

Signs of a Hard Market in 2023



Dan Bookham,
AAI

By [Dan Bookham](#) for February 2023 [WorkBoat](#) Magazine

With 2022 rapidly receding to stern but with the new year still as fresh as a cadet on their first cruise, I thought this would be as good a column as any to step back from coverage and safety details and instead give a high-level view of how the marine insurance landscape appears to be shaping up for 2023.

The phrase to familiarize yourself with above all others this year is “hard market.” Insurance is subject to a range of forces – claims activity, social inflation in jury awards, stock market performance, inflation and the overall state of the economy, the availability and affordability of reinsurance, the end of an era of cheap capital, geopolitical concerns and climate instability, among others. These factors combine to harden the market by driving insurers into a defensive posture to protect their balance sheets. In a hard market, premiums increase, underwriting becomes much more selective, the capacity to offer policies decreases and insurance carriers become less aggressive competitors. There’s no point in soliciting your competition’s customers if you don’t have the capacity or appetite to write the risk.

Economy-wide, inflation and labor issues are big drivers of

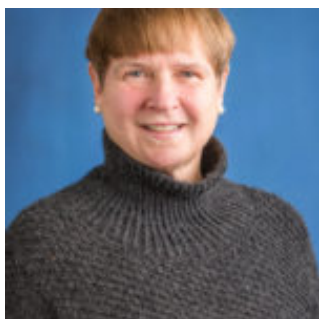
disruption, as is the drying up of the cheap capital well (which funded large tranches of reinsurance) and the challenging performance of the financial markets – most insurers invest portions of the premium they collect to offset claims losses and to generate additional revenue. In the marine universe, the supply and cost issues around energy and distillates, the war in Ukraine, climate driven uncertainty, record-smashing hull, cargo and property claims and huge settlements and nuclear jury awards on P&I claims all have insurers battening the hatches.

We are also seeing other longer-term trends in the economy having increasing impacts on insurance. The oft-discussed troika of “Environmental, Social & Corporate Governance” concerns (ESG) are coming to the fore and will likely feature more heavily in approaches to underwriting. We are already seeing this where some insurers and reinsurers are declining to take on new hydrocarbon business: State legislatures in oil and gas states are less than impressed. AI, machine learning and increased automation will also continue to decouple the person from the process when it comes to underwriting and quoting coverage. This will mean potential expense savings for insurers, but will they pass these on to customers? And what impact will robo-underwriting have on the quality of the product that has been driven by the expertise of actual people since the early days at Lloyds’ Coffee House?

What can individual operators and companies do to offset this? Well as the old saw has it, quality will out. A good risk will still be attractive to insurers, even in a time of retrenchment. Making sure you are paying attention to the details like vessel or yard housekeeping, working on culture, making your safety management systems a living process, investing in maintenance and training, being responsive to loss control recommendations and working with your insurance agent to both present your business in its best light and to understand how insurance

functions as a tool will put you in the best position to weather the storm. Hard markets are no fun for anyone, but a proactive and prepared business can avoid most of the issues they cause.

More on SECURE 2.0 Act of 2022



Sarah Ruef-Lindquist, JD,
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By [Sarah Ruef-Lindquist](#)
For [Pen Bay Pilot](#)

Recently we shared information about the increase in the age for the Required Beginning Date (RBD) for taxpayers to begin taking annual Required Minimum Distributions (RMD's) from retirement assets like Individual Retirement Accounts (IRA's). This was a key part of SECURE 2.0 and there are several more provisions that impact taxpayers that are working or retired. To recap, the RBD age for those born in the years including 1951 through 1959, is 73 and for those born in 1960 or later, the age is 75. This is potentially a greater period of time for these assets to grow tax-free until withdrawals must begin and income tax paid on

those withdrawals.

For those who fail to take their RMD, there has historically been a penalty of 50% of the amount required to be taken but not distributed. This was a significant incentive for people to be sure to take the full amount of their RMD. SECURE 2.0 reduced the penalty to 25% and for those able to correct the underpayment "in a timely manner" the penalty is 10%.

