OUR NEWS LETTER

At least one insurer is committing to the ACA exchanges – even as some peers head towards exits

The Canadian Press 25 Apr 2017 *By Tom Murphy*

One health insurer is eager to dive back into the Affordable Care Act's troubled insurance exchanges next year, even as competitors waver and President Donald Trump tweets doom about the law's future.

Centene Corp. said Tuesday that its exchange enrolment has swelled 74 per cent since last year, up to nearly 1.2 million people.

This comes as competitors like Aetna back away from these public marketplaces after absorbing steep losses, and others like the Blue Cross-Blue Shield carrier Anthem await signs of stability before committing to 2018. Trump has warned repeatedly about the collapse of the law and its exchanges, which provide coverage for around 12 million people.

Insurers have struggled to build a stable business out of the exchanges, in part because they can't attract enough young, healthy people to balance out sicker customers who use their coverage. Soaring premiums haven't helped that push. Companies also say they've been stung by expensive patients who wait until they need the coverage before enrolling.

As a result, exchange choices have grown thin, with many markets down to a single insurer. Some in Tennessee have none.

Heading into 2018, insurers also are nervous about the future of billions of dollars in cost-sharing assistance for some exchange customers with modest incomes.

Despite all this, Centene Chairman and CEO Michael Neidorff said Tuesday during a conference call to discuss the company's first-quarter results that he sees “nothing out there” that will change his company's participation next year.

“We have the agility and the ability to adjust,” he said.

Centene sells coverage under its Ambetter brand on exchanges in 12 states. That includes key markets like

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Florida, Texas and Ohio.

What makes it more bullish than its competitors on these still unstable markets? Analysts say Centene sticks to customers it knows. The insurer specializes in managing the state and federally funded Medicaid program for the poor. On the exchanges, it targets low-income customers in markets where it has already formed networks of providers for its Medicaid business.

That means the insurer doesn't have to build doctor networks for its exchange business from scratch. It also means Centene generally serves customers who get big subsidies that can shield them from price hikes. This makes it more likely they keep their coverage.

Neidorff said Tuesday that 80 per cent of Centene's 2016 exchange customers renewed their plans in 2017. Repeat business like that makes it easier for insurers to figure out prices.

Centene has added some new exchange business through its acquisition of fellow insurer Health Net, said Stifel health insurance analyst Thomas Carroll.

It also has gained customers as competitors like UnitedHealth Group Inc. and Humana Inc. have left markets, noted Ana Gupte, who follows insurers as a senior analyst with Leerink Partners.

St. Louis-based Centene Corp. didn't detail financial results from its exchange business. But the insurer said Tuesday it earned $139 million overall in a first-quarter performance that topped Wall Street expectations.

Insurers are still sorting out their coverage plans for next year, so others may still come forward with their own exchange testimonials. They have until late spring or early summer, depending on the state, to make an initial decision on where they plan to sell next year.

Another big exchange participant, Indianapolis-based Anthem Inc., will report Wednesday on its first quarter.

Jefferies analyst David Windley said late last month in a research note that he thought the Blue Cross-Blue Shield insurer was leaning toward leaving a “high percentage” of the exchange markets in which it participates.

An Anthem spokeswoman said in response that the insurer was still pursuing “policy changes that will help with market stabilization and achieve the common goal of making quality health care more affordable and accessible for all.”

An Anthem pullback would be a huge blow to the exchanges. Heading into 2017 Anthem was the lone insurer on exchanges in 300 counties in seven states, according to data compiled by The Associated Press and the health research firm Avalere.

InterContinental Hotels suffers huge cyber breach

by Lyle Adriano 20 Apr 2017

Even some of the biggest hotels in the USA need some form of cyber security insurance, as the latest major breach proves.

World-renowned hotel chain InterContinental Hotels Group has announced that a third of its franchised properties in the US were attacked late last year by malware that can indiscriminately steal the credit card information of guests.

Holiday Inn, Holiday Inn Express, Hotel Indigo, Crowne Plaza, Candlewood Suites and Staybridge Suites were the brands most affected by the malware, the company revealed.

