

Greetings! After six months and about 150 hours of work, I am pleased to announce the publication of the second edition of my book, *Insurance for Dummies*. This edition has been completely revamped and updated with the changes in the insurance industry in the last eight years since the first edition was published. It includes a new chapter on Medicare and Medicare Part D Prescription Drug Coverage as well as a new chapter on evaluating your need for long-term care insurance. Of course, like the first edition, it includes what you need to know to buy every type of personal policy properly with the right endorsements. It is available now at your favorite bookstore or online at www.Amazon.com. The second edition is notable by the bright orange life jacket on the cover.

I regularly audit insurance programs for people on a consulting basis. One of the risks that rarely is covered properly is the injury lawsuit arising from people working at home, either as an employee of someone else's business or in your own home business. This is a problem because nearly everyone does some kind of work from home. Homeowners and Umbrella policies universally exclude any business-related lawsuits. Many of these businesses are moonlighting types of businesses conducted part time. Much of this newsletter is devoted to identifying business-related risks in your life and how you can protect yourself.

**DO YOU WORK FROM
HOME AS AN EMPLOYEE?**

Do you ever have anyone come onto your premises whose purpose there is work-related? If so, unless you've added a business-related endorsement to your policy, you likely won't be covered if someone gets injured on your premises.

**"BUT I NEVER HAVE
ANYONE AT MY HOME
FOR BUSINESS
PURPOSES"**

Are you sure? What about couriers or UPS delivery people stopping by with a work-related package? If they fall on your icy driveway and get seriously injured and sue you, you would have no insurance coverage! Even if you win the lawsuit, you might have to pay \$75,000 or more out of your own pocket in legal fees. What's the solution? You can eliminate this exclusion for about \$10-\$20 a year with either a "Business Pursuits" endorsement (covering business related injuries when you're someone else's employee) or an "Incidental Occupancy" endorsement (covering premises injuries and business property on premises). With either endorsement, you will be covered if someone, on your premises for any kind of business purpose, gets hurt and sues you.

**GETTING BUSINESS
PERSONAL PROPERTY
COVERED**

Most Homeowners policies only cover up to \$2,500 for business property at home and \$250 away from home. You can increase the coverage at home for a nominal cost. In fact, the cost is often included in the Incidental Occupancy endorsement.

**"WHAT IF I AM SELF-
EMPLOYED AND RUN MY
BUSINESS FROM
HOME?"**

Whether your business is part time or full time, the Homeowners policy, even with business endorsements, is not likely to be a good solution for you. Even the broadest home business endorsements, in most cases, won't cover all your business-related risks. (In other words, these endorsements have pitfalls of their own.)

If your base of operations is from your home, you should get a full fledged small business policy—for as little as \$250 a year, including business property and \$1M business liability coverage covering you both at home and away. All the small business policies have one notable exclusion—no coverage for professional errors (i.e., "errors or omissions"). Professional liability sometimes is available through a professional association with a substantial group discount. Otherwise, coverage for a free-standing policy normally starts around \$1,000 a year.

ATTENTION: COMPUTER CONSULTANTS

I've come across a new product that covers computer consultants for their business property, general liability, and errors and omissions claims. The annual cost runs \$975 a year for all three coverages. The insurer, USLI—a Berkshire-Hathaway company—has an A++ Best rating. If you are a self employed computer consultant, call us for details. This is truly a great price for all the coverage it includes!

WARNING TO HOME BUSINESS OWNERS WHO USE THEIR DETACHED GARAGE FOR BUSINESS

If you use your garage for business in any way and the garage burns up or blows over, many Homeowners policies completely exclude coverage—even if the business use of the garage had nothing at all to do with its being damaged. If you use your detached garage for any kind of income-producing activity—even if it is only for storage of business property, we can either get your garage covered by a special Homeowners endorsement, or we can add the garage to your small business policy.

