Getting Back to Work After COVID-19

By Chris Richmond
Originally submitted to WorkBoat Magazine / November 2020

When the pandemic hit, you were probably looking for ways to save money as the economy ground to a halt. Changes in your insurance policy can reflect a lower premium, but can also affect your coverage. As you start to get back in to business, take a look at any changes you may have made to your insurance policy and see if you need to undo them.

As the pandemic hit, some of the first calls I received from clients were requests to remove navigation from their commercial vessels. Their business slowed down and there was no work for the boats, so this was an obvious way to see some immediate relief in their insurance premium. As the economy starts back up again and you see demand and work for your vessels, make sure to have lay up removed from your policy. While the boat is insured at the dock, during lay up the moment you drop the lines coverage ceases unless you have added navigation back to the policy.

Business owners also sought savings on their insurance bill by reducing the annual projected payroll for their workers compensation or USL&H. As renewals came along during the economic downturn, business reduced their workforce and renewals in WC and USL&H reflected this. As business picks up again and workers who had been laid off are brought back, your annual projected payroll will increase. You can wait until the audit at the end of the policy term and get hit with a large additional premium or you can contact your agent and report the increase in payroll. This will result in spreading out the increase in premium over the remaining term of your policy.

Finally, if you have been shut down for a period of time and equipment has been idle, be sure to do your due diligence and make sure all works as it should. Routine maintenance may have been missed or deferred. Inspection dates could have been missed for safety equipment or log books could be out of date for safety review. Take the time to clean up these area before a fine comes your way.

Starting business back up means getting both customers and your employees back in the door – but don't forget to contact your insurance agent as well. He or she should always be happy to hear from you and help keep your policy up to date.

Pollution Liability: More Than Just the Clean Up

By Chris Richmond
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Most commercial hull policies have a pollution exclusion clause attached. You can often get a buy back endorsement added but the coverages on this vary from company to company and often the clause will not cover what you really need to. What you really need is a stand-alone pollution policy.

A pollution policy not only covers spills related to the Oil Pollution Act of 1990 but also claims brought under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA). Remember, pollution is not only petroleum spills; they can also be spills or discharge of other hazardous materials stored or transported on your vessel. You can have just as much problem with a chemical spill as an oil spill.

And don't think that that barge you tow (the one without an engine or bunker fuel) is safe from pollution claims. What if you have a fuel storage container on deck that somehow ends up overboard? You now have a pollution claim. Should your tow come off and the barge has a collision or allusion – causing a fuel spill – you now have a pollution claim.

After the spill is contained and cleaned up, who is going to pay for your defense costs? As you are well aware, this is a part of liability policies and are key as potential litigation claims can drag on and defense costs mount. Whether or not you are found liable, your defense costs can add up quickly. Having these covered by your insurance policy is very important.

And what if your spill was a total accident? Will that stop any fines or penalties imposed upon you but state or federal authorities? Don't count on it. A pollution policy can provide coverage for fines which may be imposed.

The only thing worse than the actual spill is the image on television or social media of oil-coated birds on the beach. Allowing the public to know that you are doing your best to take care of the situation can go a long way.

While you may never have to use your pollution policy, the coverage it provides for that one time will pay off in the long run. A stand-alone pollution policy is an important part of your vessel's coverage and in some instances is required by the Coast Guard's Certificate of Financial Reasonability (COFR) program. Have a talk with your insurance agent to find out more.

Are You an Intelligent Investor?

Considered "the father of value investing," Benjamin Graham wrote *The Intelligent Investor* more than 70 years ago, and the principles in his book are still highly respected today. Investing legend Warren Buffet, who studied under Graham, called *The Intelligent Investor* "by far the best book about investing ever written."

Despite what you might think, being an intelligent investor is not about your IQ. Rather, it's learning how to harness emotions and think for yourself. Let's explore how to do just that, by leaning on Graham's advice.

What It Means to Be an Intelligent Investor

"An investment operation is one which, upon thorough analysis, promises safety of principal and an adequate return. Operations not meeting these requirements are speculative."

