

Auto Insurance

Consumer's Guide

Complements of



Prepared by

Commonwealth of Virginia
State Corporation Commission
Bureau of Insurance
P.O. Box 1157
Richmond, Virginia 23218

(804) 371-9185
(877) 310-6560

Website: www.scc.virginia.gov/division/boi/



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“This Consumer’s Guide should be used for educational purposes only. It is not intended to be an opinion, legal or otherwise, of the State Corporation Commission on the availability of coverage under a specific insurance policy or contract, nor should it be construed as an endorsement of any product, service, person, or organization mentioned in this guide.”

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ALFRED W. GROSS
COMMISSIONER OF INSURANCE

COMMONWEALTH OF VIRGINIA



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The State Corporation Commission's Bureau of Insurance has prepared this Consumer's Guide to help you understand automobile insurance and how to get the coverage that best suits your needs. This guide explains the basic auto insurance coverages and will help you to decide how much insurance coverage you should buy. This guide also contains information that will help you if you have a claim or a complaint.

If you need more information about auto insurance, please call or write the Bureau of Insurance. You can call us in Richmond at (804) 371-9185 or on the State Corporation Commission's toll-free "hot line" number, which is (877) 310-6560.

I hope that reading this guide will be helpful to you, and I encourage you to contact us if you have auto insurance questions or concerns.

Sincerely,

A handwritten signature in cursive script that reads "Alfred W. Gross".

Alfred W. Gross
Commissioner of Insurance

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Shopping Tips

1. Tell your insurance agent or company certain facts about yourself and your driving habits. If these facts apply to you, they may entitle you to a lower premium:

- the existence of an anti-theft device, automatic seatbelts and/or air bags;
- the car is used for pleasure driving only; you do not drive it to work;
- you are in a car pool and drive to work an average of no more than two days per week;
- you are a full time student and qualify as a good student (generally B average or above);
- the distance you drive to work is short;
- you drive less than 7,500 miles per year;
- you have had no accidents or violations;
- successful completion of a driver education or defensive driving course.

Many consumers have failed to benefit from various discounts simply because they did not supply the necessary information to their agent.

2. Ask whether the insurance company plans to return some of your premium dollars. Many mutual companies pay dividends to their policyholders at the end of the year. In some cases, dividends amount to more than 10% of premium costs. Remember that dividend amounts are not guaranteed.



1. Shopping Tips

3. **Ask whether a company sells a Family Auto Policy, a Personal Auto Policy, or a Special Package Auto Policy.** Discuss the differences in the coverage among the three different policies with your agent.
4. **Ask your agent if he charges any additional fees over and above his commission.** Agents are allowed to charge fees for services, such as photocopying, mailing and faxes, as long as the applicant or policyholder consents in writing before the services are performed. A schedule of fees must be kept in the agent's office. If you think your agent is charging too much, check with other agents to find out if they charge additional fees.
5. **Ask if a company charges a membership fee when a policy is issued or renewed.** Some companies have additional charges not included in the annual premium amount that can significantly increase the amount you will have to pay.
6. **Do your shopping as far in advance as possible.** This will give you time to consider more companies and it will prevent a hasty decision. Remember, policyholders who change companies at times other than the renewal date of a policy are charged for the administrative costs of canceling the policy.
7. **If you have been turned down by one insurance company because you had an auto accident or traffic violation, try other companies.** Do not assume that you will be turned down by all companies. Just as companies have different premiums, they also have different underwriting standards. Keep trying. If several companies with low premiums turn you down, try some companies that have higher premiums.
8. **If all else fails and you are unable to obtain auto insurance, any licensed agent can obtain insurance for you through the Virginia Automobile Insurance Plan.** The Plan should be a *last resort* because the premiums are often higher than those of private companies.

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Why Should You Buy Auto Insurance?

If you cause an auto accident, you may be responsible for the losses of the other people involved. A claim may be made or a lawsuit filed against you for those losses. You may have to pay not only for the property damage you cause, but also for the medical expenses, lost wages, and pain and suffering of any injured person. The amount of money you may have to pay could be substantial.

If you do not have insurance, anything of value that you own, including your home, savings, future wages and other assets, may be taken to pay for those losses. Auto liability insurance will protect you so that this does not happen. Liability insurance also pays for a lawyer to defend you against any claim or lawsuit.





2. Why Should You Buy Auto Insurance?

You can also buy insurance to cover your injuries or damage to your auto. These optional coverages will pay you for your own losses whether or not you caused the loss.

Insurance is based on the theory that only a small portion of all drivers will be involved in accidents in any one year. The premiums paid by all drivers during the year are used to pay for the losses of those few drivers who have accidents. When you buy insurance, you receive financial protection in case you become involved in an accident. You also make sure that a person injured through your fault will recover for losses you cause.

You may feel that you never get to use your auto insurance unless something bad happens, but it makes sense to have that protection.



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When Should You Buy Auto Insurance?

