

Insurance 101

A Guide to Insurance Basics for College Students

To file a complaint online or to print a complaint form:

OCI's Web Site

oci.wi.gov

Phone

(608) 266-0103 (In Madison)

or

1-800-236-8517 (Statewide)

Mailing Address

Office of the Commissioner of Insurance

P.O. Box 7873

Madison, WI 53707-7873

Electronic Mail

ocicomplaints@wisconsin.gov

Please indicate your name, phone number, and e-mail address.

Okay, you've got notebooks and laptops for your power lectures, a futon for the dorm room, and snacks (nutritious, of course) for late-night studying. Everything's set as you embark on your college journey. But hold on – you might be forgetting something. Although it may not seem like a top priority right now, insurance is a concern all college students need to think about. Having the right type of automobile, renter's, and health insurance can provide vital protection during years when most people can ill-afford any major financial setbacks.

So you want to take your car to school

Driving is nothing new to you as you go away to college, but how you pay for auto insurance may be. In high school, chances are you were covered under your parents' auto insurance policy, and if you drive a car owned by them at college, you likely will still be covered under their policy. But if you own your own vehicle, you'll need an individual auto insurance policy.

In Wisconsin automobile insurance is mandatory. Also, Wisconsin has a financial responsibility law that requires all licensed motorists be able to pay for damages to others caused in an accident. This can be met through insurance, a surety bond, or self-insurance.

If you decide to meet the financial responsibility requirements through auto insurance, auto insurance can cover these areas:

- **Liability:** for injuries you cause to other drivers and damage you cause to their property when you hit them.
- **Uninsured Motorists (UM):** for treatment of your injuries from being hit by an uninsured motorist or in a hit-and-run accident. UM coverage has nothing to do with property damage; it only involves bodily injury.
- **Underinsured Motorists (UIM):** for treatment of your injuries when a driver causing an accident has lower bodily injury liability limits than your UIM limits. Insurers are required to notify you of the availability of this coverage, although buying it is optional. UIM coverage has nothing to do with property damage; it only involves bodily injury.
- **Medical Payments:** for treatment of bodily injury you or your passengers suffer in an accident. It usually covers only medical expenses not

covered by health insurance, such as copayments and deductibles. Companies must offer you this coverage with a limit of at least \$1,000 per person but you do not have to buy it.

Wisconsin law requires that you must carry liability coverage limits of at least \$25,000 for the injury or death of one person, \$50,000 for the injury or death of two or more people and \$10,000 for property damage. The law also requires uninsured motorist coverage limits of at least \$25,000/\$50,000 for bodily injury only.

Drivers make choices about what types of coverage they will purchase. Liability claims can easily exceed the minimum dollar amount required by the law. Higher limits are available. Ask your agent for more information about the cost of higher limits.

Other coverages to consider:

- **Collision:** covers damage to your vehicle caused in an accident, including if the collision was your fault or a hit-and-run accident.
- **Comprehensive:** covers damage from other causes including theft, vandalism, fire, falling objects, animals and deer hits.

Often drivers of older, less valuable vehicles choose to lower premium costs by only carrying liability coverage.

There are many factors that go into determining how much auto insurance costs including the following:

- Your driving record. Insurance companies may charge an extra fee, a surcharge, if you are involved in a chargeable accident or were ticketed for a serious traffic violation.
- Your gender. Young, single male drivers generally pay more than any other group.
- Your age. Young drivers are often considered to be a bigger insurance risk than older, more experienced drivers.
- Where you live. Insuring a vehicle in bigger cities, where more traffic and crime exist, is more expensive.
- Age and type of car. Newer, sportier vehicles cost more to insure. The less it costs to repair or replace your vehicle, the lower the cost of your premium.

There are ways that you can lower your auto insurance premium:

- **Ask your agent about discounts.** Many insurers offer discounts for good performance in school, often for maintaining a grade of B or better. Taking an approved driver safety class can also result in a discount.
- **Increase your deductibles.** You can significantly lower your premium by choosing a higher deductible, which is the amount of money you pay out of pocket before insurance kicks in on a claim.
- **Never drive drunk.** Not only is it illegal and unwise, but a conviction for drunk driving can wreak havoc on your insurance premiums. And remember, if you're under 21, Wisconsin's Absolute Sobriety law means you cannot have a single drop of alcohol in your system when driving.

