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Risk Management

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Guide to Risk Management

A thoughtful risk management (insurance) plan requires periodic evaluations to reassess objectives and sufficiency of coverages

	Why?	What Now?
Life Insurance	Death benefit for debt payoff, income replacement for heirs, payment of estate/inheritance tax	Review Beneficiaries, review necessity for death benefit vs. cash value growth vs. neither
Disability Insurance	Income replacement in event of illness or injury	Review coverage as necessary
Property & Casualty Insurance	Protection against major claims and lawsuits	Review amount as property value and net worth changes
Health Insurance	Protection from high, unexpected health costs	Review coverage options annually, especially with Medicare
Long-Term Care Insurance	Protection for prolonged illness, accident and disability	Review coverage as necessary

Property & Casualty Insurance

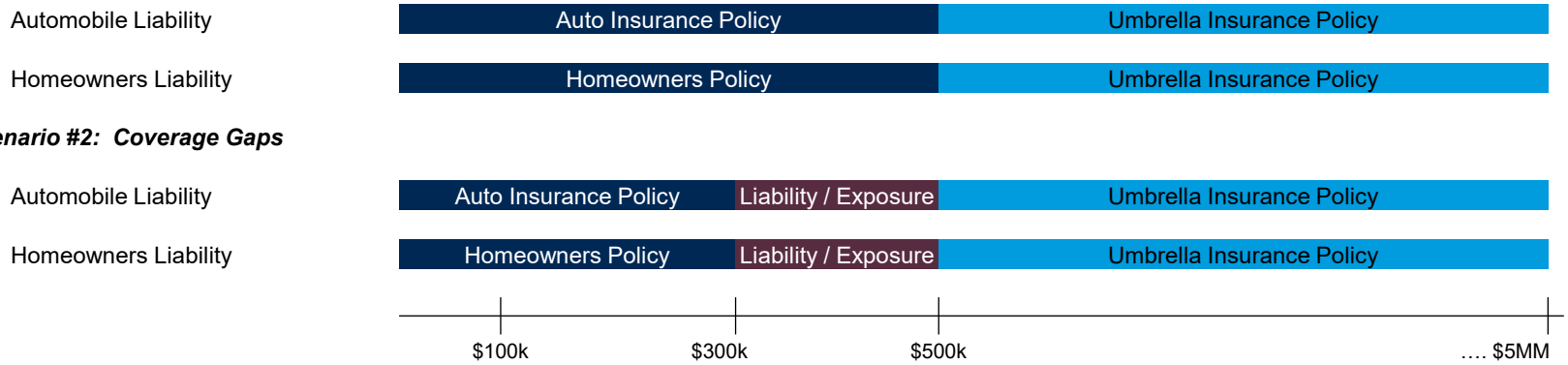
Common mistakes

1. Failing to understand policy coverage terms
2. Purchasing coverage that does not cover the full replacement or fair value of an asset
3. Not revisiting/updating coverage as net worth changes over time

Umbrella Liability Coverage

Provides additional liability coverage against judgments in lawsuits in excess of primary home and auto insurance liability coverages

Scenario #1: No Coverage Gaps



Scenario #2: Coverage Gaps

Art, Jewelry and Collectibles Insurance

- Insure art, jewelry and collectibles with adequate insurance coverage with your property and casualty provider.
- In the case of modern artwork, more timely appraisals may be needed to keep pace with potentially rapidly changing values.

John Smith, Modern Painter
Painting X
Purchased 01/01/2018
Fair Value $30,000

John Smith, Modern Painter
Painting Y; Painting Z
02/28/18 Sale $200,000;
05/01/18 Sale $400,000

John Smith, Modern Painter
Painting X
06/30/18 New Fair Value
$250,000

For illustrative purposes only.

Health Insurance

Insurance costs have increased by 740% since 1984 – picking the right insurance plan matters*

Types of Plans	Description
Health Maintenance Organization (HMO)	Typically less expensive annual premiums, lower-to-no deductible, out-of-network doctors are not covered and many plans require primary care physician to provide a referral to see a specialist.
Preferred Point Provider (PPO)	Premiums tend to be higher, higher deductible, out-of-network doctors/hospitals may be covered and specialists can generally be seen without a referral from a primary care physician
High Deductible Health Plan (HDHP)	Lowest monthly premiums of the main plans, higher annual deductibles and out-of-pocket maximum limits and ability to contribute to a Health Savings Account

Medical Savings Plans

- ***Health Savings Account (HSA)***
  - Available only to individuals covered by a qualified High Deductible Health Plan (HDHP)
  - Contributions limited to $3,850 self / $7,750 family; additional $1,000 limit for age-55+ catch-up contributions
  - Contributions are tax-deductible
  - Earnings grow tax-free and distributions for qualified medical expenses are tax-free
  - Unused balances roll over to the next year

- ***Flexible Savings Plan (FSA)***
  - Available to individuals with benefits package from employer
  - Pre-tax payroll deduction; contributions limited to $3,050
  - Unused annual balances are forfeited, unless employer offers rollover

