

## CHAPTER 12

# Insurance

Insurance is a valuable protection for life's many unexpected events. However, researching the different types of insurance and finally deciding which policy best fits your needs can be an overwhelming process. This chapter tries to simplify this process by explaining the different types of insurance, what they cover, what their limitations are and whom to contact for information. This chapter also offers general advice on how to buy insurance and what types of questions to ask the insurance company or agent.

This chapter covers automobile insurance, including liability insurance, uninsured/underinsured motorist coverage, personal injury protection, collision insurance and comprehensive insurance. It also discusses other types of insurance like homeowner's/renter's insurance, life insurance, health insurance, Medicare Supplement (Medigap) and long term care insurance. Medicare and Medicare prescription drug plan information is provided in Chapter 2.

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## Buying Insurance

The following guidelines will help you make sure your insurance will meet your needs:

- Contact the Oregon Insurance Division to see if the insurance seller is a legitimate, licensed broker.
- Read before you sign.
- If something is unclear, get an explanation in writing from your agent or the company before you sign.
- Get the contract in writing. The only guarantee of coverage is in your contract.
- Ask your agent to explain thoroughly your policy, the coverage, and its limits and conditions.
- Check with the Oregon Insurance Division for its reports rating the responsiveness of insurance companies to customer claims.
- Get a copy of every document you sign as you apply for and buy insurance.
- Never pay in cash unless you get a written receipt. Whenever possible, pay the insurance company directly.

- Keep your receipt or canceled check.
- Read your policy as soon as you receive it. Be sure that what you received is what you paid for.

## Automobile Insurance

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Oregon law requires some types of **automobile insurance**. Those are:

- **Liability insurance**, which covers personal injury and property damage to others if you are at fault in an accident;
- **Uninsured/underinsured motorist insurance**, which covers you if the other person is at fault and does not have insurance or has less insurance than you have that would cover your injury; and
- **Personal Injury Protection insurance (PIP)**, which provides immediate payment for medical bills and some wage loss, no matter who is at fault.

When you are purchasing automobile insurance, it pays to shop around. Be sure you compare the costs of similar policies.

You can usually save money by paying the full premium rather than monthly or quarterly installments. You also can save by attending an Oregon Driver and Motor Vehicle Services (DMV) approved accident prevention course. Oregon law requires insurance companies to reduce your premiums if you are 55 or older and complete the DMV accident prevention course. The discount applies to only one vehicle. Your local DMV has more information. AARP offers a DMV-approved driver safety course. (See Resources at end of chapter.)

The DMV requires vision tests for drivers aged 50 and older once every eight years. The DMV also may require a medical certification if you have (or DMV has been notified that you may have) a mental or physical disability that could affect your ability to drive safely. If you need medical clearance, talk with your family doctor or call the DMV Driver Safety Unit in Salem. (See Resources at end of chapter.)

What can you do if your driving privileges are taken away? Many community programs help senior citizens who can no longer drive cars. You may be able to use community services for shopping, banking or medical appointments. In addition to regular bus service, door-to-door van services, volunteer driver programs and taxi discounts are available.

To learn what transportation your community offers, call your local Area Agency on Aging office or city or county transportation or transit agency. If you cannot locate the proper number, call the Oregon Public Transit Division in Salem at 503-986-3300.

Another choice is to continue to own a car and pay insurance on it, but rely on someone else to drive for you. It is legal in Oregon to **own** a car without having a driver's license. However, it is illegal to **drive** without a driver's license. (Listen to Tel-Law topic 1156, "Uninsured Driver," for more information.)

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## Liability Insurance

If you drive a vehicle in Oregon, you or the owner must have liability insurance. Liability insurance covers injury to others that results from your negligence. State law requires that you purchase only minimum coverage. However, you may want more coverage, especially if you own many assets. If you are sued, those assets may be taken to pay the judgment made against you if the amount of insurance you have is too small to cover the whole cost of an injury.

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## Uninsured/Underinsured Motorist Coverage

Uninsured/underinsured motorist insurance covers your injuries from negligent drivers who lack insurance. Uninsured motorist insurance covers you if you are injured in an accident by a driver who doesn't have insurance. Underinsured motorist insurance covers you if you are injured in an accident by a driver who has less insurance coverage than your uninsured motorist coverage. It is a good idea to purchase uninsured/underinsured motorist coverage in an amount equal to your liability coverage.

