

California Auto Insurance Coverage Guide

What California Drivers Should Know

Provided by

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Introduction

Automobile insurance is an often misunderstood insurance product. Since the Department of Motor Vehicles (DMV) requires liability insurance in order to register and operate a vehicle, it is of great importance to purchase and to fully understand your automobile insurance policy.

This brochure will provide you with the information to answer the following questions:

- Who requires you to be financially responsible?
- What could happen if you ignore the law?
- When must you provide proof of insurance?
- Why it is all up to you?
- Where do you call if you need assistance?

This brochure provides information to help you understand the various automobile insurance coverages. It will assist you in discussing your automobile insurance needs, asking informed questions, and understanding just what your insurance company or agent/broker is suggesting when you shop for insurance.

Know Your Rights and Responsibilities

What is Automobile Insurance?

Automobile insurance is simply a contract that helps pay for certain types of financial losses or obligations resulting from the use or ownership of an automobile. To obtain this contract (insurance policy), you pay a specified amount of money called a premium. In return for the premium paid, the insurance company agrees to pay certain expenses and legal liabilities depending on the terms of the insurance policy. Having the right insurance coverage may prevent you from suffering a large financial loss in the event of an automobile accident.

What are California 's Legal Requirements for Financial Responsibility?

If you drive an automobile in California, state law dictates that you must be financially responsible for your actions. All drivers must show their ability to pay for damages or injury to others resulting from the ownership or operation of a motor vehicle.

Financial Responsibility Laws

California's Compulsory Financial Responsibility Law requires every driver and owner of a motor vehicle to be financially responsible for their actions. The statutory minimum limits of liability insurance in California are as follows:

Bodily Injury

- \$15,000 for death or injury of any one person, any one accident.
- \$30,000 for all persons in any one accident.

Property Damage

- \$5,000 for any one accident.

There are four ways to accomplish financial responsibility:

1. Coverage by a motor vehicle or automobile liability insurance policy;
2. A cash deposit of \$35,000 with the Department of Motor Vehicles (DMV);
3. A certificate of self-insurance issued by DMV to owners of fleets of more than 25 vehicles; or
4. A surety bond for \$35,000 obtained from an insurance company licensed to do business in California.

All California drivers and owners must have at least the statutory limits of minimum liability insurance or an approved alternative way to pay for injury or property damage they may cause. Penalties are very severe for non-compliance with this section of the vehicle code.

When your car is in an accident for which you are found legally liable, bodily injury (BI) liability covers your liability to others for injuries to them. Property damage (PD) liability covers your liability for damage to someone else's property.

A policy with BI of \$15,000/\$30,000 and PD of \$5,000 will pay out as follows:

- The maximum limit for one person's injuries, medical expenses is \$15,000 under the bodily injury portion;
- If two or more people are injured, the maximum limit for the accident will be \$30,000;
- The maximum limit for damage to other people's property (their car, their fence, etc.) is \$5,000.

Comprehensive coverage (other than collision), uninsured motorist, medical payments and collision insurance are not required by law.

What Could Happen If I Ignore This Law?

The most common way drivers choose to comply with the financial responsibility requirement is by purchasing an automobile liability insurance policy. If you have an accident not covered by insurance, then your license may be suspended. It is your responsibility to provide liability insurance for any vehicle you own regardless of who is operating the vehicle. It is illegal for those vehicles to be operated without meeting the requirements of this law.

New Low Cost Auto Insurance Program

Californians are now able to purchase low cost, reduced limit, automobile liability coverage. The California Low Cost Automobile Insurance Program (CLCAIP) is a pilot program which will satisfy the financial responsibility laws of the State of California. These policies are available to qualified persons residing in the counties of Los Angeles and San Francisco. Briefly, the qualifications are based primarily upon:

- Household Income
- Driving Record (accidents and violations)
- Vehicle Purchased Value

The California Automobile Assigned Risk Plan administers the program. They can be reached at 1-800-622-0954 for additional information.

Consumer Rights/Protections Related to Automobile Insurance

In November of 1988 Proposition 103 (Prop.103) was enacted into law by the voters of California. Prop. 103 provides many consumer protections related to purchasing and maintaining automobile insurance.

