

Consumer's Guide to
Auto Insurance



**Choosing and using your
auto insurance coverage**



Office of the Washington State Insurance Commissioner

Message from the Insurance Commissioner:

Auto insurance is one of the most personal kinds of coverage we purchase. Yet my office receives more complaints about auto insurance than any other single type of coverage.

While we are able to solve many of those problems, complaints too often involve discrepancies between what consumers *thought* they were purchasing and the actual coverage they receive. Therefore, it is a good idea to give some thought to your needs and how to meet them. This guide will help you learn and understand auto insurance.

The Office of the Insurance Commissioner publishes additional guides, fact sheets and other information to educate and assist consumers. Some are listed below. All are available on the OIC's Web site at: www.insurance.wa.gov under "Publications."

Also, if you need help with an insurance problem, or want to file a complaint, call our Consumer Hotline toll-free at 1-800-562-6900. We're here to help you.

Sincerely,



A full list of auto insurance fact sheets can be found on the Insurance Commissioner's Web site. Some related fact sheets are:

- ✓ *Auto Insurance Frequently Asked Questions*
- ✓ *Vehicle Total Loss*
- ✓ *Gap Insurance*
- ✓ *Insurance Decoded (A Consumer's Insurance Glossary) guide*
- ✓ *Questions and Answers on Credit Scoring*
- ✓ *How Insurance Companies Determine Auto Rates, and Suggested Tips for Consumers*
- ✓ *Mandatory Auto Insurance Law*
- ✓ *Personal Injury Protection (PIP)*
- ✓ *Subrogation & Your Rights*
- ✓ *Extended Automobile Warranties/ Service Contracts*
- ✓ *Auto Insurance Coverage for Home Health Care Workers*

**These and others are available on the Web at www.insurance.wa.gov/publications_auto.asp
Or go to www.insurance.wa.gov and click on "Publications" to view the OIC's full library of publications.
Or call 1-800-562-6900.**

This consumer guide is available online at the above address (and in alternative formats upon request.)

Understanding your auto insurance policy

Your insurance policy is actually a contract between you and the insuring company. It sets out exactly what the company agrees to do in exchange for the premium that you pay. This contract is divided into two sections: a **declarations page** and the **policy** itself.

The declarations page

This section of the policy includes basic details of the agreement. It is important that you review this page to be sure that all the information is correct and the coverages listed are what you requested. The declarations page includes:

- ✓ Name of the insurance company
- ✓ Name(s) of the policyholder(s)
- ✓ The policy number
- ✓ The policy period
- ✓ Description of the vehicle(s) insured
- ✓ Coverages purchased
- ✓ Limits of liability and deductibles purchased
- ✓ Premium charge for each coverage
- ✓ List of forms that are a part of the policy

The policy

The second part of your insurance contract is the policy itself. This includes:

- ✓ Insuring agreement
- ✓ Definitions
- ✓ When and where coverage applies
- ✓ Conditions if the vehicle is financed
- ✓ General conditions
- ✓ Mutual conditions
- ✓ Exceptions and endorsements of the policy



Tip:
Be sure to review your declarations page to verify that the types and amounts of coverage are what you intended them to be.

Types of Coverage

There are many different types of coverages available for your auto insurance needs. Some are required and some are optional. Be sure to check the declarations page to verify that your policy includes all of the coverages that you intended. Here are brief descriptions of the available coverages.

✓ **Liability**

Covers bodily injury and damage to property that you cause to others while operating your car. This coverage is required by Washington law.

✓ **Personal injury protection**

Covers medical and hospital costs, income continuation, funeral expenses, and loss of services subject to the coverage limits.

✓ **Medical payments**

Covers medical and funeral expenses (not all companies offer this coverage).

✓ **Uninsured/underinsured motorist bodily injury**

Covers injury that an uninsured or underinsured driver causes to an insured person.

✓ **Uninsured/underinsured motorist property damage**

Covers property damage that an uninsured or underinsured driver causes to your insured vehicle.

✓ **Collision coverage**

Covers damage to your car that is caused by a collision.

