# Cheap Car Insurance:
## How to Slash Your Auto Insurance Costs and Get Cheap Quotes

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## 1. How to Get Cheap Car Insurance Quotes

The number one mistake made by car insurance seekers is approaching only the companies that are most heavily advertised. The first insurance company that comes to mind is not necessarily the one that will offer you the best rate.

The single most important factor in getting a cheaper car insurance rate is shopping around for as many quotes you can. Why? because different insurance companies charge different rates for the same coverage. In addition, insurance companies' competitiveness differ tremendously by customer location.

Only by obtaining several quotes that are specific to your situation and location you will be really able to discover the cheapest rate that is available to you. How many quotes? go for at least 5 quotes from different insurers, less than that will not do the job.

Now, usually shopping around for five quotes can be a tedious and time consuming task, but we will make it here much easier for you.

We've reviewed numerous quoting services to bring you the best two. Each of the following free services can provide you with several competing quotes from various companies, thus enabling you to compare and pinpoint on the best rate that is available for your location:

**1. Best-Quote-Inc. - Call them (toll-free) at 844-334-8469**- this is a free by phone service that provides multiple company insurance rates specific to your location, see how companies compete for your business. Offers great rates from quality insurers.

**2. InsuranceMe** (if the link doesn't work, type this into your browser: www.liraz.com/insureme) - May save you hundreds on your car insurance. Simply enter in your zip code and get free quotes from providers in your local area that offer great rates.

I recommend you get quotes using the above providers, the more quotes you get the better your chances of getting the cheapest quote available. This comparison may save you as much as $400 and more on your car insurance.

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## 2. What Car Insurance Companies Don't Want You to Know - Application Form Secrets

Upon requesting a quote from an insurance provider you will be presented with an application form and be asked a series of questions regarding your driving history, accident reports, family situation, etc., now, the answers you give to these questions will be the determent of your premium rate. Based on extensive research we will now reveal to you what is hidden behind each of the questions so that you will be able to maximize your chances of getting a cheaper quote.

**Where you Live, Where You Park**
The price that you pay will be affected by where you garage and drive your car. Applications include a question that asks for the address where the vehicle will be garaged. From this information insurers can tell a great deal about your risk of financial loss. For example, Insurers know from their claims experience that more claims are made from city areas than country areas (busy traffic, thefts, vandalism, etc.). Thus, drivers in heavily populated areas often pay more than rural. Note that two adjacent zip codes may sometime produce a substantially different insurance rates, this may be a consideration when you are planning to buy a new home and are looking at several nearby locations.

**Other Drivers in Your Household**
The ages and driving records of other drivers in your household will likely affect your premium. If you have young drivers that are covered by your policy, your premium will increase whether or not they ever or rarely drive your vehicle.

What can you do? well, if there are other drivers in your house that have their own vehicle and insurance and are not directly related to you, than in most cases they are not required to be covered by your policy. Another thing, if you have in your household a high risk driver, you can simply exclude him from your policy, this will make your policy much cheaper but naturally will also exclude him from driving your car.

Note that agents are sometimes reluctant to exclude drivers in your household from your coverage so you will need to be firm here. Note also that some states does not allow exclusions of household drivers.

What can you do to decrease your premium when you have a young driver in your family? make sure the youngster completes a driver's training course and if possible also the defensive driver course, this two in addition to being a good student can sometimes shave a nice chunk off your premium.

**Will the Car be Used for Business?**
Indicating that your vehicle will be used for business purposes will substantially increase your rate. Some insurance companies will even refuse to insure you once you indicated a commercial use of the vehicle. The important thing to know here is what is considered "business use", commuting to work and back is not a business use, delivering newspapers is business use.

**Age, Make and Model of the Car**
Car insurance rates are greatly influenced by your car's age, make, model and value. Certain makes and models of cars are considered to be causing greater levels of bodily injury when involved in an accident; sustain greater levels of damage; and, are more difficult and costly to repair. Insurance providers charge a higher premium for a car that displays such characteristics. Conclusion: when considering a car to buy you should also take in consideration the cost of insuring it.

**Annual Mileage**
On the application you will be asked about how often and how far you drive; higher annual mileage generally means higher premiums - this is applicable in most states. The insurer will in most cases count here on your statement unless you indicate a very low mileage.

**Your Driving Records**
Your driving history for the past three years; including moving violations, claims and accidents you have been involved in will substantially influence your insurance cost. Once your driving record is less than perfect, you will be considered a higher risk and will pay a higher premium. However, different companies rate various violations differently, thus it pays to shop around for the company that will provide you with the most favorable rate based on your specific situation record.

Note that insurance companies usually report your claims to a nationwide database that in return share this knowledge with most insurance providers. Your insurance company may use this data to verify your indication on the application form and the information you've submitted in the past.

**Do You Own or Rent Your Home?**
Sometimes you can get a discount if you own your house as opposed to renting it. Yep, insurance companies consider renters a greater risk than owners.

**Prior Insurance Coverage**
Most insurance companies will ask about your insurance history, that includes whether you currently have coverage or whether you have been cancelled or non-renewed in the past. Note that Insurers consider lapses in insurance coverage a greater risk and may increase your premium on this count.

**Gender and Age**
According to insurance industry statistics, males and young adults have a higher incidence of accidents; therefore, your gender and age will impact your rate. Rates generally decrease at age 25 and may increase as you approach age 65.

**Marital Status**
Insurance companies believe that married people have a lower incidence of accidents and claims, thus if you are married you will in most cases pay a somewhat lower premium than a single individual.

**Credit History**
Some companies may review your credit history when determining your premium.

Factors like bankruptcies, late payments and the number of credit cards you have may result in a higher premium.

**Is the Vehicle Leased?**
Leasing a car may result in an extra insurance cost. Why? because leasing companies usually require that you get a high level of insurance coverage - higher than you may have in mind for a car you would own.

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## 3. How to Lower Your Premiums

Here is a list of strategies to help you further reduce your car insurance cost:

**Before You Buy a Car, Compare Insurance Costs**
One of your considerations when shopping for a new or a used car should be the insurance costs. Car insurance rates are based in part on the price of the car, the cost to repair it, its overall safety record and the likelihood of theft.

**Ask for Higher Deductibles**
Deductibles are what you pay before your insurance policy kicks in. Consider increasing the amount of your deductible. Decide how much of the initial loss to your automobile you can afford to pay and see what deductibles various companies offer. By requesting higher deductibles, you can lower your costs substantially. For example, increasing your deductible from $200 to $500 could reduce your collision and comprehensive coverage cost by 15 to 30 percent. Going to a $1,000 deductible can save you 40 percent or more. Before choosing a higher deductible, be sure you have enough money set aside to pay it if you have a claim.

**Reduce Coverage on Older Cars**
Consider dropping collision and/or comprehensive coverages on older cars. If your car is worth less than 10 times the premium, purchasing the coverage may not be cost effective.

**Buy Your Homeowners and Auto Coverage From the Same Insurer**
Many insurance providers will give you a break if you buy two or more types of insurance. You may also get a reduction if you have more than one vehicle insured with the same company. Some insurers reduce the rates for long-time customers.

**Maintain a Good Credit Record**
Establishing a solid credit history can cut your insurance costs. Many insurance companies use credit information to price auto insurance policies.

**Paying Premiums**
You can save on service charges by paying premiums in full rather than on a quarterly or month-to-month basis.

