

Greetings and congratulations on surviving one of the wimpiest winters here in Minnesota. Hardly any snow. The temperature dropped below zero only once or twice. We had temps in the 60's in January! I felt like I was in an episode from Twilight Zone!

**THE IMPORTANCE OF A
PERSONAL UMBRELLA
POLICY**

Major lawsuits for serious injuries you cause are one of the six major risks we all face. We carry liability coverage on our cars, boats, homes, etc. But what if the limit you carry (i.e., \$500,000) isn't enough? What if you're sued for \$1 million? What would you do?

STORYTIME

J.T. causes a major car accident. He slides on ice through a stop sign, broad-siding another vehicle. The driver is critically injured, taken to a hospital where major surgery is performed to save his life. He lives, but he has ongoing back pain and misses two years from his job paying him \$75,000 a year. His medical bills total over \$500,000. He sues J.T. for \$1.2 million. J.T.'s auto liability limits are \$500,000. What happens? His insurer hands a check to the plaintiff driver for the full policy limit of \$500,000 and sends J.T. a registered letter, advising him that all further defense costs are his responsibility, as well as any judgment above the \$500,000. The suit drags on for two years. Legal fees and expenses run \$150,000. The jury awards all \$1.2 million. Here is what J.T. owes personally.

Legal Fees	\$150,000
Jury Award	<u>\$1,200,000</u>
	\$1,350,000
Less	<u>\$500,000</u> (Insurance payment)
	\$850,000 (J.T. owes out-of-pocket)

His financial dreams are pretty much ruined. It's a disaster.

**HOW A \$200 UMBRELLA
POLICY WOULD HAVE
HELPED**

J.T. had recently let his umbrella policy lapse. If J.T. had kept his umbrella policy and spent \$200 a year, all \$850,000 would have been paid. J.T. would owe nothing! If you don't have an umbrella policy of at least \$1 million, you are underinsured in today's world.

**WHERE YOU BUY YOUR
UMBRELLA CAN MAKE
ALL THE DIFFERENCE**

An umbrella policy provides extra liability and defense coverage of \$1 million or more for lawsuits covered by your basic auto and homeowners policies. They all pretty much universally do that. What separates the good from the not so good umbrella is how they cover the gaps. How they cover injuries you cause not covered by underlying policies. Such as renting a pontoon on vacation with 100 horsepower motor. Or renting a car when vacationing in Europe. Understanding how umbrella policies differ in their "gap" coverage is an important part of my helping you manage risk in your life.

STORYTIME – PART TWO

Suppose that J.T. caused the same injuries, had the same legal fees and the same judgment in a boating accident, operating a rented boat with 100 hp outboard engine instead of a car. How would the results have been different? He would owe the entire \$1,350,000. There would be no underlying insurance payment. Some umbrella policies cover nonowned watercraft. Some don't. In this case, J.T.'s umbrella policy did not cover nonowned watercraft liability. In this case, he would be out-of-pocket \$1,350,000 even though he had an umbrella!

**THE MORAL OF THE
STORY**

If you are doing something that may not be covered by your auto or home insurance, call us before you do it so we can make sure you have coverage for it.

**PERSONAL UMBRELLA
Q&A**

A while ago, I was interviewed by a representative of the “Love To Know Insurance” website. It’s a Q&A on why you should have an umbrella, and its advantages. Enclosed is a copy of the article. Call me or Carol Bechay if you still have questions about whether an umbrella policy is right for you or if you’re wondering if you have enough coverage. Rule of thumb: buy \$1 million more coverage than you think you will need!

**PRUDENTIAL WITHDRAWS
FROM LONG-TERM CARE
INSURANCE**

Prudential announced it no longer will offer Long-Term Care Insurance to new customers. They join a growing list of major insurance companies (MetLife, Unum, et al.) who have pulled out.

**IF YOU CURRENTLY HAVE
LONG-TERM CARE
INSURANCE WITH
PRUDENTIAL**

Don’t be concerned. You are safe. They will continue to honor your policy for as long as you have it. Rates on Long-Term Care Insurance with any insurer are not guaranteed. But it’s been my experience that rates from companies that quit writing new business are no more volatile than those still actively writing new business. If anything, less so.

REMEMBER...

“Long-Term Care Insurance. It can make the difference between living out your life the way you want (versus) becoming a burden to your family or a ward of the state.”
Source: “Don’t Grow Old Without It” April 7 and 8, 2012, The Wall Street Journal.

