

Greetings and best wishes for a happy 2010. I am writing this on a cold day in early January in Minnesota. The sun is glistening all over the fields of fresh Christmas snow, much of it still untouched by footprints. It's a beautiful day to be working from the peace and quiet of my Chaska home.

This issue starts the 26th year of my writing newsletters. Here is what you need to know to help manage the risks in your life.

**CONTINUING THE
ANNUAL NEWSLETTER
INDEX TRADITION**

As usual with the January issue, I have enclosed an index of all topics I have covered, since inception through 2009, that are still relevant. If you don't save these and want to check on a particular topic, go to www.jackhungelmann.com and you can find issues going back 5 or 6 years, under the newsletter tab. If you are relatively new with us, I recommend that you read through the index and contact us about any issue or risk that gets triggered.

**ARE YOU COVERED TO
DRIVE CARS YOU DON'T
OWN?**

Borrowed cars? Rented cars? Cars furnished by your employer? What about roommates' cars? Or "shared" cars like Zipcars? What about the 1986 Chevy Impala with 46,000 actual miles that Grandpa Steve lets your 16 year old daughter keep at your home and use when she wants?

Your personal auto policy covers you most of the time you drive other people's cars with one major exception. It excludes coverage for cars that are "furnished or available for your regular use." Given that fact, are you covered the following uses?

- **BORROWED CARS?** Yes, in most cases, providing the use is occasional.
- **RENTED CARS?** Yes, if the rental is less than 30 days.
- **COMPANY CARS?** No. You're probably covered by your company's business auto policy but you won't be covered by your own personal policy.
- **ROOMMATES' CARS?** Probably not. Even if you don't drive your roommate's car often, the car is "available" for your use. Especially if your roommate leaves the keys out where other people in the residence or college dorm have access to them without having to ask. Here again, you may have coverage under the roommate's personal auto policy but probably won't have coverage under your own personal auto policy. That's a problem if your roommate carries less liability coverage than you do on your personal auto policy. Or worse, has no insurance at all!
- **ZIPCARS?** Higher gas prices and a growing desire to "go green" have led to a relatively new phenomenon in urban areas often referred to as "shared cars". *Zipcars* are one such franchise. The franchise owns several cars that are parked around the city. People buy memberships that entitle them to use these cars, if available, by paying a much reduced rental fee. To use a car, you simply go online to reserve it. When done, just lock it up and park it. End of story. This concept seems to work really well for urbanites who rely a lot on public transportation, walk, or bike to get around but occasionally need a car. It's my opinion that, if you have a personal auto policy covering another vehicle you own, your use of a *Zipcar* would be covered much like a rental car would be covered.

- **GRANDPA STEVE'S CHEVY?** Here is a common problem. Elderly parents who either don't drive, or drive very little, loan their car to one of their teenage grandchildren while retaining the title. As the parent, your personal auto policy will not cover your daughter's use because grandpa's car is both furnished and available for her regular use. She would be covered by her grandparents' auto policy but quite possibly with significantly lower liability limits than you carry on your vehicles.

"SO HOW DO I GET COVERAGE?" For those situations where you have access to a non-owned vehicle, where your personal auto policy will not cover you for the use, add an "extended nonowned automobile" endorsement to your personal auto policy. In every one of those uncovered situations, you will be covered. Make sure that you list every possible driver in the family on the endorsement.

"WHAT DOES THE EXTENDED NON-OWNED ENDORSEMENT COST?" Insurance companies vary all over the board on pricing this endorsement. Auto-Owners charges 25% of one vehicle's liability premium for the year. Harleysville charges a flat \$20 and Safeco a flat \$7. Western National charges 12 % to 13% of the combined liability and medical coverage costs. Progressive doesn't offer the coverage at any cost. The important thing is that if you have a need for the coverage, it's available in most companies at a price that is a fraction of what it would cost you to insure the car fully under your policy.

A FINAL WORD ABOUT NON-OWNED AUTOMOBILE RISKS These examples are intended to pique your interest only. There are so many different ways you can be exposed to the use of nonowned vehicles (i.e., your teenage son delivering pizzas with a pizza delivery vehicle) and so many other related risks (i.e., your responsibility for damage you cause to a non-owned vehicle? Where's that covered?) There are solutions like named nonowner policies if you don't own any vehicles. Or "broad form drive other cars coverage" added to your employer's business auto policy covering you when you have only a company car.

If you or anyone in your family has keys available to a non-owned vehicle, call me personally. I will help you evaluate all the different risks you face and help you determine the most economical way to safely protect your interests.

WARNING IF YOU EMPLOY DOMESTIC WORKERS! Examples would be care attendants to help you if you're disabled. Or nannies who come onto your premises to care for your children. Are you required to buy workers compensation insurance for these people? It depends on what state you live in.

In Minnesota where I operate, whether you pay these people as independent contractors or as employees, you are required to buy workers compensation insurance for any domestic worker who you will pay \$1,000 or more in a three-month time frame this year or, if not, did pay that amount in any three-month period of the previous year. In Washington, where my daughter lives, she is only required to buy workers compensation insurance for her nannies if she employs two or more domestic employees who each work 40 hours or more per week. Since her two nannies are both part time, she is exempt. If she did live in Minnesota in the same circumstances, she would have to buy workers compensation insurance or be in default.

WHAT ARE THE CONSEQUENCES IF YOU DON'T BUY THE INSURANCE? If your state requires you to buy workers compensation insurance on your domestic employees and you do not do so and they're injured on the job, you will have to pay out of your own pocket whatever the state benefits are for those workers (i.e., unlimited medical and lost wages expenses). You also will be subject to significant fines and penalties from the state. FYI, if you are required to buy this insurance and you don't, and if your negligence contributed to the injury, the employee can sue you! None of your insurance coverage—neither your homeowners nor your umbrella policy—will defend you or pay any judgment against you! This is pretty serious stuff!