The above quote reflects Graham's definition of defensive investing, which he originally described in his first book, *Security Analysis*. Here, his focus is on distinguishing the best practices that separate a defensive investor from a speculator. Specifically, defensive investors reach their long-term financial goals by being sustainably and reliably right. In other words, you need to find a balance between controlling risk and maximizing gains, as well as curbing the self-defeating behavior that can reduce portfolio returns.

Consider what can happen when investors blindly follow the crowd. The January effect, for example, occurs when investors try to follow a mechanical formula for higher stock performance at the beginning of the year. But when investors pile in—assuming that stock prices will follow a traditional trajectory of going up in January after dipping in December—they can create a crowded trade and ultimately lead to underperformance.

Stay the Course and Follow Core Principles

"With every new wave of optimism or pessimism, we are ready to abandon history and time-tested principles, but we cling tenaciously and unquestioningly to our prejudices."

As market volatility resulting from the coronavirus pandemic demonstrated, investors tend to let their emotions sway their decisions. In volatile markets, some are tempted to abandon the sound investing principles that have stood the test of time. How can you help control those knee-jerk tendencies? Graham recommends the following for a defensive investing strategy:

- Start with a 50/50 portfolio design composed of high-quality stocks and bonds. (Graham defines *high quality* as stocks and bonds of important companies with long records of profitable operations and in strong financial condition.)
- Hold up to a maximum of 75 percent in stocks as the market drops or a minimum of 25 percent in stocks as the market rises. (Buy low and sell high—otherwise known as the rule of opposites.)

Under Graham's rationale, the intelligent investor may actually *welcome* a bear market as an opportunity to buy low. Other time-tested strategies include buying funds over individual stocks and dollar-cost-averaging into the market.

Determine a Criteria for Investment

"It is our argument that a sufficiently low price can turn a security of mediocre quality into a sound investment opportunity . . . For, if the price is low enough to create a substantial margin of safety, the security thereby meets our criterion of investment."

The margin of safety is dependent on price paid, and it is defined as the favorable difference between price, on one hand, and the indicated or appraised value, on the other. To determine the appraised (also known as intrinsic) value of a stock, Graham recommends finding companies that meet the following margin of safety criteria:

- Market cap of more than $2 billion; no small-caps except through a small-cap index fund
- Strong financial condition; current assets are 2 times liabilities; long-term debt less than net current assets

- Continued dividends for at least the past 20 years
- No earnings deficit in the past 10 years
- 10-year growth of at least one-third in per-share earnings
- Stock price not more than 1.5 times net asset value
- Stock price not more than 15 times average earnings of past 3 years

The overriding philosophy behind these requirements? There really is no such thing as a good or bad stock. Instead, think of stocks as either cheap or expensive.

Adopting the Intelligent Investor Mind-Set

"There will continue to be wide discrepancies between price and value in the marketplace, and those who read their Graham . . . will continue to prosper." – Warren Buffett, appendix of *The Intelligent Investor*

Investing can be difficult. It involves uncertainty and risk, two things most of us aren't naturally comfortable with. But with some guidance supplied by the rules and best practices advocated by Graham, and (of course) your financial advisor, you can become an intelligent investor and achieve your investment goals.

This material has been provided for general informational purposes only and should not be construed as investment advice, a solicitation, or a recommendation to buy or sell any security or investment product. Please contact your financial professional for more information specific to your situation.

OSHA Clarifies COVID-19 Reporting Requirements

The Occupational Safety and Health Administration (OSHA) has published two additional answers to its list of [COVID-19 frequently asked questions (FAQs).](#) The new answers clarify when employers must report COVID-19 in-patient hospitalizations and fatalities.[OSHA Clarifies COVID-19 Reporting Requirements](#)

Maine Issues Rules Governing New Earned Employee Leave Law

LEGAL UPDATE

Maine Issues Rules Governing New Earned Employee Leave Law

Covered Employers and Employees

Notice and Leave Use Provisions

Highlights

Earned Paid Leave Law

Clarifying Regulations

Leave Accrual

Subject to certain limits, employers may require up to four weeks' advance notice of intent to use accrued paid leave.