The law also expanded the opportunity to put funds into retirement accounts on a pre-tax basis. For taxpayers aged 50 or older, the IRA "catch up" contribution of \$1,000 (on top of the contribution limit of \$6,500) will be adjusted annually for inflation starting in 2024.

Beginning in 2025, retirement plan participants (401(k) and 403(b) plans, for example) age 60-63 will have a catch-up limit of up to \$10,000 or 50% of the regular catch-up limit (currently \$7,500) whichever is greater. The 2023 contribution limit for these plans is \$22,500.

Currently those participants aged 50 or older have a catch-up limit of \$7,500 (\$3,500 for SIMPLE IRA's). In 2023 the SIMPLE Contribution limit is \$15,500 and catch-up amount for those 50 and over is \$3,500.

All of these provisions offer a greater opportunity for taxpayers to save more with pre-tax earnings toward their retirements. Many more provisions of the SECURE 2.0 Act involve new rules for qualified plans and their administration. If you are an employer with a plan, your plan administrators should be able to update you on the provisions that impact your plan and employees.

Taxpayers should consult with their own tax advisors to understand the impact of these provisions on their particular

financial situation.

Society of Certified Insurance Counselors Honors Laura Rowe for Five Years of Dedicated Leadership and Professional Development



Laura Rowe

Laura Rowe, AAI, CIC of GHM Agency of Waterville was recently recognized for professional leadership and advanced knowledge by the Society of Certified Insurance Counselors.

Rowe was awarded a certificate of achievement recognizing five consecutive years of successfully maintaining the Certified Insurance Counselor (CIC) designation. The CIC designation requires an annual continuing education update ensuring that her education is always up-to-date and relevant.

“The dedication and commitment represented by the CIC program

sets the standard within our industry,” said Mike Pierce, president of Allen Insurance and Financial, of which GHM is a division. “Laura’s emphasis on professional development positively sets a great example for her colleagues, both within our company and in our industry in Maine.”

ABOUT THE CIC PROGRAM: The CIC Program is nationally recognized as the premier continuing education program for insurance professionals, with programs offered in all 50 states and Puerto Rico. Headquartered in Austin, Texas, the Society of CIC is a not-for-profit organization and the founding program of The National Alliance for Insurance Education & Research.

Wet, Damp and Dry– Insuring Your Marine Industry Employees



By Chris Richmond
For January 2023 [WorkBoat Magazine](#).

Shipyards and marine related business comprise a wide variety of jobs which in turn require different forms of workers

compensation coverage. What your employees are doing will determine what coverage extends to their injury. Take a moment to review these three areas of injury coverage.

Jones Act: Officially titled “The Merchant Seaman Act of 1920,” this covers your employees who are considered crew members on your vessels. Seamen employed on vessels traveling from U.S. port to U.S. port are entitled to coverage under the Jones Act, with the coverage provided under your vessel’s Protection and Indemnity policy. Crew are covered for injury and illness while ‘in service to the ship’ through the Maintenance and Cure portion of the coverage. Crew are also entitled to sue the ship or ship owner for unseaworthy or negligent conditions which they believe caused their injury. To be considered a crew member, the employee must spend roughly a third of their time at work in service to the ship.

USL&H: Employees who are working around docks, wharves or servicing a vessel will fall under the U.S. Longshore and Harborworkers Act. These are your stevedores, repair crew, crane operators or similar employees who service, load or go on and off vessels but are not considered crew members. The two determining factors for USL&H are Situs and Status, both of which need to be met in order to be eligible for this coverage. To meet the Situs test, the injury must have occurred while working on or near navigable waters. The Status test is met by the work being done. Exclusions include office workers, aquaculture and boat builders who build recreational vessels less than 65 feet in length. Even if you have a boat yard where you feel you would never have a USL&H risk, it is very inexpensive to have this coverage added to your state workers compensation policy on an ‘if any’ basis. This way you at least have some defense covered should a USL&H claim be filed against you.

State workers compensation: Your office staff and other employees are covered under your state workers compensation act. Keep in mind that if you have employees who work in other states besides the one where your business is located then you need to list these as well. State workers compensation acts are no-fault laws which means they cover a claim as long as the employee's accident happened within the scope of their employment.

