

A Shopping Tool for
**Automobile
Insurance**



National Association of Insurance Commissioners



A Shopping Tool for
Automobile Insurance

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About the NAIC ...

The National Association of Insurance Commissioners (NAIC) is the oldest association of state government officials. Its members consist of the chief insurance regulators in all 50 states, the District of Columbia and five U.S. territories. The primary responsibility of the state regulators is to protect the interests of insurance consumers, and the NAIC helps regulators fulfill that obligation in a number of different ways. This guide is one example of work done by the NAIC to assist states in educating and protecting consumers.

Another way the NAIC lends support to state regulators is by providing a forum for the development of uniform public policy when uniformity is appropriate. It does this through a series of model laws, regulations and guidelines, developed for the states' use. States that choose to do so may adopt the models intact or modify them to meet the needs of their marketplace and consumers.

The NAIC's mission is to assist state insurance regulators, individually and collectively, in serving the public interest and achieving the following fundamental insurance regulatory goals in a responsive, efficient and cost effective manner, consistent with the wishes of its members:

- Protect the public interest.
- Promote competitive markets.
- Facilitate the fair and equitable treatment of insurance consumers.
- Promote the reliability, solvency and financial solidity of insurance institutions.
- Support and improve state regulation of insurance.



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Need Auto Insurance? Here is What You Need to Know.

Whether you are buying auto insurance for the first time, or shopping to be sure you are getting the best deal, you already know how important auto insurance is. By law in most states, if you own a car, you must have some auto insurance.

Remember, there is no such thing as a “full coverage” auto insurance policy. Policies are made up of different types of coverages. Your state’s laws or your auto lender may require you to have some coverages, but you may want to buy others, if you can afford it.

Your family and friends can be great resources to find an agent or insurance company. You also can look online or in your local phonebook. Some insurers do not use agents and deal with customers directly online or via toll-free numbers. Some agents represent more than one insurance company. Contact more than one agent or insurance company to be sure you get at least three quotes when you shop for insurance.

The information in this guide will help you become an informed shopper. It will help you understand the coverages you can buy. The suggested questions to ask an agent or insurance company will help you be sure you get the coverages you want. It also will help you understand the types of information you will need to get a premium estimate or quote.

This guide helps answer the following questions:

- What policy should I buy?
- What are the different types of auto coverages?
- How much liability coverage should I buy?
- What information will I be asked for?
- What questions should I ask?
- How do insurers determine auto premiums?
- What should I look for when I comparison shop?
- What is a declarations page?
- What should I know if I am changing insurance companies?
- What is the difference between cancellation and non-renewal?
- What if I cannot find auto insurance?
- Where can I get more information?

Remember, the information in this guide is intended to help you understand auto insurance. The information is general and not specific to your state or your insurance policy. If you have specific questions about your coverage, call your agent or insurance company.



What Policy Should I Buy?

Everyone has different needs. But when you buy auto insurance, everyone should look for a policy that does the following:

- 1) Provides at least the minimum coverage that your state's law requires. You do not want to be fined or lose your license because you did not follow the law. The minimum coverage amounts are different in each state. Check with your state Department of Motor Vehicles or Department of Insurance to learn what your state requires.
- 2) Provides enough liability coverage to pay someone else for their property damage, medical care and other costs that you may cause. Accidents happen, even to the best drivers. You should buy as much liability coverage as you can reasonably afford to protect yourself financially. See the "What are the different types of auto coverages?" section for more information.
- 3) Provides you with enough coverage to pay for your own property damage, medical care and other costs if there is an accident. If you are in an accident, you probably will need insurance to be able to repair your car and pay for your medical care.
- 4) Provides you with coverage you may be required to buy if you have an auto loan or lease. Most often, you must have comprehensive (sometimes called "other than collision") and collision coverages until you pay off your loan. See the "What are the different types of auto coverages?" section for more information.
- 5) Provides coverage for all members of your household, including students away at school or other adults who live with you. You may have teenagers in your household or others living with you who have bad driving records. Including them on your policy will increase your insurance costs. While it may seem easy to leave them off your auto policy to save money, you may be responsible for any damages or injuries they cause. It is best to insure everyone living with you who has a driver's license, not just your immediate family.



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What Are the Different Types of Auto Coverages?

You may be shopping for insurance in person, over the phone or via the Internet. Regardless of how you are shopping, one of the first questions you will be asked is which coverages you want. Remember, there is no such thing as “full coverage.”

