

What Every Graduate Needs to Know About Insurance



What is Insurance?

Insurance is a contractual agreement. You pay an amount of money in return for a promise from an insurance company to pay you for a loss you sustain. The *policy* is the contract and defines the coverage.

Why do I need it?

Your resources may be insufficient to meet your needs if you suffer an accidental loss. Insurance can help to keep you financially stable by protecting your assets or income. There are three basic types of loss. One, you could lose your property or personal possessions through fire, flood, or some other calamity. Second, you could accidentally hurt someone and be financially responsible or *legally liable* for his or her injuries or their property loss. Finally, you could be injured or sick and need medical care, including hospitalization. There are different types of insurance to meet these needs.

What kind of insurance do I need?

Health Insurance

Students in Massachusetts are required by law to carry some form of health insurance. Many students have been insured by their parents' employee health benefits, while others purchase the coverage made available through the College. After you graduate, most parents' policies will cease coverage as soon as you are no longer a dependent *in school*.

If you remain in graduate school, a parents' policy may cover you until age 23, or you may obtain coverage through the university you are attending.

Many students will find employment that provides health insurance benefits. If the coverage is optional, buy it.

If you do not fall into either of these categories, then you will need to buy your own coverage. Check with the agent or company you are currently insured with, your alumnae/i association, or any general agent. Shop around — coverage terms and costs vary greatly.

Accident and illness policies, like your student health insurance, have very limited benefits but are very inexpensive, usually costing between \$800 and \$1,200 per year. Stand-alone group insurance, such as Blue Cross / Blue Shield, will typically cost \$300 to \$700 or more *per month*, depending on coverage and deductibles. If you have any medical conditions that require ongoing treatment, it is usually critical to maintain your health insurance to guarantee a continuity of coverage. Most companies exclude pre-existing conditions from their insurance, at least for a period of time (which can be as long as five years.)

Due to changes in the Massachusetts laws in 2004, we are no longer able to provide any continuation coverage of the student health plan. Depending on the state you are residing in, short-term medical coverage may be available. Call Gallagher Koster for more details at 1-800-457-5599. A new option for students who graduate and remain in Massachusetts may be to enroll in one of the Commonwealth Choice health plans available through Commonwealth Connector. To learn about the eligibility requirements, available health insurance plans, cost, and the enrollment process, go to www.commonwealthconnector.org.

Health insurance is very important, since health care costs are very high, and accidents *do happen*. Even if you have “never been sick a day in your life” new environments and activities increase the risk of accidents, illness and injury.

Tenants Insurance (Property and General Liability)

Most students will move into rental apartments upon graduating. Your landlord is not responsible for loss of or damage to your property (see your lease). A tenants' insurance policy will insure you against loss of your personal property, cover you for your negligent damage to the landlord's property, and also provide general liability coverage for your negligent acts which result in the loss of property or injury to a third person. For example, your carpet is torn and someone trips over it, and is hurt. Or your dog bites a stranger.

This type of coverage is not expensive (a few hundred dollars per year), and offers a good measure of protection. Buy the highest General Liability limits you can afford. Do not insure your personal property for more than it would cost to replace it, but do accurately report replacement values. Also look for a policy that covers your property while it is not at the premises listed on the policy.

Personal property typically includes all your clothing, furnishings, electronic equipment, and other personal items. It does NOT cover jewelry, musical instruments, art, money, securities, or other highly valued items (read your coverage for exclusions and definitions). These types of property are insured under a “floater” policy. You should speak to your insurance agent if you have property that is excluded under the tenant's policy. Insurance on computers is often not worthwhile, since the insurance will only pay for the replacement of equipment of like kind and quality. Since computer values drop quickly and steadily, the insurance is often expensive for what you might recover.

If you own real property or a business consult with your insurance agent about the coverage you may need.

Auto Insurance

Most states require Auto insurance by law. Whether it is required by law or not, it is essential if you own an auto. Auto insurance has three areas of coverage - Liability, Comprehensive and Collision. Liability Insurance covers you for any injury you may cause to others, for example, hitting a pedestrian or another vehicle. It is the most important auto insurance, and you should buy the highest limits you can afford, at least \$100,000 per person, \$300,000 per accident. \$1,000,000 is recommended.

Check your policy to verify whether or not your auto insurance “follows” the vehicle, so that if a friend borrows your car with your permission s/he is insured by your insurance. Also note, most insurers require that persons living in your household (including relatives) who may drive the vehicle *must* be listed on the policy in order to be insured.

Comprehensive Coverage pays for losses to your auto arising from such hazards as fire, natural disaster, and vandalism. Collision pays for losses to your auto arising from collision with another object, vehicle, or animal (such as a deer). If your car worth is less than \$5,000, collision insurance may not be cost effective, since the company will not pay more than the actual value of the vehicle. Comprehensive and glass coverage is usually a cost effective coverage, unless the car has no value. Talk with your agent about your options.

Volunteers / Directors and Officers Insurance

If you serve as a volunteer in an organization, you should make sure that the organization carries general liability insurance, and that volunteers are included in the “who is an insured” wording on the policy. If you are on the board of directors of any organization, ask for a summary of their Directors and Officers Insurance policy. You want to know that if you are personally sued for actions you take on behalf of the organization, that you will be indemnified and defended.

Other Resources and Types of Coverage

Workers Compensation

If you are employed, you will probably be automatically covered by workers compensation. It is mandated in every state, and benefits vary significantly by state. It provides coverage for any injury you may sustain in the course of your employment, not only for medical costs, but for a portion of your wages as well. Check with your employer about coverage.

Disability Insurance

Your employer may carry short and long term disability insurance for all employees. These policies cover your loss of wages if you are disabled for more than one month, or six months, respectively. If one or both are optional, do seriously consider purchasing coverage. Statistics show that one person in ten will be disabled from their work for more than six months in their lifetime.

Life Insurance

Unless you have dependents, you do not need life insurance. Speak with your financial advisor about appropriate coverage based on your dependents, financial planning and portfolio.

Filing a Claim

Documentation is essential in filing a claim, whether it is to your own insurance carrier or if you are making a claim against a third party. Keep copies of all medical bills, invoices for purchase of replacements of damaged or lost property, estimates, and so forth. Check with your insurance agent if you have a loss - don't assume that it isn't covered. You may be pleasantly surprised. Set up a file on your claim, and keep copies of all correspondence, notes of who you spoke with and when, their phone number, and so forth.

If you have a small, straightforward claim against a third party, send a letter to the party responsible for the loss. Clearly describe what happened, what your losses were (use the words "bodily injury", "personal injury" or "property loss or damage" as applicable), and why you think they are responsible. In general, there has to be negligence on the part of the third party in order for them to be legally responsible for your loss, and it will help your claim if you can articulate in the letter how they were negligent. This specific wording will trigger the respondent's general liability policy (or other policies), and may help you obtain a quick settlement without your having to involve an attorney.

This is intended to be a brief summary of typical insurance coverages. It is not a comprehensive description of all coverages available, or to be construed as legal advice. Always check with your insurance agent for specific insurance information and with your attorney for legal advice.

The Five College Student Health Plan is with:
Gallagher Koster 1-800-457-5599
studentcare@kosterins.com
Call for information on Health Insurance options.