

Chapter One: Auto Insurance

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Auto Insurance: An Overview

Auto insurance is a contract between a policyholder and an insurance company. This contract states that the policyholder agrees to pay a premium while the insurer agrees to pay losses covered by the policy.

The policy contract generally consists of six sections explaining coverage: declarations, coverages, supplemental payments, definitions, exclusions and conditions.

1. Declarations: The declarations section serves to personalize the policy by listing the pertinent information described in the policy, including the insured's name and address, the policy number, the type of policy, dollar limitations on various types of coverage, descriptions of vehicles covered, deductibles, policy dates indicating the time period in which coverage is provided, any endorsements that modify the basic coverages and, if applicable, the names of any other organization or person to whom payment is to be made in the event of a loss (e.g., bank with loan).

2. Coverages: Each automobile insurance policy provides several types of coverage, and each, when purchased, has a specific function.

Common coverages include:

Bodily Injury Liability – This protects a policyholder, up to the dollar amount stated in your policy, against the financial consequences of a loss arising from injury to someone from an automobile accident for which the policyholder is legally to blame.

Defense costs are in addition to the limits of liability.

Property Damage Liability – This coverage is similar to bodily injury liability coverage, except that it protects a policyholder against a claim for damage to another automobile or other property, in an accident for which they are legally liable. The protection is again up to the amount of insurance the policyholder purchases. Defense costs are in addition to the limits of liability.

Medical Payments – Medical pays for medical or funeral expenses, up to the amount of insurance you purchase, for the insured and others injured or killed while riding in the car, no matter who caused the accident. It also covers the policyholder and resident members of their family if struck by a car as a pedestrian or if riding in another car.

Uninsured Motorists (UM) – UM coverage provides injury coverage to the insured driver, resident members of their family and passengers, up to the policy limits, when involved in an accident caused by the owner or operator of an uninsured vehicle or a "hit-skip." The named insured and family members are also covered if they are pedestrians and struck by a UM vehicle.

Underinsured Motorists (UIM) – UIM provides injury coverage to the insured driver, resident members of



Auto Insurance: An Overview

their family and passengers, up to the policy limits, when involved in an accident when the at-fault driver's policy limits are less than your UIM limit.

Uninsured Motorists Property Damage (UMPD) – This type provides coverage for an insured's vehicle if involved in an accident with a negligent uninsured motorist. Insurance companies are required to offer UMPD unless the insured motorist requests otherwise. The coverage amount is normally \$10,000 and includes no deductible in most cases.

Collision – This coverage pays for damage to the policyholder's car caused by impact with another object or an overturn, irrespective of fault. The collision coverage usually includes a deductible. This means the policyholder pays the first \$100, \$200 or so for repairs to the car and the company pays the rest.

Other Than Collision – This is a catch-all coverage that pays an insured for damage to their car caused by something other than collision or upset. Perils covered under "other than collision" may include fire, theft, missiles, falling objects, larceny, explosion or earthquake, tornadoes and windstorms, hail, water, flood, malicious mischief, vandalism, riot, civil commotion and contact with a bird or animal.

"Other than collision" is also available with deductibles. It is also known as "comprehensive" insurance coverage.

3. Supplemental Payments: This provides for payment over the limits of liability noted in your policy for expenses incurred by the insurance company, all costs taxed against you in a court suit, attorney's fees, bail bonds (up to a certain amount) and related costs. It also covers reasonable expenses you incur at the request of the company.

4. Definitions: This section of the insurance policy defines the various terms used in the policy. It explains such terms as who is covered by the contract and what the company describes as the "covered auto."

5. Exclusions: Exclusions clarify the intent of the insurance policy by explaining the situations in which the policy will not cover you or the insured vehicle. Consumers may be able to "buy back" coverage for certain exclusions by adding endorsements to the policy. Policyholders should pay special attention to this section and should be aware that the policy does not cover all things under all circumstances.