The following are some of the key provisions of Prop. 103 which protect your rights as an insurance consumer:

Good Driver Provision. Prop.103 established a legal definition of a "Good Driver" in this state. As defined, a Good Driver is a person who has been licensed for at least three consecutive years and has no more than one point on his or her driving record. Certain major violations may be considered for periods of seven, e.g., a DUI (Driving Under the Influence).

Every automobile insurance company licensed in California must offer coverage for Good Drivers. No insurer can refuse to offer coverage if you qualify as a Good Driver. If you are a Good Driver and you are denied the opportunity to buy insurance from the company of your choice, then call the California Department of Insurance for assistance. Also, it is important to note that your rates as a Good Driver must be at least 20% lower than a non-Good Driver's rates would be at the same insurance company.

Cancellation/Nonrenewal Provisions. Prop.103 established new criteria which determine an insurer's ability to cancel or non-renew your policy. There are only three reasons an automobile policy can be canceled/non-renewed once it is issued:

1. Fraud/material misrepresentation;
2. Non-payment of premium; or
3. Substantial increase in the hazard insured against.

Note: *In relation to a cancellation for nonpayment of premium, your insurer must provide you with 10-day written notice after the payment due date before the insurer can effectively cancel the policy. This gives you an opportunity to pay the past due premium and keep the policy in force or to secure other insurance.*

Determination of Rates. Prop.103 established uniform guidelines upon which your auto rates would be determined. The primary factors are as follows:

- The operator's driving safety record;
- The number of miles driven annually;
- The number of years of driving experience.

There are 16 secondary rating factors which may be used in any combination to determine your specific rates and calculate your individual premium based on an insurance company's filing with the California Department of Insurance (CDI). The secondary factors must not be weighted as heavily as the primary factors in the rate premium calculation. These secondary rating factors may include marital status, frequency and severity of claims in the geographic area where your car is garaged, gender, vehicle type, etc.

When Must You Show Proof of Insurance?

The Legislature passed a law requiring motorists to produce proof of insurance before the Department of Motor Vehicles renews vehicle registration. The new legislation also requires motorists to display proof of insurance when they are stopped by a police officer for traffic violations. Drivers who can't do so may be subject to fines and other penalties.

What Happens If I Don't Carry Insurance? In California, driving without insurance is a serious offense. Failure to show proof of insurance when requested may result in fines or a suspended license. Remember, driving is a privilege ... not a right. If you are stopped by a police officer and asked for proof of insurance and you can't produce it, you may receive a citation. You can have the ticket nullified by showing proof of insurance in court. You could, however, be assessed an administrative fee for expenses.

What Are the Penalties for Driving Without Liability Insurance? Judges can impound the vehicles of frequent, flagrant violators. If you provide false evidence of insurance coverage and your driver's license is suspended, the suspension cannot be lifted until you demonstrate genuine proof of insurance.

How Do I Prove I Have Insurance? Your insurance company will send you a proof of insurance card listing the covered automobiles and drivers and showing the policy number and expiration date. Your policy or a temporary binder also is acceptable evidence of insurance.

When Must I Show Proof of Financial Responsibility? Proof of financial responsibility must be shown when you:

- Are asked for it by a law enforcement officer;
- Have an accident,
- Register your car or renew its registration, or
- Get your car inspected.

Why Is It All Up to Me?

It is not the responsibility of the company or agent/broker to determine either the type or amount of coverages you need. You and the agent/broker should have an open exchange about the coverages that are available so that you can determine what best fits your needs. The time to discover that you do not have the necessary coverage is before you are involved in an accident, not after.

Now that you know what the California Law requires, you should determine whether you need coverage above the legal minimum in order to protect your assets. "How much is this going to cost me?" should not be the only question in deciding how much insurance you need. There are a variety of options regarding types of coverage and policy limits so you should shop carefully.

Ask yourself: Do I need higher limits? Since you may be personally responsible for damages above the policy limits, you should consider purchasing liability insurance with higher limits than the minimum required by law. With the increased cost of hospital stays, medical care, and car repair, it may be well worth considering the extra premium to purchase higher limits of coverage.

