



# Insurance Matters

Commissioner Karen Weldin Stewart, CIR-ML

A Newsletter for Delawareans

Issue 23 • Spring 2016

## Our Mission

Protecting Delawareans through regulation and education while providing oversight of the insurance industry to best serve the public

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## The Consumer Comes First

Hello, and thank you for reading the Spring 2016 edition of **Insurance Matters**, the Delaware Department of Insurance e-newsletter that provides insurance information about matters affecting Delaware's families and businesses. Whether you need help with a simple question or feel that your claim has been wrongly denied, the staff of the Department of Insurance is here to serve you. If you're having trouble resolving an issue with an insurance company or an agent, give us a call.

Spring is usually the busiest time of the year for home improvements and real estate sales, and both of those topics involve homeowners insurance. If you do any upgrades to your home, such as finish the basement or renovate your kitchen, it's important for you to inform your insurance company of the changes you have made. Upgrades almost always increase the value of your home, and thus you may need to increase your coverage to protect your new investments should you suffer a loss, like a house fire.

When you're shopping for new homeowners insurance you may be tempted to simply choose the company that offers the lowest premium. However, it is essential to look at the details of the quotes because each company is likely to offer different levels of replacement coverage for the dwelling and your personal property. Be sure to compare deductibles and additional lines of coverage that may be included, or can be added. Examples of extended coverage include coverage of service lines (water, sewer), and coverage for water back-up. For a reliable comparison, apply the same limits, coverages and deductibles on each quote request.

According to the most recent data available from the National Association of Insurance Commissioners (NAIC), Delaware was ranked as the seventh most affordable state for average homeowner insurance premiums (\$709 vs. \$1,096 nationally, 2013 data). Turn to page 3 inside to read more tips about saving on your homeowner's insurance.

Warm Regards,

**Karen**

Karen Weldin Stewart, CIR-ML  
Insurance Commissioner

Questions about your insurance? Call 1-800-282-8611

[www.delawareinsurance.gov](http://www.delawareinsurance.gov)



# Copay vs. Coinsurance

## Knowing Industry Terms is Essential for Understanding Coverage

Whether you're shopping for a new policy or are searching for providers to perform your planned back surgery, it's essential that you understand the words and terms commonly used by the insurance industry. A failure to understand insurance terms could potentially end up costing you thousands of dollars, especially if you incorrectly assume that a copayment is just another word for coinsurance. We'll also clarify how a copayment is different from a deductible.

### Copayment Vs. Coinsurance

According to NerdWallet.com, "A **copay** is a fixed amount you pay for a health care service, while your insurance company covers the rest of the costs. The amount usually varies according to the service you receive and for the type of prescription drug you're purchasing. For example, your plan may require a \$25 copay for a visit to your primary physician, \$50 copay for a specialist or \$125 copay for an emergency room visit. Some drugs will have a lower copay (typically generics), while a higher copay usually applies to brand-name drugs. Copayments do not typically count toward your deductible, but they are now required to count toward your out-of-pocket maximum.

**Coinsurance** is the amount you pay for the cost of a health care service usually in the form of a fixed percentage, according to HealthCare.gov. The catch is, this percentage doesn't kick in until after you've paid 100% of your deductible. You'll usually have to bear more of the costs than you would with a copay because you have to pay a percentage instead of a fixed amount and because copays apply even before you meet

your deductible, while coinsurance does not.

For example, Jane's health insurance plan has a deductible of \$2,000 and a 20% coinsurance rate. Let's assume that Jane has already met her deductible for the year. If a physical therapy session costs \$125 and Jane is responsible for 20% of the payment then Jane would owe \$25. The insurance company would then be responsible for covering the remaining 80% of the charge, or \$100.

### So, What's a Deductible?

A deductible, according to Healthcare.gov, is "the amount you owe for covered health care services before your health insurance plan begins to pay. For example, if your deductible is \$1,000, your plan won't pay anything until you've paid \$1,000 for covered services. Some plans pay for certain health care services before you've met your deductible."

Take note: A health insurance deductible is different from other types of deductibles. Unlike auto, renters, or homeowners insurance, where you don't get services until you pay your deductible, many health insurance plans provide some benefits before you meet the deductible.