✓ **Comprehensive coverage or other than collision**

Covers damage to your car -- except by collision.

✓ **Emergency road service**

Covers towing when your car breaks down.

✓ **Car rental expense**

Covers rental cost as described in your policy if you need to rent a car due to a covered claim.

✓ **Death, dismemberment and loss of sight**

Pays for death/certain injuries to persons named in the policy when due to an auto accident.

✓ **Gap coverage**

In the event that your vehicle is a total loss, it pays the gap between the market value of the vehicle and the loan payoff amount.

✓ **Custom equipment coverage**

Covers direct and accidental loss to custom furnishings or equipment.

Many companies have other endorsements available. Ask your insurance agent or broker about:

- ✓ Trailer/camper body coverage
- ✓ Limited Mexico coverage
- ✓ Auto load/lease coverage
- ✓ Snowmobile coverage
- ✓ Joint ownership coverage

Remember to check your declarations page to verify the coverage you have purchased.

Shopping for automobile insurance

Many insurers offer auto insurance in Washington. Under state law, insurers may consider your age, driving record, where you live, credit history, and many other factors in determining whether or not to offer you coverage. Not every insurer will offer you coverage. This is because different insurers strive to insure different kinds of drivers. They do this by setting “target markets” that help them select the types of drivers that they want to insure.

It is important that you understand that if one or two brokers are unable to find coverage for you, it doesn't mean that there isn't an insurer willing to cover you on a voluntary basis. No single agent or broker will have contractual relations with all auto insurers doing business in Washington. There are three segments of the auto insurance market. They are known as the:

- ✓ **Preferred market** -- This market features the lowest premiums and it is available to low-risk drivers with exceptional records.
- ✓ **Standard market** -- This market refers to the average driver who uses family-type cars and has a reasonably good driving record.
- ✓ **Non-standard market** -- This market includes younger drivers with less experience, drivers with multiple tickets or accidents, and drivers with reckless or drunk driving histories.

Most insurers offer coverage that falls into either the standard or the preferred markets. A few corporations have several companies within their group and establish tiers that range from the preferred market to the non-standard market.

While the OIC cannot recommend or suggest specific companies, we can offer tips and hints to help you shop for auto insurance. Regardless of how you shop or whose services you employ, it is important to do your homework in advance. You should:

- ✓ Know what types and limits of coverage that you need
- ✓ Ensure that you're dealing with an authorized company and a licensed agent or broker
- ✓ Make sure that you have the make, model and other details of the vehicle that you wish to insure
- ✓ Answer any questions about your driving record and accident history fully and accurately
- ✓ Shop for customer service as well as price

Anyone selling insurance in Washington must hold an agent's license. The OIC regulates nearly 85,000 licensees. Some are employed exclusively by a specific insurer, while others work independently. Agents can be found in the Yellow Pages of the telephone directory, through referrals from friends and family and via the Internet.

Insurance can be a sophisticated product, so you need to ensure that you've done your homework and shopped the market, regardless of whether you make your purchase in the traditional manner or online.

What if I can't find auto coverage?

Some drivers have difficulty obtaining insurance. This can result from a number of factors, including poor driving record, type of vehicle, claims history, experience, etc.

There are many large insurance companies or groups that write non-standard policies in this state. They include:

- ✓ Allstate
- ✓ Dairyland
- ✓ Farmers
- ✓ Financial Indemnity
- ✓ Guaranty National
- ✓ Infinity
- ✓ Leader
- ✓ Nationwide
- ✓ Progressive
- ✓ Safeco
- ✓ Viking Insurance Company of Wisconsin

For consumers whose driving records preclude them from obtaining a policy in the non-standard market, the state's assigned-risk plan is available. To qualify for this special coverage, you must:

- ✓ Be a Washington state resident or a member of the U.S. military
- ✓ Hold a valid driver's license
- ✓ Be free of any debt stemming from previous auto insurance coverage

For additional details and information, have your insurance agent or broker contact the Automobile Insurance Plan on your behalf.

