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Our Exclusive Newsletter for Commercial Clients

IN THIS ISSUE:

Crime Insurance vs. Cyber Insurance: What's Covered and Where Do They Overlap?

by Patrick Mitchell

As lines blur between digital and real-life risks, here are examples of losses that each policy covers and why organizations should obtain the broadest protection possible.

As companies rely on more and more technology and a growing amount of work is done online, cybercriminals are seeking to take advantage of the opportunities. In the digital work environment, employers may find it hard to understand what types of insurance cover what types of risks.

Employers must get to grips with the difference between two central policies and coverage types: crime insurance and cyber insurance.

What Is Cyber Insurance?

In today's digital world, no organization can avoid doing business online, whether that is through digital payments, email communication, or even registering a domain for your company's website. That same unavoidability means cyberattacks can impact any organization, regardless of size or sector. Cyber insurance helps organizations prepare for and face these digital risks.

A cyber insurance policy most frequently covers economic damages that could

Mike's Blog

What Employers are doing to Lower Cost of their Benefit Offering while Maintaining Value.

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arise from a security breach or data breach impacting customers or third parties. These are considered indirect losses. One example is a data breach where customer information is leaked and the customers experience losses, either a loss of personal information or funds. This third-party liability would fall on the company whose systems were breached, resulting in damages paid to the breach victims.

In addition to data breaches, cyber insurance policies also cover cyberattacks, interruptions or stoppage to business, and cyber extortion, like ransomware. If a cyberattack forces an organization's systems offline and a business has to cease operations, indirect financial losses could occur to those who utilize the business. The good news is that any data or information lost would be intangible and thus potentially covered by cyber insurance.

What Is Crime Insurance?

Crime insurance covers similar but adjacent losses to cyber insurance. Today's criminal activity can be carried out by external actors or by an organization's own employees. Due to the impact of technology, they can happen faster, hit harder, and take more varied forms than ever before.

Crime insurance helps protect individuals and businesses from financial losses tied to criminal activity, including theft, forgery and fraud. These policies cover direct losses of funds. These fund losses are

typically easier to uncover because crimes committed on a business are more obvious and more direct. As it stands, businesses lost $50 billion due to employee theft, according to the Association of Certified Fraud Examiners (AFCE) study, "Occupational Fraud 2022: A Report to the Nations."
Why An Organization Needs Both

Most cyberattacks are done through social engineering—when a threat actor deceives individuals into divulging confidential or personal information that may not be in their organization's best interests. This information is very often used to conduct fraud.

Fraud is one claim instance where cyber insurance and crime insurance can overlap: Both policy types will usually cover social engineering. And it's a frequently occurring instance. Even as cybercriminals evolve and develop more complex tactics, the tried-and-true social engineering method is still the most popular.

A recent Coalition report analyzed all its claims during the first half of 2022 and found that phishing—a form of social engineering where an attacker will send an email purporting to be from a reputable source to persuade individuals to reveal personal information—triggers the most cyber incidents. In the first half of 2022, phishing accounted for nearly 58% of reported claims.

For example, a charitable organization lost $1 million in connection with a social engineering scheme when a threat actor posing as a recipient of philanthropic funds sent fake invoices to the nonprofit. Because this form of fraud may cause direct and indirect losses and occurs online, a claim could be covered by cyber insurance, crime insurance, or both.

Both insurance policies also cover funds transfer fraud (FTF). FTF is another form of social engineering where a business or individual transfers money or securities in good faith based on transfer instructions fraudulently issued by an impostor criminal. The result is that funds are sent to a bad actor, resulting in a financial loss for the business.

In one example, a computer wholesaler lost more than $600,000 when a threat actor posing as one of its vendors convinced its CEO to approve the payment of certain vendor invoices. This is a significant loss for an organization, especially since the average cost of an FTF claim is $200,000, according to Coalition's report.

These two types of risks are the largest overlap between the two types of insurance policy because both risks involve criminal activity and direct losses but also occur in cyberspace and incur indirect losses.

Outside of instances where the policies overlap, the clearest way to delineate what event will trigger which type of coverage is to define if the loss was direct or indirect, tangible or intangible. But even that isn't 100% accurate.

That's why having both types of coverage is essential. With both policies, an organization has the broadest protection possible. In some instances, double coverage will provide additional protection for those instances of overlap, like with social engineering and FTF.

The Future of Cybercrime Insurance
As more work is done online, the types of risks employers and employees face will continue to expand and evolve. As the lines blur between digital and real-life risks, the best practice for establishing all-around protection and limiting losses is building a robust coverage model that

Meet our Commercial Lines Producer

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How long have you worked at ABM – 7 Years
What do you do at ABM – Health Insurance New Business & Renewals
What do you love about your job – I love the challenge, helping others, constant learning due to ever-changing industry, providing people with protection for individuals and their loved ones
Why do you think ABM is a great company – ABM is a great company because everyone cares about each other and the services we provide to others. The culture is great and we are always looking for ways to grow and be better.
Fun Fact about yourself – When I was around 10 years old I went to the making of a Michael Jackson video and got to meet Michael Jackson.