**MY RISK MANAGEMENT
ADVICE?**

Don’t bury your head in the sand and hope it doesn’t happen. Get the Long-Term Care Insurance facts so you can make an informed decision, even if you decide it’s not right for you. Find out from our Long-Term Care Insurance Specialist, Marlys Fiterman, what coverages and pricing are available for you. Email Carol Bechay at cbechay@corporatetwo.com that you would like to meet with Marlys, and Marlys will contact you.

**REMINDER TO BUSINESS
OWNERS RE: WORKERS’
COMP AUDITS**

Workers’ Comp policies are subject to a policy year-end audit. Initial premiums are based on your estimated payroll. The final premium is then adjusted at policy year-end, based on actual payroll. This final payroll number is arrived at by an audit. Small business owners often make errors on audit forms that lead to a substantial additional premium due. Once the insurer bills the additional premium, it’s often a very difficult and slow process to get that reversed or adjusted.

MY ADVICE ON AUDITS

Do complete them, but before sending them to the insurance company, fax or email the completed forms to us for proofing. That way, we can keep you from errors or misunderstandings that could cost you money you don’t really owe.

**IS YOUR STUFF FULLY
COVERED WHEN RENTING
A SELF-STORAGE UNIT?**

The answer? Not necessarily. To be covered, there are two issues. First, is the kind of loss covered (i.e., fire, theft, tornado)? Second, is the coverage limit high enough to replace the property damaged or stolen?

**THE KINDS OF LOSS
COVERED?**

The usual homeowners policy (HO-3) covers your stuff at home and in storage for about 15 kinds of losses (fire, storms, theft, vandalism, etc.)

But what about flooding? What about breakage? What about water damage from roof leaks?

There is an endorsement I recommend you add to your coverage that covers contents for any kind of loss unless it is excluded (i.e., flood, earthquake, breakage of fragile items, like plates and glassware). This endorsement, called “Special Perils” contents coverage, will cover flooding away from home, water damage from roof leaks, and breakage of non-fragile items (big screen TV). The breakage coverage is important because it covers your stuff being transported to and from your storage unit.

**THE DOLLAR AMOUNT OF
COVERAGE FOR PROPERTY
IN STORAGE IS BEING
REDUCED BY 90%! WITH
SOME NEWER POLICIES**

Up to now, your contents coverage limit away from home (i.e. travel) has been 10% of your total contents limit at home. There has always been an exception for contents in storage which have been covered in full without this 10% limit. That’s what’s changing. The storage facility exception with some insurers is being withdrawn.

**ILLUSTRATING THE
PROBLEM – STORYTIME**

Jack and Jill went up the hill and found a townhome they fell in love with. They decided to sell their home and move to that smaller townhome. They had a total of \$200,000 in belongings. They took \$100,000 with them to the new home and rented a mini-storage for the rest (\$100,000). They purchased a homeowners policy with \$100,000 of contents and were told correctly by the agent that the stuff in storage (10 miles away) was also covered for \$100,000. The following July, the storage building burned down. Jack and Jill filed a claim expecting a check for \$100,000 and instead were paid only \$10,000! On their last homeowners renewal in February, coverage in storage had dropped to 10%. (The agent in his May newsletter had warned Jack and Jill of the change, but they tossed it without reading it! What a shame!)

**YOU KNOW THE REST OF
THE STORY**

Hearing the news, Jack fell down and broke his crown and Jill came tumbling after!

**A FINAL WORD ON
STORAGE COVERAGE**

If you currently are renting a self-storage unit, let us know. Most insurance companies have not yet made the change. Hopefully, yours won't at all. But just to be safe, e-mail Carol at cbechay@corporatefour.com with a list of the kind of property you have in the storage unit and your best guess as to the total replacement value. We will make sure you have the Special Perils and Replacement Cost contents endorsements, and that your limit on contents in storage is high enough to fully replace what's there. If it isn't, we will discuss with you two or three ways of getting that limit increased.

**SELECTING A STORAGE
UNIT – SOME RISK
MANAGEMENT TIPS**

- Good security – well lit, fenced, numbered security pads, and 24-hour video surveillance cameras.
- Accessible any time of the day
- Climate-controlled if you need it
- Well-maintained, clean and pest-free
- A good reputation—check referrals and the BBB

[Tips courtesy of the International Risk Management Institute (IRMI). Thank you Rob.]