**Lower Your Current Rate**
Are you satisfied with your current agent and don't want to switch insurers? here's a simple trick that will practically "force" your agent to reduce your rate: follow the procedures in this book to get a cheap quote from another insurer. Present your agent with the cheaper quote you got and tell him that you want to stay with him but in light of the cheap quote you have it is really difficult for you. This strategy will surely "persuade" him to reduce your rate.

**Take Advantage of Low Mileage Discounts**
Some insurers offer discounts to car owners who drive a lower than average number of miles per year. Low mileage discounts can also apply to drivers who car pool to work.

**Ask About Group Insurance**
Some companies offer reductions to drivers who get insurance through a group plan from their employers, through professional, business and alumni groups or from other associations. Ask your employer and inquire with groups or clubs you are a member of to see if this is possible.

**Young Drivers With Good Grades**
If you have a driver over the age of 16 and under the age of 25 who is either a full time student or a graduate of a college or university with a "B" or better grade average or a 3 point average on a 4 point scale, this driver may qualify for a good student discount.

**Avoid Duplicating Medical Coverage**
If you already have good health, life and disability insurance, buy only the minimum personal injury protection required by the state where you live.

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## 4. How to Get Discounts

Most insurance companies offer various types of discounts. You need to actively ask the agent if there's any discount that can apply to you, or better off, ask him for a list of all their discounts.

Here's a list of items that may qualify you for a discount (The discounts listed may not be available in all states or from all insurance companies):

Protection devices such as airbags, anti-lock brakes and anti-theft devices.

Insuring your auto and your home with the same insurance company.

College students away from Home.

Taking a defensive driving course, particularly if you're 55 or older.

Drivers education courses for young drivers (submit proof that any young drivers have completed a driver education course which meets the standards set by the National Conference of Driver Education)

Good Credit Record

Higher deductibles

Low Annual Mileage

Long-Time Customer

Insuring multiple vehicles with the same insurance company.

No accidents in 3 Years

No moving violations in 3 years

Student drivers with good grades

Being a member of an organization or working for certain employers.

Mature driver between 50 and 65.

Remember, the key to savings is not the discounts, but the final price. A company that offers few discounts may still have a lower overall price.

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# 5. How to Shop For Auto Insurance

Comparison shopping is the key to getting the most for your insurance dollar Consumers think nothing of price shopping for televisions, radios or appliances to save $20 or $30, but forget to shop around for auto insurance where hundreds of dollars can be saved. There are more than 200 auto insurers (or insurance companies) licensed in every state, so there are plenty of places to shop. The best time to shop for insurance is BEFORE you purchase a vehicle, trade in a vehicle, add drivers to your policy or renew your policy.

**Here are some basic tips to follow when shopping for insurance:**

Before buying a car, determine your insurance costs. This is the first cost-savings step in purchasing auto insurance. When you are shopping around for a new or used car, be sure you factor in the cost of insurance as well. High-performance vehicles are more expensive to insure.

Know what insurance coverage you are buying. Before you begin calling to request price quotes, you should familiarize yourself with the insurance coverage you are buying. It is important to know which coverages your state's law requires you to purchase and those coverages that you may choose to purchase (Refer to other sections of this book for more information).

Check your Credit Report. Under most state's law, insurers may not use your credit history to decide if they will insure you, cancel you, renew you or increase your premium. However, insurers may use your credit history to determine what rate you will be paying for your auto insurance. Not all insurers use credit history and you may obtain auto insurance through insurers that do not use credit. For those insurers that do use credit, they are required to tell you at the time you apply for the insurance that they will consider your credit history If you ask, an insurer must tell you how much of your premium is as a result of your credit score.

Credit reports are used to determine the type of financial risk you present. Reviewing your credit report will help inform you of your standing when you apply for certain credit and certain types of insurance, as well as allow you to correct any errors you identify. You are entitled to review your credit report at no charge once every 12 months For questions or to make corrections to your credit report, you should contact the Federal Trade Commission, or any of these credit reporting agencies: TransUnion, Equifax, or Experian..

For those insurers that use credit history to determine a portion of your premium, they are required to review your credit history every two years, or you can request the insurer to do so once during your policy term. The insurer may only give you the benefit of any improvement in your credit history; it cannot be used to increase your premium even if your credit deteriorates from what it was when you applied for your policy.

**DO COMPARISON SHOPPING**

Contact several insurers. It is recommended that you use an online free car insurance quoting service, this will save you time.

Agents/agencies have contractual arrangements with insurers to sell insurance on behalf of the insurers. Brokers do not have such arrangements, but work with agents to locate or broker insurance on the consumer's behalf In either instance, your insurance policy is with the insurer itself and not the agent/agency or broker.

Ask your relatives and friends for recommendations regarding purchasing auto insurance. In addition, some banks, employers and special interest groups offer insurance directly to their members.

The Internet also provides a variety of insurance information. Many insurers have web sites and/or work with non-affiliated quoting vendors to provide insurance premium quotes on-line.

Ask for price quotes. In order to make an apples-to-apples price comparison, you must provide the same information to each insurer or producer. The following information is normally requested: make/model/year of the vehicle you wish to insure, average annual miles driven, the region in which you live, the types of coverages and limits for those coverages that you wish to purchase and driving record (accidents or violations) of the vehicle operators. This information is required to provide you an accurate quote.

Ask about deductibles. A deductible is the amount you agree to be responsible for in the event of damage to your vehicle (i e accident, fire or vandalism) If you select a high deductible, you will pay more money out-of-pocket for any damage; however, your insurance premium should be lower. Ask for discounts. Again, to help keep rates down, ask what discounts the insurer offers. Make sure you provide all information that may result in a discounted premium (e g security devices, safety devices, good driving record, good student, defensive driving courses, multi-vehicle or multi-policy discounts, etc ) (See pages 9-10 for additional information .)

Protect yourself from insurance fraud. Once you have selected an insurer you may want to contact your state's Insurance Administration to verify that the insurer is licensed to sell insurance in your state. It is illegal for unlicensed insurers to sell insurance. If you choose to use a producer, also verify that the producer is licensed.

Financing Insurance. Not everyone can afford to pay their insurance premiums upfront; therefore, many insurers offer installment plans. In addition, your premium may be financed by a premium finance company in exchange for your agreement to pay interest and service fees

Whether you choose an installment plan or a premium finance company, ask the following questions before buying the policy:

How much is the down payment?

How much are the monthly payments?

How many months will payments be made (i.e. six or 12 months)?

How much is the total payment over the period of the policy?

Is a premium finance company financing the payment?

What is the interest rate on the premium payments (if the payments are financed)?

What other costs or fees are associated with financing the premium?

Does the insurer offer an installment plan? Is there an installment charge or service fee?

**Other considerations.** Price is an important factor in selecting an auto insurer; however, other factors also deserve consideration. Some consumers prefer to deal with a producer that has an office in the same community or with an insurer that has a claims office nearby. Customer service is another important consideration. Also, you may want to know how long the insurer or producer has been operating in your state, how quickly claims are processed and how often complaints were filed against the insurer or producer. Some of this information may be obtained directly from the insurer or producer. You may also contact your state's Insurance Administration in writing to obtain some complaint information

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## 6. What Factors Impact Your Insurance Rates

When you apply for auto insurance, the insurer will ask for information about you to evaluate your individual risk characteristics These individual risk characteristics assist insurers in predicting the likelihood that you will be in an auto accident in the future or will file a claim for damages. Insurers evaluate these characteristics to determine whether their guidelines, known as underwriting guidelines, permit them to write a policy for you. The individual risk characteristics that insurers typically review include:

Your driving history for the past three years; specifically including any moving violations on your driving record and/or any accidents you have been involved in.