Following are the common auto insurance coverages and a brief description of what each does. Not all of these coverages will be available in your state. Each coverage you buy is priced separately. Ask your insurance agent or insurer for more information.

Liability Coverages

Most states require you to buy a minimum amount of liability coverage to pay for damages or injuries you cause to others. The amount varies by state. You will be responsible for any property damage or bodily injury you cause above this amount, so think carefully before buying only the minimum. See “How Much Liability Coverage Should I Buy?” for more information.

Bodily injury liability insurance. This coverage applies to injuries that you cause to someone else. You (and anyone else listed on your policy) are covered for your liability for damage and injuries caused in an accident, up to your policy limits.

Property damage liability insurance. This coverage pays for damages you cause to someone else’s car or to objects and structures your car hits. Note: In some states your policy could cover others not listed on your policy, up to your policy limit, if they drive your car with your permission.

Medical Payments/Personal Injury Protection (PIP)

In some states, you must have a minimum amount of coverage to pay for your medical expenses and lost wages, regardless of who is responsible for the car accident.

Medical Payments Insurance. This coverage pays to treat injuries to you and your passengers.

Personal Injury Protection (PIP). This coverage, if available or required in your state, pays to treat injuries to you and your passengers, but also can cover such things as lost wages and funeral costs.

Excess Medical Payments. This coverage pays for necessary medical costs greater than those paid under PIP/ benefits.



Uninsured and Underinsured Motorist Coverages

By law in most states, you must have a minimum amount of both types of coverage. The amount varies by state.

Uninsured Motorist Bodily Injury (UM or UMBI). This coverage pays for your bodily injuries and those of your passengers if you are hit by a hit-and-run driver or an uninsured driver who is at fault.

Uninsured Motorist Property Damage. This coverage pays for damage to your car if you are hit by a hit and-run-driver or an uninsured driver who is at fault.

Underinsured Motorist Coverage. This coverage pays for your bodily injuries and those of your passengers if you are hit by an underinsured driver who is at fault. “Underinsured” will be defined by your state law or by your insurance policy. That means this coverage can vary by state or by insurance policy.

Property (Physical) Damage Coverages

State laws do not require you to buy physical damage coverages for your car, but your lender may, at least until you pay off your loan.

Collision. This coverage pays to repair your car. Or if the insurer decides your car is “totaled,” it pays you your car’s actual cash value. This coverage usually has a deductible, which is the amount of the claim that is your responsibility.

Comprehensive (sometimes called “Other than Collision”). This coverage pays for damage to your car that is NOT from a collision. This usually includes damage caused by fire, theft, vandalism, falling objects, hail, flood or an accident involving a bird or animal. This coverage usually has a deductible, which is the amount of the claim that is your responsibility.

A Note about Deductibles

If you file a claim with your insurance company for damage to your vehicle, you will have to pay the amount of the deductible to repair your automobile. Keep in mind that you will have to pay this deductible any time you file a claim with your insurance company – even if you are not at fault for the damage.



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Other Optional Coverages

You also may be able to choose other optional coverages. Some of the common optional coverages are described below. Ask your insurance company or agent about what coverages you may want or need.

Rental reimbursement pays a limited amount for daily rental car charges while your car is being repaired for covered damages. Policies usually limit the dollar amount and the number of days covered. In some states rental car coverage would fall under your comprehensive and collision coverage; however, there are variations in how this coverage applies. If you want to know what your auto policy will cover when you rent a car, ask your agent.

Towing coverage (also could be called Roadside Assistance) reimburses you for your costs if your car is disabled. For example, the coverage might pay if you have your car towed to a service facility or you lock your keys in the car.

Guaranteed Asset Protection (GAP) insurance (sometimes called loan/lease coverage or debt cancellation) may help pay off what you owe if you owe more on your car than it is worth. It would provide protection whether the accident is your fault or someone else's. This protection can be purchased from a lender, your car dealer or an insurance company or agent. Contact one of these entities if you want to know more about this coverage.



What Do My Liability Limits Mean and How Much Should I Buy?

Liability insurance coverage usually is described in three numbers: 25/50/15, for instance. These numbers refer to limits for the different types of liability coverage. These coverage limits are the most your insurance policy will pay for injuries to any one person, all persons injured in an accident and for property damage.