GETTING YOUR LAPTOP COVERED

Computers are covered just fine under Homeowners policies when they are at-home desktop models. Laptop models, on the other hand, are often in transit. They are subject to theft, breakage, getting drinks spilled onto the hard drive in the coffee shop, etc.—claims not usually covered by the basic Homeowners policy. The best solution if you have a valuable personal laptop computer that you use even partly for business purposes is to “schedule” it on your Homeowners policy (much like you would schedule personal jewelry) and insure it for its full replacement cost, including sales tax. Also be sure to include the cost of labor to install software and data. Make sure that the endorsement adding the computer does not have a business-use exclusion. Most don't, but if yours does, you can optionally buy the coverage permitting business use for a small added premium.

Best of all is the cost—only about \$5 a year per \$1,000, considerably less than you would pay online for coverage or from the manufacturer. So, for example, a \$2,000 laptop with \$1,000 of programming and software installation costs included may run you \$15 a year! With great coverage compared to probably \$150 if you bought a computer policy on the internet. Caution: Don't mistake this for breakdown or warranty coverage!

“WHAT IF I JUST MOONLIGHT TO SUPPLEMENT MY DAY JOB?”

If you do this on a regular basis and get paid, you're going to need a small business policy. Here are just few examples:

- Accountants who moonlight every year doing tax returns.
- Product sales and supplies (Mary Kay, Avon)
- Bookkeeping services
- Ceramics
- Computer consultants and trainers
- Crafts of all kinds (church bazaars, flea markets)
- Dance Instructors
- Desktop publishing (like the woman who helped me put together my book)
- Sales of vitamins and food supplements
- Garage sales
- Graphic artists
- Household product sales (Amway)
- Interior decorating
- Insurance and real estate agents (Don't worry about me! I have a great agent!)
- Kitchen supply sales (Tupperware)
- Newspaper delivery
- Photography of all types
- Professional speakers
- Secretarial and administrative assistant services
- Teachers/tutors (in your home or away from home)
- Telemarketers
- Telephone answering services
- Travel agents
- Video taping/dubbing/editing
- Website designers
- Woodworking products
- Writers/authors

HOW PREVALENT ARE THESE BUSINESSES

In my career, I've known at least one and, in many cases, several clients who have been involved in each of these activities from their home. Unfortunately, they often don't think to call me before they get started. If you see yourself in this list or if you have any kind of income-producing regular activity conducted from your home, call me personally to discuss the best strategy for keeping you protected.

"WHAT ABOUT PART-TIME JOBS MY TEENAGERS GET?"

Like babysitting, delivering newspapers, lawn mowing jobs, and so on? Insurance companies are not at all consistent on how they handle these.

HERE'S HOW OUR UMBRELLA POLICIES COVER THE KIDS' BUSINESS ACTIVITIES

Auto Owners	Yes, if the activity is not their "trade, profession, or occupation."
Chubb	Yes, but only if under age 18, has no employees, and earns less than \$15,000 a year.
Progressive	Only if a "minor", as defined by your state law. Coverage is limited to part-time babysitting, caddying, lawn care, etc. There is no automobile coverage either for paid pizza or newspaper delivery or <u>any</u> other product delivery.
Harleysville	Yes, only if under age 21, receipts under \$5,000 annually, and no employees.
Safeco	Yes, without any restrictions, up to age 23.
Western National	Yes, if the activity is not their "trade, profession, or occupation."
Met Life	Yes, if the activity is not their "trade, profession, or occupation."

There is absolutely no consistency, so if you or your teenager has any kind of job that produces money on a regular basis, again, call me, and I will help you figure out how best to protect yourself—even if it means moving your insurance to a different company that has a better definition of coverage.

LONG-TERM CARE IS NOT NURSING HOME INSURANCE

Actually, it's "anti-nursing-home insurance." A good long-term care policy provides coverage anywhere, including at home. If you have postponed evaluating your need for this coverage, don't. Remember, the earlier that you start coverage, the more affordable the policy will be. Remember also that whatever age you start the policy you get to keep the rest of your life. Insurance companies can take rate increases periodically but never because of your increasing age.