What type of vehicle you wish to insure; the make, model and age.

Whether your vehicle is used for commercial purposes (i.e. for deliveries or transportation services).

Whether there are any drivers of your vehicle under age 21 (and whether those drivers are covered under a different policy).

Whether any drivers in your household have licenses that have been suspended or revoked.

Whether you have been cancelled or non-renewed by a previous insurer.

Whether you have allowed your prior insurance coverage to lapse for a period of time.

The amounts of insurance coverage you wish to purchase.

Your credit history.

Whether you have a stable residential address and/or work history.

If the insurer's underwriting guidelines permit a policy to be written for you, the insurer will then assign a rate based on your individual risk characteristics. Some risk characteristics that insurers rely on to determine rates include:

Your driving record. Insurers are prohibited from increasing your rate based on accidents or traffic violations that are more than three years old. Insurers will consider traffic accidents and traffic violations that have occurred in the past three years in determining your risk. If your driving record is less than perfect, then you will be considered a higher risk and will pay a higher premium.

Geographic area. The number of claims filed by policyholders in your geographic area affects the rates charged by insurers. Counties or zip codes are commonly used geographic areas.

Gender and age. Males and young adults have a higher incidence of accidents; therefore, your gender and age will impact your rate. Rates generally decrease at age 25 and may increase as you approach age 55 or 65.

Marital Status. Married individuals have a lower incidence of accidents and claims. Therefore, married individuals generally pay lower premiums than single people.

Prior insurance coverage. Most insurers ask about your insurance history, including whether or not you currently have coverage or whether or not you have ever been cancelled or non-renewed. Some insurers require individuals to pay higher premiums if there has been any lapse in insurance coverage.

Annual mileage. Insurers will also calculate your premium based on the average distance you drive on an annual basis. If your annual mileage is high, then insurers will consider you a greater risk and will charge you a higher premium.

Age, make and model of vehicle. Premiums are also based on your vehicle's age, make, model and value. Certain makes and models of vehicles – when involved in accidents – cause or permit greater levels of bodily injury; sustain greater levels of damage; and, are more difficult and costly to repair Insurers charge a higher premium to insure a vehicle that displays such characteristics.

Credit history. Some insurers review an individual's credit history when determining their premium. For instance, bankruptcies, late payments and the number of credit cards you have may result in a higher premium. Insurers must follow specific guidelines when using a consumer's credit history to underwrite or rate an auto insurance policy.

Those guidelines state that an insurer may not:

• Increase a renewal premium based on the credit history of the insured.

• Apply a surcharge of more than 40% based on credit history.

• Use the following factors to rate a policy: the absence of or inability to obtain credit history, the number of credit inquiries, or any factor that is more than 5 years old

Additionally, you have the right to request that your insurer recheck your credit history once per policy period If your credit history has improved, the renewal premium may be reduced. However, if your credit history has deteriorated, this information cannot be used to increase your premium.

You can review your credit report to become informed about your standing when you apply for certain credit and certain types of insurance. You may also correct any errors you discover in your report. You can review these reports at no charge every 12 months. For questions, or to make corrections to your credit report, or to access information about how to obtain free copies of your credit reports, you should contact the Federal Trade Commission at *www.ftc.gov.*

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## 7. What Discounts Are Available to You

Obtaining discounts is one of the ways to keep your insurance costs down. It is important to be aware of these discounts before purchasing auto insurance. However, insurers do not offer all the same discounts. Some of the most common discounts include:

Good driving record. Most insurers offer discounts to drivers who have not had an accident and/or violations in a specific time period (normally three or more years). Insurers are prohibited from considering violations older than three years.

Safety devices. Discounts frequently are offered for devices that limit bodily injury or property damage caused by accidents. Such devices include anti-lock brakes, automatic safety belts and air bags.

Anti-theft devices. Car alarms and other theft-deterrent devices may also result in a discount.

Multiple policies. Although an insurer cannot require you to buy a homeowners' insurance policy when you purchase an auto insurance policy, some insurers offer discounts to policyholders who purchase both auto and homeowners policies. In addition, insurers may also offer discounts if you have more than one vehicle insured with the insurer.

Good student. Many insurers offer discounts to students who maintain at least a B average.

Driver Education Courses. Many insurers offer discounts for the completion of a driver education course.

Renewal Discount. Some insurers offer a discount to their policyholders who have maintained continuous coverage with the insurer for a number of years.

Memberships or employment discounts. Insurers may offer discounts to members of certain organizations (e. g. credit unions, shopper's clubs or alumni associations)

You may also be eligible to receive a discount through your employer (e. g. state employee, military or teacher).

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## 8. What Does Your Coverage Include

Auto insurance coverage may include several types of protection. However, state law requires all registered vehicle owners to purchase certain minimum protections or coverage levels. Many drivers purchase more than the minimum requirements to protect themselves from high repair bills, medical expenses and lawsuits. Consumers who choose to purchase coverage above the state's minimum requirements will pay higher premiums.

### LIABILITY INSURANCE

Liability insurance protects policyholders when they have caused an accident. There are two types of liability coverage that are required by most states law: bodily injury liability coverage and property damage liability coverage. For example, here's a typical minimum amount of liability coverage required by many states:

$30,000 for bodily injury per person

$60,000 bodily injury per accident; and

$15,000 property damage

### BODILY INJURY LIABILITY INSURANCE

If you cause an accident and an injured person makes a claim or files a lawsuit against you, bodily injury coverage will:

Pay for a lawyer to defend you if you are sued; and

Pay the amount of medical expenses, lost wages and pain and suffering that you are legally responsible to pay to another person (up to the policy limits); or,

Pay an amount to settle these claims (up to the policy limits). In other words, if the claim for bodily injury is covered by your policy, the insurer will pay the claim up to the dollar limits of the coverage you purchased; you would only need to pay if the claim exceeds the policy limit or if the claim was not covered under the terms of the policy

### PROPERTY DAMAGE LIABILITY INSURANCE:

If you cause an accident that damages someone's property (such as their car) and the property owner makes a claim or files a lawsuit against you, property damage liability coverage will:

• Pay for a lawyer to defend you in the event that you are sued; and

• Pay the amount of physical damage that you caused to vehicles or property that you do not own (up to the policy limits); or,

• Pay an amount to settle these claims (up to the policy limits). In other words, if the claim for property damage is covered by your policy, the insurer will pay the claim up to the dollar limits of the coverage you purchased; you would only need to pay if the claim exceeds the policy limit or if the claim was not covered under the terms of the policy policy's bodily injury or property damage coverage. Other people, such as family members, may also be covered under your insurance covered if: they are listed on the policy as drivers, they are driving your car for an occasional purpose with your consent, and they are not otherwise excluded by your policy's terms. If you are unsure whether a potential driver would be covered under your policy, read the terms of your policy or call your insurer or producer before you let that person drive the car

Note: While state law establishes the minimum level of liability coverage, consumers who can afford higher premiums may choose to purchase more coverage. Higher limits of coverage provide more protection against repair expenses, medical expenses and legal judgments which might be higher than the minimum coverages required by your state.

**UNINSURED MOTORIST (UM) COVERAGE**

Uninsured motorist coverage will protect you if someone driving without insurance causes damage to your property or injures you or your passenger(s). Coverage also applies when an auto damages your vehicle or injures you and leaves the scene of the accident without being identified. This insurance covers repairs to your property, as well as medical expenses, lost wages, and pain and suffering. The minimum amount of uninsured motorist coverage required by many states are:

$30,000 for bodily injury per person;

$60,000 bodily injury per accident; and

$15,000 property damage.

