

Greetings again! I hope you are enjoying our "fall" weather as much as I. In this particular issue, I focus a lot on issues that threaten the adequacy of your home structural coverage limit. Particularly for those with custom built homes. I bring to your attention the potential coverage gaps related to the impact of building ordinances on the cost to rebuild. Finally, I address a recurring source of pain I see in clients, who have lost a loved one, and offer suggestions on steps you can take now to prevent that pain from happening to those you love.

**ATTENTION
HOMEOWNERS: YOUR
HOME MAY BE
UNDERINSURED BY 50%
OR MORE**

Especially if it's a custom-built home, whether old or newer. In recent spot checks where an insurance company has hired a professional appraiser to calculate the replacement cost of a custom home using an on-site "brick by brick" approach rather than a "so much a square foot" approach, the actual construction costs have, in some cases, been dramatically higher than the current insured amount. What we are discovering is that the cost per square-foot method works well for standard construction but in some cases not very well for customized construction.

SOME EXAMPLES

Mike and Joan's Eden Prairie home, according to the appraiser, would cost \$1.1 million to rebuild rather than their \$650,000 homeowners coverage amount. Another custom Eden Prairie home was appraised at \$1.4 million compared to the \$800,000 coverage they were carrying. An older custom home in Edina, following an appraisal, needed their coverage increased from \$350,000 to \$650,000. These were the most dramatic examples. In many other cases, the variation between the appraisal and the coverage amount was modest or was negligible.

**"WHAT ABOUT OUR
HOMEOWNERS POLICY
'HOME REPLACEMENT
GUARANTEE'?"**

The current version of that extended coverage provides typically up to an additional 25% over and above your building coverage amount, providing that you have registered with us all improvements or additions over \$5,000. I don't recommend you rely on that coverage as part of your insurance. I recommend instead that you insure for 100% of the replacement cost as you can best determine it. Save the coverage extension to cover unexpected increases in labor and material costs due to market conditions, labor shortages, the impacts of storms on pricing, etc. that often can happen at claim time.

**MINNESOTA'S BUILDING
ORDINANCE LAW –
THE GOOD NEWS AND
THE BAD NEWS**

Depending on the age of your home, it's very possible that if it gets damaged and has to be partially or totally rebuilt, local building ordinances may require upgraded materials or other construction standards that your current home does not meet. The good news is that the State of Minnesota requires homeowners insurance policies to cover those increased cost of construction.

The first piece of bad news is the law applies only to the damaged areas. I had a client who had strong winds damage about 50% of his roof. Besides replacing the damaged shingles, the ordinance required that, if any time more than 25% of the roof is damaged, he would be required to tear off the roof entirely and steepen the angle of the roof slope which required replacing the entire roof support structure. A \$2,000 claim became a \$20,000 claim because of a building ordinance. That extra \$18,000 is not covered by the Minnesota law but could be covered by "building ordinance coverage."

The other bad news about Minnesota's law is that does not increase the homeowners policy limit in a total loss. Assume that you accurately insure your home for its full replacement cost today at \$300,000, it subsequently burns down and the cost to rebuild with new codes and improved materials is \$400,000. Minnesota law does not require the insurance company to spend more to rebuild your home than your insurance amount, leaving you out-of-pocket, in this example, \$100,000. This coverage gap is also insurable by simply raising your building coverage amount by the cost to replace not the home you have but the home you will be required to rebuild if your current home was destroyed.

**ABOUT OPTIONAL
BUILDING ORDINANCE
COVERAGE**

Most homeowners policies extend 10% of the Homeowners Coverage "A" dwelling coverage to cover additional costs associated with demolishing and/or rebuilding as a result of code changes. This 10% is an additional amount of insurance over and above your structural policy limit. For an additional premium, you can increase that 10% to 25%, 50%, 75%, or even 100%.

**PROTECTING YOURSELF
FROM THE BUILDING
ORDINANCE RISK**

Call your city hall and ask for the building inspectors' office. Give them your address and ask them if there are any city ordinances pertaining to your specific property that, in the event of a total loss, would require that your house be rebuilt differently. Your information likely will be more accurate if they personally inspect your home so don't hesitate to invite them over. Make a list of those requirements, estimate their cost, and call us with the total amount of those costs. If your home is located in Minnesota and subject to this Minnesota statute, we will increase your home insurance limit by that amount. If your home is located in another state, we will instead raise your building ordinance coverage to a percentage great enough to cover the full reconstruction of your home using the ordinance-mandated materials.

Also ask them if there are any ordinances that, in the event your home is partially damaged, would require all or part of the undamaged area to be taken down and rebuilt to comply with the code. If so, estimate the worst-case scenario in terms of those added costs to demolish and rebuild. Then call us with that amount and we can help you determine whether you need to buy additional building ordinance coverage over and above the 10% that comes with your policy.

