

Greetings. Wind and hail losses – especially to roofs – continue to be a problem not only in Minnesota, but over much of the country. It's particularly a problem when a storm damages an older roof. With replacement cost coverage, the homeowner with the older roof soon to be in need of replacement, ends up with a new roof paid for 100% by the insurance company. Good for the homeowner. Not so good for the insurance company. [Or for the other policyholders of the insurance company facing rate increases.]

When losing money, an insurance company has three choices: raise rates (which most companies continue to do), reduce coverage, or raise deductibles. In lieu of raising rates, some companies are reducing coverage on roofs, 15 years of age and older, from replacement cost to the depreciated value a.k.a. *the actual cash value (ACV)*. *So far, none of the companies I work with have made this change. Yet. Two companies – Auto-Owners and Harleysville – are raising deductibles instead.*

***IF YOUR HOMEOWNERS
IS WITH HARLEYSVILLE***

At your next renewal, your minimum homeowners deductible will now be \$1000 if you also have your car insurance with them and \$2500 if you don't. They still pay replacement cost in full on your roof, regardless of its age. The deductible applies to all losses – not just storms.

***AUTO-OWNERS IS DOING
IT DIFFERENTLY***

Losses to roofs over 15 years old will continue to be paid the replacement cost. Auto-Owners is instead raising just your wind and hail deductible as of your next renewal date. If your dwelling coverage is less than \$500,000, your new deductible on wind and hail losses will be \$2000. If your dwelling coverage amount is greater than \$500,000, your wind and hail deductible will now be \$5000. For all other claims – fire, burglary etc. – your deductible will be unchanged. If your roof is 15 years old or less, this change will not apply to you at this time. However, it will apply to your roof in the future, once it is 16 years or older.

***THE SMART WAY TO
SAVE MONEY – RAISE
THE DEDUCTIBLE***

You and I have worked together to customize your homeowners insurance coverage to meet your specific needs. When rates are increasing, it's tempting to reduce coverage, but don't. You won't save that much. The one change that you can make, that will make a huge difference in cost, is raising your deductible. It preserves all your major loss coverages while cutting your costs significantly. [For example, if your deductible is currently \$1000, you can save 20% approximately by raising it to \$5000. If your premium is \$3500 a year, that is a \$700 savings!]

***FIND OUT HOW MUCH
YOU CAN SAVE***

Call Corporate 4 at 952-893-9218 and ask for customer service. Have them compute for you how much you can save for higher deductible amounts. If you are insured with Auto-Owners and are facing increasing deductibles for wind and hail claims, I suggest you consider raising your deductible on all other losses to the same deductible you now have for wind and hail losses.

***THERE IS ANOTHER
ADVANTAGE OF HIGH
DEDUCTIBLES***

It keeps your claims record cleaner. Insurance companies can cancel policies or raise rates for a lot of claims activity. Higher deductibles mean only larger claims appear on your record.

MAKE SURE THE HIGHER DEDUCTIBLE IS WORTH THE RISK

Make sure that the amount of the discount feels substantial enough to you for the added risk you're taking. Both financially and psychologically. My advice is that you should be able to save enough so that the added risk can be recouped in 7 to 10 years. [Payback period = the added risk ÷ annual premium savings.]

ARE YOU UNABLE TO GET LIFE INSURANCE BUT STILL WORK?

If you work 20 or more hours a week but have a medical condition that keeps you from getting life insurance, good news! We now can help you get up to \$100,000 of term life insurance with no medical questions.

Call or email Carol Bechay for more details.

ARE YOU A TRUSTEE OF YOUR TRUST?

Does the trust own any tangible property? (Homes, cabins, vehicles, etc.). If so, you could be facing, as trustee, two major coverage gaps. Trustees and trusts are not automatically insured for either property or liability risks by whatever policy insures the property!

STORYTIME

On the advice of his attorney, Joe has transferred ownership of his home to a trust in his name. He has not made any changes to his homeowners coverage. The policy remains in Joe's name only. The house burns down. The insurance company pays Joe for his contents and additional living expenses but declines paying for the home itself. The reason given? Someone other than Joe owns the home and they're not listed on the policy.

FIXING THE PROBLEM

Add the trust as co-named insured on the homeowners policy along with Joe. So it not only covers the trust for property damage to the home, but will also cover and defend the trust for its liability for premises injuries as the owner.

ARE YOU A TRUSTEE OF SOMEONE ELSE'S TRUST THAT OWNS THE HOME?

Add yourself, as trustee of the trust, as co-named insured on the homeowners policy insuring the property. Also, be safe and extend your homeowners and umbrella liability coverages to the property. The cost is negligible.

ZIP CARS FOR COLLEGE STUDENTS!

Bob and Betty have a college student away at school, in Pennsylvania, without a car. They wondered what kind of coverage they would have under both the car and umbrella policies if their 19-year-old son rented a car from one of these by-the-hour car rental clubs (i.e. Zip Cars) and caused an accident. As long as he is a member of their household (he is), all of their family automobile and umbrella coverage will cover their son. Including, in most cases, any responsibility he has for damage to the rental car. The exclusion for cars that you have regular access to would not apply because the car is different every time.

Showing up to work after 40 years is still meaningful because I get to make a difference every day in the lives of my clients. Their appreciation is worth everything! Have a great summer!

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.