In your state, UM coverage may also include underinsured motorist coverage, which is known as UIM coverage. It provides you with bodily injury protection in the event you are involved in an accident where the at-fault driver has an insurance policy with liability limits that are less than your UM limits, and your injuries exceed the at-fault driver's available limits. You then can claim the difference under your own insurance policy

**PERSONAL INJURY PROTECTION (PIP)**

Up to the specified dollar amount of your coverage, PIP coverage will reimburse you (or others named on your policy) for reasonable and necessary medical expenses resulting from an auto accident, as well as lost wages. This reimbursement will be made regardless of who caused the accident.

PIP coverage can be denied if claims are not properly and timely filed with your insurer. Therefore, it is important to contact your insurer immediately after an accident has occurred and request PIP forms.  Some states require consumers to purchase at least $2,500 in Personal Injury Protection (PIP) coverage. You may be able to waive PIP coverage for certain individuals resulting in a reduction in your premium. Consult your producer for a thorough explanation.

Because PIP coverage may duplicate an individual’s health care coverage, some consumers choose to waive PIP if they feel they have adequate health care coverage and/or can afford to pay for medical treatment. You should check your health care policy and consult your producer about this coverage. Although waiving PIP results in a lower premium, you should keep in mind that PIP also pays lost wages and your household members’ medical expenses, which are not covered under health care policies.

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## 9. Other Coverage That is Available to You

Physical Damage Coverage, also referred to as comprehensive and collision coverage, is the most commonly recognized coverage as it protects you from expenses related to damage or loss of your vehicle (e. g. accidents that you cause, theft or vandalism). Although your state's law may not require you to purchase physical damage coverage, often banks and other financial institutions that lend you money to purchase your vehicle or lease you a vehicle, will require that you purchase both collision and comprehensive coverage to protect their interests in the vehicle.

Collision Coverage pays to repair your vehicle or pays you what your vehicle was worth right before an accident occurred (If your insurer determines the vehicle is a total loss, this means that the cost to repair the vehicle exceeds the value of the vehicle). Collision coverage is provided regardless of who caused the accident.

Because collision coverage is usually the most expensive component of your auto insurance premium, many people may choose to purchase collision coverage with a high deductible.

Generally, your premium decreases as the amount of the deductible increases. For example, if you hit a pole and the resulting damage to your vehicle is $1,200 and your deductible is $500, then the insurer will pay $700 to the body shop and you will pay the balance of $500. On the other hand, if you purchased collision coverage with a lower deductible or no deductible, then you would pay less towards the repair costs, but you would pay a higher premium.

Comprehensive Coverage (also known as *Other Than Collision*) pays for damage to your car resulting from causes other than an accident, such as vandalism or theft. As with collision coverage, choosing a higher deductible will lower your insurance cost.

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## 10. Additional or Supplemental Coverages That are Available

Additional coverages are available that can supplement your insurance policy.

Medical Payments Coverage pays for medical expenses and related costs for you or others injured or killed while riding in your vehicle. These claims may include rehabilitative, surgical, chiropractic, x-ray, dental, prosthetic, professional nursing and funeral expenses. In addition, this coverage will typically cover you or members of your family if hit by a vehicle while walking or riding in another vehicle. Most policies require that the amount you purchased under your PIP coverage be used in full before payments will be made under medical payments coverage. Medical payments coverage is different from PIP coverage in that medical payments coverage will only pay medical expenses If you have health care coverage, you should consult your policy to determine whether you are duplicating coverage

Rental Reimbursement Coverage pays for all or a portion of the cost of a rental vehicle while your vehicle is being repaired after an accident or a loss specifically protected under your comprehensive coverage. The coverage typically pays a specific daily rate for a specified number of days.

Transportation Expense Coverage covers additional transportation costs – such as car rental, bus fare, etc – while your vehicle is being repaired after an accident or a loss covered under your comprehensive coverage.

Towing and Labor Coverage pays to tow your vehicle to a repair shop after an accident or a breakdown. Members of auto clubs, such as AAA, may already have similar coverage.

Mechanical Breakdown Coverage pays to repair your vehicle after a mechanical breakdown (e. g. engine failure). New car buyers are advised that mechanical breakdown coverage may be less expensive than purchasing an extended warranty through an auto dealer. Insurers offer this coverage either directly or as a separate policy.

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# 11. Car Insurance Frequently Asked Questions

## Policy and Coverage Issues

**What types of coverages are provided when I purchase an auto insurance policy? Can I purchase other coverages as well?**

An auto insurance policy must contain certain "mandatory" coverages, and may contain other optional coverages that you may choose to purchase. Below is a description of various types of mandatory and optional coverages. You are required to purchase no less than the statutory minimum amount for the mandatory coverages. However, you may choose to purchase more than the statutorily required limits of one or all of the mandatory coverages. There is no statutory minimum for optional coverages. You may wish to contact your insurer for assistance in determining the appropriate amount of insurance for you.

Bodily Injury Liability Coverage (Mandatory): Bodily injury liability insurance provides coverage for medical expenses, loss of wages and pain and suffering that you may be legally responsible to pay to a person you have injured. This coverage may be applicable to passengers in your vehicle, persons in another vehicle or pedestrians. The policy provides separate limits of coverage for each person injured and a cap on coverage for each accident.

Property Damage Liability Coverage (Mandatory): Property damage liability insurance provides coverage for physical damage that you have caused to vehicles or property that you do not own.

• Personal Injury Protection (PIP) Coverage (Mandatory Offer/You May Waive): Personal injury protection (PIP) insurance provides reimbursement for medical expenses and lost wages for injuries incurred as a result of an accident, regardless of fault, up to a minimum of $2,500 If you choose to purchase PIP coverage for all insured drivers and residents of the household above 16 years of age, this is known as "Full PIP" You may, however, elect not to purchase a portion of Full PIP. When you decline to purchase PIP for any listed driver and family members of your household (over 16 years of age), this is known as "Limited PIP". Some policyholders who have health insurance coverage may choose to waive PIP coverage in order to reduce the premium on the policy. Please note, however, that PIP is designed to ensure that medical expenses are paid promptly to limit the economic harm you may suffer due to injuries from an auto accident.

Many policyholders pay the extra expense associated with PIP in order to have coverage for lost wages. Others purchase PIP so that they have a second source of recovery when being treated for accident-related injuries.

Comprehensive Coverage (Optional): most states do not require that you purchase comprehensive coverage. However, if you take out a loan to purchase your vehicle, most lenders will require that you purchase comprehensive coverage. The same is true if you have leased a vehicle; the lessor may require you to purchase comprehensive coverage for the vehicle. Comprehensive insurance provides coverage for property damage to your insured vehicle resulting from occurrences other than collision, and is sometimes referred to as coverage for “acts of God.”.

Comprehensive insurance typically provides coverage for flood, theft, vandalism, glass breakage not resulting from an accident, and accidents in which the driver strikes an animal

Collision Coverage (Optional): Most states do not require that you purchase collision coverage. However, if you take out a loan to purchase your vehicle, most lenders will require that you purchase collision coverage. Collision insurance provides coverage for property damage to your insured vehicle in the event of a collision or in the event the vehicle flips over

Uninsured/Underinsured Motorist Bodily Injury Liability (Mandatory in most states): uninsured/underinsured motorist bodily injury liability insurance provides coverage for medical expenses, lost wages and pain and suffering caused by a vehicle that does not have insurance or that has insurance that is insufficient to cover damages.

