

Greetings and Happy New Year! It's an extremely happy one for me. I am, as of December 31, 2003, a very proud and excited first-time grandpa! How about that!! Little Sofia Isabel—all 7 lbs., 6 oz. of her. By the time you read this, I will have flown to Seattle and met her face to face!

**BLUE CROSS POLICY  
NUMBERS CHANGING**

Because of all the identify theft and the increasing need to keep personal information private, in 2004 your policy number will change from your social security number to another number. Sadly, a big loss in convenience but a sign of the times.

**NEW "HEALTH  
SAVINGS ACCOUNTS"  
EFFECTIVE  
JANUARY 1, 2004  
(HSA'S)**

Good news! The Medical Savings Account program I have recommended and written extensively about is being replaced by Health Savings Accounts as of January 1. The reason it's good news is that there are three enhancements of benefit to individuals and businesses:

- HSA's can be set up by any individual or business (MSA's were limited to small businesses or self-employed people.)
- HSA's allow tax deductible contributions each year of up to 100% of the health insurance policy deductible for individuals or families (MSA's limited contributions to 65% for individuals, 75% for families.)
- For businesses, HSA's permit the annual contributions to be made by the employer and/or employee. MSA's permitted only one or the other to contribute in any given year, but not both in the same year.

**HSA'S MAINTAIN  
MSA'S ADVANTAGES**

Tax deductible contributions. Tax sheltered accumulation. The benefit of paying your medical expenses with never-been-taxed dollars—plus the opportunity to keep the money yourself for retirement if you stay healthy. For my comments on MSA benefits which also now apply to HSA's, see my May, 2002, newsletter (or pull it up on the net under the Newsletter tab at [www.jackhungelmann.com](http://www.jackhungelmann.com).)

**"I ALREADY HAVE AN  
MSA. WHAT ARE MY  
OPTIONS?"**

You're "grandfathered." You can keep your MSA as long as you like, or you can roll your MSA funds into a new HSA. If you do roll, you (and/or your employer if your MSA is sponsored by your employer) can contribute additional amounts to bring your total contributions in 2004 to 100% of your individual or family deductible on a pre-tax basis. To make the change, complete and return the HSA application and transfer form you should have recently received in the mail from Blue Cross' affiliate, MII Life. If you didn't receive it or simply want more information, call Brenda Olsen of MII Life at 651-662-5065 or email Brenda at [selectaccounts@miilife.com](mailto:selectaccounts@miilife.com).

**"DO I HAVE TO  
CHANGE HEALTH  
INSURANCE PLANS?"**

Not at all. Whichever deductible MSA Blue health insurance plan you now have will not be affected if you change to an HSA. You might, however, decide to raise your health insurance deductible for 2004 considering you can now contribute 100%. To raise your deductible, call my associate Carol Bechay at 952-896-9536.

**SELLING YOUR CAR?  
KEEP THE PLATES!**

Ever sell or trade your car and not accompany the buyer to the local county office to make sure the car title is properly transferred? Ever worry that the buyer never did transfer the title, has a serious accident, and you get dragged into the mess? That's a real risk. Here's a suggestion to force the buyer to change the title—take the plates with you! (Thanks to the police officer son of a co-worker of the son of the great nephew on her mother's sister's side of our Corporate 4 Service Manager, Sharon Anderson!)

**NEW MEDICARE  
DRUG BILL PASSES**

Taking full effect January 1, 2006, senior citizens can elect to be covered for prescription drugs but still will be responsible for a \$250 deductible, 25% of the next \$2,000 and then all of the next \$2,850. The total out-of-pocket drug costs will be \$3,600 each year, plus 5% over \$3,600. The law prohibits supplemental insurance policies (aka "Medigap") from covering any of the \$3,600, plus the 5% overage. The prohibition applies not just to new Medigap policies but even to existing policies like Blue Cross Senior Gold. Hopefully, the government will change that provision before 2006. Current Medicare cost estimates for the drug benefit are \$35/mo.