This is a very quick explanation of a very important insurance coverage. Take the time to review your operation and exposure with your agent to help you get the coverage you need.

Meesha Luce is Maine's Young Agents Committee Chairwoman



[Meesha Luce, CPIA, ACSR](#), a personal insurance account executive at Allen Insurance and Financial, is the 2023 chairwoman of the Maine Insurance Agents Association's Young Agents Committee.

A member of the MIAA Young Agents Committee since 2013, Luce was named the MIAA Young Professional of the Year in 2017.

She said: "I'm looking forward to building on all the work done by the committee over the past few years. We're all so passionate about what we do and I can't wait to translate that energy into projects to help shape the future of our industry in Maine."

Past chairwoman of the MIAA Young Agents Committee is Ashley Purington of Gosline Insurance Group's Gardiner office.

Luce joined Allen Insurance and Financial in 2006. She is based in the company's Rockland office. She holds the Certified Professional Insurance Agent (CPIA) designation from the American Insurance Marketing and Sales Society and the Accredited Customer Service Representative (ACSR) designation from the Independent Insurance Agents & Brokers of America.

ABOUT MAINE YAC: The MIAA Young Agents Committee focuses on activities and communication to build insurance industry leadership potential among those in the industry who are younger than age 40 or have been in the industry for fewer than five years.

More

information:

<https://www.maineagents.net/YoungAgents/Pages/AboutMEYAC/default.aspx>

The Classic Question: What is a Home Worth? Valuing a Home from an Insurance Perspective



By Cale Pickford

For [Winter 2023 Maine Realtor Magazine](#)

Real estate agents know that valuing and pricing a home is more art than science. In most parts of the country, this question is a lot easier to answer, as homogenous homes in cookie-cutter subdivisions create a commodity-like price environment while homes in Maine are much more often one-of-a-kind assets.

The classic market-based answer to the question of value is that something is worth what someone is willing to pay for it. To get there, real estate agents look at recent comparable sales but often agents go with their gut, using recent sales and market momentum as a guide.

The seller's situation can also guide pricing. I would argue that the art of valuing the home is the most important role that the real estate agent plays in both the buy and sell side of the transaction.

Valuing a home from an insurance perspective is a different, but no less important job, and in many cases just as subjective. Insurance agents look to insure homes at the cost to replace new, assuming a total loss. Generally, you'd also add in the cost to demolish the damaged structure and dispose of the debris. If the market value of a home and the replacement value of the home are the same, that is purely coincidence.

Now, how do insurance agents get to the correct valuation?

Software

All insurance agents have access to replacement cost estimating software. The agent fills in data about the home such as building shape, square footage, year built, basement type, number of bathroom and so on. The agent can select grades from drop down menus to assign the quality of the construction. These options range from basic contractor grade to custom luxury, with several grades in between. Agents can also fill in fields for flooring, built ins, extra features, with thousands of options and exponentially more combinations. The downside with this software is that it is only as good as the assumptions built into it by the developer and it probably works best with newer, modern built homes in regions with developer-based construction. Still, this is an important tool.

Conversations with local contractors and architects

These are the professionals who have the real time information. They know exactly what their material, labor and subcontractor costs are, and that information is always going to be more regionally accurate. Most builders and architects can break down the cost to rebuild in a per square foot number and the agent can use that as a range to overlay with the valuation report generated by the replacement cost software.

Valuation specialists working with insurers

Insurers are paying the claims, so they have a lot of data on hand about the cost to replace a home. Many insurers have specialists in-house or they work with third-party inspectors to inspect homes and perform their own replacement cost analysis. A diligent agent will have a conversation with the insurer before issuing coverage to make sure they are comfortable with the replacement cost number. Working with an insurer who inspects the home (almost always after the policy is issued) should

provide peace of mind to the homeowners that a professional has seen their home, documented its unique features and come up with their own cost to replace.