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## Personal Injury Protection Coverage

Personal Injury Protection (PIP) coverage is required by law. It provides medical and wage loss benefits to you, family members who live in your household and passengers injured in an accident. The coverage works whether or not the accident was your fault. At a minimum, your medical bills are covered for up to one year or \$15,000. However, it is a good idea to purchase a policy that provides PIP coverage above \$15,000 and for more than one year.

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## Collision Insurance

**Collision insurance** covers damage to your car from accidental collision with another object or car. You may not want this coverage if you drive an older vehicle. Repairing an old car may cost more than the car is worth. If you are financing the purchase of your car, your lender may require collision insurance.

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## Comprehensive Insurance

**Comprehensive insurance** can cover damage from fire, theft, glass breakage, vandalism and "acts of God." If you own a fairly new car or live in a high crime area, comprehensive insurance is a good idea. This kind of insurance often has a "deductible" that you must pay. Less expensive insurance is likely to have a higher deductible.

If you drive a car in Oregon, you are required by law to carry the following insurance:

- Liability
- Uninsured/underinsured motorist
- Personal Injury Protection (PIP)

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# Other Types of Insurance

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## Homeowner's/Renter's Insurance

People who own homes and have personal property risk losses from fire, theft or other accidents. Insurance protection for your home and belongings is available. Amounts of coverage depend on the value of your property. Insurance agents can help you determine the proper amount of coverage. You must list all items of special value to make sure they are insured for full value. You may even videotape particularly unique items. Such items are furs, coin collections or artwork. Some insurance covers only the **actual cash value**. This is the amount that you would get if you sold the property. Other insurance pays for the **replacement cost**. This is what the property costs if you replace it new. Compare the price of these policies before buying. Homeowner's insurance also may cover your living expenses if you have to move out while your home is being repaired.

Landlords do not insure tenants' belongings, although tenants may have a claim against landlords who allow damage to occur to tenant property. If you rent, tenant insurance is available to protect your furniture, jewelry and other personal property. Most homeowner's and renter's policies also cover personal liability. This insurance protects you from certain liability to third parties when, for example, your dog bites someone or a guest is injured on your property. If you rent a storage unit, the storage company does not insure the items you have stored. Check your homeowner's or renter's insurance to find out if you are covered if your personal property is damaged or stolen from the unit.

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## Life Insurance

Life insurance pays benefits upon the death of the insured person. Some policies offer annuities (periodic payments) when a person reaches a certain age. Many insurance companies require a physical examination to purchase life insurance. However, some policies advertise life insurance with no physical exam required. These particular policies have very limited coverage.

Think twice before you buy! If you do not already have a **whole life policy**, you will find out that the costs of buying life insurance as an older adult are high and qualifications are strict. Look over policies carefully, and ask a reputable agent or company for all the facts. Make sure the company has a local representative available to answer your questions. Check how long the life insurance policy lasts. A **term insurance policy** means that it ends at a specified time, such as at age 65. Before you buy, make sure you **need** life insurance. (See Chapter 5 for other information on life insurance.)

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If you rent, tenant insurance is available to protect your personal property. Landlords do not insure tenants' belongings.

Before you buy life insurance, be sure you really need it.

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## Health and Medicare Supplement (Medigap) Insurance

If you are 65 or older and receive Social Security, you are entitled to **Medicare** insurance. (See Chapter 2 for more information on coverage and eligibility.) However, Medicare does not cover all health care costs. Depending on which kinds of Medicare coverage you have, it can pay part of the costs of a hospital stay, doctor visits, home health care, skilled nursing care and some prescription costs.

If you are retired, you have the right to purchase continued health care coverage under the same group plan that covered you at work. The maximum period of coverage is 18 months. Coverage could end earlier if premiums are not paid, the employer ends coverage for everybody, or you become entitled to Medicare. Retiring employees must be given notice of these rights.

If you want more complete health coverage, then you must add other insurance to your Medicare coverage. People with limited income and assets may qualify for the Oregon Health Plan (the state's **Medicaid** program) whether they have Medicare coverage or not. Medicaid can pay for prescription drugs, limited dental care and other services in addition to doctor and hospital services. (See Chapter 2 for more information on Medicaid.) People who **do not** qualify for Medicaid and want to add insurance to their Medicare coverage can purchase insurance called Medicare Supplement or **Medigap Insurance**. Most people who can get Medicaid do not need Medigap. (See Resources at end of chapter for some useful pamphlets.)