What Other Coverages are Available?

Insurance companies must offer the following coverage with every automobile policy:

- ***Uninsured /Underinsured Motorist***

Provides liability insurance when the party at fault does not have the state required minimum liability coverage, or the minimum liability coverage is insufficient to cover the injuries sustained in the accident. Likewise, uninsured motorist property damage covers possible reimbursement for damages your car sustains (BI and PD).

Most insurance companies will also offer the following optional coverages:

- ***Medical Payments***

Provides for the payment of medical and similar expenses without regard for liability.

- ***Physical Damage*** (collision and comprehensive):

Neither of these cover mechanical breakdown or normal wear and tear. Collision covers damage to your vehicle caused by collision with another vehicle or with any other object, regardless of fault. Collision insurance covers vehicle upset (overturn), but does not cover bodily injury or property damage liability. Comprehensive coverage covers damage to your car caused by reason other than collision, such as fire, theft, windstorm, flood, vandalism, etc.

- ***Endorsements/Riders***

Special equipment (i.e. after-market additions such as premium stereos, tires, and other misc. equipment), towing, and rental reimbursement.

Helpful Hints

What Information Do I Need to Have Ready When I get a Quote?

You need to know what coverages you want, what limits of liability you require, and what deductibles you desire. Also, you need to have the following basic information available on all drivers in your household:

1. All drivers' names, ages, sex, and marital status;
2. Driving record (accidents and moving violations);
3. Annual mileage; and
4. The following information on all cars:
 - full vehicle identification number
 - year of vehicle
 - cost of vehicle
 - special equipment

What Else Should I Keep in Mind?

- Inquire about discounts (such as multi-car, airbags, anti-theft device, etc.) and/or surcharges the company applies. All companies will not offer the same type of plans, nor have the same underwriting rules (eligibility/acceptability guidelines). Therefore, it is critical to ask for this information.
- Make sure you know the length of the policy term. This can be one month, six months (semi-annual) or one year (annual), depending on the insurance company.
- Many companies have their own payment (installment) plans which allow you to pay the premium over a period of time for a service fee. If you decide to buy a policy on an installment plan, find out the applicable finance or service charges. If you use a premium finance company to pay for your insurance, the monthly payments may be easier, but the total of payments will be larger. Moreover, if the policy is cancelled, the insurance company must remit all return premiums to the finance company, who will apply them to your account.
- Check to see if you are responsible for paying any up front fees. Sometimes insurance companies charge policy issuance fees. Once the policy is issued, this fee is generally fully earned. If the policy is canceled later, the fee will not be returned.
- Ask about higher deductibles. By requesting higher deductibles on comprehensive and collision coverage, you can lower your costs. However, remember that the deductible you choose is what you are responsible for paying up front in the event you file a claim against your automobile insurance policy.
- Should you drop comprehensive and/or collision coverage on an older car? It may not be cost-effective to have comprehensive or collision coverage on cars worth less than \$1,000 because any claim you make would not substantially exceed the annual premium cost and deductible amounts.
- A broker's fee must be agreed upon in advance. If you choose a broker to place your coverage, ask about the broker's fees. These fees should be disclosed and agreed upon before finalizing the insurance transaction. Remember, broker's fees are in writing, not filed with the state, and are fully negotiable. If the policy is canceled for any reason, the broker's fee is generally not refunded.
- Review the territorial provisions of your policy with respect to driving in Canada and Mexico. Generally, Mexico does not recognize liability insurance issued in California. If you are involved in an accident in Mexico, you are subject to Mexican legal requirements. Therefore, it is strongly recommended that Mexican insurance be purchased prior to entering that country. Some California issued policies do extend limited physical damage (comprehensive and collision) coverage on vehicles for a limited distance while operating in Mexico.

