



Consumer's Guide to Auto Insurance

So ... What's Stopping You from Shopping Around?

A state survey of the auto insurance market found that rates charged by different companies – for virtually the same coverage—varied by as much as 50%. This is not a new development. Still, studies say that a majority of consumers don't shop around when buying or renewing an auto insurance policy. This suggests that many people aren't taking advantage of a competitive market. Some consumers are probably happy with the policies they have. Or, they are quite satisfied with the usual people who advise them what policy to buy. But many people feel they just don't know enough about auto insurance to compare the value of one policy to another. Is that what's stopping you? If so, this guide should prove useful.

You Don't Have to Be an Insurance Expert to Make Good Buying Decisions

If you can comparison shop for things like cars, or home computers, or washing machines, or season ski passes or mountain bikes, you can handle auto insurance. Here are some things to know:

1. You can easily find a great deal of price information. You can contact different agents, and you can get price quotes directly from companies over the phone or on the Internet. Some companies offer lower rates, but some may look a little more favorably than others on an applicant's insurability, or risk factors. Insurers base the rates they charge on the amount of risk they figure they are taking to insure you. (More on cost factors, further ahead.)
2. It's important to have basic understanding of the coverages you need and want. That way when you compare prices, you are comparing apples to apples. (More on types of coverages, further ahead.)
3. Above all, don't be afraid to ask for explanations of anything you don't understand. Good agents and customer representatives should welcome your questions. If they don't, you may want to do business elsewhere.
4. Finally, cost is never the only factor in choosing a policy. Quality and convenience of service make a difference, as well as the reputations of companies and agents. Not all insurers offer the same coverage options. You want to find the best combination of service, reliability and price.

Understanding the Important Parts of An Insurance Policy

To some degree, all the parts of a policy are important. It's a legal contract, all parts of which govern your coverage. However, understanding the main components will give you a good basis to compare different policies.

Tip: If you do not read through your entire policy, the single most important thing you can do is to look over the "Declaration Page" carefully when you first receive it. That is the time to check for anything amiss. Did you get all the coverage you asked for? Did you get the right amount of coverage? Are all the drivers you designated on the policy? Most people don't discover such misunderstandings or omissions until they have a claim, at which point they may lack the coverage they thought they had.

About the Declaration Page

Often spoken of as the Dec page (pronounced like deck), this is a summary showing your coverage at a glance. The section of your policy called Coverages spells out in more detail what you are insured for. The Declaration page states the name of the insured party (called the insured) and other drivers specifically covered. It lists the types of coverages you have, the limits for each (the most an insurer will pay if you have a claim), and the premium charged (the cost of a policy for the period covered.)

Seven Main Coverages

In Vermont, an auto insurance policy is a package of seven main types of mandatory and optional coverages, each with its own premium. The sum of these premiums is the total cost of your policy. When you obtain a policy, you enter into a legal contract with an insurer to provide you the coverages specified for a determined amount of money. The seven types of coverages break out this way:

- **Mandatory for all Vermont Auto Policies:** (1) Liability; (2) Uninsured/Underinsured Motorist
- **Optional:** (3) Collision; (4) Other Than Collision (also known as Comprehensive; (5) Medical Payments; (6) Rental Reimbursement; (7) Towing and Labor

Explanations of Mandatory Coverages

Liability Coverage is designed to protect you for injuries and damages to other people and property caused by the negligent operation of your car. It protects you as the driver (operator) of the car, as well as someone who had your permission to drive the car. When purchasing liability insurance in Vermont you must buy at least the mandatory limits set by law. In insurance terminology, a limit is the maximum amount of money your policy will pay out, even if your losses are higher. The chart below shows the minimum policy limits mandated by law:

Coverage	Mandatory Coverage (minimum) Policy Limits Required By Law
For bodily injury or death per injured person (subject to the per accident limit)	\$25,000
For bodily injury or death per accident	\$50,000
For property damage per accident	\$10,000

Vermont law sets these mandatory coverages as a matter of social policy, mainly to improve the chances that a person who causes an accident has enough insurance to pay for the damage caused. On the other hand, some consider these limits insufficient protection for most people. Realistically, if you have a major financial asset to protect, such as a house, you probably ought to buy more coverage if you can afford it. Your agent or insurance company can help you assess how much coverage is wise for your circumstances.