Uninsured Motorist Property Damage Liability (Mandatory in many states): Uninsured/underinsured motorist property damage liability insurance provides coverage for property damage to your vehicle and other property that is caused by a vehicle that does not have insurance. Coverage also applies when an auto damages your vehicle or injures you and leaves the scene of the accident without being identified. Please check your insurance policy, as there is usually a provision that requires you to notify the police and report the accident to the insurer within 24 to 48 hours after its occurrence.

Medical Payments Coverage (Optional): Medical payments insurance provides coverage for medical expenses arising out of an auto accident, regardless of fault. This coverage is available after any PIP coverage is exhausted.

Towing and Labor (Optional): Towing and labor insurance provides coverage for towing and labor expenses arising out of a breakdown of an insured vehicle

Rental Reimbursement (Optional): Rental reimbursement insurance provides coverage for your costs in renting a vehicle that is needed to act as a substitute for the insured vehicle damaged in an accident. Coverage is usually provided on a fixed rate basis per day, regardless of the actual daily cost of the rental, up to a maximum amount of days (usually not to exceed 30 days).

**How do insurers develop the premium that I am charged?**

Insurers consider a wide variety of criteria in developing their premiums. Each of the criteria assists the insurer in predicting the likelihood that you will be in an accident or otherwise incur damages resulting in filing a claim. The criteria that insurers consider commonly include age, sex, marital status, number of miles driven annually, driving record, credit history, whether the insured vehicle is used for business, pleasure or both, the type of vehicle insured, and the location where the vehicle is principally garaged.

Since each insurer balances these rating factors differently, the rate quoted by one insurer may differ dramatically from the rates quoted by other insurers. The amount of your premium will also depend upon the coverages you purchase, the amounts or limits for the coverages that you purchase, and the deductibles you choose for the coverages.

When shopping for an auto insurance policy, it is important to compare quoted premiums, policy limits, coverages and deductibles in order to determine which insurer provides the best value for your insurance dollars. There are many options available and questions to be answered with respect to the differences between quotes. Your insurance producer or insurer should be able to assist you and answer all of your questions.

**What can I do to reduce my auto insurance premium?**

The first step to reducing your auto insurance premium is to determine the type and amount of each coverage that you have, and the amount that you are paying for each coverage. You can then make a judgment as to whether it is appropriate (or even possible) to obtain those same coverages from another insurer at a lower cost and/or whether it is appropriate to reduce the type or amount of one or more coverages in order to reduce cost. Your insurance producer or insurer may be able to assist you in making this assessment.

If you think that a reduction in the amount of your coverage might be appropriate, you may want to consider the following options If you currently have full personal injury protection (PIP) coverage and also have health insurance, you may want to give some consideration to whether the duplication of coverage is worth the additional premium you are paying. If you currently have physical damage coverage (comprehensive and collision), you may want to give some consideration to discontinuing the coverage (see the more detailed discussion below, in response to the next Frequently Asked Question).

You should also review your uninsured motorists (UM) coverage limits. Do they equal your liability limits? If so, you could save some premium dollars by reducing your UM limits to the minimum required by statute. Before making any decisions to reduce coverages or the amounts of coverages, however, you should make a determination as to whether the reduction in coverage that is provided to you under the policy is justified by the amount you will save in reduced premium.

You may also want to give some consideration to whether increasing the amount of your deductibles would be beneficial for you. For example, if you raise the deductible on your collision insurance from $100 to $500, the amount of your premium will decrease. You must then weigh the benefit of the reduction in premium against the fact that you will have to pay $500, instead of $100 in the event that you are in an accident and make a claim under your collision coverage.

Once you have reviewed the various coverage options, you should discuss with your producer or insurer whether there are any discounts that might be available to you. Many insurers offer, for example, good driver discounts (for drivers without any violations or accidents for a pre-determined period of time while insured by the insurer); multi-policy discounts (if you have more than one policy with the insurer, i e , homeowners and auto); multi-vehicle discounts (when you insure more than one vehicle with the insurer); protective device discounts (anti-theft, antilock brakes, air bags); discounts depending on the make and model of your vehicle; affinity group discounts (if, for example, you are a member of an alumni group, buying club or other organization); and longevity discounts (for those insured by an insurer for a certain period of time).

You may also want to ask your producer or insurer to explain your premium payment options. You may be able to reduce your total insurance costs by changing to a different payment method. For example, if your premium is being financed through a premium finance company, you are paying fees and interest charges on top of your premium. Check to see if your insurer offers installment plans that allow you to make payments monthly, bi-monthly, or quarterly for a nominal fee and no interest Also, check to see whether the insurer offers a discount if you pay the entire annual or semi-annual premium up front.

**My car is several years old and has been paid off. Should I maintain comprehensive and collision coverage?**

The answer depends on whether or not you can afford to repair or replace your vehicle if it is damaged in an accident that you caused (collision coverage) or if it is stolen, vandalized or you hit an animal (comprehensive coverage). While you are required by law to have property damage liability coverage that covers physical damage to the property of others if you are at fault, the law does not require you to have coverage for physical damage to your own property. You should compare the cost of having these coverages against the value of your vehicle. If the cost of having the insurance coverage exceeds the value of your vehicle, it may not be worth purchasing these types of coverages. You can determine the costs of these coverages by asking your producer or insurer to tell you what these specific coverages cost.

You can determine the value of your vehicle by referring to similar vehicles that may be listed for sale in the newspaper or on the Internet using websites such as *www.nada.com,* or *www.kbb.com.*

Should you decide to remove these coverages from your auto insurance policy, your premium will be decreased. You can also decrease the amount of your premium by raising the amount of your deductible, which is the amount you pay before the insurer will pay for any damages you may have sustained

**May an insurer consider my credit history when reviewing my application for auto insurance?**

No. in most states an insurer may not refuse to underwrite (that is to insure), refuse to renew, cancel or increase the renewal premium based, in whole or in part, on the credit history of the insured or applicant. However, an insurer may use credit history to rate a new policy. This means that the decision to place you with an affiliated insurer, assign you to a specific tier within an insurer, or to add or remove a discount based on your credit score when you first obtain insurance with the insurer, is authorized by law.

**May an insurer consider my credit history when establishing the premium for my auto insurance policy?**

Yes. When a person initially applies for an auto insurance policy, the insurer may consider an applicant's credit history when determining the premium to be charged. If the insurer considers your credit history, it can only rely upon credit factors that occurred within the previous five years.

Additionally, the insurer/producer must advise you, at the time of your application, that your credit history is being considered and, if you request it, must provide you with a quote that separately identifies the portion of the premium that is affected by your credit history.

Once the policy is effective, your premium cannot be increased if your credit score worsens. However, if your credit score improves, that may help lower your premium at renewal. Insurers that use credit are required to obtain new credit scores every two years and you will automatically receive the benefit of an improved credit score if the new report shows an improvement. However, if you believe your score improved, you may request the insurer to check it even if the two year period has not passed. You are entitled to request the insurer to check your credit score once during any policy period.

**What happens if there is a lapse in my coverage? Will I have to pay a penalty?**

In most states, all owners of motor vehicles purchase and maintain the minimum coverage for bodily injury liability, personal injury protection, property damage and uninsured/underinsured motorist protection. In most states. the law also requires insurers to report to the state's Vehicle Administration when a policy has been cancelled or non-renewed.

If it is established that there was a period of time that your vehicle was uninsured, you may also find that your insurance premium is higher after a lapse. Additionally, you may find that some insurers will not insure you or your vehicle if there has been a lapse in coverage while you owned it. This may occur because insurers have found that those who drive without insurance present a greater risk for future losses than those drivers who maintain continuous insurance coverage.