- **When you decide to buy an auto.** You should have insurance in force on the day you first drive the auto as your own. If you obtain license plates prior to purchase, you will have to have an insurance company who has agreed to write your insurance and who has given you a policy number. The insurance will not need to be effective until you first drive the auto as your own. However, the Department of Motor Vehicles requires compliance with Virginia's financial responsibility law (as explained in Section 4) before you receive your license plates. You should consider having comprehensive coverage in effect on the day you obtain legal title to the auto even if you do not plan to drive it immediately. This will guarantee that if your auto is damaged or stolen before you drive it, you will be compensated.
- **When you trade autos or purchase additional autos.** If you purchase an automobile, it is automatically covered during the policy term if it replaces a car already on your policy. If you purchase an automobile in addition to the cars you already insure, most policies provide coverage for a limited time, usually 30 days. If you trade autos or purchase a new auto, the company will provide only the coverages that you have in the policy unless you notify your company of the changes. It is a good idea to notify your company as soon as possible when adding or deleting cars on your policy although most policies allow at least 30 days for such changes to be made.

If you have to borrow the money to purchase the car, your lender will require that you purchase physical damage coverage. If you do not have this coverage on your own policy, the bank may get a policy to cover *their interest* only.



3. When Should You Buy Auto Insurance?

- **When your policy is up for renewal.** It is a good idea to regularly shop for auto insurance immediately prior to your annual renewal date. Check to be sure that you are buying the right types of coverages with the best combination of price and service. If you decide it is best for you to change automobile insurance companies at renewal time, you should be aware that Virginia law allows an insurance company to cancel a new policy during the first sixty (60) days that the policy is in effect. This means that you may be denied insurance by the new company you have chosen after your old policy has already expired. The best way to prevent this from happening is to tell the new agent or company when you apply for a policy everything about your driving habits and your driving record especially if you have been convicted of traffic violations or have been involved in an automobile accident.



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What Types of Auto Insurance Are You Required to Buy?

Virginia has a financial responsibility law. The purpose of this law is to keep drivers off the highway if they cannot bear the cost of injuries or damage that they cause. These financial responsibility requirements can be met in one of several ways.

Financial Responsibility Options

- (1) When you register your vehicle, you must certify that it is insured by a company licensed to do business in Virginia. *Your policy must provide the following minimum limits of liability:*
 - **\$25,000** for injury or death of one person;
 - **\$50,000** for injury or death of two or more people; and
 - **\$20,000** for property damage.

Otherwise, the law requires you to pay the uninsured motorist fee.

- (2) Uninsured Motorist Fee: **This \$500 Uninsured Motor Vehicle (UMV) fee, which is paid to the Department of Motor Vehicles (DMV), does not provide any insurance; it only allows you to drive an uninsured vehicle at your own risk.** It expires with your registration and must be paid at renewal.
- (3) Self-insurance or Surety Bonds: These are special options for owners of business vehicles. Details are available at any DMV office.



4. What Types of Auto Insurance Are You Required to Buy?

Consequences: Vehicle owners who are uninsured and have not paid the UMV fee will have their operator's license suspended. To be reinstated, they must pay a \$500 statutory fee, a \$30 reinstatement fee, and file an SR-22 with DMV for three years, which certifies that they have insurance.

OPTIONS 2 OR 3 SATISFY THE REQUIREMENTS OF LAW. HOWEVER, THEY DO NOT CONSTITUTE INSURANCE AND YOUR HOME, WAGES, AND OTHER ASSETS MAY BE TAKEN TO PAY ANY VALID CLAIMS AGAINST YOU.

If you decide to satisfy the requirements of the Virginia financial responsibility law by buying auto insurance, your policy must contain three major parts – (A) liability insurance for bodily injury, (B) liability insurance for property damage, and (C) uninsured/underinsured motorist coverage.

A. Bodily Injury Liability Insurance

This insurance does not protect you or your car directly. If you cause an accident injuring other people, it protects you against their claims for medical expenses, lost wages, pain and suffering and other losses. It will also pay if the accident was caused by a member of your family living with you or a person using your auto with your consent. If you carry the minimum limits required by law, your policy will pay up to \$25,000 for the losses of any one victim in an accident. If several people are injured in an accident you cause, the minimum coverage you are required to buy will pay up to \$50,000 for their losses.

B. Property Damage Liability Insurance

Property damage liability insurance pays for any damage you cause to the property of others such as a crushed fender, broken glass, or a damaged wall or fence. Your insurance will pay for this damage whether you were driving your auto or whether it was being driven by another person with your consent. If you carry the minimum limits required by law, your policy will pay up to \$20,000 for property damage you cause.

4. What Types of Auto Insurance Are You Required to Buy?**C. Uninsured/Underinsured Motorist Coverage**

Uninsured/Underinsured motorist coverage protects you directly in the event you are injured by a driver who does not have insurance or a driver whose liability limits are not high enough to cover your damages. It also protects you if you are injured by a hit-and-run driver.

It protects you by making sure that money is available to pay for your losses that were caused by someone else. Although the negligent driver is responsible for losses not paid by his insurance company, he may not be able to pay. Your insurance company will pay for losses above the amount of insurance that the negligent driver bought. However, the total amount of coverage you can collect from both sources will not exceed the amount of uninsured/underinsured motorist coverage you have purchased.