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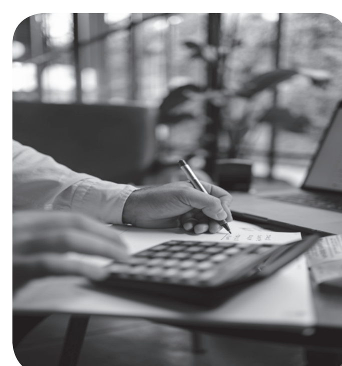
includes both crime insurance and cyber insurance policies.

Small businesses, in particular, are hit especially hard by crime every year. And despite this, a staggering 36% of small businesses said they did not intend to purchase crime insurance coverage in 2021, according to a separate Coalition report. No matter industry or size, every organization is at risk for cybercrime and needs to consider adding further protections.

If you have any questions regarding your policy, please give ABM Insurance and Benefit Services a

How employee benefits offer a tax-efficient way to meet employee needs

By Dave Evans



As we approach the time of year that we all hate—tax filing time—we should think of it as an opportunity to review our finances and look for opportunities to save on income taxes while meeting our personal finance objectives. For most taxpayers, many of the deductions that they used to take advantage of are no longer available because they no longer itemize. Yet, the one avenue that continues to provide an opportunity for workers is through their employer's employee benefits program.

Starting with medical insurance and the alphabet soup of tax-preference savings accounts—FSAs, HSAs, HRAs, QSEHRAs and ICHRAs—these represent taxadvantaged vehicles to pay for out-ofpocket medical expenses as defined in Section 213(d) of the tax code. The potential list of expenses is broad, including dental, vision and physician-prescribed medical devices and supplies.

Most importantly, amounts contributed to these types of accounts escape federal, state and Federal Insurance Contributions Act (FICA) taxation. Last year, the IRS announced that for 2022 tax filings, the FICA wage base is $147,000. For most taxpayers who take advantage of a health savings account (HSA), it could translate to a subsidy of 30% or more of the cost.

Of course, there are rules and limits to what can be contributed—but it is important to keep in mind that when funds are added and reimbursed through these accounts, they are not subject to tax. Therefore, it pays to do some budgeting and forecasting of your typical health expenditures for the coming year during your annual enrollment period.

For the employer, sponsoring these accounts can be a win-win because Uncle Sam helps subsidize these expenses through tax savings. These accounts are set up through payroll deduction and there are administrative fees involved in the recordkeeping. However, FICA payroll savings to the employer can more than offset the costs involved.

The tax code allows employers to provide $50,000 of term life insurance tax-free to their employees. The cost to the employer is minimal. Often, employees are given the opportunity to purchase additional amounts on a contributory basis.
Sometimes it also makes sense to pay for an employee benefit upfront so that if the benefit is paid out the payments are not subject to income tax. This is the case for long-term disability insurance, which is a valuable benefit for people of all ages. And it is much less expensive when provided through an employer than when purchased individually.

One of the foundational employee benefits is retirement. Offering a retirement savings plan like a 401(k) plan or Savings Incentive Match Plan for Employees individual retirement account (SIMPLE IRA) is essential in recruiting and retaining valuable employees. Studies indicate that after medical insurance, retirement plans are the second most valued employee benefit.

Over the years, Congress has simplified the rules for retirement plans so that employers of all sizes can take advantage of them. Most retirement plans now provide an employer contribution—or matching contribution—which is made on behalf of an eligible employee on a before-tax basis. This means the employee is not taxed on it until the contribution is withdrawn, presumably at retirement.

Also, many 401(k) plans allow for Roth IRA contributions, which are made on an after-tax basis and permit employees to tailor their approach. Instead of the old way of paper plan administration, technology enables online enrollment and digital statements, which greatly lessen the administrative hassle.

HSAs: the other retirement account

A recent Wells Fargo whitepaper, “Reimagining Retirement: Generational Strategies for 21stCentury Challenges,” surveyed baby boomers, Generation Xers and millennials to uncover each generation’s thoughts and expectations about retirement.

One of the whitepaper’s findings was that baby boomers expect Social Security to be their primary source for paying

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for retirement expenses, while Generation Xers and millennials foresee being more reliant on 401(k)s and IRAs. However, the whitepaper also found that 20% of baby boomers and Generations Xers and 30% of millennials listed "Other" as a primary source for covering retirement costs.

One reason HSAs get pigeonholed as medical-only accounts is their name: health savings accounts. Instead of thinking of HSAs as primarily for healthcare, it can be helpful to view them as IRAs with a tax-free medical bonus.