**Is there a difference between the "Point System" used by the state's vehicle administration and the "Point System" used by an insurer?**

Yes. The atate tracks points assigned to your driving record for any violations of motor vehicle laws (e. g. tickets or accidents). The law sets out the number of points that may be assigned for any violation of the motor vehicle law. This point system is used to determine if you are eligible for a driver's license or if it will be restricted in any manner.

On the other hand, insurers assign points based on the insurer's individual underwriting (or pricing) guidelines or in accordance with its rating plan filed with the state Insurance

Administration. The guidelines or rating plans are not necessarily consistent with the state's point system and are not established by law.

Rather, insurers assign points to a driver’s rating category for moving violations and accidents The total points for all drivers in a particular rating category will determine whether the insurer will insure you, will renew your insurance and what the amount of your policy premium will be, including any rate increases or surcharges that may be added due to your driving violations or claims history.

Additionally, while the your state may maintain points on your driving record for a period of two (2) years, points assigned by an insurer remain on the policy for a period of three (3) years.

**My child is attending college and is living away from home. Why should I keep him/her on the policy?**

A personal auto insurance policy provides coverage for the named insured, all listed drivers and all resident relatives in the household. Although your child is away at school, he or she may still be considered a resident of your household, and as such, still presents an exposure or risk to the insurer.

For example, when the child returns home for visits, school breaks, etc, he or she will, more than likely, have access to the family vehicles and will drive them. As a result, some insurers may continue to charge and collect premiums as if the child is still in the home. However, other insurers may take this into consideration and adjust the rate accordingly. Therefore, you should contact your insurer or producer and ask what the insurer’s rating rules provide with respect to a child away at college.

**My daughter or son is going to be driving soon. When should I notify my insurer?**

Insurers determine premiums based upon the exposure or risk presented by the applicants and/or insurers. Youthful operators will cause the premiums to increase because a youthful operator does not have much experience operating a motor vehicle and is, statistically, more likely to be involved in an accident.

Some insurers require that policyholders add youthful operators as soon as they obtain their learner’s permits or provisional licenses, while others require their addition to the policy upon receipt of their driver’s licenses. As a result, you should contact your insurer or producer before your child obtains a learner’s permit to find out what the insurer’s policy, guidelines or rating plan requires and how this will affect your premium.

Some insurers also offer an “accident forgiveness” program which means that, for an additional cost, the premiums will not be raised if any of the drivers, including the youthful operator, are involved in an accident. For families with youthful operators, this may be a wise purchase.

**What is GAP insurance and should I purchase it?**

Today's automobiles are expensive and most consumers finance the purchase of a motor vehicle. However, the value of a motor vehicle will start to decline as soon as you drive it off the lot. As a result, many new and used car buyers find themselves "upside down," owing more for the vehicle than the vehicle's actual cash value at the time of a loss. It can be devastating if your vehicle is stolen and not recovered or is totaled in an accident and the actual cash value is less than the balance owed on the loan. The insurer paying for the accident is only required to pay you the actual cash value of the damaged vehicle at the time of the loss. Thus, you could be left in a situation where your vehicle is determined to be a total loss, but once you have been paid the value of the vehicle, you still owe a balance on your motor vehicle loan. GAP insurance is an optional coverage that you can purchase to protect you in the event your vehicle is totaled and the actual cash value of the vehicle is less than the amount owed on the vehicle. Some insurers offer a replacement cost endorsement that would provide you with a new vehicle as a replacement for the damaged vehicle.

GAP protection provides you with a policy that will pay the difference between the actual cash value of the vehicle paid pursuant to the auto insurance policy and the amount outstanding on the loan. This means that at the end of the claims process, you are not left with an outstanding balance due for a vehicle that no longer exists. However, you will still be without a vehicle.

## Premium Increases, Non-renewals and Cancellations

### I have not had a ticket or an accident, nor have I filed a claim. Why has my premium increased?

While many insurers have defensive driver plans, also known as surcharge plans, that assess the policyholders who receive tickets or are involved in accidents an additional premium, often the surcharges may not be enough to cover the insurers losses. Sometimes, based upon the experience of the group, the premiums collected may not be sufficient to support the projected costs of the claims. When this occurs, an insurer will file with the state a plan to implement a general rate increase.

The insurer is required to provide actuarial support for the proposed rate increase and is allowed to charge and collect premiums in accordance with the plans if they justify their rates.

In general, the more stringent the insurer's underwriting criteria (no losses, or one loss within three years, no tickets, etc .) the lower the premium for the policyholders as the insurer is limiting its exposure to losses.

### My insurer sent a notice increasing my premium due to my son's accident and offered the option to exclude him. What does this mean?

When an insurer proposes to increase your auto insurance policy premium, most state's law requires the insurer to send you a notice at least 45 days in advance of the date the new premium is effective. If the premium increase is based on the driving record of one or more drivers insured under the policy, the notice must provide you with the option to exclude the driver whose record is causing the increase from the coverage of the policy. Thus, you have at least three options:

1. Accept and pay the increased premium;

2. File a protest of the increase with your state's vehicle administration; or

3. Exclude the driver causing the premium to increase for the policy.

The first option is self-explanatory.

The second option, a protest of the increase, will only result in the insurer’s action being overturned (and the premium increase being disallowed) if the insurer has violated the state's insurance law If, however, the insurer acted properly in implementing the increase and provided the proper notice, the state will uphold the insurer’s action and permit the insurer to collect the premium increase.

The third option is for the insured to decide to exclude the driver with the poor driving history from the coverage of the policy If you exclude this driver, the insurer cannot increase your premium based on the driving history of the excluded driver. It is important to understand, however, that an excluded driver cannot legally operate the insured vehicle(s) unless he obtains a separate policy of auto insurance. If the excluded driver should operate any vehicle covered by the insurance policy and is involved in an accident, there will be no coverage under your policy for the damage the excluded driver has caused; either to another person and their property or to your vehicle.

**What is the difference between a non-renewal and a cancellation?**

Insurance policies are issued for a specific term or period of time. Insurers will issue a policy for a period of either six or 12 months. A nonrenewal occurs when an insurer decides not to renew your insurance coverage at the end of the policy’s term. A cancellation occurs when an insurer decides to stop your coverage before the policy term ends or during the effective period of the policy.

**Can an insurance company transfer my automobile policy to a different insurer at renewal?**

An insurance company may transfer your policy to an affiliate (owned by the same parent company) as long as: (1) the affiliated company is admitted as an insurer in your state; (2) your premium does not increase; and (3) there is no reduction in coverage under the policy as a result of the transfer. The policy issued by the new company will still be considered a renewal of the expiring policy. The insurer must send a notice of your renewal policy premium at least 45 days in advance, and that notice must contain a disclosure of the transfer to the new company.

**Can my insurer non-renew my policy because of accidents that were not my fault?**

Yes. An insurer may cancel or non-renew a policy if you have filed three or more “not-at-fault” claims within a three-year period of time. Comprehensive and uninsured/underinsured motorist coverages are considered “not-at-fault” coverages.

Comprehensive claims include theft, vandalism or striking of an animal. Personal Injury Protection claims may be considered either “at-fault” or “not-at-fault,” depending on the facts surrounding the particular claim. Even though you may not have been at fault for these claims, there are costs for an insurer associated with these claims which is why state law allows them to be used to cancel or non-renew a policy if there are three or more within a three year time period.