InterContinental spokesperson Neil Hirsch said on Wednesday that about 1,200 US-based properties and one hotel in Puerto Rico were hit with the malware between September 29 and December 29. Hirsch confirmed that the company had 3,633 franchised properties in the Americas by the end of 2016, and that only a "small percentage" of franchisees have not yet taken up the company's offer to assess their systems for any signs of malware.

The company added that there is no evidence of unauthorized access to payment card data after December 29, 2016. InterContinental also admitted that the cyber security team under its employ was unable to detect the malware until this February and March.

The Globe and Mail reported that the malware searched for track data read from the magnetic strip of a payment card whenever one is used through an affected hotel server. Information that can be mined from the scanned strip includes the cardholder's name, card number, expiration date, and internal verification code.

Legislator’s bill proposes banning ZIP code use for insurance quotes

by Paul Lucas 18 Apr 2017

Insurers have faced plenty of questions about how they assess premiums in recent times – whether it’s being told that marital status and occupation shouldn’t be used to quantify risk, or the case of life insurers that can’t make medical assessments of their potential customers. However, if there was one factor that insurers could always rely on to make assessments it was the good old ZIP code – at least, until now.

The ZIP code has been used to assess premiums for a number of reasons – how prone that area is to a high rate of crime, for instance, naturally impacts both car and home insurance premiums. However, State Senator Jacqueline Collins believes that needs to change – and that by barring companies from using a person’s ZIP code to determine a premium it could cut out the risk of minority communities facing higher than usual premiums.

As quoted in the *Chicago Sun Times*, Collins, a Democrat in the city, outlined that she would be adding ZIP codes to her pending bill that also wants to outlaw insurers from using a person’s credit rating to determine premiums.

The legislation has reportedly been in the works for two years with Collins bidding to prevent insurers from charging higher rates to those in low-income, or predominantly minority, areas. Her efforts come on the back of a report by Propublica and Consumer Reports which discovered that 33 of 34 insurers in the Illinois area charged at least 10% more in zones with a higher rate of minorities. That report, however, has caused something of a storm with the Insurance Information Institute demanding an independent expert review the data it is based on.

Collins, who is part of the Senate insurance committee, is anticipating a backlash from the insurance community.

“What they’ll say is that we cannot discriminate based on race, but we know that ZIP codes and credit scores are proxies for race,” she told the publication.

What is your opinion on the pending bill? Does Collins have a point – or is it outrageous to take this method of calculating premiums away from insurers? Leave a comment below with your thoughts.

The dark side of early retirement

Sam Dogen, Financial Samurai Mon, May 1 Source: Public Domain Pictures

This article originally appeared on Financial Samurai.

If you look carefully around the web, you'll read scores of articles about the desire to retire early. Yours truly wishes to finish up no later than 45, as I believe working for 20 or so years is a long enough time. I've done the math with various living and return scenarios and it can be done. But the question is whether it's a good idea? Perhaps not.

Now that the economy is in recovery mode, it'll be interesting to see how attitudes change towards early retirement. Will those who've short-circuited their careers feel the pull to return to full time work and maximize their earnings potential again? I believe so. What about all our "lifestyle design" and "digital nomad" friends who had a rough time landing something stable they truly love? Possibly they'll come back too.

Those who are able to retire early are often cherished. I certainly admire those who are able to cut down their desires to the bare bones and live a very frugal lifestyle. I also admire those who've been able to strike it rich very early! That said, perhaps early retirement isn't a good idea for the large majority of people. Let's explore several reasons why people want to retire early, why they exist, as well as understand why we should all think twice about pulling the rip chord too early. Someone has to argue the other side, so it might as well be me.

WHY PEOPLE WANT TO RETIRE EARLY (IT ISN'T THAT OBVIOUS!)

1) Haven't found the right job. The number one reason why people want to retire early is because people haven't found a job that gives them enough fulfillment to do for the rest of their lives. Nobody quits a job they like. If there was a job paying $80,000 a year to hike in the mornings and get massages in the afternoon, I'd do that forever!