The Affordable Care Act (ACA) requires that all health plans cover certain preventive health services without charging a co-payment or co-insurance. These services include health screenings, vaccinations and reproductive health services for women. You will not be charged for these services if you use a provider in your health plan's network.

# Homeowners Insurance

## Tips for Shopping for Affordable Coverage • Flood Insurance

Spring is usually a busy time for homeowners who have put off projects during the winter or need to make repairs from the harsh months of cold weather and ice. Now is the time to repair those loose shingles or replace that siding that came loose over the winter. Spring and summer usually bring the most rainfall of the year, so you'll want to make sure your home is protected from mother nature - it's a constant battle!

Tips for finding affordable homeowners insurance:

- **Shop around for a better deal on an annual basis.**

So your insurance company is going to raise your rates even though you haven't filed any claims? Luckily, you're allowed to change your insurance company any time of the year. Just because you've been with a company for many years doesn't necessarily mean that the company is still offering you the best deal possible for your area.

Once you receive two or three quotes from an agent or several insurance companies, you'll want to compare the coverage limits and deductible amounts. Ask questions about anything you don't understand—this is not to time to make assumptions about your coverage.

- **Take the highest deductible you can realistically afford.** Remember, the higher the deductible, the more you're going to have to pay out of your own pocket. You have to decide for yourself how much loss you can incur without unacceptably disrupting your life.

- **Consider buying your homeowners and auto insurance from the same insurance carrier.** Many companies will offer a small discount for bundling your policies, but you may still find cheaper coverage through policies from separate companies.

### About Flood Insurance:

- According to the National Flood Insurance Program (NFIP), **nearly 20 percent of flood claims originate in locations deemed “moderate” or “low” risk.** One-third of disaster-assistance requests from flooding comes from these areas.

- Typically, there's a **30-day waiting period** from date of purchase before your policy goes into effect. This means you can't wait to buy flood insurance just before a big storm or hurricane hits.

- Damage caused by a sewer backup is only covered by flood insurance if it's a direct result of flooding. The damage is not covered if the backup is caused by some other problem.

- Homes and businesses with mortgages from federally regulated or insured lenders in high-risk flood areas are required to have flood insurance. While flood insurance is not federally required if you live in a moderate- to low-risk flood area, it is still available and strongly recommended.

**7<sup>th</sup> in the  
Nation**

**According to the NAIC's most recent data, Delaware was ranked 7th in the U.S. for most affordable homeowners insurance (2013, HO-3 average premium of \$709 vs national average of \$1,096).**



# Cybersecurity & Insurance

## Understand Your Threats, Secure Your Data

We increasingly rely on the Internet to work, bank, shop and stay connected. Our health and financial information is stored online and devices are connected to control everything from home security systems to thermostats and TVs. While convenient, these connections open the door for possible malicious activity. Help manage your cybersecurity risks with these tips from the National Association of Insurance Commissioners (NAIC).

Understanding the threat: **Cybercrime** is a criminal act involving a computer and a network. **Cyber risk** includes any risk associated with online activity, such as storing personal information online or completing online transactions. This includes damage to your or your business' reputation, financial loss or disruption to your life or your business operations.

**Identity theft** is the unauthorized use or attempted use of an existing account, use of your information to open a new account and misuse of your information to commit fraud. Identity theft insurance helps you pay the costs of restoring your identity if it is stolen.

Data thieves gain access to information from a variety of places including your mailbox, home and business trash, public dumps, public records and social media.

**How do I know my identity is at risk?** You are at risk if you store personal information on a home or work computer, bank or shop online. Your data may have been compromised if you notice any of the following scenarios:

- You see unexpected withdrawals from your bank account
- You don't receive your bills or other mail
- You're billed for health services you didn't use or your health plan rejects a legitimate medical claim.