**May my insurer lawfully non-renew my policy for accidents and violations?**

Yes, in many states, usually only under the following or similar conditions:

• If you committed fraud or misrepresented your driving record or other material fact(s) when applying for your insurance or while making a claim

• If, within the past three years, you:

- filed three or more claims where you were not responsible or “not-at fault” (e g theft, windshield damage or a Personal Injury Protection claim);

- filed two or more claims for accidents that you caused or that you were considered to be “at-fault”;

- filed any combination of three or more “at-fault” accident claims or moving violations;

- were convicted of operating a motor vehicle while under the influence of alcohol, impaired or intoxicated, or while under the influence of drugs or controlled dangerous substance or any combination of drugs and alcohol that impair your ability to operate a motor vehicle;

- were convicted of homicide, assault, reckless endangerment or criminal negligence arising out of the operation of your vehicle;

- were convicted of using a motor vehicle to participate in a felony act; or

- violated the insurer’s underwriting guidelines

If, within the past two years, you:

- have had your license or registration revoked or suspended for a reason related to the driving record of the operator; or

- have had three or more moving violations

**When can an insurer cancel my policy?**

This is state specific. However,  an insurer usually may cancel a policy mid-term under conditions similar to the following:

• If you commit fraud or misrepresent your driving record or other material facts when applying for your insurance or while making a claim

• If there exists a matter or issue related to the risk that constitutes a threat to public safety

• If there is a change in the condition of the risk that results in an increase in the hazard insured against

• If you fail to pay your premium when due.

• If the driver's license or motor vehicle registration of the named insured or any covered driver under the policy is suspended or revoked for reasons related to the driving record of the named insured or any covered driver.

**Can my insurer non-renew my policy if I gave inaccurate information when I applied or when I made a claim?**

Yes. Your insurer may lawfully non-renew your policy if you commit fraud or misrepresent material information when applying for insurance (such as, in some cases, your driving record or accident history), or if you commit fraud or misrepresent material information when filing a claim (such as, in some cases, how the accident occurred or who was driving).

**Can my insurer cancel my binder if I gave inaccurate information when I applied for insurance?**

Yes, in most states. A binder is temporary evidence of insurance provided by the producer or insurance company until a policy is actually issued.

**Can my insurer cancel my policy for late payment?**

Yes, in most states. Your insurer may cancel your insurance policy for nonpayment of a premium, even if the payment is just one day late. The insurer must mail a notice that the policy will be canceled for nonpayment of premium 10 days in advance to the named insured's last known address, or, if the insured elected to receive notices electronically from the insurer, the insurer must provide electronic notification 10 days in advance to the electronic mail address where the insured has consented to receive notifications from the insurer. Proof that you actually received notice is not required. Some insurers have guidelines for late payment and may reinstate your policy when the payment has been made after its due date, but this is not a legal requirement. The best practice is to pay your premiums by the due date in order to avoid having your policy cancelled.

**My insurer cancelled or non-renewed my auto insurance policy; however, I did not receive prior notification. Is this legal?**

most states require your insurer to give you at least 45 days notice prior to canceling or non-renewing your auto insurance policy for any reason(s) other than nonpayment of premium (the law in many states requires only 10 days notice of cancellation for nonpayment of premium). Your insurer must be able to prove that it mailed the notice to the named insured's last known address 45 days in advance of the date of the policy's cancellation or nonrenewal, or, if the insured elected to receive notices electronically from the insurer, the insurer must be able to prove that it provided electronic notification at least 45 days in advance to the electronic mail address where the insured has consented to receive notifications from the insurer. Proof that you received the notice is not required.

**Will I receive a notice after my policy has been cancelled or non-renewed?**

No. While some insurers may notify you as a courtesy, insurers are not required to send additional notice once the coverage has expired. The insurer is only required to send a notice at least 45 days prior to taking this action.

## Claims Related Questions

**What should I do after an accident or when I discover I have to file a claim for something other than an accident (i.e. vandalism or theft)?**

You should:

* Dial 911. Give the operator detailed information about the incident, including if you or others involved need medical assistance or towing assistance.

* Remove your vehicle from the roadway and off to the side, if possible, so as not to block the flow of traffic.

* Talk to witnesses. Obtain names, addresses and phone numbers of those who witnessed the incident/accident.

* Cooperate with the police. Provide all information that is requested of you. Be sure to write down your incident/accident number and the officer's name and badge number (Note: In some states and counties, police are not required to write reports of accidents that do not involve bodily injuries or excessive damage.)

* Take notes. Write down the location and time of the accident/incident and any other details (e. g. summary of what happened). Exchange information with others involved in the accident; including the names, addresses and telephone numbers of the drivers and passengers; the names, addresses and telephone number of any witnesses; as well as any insurance information for any of the other vehicles involved (the name of the insurance producer, insurer and the insurance policy number). Write down the make, model and license plate of the other vehicles involved If possible, take pictures or draw a diagram of the scene.

* Contact your insurer or producer as soon as possible. Promptly report any accident and provide all information that is requested. Keep records of all paperwork related to your claim (e. g. copy of accident report, notes from accident scene, expenses, etc )

**Do I have the right to choose whether to repair, replace or receive payment for my damaged vehicle?**

An insurer is not obligated to replace your damaged vehicle with another vehicle If the vehicle can be repaired and the cost of repair equals or is less than 75% of the actual cash value of the vehicle, the insurer will pay to have it repaired If the damage to the vehicle cannot be repaired or if the cost of repairs (excluding cosmetic damage) exceeds 75% of the actual cash value of the vehicle, the insurer will declare your vehicle a total loss and pay you its actual cash value If your vehicle is damaged but can be repaired, you may elect to repair your vehicle or receive payment from the insurer for the damages. However, if you do not repair the damage, these damages will become pre-existing and will affect the value of your vehicle in the event of another loss as the insurer will make an adjustment based on the physical condition of the vehicle prior to the loss. If there is a lien holder on the vehicle, the lien holder may require that you repair the damage in order to protect their security for the loan or the lien holder may require that you pay off the balance of the loan if you wish to keep any excess monies.

If your vehicle is damaged to such an extent that it is determined to be a total loss, you have the right to elect to retain salvage of the damaged vehicle. This means that you receive a payment and get a salvage title to your damaged vehicle. Please be aware that most insurers sell totaled vehicles for salvage in order to recover some of the monies they pay out. Therefore, the salvage value will be deducted from the amount you receive from the insurer in payment of the total loss if you decide you want to keep the damaged vehicle. So, before you decide whether you want to keep the damaged vehicle, you should ask the insurer what the salvage value is and the amount of money you will receive if the vehicle is salvaged by the insurer as opposed to the amount of money you will receive if you keep the damaged vehicle. Additionally, if you keep the salvaged vehicle, please be aware that in the event of a subsequent loss, the vehicle may have little or no value. You should review your policy with respect to your rights and the insurer's obligations after a loss.

**Am I required to use a specific auto body shop for the repairs to my vehicle or can I choose the shop I want to use?**

No, you are not required to use a specific auto body repair shop; you may have your vehicle repaired at the shop of your choice. Most states prohibit an insurer or an adjuster from requiring that a certain repair shop be used or from recommending a particular shop without notifying the claimant or the insured that their vehicle may be repaired by the auto shop of their choice. However, the insurer will only pay an amount that it has determined represents the cost of repair for the damage your vehicle sustained as a direct result of the loss based on an estimate of the cost for the necessary parts and labor expenses.