The first number in the example means \$25,000 is the most this policy would pay for bodily injury per person. The second number means \$50,000 is the most this policy would pay for bodily injury per accident, regardless of how many people are injured. The third number means \$15,000 is the most this policy would pay for any property damage you cause in one accident, regardless of the number of cars or other properties damaged.

You should consider buying more coverage than the law requires because accidents happen every day – even to good drivers. If you do not have enough liability coverage, and you are found at fault for an accident, you would be responsible to pay for anything your insurance does not cover. Medical costs and legal costs are very high and increasing every day. If you could not afford to pay these costs out of pocket, then you should buy more than just the minimum liability coverage limits your state law requires. You should purchase the most coverage you can reasonably afford to protect your financial security.



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What Information Will I Be Asked For?

When you shop for auto insurance, you will be asked to give a lot of information about yourself, other household residents including students away at school, your car and how you use your car. Below are some questions you may be asked. If you do not have all of the information, pull together what you can and an agent or insurance company representative may be able to help you with the rest.

Questions about the people the insurance policy covers

Principal Driver

- Address, Social Security Number, age or years of driving experience, sex, marital status
- Driver's license number

Other Drivers in Household (may include future drivers)

- Social Security Number, age or years of driving experience, sex, marital status
- Driver's license number
- Number of accidents in the last three years for the principal driver
- Number of accidents in the last three years for other drivers living in your household
- Number of traffic convictions for moving violations for the principal driver
- Number of traffic convictions for moving violations for other drivers living in your household
- Principal driver's previous auto insurer and policy number
- Insurance information for other drivers in your household who will not be covered under your policy

Questions about the car the insurance policy will cover

Type of car(s) to be insured

- Make (e.g., Ford or Chevrolet)
- Model (e.g., Taurus or F-150)
- Year
- VIN Number (you often can find this on your title or registration)
- Odometer reading
- Name of lender and/or owner of the car

Questions about how the car is used

- Do you use the car for pleasure only (for example, a convertible you drive on the weekend)?
- Do you use the car to commute to and from work or school?
- Do you use your car for business purposes (for example, sales or transporting goods for hire)?
- What is your average annual mileage?
- How many miles do you drive to work or school?
- Where do you live? Is that where the car is?



What Questions Should I Ask?

The insurer will ask you questions and use the answers to decide whether to insure you and how much your premium should be. You also should ask questions to be sure you are getting the coverage you want and from an agent and insurer you trust.

Here are some questions you should ask your agent or company representative when you shop for auto insurance:

- What coverages am I required to have in this state?
- What is the minimum amount of liability insurance coverage this state requires me to carry?
- Are these liability limits high enough to cover me if I have an accident and I am at fault?
- How much would it cost me to buy more than the minimum amount of liability insurance coverage?
- Do I need collision and comprehensive (sometimes called “other than collision”) coverage?
- What deductible should I have for collision coverage? For comprehensive (sometimes called “other than collision”) coverage?
- Will this policy cover me if I let someone else drive my car?
- Will this policy cover me if I have an accident in a rental car while on vacation?
- Will this policy cover me if I have an accident while traveling for work?
- If my car is totaled, how is the value of my vehicle set?
- Can I choose any body shop or glass shop to repair my car? Does the policy pay for original manufacturer’s parts or aftermarket parts?
- If my car is disabled, will this policy pay for a rental car while it is being repaired? Is there any cap or limit?
- If my car is disabled, will this policy pay to have it towed to a garage or body shop?
- How much can I save with a higher deductible?
- What discounts are available?
- What other types of property do you insure? Can I qualify for a discount if I buy both policies from your company?
- What are my payment options? Can I pay monthly or quarterly? If I do, is there an extra charge?
- How do I report a claim – do you have 24 hour claims service?



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How Do Insurers Determine Auto Premiums?

The insurer uses each piece of information it gets from and about you to decide whether to insure you and how much you will pay for auto insurance. That is because each is linked to a factor that affects your premium. Some factors are related to the characteristics of the driver(s) and some to the type of car insured. Others are based on the amount of coverage you buy. There also are discounts that will reduce the premium.

Not every insurer uses the same factors. Which factors insurers use to determine premium is different in each state. Below are examples of some of the most common rating factors that insurers use.

