the house one of the children had drowned in the small pool of water. The court awarded the child’s parents around \$11,000,000. This example also displays a need for incidental workers compensation for babysitters, cleaning people and nannies.***
- ***An insured’s son had a friend over for a play date. The kids where playing with the family dog. The family dog bit the son’s friend in the face resulting in multiple reconstructive surgeries. The injured child’s parents settled for roughly \$10,000,000.***
- ***The insureds 18 year old son was driving the family boat on the lake. He did not see the swimmer in the water, hitting and severely injuring the swimmer. The claimant received just under \$1million dollars.***

Contact your Account Manager for PUP quote options.

## Life and Health Update

### New Reporting Requirements as Mandated by the Affordable Care Act

The Affordable Care Act (ACA) created new reporting requirements under the Internal Revenue Code Sections 6055 and 6056. Under these new reporting rules, certain employers must provide information to the IRS about the health plan coverage they offer, or do not offer, to their employees. The additional reporting is intended to promote transparency with respect to health plan coverage and costs. It will also provide the government with information to administer other ACA mandates, such as the large employer shared responsibility penalty and the individual mandate.

### Filing Requirements

- A separate statement for each individual who is provided minimum essential coverage (MEC)
- (for fully insured Applicable Large Employers (ALEs), this includes only full-time employees); and
- A single transmittal form for all of the returns filed for a given calendar year.

### Key Dates to Remember

**January 31, 2016**—Every Full Time Employee must receive their 1095-C Forms

**February 29, 2016**—1094-C forms being submitted by mail are due

**March 31, 2016**—1094-C forms being submitted electronically are due.



**\*\*If 250 or more 1095-C are issued the 1094-C and 1095-C must be sent electronically to the IRS.**

### Reporting Requirements

#### Small Group (1-49)

Forms	Self-Funded	Fully Insured
1095-B	Employer	Carrier
1094-B	Employer	Carrier
1095-C	N/A	N/A
1094-C	N/A	N/A
Individual Statements	Employer: Form 1095-B	Carrier: Form 1095-B

#### Large Group (50+)

Forms	Self-Funded	Fully Insured
1095-B	N/A	Carrier
1094-B	N/A	Carrier
1095-C	Employer	Employer (no part III)
1094-C	Employer	Employer
Individual Statements	Employer: Form 1095-C	Employer: Form 1095-C

By starting to track this information now you will be prepared to make these reporting deadlines on time.