The minimum amount of coverage required by law is \$25,000/\$50,000/\$20,000. **The \$20,000 property damage coverage is subject to a \$200 deductible when a loss is caused by a hit-and-run driver who cannot be identified.**





4. What Types of Auto Insurance Are You Required to Buy?

The Family Auto Policy, the Personal Auto Policy, and the Special Package Auto Policy:

Differences in Limits of Liability

1. **Family Auto Policy – Separate Limits of Liability** – When referring to liability limits, the insurance industry uses an abbreviation that can be confusing. The designation of \$25,000/\$50,000/\$20,000 (or 25/50/20) or similar designations refer to the maximum amounts that an insurance company will pay for the three basic liability coverages. The first number (\$25,000) refers to the limit on bodily injury per person. The second number (\$50,000) refers to the limit on bodily injury per accident where two or more people have been injured. The third number (\$20,000) refers to the limit on property damage per accident.
2. **Special Package Auto Policy – Single Limit of Liability** – Some insurance companies sell a policy that covers bodily injury liability per person, bodily injury liability per accident and property damage liability, but does not have separate limits. The maximum that a company will pay per person or per accident is contained in a single limit. This single limit must be at least \$70,000 to satisfy the financial responsibility laws although limits of up to \$1,000,000 can be purchased. This limit of liability applies to all bodily injury and property damage liability losses that occur as a result of any one accident for which the insured is legally liable. Uninsured motorist coverage is also contained in every Special Package Auto Policy.
3. **Personal Auto Policy – Separate Limits of Liability** – The Personal Auto Policy is similar to the Family Auto Policy in that it contains split limits. The policy language has been simplified to provide a better understanding for the consumer. The policy's coverage, conditions, and provisions are written in larger print and have been rearranged to make reading the contract easier.

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What Other Types of Insurance Are Available?

There are other types of auto insurance that are available in addition to the required coverages. This insurance can provide additional protection against financial losses resulting from an auto accident.

A. Collision and Comprehensive Coverage

“Collision” and “Comprehensive” coverages, which are also known as physical damage coverages, pay for repair or replacement of your auto regardless of who is at fault. Collision coverage pays if your auto collides with most objects, including another car, or if it overturns. Comprehensive coverage pays for damage to your auto from almost all other causes such as fire, vandalism, water, hail, glass breakage, wind, and falling objects. It will pay even if your pet chews the upholstery. Comprehensive coverage also pays if your auto or parts of the auto, such as the battery or tires, are stolen. You will need physical damage coverage if you borrow the money to buy your car from a bank or some other financial institution.





5. What Other Types of Insurance Are Available?

If you own an automobile which is insured for comprehensive and collision coverages, your policy will extend those coverages to an automobile that you rent (on vacation, for example). If you rent a vehicle from a rental agency, you should read the rental agreement carefully before deciding whether to purchase the loss damage waiver or physical damage protection they offer. Your automobile insurance may not provide coverage for all your obligations under the rental agreement.

B. Medical Expense and Loss of Income Benefits Coverage

Medical Expense Benefits Coverage pays all reasonable and necessary medical and funeral expenses for you or others injured or killed in an accident while riding or driving in your auto. This includes hospital, surgical, rehabilitative, chiropractic, x-ray, dental, professional nursing, prosthetic, and funeral expenses. It will also cover you or members of your family if you are struck by an auto while walking or while riding in another auto. This coverage will pay for medical and funeral expenses even if you cause the accident. Usually, only expenses incurred within three years after the accident are included. **This coverage will provide benefits to anyone, such as a carpool mate, a friend, or a neighbor's child injured in your car.**

Loss of Income Benefits Coverage pays you, your family, or others in your auto for loss of income up to \$100 per week for a period not to exceed 52 weeks.

5. What Other Types of Insurance Are Available?



C. Rental Reimbursement Coverage

You can buy coverage to reimburse you for the expense of renting a substitute vehicle if your auto is withdrawn from use for longer than 24 hours and the withdrawal is caused by a collision or by a comprehensive loss as defined in your policy. Comprehensive losses are usually fire and theft. **Ask your company or agent about available coverage and limits.**

Insurance companies are required, by law, to notify you that rental reimbursement coverage is available for autos insured for comprehensive or collision coverage.

D. Loss of Use Coverage

You can also buy coverage to reimburse you for the expense of paying a rental car agency for the loss of use of its rental car as a result of an accident. This provides coverage in the event that you are required by contract to reimburse the rental car agency for its loss of rental income while the car you have damaged is being repaired.



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How Much Insurance Do You Need?

Buying the kinds and amounts of insurance you need is difficult because you cannot predict the future. You do not know if, or when, you will be involved in an auto accident or the amount of damage that might be caused. However, there are three general guidelines that you should follow when you buy insurance to protect your future financial security and to keep your present insurance premiums as low as possible. These guidelines are:

- **The more you have to protect, the more insurance you need.** If you own a home and are regularly employed at a good wage, you probably should buy more insurance than the minimum coverage required by law.
- **Buying insurance to cover your own smaller losses may be unnecessary.** If you take a higher deductible or do not buy collision coverage on an older auto, you may save money. The key to this guideline is to decide how much you could pay in the event of an accident without causing yourself financial hardship.
- **You should discuss your insurance needs with your agent.** It is this person's job to help you choose the types and amounts of insurance coverage you need.