**MY RISK MANAGEMENT
ADVICE FOR GETTING
YOUR HOME INSURED
PROPERLY FOR 2005**

1. Call Carol Bechay at 952-896-9536 to register all improvements costing over \$5,000 and let's get those improvements added to your coverage immediately so that you're not in violation and in danger of losing any extended replacement coverage you may have.
2. Have the replacement cost of your home recomputed. If your home is not heavily customized, call Carol Bechay who can help you estimate the replacement cost of your home, using one of our computer programs in-house. If you have refinanced your home recently, fax her a copy of the home appraisal that you had done that will give her some additional information that will improve the accuracy of our estimate. If your home is 50 years old or more or is of customized construction, consider having the replacement cost of your home professionally determined.
3. Regardless of who produces the replacement cost estimate, carefully review the accuracy of each item on the estimate. Make sure nothing gets missed. Then call or e-mail Carol to raise your building insurance coverage to an amount that you're completely comfortable with. If you hired your own appraiser, be sure to mail or e-mail us a copy of their report so we can include it with your request to raise your coverage.
4. Make sure that the replacement cost amount is high enough not only to replace the home you have but also to replace all improvements that are required by building ordinances in your community. Make sure to increase your 10% building ordinance coverage extension if needed.
5. If you have the original blueprints, store them offsite (right next to where you're keeping your photographs or videotapes of your belongings). They will be a huge help in documenting exactly the home you lost if it is destroyed by fire or storms.

**IF YOU ARE CONSIDERING
HIRING YOUR OWN
OUTSIDE APPRAISER. . .**

Carol and I have been pretty impressed with Castle Replacement Cost Services. They actually compute the replacement cost of each individual component in your home, framing, roofing, electrical, custom features etc. They do accurate on-site measurements. They belong to the Home Builders Association and work closely with many local contractors. Besides being thorough and more accurate than the traditional square footage method, the cost of their appraisal including on-site visit and photographs is extremely reasonable – in the majority of cases \$250. For more information, visit their web site www.Castledataservices.com or call their local office at 1.800.352.4767.

**IF YOU DIED TODAY,
HAVE YOU PROVIDED
YOUR SURVIVORS WITH
THE INFORMATION THEY
WILL NEED?**

Hopefully, you have the pertinent documents already set up. A will specifying where your assets will go, who will take care of children, etc. A living will spelling out your wishes as to the level of medical extremes you want provided for you when you're unable to make that call for medical reasons. Perhaps various trusts to provide for your children or to minimize the impact of estate taxes. An abundant amount of liquid financial resources including life insurance in an amount of 10 times your income. If you have all of these in place today, that's great. But have you provided your survivors with the information they will need, in one convenient spot, as to the location of all the documents, and the names and contact information for resource people like insurance agents, banker, accountant, financial advisers etc.? And what about bank account numbers, insurance policy numbers and coverage summaries etc.? If you have not yet done so, here is a little motivation.

**"TODAY BEFORE YOU
DIE" – LINDA'S STORY**

True story; April 2005. My client of several years, Linda, age 45, woke up to find her husband Ben lying on the bathroom floor, still alive and in a lot of pain, with a major heart attack. Ben was pronounced dead on arrival at the hospital. That's just the beginning of Linda's grief and hardship. It gets worse.

Ben was not a believer in life insurance. He died without a lot of it (we think). Linda came to see me, about a week after Ben died, to file a claim on the one life insurance policy he had with us. She was obviously grieving Ben's loss. But she also was extremely stressed out and in a lot of additional pain because Ben, who handled all the financial matters for their family, had died leaving her with no idea what they had financially for life insurance, where to find it if they did have it, or who to call. She and a friend literally tore the house apart looking for life insurance policies, wills, etc. They found very little. There apparently was no will of any kind. She could find no other life insurance policies. (She could not even find ours. She did remember the meeting a few years ago when she and Ben had purchased some term life insurance on each other.) There was not even evidence of any group insurance coverage or coverage through Ben's union. Ben was laid off from his job in November and shortly after, dropped his union membership losing their benefits. He also declined his COBRA options from his former employer, to continue his group health and life insurance, at his own expense.

**CREATE A ONE-PAGE
"SURVIVOR SUMMARY
DOCUMENT" TODAY –
BEFORE YOU DIE**

Here is my suggestion for a summary form you can create and annually update that will greatly ease the administrative stress for your loved ones. And to make sure they locate your life insurance policies, bank accounts, investments, etc. There are lots of life insurance benefits and bank accounts that go unclaimed every year for deceased people who did not leave a trail for their survivors.

- Include every insurance policy both individual and group, the insurer, the policy number, brief coverage summary, the premium, the agent's name and contact person and their phone numbers.
- Include similar summary information on investments – both personal accountants IRAs, pensions, 401(k)s, etc., with account numbers and contact information for each.
- Include information, location and account numbers and contact information from bank accounts.
- Include names and phone numbers of key advisers and resource people who can assist your survivor as needed – the attorney used to draw up your will, estate planner, insurance agents, accountant, etc.
- Include the location of the will, of the living will, all insurance policies, especially life insurance policies, and other important documents your survivors might need following your death.

KEEP IT SIMPLE

I recommend just one page. It forces you to be concise. This is a cheat sheet, a quick reference. A treasure map. Anything over one page not only keeps you from doing it at all but certainly reduces the odds of your updating it annually.