- Most automobile insurance policies provide coverage for other licensed drivers to drive your vehicle on an occasional basis. As coverage can extend differently to you as compared with an occasional driver, it is critical to read and understand your policy terms and provisions before allowing others to drive your vehicle. Check with your agent/broker or company for the details. It is a common practice for insurance companies to exclude a driver from your policy for a variety of legitimate reasons under the law. Such driver exclusions must be stated in the policy or by endorsement. Your coverage is not valid while a specifically excluded driver is allowed to drive your vehicle. Be aware of all policy driver restrictions.
- If you anticipate acquiring a new, replacement, or additional vehicle, contact your agent/broker or company prior to taking possession. It is necessary to determine what coverage will be extended and what coverage will have to be added to your existing policy. If the new vehicle is financed, also check with the lender for their insurance requirements.
- When renting a vehicle, the automobile rental companies hold the renter responsible under the rental agreement for damage to their vehicle. They normally offer a Damage Waiver at an additional cost. This is not insurance, but a contractual agreement between the renter and rental company. Therefore, if a waiver is not purchased, review your own automobile policy to determine if any extension of coverage applies. Also, determine how the liability coverage afforded by your policy applies in the event you are at fault in an accident with the rented vehicle.
- Personal effects and equipment such as cellular telephones, compact discs, tape players, and recorders that are not permanently installed in the vehicle by the manufacturer generally are not covered, unless specifically declared and added to the policy.

Why Should I Shop Around for Automobile Insurance?

Under California's premium rating law, each insurance company is allowed to calculate its own rates based on its past loss experience and expenses. Since each company's experience will differ, even within the same geographic area, the rates will therefore differ. By calling several companies, or brokers/agents for a rate comparison, you can potentially save money. You will then be able to choose the company with the best available price and coverage to suit your individual needs. There are many sources you can contact to evaluate policies and premiums. Your local telephone directory and the Internet can provide names and telephone numbers for the following organizations:

- Independent insurance brokers/agents;
- Company agents who represent one company;
- Direct writers: insurance companies that sell direct to the public;
- Web sites.

It is important to get quotes from different companies. You may not realize it, but the insurance rates you pay for your car can vary dramatically depending on the insurance company you choose. You should always compare before deciding on a policy.

What If I Can 't Find a Company That Will Insure Me?

Some insurance companies specialize in the non-standard auto market for what they consider to be high-risk drivers. Should you decide to buy in one of these markets, be sure to shop carefully because eligibility requirements and rates vary.

If you can't find a company that will insure you, you can get liability coverage through the California Automobile Assigned Risk Plan (CAARP). This plan is designed for drivers who do not qualify as good drivers and are unsuccessful in obtaining insurance from non-standard or approved surplus lines insurance companies. To apply for the plan, find a CAARP certified insurance agent or call CAARP direct.

The plan works by taking your application and assigning it to an insurance company. All insurance companies licensed in the state must accept CAARP applicants. The amount of CAARP assignments is based on insurance company market share. The more automobile policies an insurance company issues, the larger the portion of CAARP assignments they are required to take.

The rates used by the plan are the same no matter what insurance company issues the policy. The plan also offers installment options. After three years with a clean driving record, consumers underwritten through CAARP can move from the program to a standard lines insurance company. No broker's fee can be charged in connection with a CAARP policy.

Available Coverages on Most California Automobile Policies

Types of Coverage	Pays For
Liability Bodily Injury Property Damage	Your responsibility to pay for medical, death and hospital expenses including cost of repairs to other party's vehicle or property
Uninsured/Underinsured Motorist Bodily Injury	Provides coverage for a policyholder involved in a collision with a driver who does not have liability insurance or who does not

	have sufficient liability limits to pay for damages
Uninsured Motorist Property Damage	Cost of repairs to your vehicle not covered by collision insurance, subject to a limit of \$3,500. UMPD coverage pays for the property damage to your car when there is a collision with an identified uninsured driver.
Medical Payments	Medical expense incurred without question of legal liability
Comprehensive Physical Damage other than Collision	Cost of repairs or the fair market value of the vehicle
Collision	Cost of repairs or the fair market value of the vehicle
Rental Reimbursement Daily limit and number of days subject to policy terms	Cost of a rental car while your vehicle is being repaired under coverage afforded by the policy
Towing	Reasonable and necessary towing and labor cost subject to policy terms