**NEW TEMPORARY  
DRUG CARD**

Starting in the Spring of 2004, seniors can buy a Medicare Drug Discount Card for \$30/year, expected to save them 15% or more on drug costs. That sounds like a bargain. We'll find out shortly.

**FOR MORE  
INFORMATION**

Go to Medicare's website – [www.medicare.gov](http://www.medicare.gov).

**NEW 2004  
CONTRIBUTION  
LIMITS FOR  
RETIREMENT PLANS**

	<u>2003 Limits</u>	<u>2004 Limits</u>
IRA	\$3,000/\$3,500*	\$3,000/\$3,500*
Simple	\$8,000/\$9,000*	\$9,000/\$10,500*
401(k)	\$12,000/\$14,000*	\$13,000/\$16,000*

\*The second number includes the catch-up contribution for age 50 and over.

(Information courtesy of Boulay, et. al., CPA's)

**REMEMBER THE  
ANNUITY**

Regardless of your age you will want a certain percentage of your retirement dollars "safe, sound and secure" with no risk to principal. Maybe it's 20% if you're young and 80% in the later years. Whatever percentage you decide on, I continue to recommend the insurance annuity—the safest thing around and still yielding over 4%.

To explore an annuity for yourself, call my associate agent Carol Bechay at 952-896-9536.

**HATS OFF TO  
MEDICA...**

...for their new "FIT Choices" program. Employees of employers insured with Medica will now get a \$20/month credit for a Lifetime Fitness membership, IF and ONLY IF they have exercised eight times in that month. How about that for incentive?! They also are including free online tools to develop and track fitness plans, nutritional and lifestyle improvement plans. If you have Medica coverage, watch your mail for more information.

**"CHOOSING A  
RETIREMENT  
SOLUTION FOR YOUR  
SMALL BUSINESS" –  
A HELPFUL BOOKLET**

If you're a small business owner, you'll appreciate the simple, easy-to-read explanations of the advantages and disadvantages of all the retirement plans available to you. You can access a copy online at [www.irs.gov](http://www.irs.gov). Publication #3998, Catalog #34066S. My two personal favorite plans for small employers are the Simplified Employee Pension (SEP) and the SIMPLE IRA. They both truly are simple, and best of all have virtually no admin costs.

**INSURERS LIMITING  
COVERAGE FOR  
MOLD-RELATED  
CLAIMS**

Due to some outlandish court decisions in Texas and California, toxic mold claims are becoming the 21<sup>st</sup> Century's "asbestos" hot claim. I understand the concern, but I believe homeowner insurers are overreacting. Nevertheless, you may now have mold limits under your Homeowners coverage. I'm writing to make you aware of the limits, how they apply, and what options you have.

**MOLD COVERAGE  
LIMIT COMPARISON  
JANUARY 2004**

<u>Company</u>	<u>Property Limit</u>	<u>Liability Limit</u>
Safeco Quality Plus	\$10,000	No Limit
Safeco Quality Crest	No Limit	No Limit
Harleysville Monoline*	No Limit	No Limit
Harleysville Package*	No Limit	No Limit
Auto-Owners	No Limit	No Limit
Chubb Deluxe	\$10,000	\$100,000
Firemen's Fund	\$25,000	No Limit
Farmers Home	\$10,000	\$50,000

\*Harleysville limits in Wisconsin are \$10,000 for property and \$50,000 for liability, so I expect them to soon be limiting their Minnesota Coverage as well.

**HOW THE LIMITS  
APPLY—EXAMPLE  
OF A PROPERTY  
CLAIM**

Assume you have a Farmers Home, Chubb or Safeco Homeowners policy. Each company has a \$10,000 property limit for mold claims. Suppose you're on vacation for two weeks. A toilet upstairs cracks and water soaks all three floors. Assume the costs are \$75,000 to replace all the flooring and another \$35,000 for ripping open walls to get at and kill off all the resulting mold. Plus another \$5,000 to test the home now and six months from now to make sure all mold was killed. Before the mold limits were added, you would have collected all \$115,000, less your deductible. But now you would only collect \$85,000--\$30,000 less! (\$75,000 + the \$10,000 mold limit).