"BARBIE CARS"—COVERED OR NOT?

If they are motorized, in most companies, there is liability coverage only when they are being used on their home premises. Once they leave your property, you are completely uninsured if your kid injures another kid as a driver. Uninsured if a neighbor kid borrows the car and is hurt while operating it.

THE SOLUTION

Add a Homeowners policy "Low Impact Recreational Vehicle" endorsement, which costs only about \$15-\$25 per year. If you have any motorized vehicle designed for use by children (i.e., snowmobiles, jeeps, etc.), call us to add coverage to your policy.

ATTENTION: PARENTS OF COLLEGE STUDENTS

If your college student has a "B" or better average, you're saving about 15% on their insurance costs. If they go to college more than 100 miles away from home and don't take a car with them, you're saving perhaps another 30% under a "distant student" discount. That's the good news!

➤ **WARNING:**

The bad news is what happens when your college student borrows a roommate's car and is involved in an accident? Where are they covered? Often not by your policy if the roommate's car was "available for regular use."

**HERE'S HOW TO
PROTECT YOURSELF**

Call our office and request an "extended non-owned" endorsement be added to your current insurance policy. The cost ranges from \$14 a year in Safeco to \$20 or more in other companies. Progressive doesn't offer it at all.

**MY BOTTOM-LINE
ADVICE IF YOU HAVE A
COLLEGE STUDENT**

Call Carol Bechay ASAP and request that the "extended non-owned" endorsement be added to the car your child is rated on. This is a major exposure but probably not part of your existing insurance program if you have not notified us.

**DO YOU HAVE A HOME
FOR SALE THAT HAS
BEEN VACANT FOR MORE
THAN 60 DAYS?**

If so, you probably have no coverage for glass breakage or for vandalism losses. In today's housing market, homes are for sale for many months. Many of those homes are "vacant" as the homeowners move their furnishings to a new home. If vandals break into your vacant home and trash the place, causing tens of thousands of dollars in damage, you have zero coverage. Not to mention the impact on and delay now in selling your home.

WHAT CAN YOU DO?

For starters, if possible, move enough furniture back in so that someone could live there. Rent furniture if you have to. Or, ask your realtor to "stage" your house for you. Not only will vandalism and glass be covered, but your policy won't be at risk for being cancelled.

If you're not willing or able to do that, at least reduce the chances of serious vandalism by installing a central station monitored burglar and fire alarm.

**KNOW YOUR TERM
INSURANCE CONVERSION
DATE**

Term life insurance policies are set up with fixed premiums guaranteed for 10, 20, or 30 years. Term life insurance policies typically offer you the right to exchange your policy for a permanent policy. Why would someone convert? Can't you just apply for a new term policy with a low fixed cost again? Sure, if you are insurable. But no if you are not.

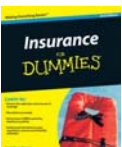
**IF YOU HAVE ONE OF
THESE LEVEL PREMIUM
TERM LIFE INSURANCE
POLICIES...**

Look at the cover page. Does it list the final date you can convert? If not, open the policy up. Find out the deadline for converting and note it on the face of your policy. Maybe it's only in the first five years of a ten year policy. Or maybe it's by age 70. Or maybe it's before the rate guarantee period ends. Then add that date to your calendar and contact us ahead of time to talk about whether or not to convert. E-mail the conversion date to Carol at cbechay@corporate4.net so that we can make a note of it in your file.

In writing the second edition of Insurance for Dummies, I identified two things that make a great insurance program. First, that you have a balanced insurance program--that the five major risk areas are well covered: major medical bills; major damage to or destruction of your residence; major lawsuits; long-term disability; and a premature death. Second, that each of the policies that you have as part of your portfolio have been endorsed or customized to your specific needs and lifestyle. In other words, the gaps and pitfalls of each policy that would hurt you at claim time have been negated. Those are the two goals that I've had with every client that I've ever worked with.

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.