

Happy New Year! I hope your holidays with family and friends were meaningful.

February 2012 is a milestone for me. Forty years as an insurance agent! How about that!

Flashback to February 1972. That was when I made the decision to switch from a claims adjuster to an agent for MFA Insurance Company. I hung out my shingle for the very first time in the local MFA sales office in the Hub Shopping Center on 66<sup>th</sup> Street in Richfield, Minnesota. I was scared and full of doubts. What was I doing leaving a nice secure job as an adjuster – a job I really enjoyed – complete with a classy company car, an expense account, flexible hours, health insurance and pension plan? Trading all of that for a straight commission job with none of the benefits. Truly believing I couldn't sell a dollar for 50 cents! ["Yes, Carol, I must have been crazy!"]

I did enjoy the investigative part of being an adjuster. I did enjoy helping nice people get back on their feet again, following a serious claim. There was one part of the job that I did not like – denying a claim or not paying a claim in full because their agent had not sold them the proper policy limits or endorsements to plug the coverage gaps in the policy. In becoming an agent, that was my vision. To make a difference in people's lives by finding out where they were exposed to coverage gaps in their insurance program and then modifying each policy to plug the gaps. I've spent all of these 40 years adhering to that vision, and the last 20 years or so expanding the vision to include fee-based personal risk management. Helping people make good decisions about how to handle risks they face and overseeing their whole insurance program including group insurance at work.

**WHAT IS THE NUMBER  
ONE MISTAKE PEOPLE  
MAKE WHEN BUYING  
INSURANCE?**

In my 40 years, I have audited hundreds of insurance programs. The one thing they had in common was that they all had from ten to twenty gaps or inconsistencies in their coverage. Why? They all made the same mistake. They all shopped insurance based on price rather than expertise. And they all ended up with a cheaper price for the wrong coverage!

**THE RIGHT WAY TO SHOP  
INSURANCE**

Shop agent expertise first. Find an expert in every type of personal policy, who can design the right coverage for you in every area. Then have them shop that correct coverage for you. You still end up with a great price but without all the gaps. That's my goal, every time I work with a client.

**WHAT IS YOUR GREATEST  
FEAR WHEN BUYING  
INSURANCE?**

People have told me their greatest fear is that they will pay into a policy for years and then, when they have a big claim, be told that the claim is not covered due to some technicality in the policy. That's probably because they shopped their insurance on price alone. Most policies are pretty comprehensive and can be easily modified, with the proper endorsement, giving you coverage for claims that you wouldn't have otherwise had coverage for.

**CONGRATULATIONS TO  
THOSE OF YOU WHO HAVE  
RECENTLY ADDED LONG-  
TERM CARE INSURANCE TO  
YOUR PORTFOLIO!**

It's a good decision and plugs a significant gap in your insurance program! Thank you to our long-term care specialist Marlys Fiterman for her work in helping you get started on the road to coverage. Not surprising at all to me, those of you who've met with Marlys have shared nothing but rave reviews. If you'd like to meet with Marlys to do some long-term care planning of your own, e-mail Carol Bechay at [CBechay@Corporatefour.com](mailto:CBechay@Corporatefour.com) and she will have Marlys contact you.

**GOVERNMENT SCRAPS  
CONTROVERSIAL LONG-  
TERM CARE INSURANCE  
PLAN!**

After 19 months of study, actuaries came back with a forecast that the plan was unfeasible because it was voluntary and the premiums would need to be substantially higher than the open market for long-term care insurance. It was the right decision. It was poorly conceived and underfunded.

One more reason to talk to Marlys.

**YOUR HOMEOWNERS LIABILITY COVERAGE MAY NOT COVER YOUR COLLEGE STUDENT PAST AGE 23**

Newer editions of homeowners policies traditionally extend personal property and liability coverage from a parent's homeowners policy to a college student's "lair" as long as they maintain the parent's address as their permanent address. For liability coverage to extend to cover their responsibility for injuries or property damage they cause, they usually must also be a full-time student and under 24 years of age.

**IF NOT A FULL-TIME STUDENT**

Liability coverage possibly ends once they take up residency.! The definition of full time is left up to the school. Typically it's 12 or more credits.

**WHAT DO I RECOMMEND?**

If you have a college student whose circumstances are reasonably close to either one of these scenarios, play it safe. If your address is still their permanent address, call Carol Bechay to extend your homeowners liability coverage to your student's college residence. The cost is about \$20 per year. If your student no longer uses your address as their permanent address, call us to set up a renters insurance policy covering both their personal belongings and liability. They may not have coverage anywhere else if you don't.

