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TUITION INSURANCE CATCHES ON AS COSTS RISE, STUDENTS STRUGGLE TO ADJUST

'The cost of college is driving this,' said an official with one firm selling the policies. 'Families cannot afford the loss of \$30,000.'

By Douglas Belkin
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As college tuition rises so too has demand for insurance to cover what in many cases is among a family's biggest investments.

For Mindy DiCostra, a tuition-insurance policy was a life-saver last year after her daughter withdrew mid-semester in her junior year at Marymount Manhattan College in New York following an allergic reaction to an anxiety medication.

Because Ms. DiCostra agreed to pay \$238 for tuition insurance when doing paperwork for the school, she was eligible to receive a full reimbursement for the \$16,000 in tuition she and her husband had paid for the semester.

"I had no idea how important it would be when I checked that box," she said.

Tuition insurance protects families in case their son or daughter has to drop out of school past the point at which a school offers tuition reimbursement, usually around halfway through the semester. Driving the increased demand are higher college costs and, to a lesser extent, rising mental-health disorders among college students that have raised concerns among parents that their children may struggle away from home.

About 70,000 policies were written across the U.S. market last year, up from 20,000 five years ago, said John Fees, co-founder of GradGuard, which started selling tuition-reimbursement insurance seven years ago. It works with campuses including the University of Pennsylvania, Auburn University and New York University, its website says.

"The cost of college is driving this," said Mr. Fees. "Families cannot afford the loss of \$30,000."

The average published tuition and fees at a private college has increased to \$34,740 in 2017 from \$15,160 in 1988 according to the College Board. The numbers are adjusted for inflation.

"I think a lot of families don't fully grasp that if they have to withdraw midterm it can have a significant financial impact," said Paige Lee Director of Tuition Insurance at Allianz. College is "the second largest investment most families will ever make" after a home.

Most schools have some sort of reimbursement policy but they generally don't cover withdrawals during the second half of the semester. At Vanderbilt University, a student will be reimbursed for some portion of his or her tuition and room and board up until about halfway through the semester. After that, they don't receive anything.

Tuition and housing at Vanderbilt costs about \$59,000, and 80 percent of that can be reimbursed with insurance, which costs about \$530, said Chris Cook, who oversees the financial accounts of students at the school.

Several companies provide tuition insurance, Most policies charge in the neighborhood of 1 percent of the cost of school. A semester that runs \$30,000 would cost about \$300. At least 200 schools now work with insurers, offering the coverage to families when they pay the tuition bill.

Liberty Mutual Insurance started offering tuition-reimbursement policies this year, in part because of consumer demand. When a student drops out mid-semester parents are often "very surprised to learn that you may not get anything back," said Michele Chevalier, a senior director at Liberty Mutual.

Not everyone thinks the plans are necessary. Jodi Okun, a college financial adviser in Los Angeles, said she has so far steered her clients away from tuition insurance because she doesn't feel it is necessary in most cases. However, she has but counseled them to be aware of the timeline for withdrawals, so if a student is struggling with a mental-health issue they can leave in time to recoup the cost.

"I tell them, make sure you know when the deadlines are, especially if they are going far away to school," she said.

Plans don't typically cover students who drop out for academic or disciplinary reasons but will for medical reasons. Generally, insurers don't ask about pre-existing conditions, either mental or physical. The idea, GradGuard's Mr. Fees said, is: "If a student is healthy enough to start to a semester, they qualify."

Insurers say that the number of claims they receive citing mental health incidents has risen. As many as one in four students at some elite U.S. colleges are now classified as disabled, largely because of mental-health issues such as depression or anxiety, according to the National Center for Education Statistics and interviews with schools.

Carmen Duarte, a spokesperson for A.W.G. Dewar, Inc. which has been offering tuition-reimbursement policies since the 1930s, said claims have remained flat for physical-health incidents but increased for mental-health reasons. She said policies are most likely to be bought by families of first year students. Allianz Insurance, which began selling the policies in 2015, said about 20 percent of claims were for mental health and 70 percent were for physical health.