Uninsured/Underinsured Motorist (UM/UIM) provides coverage for bodily injury to you and your passengers if you are involved in an accident caused by a driver who is uninsured or underinsured. The minimum amount of UM/UIM coverage mandated by law is shown below

Coverage	Mandatory Coverages (Minimum Policy Limits Required By Law)
For bodily injury or death per injured person (subject to the per accident limit)	\$50,000
For bodily injury or death per accident (maximum payable for more than one person)	\$100,000
For property damage per claim	\$10,000 (also the maximum you can purchase. Subject to a \$150 deductible.)

Explanations of Optional Coverages

Collision provides coverage for physical damage to your car. It generally includes a deductible, which is the amount of money you pay out of pocket toward covering the loss. Ask about the savings you might realize with a higher deductible. It can sometimes make a significant difference in the cost of your premium, especially with newer vehicles. Your collision premiums are based on the make, model and year of your car. Consider the fair market value of your car vs. the cost of collision coverage. Depending on the value of your car, perhaps you can better afford to replace it than to pay for collision coverage. (However, if your vehicle is financed, the lien holder may require you to maintain coverage.)

Other Than Collision (Also known as "Comprehensive") covers damage resulting from something other than colliding with another vehicle. There is a deductible, and with collision, you can sometimes lower your policy costs by increasing your deductible. The following specified causes of damage are covered in this category:

- Glass breakage
- Theft
- Fire
- Contact with bird or animal (includes collision with deer or moose)
- Wind
- Vandalism
- Hail, water or flood
- Missiles or falling objects
- Explosion or earthquake
- Riot or civil commotion

Medical Payments coverage insures drivers and their passengers for medical expenses resulting from an auto accident. There is no deductible. This part of your policy covers you regardless of whether the driver or injured person was at fault. Also covered are members of the insured person's household under the following circumstances:

- While they are passengers in other people's cars
- When using public transportation
- If they are struck as a pedestrian by another vehicle.

Tip: The broadness of coverage and lack of a deductible make Medical Payments coverage a valuable option.

Rental Reimbursement coverage usually pays \$15 to \$20 per day, for a specified number of days, to reimburse you for the cost of renting a car while yours is being repaired. The cost of coverage is usually quite small. Instead of a deductible, there is often a waiting period of a few days before coverage kicks in. You can sometimes get higher reimbursement rates if you are willing to pay more for the coverage. http://www.insureuonline.org/consumer_auto_car_rental_insurance.htm.

Towing and Labor coverage pays the cost of towing to starting your car, subject to the conditions of your policy. Again, there is no deductible and the cost is usually small.

Tip: If you have a membership in an auto club, you more than likely have towing service and you may not want to pay for duplicate coverage under your insurance policy.

Understanding Price Factors

Companies set prices using classification ratings, offset by any discounts that you may be eligible for. A classification rating is derived from a group of factors or risks associated with insuring you and your vehicle.

Your Classification Rating

Each company sets its own premiums by making value judgments about the following risk categories:

- **Where you live:** Many companies divide Vermont geographically into rating territories, based on statistics showing that more congested areas pose greater driving risks.
- **Who the drivers are:** The age, sex and driving experience of the drivers you cover on your policy are among the factors that affect or change to your rate.
- **What the car is used for:** Drivers who use their cars for pleasure travel are generally the lowest rated group. Rates are higher if you drive your car to and from work or in the course of your business. Some companies use annual mileage as a factor.
- **Driving record:** Generally, if you have no accidents or violations for three years (or in some cases five years), you receive the lowest rate a company offers for your classification. Insurers refer to this rate as the good driver or preferred driver discount. If you are convicted of a traffic violation or have a bad driving record, your rates may be surcharged. A high number of claims for which you are at fault can also adversely affect

your rate. (Statistically, you pose a higher risk.) In such a case a company can drop your preferred driving rating and assign you to the standard driver category, at higher rates.

- **Car make and model:** Most insurers maintain or have access to industry statistics on every make and model of car driven. Data such as the price of the car when new, how easily it's damaged, how costly it is to repair, how accident-prone a given model is, and how popular it is with thieves are all risk factors folded together to arrive at each car's experience rating.
- **Insurance Credit Scoring:** Credit history has become a rating element for most companies in today's insurance marketplace. Insurers use credit information to produce an insurance score in order to assess and price a risk, in conjunction with other information such as the factors described above.