6. How Much Insurance Do You Need?

You should consider buying the coverage discussed in the following sections when you buy insurance.

A. Additional Liability Coverage

The amount of liability insurance you buy above the required amount depends on how much you have to lose. You could be required to pay a large amount of money if you or a family member causes a traffic accident. A \$100,000 settlement or verdict against a negligent driver is not as uncommon as it used to be. If you have purchased only \$50,000 of insurance, and there is a \$100,000 settlement against you, you will be personally responsible for the remaining \$50,000 in damages.

You should buy more than the minimum limits required by law. This increased insurance coverage is available at a modest additional cost. Insurance companies generally offer bodily injury liability limits of \$50,000/\$100,000, \$100,000/\$300,000 or greater. Purchasing coverage at the increased limits offers you additional protection at a small increase in premium.

You should also consider buying higher property damage insurance limits than required by law due to the recent increase in the costs of new automobiles and the costs of automobile repair work. The minimum limit required for property damage coverage is \$20,000. Insurance companies will generally offer higher limits such as \$25,000 or \$50,000 at a very modest additional cost.

Remember that you or a member of your family could cause an accident in which a number of other automobiles are destroyed or there is damage to a wall or fence. If you only have property damage insurance at the minimum limit of \$20,000 and the total amount of damage is greater than \$20,000, you will have to pay the remaining cost of repairs to all the damaged property out of your own pocket. This is an important factor to consider when you select your property damage insurance limits.



6. How Much Insurance Do You Need?

B. Additional Uninsured/Underinsured Motorist Coverage

Uninsured/underinsured motorist coverage protects you in the event you are injured by:

- a driver who does not have insurance,
- a driver with liability coverage less than your uninsured/underinsured motorist coverage,
- a driver whose liability limits are not high enough to cover your losses, or
- a hit-and-run driver.

If you buy only the minimum amount of this coverage and you are in a serious accident caused by a hit-and-run driver, you may not have enough insurance to pay all of your own auto repair and medical bills. Or, if you are severely injured by another driver who only has the limits of \$25,000/\$50,000/\$20,000, this may not be enough to cover all your losses.

Although you can never be certain that a driver who injures you will have insurance or enough insurance, your ability to buy additional uninsured/underinsured motorist coverage gives you control over your own financial security.

The amount of uninsured/underinsured motorist coverage you purchase will equal the amount of your liability coverage unless you specifically request a lower amount.



6. How Much Insurance Do You Need?



C. Optional Insurance

If you buy **only** liability insurance, and you cause an auto accident in which you are injured and your auto is damaged, your auto insurance policy **will not** pay you for your own losses. **Liability insurance pays only for losses you cause to others.** Uninsured/underinsured motorist coverage pays for your losses, but **only if these losses were caused by someone else without insurance.** To be fully protected you should buy optional insurance to cover your own losses in any accident, even one that you cause. The major optional coverages that will guarantee that you can pay your own auto repair and medical bills are comprehensive and collision coverages and medical expense and loss of income benefits coverage.

- 1. Collision and Comprehensive Coverage** – Collision and comprehensive coverage will pay you the “actual cash value” of your auto if it is stolen or totally destroyed. Generally, this means that you will only be paid the current market value for autos of similar model and year. The company will not pay the cost to replace your auto with a brand new, current model vehicle of similar quality and equipment.

Several factors should be considered when purchasing collision and comprehensive coverage. The age of the car may be the most important. As your auto gets older, the actual cash value decreases. If you are financing your auto, your lender will probably require you to keep collision and comprehensive coverages until the loan is repaid.

- 2. Deductibles** – Collision and comprehensive coverages protecting you against damage to your auto can be bought at a much lower price if you take a “deductible.” This means that you agree to pay a specific amount, anywhere from \$50 to \$1,000, from your own pocket to repair or replace your auto before you collect from your insurance company. For example, if you have a deductible of \$100 and a loss of \$500 occurs, you collect \$400 from your insurance company. If a



6. How Much Insurance Do You Need?

loss of less than \$100 occurs, you pay for all of it yourself. If you take a deductible and pay for small losses yourself, your company can give you a discount. This way you can cut your insurance premium costs and still be protected against large losses.

You should choose a deductible you feel you can afford without causing financial difficulty if an accident occurs. A large deductible will lower your insurance premium costs the most on your collision coverage, but you should also consider a deductible when you buy comprehensive coverage.

3. **Medical Expense and Loss of Income Benefits Coverage –**

Medical Expense Benefits Coverage will pay you, your family, or occupants of your auto for reasonable and necessary medical, hospital, or funeral expenses that you have as a result of an auto accident regardless of who caused the accident. If the injured person is employed, disability coverage will pay for loss of income up to \$100 per week for 52 weeks. If a single policy covers two, three or four autos, the total amount of medical expense and loss of income benefits coverages under that policy would be the total of the amounts on all of those autos.

If you and your family are already covered by some other form of accident and health insurance, such as Anthem, or if you have adequate disability income coverage, you may not need medical expense and loss of income benefits coverages. But before you decide not to buy this coverage please consider:

- **Health insurance usually covers only you and your family.** It does not cover others who may be injured while riding in your auto. If you want to cover these people, you should buy medical expense and loss of income benefits coverages.