6. Conditions: This section establishes the conditions that must be present or complied with by the company and/or the insured. Examples of conditions include time-period restrictions, duties in the event of a claim, proof of loss, cancellations, etc.



Auto Insurance Options in Indiana

DRIVER DISCOUNTS

Most insurance companies offer auto insurance discounts. Below are some of the potential discounts drivers may be able to take advantage of.

- **Anti-theft device discount:** Available from most companies to auto-owners whose vehicles are equipped with alarms or disabling devices that reduce exposure to theft.
- **Completion of a state-approved senior driver defensive course:** Senior drivers 60 and older can obtain a discount by completing an accident prevention course.
- **Commuter or carpools:** Drivers who drive just a few miles to take public transportation to work or carpool, may ask if a mileage discount is available.
- **Driver training discount:** For young drivers who have completed driver training courses.
- **Good student discount:** Limited to high school or full-time college students, and is usually contingent on maintaining a B or better grade average. Discounts could range from 5-25 percent.

Discount myth:
The color of your vehicle contributes to your rate.

Fact:
Companies do not ask the color of your car, nor do they use that factor to determine rates. However a 2003 University of Auckland (New Zealand) study found brown cars were the most dangerous, and silver cars the least.

- **Multi-car discount:** Usually available to those who insure two or more cars with the same company.

- **Multiple policy discount:** Available from some companies to individuals carrying more than one policy (i.e., auto, home, life and/or health) with the same company. Savings could be in the 15-20 percent range.

- **Resident student discount:** Offered by some companies to an insured whose family includes a resident student without a car at a college more than 100 miles from home. A premium reduction might also be available to those taking a car, depending on the college location.

- **Safety feature discount:** Available from most companies to drivers of cars with airbags and/or anti-lock breaks (ABS). Some companies have discontinued ABS discounts because of a lack of evidence showing ABS reduces claims.

AUTO INSURANCE OPTIONS IN INDIANA

There are three avenues available for auto insurance in Indiana:

Voluntary standard market insurance is obtained at competitive rates through a selected insurance company without state assistance.

Due to the competitive nature of writing voluntary standard insurance within the state, it is advisable to compare the rates and services of various companies and agencies prior to purchasing insurance.

Voluntary nonstandard market: insurance is obtained through a selected insurance company, but with a higher premium based on one's driving record.

Nonstandard markets were developed because of the need to fairly assess policyholders based on their driving records. Since insurance is essentially a pooling device for policyholders to share in the losses of a few, all would pay more for insurance if separate risk categories were not established.

Involuntary residual market insurance is a state plan that provides liability coverage for those who have difficulty purchasing insurance through the voluntary standard and nonstandard markets.

Each state and the District of Columbia offers involuntary high risk insurance plans. In states where rates are held down artificially through legislation, many more drivers are insured through the involuntary market. Premiums in the involuntary residual market start about 35 to 50 percent above the base rates for drivers in the voluntary market. The worse the driving record, the higher the rates.

Financial Responsibility in Indiana

All states have financial responsibility laws that require a motorist to show evidence of his or her ability to pay for damages arising out of an automobile accident. Usually such evidence of ability to pay is through automobile liability insurance. Proof most commonly must be shown at the time of registration, at the time of an accident and/or be kept at all times in a vehicle. In Indiana, a person who violates this law is subject to a 90-day suspension of the person's drivers license and a \$150 reinstatement fee.

Financial responsibility limits are divided into three areas and are often listed as follows: \$25,000/\$50,000/\$10,000. The first two numbers refer to bodily injury limits and the third to property liability. The above example means coverage up to \$50,000 for all persons injured in an accident, subject to a limit of \$25,000 for bodily injury to or the death of one individual, and \$10,000 for the damage to or the destruction of

property in one accident. Indiana's limits are approximately average in comparison to other states in the nation. More than half of the states currently have the same, or lower limits than does Indiana.