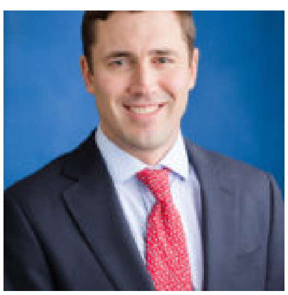
Allen

Beginning Jan. 1, 2021, Maine will require employers with ten or more employees to implement a paid leave policy for employees unless they are subject to a collective bargaining agreement. This new rule which allows eligible employees to earn one hour of paid leave that may be used for any reason for every 40 hours worked, up to 40 hours per year.

The new regulations, issued in September 2020, clarify certain provisions of the law. You can learn more here.

The Value Checklists for Homeowners & Home Buyers

By Cale Pickford
This article appears in the Fall 2020 edition of Maine Realtor Magazine.


Cale Pickford

Even the most optimistic among us probably would not have forecast the current boom in residential real estate sales. A common refrain over these last months is that there is no better place to weather a global pandemic than Maine. People all over the country agree and more and more families are making the move and calling Maine home. With multiple offers, COVID-19 protocols, virtual showings and listing inventory at an all-time low, real estate agents have never been busier. Such a frantic pace makes it easy to forget important steps of due diligence and best practices. Checklists are an important tool to keep the agent organized and assist in reducing liability and provide better customer service.

There are numerous real estate agent checklists available online and in circulation at agencies. Keep in mind when using a checklist, that no detail is too small when it comes to due diligence. Working proactively will not only protect you from liability it will save you a lot time in the long run – a valuable asset in a hot real estate market. Of course, insurance should be on every real estate agent's checklist and the following can serve as a list within your list:

Location

The old adage that the three most important things in real estate are location, location and location is just as true for insurance underwriting. Many standard national insurance companies and direct writers do a great job insuring suburban homes but often cannot cover isolated, rural and coastal (in particular island) locations. If you are involved with a sale of a property with one or more of these attributes, makes sure the buyer is working early to secure homeowners insurance.

Flood Plain Concerns

It's logical to pair flood plain concerns with location, because flood plain issues can crop up with any property, not just waterfront homes. If you think there's even a remote chance that a home could be impacted by the special hazard flood plain, you should pull the flood insurance rate maps or work with an insurance agent to provide a flood zone determination. The sooner flood plain concerns can be addressed, the more likely you'll have a favorable outcome.

Occupancy

Many people have decided to move to Maine full time but we’re still a state with one of the highest ratio of secondary homes to primary in the country. Secondary homes are always more complicated to insure than primary homes. In addition to having fewer insurers to choose from, owners of secondary homes may be required to install central fire, burglar and low temperature alarms, hire a caretaker, make sure the home is accessible year around, and winterize the plumbing.

Business Pursuits

With more and more people working and learning from home, the lines between personal and business has been completely blurred, and in many cases, almost to invisible. Homeowners should review their plans to use their home for business with the insurer. Another timely consideration is home-schooling pods, a unique 2020 concern which should also be reviewed with an insurance agent for coverage considerations. Home-based businesses such as woodworking, bakeries, boat building, and any situations where clients regularly visit the home, can often disqualify one from a homeowner’s policy all together.

Renovations

It makes perfect sense to renovate a home immediately after purchase – just make sure that the buyer communicates their plans with their insurer. Especially with such limited inventory, buyers cannot afford to be picky so there’s a strong likelihood someone will want to modify the home to suit their tastes and need. Depending on the extent of the renovation, a buyer might not even be eligible for a homeowner’s policy. In an instance such as this, the buyer might need to secure a builders risk or course of construction policy which greatly limits coverage and often costs far more than the equivalent homeowners’ policy.

Vacation Rental

The pandemic has only accelerated the trend toward more and more families eschewing traditional hotels and inns for private vacation rental homes. To meet the demand, more and more homeowners are opening up their second and, in many cases, primary homes, to these weekly tenants. Using one’s home this way can have significant implications on insurance.