2) Easier way out. If you are a sub-optimal performer, you tend to experience a sub-optimal lifestyle. It's easier to just give up as a result. Let's say you are a research scientist who after 10 years never produces any relevant research and finds no cures. Instead of going on with failure, you decide to give up and get out of the game. Early retirement is like the coward's way of not having to be the best any more.

3) People are lazy and want things now. Society has shifted our ideals from hard work and thinking long term to instant gratification. Nobody has the patience to work for decades before being eligible for a pension. We all think we know more than we do and deserve to be the rich boss now. When we don't get our way, we quit, rather than letting people know we couldn't reach our potential.

4) A feeling of hopelessness. During the downturn a tremendous amount of people began writing about location-independent lifestyles that allow one to break free from the 9-5 and "really doing what you want." In actuality, we all know that what they really wanted was to have a good job and be accepted by society. It's because of the downturn of 2008-2010 that so many were displaced with nowhere to go. If they did, perhaps they'd think differently. In an economy where everybody is losing money left and right, what's the point of working, some think. Well, the economy has roared back with a vengeance and if you aren't working, you are falling farther and farther behind.

5) Realization that time is precious. With the median lifespan hovering around 80 years old, you only have 15 years of retirement to enjoy your life if you retire at 65. People in this camp have a heightened awareness of time and therefore do everything possible to make sure they are financially stable sooner,

rather than later. I'm a strong believer in this thought process, but at the same time, I don't want to cut short my potential. The worst is running out of money and being too old to do anything about it.

THE DANGERS OF EARLY RETIREMENT

1) Oops, you change your mind. Imagine retiring at 37 after 15 years of work after undergrad. You spend the next 3 years traveling the world, living a leisure lifestyle and experiencing new things. At age 40, you realize the reason why travel and play is so fun is because of work! You have the urge to get back into the game, but who's going to risk hiring a 40-year-old with a 3-year employment gap? The employer will suspect you are rusty, and that you may just bolt after a year. As a result, the employer simply chooses to hire someone with no gap in their employment, or someone else from another firm.

2) You run out of money. No matter how conservative we are in our retirement money needs, something unforeseen may happen. Maybe you have a medical disaster, or your house blows down. Maybe your investments tank due to a massive economic downturn. Who knows what the future holds. But if you partake in "normal" early retirement, without the mega-millions windfall, you may find yourself needing more one day. Again, a large employment gap is perceived as riskier by the employer and you may be un-hireable. Here's a savings guideline by age you should consider.

3) You lose touch with friends and family. It's nice to have all the time in the world to do whatever you want. But, if your friends and loved ones are busy working all day, they can't join you on your midday hike or adventure to Bora Bora. They may also have a family to tend to during the evenings and on weekends. If you've ever taken a staycation by yourself, you'll soon realize how lonely it is when others are busy leading their own lives.

4) You may find it difficult to start your own family. Unless you have a tremendous amount of money, raising a child may be too expensive an endeavor to undertake as early retirees. If you never wanted to start a family, chances are you haven't been saving for a family. Let's say you're a woman who turns 35 and suddenly realizes the safety window for having a baby is closing rapidly. It may be tough to even get pregnant, let alone support a newborn without the right support network.

5) You lose your own self-respect, and the respect of others. Unless you're out there saving the world, you might start getting depressed you are contributing very little to society. Others will stop respecting you because you aren't doing anything productive either. Traveling the world and writing about how great your life is a very unproductive endeavor. You better be learning a new language and volunteering in the local community, or else you're just a travel bum. A great many rich early retiree friends from the Dotcom bubble have mentioned they wish they didn't get rich so quickly. Instead, they wish they worked a little harder for their money.

CAREFUL WHO YOU LISTEN TO

Early retirees will croon about how great their lifestyles are. I'm sure, in some ways they are spot on. But notice how they seldom write about the hardships they face. They can't, because it's important they continue highlighting how awesome everything is, to **justify their decision** to no longer work. Can you imagine spending 16 years going to school (grade school + four years of college) only to work for 10 years? Some would surely say that's a waste, would they not?