IF YOU'D LIKE A SAMPLE

I'm enclosing something I put together for my wife Judith Marie, prompted by her request a couple of years ago. She is so appreciative that I took the time. I feel so happy and relieved knowing I have taken care of her this way.

KEEP BACKUPS

Judy gets a hard copy each year. There's also a copy in my computer at work and at home. And I have e-mailed a copy to our daughter Angela just in case, since she is the executor if anything happens to both of us.

**ATTENTION SURVIVORS:
DON'T BE A VICTIM**

If there is anyone in your life now—parents or any other loved one—for whom you will be handling their insurance and other financial affairs following their death, push them now to create one of these for you.

**A SPECIAL THANK YOU
TO THREE PEOPLE**

To Linda, who was nice enough to allow me to share her story in hopes that others might not have to go through the same kind of "Hell" she went through. Thanks to Rick C. for sharing his information in a one-page format. And finally to my bride of 35 years "Jewels" who, upon seeing the form, simply sweetly said to me "I want that—now!"

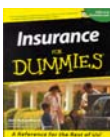
**YOU HAVE EXACTLY 90
DAYS TO GET THIS DONE!**

Otherwise, I'm sending "Jewels" after you. I promise you it won't be pretty!

I just came back from two weeks visiting the wonderful land of Chile. About 500 miles south of Santiago. My brother owns and runs a potato processing company on the shores of beautiful Lake Llanquihue ("yon key way") – 40 miles across facing snow covered volcanoes. The airline ticket was a birthday present, and I had a great time. Some golf. My first river flyfishing. Wading in the ocean on a three-mile long empty sand beach accessible only by four wheel drive. Lots of Chilean salmon and wines. Breakfasts on the beach. And some special new Chilean friends named Sandra of the good heart, Benjamin of the Ninja spirit, and Veronica of the 12 course feast (including olive pits guests are required to swallow!)

All the best. ("Chao" en espanol)

Jack Hungelmann



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

Insurance Summary - Jack & Judy Hungelmann

(Updated May 15, 2005)

Type	Item	Company/Policy#	Coverage	Payment	Contact
Umbrella	-----	Auto Owners #422xxxxxx	\$X Million	\$XXX/year	Carol Bechay/Corp 4 (952)893-9218
Auto	2001 Accord 2002 Saturn	XXX Ins. Co.#46067145-0	\$X00,000 Full Coverage	\$XXXX/year	1-800-776-xxxxx
House	9117 Lake XXXXX Blvd	AutoOwners #422xxxxxx	\$XXX,000	\$XXXX/year	Carol Bechay/Corp 4 (952)893-9218
Health	Group Jack	Blue Cross # XZA XXXXXX	Aware Gold \$15 Co-Pay	\$XXXX/mo. **	Carol Bechay (952)896-9536
Health	Judy	Blue Cross #xxxxxxx	Option Blue 100	\$XXX/mo.	Carol Bechay (952)896-9536
Dental	Group Jack only	Delta Dental #XXXXXXXX	Preventive Only	\$XX.XX/mo. **	Carol Bechay (952)896-9536
Life	Judy/Term	XXXXXXXX	\$X,XXX,000	\$XX/mo.	Carol Bechay/ Brokerage Services
Life	Jack/Term	GE Life #00XXXXX	\$X000,000	\$XXX/mo.	Carol Bechay/ Brokerage of Services 612-xxxxxxx
Life	Jack/Group	MI Life #XXXXXXXXXX	\$ X0,000	\$XX/mo. **	Carol Bechay (952)896-9536
Life	Jack & Judy	Social Security Jack#474XXXXX Judy#xxxxxxx	\$250 Each	\$0	1-800-772-1213
Disability	Judy	Social Security Only #xxxxxxx	\$XXX/mo.	\$0	1-800-772-1213
Disability	Jack/Group	Minnesota Life #29xxx	\$X,XXX*	\$XX.XX/mo. **	/MN Chamber 651-292-4693
Disability	Jack	Social Security #xxxxxxx	\$1,XXX/mo.	\$0	1-800-772-1213
IRA Annuity	Jack	XXXXXXXXXXXXXXXXXX			
IRA Annuity	Judy	XXXXXXXXXXXXXXXXXX			
IRA Mutual Funds	Jack	Vxxxxxxxxxxxxxxxxxxx			800-xxxxxxx

NOTES:

- For Will/Legal, call Mike XXXXX 952-XXX-XXXX (original located at home file cabinet)
- Accountant, call Tom XXX @ 763-XXX-XXXX
- For investments, call Johannes XXXX @ 952-XXX-XXXX
- For info or help regarding agency sale/Mark XXXXXXXXXXXx
- For banking, Jack's personal checking and savings at XXXXX Community Bank 952xxxxxxx
- For insurance guidance, talk to Carol Bechay 952-896-9536 [or Dave XXX (952) XXX-XXXX or Carole XXXX at AXXX Agency 952-XXX-XXXX.]
- For bookkeeping related to the agency, call xxxxxxxxxxxxxx

* Any amounts Jack collects from Social Security Disability reduce the \$xxxxx/mo. XXX Life Benefit

** Group premiums paid by xxx Corporation pretax