**HOMEOWNERS RATES ARE UP 20% OR MORE! HERE'S WHY.**

According to the Insurance Information Institute, Minnesota has been performing like a coastal state when it comes to catastrophe losses. In 2011 through late October, the state experienced 552 severe weather reports including 30 tornadoes, 192 hail storms and 330 windstorms. In 2008, Minnesota ranked third in the nation behind only Texas and Louisiana in highest insured catastrophic losses. Damage to roofs and siding is the greatest factor contributing to high loss experience.

**HERE'S WHAT I RECOMMEND THAT YOU DO ABOUT YOUR RATE INCREASE**

It's a fact, because of the storms, that every insurance company is losing money on homeowners policies right now. All insurance companies are taking rate increases. Most at least 20%. Rather than move your insurance from a company that just took a rate increase to a company that has yet to take one, I recommend instead to sit tight and have us check your rates next year. By then, all companies should have taken their storm-related increases. Of course, any time you want us to shop your insurance program for you, we will be more than happy to do so.

**DO YOU LIVE IN AN ASSISTED-LIVING APARTMENT?**

Or do your parents? I've written about the need for a renters insurance policy to cover belongings and liability. Renters policies cover most personal property pretty well – except for valuables like jewelry, sterling silver, cash, etc.. (No different than any other homeowners policy.)

**STORYTIME**

Client Janet's husband died a few months back. He had been her caregiver so without him, Janet needed to find daily care elsewhere. She has three daughters who helped her move into an assisted living apartment where she could get the ongoing care that she needed. We set up a renters insurance policy for her but she declined any additional jewelry coverage. Her basic policy included only \$1000 for loss or theft of jewelry and \$200 maximum in cash coverage.

Janet had recently inherited several diamond rings and watches worth about \$30,000. She kept the jewelry in a box in a dresser drawer along with about \$400 cash. One day, she discovered the box was missing, including all the jewelry and the cash. Her policy paid her \$1200. Needless to say, she was disappointed. Did she make a mistake by not scheduling her jewelry? Absolutely not!

**THE LESSON LEARNED**

If you own jewelry that has great sentimental value, especially if you live in an assisted-living facility where a lot of people have keys to your unit, lock away that jewelry in a safe deposit box and prevent the loss from happening. My risk management advice is to never insure any piece of jewelry that you wouldn't replace. Insurance just pays cash but has no way of compensating you for your sentimental loss which, in a case like this, is a far greater loss than the economic loss anyway. Preventing the loss from happening at all is a far better solution!

**MEDICARE PART D DRUG  
COVERAGE COSTS ARE  
INCOME-ADJUSTED FOR  
2012 AND BEYOND**

People with incomes greater than \$85,000 for singles or \$170,000 or more for married couples will pay higher premiums for their drug coverage in January. Up to an extra \$66.40 a month if you earn \$214,000 singly or \$428,000 as a couple. Just one of many ways Washington is trying to shore up Medicare.

**JAIL TIME FOR A TEXTING  
TEEN!**

A 19-year-old Fergus Falls girl was sentenced to serve one year in the Otter Tail County jail for criminal vehicular homicide. She was charged with texting-while-driving, following a fatal crash. Telephone records show 15 text messages were sent and received from the teenager's phone in the fifty minutes before she crossed the centerline and crashed head-on into another car, killing a 77 year-old lady. The teenager was also fined \$1000 and placed on 10 years probation. In addition, civil action for a judgment from the estate is likely.

[Source: the Professional Insurance Agent "Agent Focus" dated October 28, 2011.]

**THE WORST  
CONSEQUENCE OF ALL**

Worse than the jail time. Worse than the lawsuit. Worse than the public shame and humiliation. The biggest consequence of all is having to live the rest of her life with the knowledge that she killed another human being! Please talk to your teenage-driving children about the dangers of texting and driving. There is a reason why it is illegal.

**ROOF ICE DAMS – WHAT  
ARE THEY?**

An ice dam is a ridge of ice that forms at the edge of a roof and prevents melting snow (water) from draining off the roof. The water that backs up behind the dam can leak into a home causing damage to walls, ceilings, and insulation.

[Source: University of Minnesota extension website]

**ARE THEY COVERED BY  
HOMEOWNERS  
INSURANCE?**

No, the dams themselves are not covered unless they cause interior water damage. The resulting water damage is covered by most policies today, with one caveat. Once you become aware of the loss, your policy requires you to take action to prevent further loss.

