

STATE OF WISCONSIN
OFFICE OF THE COMMISSIONER OF INSURANCE



INSURANCE 101

A Guide to Insurance Basics for College Students

- Auto Insurance
- Renter's Insurance
- Health Insurance
- Life Insurance

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Insurance 101

A GUIDE TO INSURANCE BASICS FOR COLLEGE STUDENTS

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LEADING THE WAY

IN INFORMING

AND PROTECTING

THE PUBLIC

AND RESPONDING

TO THEIR INSURANCE NEEDS.

If you have a specific complaint about your insurance, refer it first to the insurance company or agent involved. If you do not receive satisfactory answers, contact the Office of the Commissioner of Insurance (OCI).

Visit oci.wi.gov

to file a complaint online or to print a complaint form.

Phone

(608) 266-0103 (Madison)

or

(800) 236-8517 (Statewide)

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Okay, you have notebooks and a laptop for your power lectures, a futon for the dorm room, and snacks (nutritious, of course) for late-night studying. Everything is 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 automobile insurance may be. In high school, chances are you were covered under your parents' automobile 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 will need an individual automobile insurance policy.

In Wisconsin, automobile insurance is mandatory. Also, Wisconsin has a financial responsibility law requiring 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 automobile insurance, it 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.

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 insurance agent for more information about the cost of higher limits.

Other coverages to consider:

Collision

Collision covers damage to your vehicle caused in an accident, even if the collision was your fault or was due to a hit-and-run accident.

Comprehensive

Comprehensive covers damage from other causes including theft, vandalism, fire, falling objects, or hitting an animal, such as a deer.

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

Wisconsin law requires you to 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.

Auto Insurance Costs

Many factors determine how much auto insurance costs, including the following:

- **Driving Record**
Insurance companies may charge an extra fee, or surcharge, if you are involved in a chargeable accident or were ticketed for a serious traffic violation.
- **Gender**
Young, single, male drivers generally pay more than any other group.
- **Age**
Young drivers are often considered to be a higher insurance risk than older, more experienced drivers.
- **Where You Live**
Generally, people in metropolitan areas pay more than those in less congested places.
- **Age & Type of Car**
Newer, sportier vehicles cost more to insure. The less it would cost to repair or replace your vehicle, the lower the cost of your premium.

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

Ways to Lower Your Auto Insurance Premium

Ask your agent about discounts.

Many insurers offer discounts for good grades 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.

If you increase your deductible and pay for small losses yourself, your insurer may charge you less. This way you can cut your insurance premium costs and still be protected against large losses.

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 are under 21, Wisconsin's Absolute Sobriety law means you cannot have a single drop of alcohol in your system when driving.

Mopeds & Scooters

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

Have You Thought About Renter's Insurance?

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

Consider purchasing renter's insurance to protect your personal belongings in case they are destroyed by a fire, stolen, or damaged by a tornado. Renter's insurance also protects you for liability coverage in case someone is injured while on your property. Many building owners require tenants to have renter's insurance to ensure liability coverage protecting the building owners' interests.

When you are deciding how much coverage to buy, there are a couple of terms you should know—**ACTUAL CASH VALUE (ACV)** 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 **reimburse you the difference between the ACV and the price of a new TV** of the same kind and quality. Typically, you first receive the ACV, then you submit the receipt for your new TV to receive the reimbursement. Or, you may choose not to replace the TV and just keep the ACV amount.
- Premiums are higher for replacement cost coverage.

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.

Renter's Insurance Costs

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

- **Building**
A fire-resistant apartment equipped with safety features like smoke detectors and deadbolt locks will get better rates.
- **Location**
High-crime areas with a greater chance of theft will lead to higher premiums. Same is true for areas prone to natural disasters.
- **Amount of Coverage**
The type of coverage (actual cash value versus replacement cost) and the amount of deductible you choose will affect the cost of your premium.