The cost of auto insurance

The cost of auto insurance is a major concern to Washington's motoring public. State law requires insurance companies to submit their proposed rate increase requests to the Office of the Insurance Commissioner for review. These requests must include sufficient financial information (actuarial-based) to verify the need for the requested rate. If the OIC's rate analysts are satisfied with the provided facts, the OIC is compelled by state law to approve the request.

Insurance companies can rate all licensed drivers in the household -- including the policyholder's spouse and any other members of the household, whether or not they are related by blood. This includes live-in roommates. Thus, insurers generally base their premiums on all residents of a household.

Auto insurance rates are based on a variety of factors. Essentially, the premium you pay consists of a "base rate," plus or minus certain amounts reflecting your age, sex, marital status, driving pattern, claims history, location, credit history, as well as the make, model and year of your vehicle. While the weight given to any variable differs from company to company, the major factors are fairly universal.

Age

Statistics show that, as a group, drivers under the age of 30 have more accidents per miles driven than the general population. Thus, young drivers are charged higher rates, as are families with young drivers in the household.

Gender

Young men are involved in more accidents per miles driven than any other population group. The difference is especially pronounced for male drivers under the age of 30. Washington law allows insurance companies to charge on the basis of gender and age where the actual proof of difference in risk exists.

Marital status

Statistically, married couples have fewer accidents than single persons, and rates for married individuals reflect this difference.

Vehicle type

Generally, the more expensive your vehicle, the more you will pay for comprehensive and collision coverage. Also, because sports cars and high-performance cars tend to be involved in more accidents, cost more to repair, and are more likely to be stolen, they cost more to insure.

Location

A higher number of accidents in a populous area will raise both liability and collision premiums. Likewise, higher crime rates in urban areas can raise premiums for comprehensive coverage. The law also allows companies to base your rates on addresses (garaging territories), even though you may drive to a more urban or rural area.

Driving patterns

The more miles you drive, the higher your rates will be. A car used for a total of 7,000 miles a year would normally have lower rates than a car driven 15,000 miles in a year. The distance that you drive commuting to work represent additional miles that are added to your non-commuting, “pleasure” miles.

Driving record and claims history

Most companies apply a surcharge to drivers who have been involved in an accident or convicted of multiple traffic violations. Likewise, the more claims that you’ve had, the higher your rates are likely to be.

Credit history

Use of credit history by insurance companies is allowed under federal law (Fair Credit Reporting Act). A state law passed in 2002 limits the use of certain criteria in credit scoring. Insurance companies may use credit information to determine your level of risk before selling or renewing auto insurance (and other types of coverage). Insurers believe that there is a direct, statistical relationship between financial stability and the risk of an insurance claim being filed. Insurers may assign you an insurance score based on your credit history and use it as one factor in deciding whether to accept or decline your coverage, or determine which market you should be placed in.

How can I reduce my rates?

Here are several options for saving money on car insurance while maintaining safe levels of coverage:

Shop around

Since insurance companies are all separate businesses with unique financial goals and costs, it isn't unusual to find rate variances between companies for the exact same coverage. The cheapest insurance may not provide the degree of coverage that you need. It is a good idea to discuss this aspect of your coverage with your insurance agent and/or insurance company.

Select the right car

As mentioned earlier, the type of car that you own has a direct influence on your insurance costs. Before you purchase a car, you should check with your agent or broker to learn how the car will affect the cost of your insurance.

Select higher deductibles

Your auto insurance is affected by the level of the deductible that you select. For example, increasing your collision and comprehensive deductibles from \$100 to \$500 can produce savings.

Special discounts

Ask each agent or company what special discounts are offered. Discounts often are available to young drivers who are good students or have completed a driver's education course. Many companies will offer a discount on your auto premiums if you also insure your house through the same company. Discounts also are offered to seniors who complete the "55-Alive" program. This program is offered throughout Washington. Information about this program is available from the Washington Traffic Safety Commission, 1000 S. Cherry St., Olympia, WA 98504, Phone (360) 753-4175.

Eliminate duplication

You may have an overlap in coverage, such as medical, collision, uninsured motorist property damage. Ask your agent or broker to explain your coverage and advise you of areas of overlap.

