



A Consumer's *Quick* Guide



to *Auto*
Insurance





National Association of Insurance Commissioners

Headquartered in Kansas City, Mo., the National Association of Insurance Commissioners (NAIC) is a voluntary organization of the chief insurance regulatory officials of the 50 states, the District of Columbia and five U.S. territories. The NAIC's overriding objective is to assist state insurance regulators in protecting consumers and helping maintain the financial stability of the insurance industry by offering financial, actuarial, legal, computer, research, market conduct and economic expertise.

Formed in 1871, the NAIC is the oldest association of state officials. For more than 135 years, state-based insurance supervision has served the needs of consumers, industry and the business of insurance at-large by ensuring hands-on, frontline protection for consumers, while providing insurers the uniform platforms and coordinated systems they need to compete effectively in an ever-changing marketplace.

For more information, visit www.naic.org.

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This guide provides information on how to make decisions when you buy auto insurance. You have a choice in coverages and prices will differ between insurance companies.

If you own a motorcycle, an RV, or an off-road vehicle or are buying commercial insurance for a business, your insurance choices may be different than those described here. This brochure discusses insurance for your cars and trucks.

Why you need insurance

Auto insurance is an important purchase for most drivers. There are three major reasons to buy auto insurance.

1. To protect your assets

Auto insurance provides bodily injury and property damage liability coverage for accidents that happen to *others* for which you are responsible. The state-required minimum coverages may not be enough to protect you.

Auto insurance also may cover physical damage for accident-related repairs to *your* insured car.

2. To satisfy your lender

If you have a car loan, most lenders require you to have insurance to protect their investment in your car by listing them on your policy. If you let your insurance lapse, your lender will likely have your car insured. The premium may be much higher (and the coverage much less) than a policy you would buy on your own. The lender can require you to pay this higher premium until you get your own auto insurance again.

3. To follow state laws

All states require you to be able to pay at least a minimum amount for auto accidents. Most people buy liability coverage or Personal Injury Protection (PIP) coverage to meet this requirement.

Some states require no-fault auto insurance. In those states, your insurance company may pay at least some claims regardless of your level of fault for the accident. Ask your insurance agent or the state insurance department whether you are in a no-fault state.

What the policy covers

An auto policy *usually* covers:

- Liability for injuries and damages to others that you are responsible for
- Uninsured Motorist (UM) for injuries and damages caused by a hit-and-run driver or a driver who has no auto insurance
- Underinsured Motorist (UIM) for injuries and damages when the at-fault driver has insurance but not enough coverage to pay for your losses

An auto policy also *may* cover:

- Physical damage to your car
 - Collision coverage pays for damage caused by an accident
 - Comprehensive coverage pays for damage caused by flood, fire, hail, theft, or other events listed in your policy
- Medical payments if you are hurt, or a family member is hurt, in or by a car
- Expenses, such as a rental car or towing, after an accident
- Injuries or damages from your use of a rental car

What the policy doesn't cover

Most auto policies don't cover:

- Equipment (stereos, CD players, navigation systems, cell phones) not permanently installed in your car
- Driving your car in Mexico
- Driving your car for business purposes
- Maintenance for your car

Auto insurance doesn't cover paying off your loan if your car is damaged and its market value is less than you owe. Auto dealers and lenders may offer Guaranteed Auto Protection (GAP) insurance for this purpose.

Questions you should ask the agent

- Are the agent and the insurance company licensed by my state insurance department? For how long? (Your state insurance department can confirm the answers to these questions.)
- What coverage am I required to buy?
- What doesn't my policy cover?
- What coverage limits meet my needs?
- Should I buy comprehensive and collision coverage? (Compare the premium to what your car is worth.) If so, which deductibles should I choose?
- Are there discounts that will lower my premium?
- What is the deductible for uninsured and underinsured motorist coverage?
- How will my credit history affect my premium?
- How will my driving record affect my premium?
- If I'm in an accident and it wasn't my fault, how will this affect my insurance?
- If I'm in an accident and it was my fault, how will this affect my insurance?
- If I have an accident, can I use my own repair shop?

How the premium is determined

Many factors determine the premium you will pay. Different insurance companies charge different premiums for similar coverage. Shop around; getting three or more comparison quotes is worthwhile. Check your state insurance department's website; it may have an online premium comparison guide to help you compare premiums.

Be prepared to give your agent information about the following items that are commonly used to determine your premium:

- Age, gender and marital status
- Accidents and traffic violations

- Other drivers in your household
- Type and age of car
- Annual mileage and use of car
- Where you drive and park your car
- Your credit history – the agent may ask for Social Security Numbers

Ask if there's a discount for:

- Insuring your auto and home with the same insurance company
- Insuring multiple vehicles with the same insurance company
- Protection devices, such as anti-theft devices, anti-lock brakes, and airbags
- Students who don't take a car to college
- A defensive driving course
- A good driving record
- Low annual mileage

Decisions you make about how much insurance coverage to buy will affect your premium. These decisions include what coverages, limits, and deductibles you choose.

Action items for drivers

- Pay the premium on time. Most insurers don't offer a grace period for paying the premium – the due date is the due date.
- Keep your proof of insurance card in your car at all times.

If you have a claim

- If there's an accident, call 911.
- If your car is drivable, move it out of traffic.
- Get this important information at the scene:
 - The other driver's name, address, phone number, driver's license number and expiration date, and insurance information
 - The other car's make, model, year and license plate number
 - Witnesses' names and contact information

- The name, badge number, and contact information for the officer who comes to the accident. Ask the officer when and where to get the accident report and accident report number.
- The time, date and exact location of the accident, with notes of skid marks, weather and road conditions. Take a photo or sketch a diagram of the accident scene.
- Call the phone number on your proof of insurance card to talk with your insurance company's claims person (adjuster). Make notes of the dates you talk with your agent or adjuster.
- Don't feel rushed or pushed to agree with something if you aren't comfortable. It might help to have your auto repairer meet with you and the insurance adjuster.
- If you and your insurer disagree about the value of the claim, check your policy for an appraisal clause.
- If you have trouble or questions, contact your state insurance department for help.

If your car is damaged by a hit-and-run driver or is stolen, promptly notify the police.

For More Information

- Your state department of insurance website
- The National Association of Insurance Commissioners (NAIC) website for Consumers
www.naic.org/consumer_home.htm
- To access your free annual credit report go to www.annualcreditreport.com or call 877-322-8228



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