Regularly check your credit report to ensure you

don't see:

- A new account you did not open
- Unfamiliar accounts listed
- Negative items

**How can I keep my information safe online?** There are basic steps you can take to secure your information and data.

- Be alert to impersonators by being careful about who you trust online
- Safely dispose of personal information by shredding documents using a cross-cut shredder
- Use strict privacy settings on your computer, devices and browsers
- Keep passwords private and complex
- Be careful when sharing personal information on social media accounts like Twitter and Facebook
- Be cautious of what you download from the Internet
- If your social security number is requested by a vendor, ask why it's needed and how it will be used and protected

Keeping your information safe also means ensuring your devices, including smart phones, laptops, desktops, iPads and other devices are secure:

- Update your software regularly
- Use antivirus or anti-malware software to protect against malicious software that disrupts computer operations, gathers sensitive information, gains access to private computers or displays unwanted advertising
- Password protect your laptop to prevent unknown users from accessing it
- Avoid opening emails or attachments from unknown senders
- Back up your files to an encrypted flash drive or external hard drive

# Life Insurance Roadmap

## Understanding a Life Insurance Policy at Different Life Stages

Life insurance may seem like something you only need to think about at a certain age. However, these policies offer various benefits that may be useful at different life stages. Life insurance can be a risk management tool or an investment, depending on the type of policy. If you have a policy, it's important to review it with your agent every few years to keep up with changes in your family status, income and needs. Read on for these tips from the National Association of Insurance Commissioners (NAIC) to learn more about life insurance.

**Life Insurance Basics:** Life insurance can provide financial protection for loved ones should the policyholder unexpectedly die. It comes in two main forms: term insurance and whole life insurance.

Term life insurance will pay out if you die during the policy term. This type of policy may be appropriate if you are the primary wage earner for your family or if your spouse relies on you to pay the mortgage. Term policies are typically written for 1, 5, 10 or 20 years. This type of life insurance is typically less expensive in your younger years than permanent forms of life insurance such as whole life.

Whole life insurance (also known as permanent life insurance) policies build cash value and pay a death benefit, and are more expensive than term life insurance policies. The cash value is the accumulation of premiums collected minus expenses and charges.



If you can't afford whole life insurance right now but think you may want it in the future, you may want to consider term life insurance with a conversion option that will let you change to a whole life policy for a fee later.

**Under 18:** Buying life insurance policies for children used to be quite common. However, many people now opt for college saving funds instead.

Historically, purchasing a life insurance policy for a child was intended to pay for the burial expenses if that child passed away prematurely. More recently, life insurance policies for children are marketed as investments. However, even though the policy grows in value each year, it may not be the best investment vehicle to meet your needs.

**Young Adults:** Twenty-somethings are one of the groups least likely to purchase life insurance. If you have a full-time job, your employer might offer life insurance. These policies typically cover income replacement equal to your salary for a year or two.

However, that amount may not begin to cover a mortgage or student loan debt. If you pass unexpectedly and someone has co-signed a loan for you, they are responsible for your debt. A policy that covers the amount owed to lenders can protect loved ones from your financial burden if something happens.

If you think you need additional coverage, term life insurance is low-cost and covers you for a set period of time. A twenty year policy can cover you while you build a family. Average policies run around \$160 a year for a twenty year term with \$250,000 coverage for a healthy 30-year-old. Conversely, permanent life insurance costs more than term but will cover you for life and provide an investment component.

If you have a whole life policy with cash value, you can borrow money from it up to the amount of the surrender or loan value. Do this with caution as the amount you borrow from the life policy reduces the amount your beneficiaries will receive if you die. Unlike a conventional loan, you don't have to pay a policy loan back. However, you will be charged

Story continues on page 8



# For Your Information

## Commissioner Stewart: Death Master File Settlement Nets \$5.7 Million for 50 Delawareans

Commissioner Karen Weldin Stewart recently announced that fifty Delawareans received a total of \$5,792,788.88 in the fourth quarter of 2015 as a result of the national Death Master File settlement with insurers who failed to pay life insurance benefits to beneficiaries. Since 2012, 1372 beneficiaries living in Delaware have received \$146,416,034.18.

The Death Master File (DMF), maintained by the Social Security Administration, provides insurers with the names of deceased persons along with their social security numbers. The DMF was supposed to help insurers identify deceased life insurance policyholders whose beneficiaries had not filed claims, usually because the beneficiary was unaware that the deceased person had a policy naming him or her as a beneficiary. However, many insurance companies would not consult the DMF when it came to life insurance benefit payouts. Yet those same companies did not hesitate to check the DMF if it resulted in stopping annuity payments to deceased beneficiaries.

A national investigation by state insurance commissioners led to life insurers returning more than \$1 billion to beneficiaries nationwide. To date, life insurers representing over 73 percent of the market have agreed to reform their practices and search for deceased policyholders in order to pay benefits to their beneficiaries.