Mopeds and Scooters. Due to limited parking space and the inconvenience of driving a car to class, mopeds and scooters have become more prevalent on college campuses. *The mandatory insurance law also applies to mopeds and scooters.* Any insurer that offers motorcycle coverage likely offers moped coverage as well. Ask your insurance agent for more information about moped insurance.

Do I need renter's insurance?

If you live on-campus in a dorm, your parents' homeowner's policy may still cover you, although they should check with their insurance agent to make sure that is the case. If you call an off-campus apartment home, you probably will not be covered by your parents' homeowner's insurance policy. Your landlord's insurance will only cover the building, not your possessions.

In this case, you'll need to think about protecting what you own if it is burned up, stolen or carried off by a tornado or flood. You should consider purchasing renter's insurance to protect your personal belongings. Renter's insurance also protects you for liability coverage in case someone is injured while on your property.

When you are deciding how much coverage to buy, there are a couple of terms you need to know—actual cash value and replacement cost. Say your five-year-old TV is stolen from your apartment. An actual cash

value policy would give you what a five-year-old TV is worth today. A replacement cost policy would give you the amount it takes to buy a new TV of the same kind and quality, after you purchase the new TV and submit your receipts. Premiums will be higher for replacement cost coverage.

The cost of renter's insurance varies based on several factors, including:

- **Building.** Apartments in a structure that is new, fire-resistant, and equipped with safety features like smoke detectors and deadbolt locks get better rates.
- **Location.** High-crime areas with a greater chance of theft will lead to higher premiums. Same thing with areas prone to natural disasters.
- **Amount of coverage and the amount of deductible you choose.**

Other things to keep in mind:

- You may have to purchase a rider to extend your coverage to include expensive items like jewelry, computers, and other electronic equipment.
- It is helpful to prepare some type of inventory before you have a loss. Write down all your major possessions and keep all receipts of your purchases. Taking pictures or videotaping your belongings is another good idea. Keep your inventory record in a safe place, like a fireproof safe, or give it to your parents to keep off-premises. Smartphone users can download a mobile application that will help you identify and organize your possessions. The apps for both Android and iPhone devices can be found at the OCI Web site at oci.wi.gov/consumer/inv-home.htm.
- Flood damage is not covered by basic renter's insurance. To protect against damage caused by flooding, you'll need to buy a flood insurance policy. The agent who sold you your renter's insurance policy should be able to help you with this.
- Some companies may allow roommates to purchase a policy together; some may not. Check with your insurance agent to determine what options are available.

Am I still covered under my parents' health insurance?

Insurers that offer individual or group health insurance policies (including vision and dental plans) and self-insured health plans of the state or of a county, city, village, town, or school district that provide dependent coverage of children are required to provide coverage if requested to an adult child of the applicant or insured as a dependent of the applicant or insured if the child is under the age of 26. Coverage must also be provided to an adult child regardless of age if the child was under 27 years of age when he or she was called to federal active duty in the National Guard or in a reserve component of the U.S. armed forces while the child was attending, on a full-time basis, an institution of higher education and the child returns to school as a full-time student within 12 months of fulfilling his or her active duty obligation. Some policies, known as "grandfathered health plans," may have additional limitations relating to coverage for dependent children.

You should check with your family's health insurance company to see if you are still covered under your parents' policy.

If your parents are covered by a managed care plan (an HMO or PPO), you will also need to verify if any network providers are located where you attend school.

If you will be going to school in an area out of the network of your managed care provider, call your insurance company and ask what provisions are in the plan. Most have some method of covering emergency care while you are out of the network, but routine care and follow-up care can only be received in the plan's network service area.

Be sure you have a copy of the relevant health insurance cards and know how to obtain any required approvals before seeking treatment.

If you don't have health insurance through your parents' health insurance policy or have limited coverage due to network service areas, you may buy a student health insurance plan. Student plans are sold by an insurer that has contracted with a college to offer coverage to its students. In general, these plans have more limited benefits and more exclusions than traditional health insurance plans.

If you are dropped from your parents' group health insurance, you may have the right to continue health insurance coverage if COBRA applies to your plan.

If you are eligible for COBRA, you will be notified of your rights under the law and be given a limited window of time to opt for the continued coverage. This coverage may be expensive as you must pay the full cost of the COBRA coverage.