6. How Much Insurance Do You Need?



- **Your other health insurance policy may exclude losses caused by auto accidents.** If auto accidents are not covered, you should consider buying the medical expense and loss of income benefits coverages.
- **Your health insurance policy may limit the amount you can recover to less than the total cost of all medical treatment you received.** Also, few health insurance policies provide loss of income benefits.

Comparing the benefits of your health insurance policy is a complicated process. You may wish to discuss your health insurance coverages with your employer or agent before shopping for auto insurance.



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How Do You Shop for Auto Insurance?

Virginia has a competitive rating law. This means that different companies will be charging different prices for auto insurance. Choosing your insurance company is like choosing your favorite brands of other products. Price is important, but it should not be the only thing you think about. Before buying your insurance, you should consider contacting a number of insurance agents or companies to find the best combination of quality and price for your needs.

If you decide to shop for auto insurance, the first step is to get to know the product you are buying. Read the earlier sections of this Guide, especially Section 6, "How Much Insurance Do You Need?" If you know what you want before you shop, you are less likely to buy what you do not need. Then, ***call several insurance companies or agents. Ask each one to give you a quotation of how much the annual premium for a policy insuring your auto would cost.***



7. How Do You Shop for Auto Insurance?



Most companies sell policies that are renewable every six months. Consider buying a one-year policy if it is available so that there will be more time between premium increases. And be sure you ask if the prices you are quoted are for six months or one year. Tell each one how much insurance you want and describe yourself and your auto. Many companies have premium payment plans available. However, a separate service charge may be added to each installment. Premiums can also be financed through premium finance companies. A separate service charge and interest will be applied when financing your premium through a premium finance company. Any additional charges should be considered when comparing premiums. Use the Automobile Insurance Quotation Worksheet at the back of this guide to keep track of the information you will need to give them and the prices they give you.

The Bureau of Insurance publishes a consumer guide designed especially for comparing sample auto insurance premiums in Virginia. Contact the Bureau for a copy of this guide.

Once you have narrowed your search to two or three companies with the best range of prices, you should consider each company's reputation for financial stability, policyholder service, underwriting practices, and claims handling practices. Service is difficult to measure. However, you can get some indication of a company's quality by talking to different insurance agents. You may also ask your friends and neighbors who are policyholders of the companies that you are considering about experiences with their companies.

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How Do Accidents and Violations Affect Your Premiums?

If you or a member of your family has caused a traffic accident or has been convicted of a serious traffic violation, such as speeding or reckless driving, the price you must pay to obtain auto insurance might be higher. Insurance companies are allowed to increase your premium for automobile accidents where you, a member of your household, or other customary operator of the vehicle were wholly or partially at fault, and for convictions appearing on an insured's driving record. Surcharges may be applied for 36 months. Most insurance companies in Virginia have a "Safe Driver Plan." This means that if you and every driver in your household have had no "at-fault" accidents or convictions, you may qualify for a lower premium. If you and your family do not have a "clean" driving record, you will probably pay more. How much more depends on your particular driving record and the "Safe Driver Plan" of that particular company. The cost of your auto insurance is one more reason to obey all traffic laws and drive safely. **Virginia law prohibits an insurance company from increasing your auto insurance premium as a result of your involvement in an auto accident that was not wholly or partially your fault.** If you feel that your premium has been increased because of an accident that was not your fault, you may ask the Bureau of Insurance to help you correct this situation.



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What Should You Do When You Are Involved in an Accident or Have a Claim?

1. **Always, call the police** – even if it is an accident where the police do not normally respond.
2. **Obtain information.** Secure the name, address, registration number, insurance company name and operator's license number of all vehicles and operators involved.
3. **Note the time, date, location, road conditions, make and year of vehicles involved,** apparent damage and injuries, and your version of what happened. Make a diagram of the accident scene.
4. **Notify your insurance agent or company as soon as possible.**
5. **Obtain the names and addresses of all witnesses and individuals involved in the accident.**
6. **Take reasonable steps to protect your property from further damage.**

If you have a physical damage claim or any other type of claim notify your company promptly. Your agent may be able to help you file the claim. Fill out the forms correctly and completely, and make copies of the forms to keep for yourself.

After the company is informed of your claim they should send you any needed forms and verify your claim. The claim should be paid promptly after the company has received adequate proof of loss. If the company rejects your claim or pays only part of it, you should be given an explanation for the decision.

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Information for Seniors

Virginia law requires insurance companies to give a reduction in premiums to persons 55 years of age and older if they have successfully completed a motor vehicle accident prevention course approved by the Department of Motor Vehicles. Each insurer must determine the appropriate reduction. The qualification for reduced premiums is good for three years following the completion of the accident prevention course. Insurance companies are also permitted to make an appropriate reduction in premiums based solely on age to an insured person over the age of 55.

If you are a senior citizen be sure to ask how much of a discount you are entitled to receive.