Covers	
Covers	Required
The insured's legal liability for bodily injury and property damage arising from ownership or use of the insured vehicle	Yes, by California Department of Motor Vehicle Code
The other party's legal liability to you for bodily injury arising from the negligent operation of their uninsured vehicle	No, but every automobile insurance company must offer uninsured motorist coverage, and they are required to have a signed waiver on file if the coverage is rejected
The other party's legal liability for property damage arising from the negligent operation of their uninsured vehicle	No, but every automobile insurance company must offer uninsured motorist coverage, and they are

	required to have a signed waiver on file if the coverage is rejected
All the occupants of your vehicle	No
The insured vehicle subject to the deductible	Yes, by lenders and leasing companies
The insured vehicle subject to the deductible	Yes, by lenders and leasing companies
Named Insured	No
Named Insured	No

Accidents/Claims Information

So You've Had an Automobile Accident

As difficult as it may seem, it is important to remain as calm as possible after experiencing an accident. If someone is hurt, contact the paramedics and the police. It is always a good idea to call the police from the scene of an accident. Each police jurisdiction has different criteria for police reports. If the police decide not to come to the scene of the accident, then ask for direction on filing a report at the station. With or without a police report, it is your responsibility to gather as much pertinent information about the accident as possible.

Try to gather the following information: take down the license plate number of all vehicles involved; try to get complete names, addresses, phone numbers, and drivers license numbers of all other drivers, along with the registered owner's name for each vehicle; see if there were any witnesses, as they could be very important later should there be a question as to which driver was at fault; obtain the complete names, addresses, and phone numbers of each witness; and always carry a pen or pencil, and a notepad in the glove compartment, so you will always be prepared in the case of an accident. (Contact the CDI for a copy of the brochure, "So You've Had an Automobile Accident, What's Next?")

What 's Next?

When you are involved in an accident, you need to contact your insurance agent/broker or company directly and report the accident. A claim number and claims adjuster will be assigned to you. The driver should give a complete, detailed accident report, including any witness information. As part of the investigation, other drivers and witnesses will be contacted. If you have medical or uninsured motorist claims, then you will be required to provide documentation as to your injuries, medical expenses, and lost wages. Ask questions if there is anything you don't understand or with which you don't agree. The adjuster should be able to address your questions and concerns.

The Fair Claims Settlement Practices Regulations require that insurers acknowledge receipt of your claim within 15 days. Upon receiving proof of claim, every insurer shall immediately, but in no event more than 40 days, conduct an investigation and either accept or deny the claim in whole or in part. When settlement is reached, the insurer has up to 30 days to make payment.

If the investigation takes longer than 40 days, then insurer must notify you in writing that additional time is needed, and issue a written claim status every 30 days thereafter. A denial must contain a statement listing all basis for such rejection.

When you make a claim for damages to your automobile, the insurance company will decide whether to repair your vehicle or declare it a total loss. Generally, if the cost to repair your vehicle is higher than the fair market value of the vehicle, the company will declare it a total loss. Read your policy carefully to determine when your company can declare your automobile a total loss.

If the insurance company decides your vehicle is to be repaired, then the insurer must give you a copy of the estimate to repair. If you obtain an estimate which exceeds the insurer's estimate, then the insurer must reasonably adjust any written estimates or furnish you the name of at least one repair shop which will complete the repairs for the amount of the insurance company's written estimate. Betterment or depreciation may be assessed against the settlement amount, but it must accurately reflect the value of such deductions. An example of betterment would be the company painting your entire vehicle due to old oxidized paint, when only the front fender of the vehicle was damaged. A new paint job puts you in a better condition than you were before the accident occurred.

If your vehicle is declared a total loss, then the insurance company must replace it with a comparable vehicle or pay the actual cash value of your vehicle. The actual cash value of a vehicle is the fair market price of the vehicle if it was offered for sale in your local area. The amount of the settlement must include sales tax and license fees. If you are not advised at the time of settlement where a comparable vehicle can be purchased, and you are unable to locate one on your own within 35 days after receiving the claim payment, then you need to notify the insurer. The insurer must then re-open the claims file and make further efforts to adjust your loss.

