

Greetings! I am writing this in the midst of a real Minnesota winter. A couple of feet of snow. Frosty temperatures down to 24 degrees below zero. Windchills in the -40's. Step outside, take a deep breath, shudder and smile to yourself, knowing that there is nothing quite like the feel of that blast of subzero air on your face to let you know you're alive! We've had pretty "sissy" winters lately. It's so great to once again enjoy winter in all its frozen glory. Complete with slightly frostbitten fingers and toes and rosy cheeks. Life is good once again.

As I write, we are in the midst of the biggest recession of my lifetime. Job layoffs by the droves. Companies closing. Millions of people out of work. If you or someone close to you is in that situation, here are some tips for reducing insurance costs without risking more than you can afford to lose.

***COST-SAVING TIPS FOR
TOUGH TIMES – WHEN
YOU ABSOLUTELY
HAVE TO MAKE CUTS***

Here are some suggestions that can reduce your auto or homeowners insurance costs without undue risk or serious threat to your long term financial well being:

Cost Saving Tip	Average Annual Savings
Car pool or take the bus to work.	\$200
Raise your home and auto deductibles to at least \$1,000.	\$150 to \$200
Take Collision and Comp coverage off an older car you no longer have a loan on,	\$300
Get by with one less car. Park it or sell it.	\$600-\$1,000
Park your teenager's car. Make him an occasional driver of one of your cars instead.	\$600-\$1,000
Avoid paying surcharges on your car insurance because of your teenager's bad driving record. Have him voluntarily surrender his license. Especially consider this if he is a student, away at college. An insurance company can only charge for a young driver if they have a driver's license. Note that when they surrender their driver's license, they should request a picture ID instead. Also request a receipt for the insurance company to prove that his license has been surrendered.	It depends on many factors but probably at least \$1,000-\$1,500
Strip all the non-critical property coverage endorsements off your Homeowner's policy, such as jewelry and other scheduled property, replacement cost contents coverage, and special perils contents coverage. Put your efforts into preventing or reducing loss instead, such as storing your jewelry for the time being in a safe deposit box.	\$250-\$500

***REMEMBER – DON'T
RISK MORE THAN YOU
CAN AFFORD TO LOSE!!***

Don't cut out any of the coverage for the five major risk areas than can ruin you financially if they happen: major damage to or destruction of your home, large injury lawsuits, major medical bills, your survivor's needs following your premature death, and your need for income following a long term disability.

If you're in a position where you're forced to make some cutbacks, call me personally. I can help you shave costs in the short-term with the least amount of risk to your long-term financial future. I would love to help.

IF YOU HAVE CASH VALUE LIFE INSURANCE AND STILL NEED THE DEATH PROTECTION IT INCLUDES

If some of your life insurance policies have accumulated cash value and you are still paying on them, you have several different options. Here are just a few:

- You can suspend all premium payments and set the policy up on “automatic premium loan” so the coverage stays in force and the cash value gets drained a little each month.
- You can exchange it for a fully-paid-up policy for a lesser death benefit.
- You can stop all premium payments and keep your death benefit the same by trading the cash value for several years of coverage.
- If your need for life insurance is just for a few years and if you are still relatively healthy, you can apply for inexpensive term life insurance.

I am oversimplifying your options just to give you a taste of what is possible. If you are in that situation, bring in your policy and your last annual statement to meet with me. I will help you determine where best to pare your entire insurance program so you will be hurt the least if something happens.

SOME HEALTH INSURANCE ADVICE FOR THE NEWLY LAID-OFF

What follows are some frequently asked questions I get from clients who have been recently laid off or out of work because the company closed its doors. Here are four different scenarios along with the advice I offer for each.

"I HAVE RECENTLY BEEN LAID OFF. WHAT SHOULD I DO ABOUT HEALTH INSURANCE? I CAN CONTINUE MY EMPLOYER'S COVERAGE UNDER COBRA, BUT THE COST FOR MY FAMILY IS \$1,200 A MONTH AND I SIMPLY CAN'T AFFORD THAT WITHOUT A JOB!"

Here are two possibilities:

If you're married, check with your spouse's employer regarding the availability of group benefits for the family and the cost. Usually because the employer pays part of the cost, your share of that cost is much less than your COBRA option. Be sure you apply within 30 days of your layoff so family members will be accepted automatically and won't have to qualify medically. This is especially important if any family member has any pre-existing medical condition.

If you don't have this option, look into the cost of a high deductible major medical individual plan. A \$5 million major medical plan with a \$5,000 deductible might cost you \$500 a month for a family of five instead of \$1,200 a month. If you decide to apply, don't make a decision about COBRA right away. You have 60 days by law to make that decision. If you apply for an individual plan right away, you should hear about whether or not you've been accepted easily within 60 days. If any one of your family members is turned down for individual coverage, you can elect COBRA just for that one person. If your state has a health insurance pool for uninsurable citizens, you may be able to get less expensive insurance for them through the pool than continuing COBRA for them.

"WE DON'T HAVE ANY EMERGENCY FUND. EVEN \$500 A MONTH IS OUT OF THE QUESTION."

Check with your state consumer services office or insurance department regarding any special programs that they might have for someone in your situation. Also check with your state-run Medicaid people to see if you might qualify for their program. Finally, if you don't qualify for any subsidized program and elect to go without health insurance, at least formulate an emergency plan. Check with the neighborhood free clinics in your area so you know where they are located in an emergency. Check with your county hospital to find out if they will treat people without insurance. Find out now where you can go and receive treatment without insurance before a medical emergency arises. By planning ahead now, you can reduce the risk of major debt obligations later.