In 2003, the Indiana General Assembly passed new legislation to increase the penalties for those found in violation of the state's financial responsibility laws. Previous Indiana law stated that first-time offenders faced a Class A infraction charge (up to a \$10,000 fine) and suspension of their driving privileges of 90 days and a \$150 fine for a license reinstatement. House Enrolled Act 1171 increased those potential charges to a Class C misdemeanor (\$500 fine and up to 60 days in jail) if they knowingly and intentionally violated the law. Also, the legislation allows courts to suspend driving privileges for a year, but requires the suspension for a year if the driver has had another conviction in the last five years.

FINANCIAL RESPONSIBILITY LIMITS BY STATE

Alabama	20/40/10	Kentucky	25/50/10	North Dakota	25/50/25
Alaska	50/100/25	Louisiana	10/20/10	Ohio	12.5/25/7.5
Arizona	15/30/10	Maine	50/100/25	Oklahoma	25/50/25
Arkansas	25/50/25	Maryland	20/40/15	Oregon	25/50/10
California	15/30/5	Massachusetts	20/40/5	Pennsylvania	15/30/5
Colorado	25/50/15	Michigan	20/40/10	Rhode Island	25/50/25
Connecticut	20/40/10	Minnesota	30/60/10	South Carolina	15/30/10
Delaware	15/30/10	Missouri	25/50/10	South Dakota	25/50/25
D.C.	25/50/10	Mississippi	25/50/25	Tennessee	25/50/10
Florida	10/20/10	Montana	25/50/10	Texas	20/40/15
Georgia	25/50/25	Nebraska	25/50/25	Utah	25/50/15
Hawaii	20/40/10	Nevada	15/30/10	Vermont	25/50/10
Idaho	25/50/15	New Hampshire	25/50/25	Virginia	25/50/20
Illinois	20/40/15	New Jersey	15/30/5	Washington	25/50/10
Indiana	25/50/10	New Mexico	25/50/10	West Virginia	20/40/10
Iowa	20/40/15	New York	25/50/10	Wisconsin	25/50/10
Kansas	25/50/10	North Carolina	30/60/25	Wyoming	25/50/20

Voluntary/Involuntary State Plans

STATE	VOLUNTARY	SHARED MARKET	TOTAL	SHARED MARKET AS A % OF TOTAL
Alabama	3,130,155	76	3,130,231	0.002%
Alaska	382,760	2,164	384,924	0.562
Arizona	3,468,815	352	3,469,167	0.010
Arkansas	1,917,998	12	1,918,010	0.001
California	21,697,745	46,687	21,744,432	0.215
Colorado	3,316,066	14	3,316,080	0.001
Connecticut	2,434,127	5,749	2,439,876	0.236
Delaware	578,529	393	578,922	0.068
D.C.	212,446	1,483	213,929	0.693
Florida	10,541,834	3,731	10,545,565	0.035
Georgia	6,253,940	83	6,254,023	0.001
Hawaii	736,306	6,948	743,254	0.935
Idaho	1,049,545	110	1,049,655	0.010
Illinois	7,649,419	4,035	7,653,454	0.053
Indiana	4,260,634	31	4,260,665	0.001
Iowa	2,280,921	63	2,280,984	0.003
Kansas	2,279,597	2,195	2,281,792	0.096
Kentucky	2,839,585	740	2,840,325	0.026
Louisiana	2,706,202	1,405	2,707,607	0.052
Maine	1,1014,623	664	1,015,287	0.065
Maryland	3,587,244	137,168	3,724,412	3.683
Massachusetts	3,885,259	269,473	4,154,732	6.486
Michigan	6,332,016	6,112	6,338,128	0.096
Minnesota	3,550,003	36	3,550,039	0.001
Mississippi	1,667,411	677	1,668,088	0.041
Missouri	3,939,562	304	3,939,866	0.008
Montana	719,429	435	719,864	0.060
Nebraska	1,440,650	49	1,440,699	0.003
Nevada	1,593,140	40	1,593,180	0.003
New Hampshire	875,161	2,635	877,796	0.300
New Jersey	5,003,987	150,906	5,154,893	2.927
New Mexico	1,293,735	427	1,294,162	0.033
New York	8,837,023	343,333	9,180,356	3.740
North Carolina	4,866,853	1,553,489	6,420,342	24.196
North Dakota	556,224	14	556,238	0.003
Ohio	7,933,866	1	7,933,867	0.000
Oklahoma	2,481,051	439	2,481,490	0.018
Oregon	2,500,444	48	2,500,492	0.002
Pennsylvania	8,367,634	62,669	8,430,303	0.743
Rhode Island	636,856	37,994	674,850	5.630
South Carolina	2,944,965	-3	2,944,962	0.000
South Dakota	627,544	34	627,578	0.005
Tennessee	3,887,105	262	3,887,367	0.007
Texas	NA	NA	NA	NA
Utah	1,463,653	8	1,463,661	0.001
Vermont	469,953	2,469	472,422	0.523
Virginia	5,648,087	12,897	5,660,984	0.228
Washington	4,133,970	11	4,133,981	0.000
West Virginia	1,258,179	779	1,258,958	0.062
Wisconsin	3,549,484	24	3,549,508	0.001
Wyoming	457,143	5	457,148	0.001
Totals	173,258,878	2,659,670	175,918,548	1.512