**...AND A LIABILITY  
EXAMPLE**

Now assume you have purchased a home that, unknown to you, has had previous water damage, the mold wasn't treated and you had a guest spend the night who had severe mold allergies. Assume the guest has a severe asthma attack and dies. His family sues you for \$500,000, and your Homeowners policy has a \$500,000 liability limit. Are you covered for the entire \$500,000 lawsuit? Not by Chubb or Farmers Home, who will only pay \$100,000 and \$50,000, respectively. Not even their Umbrella policies will help make up the differences. You're out \$400,000-\$450,000, plus perhaps another \$100,000 more in legal fees!

**WHAT YOU CAN DO**

If you have a mold limitation on your policy, you can either live with it or have us switch your insurance to Auto-Owners, who has indicated they have no plans to add mold limits anytime soon. So what should you do?

**"CONSIDER THE  
ODDS"**

One of the cardinal rules of managing risk is to consider the odds. I believe the likelihood of a mold property claim going beyond \$10,000 is quite likely, but if not covered, probably will not cause you financial ruin. The risk of mold liability claims is extremely remote but could be financially catastrophic. I'd say the odds of a mold property claim are similar to the risk of storm damage. And the odds of a mold-related lawsuit are akin to the odds of an earthquake in Minnesota.

**"DON'T RISK MORE  
THAN YOU CAN  
AFFORD TO LOSE"**

Another risk management principal. If you decide to stay put and accept these limits, make sure you can live with your choice if it happens. If you prefer to move to Auto-Owners where there are no mold limits, call Carol Bechay at 952-896-9536, who will be happy to assist you.

**ROGER AND MARIE  
AND COSTA RICA**

Roger and Marie and their kids are escaping Minnesota's cold for the warm beaches of Costa Rica. What do they need to know relating to insurance? (And how can I entice them to bring me along?)

**THREE THINGS TO  
DO WHEN  
VACATIONING  
OUTSIDE THE U.S.**

Here's the advice I gave to Roger:

- 1) Contact Customer Service at your health insurance company for their advice on handling medical claims in foreign countries—and a 24/7 phone number to call if insurance authorization is needed so your medical care isn't held up.
- 2) Consider Medical Evacuation Insurance to transport an injured or sick family member in a medically staffed, fully equipped aircraft from Costa Rica to the hospital of your choice in the USA. The average cost for an evacuation is \$35,000. (For more information, log on to [www.medjetassist.com](http://www.medjetassist.com). The coverage costs about \$300 a year to cover a family's travels for up to 12 months.)
- 3) When renting a car, decline the liability coverage for injuries and property damage (covered by Roger's Personal Umbrella policy), but buy the optional Collision Coverage from the car rental agency to avoid needless delays if the car is damaged in any way.

If Roger did not have an Umbrella policy covering auto liability worldwide, he would have needed to also buy the liability coverage from the car rental agency since his U.S. auto policy does not provide coverage outside the USA, its territories, and Canada.

**AGE 55 PLUS? WE  
NEED YOUR HELP!**

If you have taken the 8-hour 55+ Defensive Driver Course in order to save 10% on your car insurance costs and really enjoyed the instructor, we'd sure love to hear from you. Just email the instructor's name, organization, location, and phone numbers to Carol Bechay at [cbechay@corporate4.net](mailto:cbechay@corporate4.net). We'll pass on your tip, in an upcoming newsletter, to those folks yet to take the course, who I'm sure will be very grateful. (Eight hours with a boring instructor could be pure agony.)

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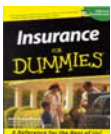
*After months of chipping away at it, I have a website. I invite you to check it out—[www.jackhungelmann.com](http://www.jackhungelmann.com). You can buy a discounted copy of *Insurance for Dummies*, check out my bio, read about my fee-based risk management package of services, or download newsletters or brochures.*

*And be sure to look over the enclosed Newsletter Index. I've alphabetized it this year to make it easier to locate topics of interest.*

*It's taken me 30 years of trial and error to finally figure out what I wanted to do when I grew up. Guess what? I'm doing it! How about that!!*

*Best wishes to all!*

*Jack Hungelmann*



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