**THE AFFORDABLE CARE
ACT OF 2010 (AKA
“OBAMACARE”) GIVES
YOU THE OPTION OF
KEEPING YOUR KIDS ON
YOUR HEALTH INSURANCE
TO AGE 26**

If you have a 25-year-old turning age 26 this year, what are your choices if your child has pre-existing health issues that would keep him/her from qualifying for their own personal policy? *At age 26, their COBRA and HIPAA rights kick in.* They will either be able to stay on your policy under COBRA, for up to three years, or be offered under HIPAA the right to an individual health policy with full coverage for pre-existing conditions. Call me or Carol, and we will help you evaluate your options.

**ATTENTION: THOSE WITH
BLUE CROSS INDIVIDUAL
HEALTH PLANS...**

You will be receiving a letter with your next renewal offering less expensive options. Ignore the options. These rollover plans may not include the Mayo Clinic or Methodist Hospital in network, and probably don't include mental health coverage. Call me or Carol to discuss your specific situation.

**EFFECTIVE JULY 1, BLUE
CROSS IS MAKING THE
MAYO CLINIC AVAILABLE
TO INDIVIDUAL PLAN
HOLDERS ON NEW
POLICIES ONLY
A REMINDER THAT THE
“AGE 55 & ALIVE”
DEFENSIVE DRIVER
COURSE SAVES 10%!**

For those who medically qualify for a new policy, Blue Cross is once again making the Aware network available to individual health insurance applicants. This network is their largest and best, comprising 99% of the hospitals and doctors in the state! Children under 19 years old don't have to qualify medically. You will have mental health coverage included only if you also buy the optional chemical dependency coverage. Talk to Carol or me to evaluate whether or not a change of plans is right for you at this time.

If you are 55 or older, take a state-sponsored 8-hour defensive driving course and receive 10% off on your car insurance for three years. Then three years later, take a four-hour refresher course and get the 10% for another three years. You can find details on course locations and dates at the state website. www.minnesotasafetycouncil.org/traffic/mature.cfm

You can also check your community education course book for a location near you.

**FOUR-HOUR REFRESHER
NOW AVAILABLE ONLINE!**

The Minnesota Safety Council now offers the option to those age 55 or older of completing the four-hour refresher course online at your leisure. It's available at the same link. The cost is just \$20.

**IF YOU HAVE AUTO-
OWNERS HOME OR CABIN
INSURANCE AND YOUR
HOME IS OVER 30 YEARS
OLD—GOOD NEWS!**

They are now making up to \$55,000 coverage available for sewer backup and sump pump failure. You have had only \$5,000 coverage available until now. It doesn't replace your need for flood insurance. And you can only change coverage on the renewal date of your policy. To find out if you qualify and what your cost will be, call Carol at 952/896-9536.

**BIG WARNING TO
THOSE WITH CAR
INSURANCE WITH SAFECO
OR PROGRESSIVE!**

If you or a family member gets paid to deliver property (pizza, newspaper), you definitely are not covered with either of these two companies when you do! This is a major exclusion! [Note that all car insurance policies exclude coverage for hauling people for a fee (seniors, disabled, school children)].

**WHAT TO DO IF YOU'RE
BEING PAID TO HAUL
EITHER PEOPLE OR
PROPERTY WITH YOUR CAR**

Call me personally to discuss your options. If there is any chance that what you are doing is possibly not covered, I will check with your insurer and make sure there is coverage before a claim happens. We may need to rewrite your coverage with another company. Or perhaps you'll need to change jobs. Or at least change job descriptions.

The logo for my personal risk management business is a lighthouse on a cliff (see page 1). To shine a light on the major risks in all areas of your life to let you know where the "rocks" are that can capsized you financially. Then helping you avoid those rocks with cost effective strategies.

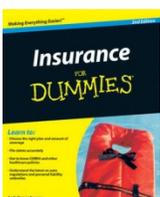
A client (Wendy) recently asked me what my "elevator speech" was. You know, it's what you say to the question "What is it that you do?" when you enter an elevator and come up with a short answer in the next 30 seconds before the questioner gets off. Here's mine.

I answer the question with a question of my own: "What are you most afraid of when you buy insurance?" They answer that they'll have a major claim that isn't covered. That's what I do. I work with you to eliminate or minimize the major holes in your insurance program. Then monitor and make changes to it as your life changes. And that's my elevator speech!

This tri-annual newsletter is just one of many value-added benefits you receive as part of my risk management service to you. Check out other benefits under the "My Services" tab on my website www.jackhungelmann.com.