Source: Automobile Insurance Plans Service Office

Auto Insurance Premium Breakdown

Where the Premium Dollars Go: U.S. Auto Insurance, 2005

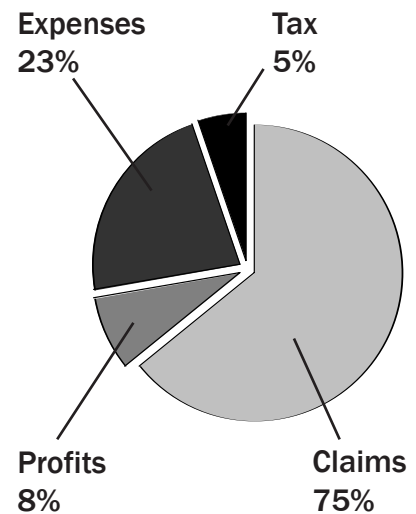
PREMIUMS EARNED:	\$100
Claims:	
<u>Payments to injured persons:</u>	
Medical	\$9
Weight loss & other economic payment	2
Pain & suffering & other noneconomic awards	5
Lawyers' fees	11
Other costs of settling claims	1
<i>Subtotal</i>	<i>\$28</i>
<u>Payments for damage to cars¹:</u>	
Property damage liability	\$16
Collision claims	16
Comprehensive claims	7
Other costs of settling claims	1
<i>Subtotal</i>	<i>\$40</i>
Total Claims	\$68
Expenses:	
Commissions & other selling expenses	\$16
General expense (costs of company operations)	5
State premium taxes, license and fees	2
Dividends to policy holders	1
Total Expenses	\$24
<u>Total Cost</u>	<u>\$92</u>
Bottom Line:	
Investment gain ²	\$6
Pre-tax income (\$100 - \$92 + \$6)	14
Federal taxes	2
<u>After-tax profit</u>	<u>\$9</u>

¹Includes theft and damage to other property, e.g., road signs.

²Includes interest, dividends, and realized capital gains.

Where the Revenue Dollar Goes, 2005

(Premiums and Investments)



Source: Insurance Information Institute estimate based on data from ISO; National Association of Insurance Commissioners (NAIC) Annual Statement Database, via Highline Data, LLC. Copyrighted information.