**May my insurer repair my vehicle with used parts?**

Depending upon the terms of your policy, your insurer may have your vehicle repaired with parts of like kind and quality, which includes used parts and aftermarket parts known as non-OEM (original equipment manufacturer). However, you may purchase an endorsement that obligates your insurer to use the original equipment manufacturer's parts. You should review the language of your policy to determine the insurer's obligation

**What if my insurer determines that my car is a “total loss”?**

An insurer may determine that your car is a total loss if the cost to repair the damage (excluding cosmetic damage) approaches or exceeds the vehicle’s actual cash value. An insurer will determine what your vehicle’s actual cash value was by establishing its actual cash value immediately before the accident occurred.

If you are the insured under the policy and your insurer has determined that your vehicle is a total loss as a result of a covered claim, your insurer generally has ten (10) business days to make you a cash settlement offer If your vehicle was stolen and is not recovered within thirty (30) days after the theft, your insurer will make you a cash settlement offer for your vehicle thirty (30) days after receiving notification of the claim.

If you are not the insured, but are a claimant under another’s insurance policy, and the other driver has been determined to be at fault, the insurer for the other driver generally has ten (10) days to make you a cash settlement offer for your vehicle after it has completed its investigation, determined their driver was at fault for the accident and determined your vehicle is a total loss.

The offer from the insurer must be in an amount that reflects the retail value less applicable deductions for a substantially similar motor vehicle using a nationally recognized valuation manual or using a computerized data bank that produces statistically valid values for substantially similar motor vehicles. Generally, insurers refer to the National Auto Dealers Association (NADA) Official Used Car Guide, Kelley Blue Book or CCC database to determine your vehicle’s actual cash value. The offer will use that value, plus the applicable taxes and transfer fees, less the amount of your deductible, if applicable. Alternatively, the insurer may determine the actual cash value of your vehicle by obtaining a quote for a substantially similar vehicle from a qualified dealer at a location reasonably convenient to you If the insurer uses the quotation to make its offer, it will add the applicable taxes and transfer fees and then subtract the deductible if applicable If you decide to keep the damaged vehicle for salvage, there will be a deduction for the amount of the vehicle’s salvage value.

You may request that the insurer put its settlement offer in writing to you and have them advise you of the method used to arrive at the offer If you make the request for a written settlement offer, the insurer will send it to you within seven (7) business days of your request. Upon receipt of the insurer’s written settlement offer, you may either accept the offer or reject the offer, in writing, and make a counter-offer based on quotes you have gotten from dealers for a substantially similar motor vehicle, using ads you have found for a substantially similar motor vehicle or using any other source of valuation for a substantially similar motor vehicle If you make a counteroffer, the insurer has five (5) business days within which to accept your counter-offer or to provide you with a written explanation as to why your counter-offer does not provide a more accurate valuation of the vehicle than the one relied upon by the insurer.

Once you have accepted a settlement offer, you will be asked to forward a copy of the vehicle’s title to the insurer After the insurer receives the title, it will issue a check in the amount of the offer If there is a lien holder on the vehicle, the lien will either be paid directly or a check will be issued to you and the lien holder.

If a vehicle has been damaged by collision, fire, flood, accident, trespass or other occurrence to the extent that the cost to repair (excluding cosmetic damage) the vehicle for legal operation on a highway exceeds 75% of the fair market value of the vehicle prior to sustaining damage, by law, the vehicle is considered “salvage”. If you elected to retain the damaged vehicle, the insurer will request that you send your title before it will send you a check for the actual cash value, less the salvage amount. The insurer is obligated to notify the state that the vehicle has been declared salvage and that the owner is retaining possession of the vehicle The state will then issue a salvage certificate to the owner

**What if I disagree with my insurer’s decision to total my vehicle?**

It is important to remember that when you purchase insurance, you enter into a contract and are bound by its terms. However, you have options available if you do not agree with the decision to declare your vehicle a total loss.

You should obtain documentation to establish that the cost of repairs will not exceed the actual cash value of the vehicle. You would do this by obtaining an estimate for the costs of repairs (please be sure that the estimate addresses any hidden damage that may be involved) and documentation to establish the actual cash value of the vehicle exceeds the repair estimate as well as any potential hidden damages If all attempts to resolve the issue of whether your vehicle is a total loss are unsuccessful, many policies provide the option of appraisal In accordance with the terms of the policy, you would hire an independent adjuster to evaluate your loss, and your independent appraiser, along with the insurer’s designee, would then select a person to referee the dispute (an umpire). Agreement by any two establishes the amount of the loss Independent adjusters are listed in the Yellow Pages. Because you must pay the independent adjuster’s fee, this last option may be more costly.

**What is subrogation?**

According to the American Institute of Chartered Property Casualty Underwriters (AICPCU) “Subrogation is the process through which an insurer assumes the right to pursue a legal action against a party who may be liable to the policyholder”. To better understand what this means and how this works, here’s an example:

You were involved in an accident with Mr. At Fault Driver, and your vehicle was totaled. You have collision coverage on your insurance policy covering the vehicle, and opted to allow your insurer to pay you for the actual cash value of the vehicle, less your deductible. Since you were not at fault, your insurer will pursue the At-Fault Driver and his insurer to recover the amount it paid out on your behalf, as well as your deductible.

**What happens if the at fault driver’s insurer refuses to honor the subrogation request?**

Under most stat's law, all insurers that issue, sell or deliver motor vehicle liability or physical damage insurance policies in the state are required to enter into arbitration and settle all motor vehicle physical damage claims in accordance with an auto subrogation program sponsored by an arbitration organization chosen by the insurer requesting the arbitration. When the insurers proceed to arbitration, each insurer presents its claim file to the arbitrator, who after review, issues a determination. The determination may indicate that the insurer's policyholder was responsible for the accident or that the insurer failed to meet its burden of proof with regard to fault. The arbitration decision is binding only for the property damage aspect of the claim.

**What is diminished value (diminution of value) and can I make a claim for it?**

Diminished value or diminution of value occurs when a vehicle loses value after it has been damaged in an accident and is subsequently repaired. An automobile may suffer from diminution in value even if the repairs have been done properly. Whether you can present a claim for diminution in value depends on who is at fault for the damage to your vehicle. Generally, if you are at fault for the accident and you are making a claim pursuant to the collision coverage on your auto policy, you should check your insurance policy to see if diminished value is covered or excluded.

Most automobile insurance policies, however, exclude coverage for diminished value. If you were not at fault for the accident and the at-fault driver's insurance company has accepted liability, you can present a claim for diminution in value after all the repairs have been completed. In this scenario, you can make a claim because the claim is being paid pursuant to the liability section of the at fault driver's insurance policy (rather than under the collision coverage), and the insurance companies must pay all sums for which their insureds are legally liable. Most states recognize diminution in value as a valid claim under these circumstances.

Simply advising the insurer that you want to claim diminished value is not enough. Rather the claimant must be able to provide proof of diminished value. A claimant can provide proof of diminished value in a number of ways. Two common ways are to:

1. obtain a written estimate from a sales manager at an automobile dealership that indicates what would be offered for the vehicle if it had not been in an accident, and what would be offered now after the accident and repairs. The difference, if any, would represent the diminished value; or

2. hire an independent appraiser to conduct an appraisal of the vehicle to determine the amount of diminished value. Once you have gathered your proof, this information should be presented to the insurer in support of your claim for diminished value. The company can either accept your evidence and pay you, or reject it in favor of its own appraisal.

Keep in mind that these evaluations are somewhat subjective, so there can be negotiation over the settlement amount if the amount of your appraisal differs from that of the insurance company.

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