With all these tools at the insurance agent's disposal, coming up with an accurate replacement cost number is still part science and part art. A diligent agent will always err on the high side because a homeowner does not plan to have an insurance claim. When you're building a new home, you can work within the contractor's schedule and perhaps even get several bids and select the lowest option. This is usually not the case following an insurance loss. Also, historic homes cost far more to replace than the equivalent modern home due to unique materials, dimensional lumber, and custom finishes. The best tip for homeowners is to work with an independent agent who understands the importance of being properly insured and has the expertise to work collaboratively with the homeowner to get there.

Top tip: Look for insurance policies that offer guaranteed replacement cost coverage. A guaranteed policy is a promise to rebuild regardless of the limit of coverage: essentially unlimited. If that is not available opt for one that provides extended replacement cost, usually expressed as a percentage of the dwelling limit on the policy: for example, 125% or 150% extended replacement cost.

Update: Allen Leadership Team

and Board of Directors

Allen Insurance and Financial, Maine's largest employee-owned independent insurance and financial services agency, is pleased to announce changes to the company's leadership team and an addition to the company's board of directors.

"Thanks to our team of now more than 90 employee owners, Allen continues to grow and thrive," said [J. Michael Pierce](#), company president. "This leadership team is well poised to embrace our goals for continued growth and exemplary client service in 2023 and beyond."

Effective Jan. 1, 2023, the Allen Leadership Team is comprised of Pierce, Dan Bookham, Peter Williams and Susan Howland.

[DAN BOOKHAM](#) has been named senior vice president for business development. Bookham joined the company in 2012 as a commercial lines producer and was appointed vice president for business development in 2016

[PETER WILLIAMS](#) has been named senior vice president for commercial lines. With Allen since 1990 and previously serving as a company vice president and commercial lines producer, Williams is known for his work with some of Maine and New England's largest and most complex insurance risks.

[SUSAN HOWLAND](#) has been named senior vice president for human resources and operations and effective Jan. 1 joins the company's board of directors. Howland joined the company in September 2022.

Photos, from left: J. Michael Pierce, Dan Bookham, Peter Williams and Susan Howland.

Diving into 2023: Retirement Legislation “SECURE 2.0” Passes House & Senate, President Biden to Sign into Law



Sarah Ruef-Lindquist,
JD, CTFA

By [Sarah Ruef-Lindquist](#)
For [Pen Bay Pilot](#)

There are not two, but three certain things in life: Death, taxes and change. This third element was brought home to us recently in the legislation that yet again would change the landscape for retirement planning, saving and spending in potentially radical ways.

A few years ago, the SECURE act increased the age at which one was required to draw out tax-deferred retirement savings from age 70 $\frac{1}{2}$ to 72, causing a great deal of confusion initially, but

simplifying the matter overall, since people have a hard time with half-year calculations. This allowed folks to wait a little longer before drawing out a required minimum distribution (RMD) and perhaps more significantly, paying income taxes on the withdrawal. It also allowed a bit more time for funds to grow tax free.

The IRS penalty for failure to make such withdrawal has been 50% of the RMD amount not withdrawn, a big incentive for making full timely withdrawals.

Now we are faced with the RMD age increasing again in 2023 to 73 (known as the RBD, or Required Beginning Date), and yet again in 2033 to age 75. Here's how this would work for 2023: If you were born after December 31, 1950 (in other words, not yet 72 by 12/31/2022) then your RMD age is 73. So if you turn 72 in 2023, your RMD does not start until 2024.

Here's an example of that. John's birthdate is January 5, 1951. Under the "old" provision, he would have to begin his RMD in 2023, because he turns 72 on January 5, 2023. However, under SECURE 2.0 having not reached the age of 72 by 12/31/22, his RMD age would be 73. Technically, he does not have to take a distribution in 2024 when he turns 73 but could delay until April 1, 2025. However, since he would have another RMD amount in 2025, taking the 2024 amount in the same year as 2025 could result in higher tax rates applying, so he might be smart to go ahead and start in 2024 with his first minimum distribution.

So RMD age is now 73, and your first distribution is not due until April 1 of the year following your 73rd birthday, but it's often better to take it in the calendar year of your RBD so you don't have to take multiple distributions in the same tax year.