## Takata Airbag Recall Doubled, Tens of Millions of Cars Affected

On May 4, 2016, the U.S. Department of Transportation's National Highway Traffic Safety Administration (NHTSA) doubled what was already the largest recall in U.S. history, adding an estimated 35 to 40 million Takata airbag inflators to the 28.8 million already in need of being replaced.

A defect in the airbags can cause them to explode with excessive force and fire off shrapnel, with 10 known deaths in the U.S.

More vehicles continue to be added to the recall list. Search for your vehicle by year, make and model, or search by VIN at [www.safercar.gov](http://www.safercar.gov)

Vehicles affected includes models from these companies: **Acura, Audi, BMW, Chevrolet, Chrysler, Daimler Trucks North America, Daimler Vans USA LLC (Sprinter), Dodge/Ram, Ford, GMC, Honda, Infiniti, Mazda, Mercedes-Benz, Mitsubishi, Nissan, Pontiac, Saab, Saturn, Subaru, Toyota, Volkswagen (VW).**

## DOI Will Take Part in Workers Comp Event in Georgetown 5/25

Rep. Ruth Briggs King has organized an open forum on Wednesday, May 25, on the topic of Worker's Compensation in Delaware. Scheduled for 10:30 am - noon at 16 Mile Brewing Company (413 S. Bedford St.), invited guests include representatives from the Dept. of Insurance, Dept. of Labor, Georgetown Chamber of Commerce, and more. Topics covered will include how worker's compensation rates are established and how rates can potentially be lowered for employers. This meeting is open to the public.

# Medigap • Medicare Supplement

## 2016 Shoppers Guide Available Online and In-Print

### What is Medicare Supplement insurance (Medigap)?

Medicare generally pays 80 percent of your medical bills, with the remaining 20 percent becoming the responsibility of the beneficiary. To protect themselves from medical bills that could potentially cost tens of thousands of dollars, many people buy supplemental coverage from private insurers. This is called Medigap insurance, and it helps fill the gaps that deductibles, co-payments and coinsurance leave. It helps make out-of-pocket costs more manageable.

Not everyone needs a Medigap policy. You don't need to supplement your Medicare coverage if you're on Medicaid or signed up for a private Medicare Advantage plan or enrolled in a group health plan through an employer or former employer.

About one in four Medicare beneficiaries does purchase a Medigap policy.

The best time to buy a Medigap policy is within six months of turning 65 and enrolling in Medicare's Part B medical insurance. During that period, insurers can't refuse to sell you a policy, or charge you more than other people, because of a health problem.

If you try to buy a policy after those six months, there's no guarantee an insurer will cover you.

The Delaware Medicare Assistance Bureau provides free and unbiased information to Medicare recipients in Delaware. Check out our **newly updated 2016 Medigap Insurance Shopper's Guide**, available at <http://delawareinsurance.gov/DMAB/>.

**Call DMAB for assistance with your Medicare-related questions at 1-800-336-9500.**

DMAB counselors provide in-person and telephone assistance in the following general areas:

- Medicare Prescription Drug Coverage Program (Medicare Part D)

**Delaware Medicare Supplement 2016**  
Insurance Shopper's Guide

Delaware Medicare Assistance Bureau

State Health Insurance Assistance Program

DMAB  
Delaware Medicare Assistance Bureau

A program of the Delaware Insurance Department - Karen Weldin Stewart, CIR-ML, Commissioner

- Medicare supplemental insurance (Medigap Plans)
- Assistance for disabled Medicare beneficiaries (under age 65)
- Medicare Advantage Plans (HMOs, preferred provider organizations)
- Long Term Care Insurance
- Medical Assistance programs
- Assistance for low-income beneficiaries
- Billing problems
- Volunteer counselor opportunities
- Prescription Savings for those who qualify



# Insurance News

## Commissioner Stewart Acts to Prohibit Health Insurers from Unlawfully Discriminating against Transgender Delawareans

Insurance Commissioner Karen Weldin Stewart issued a bulletin on March 23, 2016, to all insurers doing business in Delaware prohibiting unlawful discrimination in the provision of health insurance coverage and benefits because of a person's gender identity or transgender status.

Domestic and Foreign Insurers Bulletin No. 86 states that "any blanket policy exclusion for gender dysphoria, gender identity disorder, medically necessary surgeries or other treatments related to gender transition or related services is a violation of the Unfair Trade Practices Act" as found in Title 18, Section 2304 of the Delaware Code.