The worst that could happen is some aspiring scientist, musician, lawyer, or teacher decides to give up their careers because they believe traveling around the world on a shoe-string budget is so glamorous. Years later, they realize their fingers don't remember the notes anymore and the chemical formulas are one big haze. Maybe they would have made it as a concert pianist, or helped discover the cure for seasonal allergies, ACHOO! **What a shame they never reach their full potential.**

EARLY RETIREMENT IS SELFISH

As I strive to fulfill my goal of retiring by 45, I've come to the realization there's an unhealthy focus on self. "*What do I need to amass to be comfortable?*" should be replaced with "*How much do I need to be comfortable while helping others?*"

It's absolutely selfish for me to even consider working less than the number of years I went to school. I think back upon my childhood years and how much effort my parents put into raising me. My mother would spend hours a week sitting down with me after dinner to explain mathematical equations. My father would read all my essays and fix all the punctuations and grammatical mistakes. I would feel like a disgrace not to at least try and do great things.

Further, what about the millions of Americans who don't pay taxes, who depend on us to continue working to pay taxes in order to help them live? Social Security and Medicare need to be funded. Roads and utility poles need to be maintained. I've paid over $100,000 a year in taxes since 1999. By removing myself out of the system, I'm no longer contributing as much to the well being of society.

Forty-five is just an age goal. If I haven't achieved my potential by then, I don't plan on retiring even if I have the money to do so. **The point of having an earlier-than-normal retirement goal is to help keep someone focused**. Like an exam that's 3 months away, we don't study until the week before. Hence, better to believe the exam is only a week away so that we are better prepared.

LOOK BEYOND THE SMOKE AND MIRRORS

Early retirees sometimes like to pity those who have to work. Yet perhaps we should empathize with those who are lost and haven't found something they truly love to do (point #1). It's impossible to all be great humanitarians working tirelessly until the age of 65. It's easier just to give up and tell the world how fabulous your life is, and how you've retired on your "own" terms.

As the economy continues to boom, perhaps we'll be able to bring back our lifestyle design friends to their home countries to work again. Our early retiree friends will stop fearing failure as employers open their arms wide open and allow them to succeed. Entrepreneurial ideas flourish once again due to an abundance of capital. The more the wealth gap widens, the more the early retiree crowd will want to get back to work, and realize their full potential.

5 Changes to Social Security in 2017

If you collect Social Security, plan to claim your benefits, or pay Social Security taxes, here's what you need to know for 2017.

Matthew Frankel Dec 25, 2016

As 2017 draws near, there are several changes to Social Security that current and future beneficiaries should be aware of. While benefits aren't increasing by too much, some workers could see their Social Security tax bill rise significantly, and working beneficiaries could end up with a lot more money in their pockets in 2017. Here are the details of these and a couple of other changes to Social Security set to take effect in the new year.

1. A small cost-of-living adjustment (COLA), which most retirees will not actually get

After receiving no increase to their benefits in 2016 due to a lack of inflation, Social Security recipients will be given a 0.3% COLA in 2017. For the average retired worker, who has a monthly benefit of $1,355, this translates to an increase of just over $4 per month.

However, most workers will not see an increase, thanks to rising Medicare premiums. The 70% of Medicare beneficiaries who pay their Part B premiums directly from their Social Security benefits will see their premiums rise by roughly $4, an amount completely offsetting many beneficiaries' COLA.

In other words, for the average Social Security beneficiary, the COLA will make no difference whatsoever. Individuals with higher-than-average Social Security benefits will see their checks increase by a few dollars, and those with below-average monthly benefits should see a small decrease.

2. A big Social Security tax hike for high earners

The Social Security tax rate of 6.2% for employers and employees remains the same for 2017. However, the maximum amount of earnings subject to Social Security tax is rising significantly, from $118,500 to $127,200.

For highly paid employees, this means that the maximum Social Security tax in 2017 is increasing by about $540. For self-employed individuals, who pay *both* the employer and employee portion, the maximum Social Security tax bill is increasing by twice that amount.

3. Full retirement age is increasing

For seniors reaching the age of Social Security eligibility over the past decade or so, full retirement age (FRA) for Social Security has been 66 years old. In 2017, however, full retirement age will begin to increase for eligible beneficiaries.