Also under SECURE 2.0 when we get to 2032, less than 10 years

from now, RMD age will increase to 75 if you haven't turned 74 by the end of 2032. So, in 2033, the age for RMD's is 75.

Delaying the Required Beginning Date (RBD) for RMD's – increasing the age to 73, and then 75 – offers retirement savers the opportunity to continue to allow their tax-deferred savings to grow free of tax until RMD's begin and income taxes are paid on those withdrawals.

The original SECURE Act also eliminated the age limitation on making contributions to IRA's in recognition of people working later and later in life, just as the increase in the RMD age recognizes a tendency for people to continue to earn income beyond more a traditional retirement age of 65 and have less reliance on retirement income until much later in life.

So we could say we are starting 2023 with positive news on the retirement savings and planning front. There's much more to the legislation known as SECURE 2.0 but we'll save that for another time.

Powering AI0's Third Annual FILL THE STRAND Event

On Monday, January 16, 2023 AI0 Food and Energy Assistance will host its third Fill The Strand food and funds drive to benefit AI0's Food Assistance, Energy Assistance, Weekend Meal, and Diaper Assistance Programs. This event challenges the community to fill every seat in the historic theater with bags of food and funds for AI0's programs. AI0 has raised nearly \$50,000 in the

first two Fill the Strand events. The goal for the third event is to raise \$25,000.

“Fill The Strand has become our signature event of the year, providing food and money at the most critical time” says AIO Executive Director Joe Ryan. “Visits to our food pantry market have more than doubled in the past year. Fill The Strand is essential for AIO to keep pace with our growth. The more food and money we raise, the more assistance we can provide.”

Coordinators encourage community organizations, businesses, and residents to do food and fund drives within their groups, workplaces, and neighborhoods to help with the drive. The food and funds collected will go directly to AIO’s programs that support Knox County families.

Monetary donations are welcome – and in fact your dollar goes further since AIO can purchase food through partners at a competitive price. Individuals can fill one theater seat with a bag of food or sponsor a bag at \$25. Your \$25 monetary donation can buy up to \$100 worth of food. Those interested in sponsoring a bag through a financial donation can make it online at aiofoodpantry.org/strand.

Non-perishable food with a current expiration date is appreciated (no glass please). AIO would be grateful for donations of the most needed items including: ready rice pouches, macaroni and cheese and pasta; cereal and oatmeal; pop-top canned foods and Chef Boyardee meals; single serving lunch items; kid-friendly snacks; 100% juice boxes; shelf stable milk; snacks (granola bars, peanut butter crackers, 6-pack raisins). Whether a monetary gift or food donation – your support will help the people in our community who need it the most.

Food collection sites have been established at area businesses, including Allen Insurance & Financial offices (Rockland and

Camden), The Strand Theater, First National Bank (Rockland branches), Main Street Market (Rockland) and AIO Food and Energy Assistance (Rockland). On January 16th volunteers will be at the Strand Theatre between 9:00-2:00pm to receive food and funds donations.

Drive-up and drop-off service, powered by volunteers from Allen Insurance and Financial, will be available or come in the Strand Theatre to deliver your food and funds donations.

AIO is grateful to the generous support of its sponsors. Leadership level sponsors include First National Bank and First National Wealth Management, Fisher Engineering, Rockland Plaza, and The Rope Company. Partner level sponsors include Camden Real Estate, Gartley & Dorsky, Knights of Columbus Council 136, and Lyman Morse. Champion level sponsors include The Inn at Ocean's Edge, 250 Main, Journey's End, Allen Insurance and Financial. A list of all sponsors can be found at aiofoodpantry.org/strand.

For more information about the event and how you can participate please contact event coordinator Leila Murphy, murphy.leila@gmail.com.