It would be nice if only one of these items on the list would occur per closing, but it is often the case these issues come in twos or threes compounding the problem. Lists allow the real estate agent to keep on track and get ahead of issues before they threaten to derail the deal. Smooth deals mean happy clients which leads to more referrals.

On-Demand Webcast: Winds of Change: How Offshore Wind Farms Will Change the Landscape of Maritime Workers’ Compensation

Wind energy is poised to eventually be the dominant source of power in the United States.

As companies ramp up their workforce to support activities related to wind farm construction and maintenance, it's critical to understand the various workers' compensation laws that impact this sector. In this webcast, our Dan Bookham joins colleagues from American Equity Underwriters to discuss:

- The various workers' compensation laws that impact the wind energy sector
- Jurisdiction issues unique to offshore wind farms
- Old laws that will be interpreted to meet new circumstances

View the webcast: https://loom.ly/bbj7q4w

Year-End Financial Planning Checklist: 10 Suggestions to Help You Stay on Track

Although 2020 has been a year of unexpected changes, one routine has remained consistent: the fourth quarter means it's time to begin organizing your finances for the new year. To help you get started, here's a checklist of key topics to think about, including new tax and retirement considerations related to the COVID-19 pandemic.

1) Max out retirement contributions.

Are you taking full advantage of your employer's match to your workplace retirement account? If not, it's a great time to consider increasing your contribution. If you're already maxing out your match or your employer doesn't offer one, boosting your contribution to an IRA could still offer tax advantages. Keep in mind that the SECURE Act repealed the maximum age for contributions to a traditional IRA, effective January 1, 2020. As long as you've earned income in 2020, you can contribute to a traditional IRA after age 70½—and, depending on your modified adjusted gross income (MAGI), you may be able to deduct the contribution.

2) Refocus on your goals.

Did you set savings goals for 2020? Evaluate how you did and set realistic goals for next year. If you're off track, we'd be happy to help you develop a financial plan.

3) Spend flexible spending account (FSA) dollars.

If you have an FSA, note that the Internal Revenue Service (IRS) relaxed certain "use or lose" rules this year because of the pandemic. Employers can modify plans through the end of this year to allow employees to "spend down" unused FSA funds on any health care expense incurred in 2020—and let you carry over $550 to the 2021 plan year. If you don't have an FSA, you may want to calculate your qualifying health care costs to see if establishing one for 2021 makes sense.

4) Manage your marginal tax rate.

If you're on the threshold of a tax bracket, you may be able to put yourself in the lower bracket by deferring some of your income to 2021. Accelerating deductions such as medical expenses or charitable donations into 2020 (rather than paying for deductible items in 2021) may have the same effect.

Here are a few key 2020 tax thresholds to keep in mind:

- **The 37 percent marginal tax rate** affects those with taxable incomes in excess of $518,400 (individual), $622,050 (married filing jointly), $518,400 (head of household), and $311,025 (married filing separately).
- **The 20 percent capital gains tax rate** applies to those with taxable incomes in excess of $441,450 (individual), $496,600 (married filing jointly), $469,050 (head of household), and $248,300 (married filing separately).
- **The 3.8 percent surtax on investment income** applies to the lesser of net investment income or the excess of MAGI greater than $200,000 (individual), $250,000 (married filing jointly), $200,000 (head of household), and $125,000 (married filing separately).

5) Rebalance your portfolio.

Reviewing your capital gains and losses may reveal tax planning opportunities; for example, you may be able to harvest losses to offset capital gains.

6) Make charitable gifts.

Donating to charity is another good strategy worth exploring to reduce taxable income—and help a worthy cause. Take a look at various gifting alternatives, including donor-advised funds.

7) Form a strategy for stock options.

If you hold stock options, be sure to develop a strategy for managing current and future income. Consider the timing of a nonqualified stock option exercise based on your estimated tax picture. Does it make sense to avoid accelerating income into the current tax year or to defer income to future years? If you're considering exercising incentive stock options before year-end, don't forget to have your tax advisor prepare an alternative minimum tax projection to see if there's any tax benefit to waiting until January.