Other things to keep in mind:

- You can purchase a rider to extend your coverage to include expensive items like jewelry, computers, and other electronic equipment.
- Prepare a property inventory before you have a loss. Write down all your major possessions and keep all receipts of your purchases. Taking pictures or video of your belongings is a good idea. Keep your inventory record in a safe place, like a fireproof safe, or give it to your parents to keep off premises.
- Flood damage is not covered by basic renter's insurance. To protect against damage caused by flooding, you need to buy a flood insurance policy. The agent who sold you your renter's insurance policy should be able to assist you.
- Some companies allow roommates to purchase a policy together. Check with your insurance agent to determine what options are available.

Are You Still Covered Under Your Parents' Health Insurance?

A parent can keep an adult child on the family's health insurance plan until the child turns 26. This applies to individual and group health insurance plans, vision plans, dental plans, and self-insured plans of the state, county, city, village, town or school district.

Coverage must also be provided to a child who was called to federal active duty in the National Guard or in a reserve component of the U.S. Armed Forces if the child was under 27 when he or she was called to duty and was attending an institution of higher-learning on a full-time basis. The child must also return to school within 12 months of fulfilling active duty obligations. Some policies known as 'grandfathered plans,' may have additional limitations relating to dependent coverage.

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 (and most insurance plans are managed care plans), you will also need to verify if any network providers are located where you attend school.

If you are going to a school in an area with no network providers, call your insurance company and find out what is covered when you are out of network. Most plans provide coverage for emergency care while you are out of the network, but NOT routine and follow-up care. These are only covered 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 do not have health insurance through your parents...

Purchase a Student Plan

If you do not have health insurance through your parents' health insurance policy, or have limited coverage due to network service areas, you may want to buy a student health insurance plan. Student plans are sold by an insurer who 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.

COBRA

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.

Purchase an Individual Plan

If neither a family plan nor a school-sponsored plan is available, you should seriously consider buying an individual plan. Beginning in 2014, health care reform legislation provides most individuals eligibility 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 1 of each year.

You can apply for individual health coverage by contacting an insurance agent or by accessing the federal website 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.

Studying 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.



What About Life Insurance?

If you are single and do not 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 inexpensive and may protect you from being uninsurable in the future should you develop a debilitating illness or disabling injury.

Insurance & Your Credit Score

It is important to remember automobile 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, insurers may use this information as one of the criteria they consider as part of the underwriting process in Wisconsin.

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 and as agreed.**
- **If you have previously missed payments, get current and stay current.**
- **Maintain a low credit card balance. Don't max out your accounts.**
- **Avoid signing up for new credit cards you do not need.**

Under federal law, an insurance company must tell you if it takes an "adverse action" against you due to your credit history. This would include refusing to offer a policy or charging a higher rate. If this happens, you are entitled to receive a free copy of your credit report from the credit bureau used to obtain your information. The notice of adverse action must provide information about how to obtain the free copy of your report.

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 your rights and responsibilities as well as those of the insurance company are clearly stated.
- **Shop Around— It Pays**
Prices for the same coverage can vary greatly. A licensed independent insurance agent represents several different companies.
- **Make Sure an Agent or Company is Licensed**
All insurance companies and agents doing business in Wisconsin are licensed by the Office of the Commissioner of Insurance (OCI). Before signing an application for any insurance coverage, verify the company and the agent you are dealing with are licensed in Wisconsin. Licensing information about agents and companies can be found on OCI's website at oci.wi.gov under "Online Services."
- **Problems with Insurance**
If you are having a problem with your insurance, you should first contact your agent or the insurance company who sold you the policy. If you do not get satisfactory answers from the agent or company, you may file a complaint (ociaccess.oci.wi.gov/complaints/public/) 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) allowing 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.

Network: the hospitals, physicians and medical professionals, and suppliers the health plan has contracted with to provide health care services.

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.

OCI Publications

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

- **A Brief Guide to Renter's Insurance**
oci.wi.gov/Documents/Consumers/PI-017.pdf
- **Fact Sheet on Continuation and Conversion Rights in Health Insurance Policies**
oci.wi.gov/Documents/Consumers/PI-023.pdf
- **Consumer's Guide to Auto Insurance**
oci.wi.gov/Documents/Consumers/PI-057.pdf
- **Understanding How Insurance Companies Use Credit Information**
oci.wi.gov/Documents/Consumers/PI-204.pdf
- **Consumer's Guide to Insurance**
oci.wi.gov/Documents/Consumers/PI-051.pdf

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