People turning age 65 and enrolling in Medicare can purchase supplemental insurance policies regardless of their health. The law says that insurance companies cannot refuse an applicant for Medigap policies provided the person applies for coverage within six months of enrolling in Medicare Part B.

Oregon law does have certain minimum requirements for Medigap insurance. For example, Medigap policies cannot exclude coverage by type of illness, accident, treatment or medical condition, with minor exceptions. These policies cannot limit or reduce coverage for pre-existing diseases or physical conditions. If you have a claim for losses caused by a medical condition that existed before you purchased the policy, Medigap cannot deny a covered claim that you make six or more months after you purchased the policy. The insurance company cannot end your coverage because of deteriorating health. Medigap policies cannot duplicate Medicare coverage.

You might consider other options to Medigap insurance. For example, you can continue group coverage at work. You can join a Health Maintenance Organization (HMO) or another pre-payment plan that offers services beyond those covered by Medicare. However, if you join an HMO, you will have to get all of your health care through the HMO except for certain emergency services. Please note: neither Medicare nor the government sells or endorses Medigap insurance.

***Purchasing Medigap Insurance or Joining an HMO:***

- Shop carefully before you buy. Policies and plans differ in coverage and cost, and companies differ in service. Be sure to compare policies and plans.
- Learn what Medicare does and does not cover. (See Chapter 2.) Contact your local Social Security office for information.
- Decide whether you want to buy an insurance policy or join an HMO.
- One good Medigap insurance policy or HMO plan is enough.
- Know your insurance needs before you talk to an agent.
- Doubt an agent who says you must “buy today or risk penalty.”
- Talk to your friends and peers about their policies and plans before you buy. They can give you excellent information.
- Be careful of insurance advertised by celebrities.
- Be careful when you replace existing policies or switch plans, as the new plan may have a waiting period before you can use it for existing health problems.
- Take someone with you when you meet your agent.
- Review written materials about the policy or plan. Make sure you understand any limits or restrictions.
- You may not save much by buying insurance from unknown or distant companies and agents. You will usually have to deal with more inconvenience when correcting problems and misunderstandings.
- A 30-day “free look” allows you to cancel the policy for a full refund.

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**Long Term Care Insurance**

Medicare and Medigap insurance do not cover the cost of long term care. Medicaid does cover all types of long term care. (See Chapter 2 for information about the financial protections available to a person who is married to someone who needs long term care.) **Long term care insurance** is available from a number of companies. Oregon’s Long Term Care Insurance Act controls this insurance. You now have certain rights when buying a policy; for example:

- The company **cannot** end your policy just because you grow older or your health worsens;
- Your policy **cannot** limit its benefits to skilled nursing care only, but must offer home care and other levels of service;
- Your policy **cannot** provide significantly better benefits for skilled care than other levels of care;

- Your policy **must** pay for Alzheimer’s disease and related illnesses;
- Your policy **cannot** require you to go to a hospital before you receive benefits for long term care; and
- Your policy **cannot** require you to receive a higher level of care before it pays benefits for a lower level of long term care.

Most policies provide a benefit of up to a certain dollar amount per day, for a certain time period. Generally, the larger the benefit and the longer that benefit is payable, the higher the cost of the policy. The cost increases with your age. After you have reached a certain age or have been diagnosed with a particular medical condition, you may not be able to buy long term care insurance.

***Before You Buy Long Term Care Insurance:***

- Read the “Oregon Consumer Guide to Long Term Care Insurance,” available from the Oregon Insurance Division. (See Resources at end of chapter.)
- Purchase a good Medigap insurance policy or join an HMO.
- Find out if you or your spouse will qualify for Medicaid assistance.
- Know your insurance needs and your budget before you talk to an insurance agent.
- Get an explanation of the benefits if anything in the policy is unclear. Get the explanation in writing and signed.
- Compare before you buy.

***Questions to Ask:***

- Does the policy pay for all levels of care? For example, does it pay for home health care?
- How long will benefits be paid? (The law requires a minimum of 24 months.)
- How does the premium compare with the maximum coverage I would get? (How much coverage am I getting for the premiums?)
- Is the policy guaranteed to be renewable?
- Will premiums be waived while I am receiving care?
- Will my premium ever increase?
- What are the limitations and waiting periods for pre-existing conditions?