WHAT ARE THE BENEFITS OF COMPLYING? Probably the biggest benefit is that your worker is barred from bringing a suit against you for negligence. If they are injured on the job partly as a result of something you did or a condition of your home or vehicle, for example, they must settle for the state benefits available under the workers compensation law.

DON'T TAKE CHANCES! If you are currently hiring any domestic worker, call me personally to discuss whether or not your circumstances require that you buy workers compensation insurance. Having workers compensation insurance on your employee is actually a very good thing. If they get injured on your job, you have the piece of mind of knowing their medical bills and lost wages will be taken care of. And the further peace of mind knowing that those work comp benefits are their sole remedy against you.

THE INTERNAL REVENUE SERVICE RISK If the domestic worker working for you is paid by the hour and works regularly for you, on a defined schedule, save yourself a lot of grief later and pay them legitimately as employees—not contractors. Consult your accountant for her recommendation. A mistake made here could cost you thousands of dollars in government penalties and fines plus all the back payroll taxes!

CORRECTING A "BOO-BOO" In the September issue, I mistakenly quoted the estimated price for laptop computer coverage at \$5 per thousand. It turns out it actually costs from \$20-\$30 per thousand. So the \$3,000 laptop computer in my example would cost \$60 - \$90 a year—not the \$15 I quoted. Still a great buy though. Thanks to Corporate 4 employee Randy Macey for catching this error. I so appreciate his pointing this out! (Carol, make sure that Randy does not see any more of my newsletters!)

IS YOUR STUFF COVERED AT A STORAGE FACILITY? Here are the risks you face:

1. Damage to or theft of your property.
2. Your liability if someone is injured in your space (i.e., a friend helping you move).
3. Your agreement in the lease to defend the landlord and pay any judgment against him arising out of your rental space.

Your homeowners policy will protect you fully for risks two and three. It will also protect you for damage to your property from fire, theft, vandalism, etc. If you have the *special perils* coverage on contents, flooding damage from ground water should be covered also. (If you are concerned about the flood risk, call Carol and she can confirm whether or not you have the right coverage and, if not, what it will cost you to add the coverage.)

NEW HSA CONTRIBUTION LIMITS FOR 2010 \$3,050 for individuals, \$6,150 for families. Plus, for those age 55 and older, additional catch-up contributions of \$1,000 each person.

A SAD STORY . . . Jim had been a client of mine for over 20 years. Last summer, he was diagnosed with cancer and was gone in four months time. His survivors included his wife Sarah, age 47, and two teenagers starting to think about college. Jim had a \$250,000 term insurance policy through us and another \$100,000 of group life insurance at work. I helped Sarah fill out the death claim paperwork for the \$250,000 policy and all the while wishing it was twice that amount or more!

THE MORAL OF THE STORY? You probably do not have enough life insurance! Look at the amount that you have right now. Could your survivors—the people you love most in the world—live comfortably on that amount? For several years now, I've been recommending that you ignore all the formulas out there for estimating how much your survivors will need upon your death. Instead, I have been recommending that you err on the high side of what you think you'll need by buying 10 times your income. And at least \$500,000 for homemakers!

IT'S AN ACT OF LOVE!

In your 30s and 40s, \$1 million of life insurance is dirt cheap. Plus it comes with the price guarantee of 20 or 30 years! Here's my thinking. You love your family. If you're destined to die young, a significant amount of life insurance dollars will give your family tremendous peace of mind. It also gives them options. If dad dies, with \$1 million of life insurance for example, mom can afford the luxury of cutting back a few hours of work a week so she can spend time attending the kids' ball games and simply spending a lot more quality time with them than she could have otherwise done. The best gift you can give your children if you die young is their remaining parent's time.

PLEASE CALL US RIGHT AWAY TO FIX THIS PROBLEM

If you don't have at least 10 times income for coverage, I urge you to call us and have us at least price out for you how much this additional coverage will cost you. You will be surprised at how inexpensive it is!

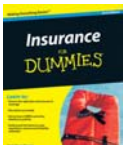
Here are some closing thoughts I shared with a client who felt that he was paying too much for his insurance program. Here is a part of the response I e-mailed back to him.

"Two things make a great insurance program. First, the program is in balance, meaning that all major loss areas in your life are well protected. Second, each one of your policies has been customized to plug gaps and meet your unique needs. You're very close to meeting that definition. For about 10% of your annual income, you have successfully transferred major risks -- any of which could ruin you financially -- to someone else. If you're sued for \$2 million in a car accident, someone else will hire you an attorney, pay all costs of that defense and, if you lose, pay the bill for you. If your house and all its belongings burn to the ground, someone else will completely rebuild your home and replace all your contents new. If you end up having catastrophic medical bills, someone else will pay 95% of them for you. If you die, someone else will pay out \$2 million or \$3 million, on your behalf, to your wife and children. If you get disabled from Parkinson's or multiple sclerosis or an accident and can't work, someone else will pay you about \$150,000 every single year tax-free. And if that disability requires you to have assistance with activities of daily living, someone else will reimburse you all the costs of the assistance that you need.

You have made some outstanding decisions to plug some major gaps. Are your insurance costs too high? I can say this much. If you gave me 10% of your salary to assume every single one of those risks with the high coverage limits that you have, I would never do it. You have a bargain of an insurance program!"

All the best,

Jack Hungelmann



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