8) Plan for estimated taxes and required minimum distributions (RMDs).

Both the SECURE and CARES acts affect 2020 tax planning and RMDs. Under the SECURE Act, if you reached age 70½ after January 1, 2020, you can now wait until you turn 72 to start taking RMDs—and the CARES Act waived RMDs for 2020. If you took a coronavirus-related distribution (CRD) from a retirement plan in 2020, you'll need to elect on your 2020 income tax return how you plan to pay taxes associated with the CRD. You can choose to repay the CRD, pay income tax related to the CRD in 2020, or pay the tax liability over a three-year period. But remember: once you elect a strategy, you can't change it. Also, if you took a 401(k) loan after March 27, 2020, you'll need to establish a repayment plan and confirm the amount of accrued interest.

9) Adjust your withholding.

If you think you may be subject to an estimated tax penalty, consider asking your employer (via Form W-4) to increase your withholding for the remainder of the year to cover the shortfall. The biggest advantage of this is that withholding is considered to be paid evenly throughout the year instead of when the dollars are actually taken from your paycheck. You can also use this strategy to make up for low or missing quarterly estimated tax payments. If you collected unemployment in 2020, remember that any benefits you received are subject to federal income tax. Taxes at the state level vary, and not all states tax unemployment benefits. If you received unemployment benefits and did not have taxes withheld, you may need to plan for owing taxes when you file your 2020 return.

10) Review your estate documents.

Review and update your estate plan on an ongoing basis to make sure it stays in tune with your goals and accounts for any life changes or other circumstances. Take time to:

- Check trust funding
- Update beneficiary designations
- Take a fresh look at trustee and agent appointments
- Review provisions of powers of attorney and health care directives
- Ensure that you fully understand all of your documents

Be Proactive and Get Professional Advice

Remember to get a jump on planning now so you don’t find yourself scrambling at year-end. Although this list offers a good starting point, you may have unique planning concerns. As you get ready for the year ahead, please feel free to reach out to us to talk through the issues and deadlines that are most relevant to you.

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Strategies for Financial Wellness: Managing Debt, Cash Flow and Savings

Sarah Ruef-Lindquist, JD, CTFA

In the Spring 2018, I wrote about Financial Wellness in general, and how good financial planning and cash-flow management can support overall health and well-being. A lot has changed in the past two years, and the topic is more relevant than ever.

Given what many are calling the most severe economic downturn since the Great Depression in the wake of the pandemic, I would like to explore what often become the most significant issues for people facing a financial crisis – and how to build resiliency to downturns – drawing on material published by our colleagues at Commonwealth Financial Network (CFN).

Debt. Generally, people carry some amount of debt: a student loan, mortgage, or car loan. It can be financially smart to make a large purchase using someone else's money. Borrowing allows one to purchase big-ticket items with less out-of-pocket cash. And, with today's attractive interest rates, at a relatively low cost. Taking on any amount of debt comes with risk; A financial setback can reduce your ability to repay a loan, and debt may prevent taking advantage of other financial opportunities.

How Much Debt is OK?

Take a close look at your personal finances, focusing on the following factors:

Liquidity. If there is anything many people have learned in 2020 is that it's a good idea to maintain an emergency fund to cover three to six months' worth of expenses. CFN warns us to guard against keeping more than 120 percent of your six-month expense estimate in low-yielding investments. And don't let more than 5 percent of your cash reserves sit in a non-interest-bearing checking account.

Current debt. CFN also stresses that total monthly debt payments like mortgages should not exceed 36 percent of monthly gross income. Consumer debt payments—credit card balances, automobile loans and leases, and debt related to other lifestyle purchases—they also say should total less than 10 percent of your monthly gross income. If your consumer debt ratio is 20 percent or more, avoid taking on additional debt.