If neither a family plan nor a school-sponsored plan is available, you should strongly consider buying an individual plan. Beginning in 2014, health care reform legislation provides that most individuals are eligible for comprehensive individual health insurance coverage without any preexisting condition limitations or waiting periods. If you are losing existing coverage, you may qualify for a 60-day special enrollment period. Otherwise, you must wait to enroll until the next open enrollment period, which begins November 15, of each year. You can apply for individual health coverage by contacting an insurance agent or by accessing the federal Web site healthcare.gov. Both insurance agents and the healthcare.gov Web site can explain your coverage options, premiums you will be required to pay, and any advanced premium tax credit subsidies or cost-sharing reductions for which you may be eligible.

What about insurance coverage if I study abroad?

If you participate in an international study program through the University of Wisconsin System or the Wisconsin Association of Independent Colleges and Universities you will be required to purchase medical insurance. You should contact the study abroad coordinator for more information about the health insurance plan offered through the program.

Do I need life insurance?

If you're single and don't have dependents, you may not consider life insurance a priority. But taking out a life insurance policy with a guaranteed issue benefit when you are young is cheap and may protect you from being uninsurable in the future should you develop a debilitating illness or disabling injury.

Insurance and your credit score

It is important to remember that auto and homeowner's insurance companies may use consumer credit information in deciding whether to issue or renew policies.

Although companies cannot use credit information as the sole reason to refuse an application, cancel a

new insurance policy in its first 60 days of coverage or nonrenew an existing policy, in Wisconsin insurers may use this information as one of the criteria they consider as part of the underwriting process.

Since your credit score can impact the cost of insurance, it is vital to maintain a good credit score. There are several steps you can take to maintain a good credit score:

- Pay monthly credit card bills on time.
- If you have missed payments, get current and stay current.
- Maintain a low credit card balance. Don't max accounts out.
- Avoid signing up for new credit cards that you don't need.

Under federal law, an insurance company must tell you if it takes an "adverse action"—not offering a policy, charging a higher rate, etc.—against you due to your credit history. You will be entitled to receive a free copy of your credit report from the credit bureau—the company used to obtain your information.

Additionally, consumers can request a free copy of their credit report once per year from annualcreditreport.com. It is a good idea to take advantage of this offer to ensure information in your credit report is accurate.

Final Review

Lastly, a few other things to keep in mind:

- **Read your policy.** An insurance policy is a legal contract. It is written so that your rights and responsibilities as well as those of the insurance company are clearly stated.
- **Shop around.** It pays to shop around. Prices for the same coverage can vary greatly. A licensed independent insurance agent represents several different companies.
- **Check to see if an agent or company is licensed.** All insurance companies and agents doing business in Wisconsin are licensed by OCI. Before buying insurance from a company or agent, you can access licensing information at <https://ociaccess.oci.wi.gov/ProducerInfo/PrdInfo.oci> or <https://ociaccess.oci.wi.gov/CmplInfo/CmplInfo.oci>.
- **Problem with insurance.** If you are having a problem with your insurance, you should first contact your agent or the insurance company that sold you the policy. If you do not get satisfactory answers from the agent or company, you may file a complaint (oci.wi.gov/com_form.htm) with OCI. OCI will investigate the complaint to see if any insurance laws or rules have been violated.

Brief Glossary

COBRA: A federal law (short for Consolidated Omnibus Budget Reconciliation Act of 1985) that allows individuals insured under a group health plan to purchase an additional 18 (and sometimes 36) months of coverage after being dropped from the plan.

Credit report: A file containing your credit history, maintained by any of the three national credit bureaus.

Deductible: The out-of-pocket expense you must pay before insurance will pay for a claim.

Premium: The price of an insurance policy.

Rider: Additional coverage for items not otherwise covered by your policy. Also called a floater or endorsement.

Underwriting: The process insurance companies use in assessing risk factors of prospective buyers in determining whether to insure someone and how much to charge.

Publications

The Office of the Commissioner of Insurance produces and updates a variety of consumer guides dealing with insurance. Among the guides you may find helpful are:

A Brief Guide to Renter's Insurance (oci.wi.gov/pub_list/pi-017.htm)

Fact Sheet on Continuation and Conversion Rights in Health Insurance Policies (oci.wi.gov/pub_list/pi-023.htm)

Consumer's Guide to Auto Insurance (oci.wi.gov/pub_list/pi-057.htm)

Understanding How Insurance Companies Use Credit Information (oci.wi.gov/pub_list/pi-204.htm)

Consumer's Guide to Insurance (oci.wi.gov/pub_list/pi-051.htm)

A full list of publications can be found at oci.wi.gov/pub_list.htm.