The insurer also has the responsibility to determine which driver is at fault. Under the law, if you are found to be 51% or more at fault, and there is a total of \$500 (\$750 as of 1/1/03) in property damage, or if there are any injuries, you will be assessed a surcharge. This means there will be an increase in your premium for the next 36-month period.

Auto Body Repair Shops

Under California insurance Code §758.5 an insurance company cannot require that an automobile be repaired at a specific repair shop. However, an insurance company can recommend that an automobile be repaired at a specific repair shop under the following conditions outlined by law:

- The consumer specifically requests a recommendation from the insurance company to a repair shop.
- The consumer has been informed in writing of the right to select a repair shop of his or her choice.
- If the consumer agrees to use the recommended repair shop, the insurance company must restore the damaged vehicle to its condition prior to the accident or loss with no additional cost other than as stated in the policy or as otherwise allowed by law.
- If the company makes an oral recommendation to a repair shop, and it is accepted by the consumer, then the company must follow the oral recommendation with the prescribed written notice within five calendar days as specified by law.

If the vehicle is repaired in a shop chosen by the consumer, then the insurance company must pay the reasonable costs to repair the vehicle in a workmanlike manner. The insurance company is prohibited from limiting or discounting reasonable repair costs based on charges that would have occurred if the vehicle had been repaired at the company's recommended repair shop. Also, the insurance company must stand behind the repairs of the recommended shop if the vehicle is not repaired properly.

Auto Replacement Parts

In some cases an auto repair may include replacement of damaged parts with after-market parts. After-market parts are parts which are not made by the original manufacturer. After-market parts may be equal, better, or worse in quality than original equipment manufacturer parts. Although non-original equipment manufactured replacement parts can be used to repair your vehicle, any such part must be comparable to original equipment manufactured parts in terms of kind, quality, safety, fit, and performance. Consumers should take note of the following:

- An auto repair shop is required to provide a written repair estimate of the cost of repairs prior to initiating repairs to the vehicle. Once the work is completed, the shop must then provide a written repair invoice. State law requires that the type of auto parts used in repairs must be identified on the repair invoice. Consumers should carefully check their invoice to ensure that the auto body shop has identified each auto part replaced as being used, reconditioned, rebuilt, an original equipment manufactured part, or an after-market part.

If you feel the company is not responsive to you, or there is an unreasonable delay in settling your claim, then please contact the Department of Insurance.

Your Rights Under the Fair Claims Settlement Practices Regulations

In general, insurance companies are required to do the following:

- Advise you of all benefits, coverage, time limits or other provisions of your insurance policy.
- Acknowledge your claim, start the investigation, provide forms and instructions, and provide reasonable assistance immediately but in no event later than 15 days after receiving notice of claim. Notice of claim is any written or oral communication to the insurance company which reasonably apprises the insurer that you wish to make a claim.
- Respond to communications received from you immediately, but in no event later than 15 days.
- Accept or deny your claim immediately, but in no event later than 40 days after receiving proof of claim. Proof of claim is documentation in your possession which provides any evidence of the claim and supports the magnitude or the amount of the loss. Estimates of repair, a police report indicating damages of theft, and photographs of actual physical damage, are all examples of proof of claim documentation.
- Pay reasonable towing expenses. If the insurer has provided the name of a specific towing company, and you use another towing facility, this may jeopardize any towing reimbursement.
- Offer a fair settlement. If you suffer a total loss, then the settlement must include taxes, license, and transfer fees. The settlement must reflect the value of a comparable vehicle of like kind, condition, and quality. If you retain the salvage vehicle, then the deductions from the settlement for salvage must be fair, measurable, and discernible.
- Pay the claim immediately once it has been accepted, but in no event later than 30 days from the date settlement was reached.
- Advise you whether or not they will pursue their subrogation rights. Subrogation is a special unit within an insurance company which attempts to gain reimbursement from other insurance companies when you are determined to be not at fault. If the insurance company pursues subrogation they must include your deductible, unless you have recovered your deductible already.
- Provide reasonable notice that the company will cease paying for storage (if vehicle is stored as result of an accident).