About AIO Food and Energy Assistance

AIO has provided nutritious food and heating assistance to Knox County families. Funding and access to AIO's programs are more critical than ever as food insecurity in Knox County is projected to continue to increase. Knox County currently has the 4th highest food insecurity rate in the state. Child food insecurity is estimated at 28%. During the past year, AIO has supported 5,896 households, 15,672 individuals, and distributed 12,325 weekend meals packages for elementary school students throughout Knox County. AIO's Energy Assistance Program helps households with heating assistance or electrical disconnection prevention –

which is critical as winter begins. Last winter AIO distributed 691 energy assistance vouchers, totaling \$208,000 in support. AIO provides a direct path for donors for assist our community by putting your donation to work immediately.

Tax Changes You Need to Know About for 2022

At the end of a year dominated by inflation, interest rate hikes, market turbulence, and recession fears, we can all use a break. Thankfully, the Internal Revenue Service (IRS) has offered a few new tax guidelines to try to account for the various economic factors affecting many Americans in 2022. While some rules will help you reduce your taxable income or increase your refund, others are reverting to pre-pandemic levels. As you prepare your paperwork for the April 18, 2023 deadline, use this overview to be sure that you're aware of the latest updates. If you have questions about filing your taxes, contact your tax specialist.

The standard deduction increased. Here's the first piece of good news: the IRS raised the standard deduction this year in response to growing inflation. To determine whether this increase will affect your taxes, you first need to determine whether it would be beneficial for you to take the standard deduction or itemize deductions on your tax returns. If your itemized deduction total would be lower than the standard deduction (which you can take without itemizing), your best and easiest bet would be to take the standard deduction. For married couples filing jointly, the standard deduction was bumped up

\$800 to \$25,900. For single filers and married individuals filing separately, it is now \$12,950 (up \$400 from last year). There is currently no limitation on itemized deductions; that was eliminated by the Tax Cuts and Jobs Act. This unlimited itemized deduction rule will expire in 2025 unless a new law is passed.

There are no longer above-the-line charitable deductions. Last year, you could take a charitable donation deduction of up to \$300 for single donors or up to \$600 for married couples beyond the standard deduction. In 2022, if you take the standard deduction, that is no longer an option. If you itemize deductions, however (meaning your itemized deductions would be greater than the standard deduction), you can include charitable donations.

The Child Tax Credit reverted to 2019 levels. Temporary changes made to the Child Tax Credit last year as part of the American Rescue Plan have not been extended through 2022. This means the credit is \$2,000 per child (a \$1,000–\$1,600 drop from last year), the maximum age children can qualify for it is 16 (17-year-olds qualified last year), and the early monthly installments we saw last year aren't being offered. The credit is refundable up to \$1,400 but is no longer fully refundable. The **Earned Income Tax Credit** and the **Dependent Care Credit** also reverted to 2019 amounts.

Eligibility for the Premium Tax Credit remains expanded. One tax credit expansion from 2021 that remains in effect for 2022 is eligibility for the premium tax credit (PTC), which covers premiums for health insurance purchased through the Health Insurance Marketplace. The temporary change included in the American Rescue Plan Act of 2021 eliminated the rule that said if your household income is more than 400 percent above the poverty line, you could not qualify for a PTC. Without this

restriction, many more people can potentially qualify.

There will be no additional stimulus payments. Although many Americans were thrilled to see additions to their tax refunds in 2020 and 2021, there will be no stimulus payments for 2022. So, be sure that you don't count on that extra income when you budget for 2023. 2021 was also the last year to claim the **Recovery Rebate Credit** for a missed or lesser stimulus payment.

The threshold that triggers a Form 1099-K decreased. The IRS has always required reporting of all taxable income, but up until this year, Form 1099-K was required only if you had more than 200 goods and services transactions via a third-party payment network in a year and exceeded \$20,000 in transactions. This year, the threshold is much lower at only \$600, with no minimum number of transactions. This means more small businesses will receive this form from third-party payment networks than in the past. If it is required, you should receive it by January 31, 2023.

This is just a brief overview of some of the IRS changes for the 2022 tax year. A tax professional can help you determine which rules apply to your specific finances and how you can maximize the benefits available to you. Please feel free to reach out to our office for additional guidance.

This material has been provided for general informational purposes only and does not constitute either tax or legal advice. Although we go to great lengths to make sure our information is accurate and useful, we recommend you consult a tax preparer, professional tax advisor, or lawyer.

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