Specifically, for people born in 1955 -- and therefore turning 62 in 2017 -- full retirement age will increase by two months, to 66 years and 2 months. Why is this important? It's a well-known fact that claiming Social Security before full retirement age results in a permanently reduced benefit. Now, people who claim Social Security as early as possible won't be four years early -- they'll be four years and two months early, which results in an even bigger reduction.

You can read about the rules for early or late retirement here, but in a nutshell, here's what this means:

Let's say that your Social Security benefit at full retirement age is estimated to be $1,500 per month. If you turned 62 in 2016, you would be entitled to $1,125 per month if you claimed your benefit as soon as possible. On the other hand, if you'll turn 62 in 2017, your benefit at that age would drop to $1,112.50.

4. Great news for beneficiaries who still work

People who claim Social Security before full retirement age and continue to work are subject to the "earnings test." If these beneficiaries earn more than a certain threshold, their benefits can be reduced.

Fortunately, both thresholds of the earnings test have increased significantly for 2017.

- Beneficiaries who will reach full retirement age *after* 2017 can earn up to $16,920 for the year ($1,410 per month) with no benefit reduction. Beyond this amount, $1 in benefits is withheld for every $2 in earnings.
- Beneficiaries who will reach full retirement age *during* 2017 can earn up to $44,880 per year ($3,740 per month) with no benefit reduction. Beyond this amount, $1 in benefits will be withheld for every $3 in earnings. This test only applies in the months prior to the month the beneficiary will reach full retirement age.

These annual income thresholds are up from $15,720 and $41,880, respectively, so this could make a big difference for working Social Security recipients.

5. New retirees could get a higher maximum benefit

Finally, the maximum initial Social Security benefit for a worker retiring at full retirement age has increased, thanks to the higher taxable wage limits of recent years.

Specifically, the highest possible benefit a new retiree can get if they claim at full retirement age is now $2,687 per month, $48 higher than last year. Keep in mind that to get this amount, the worker would need to have earned more than the Social Security taxable wage limit for 35 years.

The biggest Social Security changes could be yet to come

President-elect Donald Trump has promised not to increase the retirement age beyond 67, and has also said that he won't cut any benefits. While this is a commendable goal, something will have to be done to keep Social Security financially viable in the future.

As of the latest projections, Social Security is expected to have money in reserves that, when combined with incoming payroll taxes and investment earnings on those reserves, will be enough to pay out every promised dollar until 2034. Trump's pro-growth economic agenda could indeed help, but it's likely to simply extend the program's solvency for a few years, not fix the problem.

Simply put, there are only two main ways to fix Social Security in a sustainable way: lower benefits or higher taxes. And it may come as a surprise that the vast majority of Americans prefer the latter. Since we're about to have an all-Republican Congress, a tax increase becomes less likely over the next few years, at a minimum.

The bottom line is that the actual fixes to Social Security that will get through Congress (if any) are anyone's guess at this point, but *something* will need to happen. And when it does, 2017's Social Security changes will seem like small potatoes.

The $16,122 Social Security bonus you could be missing
If you're like most Americans, you're a few years (or more) behind on your retirement savings. But a handful of little-known "Social Security secrets" could help ensure a boost in your retirement income. For example: one easy trick could pay you as much as $16,122 more... each year! Once you learn how to maximize your Social Security benefits, we think you could retire confidently with the peace of mind we're all after.

Here’s how much you need to save each month to become a millionaire in 20 years

If you start saving and investing early on, becoming a millionaire might not be as hard as you think.

If you're putting away $415 a month starting in your 20s, $651 a month starting in your 30s or $1,300 starting in your 40s, and getting a 6 percent return on your investment, you're on the right track to **hit that milestone by 67**.

But what if you want to speed up the process and reach seven-figure status in the next 20 years?We used CNN Money's helpful millionaire calculator to estimate how much you'll need to put away each month.

If you're starting from scratch with zero savings, you need to save $2,200 a month to become a millionaire by March 2037.

Now, let's say you already have some savings.

If you already have $10,000 saved up, you'll need to put away $2,100 per month to become a millionaire by May 2037.

And if you already have $50,000 in savings, you need to contribute $1,800 per month to become a millionaire by June 2037.

