

CAPITAL INSURANCE AGENCY OF WISCONSIN

Do Roommates Need Special Considerations?

Insurance, Conservative By Nature

If you ever dreamed of being a time-traveler, one way to simulate the experience of going back in history is to read an insurance policy. Policies are written so conservatively that they still reflect situations that existed prominently decades ago. One example is the way that policies define the persons it insures. Most policies are designed to cover:

Single individuals

Traditional married couples

Traditional family - husband, wife, children

Policies also make allowances under all three of the above situations to cover relatives who live in the same household. However, when two or more unrelated individuals live in the same home, apartment, or condo and/or share the use of the same vehicle(s), the coverage situation becomes confused.

Depending upon the policy wording or according to a company's underwriting rules, coverage for an unrelated person may either be limited or may not exist.

It Doesn't Have To Get Personal, Does It?

Not at all. Situations involving persons living together who aren't related by law or by blood may have a romantic origin, be based on a platonic relationship or may be due to economic reasons. Why one or more unrelated persons are together is their business; the important consideration is, how are their insurance needs met?

Homeowners Insurance

If you share an apartment or rent a home and each of you retains separate ownership of your property, each of you should carry your own tenant's policy.

If you own the home jointly, but maintain separate ownership of your personal property, you might consider the following strategy:

1. Name one individual as the "named insured" on the policy. The named insured is covered for his interest in the dwelling and personal property (such as clothes, appliances, furniture, etc.). Further, the named insured is also protected against losses involving his legal liability to others including payments for medical services.
2. Add the other owners as additional insured - residence premises. The other owners then will have coverage for their interest in the dwelling, premises liability and medical payments to others.
3. Finally, each additional insured should buy their own tenant's policy to cover their personal property.

Auto Insurance

If each roommate has his or her own vehicle, the insurance question couldn't be simpler. Each vehicle should be insured by the individual owner. However, if two unrelated people share ownership of a vehicle; special action is necessary. In this situation the auto policy that covers the car should have a joint coverage endorsement added to it. A joint coverage endorsement (which may have various names) should result in giving the co-owners the same coverage as if they were related. (This endorsement is not available in all states.) The same strategy may be used when only one person owns the household's vehicle. The other person (who does not have their own car) may be added via a joint coverage endorsement. However, other options may exist such as (depending upon the insurer): the non-owner resident may be added to the owner's policy as a part-time driver or the other person might purchase a "non-owned" auto policy to get automobile coverage.

Life Insurance

The owner of a Life Insurance policy can name as beneficiary anyone whom he/she can persuade the insurance company to add to the policy. Generally, companies will not accept the designation of a beneficiary unless the beneficiary is a relative or has some financial relationship to the insured on the policy. Sharing property ownership is a legitimate reason. Insurance companies can also be persuaded - with logical argument - to add individuals as beneficiaries who are "living together," engaged or affirmed. Arguments include intent to marry, co-mingling of financial resources, the need for joint income to maintain current lifestyle, or the length of the cohabitation.

Health insurance

Unless you are related, in most states you will need to maintain individual health insurance policies. Many group health plans are more liberal, but check with your plan administrator and don't assume your significant other is covered unless you see something in writing that says so. If either or both of you have children who need to be covered, you may need two separate family plans.

How can you be sure about whether your interests are properly covered? Easy...speak to an insurance professional; discuss your situation in detail and then determine the best way to structure your policies.