Information on Collateral Protection or Force-Placed Comprehensive and Collision Insurance

If you finance the purchase of your automobile, your lender may require you to carry comprehensive and collision coverage. If you do not already have this coverage, the lender may “force place” coverage for you, and you will have to reimburse the lender for the premiums paid. This is called collateral protection or force-placed insurance. In most cases, this coverage only protects the lender and does not protect you for your interest in the vehicle. In addition, it does **not** protect you against *liability* for damage or injury you cause to another person or automobile. If you do not want your lender to “force place” your comprehensive and collision coverage, you may add this coverage to your existing policy, or if you do not have an existing policy, you may wish to contact several agents or insurance companies to shop for the best price and coverage available. Remember that if you allow the lender to “force place” comprehensive and collision coverage for you, the force-placed policy will not satisfy the financial responsibility requirements of the Department of Motor Vehicles to carry minimum limits of liability insurance.

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Frequently Asked Questions

- 1. When can an insurance company consider my car a “total loss”?**
When the repair cost approaches or exceeds the actual cash value of the car.
- 2. I recently had an accident in my five year old car and the company wants to repair it by using used parts. Can they do this?**
Yes. The company may have your car repaired with parts of like kind and quality, which would include used parts.
- 3. Under the terms of the physical damage coverage in my automobile policy, do I have the right to make the decision as to whether to repair, replace, or to receive cash for my wrecked auto?**
No. That is one of the rights given to the company by your policy.
- 4. Will an insurance company pay to replace items such as tires or batteries that are damaged in an accident?**
Yes. However, an insurance company will not necessarily pay for 100% of the replacement cost of such items as tires, batteries, or entire paint jobs. These items may be subject to a deduction for depreciation for the amount of time the item had been in use prior to the accident.
- 5. Will my comprehensive coverage provide payment to me if my belongings are stolen from my car?**
Generally, only if the belongings are considered “automobile equipment” will the loss be covered. If the property is not automobile equipment, the loss may be covered under your homeowners policy.



6. If I am involved in an accident where the other party was at fault, am I entitled to compensation for renting a substitute vehicle while my vehicle is being repaired?

If the other party's insurer assumes liability for the accident, you would be entitled to recover reasonable costs which were incurred in hiring a comparable substitute vehicle for the period during which you are deprived of the use of your vehicle. The rental may not exceed a reasonable period of time for repairs to be made. You have an obligation to keep these costs to a minimum. You should provide the insurance company with a receipt for the rental cost.

If the company does not accept liability, you would have to carry "Rental Reimbursement Coverage" which is an optional coverage available to you under your own policy.

7. If my friend asks to use my car for his own errands, will my automobile insurance provide coverage to him while he is driving?

Yes. All automobile liability policies in Virginia provide coverage to a "non-owner" operator if they are driving the vehicle with the permission of the "named insured."

8. If I choose to cancel my policy before its expiration, can the company charge me a fee?

Yes. Policyholders who cancel before the expiration date may be charged an administrative "short-rate" fee by the company to cover their costs for processing the cancellation. The short-rate fee is usually a substantial amount.

9. Why am I considered an "Assigned Risk"?

You become an assigned risk when no insurance company will voluntarily insure you. You may apply through any licensed insurance agent for your coverage to be *assigned to an insurance company*. Your application will then be processed and assigned to a company by the Virginia Automobile Insurance Plan.

**12. Frequently Asked Questions****10. If because of my driving record, I must purchase insurance through the Virginia Automobile Insurance Plan, how long must I remain in the Plan?**

You only have to remain in the Plan until you can purchase coverage in the regular (voluntary) market. Before each renewal, you should attempt to purchase insurance in the regular market by contacting companies or agents representing companies to see if they will accept you. The fact that one company will not accept you does not mean that other companies will not be able to accept you. If you have had no new accidents or violations you may be able to find a company that will accept you.

11. What happens if the Department of Motor Vehicles (DMV) determines that I have not met the financial responsibility requirement?

If DMV determines that you have not met the financial responsibility requirement, DMV may suspend your license and require an SR-22 form to be filed by your insurance company and require you to pay the \$500 Uninsured Motor Vehicle fee.

12. Does the Uninsured Motor Vehicle fee provide insurance?

No, this fee allows you to register and operate an uninsured vehicle without purchasing insurance. This fee does not provide any insurance protection. If you elect to pay this fee and not purchase insurance, you will be personally responsible for any injuries or damages for which you are legally liable as a result of an automobile accident.

13. DMV has required me to have an insurance company file an SR-22 on my behalf. What does this mean?

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



14. What is the difference between points assigned to my driving record by DMV and an insurance “point” on my policy?

An insurance company may assign “points” for a conviction or for an accident where you were either partially or wholly at fault. It is a surcharge to the policy’s premium and has nothing to do with the points on your motor vehicle record. DMV assigns points to your driving record for violating motor vehicle laws.

15. Can a family member’s poor driving record affect my premiums or insurability if my driving record is clear?

Yes. Virginia private passenger automobile policies automatically provide certain coverage to all members of the household. Because of this, companies may consider the driving records of all residents of your household when deciding whether to insure you or what your premium will be.

16. Is there a grace period for late payment?

No. The company may cancel your policy for non-payment if the payment is even *one* day late.

17. May an insurance company use non-original manufactured parts or “after market” parts in preparing an estimate for my vehicle that was involved in an accident?

Yes. The company may have your car repaired with after market parts. However, they must disclose on the estimate or on a separate document that the estimate is based on the use of after market parts.