Citing the *Gender Identity Nondiscrimination Act*, passed by the General Assembly and signed by Governor Markell in 2013, the bulletin specifically prohibits "the denial, cancellation, termination, limitation, refusal to issue or renew, or restriction, of insurance coverage or benefits thereunder because of

a person's gender identity or transgender status, or because the person is undergoing gender transition."

"All Delawareans should have access to quality health care, regardless of their gender identity," said Commissioner Stewart. "The Insurance Department will be vigilant in making sure all insurers comply with the law."

The Department will take administrative or legal action against any insurance company licensed to do business in Delaware that fails to comply with the Unfair Trade Practices Act, as amended by the Gender Identity Nondiscrimination Act, or other State law.

Any transgender individual with a question or complaint should contact the Department of Insurance at 1-800-282-8611 or [consumer@state.de.us](mailto:consumer@state.de.us). The complete text of Bulletin No. 86 can be found at <http://www.delawareinsurance.gov/departments/documents/bulletins/domestic-foreign-insurers-bulletin-no86.pdf?updated>

## Life Insurance Roadmap, Continued from page 5

interest. Do your research to make sure you know the actual cost of borrowing from your whole life policy.

**Established Adults:** As an established adult in your 40s or 50s, you may be paying for your children's college and looking for more coverage. However, if your house is paid off and your kids are financially independent, you may not need coverage. As you get older, life insurance becomes more expensive. Reach out to different insurers to see what the most affordable premium would be for your needs.

You can also consider purchasing more coverage through your employer sponsored policy. If you know you'll be retiring in the next few years, start to look for other policies as you'll lose coverage if your job situation changes. You can also see if you can transfer the policy when you do retire.

Also consider if you have alternatives to life insurance,

such as savings accounts or other investments that can help take care of funeral and burial expenses. You may find you no longer need as much, or any, life insurance as you age.

**Retired:** If you have retired, you will no longer be covered by a previous employer's term life insurance policy.

Make sure to update your beneficiaries. If you've been widowed or decide to make a grandchild a beneficiary, contact your company to designate a new beneficiary. Also, make sure to provide the beneficiary with your policy information including the company and policy number.

**More Information:** For more information about purchasing a policy, check out the NAIC's Life Insurance Buyer's Guide at [http://www.insureuonline.org/consumer\\_guide\\_life.pdf](http://www.insureuonline.org/consumer_guide_life.pdf).

# Ask the Commissioner

**Question:** Someone hit my car when I was parked at the grocery store and they didn't leave a note on my car. The dent wasn't very big and my car already has a bunch of scrapes on it so I didn't even worry about it. However, I was still angry that the person who hit me didn't leave a note. It got me wondering if I were to hit a car in a parking lot am I actually required by law to leave a note? I realized that I'm not really sure what I should do if that were to happen. Do you have any suggestions?

**Answer:** A study in 2010 from a major insurance company showed that 69 percent of all hit-and-runs in the U.S. involve parked cars; 64 percent of those are in parking lots.

Leaving the scene of an accident is against the law in all 50 states and can be considered a hit-and-run. A conviction can result in a misdemeanor, a fine, possible jail time or suspension of your license. Hit-and-run charges can also add points to your license, which will likely result in substantial increases to your premium. In most states you are required to leave a note. Running away from an accident you caused is only going to cost you more in the end—so don't do it!

If you do hit a car, take a picture of the damage to both your vehicle and the other car. Take a picture of the license plate on the other car or write down the plate number. If you can find a witness ask them to write down a description of what happened or record a video of them and ask for their contact information.

Be sure to leave the following information on the note: your name, address, phone number, your insurance information and an explanation of what happened. Tuck the note securely under the windshield wiper.

It is in your best interest to call your own insurance company and report the incident as soon as possible, even if the damage seems insignificant.



## Contact the Delaware Department of Insurance

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[www.delawareinsurance.gov](http://www.delawareinsurance.gov)  
[consumer@state.de.us](mailto:consumer@state.de.us)

**Consumer Services: 1-800-282-8611**

**DMAB: 1-800-336-9500**

**Fraud: 1-800-632-5154**

**Dover Office Main Line: 302-674-7300**