2004 Auto Insurance Premiums By State

State	Liability	Collision	Comprehensive	Avg. expenditure	Rank
Alabama	\$369.71	\$312.79	\$134.18	\$677.36	39
Alaska	600.28	393.56	167.96	973.61	11
Arizona	510.42	315.41	246.42	930.58	14
Arkansas	389.86	309.10	175.93	707.74	32
California (2)	483.44	358.39	115.89	832.69	20
Colorado	475.86	323.81	211.96	849.84	16
Connecticut	625.61	343.44	133.37	990.75	9
Delaware	705.74	293.66	114.56	1,022.19	8
D.C. (3)	636.94	445.38	264.50	1,184.63	2
Florida	756.04	280.92	113.68	1,062.31	6
Georgia	413.58	373.93	165.90	778.63	24
Hawaii	537.36	285.14	108.19	817.45	22
Idaho	340.32	238.77	139.78	589.82	48
Illinois	411.04	308.98	128.55	760.00	26
Indiana	376.64	271.57	125.17	670.88	40
Iowa	302.61	209.86	173.55	579.95	50
Kansas	302.07	253.99	213.99	603.47	46
Kentucky	487.49	284.98	138.47	758.00	27
Louisiana	652.19	368.20	207.71	1,062.33	5
Maine	366.08	276.36	121.27	649.63	42
Maryland	557.79	328.98	148.04	947.15	12
Massachusetts (4)	701.76	352.91	150.09	1,112.87	4
Michigan	488.18	465.34	174.64	980.32	10
Minnesota	472.41	252.17	205.48	829.33	21
Mississippi	417.82	311.93	174.15	749.03	29
Missouri	385.06	286.23	155.05	702.39	33
Montana	397.56	247.23	227.71	683.18	37
Nebraska	336.05	231.51	218.64	637.44	43
Nevada	607.48	326.78	145.06	938.69	13
New Hampshire	432.54	307.84	116.08	798.34	23
New Jersey (3), (5)	759.56	423.60	203.30	1,221.08	1
New Mexico	444.82	295.97	175.40	727.60	30
New York	803.90	347.90	172.42	1,171.62	3
North Carolina	339.33	261.75	116.01	597.02	47
North Dakota	257.59	213.72	259.82	562.45	51
Ohio	396.15	256.26	110.50	680.14	38
Oklahoma	391.81	297.20	178.78	689.89	36
Oregon	492.22	241.66	112.78	753.38	28
Pennsylvania	507.66	312.63	130.85	842.66	18
Rhode Island	690.78	376.42	131.61	1,033.84	7
South Carolina	471.77	255.78	159.95	763.35	25
South Dakota	306.00	219.98	222.05	586.96	49
Tennessee	361.08	309.11	128.49	666.22	41
Texas (6)	476.39	321.19	146.50	846.93	17
Utah	435.96	276.50	127.47	722.27	31
Vermont	365.00	306.43	134.57	692.72	35
Virginia	404.40	268.62	125.49	702.23	34
Washington	532.96	273.98	136.50	838.61	19
West Virginia	543.68	306.04	197.09	874.96	15
Wisconsin	342.66	224.86	139.20	635.59	44
Wyoming	329.50	260.38	226.29	628.77	45
United States	499.00	313.95	146.80	837.86	

Source: Insurance Information Institute



Settling An Auto Insurance Claim

You've just been involved in an automobile accident. Do you know what to do? Who should you notify? What should you expect from your insurance company? These are just a few of the questions motorists face once they've been involved in a crash. This information should assist and prepare you for certain expectations when submitting an automobile insurance claim.

Before the crash

Take the time to review your auto insurance policy and coverages. It is important that you understand what is and – more importantly – what isn't covered by insurance. If you are in doubt, simply call your insurance company or agent.

At the crash scene

Begin by checking with vehicle occupants and pedestrians in the vicinity for injuries. If medical assistance is needed, contact local law enforcement officials immediately. Cooperate with the law enforcement officials at the scene, providing them with whatever information is requested.

It is a good idea to take pictures of the damage immediately following the accident, when safety allows. If you do not carry a camera with you, use a cellular phone camera.