The above represents a paraphrased overview of some of the Fair Claims Settlement Practices Regulations effective 5/10/97. You may view a complete copy of the Regulations by visiting our CDI Web site located at www.insurance.ca.gov.

Automobile Insurance Fraud

Red Flags

Automobile insurance fraud in California has historically taken several forms. The most common fraud schemes involve automobile property and automobile accidents.

Automobile Property - This type of fraud most often involves dishonest auto body and repair shops and/or insureds who may employ a variety of illegal or questionable techniques including:

- Reporting parts of vehicles as damaged or lost when in fact they were not damaged or lost prior to the shop receiving the vehicle.
- Making final cost in excess of the original estimate of damage.
- Billing for repairs that were not authorized.
- Charging for genuine parts when after-market or used parts from junkyard were used.
- Pounding out dents or using bondo when charging for brand new auto parts.
- Falsely reporting stolen vehicles or vandalism of vehicles in order to collect insurance monies.

It is always very important for the consumer to review carefully all paper work from auto body and repair shops in order to protect against potential fraud. Also, consumers should be cautious of any auto body or repair facility that makes referrals to medical or legal offices. This practice may be an indicator of "capping." Capping (a felony in California) is the illegal referral of clients to legal offices for a fee.

Before You Sign on the Dotted Line...

Tips to keep in mind when you are ready to buy insurance

- Provide the drivers license numbers for all drivers in the household.
- Have vehicle registration numbers available for all vehicles in the household.
- Furnish updated driver safety records for all drivers in the household, including past accident and claim information.
- Put together insurance information in order to compare coverages, provide names of insurance companies, and give policy numbers. Ask if a broker's fee is included or if one will be charged.
- Be prepared to pay the premium in full, make a down payment, or arrange premium financing.
- Do not sign blank documents or documents you do not understand.

- Keep notes of the conversation for your records. Mark down who you talked to and what was said.
- Provide complete, accurate information.
- Find out the complete name of the underwriting insurance company in which your coverage is to be placed.
- Ask for copies of all documents for your records before you leave the office.

It is very important to be familiar with your automobile insurance policy before you need it. Read the policy thoroughly so you know what is covered and what is excluded. Call your company or agent/broker if you don't understand any item in your policy. If you feel you have been treated unfairly by an agent/broker or a company when purchasing insurance, then contact us.

Insurance Terms

Terms Commonly Used in Private Passenger Automobile Policies

Actual Cash Value (ACV) - Unless otherwise defined in the policy, Actual Cash Value is defined in California as fair market value. The fair market value of an item is the amount at which a knowledgeable buyer (under no unusual pressure) would be willing to buy, and a knowledgeable seller (under no unusual pressure) would be willing to sell.

Adjuster - A person who evaluates the damage caused by an accident or other covered loss and determines the amount to be paid.

Agent - A person authorized, by and on behalf of an insurer, to sell and service insurance policies.

Assigned Risk - A risk which is not ordinarily acceptable to insurers and is, assigned to an insurer participating in an assigned risk pool or plan. Each participating company agrees to accept its share of these risks.

Automobile Insurance - A type of insurance which protects the insured against losses involving automobiles. Different coverages can be purchased depending on the needs and wants of the insured, e.g., the liability coverages of Bodily Injury Liability, Property Damage Liability, and Medical Payments; and the physical damage coverages of Comprehensive and Collision.

Binder - A temporary or preliminary agreement which provides coverage until a policy can be issued/delivered.

Broker - A person who for payment of a fee (paid by you) procures insurance on your behalf.

Cancellation - The termination of an insurance policy before its normal expiration date.

Commission - That portion of the premium paid to the agent as compensation for his or her services.

Collision - Pays for damage to your car caused by a collision with another vehicle or with any other object, regardless who was at fault.

Commissioner of Insurance - The title of the head of most state insurance departments. In some states, the Director or Superintendent of Insurance is used instead.

Comparative Negligence - The percentage of fault shared by each driver in an accident in which both contribute to causing the collision.