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.



Umbrella Insurance: An Interview with Author and Insurance Expert Jack Hungelmann



By Karen

Jack Hungelmann, the author of *Insurance for Dummies*, has had an insurance career spanning over 30 years. With experience and training as an agent, consultant, teacher, author, claims adjuster, and reinsurance broker, Jack has unique knowledge of insurance. Currently, he runs his own risk management and insurance business from the Corporate 4 Insurance Agency in Edina MN.

Jack recently participated in a LoveToKnow.com interview and took time to answer a few questions about umbrella insurance.

What is umbrella insurance?

An umbrella insurance policy provides additional liability coverage over and above coverage you carry on your personal insurance policies covering cars, homes, boats, etc. Most of these basic policies only provide lawsuit coverage of \$300,000 or \$500,000 per accident. Yet, if you injure someone seriously, you can blow those limits just in medical bills and/or lost wages. If you get a judgment against you for more than your coverage, you will end up paying any excess amount out of your assets and/or future income. An umbrella policy has three major benefits: \$1 million or more of additional liability coverage over and above your primary coverage, additional coverage for defense costs, and coverage for many lawsuits that are not covered by primary auto or homeowners insurance (i.e., renting cars abroad, serving on nonprofit boards of directors, etc.)

Who needs an umbrella insurance policy?

Because it is so easy to cause an injury serious enough where you're sued for more than your basic coverage limits, I believe everyone needs one who either has current significant assets or income, anyone with good future income potential (i.e., law students, medical students), or anyone that stands to inherit a future sizable estate. In short, I recommend that every one of America's middle class or above should have an umbrella policy of at least \$1 million. (Umbrella policies are commonly available in million dollar increments from \$1,000,000 - \$10,000,000.)

Are premiums for an umbrella insurance policy expensive?

A one million dollar umbrella policy premiums ranges from \$150 per year to \$250 per year. Each additional million dollars of coverage is about \$75 per year. I consider an umbrella policy to be the best buy in the insurance business by far!

How can one determine how much coverage they need?

Here is my rule of thumb: Buy at least \$1 million of coverage. If uncertain, buy \$1 million more in coverage than you think you will need.

What kind of questions will an agent ask before selling consumers an umbrella insurance policy?

An agent selling an umbrella policy needs to make certain that the underlying automobile, home, boat, recreational vehicle, etc. liability limits meet certain minimum requirements—typically \$300,000 or \$500,000 per claim. If you carry only \$100,000 per claim or less, you will need to pay something extra—typically only about \$50 a year—to increase your basic liability policy coverages to the minimum required for the umbrella. If you don't do that change, you probably will be responsible for paying out of your own pocket any coverage shortfall.

Can you be turned down for coverage?

Yes, you can be turned down for coverage. Just like any other liability policy that you purchase, you can be turned down for driving record, condition of the premises of your residence (diving boards, trampolines, etc.). If you are turned down, there are a few high-risk umbrella insurance companies that, for a few hundred dollars extra per year, will insure you.

Are there any specific policy features consumers should look for when shopping for coverage?

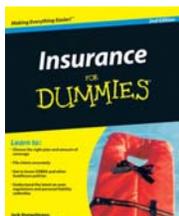
Yes, you want an umbrella policy that covers as much of your personal life activities as possible. Especially those activities that are not covered by your basic insurance policies. Essentially, you want an umbrella liability policy with the fewest exclusions. Before you buy, I suggest that you request a sample policy and read through the exclusions yourself. Make sure that there are not any activities in your life that won't be covered under the umbrella policy. If you find an excluded activity, ask the agent if they represent another umbrella insurance company that will cover this excluded activity.

Is it better to purchase umbrella insurance as a rider or as a stand-alone policy?

It really doesn't matter.

Do you have any additional tips for consumers who are looking to obtain umbrella coverage?

Make sure that your insurance company is considered very financially sound (rated A+ or A++ by the A.M. Best company—go to their web site www.ambest.com). Buy \$1 million more coverage than you think you will need. Keep your umbrella policy with the same insurance agent and, if possible, the same insurance company as your other policies for auto, home, etc. (This greatly reduces your chance of having a coverage gap between the basic policies and the umbrella policy.)



For more information on umbrella insurance, pick up a copy of Jack Hungelmann's book, [Insurance for Dummies](#). There are two entire chapters devoted to the subject.