Collision/comprehensive

If the value of your car is such that after an accident you could not afford to fix it with your own money, you may want to carry collision and comprehensive coverage. These coverages are primarily intended to protect owners of expensive and late-model automobiles against loss. Though coverage may increase rates, the cost of repair may far exceed your ability to pay the repair costs. Your lien holder may require these coverages until your loan is paid in full.

Companies differ in the skill, care and speed with which they settle customers' claims. The OIC cannot recommend one company or policy over another.

Coverage for home health care workers

If you are a health care worker or volunteer and you use your own vehicle to occasionally transport the elderly and sick for medical purposes, your coverage could be affected. Insurance contracts vary from company to company. Always check the coverage and exclusions in your insurance policy. If you still are unsure what uses are covered, contact your agent or insurance company.

Automobile extended service warranties

Although extended auto service warranties are not a part of your personal automobile policy, many buyers purchase this coverage when they buy a vehicle. Watch out! Many consumers who buy these warranties -- also called automobile service contracts -- discover later that they are very misleading and duplicate existing coverage. In addition, service contracts like this are not insurance coverage. By law, those who sell service contracts must be backed up by an insurance company. Consumers have the right to deal with the insurance company.

What happens after an accident?

Every driver involved in an accident is legally required to remain at the scene, offer aid and give necessary information to others involved and to law enforcement officers. If you're involved in an accident:

- ✓ Use all means possible to warn oncoming traffic of the danger at the scene.
- ✓ Give reasonable aid to the injured. Do not move them unless it is absolutely necessary.
- ✓ Notify the Washington State Patrol, city police or county sheriff, and request a doctor or aid unit and ambulance if needed.
- ✓ Obtain and give necessary information for the accident report, including names of witnesses and

police officers.

- ✓ And if there is an injury, death or damages in excess of \$750 to any one person's property, the WSP, city policy or county sheriff must be notified. Failure to complete a written report, when required, may result in the suspension of your driver's license or instruction permit.

It is equally important that you promptly report the incident to your insurance company. Additionally, there may be other reporting requirements specified in your insurance policy, so it is imperative that you read your policy and know what you must do to file a claim.

The following fact sheets, available on the OIC Web site, pertain to claims:

- ✓ Auto insurance frequently asked questions
- ✓ Vehicle total loss
- ✓ Subrogation and your rights

Washington State Office of the Insurance Commissioner (OIC)

Consumer Protection



Hotline

1 (800) 562-6900

How can we help you?

The Consumer Protection Hotline can help if you:

- Had a claim denied and don't know why.
- Feel an insurance company has delayed your claim.
- Feel an insurance company has treated you unfairly
- Feel an insurance company/agent has broken the law.
- Have lost coverage and want to know your rights.
- Don't understand coordination of insurance benefits.
- Have questions regarding terms/conditions of a policy.
- Can't afford health care coverage or prescription drugs.
- Need help with Medicare eligibility/enrollment.
- Don't know if your children qualify for free health insurance.
- Aren't sure how to choose and finance long-term care.
- Want to know public health coverage options (Medicare, Medicaid, etc.) or how to fill gaps in Medicare.
- Don't know why your health insurance didn't cover a service.

One toll-free call connects you to OIC Consumer Protection!

- Have an operator connect you to the right staff member *or* local counselor for your needs.
- Order any of the OIC's many publications.
- Get bilingual help.

Consumer Protection is:

Consumer Advocacy

Expert professional staff answer questions and educate you regarding problems with any kind of insurance or insurance company—**auto, life, disability, health, homeowner/tenant, or other**. We have the authority to investigate complaints against insurers and agents, provide dispute resolution, and enforce insurance law on your behalf.

www.insurance.wa.gov

*STATEWIDE HEALTH INSURANCE BENEFITS ADVISORS

SHIBA* HelpLine

Counselors/educators assist and advocate for you regarding **health insurance** and **health care/prescription access**. A state-wide volunteer network offers individual counseling and group education in **local** communities to help you understand your rights and options. We help with **private insurance** and **public programs**, policy evaluations, billings, appeals, and more.

www.insurance.wa.gov/consumers/shiba/default.asp