**WHAT DOES THAT MEAN?**

For an active water damage claim currently happening, protecting property means breaking up ice dams, raking snow off the roof, etc. If you hire a contractor to do this for you, make sure you have the adjuster's approval to pay the expense. Whatever you do, don't get up on any ladders or on an ice-covered roof yourself. Leave it to the experts. (Or call us first and raise your life insurance by \$500,000!)

Following a claim that is settled, protecting property means taking some constructive action to try to prevent future ice dams from occurring. (i.e. adding insulation in the attic, adding more roof ventilation). It's important that you take some action that shows good faith on your part. Otherwise, if you have a repeat of the same claim the following winter, they will pay the claim but could choose to not renew your policy.

**FOR MORE INFORMATION  
ON ICE DAMS – THEIR  
CAUSE, THEIR  
PREVENTION, AND  
CORRECTIVE STEPS YOU  
CAN TAKE**

Go to an excellent University of Minnesota website [www.extension.umn.edu](http://www.extension.umn.edu) and enter "ice dams" on the search engine. You will find all kinds of helpful information there.

[Thanks to Todd Kreuzscher of Lindstrom Construction for his helpful information and website link.]

**DID YOU GET ANYTHING  
SPECIAL FROM SANTA?**

Just a reminder that your new iPad, tennis bracelet, Rolex, SLR camera, or guitar that you found under the tree have limited coverage under your homeowners policy. Plus even if they are covered, they are subject to your policy deductible of typically \$500 to \$1000. You can avoid some of the coverage pitfalls by "scheduling" these items so breakage or coke spills or loss will be covered. It's not always best to schedule. Call or email us with what you have acquired and we will help you figure out how best to cover yourself.

**REMEMBER THE IMPORTANCE OF AN ANNUAL REVIEW**

"Oh, I don't need a review. We're pretty simple people here. Nothing significant has changed." (So said Carmen D.) Here's what popped up when we did a review of her program. She purchased 40 acres in northern Minnesota that had a small shed on it. Her mother in Georgia had died, leaving her house and car to Carmen, who just took over her mother's policy.

**WHAT COULD HAVE HAPPENED IF WE HAD NOT DONE THE REVIEW**

If someone sued her for an injury on the 40 acres of land, she would've been uninsured. Which means she would have to hire and pay for an attorney herself and pay any judgment against her out of her own pocket.

Carmen's Georgia car and home insurance liability limits, that she took over from her mother, were only \$100,000. Carmen's Minnesota umbrella policy requires underlying coverage limits of \$500,000. If she had had a car accident, for example, and caused serious injury using her mother's car and was sued for \$800,000, her mother's car insurance coverage might have paid the first \$100,000. Her umbrella policy would not kick in until she paid the next \$400,000 plus defense costs from her own pocket! Not a pretty picture and easily avoided with the review.

**THE MORAL OF THE STORY**

Be sure to check in with us if you have any new exposures in your life that affect your insurance program. We can adjust your coverages accordingly to protect you properly. But even if you forget or don't think to call us, having regular reviews in person or by phone will help us catch the problem before anything serious happens, hopefully. It did in Carmen's case.

**LOOK OVER THE ENCLOSED INDEX**

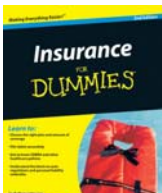
As is my tradition with every January newsletter, I'm enclosing an index of all the topics I've covered in 27 years that are still relevant today. Please look through it and see if there are any topics that you would like more information on. If you do, call us or e-mail us and we'll be happy to provide you with what you need.

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*In looking back over 40 years as an agent, I'm extremely grateful to have had a job I like, that lets me use my talents to make a difference in people's lives. I'm grateful for the opportunity to have had a different vision of what an insurance agent could be and to live out that vision. I'm grateful for the trust that you have placed in me to help you manage and oversee your whole insurance program. Many of you for over 30 years! I'm grateful to those of you who understood and financially support my different vision. Finally, I'm especially grateful to those who made it possible for me to do what I do throughout the years – my employees. Mary Johnson. Carole Aljadah. Vicki Swierkowski. Karen Indehar. Kelly Stein. Kelley Lawrence. Carol Bechay. And Shaun Kuffel. Many thanks to each of you for your wonderful help!*

*All the best,*

*Jack Hungelmann*



Insurance for Dummies second edition, authored by Jack Hungelmann. Buy it online at [www.dummies.com](http://www.dummies.com) or [www.amazon.com](http://www.amazon.com).