"I'VE BEEN UNEMPLOYED FOR QUITE A WHILE. MY 18-MONTH COBRA CONTINUATION OPTION AT MY PREVIOUS JOB WILL BE ENDING SOON. OUR FAMILY'S MEDICAL CONDITIONS PREVENT US FROM QUALIFYING FOR INDIVIDUAL HEALTH INSURANCE."

Welcome to the Health Insurance Portability and Accountability Act of 1996! HIPAA portability rules apply when your COBRA option ends (or if you had worked for a small employer and did not have a COBRA option). If you've had continuous health insurance in force for at least the last 12 months without an interruption exceeding 63 days, each member of your family who can't otherwise qualify for individual coverage is guaranteed under HIPAA the right to individually owned coverage, in a plan approved by your state, with no surcharge and no waiting period for pre-existing conditions.

Those family members in good health are free to apply for and qualify for any individual plan of their choosing in the marketplace. Be sure to apply for individual coverage at least 60 days before your COBRA coverage runs out. That way if any other family member is turned down for coverage, they also can get their health insurance through the state-sponsored HIPAA policy with no gap in coverage.

"MY JOB AND MY HEALTH INSURANCE ENDED BECAUSE THE COMPANY FOLDED. THERE IS NO GROUP INSURANCE COBRA OPTION. I AM COMPLETELY WITHOUT INSURANCE!"

If you have no COBRA option for whatever reason, your HIPAA rights begin immediately. Start by looking into what your spouse's employer offers, if any. If they do, remember that you have 30 days of open enrollment time from the date your prior coverage ended. If you have no spouse or if coverage is not available through your spouse's employer, check with your state and find out which individual plan you can qualify for immediately under the HIPAA rules and get you and your family covered there. Again, there can be no surcharge, exclusion or waiting period for pre-existing conditions as long as you had prior coverage for at least the last 12 months with no interruption of more than 63 days. Then, once you have this insurance in force on your family, you can begin the process of taking your time to look around for other individual products that you or family members might qualify for that might be a better value than the HIPAA product the state offers.

BEWARE USING TEMPORARY MEDICAL INSURANCE POLICIES!

There are short-term policies in the marketplace that typically offer coverage for 60 days, 90 days, or 180 days. These policies are good for certain situations but not for this one. First, they exclude all pre-existing conditions since birth! Second, they cannot be renewed. You can reapply for another term but any condition for which you have been treated in the first term is now an excluded pre-existing condition in the second term. There are several other limitations. Stay away from them, even for temporary situations, if you have any other alternative.

2009 HEALTH SAVINGS ACCOUNT CONTRIBUTION LIMITS

This year's maximum contribution HSA limits are \$3,000 for individuals, \$5,950 for families. Plus an additional \$1,000 each for those 55 years of age and older. Remember, the contribution limit is no longer tied to your deductible on your health insurance plan.

NEW 2009 SUMP PUMP FAILURE/ SEWER BACKUP COVERAGE OPTIONS

Insurance companies have significantly increased the amount of coverage you can buy for water damage losses coming from sewer backup or sump pump failure. Here are the new options and annual premiums for each of our companies:

The Coverage Limit	Auto Owners	Western National	Safeco	Harleysville
\$5,000	\$50	Included	\$50	\$35
\$10,000	\$110**	\$60	\$100	\$60
\$15,000	\$165**	\$120	\$150	\$85
\$20,000	\$220**	\$180	\$200	\$105
\$25,000	\$275**	\$240	*	\$120
\$30,000	*	\$300	*	*
\$35,000	*	\$360	*	*
\$40,000	*	\$420	*	*
\$45,000	*	\$480	*	*
\$50,000	\$385**	\$540	*	\$190

*Not available

**Coverage only available to homes built in the last 25 years

Note: Chubb is not listed because they cover these losses in full to the policy limits for your building and contents.

“HOW MUCH SHOULD I BUY?”

I recommend buying enough to replace everything that needs to be replaced in your lower level if this loss happens. Remember that sheet rock does wick up water, so chances are that you'll have to replace not only the floor coverings and personal property items, but also the walls. I wouldn't carry less than \$5,000 or \$10,000 if you have a sump pump with a battery backup. If your lower level is finished and especially if you have a sump pump, talk to us about raising your coverage.

I INVITE YOU TO CHECK OUT ARTICLES I HAVE WRITTEN ON NUMEROUS RISK MANAGEMENT TOPICS FOR IRMI.COM

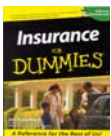
IRMI, as in International Risk Management Institute. For the past five years now, I've been writing quarterly website articles for this highly respected organization, on numerous subjects pertaining to personal risk management (a.k.a. my passion). Here are some of the subjects that I have covered:

- Choosing the best umbrella policy – a case study
- Why you're probably not covered driving a newly-deceased's vehicle even though his insurance is still in force and paid up
- Avoiding insurance coverage gaps when home ownership is transferred to a trust
- Discovering the risks of a household move – whether you move yourself or hire the move out – along with recommendations on how to best protect yourself for each risk
- Identifying the risks associated with owning a townhouse or condominium unit and recommendations on how to avoid the shortcomings of the homeowners policy designed for that ownership type.
- Managing major medical risks following a job change
- Identifying and recommending strategies for managing the many risks associated with hiring a nanny for your children
- Personal risk management – an overview (details the 16 value-added commitments I make to my risk management clients in exchange for the annual risk management fee they pay)

This issue starts my 25th consecutive year of writing newsletters for clients as part of my value-added risk management services. As usual, I've included with this January issue an index of the first 24 years of newsletter topics that are still pertinent today. I invite you to take a look at the topics and contact me or Carol Bechay if you want more information about any subject.

All the best,

Jack Hungelmann



Insurance for Dummies authored by Jack Hungelmann. Buy it online at www.dummies.com or www.amazon.com.