** Source: Clever.com – "How U.S. Health Policy Changes Have Affected Healthcare Costs Over Time" (August 2021)*

Long-Term Care (LTC) Insurance

Long-Term Care Insurance generally covers

- Skilled care – licensed therapists, nursing homes, rehabilitation services
- Custodial care – home health aides, companion services
- Assisted living and sheltered care
- Adult day care and hospice care
- Care coordination services

When to buy

- Consider at age 50, no later than age 70
- Before developing medical issues that might disqualify coverage

When to begin benefits

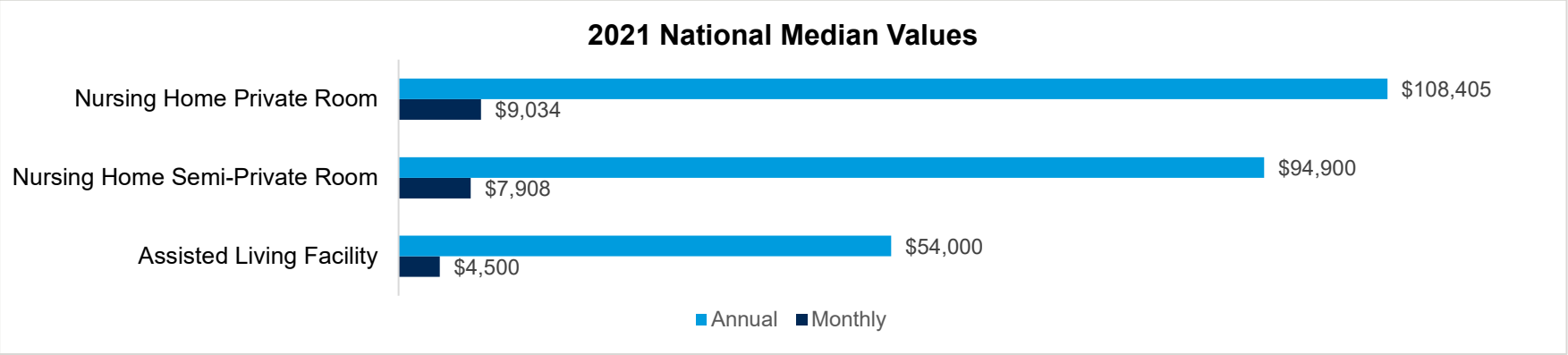
- Qualifying for long-term care benefits generally involves assistance with two of the Activities for Daily Living (ADLs): dressing, eating, toileting, bathing, transferring and continence

Other Considerations

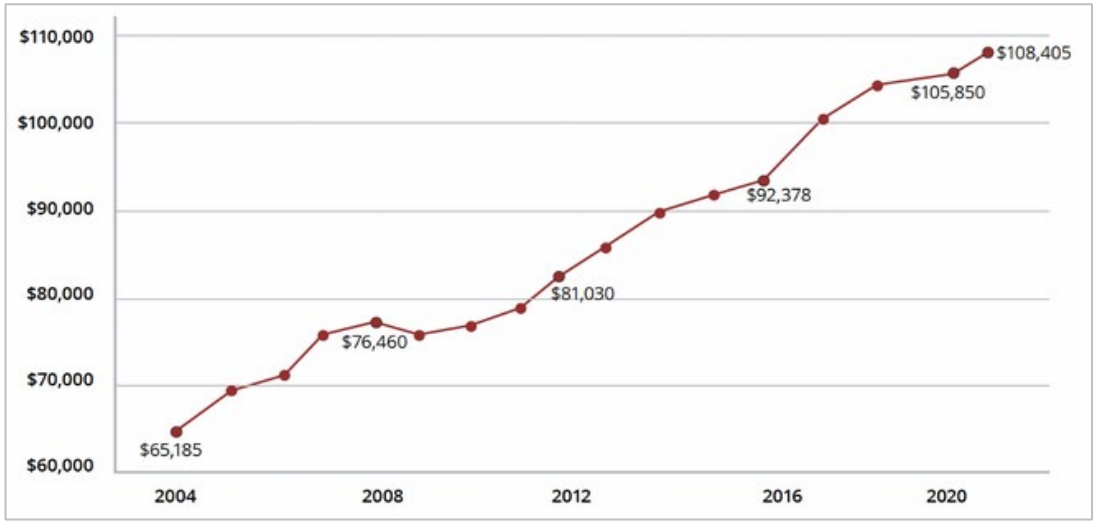
- Premium payment amounts are not guaranteed and may increase significantly after purchase
- Policyholders may be able to deduct a portion of premium payments (as medical expense, subject to the floor of 7.5 percent of AGI as itemized deduction)
- Most long-term care policies have a waiting period before benefits kick in (typically 90 days). All costs during waiting period are out-of-pocket

Long-Term Care Insurance

With 10,000 Baby Boomers turning age 65 every day, cost of care is increasing to keep up with demand.



Private Room Nursing Home Costs



Ways to Cover Long-Term Care Needs

1. Medicare (max 100 days) and Medicaid
2. Self-Insure
3. Long-Term Care Insurance
4. Hybrid Life Insurance / Accelerated Death Benefits

Source: Genworth 2021 Cost of Care Survey (February 2022)

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