Like IRAs, HSA contributions are tax-free at the federal and state level (in almost every state), and earnings and interest grow tax-free. What's more, HSA withdrawals for qualified medical expenses are always tax-free too; this triple tax advantage is something other retirement plans simply can't match.

In addition, once HSA account holders reach age 65, they can use HSA dollars on nonmedical expenses and pay only income taxes on those funds, just like an IRA or 401(k). This means account holders never have to worry about overfunding their HSAs; any funds that aren't needed for healthcare costs in retirement can be used for general retirement expenses.

Also, HSAs don't have required minimum distributions, so the funds can continue to grow until account holders need to use them. And if an HSA account holder lists a spouse as the beneficiary, the HSA becomes the spouse's after the account holder's death and retains all of its tax benefits.

The FICA tax consists of Social Security and Medicare taxes, and this combined tax is typically 15.3% (the Social Security tax is 12.4% on all wages up to $132,900, and the Medicare tax is 2.9% on all wages). Employers and employees split the tax, so each typically pays 7.65%.

Contributions to a 401(k) or an IRA are always subject to FICA taxes, regardless of whether those contributions were to a traditional plan or a Roth plan. By contrast, HSA account holders never have to pay FICA taxes on contributions done via pretax payroll withholding through their employer's Section 125 plan, and neither does their employer. That's an extra 7.65% back to both the account holder and the employer.

However, since you didn't pay FICA taxes on the HSA contributions, you'd have an extra $460 in take-home pay by the end of the year. You can then contribute that extra $460 of annual FICA savings back into your HSA. Assuming a 6% market rate, over 40 years those FICA savings alone could grow to over $75,000.

Prioritizing Your Retirement Savings

Knowing HSAs' superior tax benefits, you may want to consider structuring your retirement contributions to increase your tax savings:

1. Contribute enough to your HSA and 401(k) to get any employer matches. Always take advantage of any match your employer offers; there's no easier way to get free money.

2. Max out your HSA via payroll withholding. In 2019, the HSA contribution limits are $3,500 for individuals under self-only insurance coverage and $7,000 for individuals under family coverage. By contributing via payroll withholding, you're saving FICA taxes and putting money back into every paycheck. In fact, you could even calculate how much you're getting back in FICA savings and put that extra money back into your HSA.

3. If you have money remaining after maxing out your HSA, put it in your 401(k) or IRA. Although your

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contributions will be subject to FICA taxes, you're still getting significant tax savings.

This savings strategy requires reframing the HSA as general retirement vehicle rather than as a medical-only savings account. It means committing to keep HSA contributions invested for the future rather than pulling them out for current medical costs.

This mindset shift may not always be easy, but it's worth it. In the retirement planning arena, every dollar matters, and HSAs are, hands down, the best way to keep money out of Uncle Sam's pocket and growing for the future.

Give us a call so we may walk you through the process. Contact us at ABM Insurance & Benefits at 1-800-362-2809.

Hourly workers want expanded benefits post-pandemic — or they'll walk

By Paola Peralta

The pandemic has forced hourly workers all over the globe to reconsider not only what they want from employers post-pandemic, but what they deserve.

A third of hourly employees said they would switch jobs in order to receive more comprehensive benefits, according to data by financial services company Netspend. Fifty-eight percent of hospitality workers — an employee demographic with a high percentage of hourly workers — say that they are planning to quit their jobs before the end of 2021, according to Joblist's most recent quarterly U.S. Job Market Report. Losing those employees is costly: employers spend $4k to replace and rehire, so it's critical business leaders respond to the demands and needs of their workforce with new resources, tools and a unique understanding of what flexibility means for this population.

"People are looking for different experiences [at work] — and it goes back to employees reflecting on their career and their life," says Andy Garner, senior vice president and general manager of commercial prepaid at Netspend. "They're looking for certain things like higher wages, or immediate access to their tips or earned wages every single day."

These benefits can help hourly workers weather the financial instability that has plagued them throughout the pandemic. The Netspend study found that of the workers being paid by cash or check, 65% reported being more likely to run out of funds prior to their next paycheck.

Breaking the traditional pay cycle so that employees are in control of when they can spend their hourly wage may be the most important change to companies' employee offerings, Garner says. These tools can help hourly workers bridge the gap from paycheck to paycheck and help pay monthly bills without putting their finances at risk.

Thanks to the increased adoption of technology across workplaces, it's never been easier to address the financial wellness of employees. Plus, employees that consider themselves financially stable are much more likely to remain with their current employer for the next year compared to those who are financially unstable — 87% compared to 58%.

"If you don't address these things that are really important to your workforce, you risk falling behind," Garner says. "You're competing against folks in other industries and [employees] are going to look and see other options available to them that have all the things they want."

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I just want to Thank you so very much for the professional help that I got from you in renewing my general liability insurance. You handled my needs in such an excellent manner and left me with a big ear to ear smile Thanks again for your awesome service.

-Earnest C.

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