

ASK SAVA: Insurance and Your College Student

Question: “Our oldest child is now in college. We gave him our older car to use and he is taking some of his expensive toys, like his computer. What can we do to offer him protection now that he is on his own?” E.W., Old Lyme, CT

Answer: Going to college is one of the most important things your child can do to secure their financial future. But what happens if they get sick or injured while they are there? What happens and who is responsible if they lend their car to another college student and the car is in an accident? What if that new computer you gave your college student is stolen?

Auto Liability:

If you drive your car and cause an accident, your insurance will pay for the damages you cause, as defined in your policy. If your friend crashes your car, you may assume that he/she and their car insurance will pay for the damages. In fact, you are the one on the hook. Here are some scenarios that could happen:

1. Minimal damage: You will have to pay your deductible and your insurance will have to pay. Your auto insurance policy insures your vehicle plus “you, any relative, and anyone else using your car if the use is with your permission.”
2. Your friend’s accident causes serious injury and damage: Your driver’s policy covers the driver and all passengers in the vehicle for bodily injury. Your car owner’s liability covers property damage caused by your car. Liability insurance also covers the cost of your legal fees in the event you are sued. But, if the damage exceeds your insurance liability limits, the courts can attach your personal assets, such as your home, to recover damages. Liability coverage won’t pay for damages beyond the limit for which you are insured. In cases where you share the cost of the accident with the driver you lent the car to, “pro rata” is where your insurance companies can share the cost proportionally. Initially, your insurance would likely pay the full cost of the accident, then seek compensation from your friend’s insurer to recover his or her share.
3. Uninsured friend crashes your car: If your friend borrowed your car without your knowledge, you’re not likely to be held accountable, if they are insured. If not, you’ll probably need to use your collision insurance to cover the damages to your vehicle, and your liability insurance would cover damage to other’s property. Keep in mind that insurance companies assume that a friend has permission to use your car unless there are clear indications that you denied permission.
4. Your car is stolen and then crashed: If the thief crashes into someone or something, you won’t be held responsible for the damages done to other people and their property, but you probably will have to use your collision insurance to pay for the damage to your car. Even if the thief is found and has insurance, his company won’t pay for his criminal act.

If you hold the minimum auto liability coverage required in your state and are involved in an accident in another state that requires higher minimum coverages or other coverage, such as personal injury protection, your policy will automatically increase to meet that state’s minimum coverage requirements.

Be sure to examine your auto insurance policy closely and see where you may need to change your coverage to protect yourself from these possibilities for your college student.

Property Insurance:

As today's college students head off to school, they are bringing with them more and more expensive items. Since theft is one of the biggest crimes on campuses today, an estimated 1 in 10 students can expect to have something stolen. So, the big question is, what can you do to minimize your risk?

The first step is to take a complete inventory and the value of each thing that will be in your student's on- or off-campus living place.

Next, contact your homeowners insurance carrier. Many insurance companies cover assets kept in your student's dorm, but have limits on that coverage. Other insurers do not cover this at all. Make sure your totals fall within the limits set for your policy. If you are outside those limits, consider adding coverage or securing a separate renters insurance policy for your student.

Generally, keep this in mind:

1. Be aware that insurance companies do not all use the same insurance forms.
2. The ISO standard homeowners policy covers theft loss, but be sure to examine closely what your policy states, such as the time limitation that the student is covered away from home.
3. The homeowners policy covers any personal property 'owned or used by' an insured if it is damaged or lost due to a covered peril. The term 'insured' includes a resident relative, and courts have determined consistently that a dependent child away at school is still a resident of the named insured's household.
4. There also may be a limitation on percentage of property coverage in a location other than the residence premises. Also check on your deductible limitations.
5. Many theft losses are required by your insurance company to be reported to the police, and could presumably mean the 'campus' police. Be sure to talk over your coverage with your agent, who will be knowledgeable enough to explain your limitations for your student.

The possibilities are that you will may need to add to your policy to ensure sufficient coverage, or if there are many limitations to your homeowners policy, or there isn't sufficient coverage for your student and you don't want to change your current policy, you may want to consider checking into renter's insurance

Health Insurance:

If you carry your child on your health insurance, your dependant children may be allowed to stay on your health plan up to age 26 unless your young adult is eligible for employer health coverage, with the passage of the *Patient Protection and Affordable Care Act*, beginning in September 2010.

However, there may be some coverage limitations with HMOs and PPOs. You should investigate your particular program to ensure that your young adult will still be covered, or if there is a predetermined network limitation for the medical provider or if there is reciprocal arrangements allowing coverage in areas outside your local base.

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Next week, we address the questions on the upcoming Hurricane Season and some of the ways you can prepare for the storms.

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