Under the Fair reporting Credit Act, insurers are required to notify consumers if they experience Adverse action, such as a denial of coverage, premium increase or cancellation of coverage due to information contained in their credit report. Insurer must provide a description of the elements in the credit history that adversely affects the consumer's insurance score. If your company tells you that you have been adversely affected, they must also tell you the name of the national credit bureau that supplied the information so that you can get a free copy of your credit report and correct any errors you may find.

It's advisable for consumers to monitor their credit history annually. This can be done at no cost by visiting the following website: www.annualcreditreport.com/cra/index.jsp.

To learn more about how credit scoring is used by insurers, you can review the following information provided on the web of the National Association of Insurance Commissioners: www.naic.org/documents/consumer_alert_credit_scoring.pdf.

Ask About Discounts

You can reduce your rates by taking advantage of any discounts a company offers. Be sure to inquire about the following possible cost reductions when buying or renewing a policy:

- **Multiples:** If you insure more than one household vehicle with the same company, you could pay less than what it would cost to insure them separately. Sometimes, new couples who have previously insured their respective vehicles with different companies don't get around to using the same insurer for a while, which means they lose out on the savings. If you own a home, buying your auto and homeowners insurance from the same company will usually save you money.
- **Driver training/good student:** A young driver who has a B average or better in school, or who completes an accredited driver education course, can often get a discount.
- **Student away from home:** You may be eligible for a discount if you have a young driver covered on your policy who is away at school, lives more than 100 miles from home, and does not have regular access to your vehicle.
- **Other possible discounts may include** regular carpooling, airbags, automatic seatbelt systems, ABS brakes, and anti-theft devices.

Tip: If you have any change in the makeup of your household or other factors which may entitle you to a discount, call your agent as soon the change occurs. For example, if you join a carpool, or if you remove a young driver from your policy, this could prove a significant saving.

How Fraud Could Cost You

Don't be tempted to make false statements or misrepresentations on your insurance application in order to obtain discounts or save money. If you should have an accident and the company finds out you lied on your application, the insurer can cancel your policy or deny your claim.

Changing Market Factors

The market is always changing, and a company whose price is lowest today may not be the lowest in your areas in another year or two. Therefore, it's worth rechecking the market periodically. Bear in mind that excessively low prices are sometimes an inducement to lure new business and may eventually go up.

Trouble Obtaining Insurance?

If you are finding it difficult to obtain insurance because of your driving record or other high-risk factors, you are guaranteed certain coverages through the Vermont Automobile Insurance Plan, also known as the assigned risk plan. Any insurance agent can tell you more about it.

Where to Buy Insurance

No matter where you buy insurance, buy only from a **Licensed Individual or Company**. To legally sell insurance in Vermont, agents and companies must be licensed with the state. This process safeguards consumers by, among other things, making sure that applicants have met basic financial and pass background requirements under the law. Just because a company advertises on the Internet does not mean it is licensed to do business in Vermont.

Tip: How to checkout and Agent or Company

To find out if an agent or company is licensed, or to look up the financial rating of a company, go to the [Insurance Division website](#). To learn about any record of consumer complaints, call 800-964-1784.

To find out if an agent has any record of disciplinary action, call Agent Licensing at 802-828-3303. Note: The existence of a complaint is not proof of any wrongdoing, but a pattern of complaints could raise a red flag.

Buying Through A Professional Agent or Broker

Until direct response companies began expanding their turf (see next paragraph), most people bought insurance through an agent or broker, who makes commissions on sales of insurance products. An independent agent is known as a producer, or seller of insurance, who represents several unrelated companies. An exclusive agent represents only one insurer or a group of related insurers and agrees to place all or most of their business with the one company or group. Part of an agent's job is to offer advice and service, so don't be timid about questioning anything you don't understand.