Comprehensive Coverage - Pays for damage to your car caused by reason other than collision, such as fire, theft, windstorm, flood, etc.

Claim - Notice to an insurer of a loss that under the terms and conditions of a policy may be covered.

The Declarations (Dec) Page - The front page of your policy is called the Declarations page. It contains useful information such as:

- the exact name of your insurance company
- the policy number
- your coverages and premiums
- your deductibles, if applicable
- the vehicles insured, their identification numbers, and the classifications for rating purposes.

Deductible - The amount of the loss which the insured is responsible to pay before benefits from the insurance policy are payable. You may choose a higher deductible to lower your premium.

Exclusion - A contractual provision in an insurance policy that denies coverage for certain perils, persons, property, or locations.

Insured - The person(s) entitled to coverage in case of an accident or loss.

Insurer - The insurance company providing the insurance.

Liability Insurance - Coverage for a policyholder's legal liability resulting from injuries to other persons or damage to their property.

Limits - The maximum amount of benefits the insurance company agrees to pay in the event of a loss.

Medical Payments Coverage - Covers the medical costs (up to the specified limit you choose) resulting from an auto accident for you, your family, and others in your car. It pays regardless of fault.

Nonrenewal - The termination of an insurance policy at its normal expiration date.

Policy - Written contract of insurance.

Premium - The money paid for an insurance policy based upon the coverage provided.

Premium Finance Company - A lending institution that finances insurance premiums for a fee.

Private Passenger Automobile - Four-wheeled motor vehicles of the private passenger, station wagon, or van type. Private passenger automobiles are designed for use on public highways and subject to motor vehicle registration.

Producer - A term applied to an agent, solicitor or other person who sells insurance.

Quote - An estimate of the cost of insurance based on information supplied to the insurance company.

Replacement Cost - Replacement cost is the cost of replacing lost or damaged property with new property of like kind and quality, at current market prices.

Salvage - Property taken over by an insurer to reduce its loss.

Subrogation - The process in which an insurance company, after paying a loss to its insured, recovers the amount of the loss for damages (plus the insured's deductible) from the legally liable party.

Surcharge - An extra charge applied to the premium by the insurer, usually for at fault accidents or moving violations.

Underinsured Motorist Coverage - Pays for bodily injury or wrongful death caused by an underinsured motor vehicle (that is, a vehicle which is insured, but at an amount that is less than your uninsured motorist bodily injury (UMBI) limits).

Uninsured Motorist Coverage (UMC) - Provides coverage for a policyholder involved in a collision with a driver who does not have liability insurance. UMC comes in two parts:

- UMBI and uninsured motorist property damage (UMPD). UMBI coverage pays for injuries to you or any person in your car when there is a collision with an uninsured driver.
- UMPD coverage pays for the property damage to your car when there is a collision with an identified uninsured driver.

Where to Call When You Need Assistance

Automobile Insurance Resources

California Low Cost Automobile Insurance Program

For more information about this state-sponsored plan for low-income drivers, call **(800) 622-0954**

California Automobile Assigned Risk Plan (CAARP)

For more information about the State's insurance plan for high-risk drivers, call **(800) 622-0954**

Web Sites

Independent Insurance Agents of America

For information on auto insurance and where to find an independent agent near you, access their Web site at www.iaaa.com

Insurance Information Institute

For information about auto insurance and links to other sites related to auto insurance, access their Web site at www.iii.org

California Department of Insurance

For information to help consumers on complaints or on the purchase of automobile insurance, access our Web site at www.insurance.ca.gov

Disclaimer

We are required by law to disclose the following:

1. This brochure is for informational purposes only.
2. The actual terms of an insurance policy and related law prevail over the information provided in this brochure.
3. In the case of a dispute, the insurance policy is controlling and a court of law will rely on the policy as it is written to resolve the dispute.
4. The policy is the only document that describes what the insurance company will pay.
5. The information contained in this brochure does not create rights or obligations on the part of the insured, the insurer, the agent, the broker, or the state.
6. This brochure is not intended to be a substitute for the actual insurance policy