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## Resources

See **General Resource List** for AAA/SPD offices, legal aid offices, OSB Tel-Law service and more.

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#### AARP Driver Safety Program

[www.aarp.org/families/driver\\_safety](http://www.aarp.org/families/driver_safety) or 888-227-7669 to find a course near you.

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#### America's Health Insurance Plans

601 Pennsylvania Avenue NW  
South Building, Suite 500  
Washington, DC 20004  
202-778-3200  
[www.ahip.org](http://www.ahip.org)

The following booklets are available online:

*"Guide to Disability Income Insurance"*

*"An Employer's Guide to Disability Income Insurance"*

*"Guide to Health Insurance"*

*"Guide to Long Term Care Insurance"*

*"An Employer's Guide to Long Term Care Insurance"*

*"Guide to Managed Care"*

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#### Oregon Department of Consumer & Business Services (for consumer complaints)

Insurance Division  
PO Box 14480  
Salem, OR 97309  
503-947-7984 or 888-877-4894  
[www.oregoninsurance.org](http://www.oregoninsurance.org)

**Please Note:** The Oregon Insurance Division prepares a report summarizing complaints against major insurance companies doing business in Oregon, allowing consumers to compare their complaint records. This report is available online at [www.oregoninsurance.org](http://www.oregoninsurance.org).

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#### Oregon Driver and Motor Vehicle Services Driver Safety Unit

503-945-5083  
[www.oregon.gov/ODOT/DMV](http://www.oregon.gov/ODOT/DMV)

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## Oregon Insurance Division Consumer Protection Section

3350 Winter Street NE, Room 440  
PO Box 14480  
Salem, OR 97309  
503-947-7984 or 888-877-4894

*(For questions about insurance, insurance companies, agents or the Oregon Insurance Commission)*

**Please Note:** The Insurance Commission enforces the legal standards for all insurance in Oregon, including Medicare supplemental policies. It can provide a listing of approved supplemental insurance policies and consumer educational materials.

There are many pamphlets available from the Oregon Insurance Division Consumer Protection Section and Senior Health Insurance Benefits Assistance program (SHIBA). You can call the number above or order online at [www.oregoninsurance.org](http://www.oregoninsurance.org). Pamphlets are in both English and Spanish.

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## Oregon Public Transit Division

503-986-3300 (Salem)  
[www.oregon.gov/ODOT/PT](http://www.oregon.gov/ODOT/PT)

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## Oregon State Bar Tel-Law Topic

1156 - Uninsured Driver  
503-620-3000 or 800-452-4776  
[www.osbar.org](http://www.osbar.org)

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## Glossary of Terms

**Actual Cash Value:** *The value of property allowing for the fact that it has been used.*

**Automobile Insurance:** *Insurance coverage for your vehicle; some coverage is required by Oregon law.*

**Collision Insurance:** *Insurance that pays for damage to your automobile from accidental collision with another car or object.*

**Comprehensive Insurance:** *Insurance that covers damage to property from fire, theft, glass breakage, vandalism and acts of God.*

**Homeowner's/Renter's Insurance:** *Insurance protection for your home, apartment and belongings.*

**Liability Insurance:** *Insurance that covers injury to others resulting from the operation of your automobile. This insurance is required by Oregon law.*

**Long Term Care Insurance:** *Insurance that covers the cost of nursing home care, home care and other levels of service.*

**Medicaid:** *See Chapter 2.*

**Medicare:** *See Chapter 2.*

**Medigap Insurance:** *Also called Medicare Supplement. Additional health insurance coverage for those who have Medicare coverage.*

**Personal Injury Protection (PIP):** *Insurance coverage that provides medical and a percentage of wage loss benefits to you, family members who live in your household, and passengers if they suffer injuries in an accident involving a vehicle.*

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**Replacement Cost:** *The cost to replace property that has been damaged or stolen.*

**Term Insurance:** *Life insurance coverage for a fixed term. A term policy has no cash value or investment element.*

**Underinsured Motorist Coverage:** *Insurance that covers you if you are injured in an accident by a driver who has less insurance than your uninsured motorist coverage.*

**Uninsured Motorist Coverage:** *Insurance that covers you if you are injured in an accident by a driver who doesn't have insurance.*

**Whole Life Policy:** *A life insurance policy and investment that generally has fixed premiums. Insurance protection is provided for the entire life of the insured.*