Driver Characteristics

General Information about the Driver

Age, years of driving experience, gender and marital status are common factors used to calculate premiums. The insurer will obtain information about your driving record and accident history from a third-party company. Generally, younger, less-experienced drivers pay more than older, experienced drivers; females pay less than similar age males; and married people pay less than single people.

Driving Safety Record

You will pay more if you or other drivers insured by your policy have been convicted of speeding or other traffic violations or were responsible for accidents. Insurers get information about traffic convictions from the state Department of Motor Vehicles and from third-party vendors, such as CLUE, that collect data on insurance claims.

Principal Operator

When there is more than one driver or car in a household, insurers have rules to decide which driver determines the premium for each car. Some insurers calculate the premium based on the driver who uses a car the most. Other insurers may use the highest-risk driver, usually the youngest driver in the household, as the “principal operator” to determine the premium for a car, even if that young driver uses the car very little.

Annual Mileage and Vehicle Use

Generally, the more miles you drive each year, the more you will pay for insurance. You will also pay a higher premium if you use your car for business.

Location/Garaging Address of the Insured Vehicle

Your premium will be higher or lower based on the insurer’s claims experience in the ZIP code or territory where you live. For example, urban areas tend to have higher rates than suburban or rural areas.



Education

If state law allows, insurers may use the highest level of education achieved as a rating factor. In this rating factor, for example, those with a college degree pay less.

Insurance Credit Score

If state law allows, insurers may use an insurance credit score as a rating factor. An insurance credit score is a number based on various financial, credit and risk factors. Some companies offer discounts to consumers who have higher insurance credit scores.

“Usage-Based” Rating Factors

Some insurers use data from an electronic device in your car as a factor to determine your premiums. The device collects information about when and how you drive the car. Rates are lower if you drive fewer miles, drive during less dangerous hours of the day and seldom brake hard or swerve. Insurers usually give drivers a small discount just for agreeing to participate in the program. The agent or company representative can give you more information about these programs.

Type of Car

Cost to Repair or Replace

Rates are higher for cars that cost more to repair or replace. Expect higher rates for higher value cars, new cars and cars that often are stolen.

Special Features

Rates are higher for cars with special features such as all-wheel drive transmissions and hybrid engines, or for sports cars. Insurers charge less for cars with features such as an alarm system. They also charge less for cars with better passenger protection, such as those with comprehensive restraint systems.

Amount of Coverage

Limits of Liability/Medical Payments/Uninsured Motorist/ Underinsured Motorist

Rates are higher for higher limits on these coverages.

Deductibles

Rates are higher for policies with lower deductibles. Consider increasing your deductible to lower your premium.

Rental Reimbursement

Rates are higher for more generous benefits – a larger dollar amount or more days of coverage.



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Discounts

General Discounts

Rates are lower if you have more than one policy with the same insurer. Rates also are lower if you keep a car insured than if you have never had coverage or have a gap in coverage. Some companies offer discounts to good students and those with defensive driving training.

Group Memberships

Rates may be lower if you qualify for a discount as a member of an organization such as an alumni association, a union or another club or a purchasing group.

Summary

The premium you are quoted is based on your answers to the questions that you are asked. Premiums for auto insurance are tailored to each individual and each insurer uses different rating factors. So, it is likely your premium will be very different at each insurer. That is why it is so important to shop around!

What Should I Look for When I Comparison Shop?

Use the chart on the following page to take notes as you are shopping for auto insurance. It is important to compare the same or similar coverage when you shop.



	Company 1	Company 2	Company 3	Company 4
Liability Coverages				
Note the limits of coverage below for each company's quote to be sure you are comparing the same coverage.				
Bodily Injury Liability				
Property Damage Liability				
Uninsured/Underinsured Motorist Coverages				
Note the limits of coverage below for each company's quote to be sure you are comparing the same coverage.				
Uninsured Motorist Bodily Injury				
Uninsured Motorist Property Damage				
Underinsured Motorist Coverage				
Coverages for Medical				
Note the limits of coverage below for each company's quote to be sure you are comparing the same coverage.				
Medical Payments				
Personal Injury Protection				
Excess Medical Payments				
Physical Damage Coverages				
Note the deductible below for each company's quote to be sure you are comparing the same coverage.				
Collision – Deductible Amount				
Comprehensive(Other than Collision) – Deductible Amount				
Other Optional Coverages				
Note the cost below for each type of coverage. Not all coverages below have a coverage limit.				
Rental Reimbursement				
Towing				
GAP Coverage				
Quotes				
Total annual premium				
Six-month premium				
Monthly premium				



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What Is a Declarations Page?