That's a significant amount, but it's **a lot less than you'd have to save per month** in order to become a millionaire in only a decade's time.

Try out the calculator yourself here.

These differences speak to the power of **compound interest**, in which any interest earned accrues interest on itself, and a little money invested now can end up being more than a lot of money invested later. In short: If you want to become a millionaire, the earlier you start investing, the better.

This calculation doesn't account for the many variables that can affect your wealth over several decades, including windfalls, emergencies and rises or dips in the market. But it can give you a good idea as to whether or not you're saving enough to retire comfortably.

Of course, saving hundreds or thousands a month is an ambitious goal. Even $2,100 a year is **more than most Americans can manage**. But getting into the habit of saving any amount will be great for you in the long run, and if this inspires you to get started, the simplest way is to invest in your employer's **401(k) plan**, a tax-advantaged retirement savings account. Next, consider alternate retirement savings accounts, such as a **Roth IRA**, traditional IRA and/or a **health savings account**.

You can also research low-cost **index funds**, which **Warren Buffett recommends**, and online investment platforms known as robo-advisors.

Call center fraudsters targeting insurance companies

by Sam Boyer 24 May 2017

Poor human judgment and lax telephone security protocols are allowing fraudsters to rip off insurance companies.

Call centers are seen as a weak backdoor for scammers. As insurance companies boost their cyber security profiles, telephone security can be forgotten – exposing vulnerabilities that are being exploited, in a scamming technique called “social engineering”, for big money.

David Dewey, director of research at Pindrop, a telephone security firm, recently spoke to Insurance Business about his company’s “2017 Call Center Fraud Report” and the issues specifically facing the insurance industry.

According to the report, “the insurance industry is … taking severe hits from phone fraud.”

Life insurance policies and policies for mobile phone replacements, in particular, have been heavily hit. Dewey said about one in every 12,000 calls to life insurance companies are fraudulent. About one in every five of those is successful, he said. For mobile device insurance firms, about one in every 200 calls is fraudulent, while the same one in five success rate applies.

“The major failing is in the knowledge-based authentication questions,” Dewey said. “The problem is they just don’t work.

“It’s very often that the legitimate customer doesn’t know the correct answers to the questions. And those call centre operators are used to dealing with legitimate customers who don’t know the answers. They’ll oftentimes help them [the customers] work through it.”

The target of call center fraud attacks is the employee on the other end of the line. Call center employees are trained to remedy problems for often disgruntled customers. Taking dozens or hundreds of calls a day, it can be difficult to spot the real from the fake customer.

“One of the most devious and costly [scams] we see is in life insurance, specifically, is where fraudsters will … call in pretending to be a policyholder,” Dewey said. After tricking the call center that they are the genuine policyholder, the scammer will take out a loan against the policy, or claim back some of the policy in cash.

“And a lot of times these things can go unnoticed for years, because how often do you really look at your life insurance policy? It happens a lot more frequently than we would think,” he explained.

With “social engineering”, the scammers will research a target customer and do background about where they live, where they went to school, their family connections, workplace, geography near their home – all things that can be searched online, but all things which might be asked in security questions over the phone. If a scammer is able to get most of these correct, then the call center operator may end up believing them.

In some phone systems, it is also possible for a fraudster to try and try again through an automated system until they have the answers they need, before moving on to a real phone operator.

“By far, the highest fraud rate of any single industry is seen in the device insurance sector,” the Pindrop report

stated. “For companies that provide payments to consumers whose mobile phones are lost or stolen, one in every 194 calls is fraudulent. That rate increased 55% over 2015, when device insurance already had the highest phone fraud rate of any vertical.”

To counter the telephone fraudsters, companies should employ phone security technology, Dewey said. Phone security can feature voice recognition or, in the case of Pindrop’s system, “phone printing” – whereby the technology can identify a phone’s unique “audio signature”, and flag it in a register to tip off call centres to fraudsters on the line.

Phone security needs to be enhanced in line with cyber technology. Otherwise, Dewey said, “all that work that’s done on cyber threat prevention can be completely unwound with a single phone call”.