While waiting for law enforcement officials, do your best to obtain and document the following information:

- Accident information (date, time, location)
- Other vehicle(s) information (make, model, color, license plate number, general description of damage)
- Other driver(s) information (name, address, phone number, drivers license number, date of birth, insurance agent and company contact information—including phone number and insurance policy number, if possible)
- Vehicle owner information, if different than the driver (same information as above)
- Witness information (names, addresses, phone numbers)
- Law enforcement and medical assistance information

(obtain department name, name and badge number of attending officer; was a citation issued)

- Description of the accident, including streets. It's best to sketch a diagram, labeling cars A, B, C, etc., using arrows to indicate paths of the vehicles involved in the crash.

After the crash

It is your responsibility to contact your insurance agent or company representative as soon as possible after the crash. Provide all the necessary information gathered at the crash scene. In turn, the company should inform you of its claims procedures so you understand the process.

Keep your agent or company notified of any developments associated with the claim. For instance, if you receive legal documents from the other parties involved in the crash, provide these to your insurance company immediately.

What to expect when settling the claim

The insurance company will ask for details about the crash. This is why it's a good idea to gather as much information as possible at the crash scene. They will arrange for you to meet with a claims adjuster. This individual may ask to come to your home or business to meet with you, will request to see the vehicle and will probably ask you more details about the crash. Sometimes this step is conducted via phone.

Claims-settling tips

Track all of your expenses associated with the crash. They may be reimbursable under your auto insurance policy.

Don't have the vehicle repaired before the insurance company claims adjuster has evaluated the vehicle's damage.

Keep copies of all your paperwork for future reference.

You have the right to choose your repair shop. Your insurance company may request you to obtain written estimates from repair facilities indicating the cost of repairs. Some insurance companies won't ask for estimates, but will request you bring the damaged vehicle to their claims facility for an analysis of the damage. Also, some insurers may supply a list of auto repair shops for the purpose of saving a policyholder some time.



Tips for Saving on Auto Insurance

1. Comparison Shop

Prices for the same coverage can vary by hundreds of dollars from company to company, so it pays to shop around. Surf the net, ask your friends or call your state insurance department for ideas about companies and agents to contact. You should get at least three different quotes. But don't shop solely for the best price. The insurer you select should offer both fair prices and excellent service. Quality personal service may cost a bit more, but provides added conveniences, so talk to a number of insurers to get a feeling for the quality of their service.

2. Ask for Higher Deductibles

Deductibles represent the amount of money you pay before you make a claim. By requesting higher deductibles on collision and comprehensive (fire and theft) coverage, you can lower your costs substantially. For example, increasing your deductible from \$200 to \$500 could reduce your collision and comprehensive cost by 15 to 30 percent.

3. Drop Collision and/or Comprehensive Coverages on Older Cars

It may not be cost effective to have collision or comprehensive coverages on cars worth less than \$1,000 because any claim you make would not substantially exceed annual cost and deductible amounts. Auto dealers and banks can tell you the worth of your car.

4. Buy a “Low Profile” Car

Before you buy a new or used car, check into insurance costs. Cars that are expensive to repair, or that are favorite target for thieves, have much higher insurance costs.

5. Take Advantage of Low Mileage Discounts

Some companies offer discounts to motorists who drive fewer than a predetermined number of miles a year.

6. Consider Insurance Cost When Making a Move

Costs tend to be lowest in rural communities and highest in cities where there is more traffic congestion.

7. Find Out About Automatic Seat Belt or Airbag Discounts

You may be able to take advantage of discounts on some coverages if you have automatic seat belts and/or airbags.

8. Ask About Anti-Lock Brakes

Anti-lock brakes improve steering control and stability when a car is brought to a stop, thus reducing accidents. Some insurers have a nationwide discount in place for cars equipped with the brakes.

9. Inquire About Discounts

Some insurers offer discounts for things like no accidents in three years, drivers over 50 years of age, driver training courses, anti-theft devices, good grades for students and having more than one car insured with that company.

Source: Insurance Information Institute