Buying Directly from A Company

Today, many people buy insurance directly from a company. This is called **direct response** marketing. It includes any type of sale which does not rely on individual producers to sell to customers. Such companies advertise by telephone, mail, radio, TV, the Internet, and sometimes affiliate with credit card companies. When you buy direct, sometimes the price can be lower due to the absence of an agent or broker commission. Some direct response sales companies say that sales representatives are available to answer any purchase-related questions that an agent would. In some cases, they provide you the option to speak with an agent, if you should ask. But you may need to be a little more assertive about getting answers to your questions. Some companies use more than one system of sales. This is called **mixed marketing**. For example, some companies that traditionally sold only through agents now also use direct marketing.

Be Sure They Get Your Information Right

If you apply for/buy insurance over the phone, you will not have a paper copy of your application to review for accuracy. Obtain the name and title of the person you speak to and ask for your answers to be read back to you. Ask the representative to go over the exact types and amounts of coverage you have agreed to purchase. Check the declarations page of the policy when you receive it.

If you apply for/buy insurance over the Internet, many commercial websites now offer rate comparison and instant online price quotes, based on the application you fill out online. If you do purchase a policy through a website, you may not talk to a representative unless you ask to be contacted. You might want to do this so you can go over your application.

Frequently Asked Questions

The following questions relate both to purchasing insurance and making subsequent claims.

Q. When can the insurance company declare my car a total loss?

A. It's the insurance company's option to declare your car a total loss when the repair cost approaches or exceeds the actual cash value of the car.

Q. Under the terms of my policy, do I have the right to decide whether to repair, replace or receive cash for my wrecked car?

A. No. This is the insurance company's right under the policy.

Q. I recently had an accident in my 5-year old car, and the company wants to repair it with "after-market" parts. Can they?

A. Yes, the company can repair it with parts of like kind and quality, which would include both used parts and so-called after-market parts, which are less expensive replacement parts that did not come from the car's original manufacturer.

Q. If my friend asks to use my care to run an errand, will my car insurance cover her while she's driving?

A. Yes, as long as she is driving with the permission of the named insured, (the person whose name appears on the policy.)

Q. The Department of Motor Vehicles has required me to file an SR-22. What's that?

A. A form that confirms that you are complying with the financial responsibility laws of Vermont. It's usually required as a result of a serious violation, or when you have had an accident with no liability coverage. The SR-22 must be filed with the DMV by your present insurance company. If the policy is ever cancelled or non-renewed, the company must notify DMV.

Q. Can a family member's poor driving record affect my cost of insurance if my own record is clear?

A. Yes, if this person lives with you. All household members are insured as drivers of your car. Because of this, insurance companies may consider the driving records of all residents of your household when determining your premium.

Q. How long does a company have to respond to my claim?

A. Insurers are required by law to act in a timely manner. The statutes provide guidelines that determine how long a company has to respond to a claim. If you feel an insurer is not responding in a timely manner to your claim, you should contact the Consumer Services at The Department of Financial Regulation.

Q. Do I have a right to decide where to have my car repaired when the insurance company is paying for the repairs?

A. Yes. Although many companies will offer suggestions, the final decision is yours.

Q. I was involved in an accident. I was 50% responsible, so the other driver's insurance company will pay only 50% of the loss. Can they do that?

A. Yes. Under Vermont's doctrine of comparative negligence, if you are found partially at fault, the other driver's insurance company may limit the amount you are entitled to recover. However, if you carry collision under your own policy, you could have coverage for the difference.

Q. Can my insurance company decide to drop me as a policyholder?

A. Yes – under certain circumstances. Generally, when an auto policy has been in effect for 60 days or more, an insurance company may cancel it only for the following reasons: Non-payment of the premium; Non-compliance with the terms of the policy; Not being truthful (fraud or material representation); Suspension or revocation of a covered person's license. However, during the first 59 days of a policy contract, an insurance company can cancel for any reason. By law, the company must notify you in writing. The notice requirement varies, depending primarily on the reason for discontinuing coverage. If you think a company may have unfairly dropped your coverage, or failed to provide proper notice, you can ask for help from the Vermont Insurance Division.

Contacting Consumer Services

- You can call the Vermont Insurance Division toll-free at 800-964-1784, or 828-3302 (in Montpelier).
- You can email the Vermont Insurance Division dfr.insuranceinfo@vermont.gov

- You can get a complaint form online and other information at www.vermontinsurance.info. Bear in mind that you generally will need to provide copies of other documents as part of any complaint process, so a phone call first may be good idea.

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