18. How long does a company have to settle my claim?

The company should acknowledge receipt of your claim report within ten working days. There is no specific time limit in which the company must settle your claim. Since each claim is different, the length of time to settle may vary.



12. Frequently Asked Questions

19. If my car is determined to be a total loss, can I keep the vehicle?

Yes. However, the company's settlement offer will be reduced by the salvage value of your vehicle. Salvage value is the value of the vehicle after the loss.

20. Is there any one method a company must use to determine the value of my vehicle when settling a total loss claim?

There are many different methods a company may use to determine the value of your vehicle. There is no method prescribed by law.

21. Do I have the right to select the repair facility to conduct the repairs to my vehicle after it has been involved in an accident?

Yes. Although many companies will suggest body shops or repair facilities, the final decision is yours.

22. I am dissatisfied with the repair work done to my vehicle by a repair facility I chose. What obligation does the insurance company have to correct this?

The insurance company is responsible for paying for repairs to your vehicle. Since you chose the repair facility, you are responsible for making sure the job is done satisfactorily.

23. I was involved in an accident. The other person's insurance company has denied my claim based upon contributory negligence. What is contributory negligence?

Virginia is a contributory negligence state. Contributory negligence is a principle of law that recognizes that injured persons may have contributed to his/her own injury. For example, by not observing the "Don't Walk" sign at a crosswalk, pedestrians may cause accidents in which they are injured. This means if you are responsible for the accident in any way, you could be prevented from recovering from the other party.



24. Does my agent have to inform me if he sells me an automobile club service agreement or an accidental death and dismemberment policy together with an insurance policy?

Yes, a written disclosure must be given to you which includes the name or type of each insurance policy and automobile club service agreement that you have agreed to purchase, the premium quotation for each policy, and a statement that you have elected to purchase these products. If your application for insurance was made by telephone or electronically, this disclosure must be mailed to you within 10 days of the date of application.

25. Does my automobile insurance policy cover me if I have an accident in another country, such as Canada or Mexico?

Your automobile insurance policy covers you for accidents that occur within the United States, its territories or possessions, and Canada. It does not cover you for accidents which occur in Mexico or other countries. Before driving in another country, you should find out how much insurance is required to be carried in that country and how to purchase it. Before you drive in Canada, you should ask your insurance company to provide you with the appropriate certificate or verification of insurance.

26. Can an insurance company refuse to issue me a policy or increase my premium if I have bad credit or if someone in my household has bad credit?

Yes, but your insurance company cannot *nonrenew* your policy *solely* on the basis of your credit report. If an insurance company takes an adverse action based in whole or in part on your credit report, the insurance company must tell you the primary characteristics that were used as the basis for the adverse action or tell you that you have the right to request this information. Also, if your insurance company uses your credit report to rate or underwrite your policy, it must tell you at the time of application that you have the right to request

12. Frequently Asked Questions



that your credit report be updated (no more than once during any policy term) and that you have the right to question the accuracy of the credit information. Certain factors may not be used when evaluating your credit information, such as your income, gender, address, zip code, ethnic group, race, color, religion, marital status, and nationality. Other factors are prohibited, too, such as information shown your credit report as being in dispute, insurance inquiries, non-consumer initiated inquiries, and those indicated as being medical industry accounts.

27. Will my automobile insurance policy cover physical damage resulting from acts of terrorism?

If you have purchased comprehensive coverage and the damage is the result of a covered peril, coverage cannot be excluded if it was the result of an act of terrorism.



What About Insurance Complaints?

A. Know Your Rights

Consumers have been given certain rights by law. Virginia law provides that if an insurance company refuses to issue an auto policy to you, the company must tell you the reasons why. However, you may have to ask for these reasons. **If you are refused insurance, ask for the reasons why.** It may be that the insurance company's decision to deny you insurance was based on incorrect information. You will then have the right to obtain a copy of the company's file concerning you. If the file contains information that is wrong, you will be allowed to correct this information.

Virginia law also **prohibits** an insurance company from refusing to issue an automobile policy solely for the following reasons:

- **because you have been refused auto insurance by another company;**
- **because you once purchased insurance through the assigned risk plan; or**
- **because of your age, sex, residence, race, color, creed, national origin, ancestry, marital status or lawful occupation (including military service).**

If you are refused auto insurance for one of the reasons listed above and no other reason, the action taken by the insurance company is illegal.



13. What About Insurance Complaints?

Also, after your policy has been in effect for sixty (60) days or more, the company cannot cancel your policy for the remainder of the policy term unless:

- **you fail to pay the premium;**
- **your driver's license is revoked or suspended;**
- **an operator in your household or anyone who customarily operates your auto has had their license revoked or suspended; or**
- **your legal residence has been changed to another state and your automobile will be garaged in the new state of residence.**

A company intending to nonrenew your policy must give you 45 days' notice in writing stating the termination date and the reason for termination. The notice must also tell you that you have a legal right to appeal to the Insurance Commissioner and obtain insurance through the Virginia Automobile Insurance Plan.