Housing expenses. Monthly housing costs—including mortgage or rent, home insurance, real estate taxes, association fees, and other required expenses—shouldn't amount to more than 31 percent of monthly gross income, according to CFN. Lenders use their own formulas to calculate how much home you can afford based on your gross monthly income, your current housing expenses, and your other long-term debt, such as auto and student loans. For a mortgage insured by the Federal Housing Administration (FHA), your housing expenses and long-term debt should not exceed 43 percent of your monthly gross income. With mortgage interest rates dropping to historic lows, many are refinancing or considering refinancing. If you are in the first few years of your existing mortgage, this can make sense, or if you would like to reduce payments to improve cash flow, this can be a great strategy. If you’re close to paying off your mortgage, however, it may not make sense given how the interest portion of payments are smallest as the mortgage reaches maturity.

Evaluating Mortgage Options. If you’re in the market for a new home, the myriad of mortgage choices can be overwhelming. Fixed or variable interest rate? Fifteen- or thirty-year term? If it were merely a question of which mortgage provided the lowest long-term costs, the answer would be simple. In reality, the best mortgage for a particular household depends on how long the homeowner plans to stay in the house, the available down payment, the predictability of cash flow, and the borrower’s tolerance for fluctuating payments.

How long will you be in that home? One rule of thumb is to choose a mortgage based on how long you plan to stay in the home. If you plan to stay 5 years or less, consider renting. If you plan to live in the house for 5 to 10 years and have a high tolerance for fluctuating payments, consider a variable-rate mortgage for a longer term, such as 30 years, to help keep the cost down. If the home is a long-term investment, choose a fixed-rate mortgage with a shorter term, such as 15 or 20 years.

Is a variable-rate mortgage worth the risk? Keep in mind that it’s generally not wise to take on a variable-rate mortgage simply because you qualify for one. With interest rates at historic lows, the direction they are likely to go is up. Although these mortgages offer the lowest interest rate, they’re also the riskiest, as the monthly payment can increase to an amount that may prove difficult to meet. Selecting a shorter loan term, such as 15 years, can help lessen this risk.

Remember, when it comes to taking on debt, the loan amount you qualify for and the amount you can comfortably afford to repay may not be one and the same. Be sure to consider your special circumstances before taking on debt to buy a home or make another major purchase.

Savings. A standard recommended savings rate is 10 percent of gross income, but your guideline should depend on your age, goals, and stage of life. For example, as retirement nears, you may need to ramp up your savings to 20 percent or 30 percent of your income. Taking full advantage of tax-deferred retirement savings and employer match programs are almost always good ideas. Direct deposits, automatic contributions to retirement accounts, and electronic transfers from checking accounts to savings accounts can help you make saving a habit.

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A Best Place to Work in Maine

Allen Insurance and Financial was recently named as one of the 2020 Best Places to Work in Maine. This is the company's ninth consecutive year on the list.

The awards program was created in 2006 and is a project of the Society for Human Resource Management – Maine State Council and Best Companies Group. Partners endorsing the program include: Mainebiz, the Maine State Chamber of Commerce and Maine HR Convention.

This statewide survey and awards program was designed to identify, recognize and honor the best places of employment in Maine, benefiting the state's economy, its workforce and businesses. The 2020 Best Places to Work in Maine list is made up of 84 companies in three size categories: small (15-49 U.S. employees), medium (50-249 U.S. employees) and large (250+ U.S. employees). With 70 employee-owners, Allen Insurance and Financial is in the medium size category.

Companies from across the state entered the two-part process to determine the Best Places to Work in Maine. The first part consisted of evaluating each nominated company's workplace policies, practices, and demographics. This part of the process was worth approximately 25% of the total evaluation.

The second part consisted of an employee survey to measure the employee experience. This part of the process was worth approximately 75% of the total evaluation. The combined scores determined the top companies and the final rankings. Best Companies Group managed the overall registration and survey process in Maine and also analyzed the data and used their expertise to determine the final rankings.

Allen Insurance and Financial will be recognized in the Oct. 19 edition of Mainebiz where the rankings will be released for the first time.