A declarations page gives you details about your insurance coverage. Once you receive your insurance policy, the first thing you should read is the declarations page so you can make sure you have the coverage you wanted to buy. Use this example to help you read your declarations page to better understand your coverage.

1 Policy period: When coverage begins and ends

2 Limits: The most your policy will pay

3 Deductible: What you pay

Your Insurance Company

3535 Second St.
Company Town, USA 54321

Policy number XX-XXXXXX-XX

Policy period: 6 months Effective date: May 1, 2013 Expiration date: Nov. 1, 2013

Auto Insurance Policy <SAMPLE>

Year	Make	Model	Vehicle ID number (VIN)
2011	Chevrolet	Camaro	2FZMPONW34XB56094

Lienholder

The Bank 310 Main St., Company Town, USA, 54321

Coverages

Coverages	Policy limits
Liability: Bodily injury	\$100,000 per person \$300,000 per accident
Liability: Property damage	\$100,000 per accident
Uninsured motorist	\$100,000 per person \$300,000 per accident

Deductibles

Collision	\$500
Comprehensive	\$100

Policy premium

\$640

Optional coverage

Optional coverage	Limits
Underinsured motorist	\$100,000 per person \$300,000 per accident
Medical payments	\$1,000
Roadside assistance	\$100 per occurrence
Rental car reimbursement	\$30 per day \$1,000 maximum

Discounts applied

Multiple vehicle
Home/Auto/Life
Mature driver
Claim record/Customer longevity
Air bags/Anti-Lock brakes
Premium paid in full

Your policy consists of this page, any endorsements and the policy form. Keep together.

4 Optional coverage: Can be added for more protection

5 Total premium: Your cost for policy period

6 Discounts: Number of discounts applied to policy



What to Do if You Cannot Find Insurance

If you cannot find insurance because of your driving record, you are a new driver, or do not have prior insurance, contact your state insurance department. Ask if your state has an insurance program for high-risk drivers who are unable to get coverage. The insurance premiums for high-risk drivers will be higher than the premiums for other drivers.

For More Information

There is much more information available about auto insurance. If you still have questions or want more information about auto or other types of insurance, you can:

- Talk with your insurance agent or insurer representative. They will help you navigate the insurance shopping process and the insurer's process to make a claim. If you have questions or problems with your insurance coverage, call your agent or insurance company.
- Visit insurance companies' websites. Many companies' websites have information about auto insurance coverage.
- Contact your state department of insurance. Most departments have toll-free numbers you can call to talk with insurance department staff who can answer general questions and give you more information. Look in your local phone book for the department of insurance.
- Visit your state department of insurance website. Most state insurance department websites have consumer information. Some state insurance departments post information on consumer complaints filed against insurance companies and agents. To find the website of your state department, visit the National Association of Insurance Commissioners (NAIC) website at www.naic.org/state_web_map.htm and select your state on the map.

The National Association of Insurance Commissioners (NAIC) also has a number of online resources available for consumers on auto insurance as well as other types of insurance. You can find the NAIC's Consumer Resources Web page at: www.naic.org/consumer_home.htm.



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In addition to consumer news and alerts about insurance, the NAIC's Consumer Resources include:

- A Consumer's Guide to Auto Insurance. A comprehensive consumer guide on auto insurance, which provides a more detailed review of auto insurance coverage, why you need it, how it works, how your premiums are determined and your responsibilities as a policyholder: http://www.naic.org/documents/consumer_guide_auto.pdf
- The Consumer Information Source. Do you want to know more about the insurance companies you are comparing? This website gives you access to information about insurance companies, including information on consumer complaints against insurance companies: <https://eapps.naic.org/cis/>

Other Consumer Resources and Information

- For your free annual credit report, go to www.annualcreditreport.com or call 877.322.8228. Check your credit report and dispute any errors with the credit bureau before you apply for insurance.
- For your free annual (Comprehensive Loss Underwriting Exchange) C.L.U.E. report CLUE report, go to www.choicetrust.com or call 866.312.8076. A C.L.U.E. report includes policy information, such as name, date of birth, policy number, claim information such as date of loss, type of loss and amounts paid, and a description of the automobile covered. Check your CLUE report and dispute any errors before you apply for insurance.