A company cannot nonrenew your personal auto policy solely for the following reasons:

- **age, sex, residence, race, color, creed, national origin, ancestry, marital status or lawful occupation (including military service);**
- **lack of driving experience or number of years of driving experience;**
- **lack of supporting business (such as a homeowners policy);**
- **one or more accidents or violations that occurred more than 48 months before your policy's upcoming anniversary date;**
- **one or more uninsured/underinsured motorist claims where the uninsured/underinsured motorist is known or there is physical evidence of contact;**
- **a single not-at-fault claim filed under your medical expense benefits coverage;**
- **one or more claims filed under the comprehensive coverage or towing coverage of your policy;**

13. What About Insurance Complaints?

- **two or less accidents within three years unless the accident was wholly or partially the fault of the named insured, a resident of the same household, or other customary operator; or**
- **credit information.**

As an automobile policyholder, you have the right to collect the benefits promised should an accident occur. If you make a claim and you believe that your insurance company is not living up to its obligations, you can force the company to honor your valid claims. If your claim is \$3,500 or less in excess of any deductible, and a company in bad faith refuses to pay you promptly, you can file suit against the company and recover double the amount your company owes plus reasonable attorney's fees and expenses. If your claim is more than \$3,500 in excess of any deductible, and a company in bad faith refuses to pay you promptly, you can file suit against the company and recover the amount your company owes plus interest together with reasonable attorney's fees and expenses.

B. When You Have A Problem**1. Contact Your Agent or Company**

If you believe you have been improperly terminated or denied auto insurance illegally or if you believe your insurance company has refused to pay all or part of a valid claim, you have the right to question and complain. Sometimes a mistake has been made and it will be corrected if an inquiry is made.

A complaint by letter is best. Keep a copy of your letter. **If you decide to complain by telephone,** keep a written record of:

- The date and time of your call
- The name of the person you talked to
- What was said during the call.



13. What About Insurance Complaints?

2. Help from the Bureau of Insurance

If you do not receive a prompt, courteous and satisfactory response, you may need to get help to resolve your problem.

The State Corporation Commission **Bureau of Insurance** provides free professional information and complaint services to all Virginia residents.

To use these services you can:

- **Call 371-9185** if you live in Richmond
- **Call (804) 371-9206** for Telecommunications Device for the Deaf
- **Call (877) 310-6560** the **toll-free** Hot-Line Number
- **Fax (804) 371-9394**
- **Review the Bureau's Web site:**
www.scc.virginia.gov/division/boi/
- If you want to email us with a general question, please contact us at: bureauofinsurance@scc.virginia.gov
- **Visit the Bureau of Insurance**

Tyler Building
1300 East Main Street
Richmond, Virginia

- **You may use the complaint form found at the back of this booklet and mail it to:**

Commonwealth of Virginia
State Corporation Commission
Bureau of Insurance
Box 1157
Richmond, Virginia 23218

13. What About Insurance Complaints?



- If you would like to file a complaint with us electronically, please visit our website for instructions on how to file a complaint on-line.

The Bureau of Insurance will:

- Thoroughly investigate your complaint;
- See that you get a clear response to your questions;
- Cut through red tape;
- Correct misunderstandings.

But the Bureau cannot:

- Force a favorable action on your complaint if it is not supported by facts and law.
- Provide legal services that are sometimes required to settle complicated problems.

If the Bureau is unable to resolve a problem, we will tell you why. If the law and facts are on your side, we will try to see that your rights are protected and that your complaint is resolved in a satisfactory manner.



Glossary

1. **automobile liability** – a person’s responsibility to others for bodily injury or property damage caused by his or her automobile.
2. **automobile physical damage** – coverage for damage to an automobile owned by the insured. There are two kinds of coverage – collision and comprehensive insurance.
3. **collision coverage** – coverage for your automobile when it overturns or collides with another car or object.
4. **commission** – a percentage of the policy premium that an insurance company pays to an insurance agent for servicing the account.
5. **comprehensive coverage** – coverage for losses to your automobile, such as fire, vandalism, water, hail, glass breakage, wind, falling objects and vehicle theft but not collision.
6. **deductible** – an amount you must pay if you have a claim. The deductible is subtracted from the amount the company is obligated to pay. The higher the deductible, the lower the premium.
7. **loss of income benefit** – in the event of an accident, coverage is provided for you or others in your automobile for income loss up to \$100 per week, not exceeding 52 weeks.
8. **loss of use coverage** – provides coverage for loss of use for a rental car (rented to you) damaged in an accident. If you were in an automobile accident, you may be responsible for rental fees while the rental car is out of service.



9. **medical expense** – covers the medical/funeral expenses of a person who is injured/killed in an automobile accident. The coverage applies no matter who is at fault.
10. **rental reimbursement** – provides temporary coverage for the rental of a substitute vehicle while yours cannot be driven (for at least 24 hours) because of a collision or comprehensive loss.
11. **uninsured/underinsured motorist coverage** – coverage that applies when you are injured in an auto accident caused by a person who does not have insurance, a driver whose liability limits are not high enough to cover your damages, or a hit-and-run driver.



Compliments of
State Corporation Commission
Bureau of Insurance
Property and Casualty Division
Post Office Box 1157
Richmond, VA 23218

I wish to file a complaint: (please print)

1. My name is: _____ Day Telephone: _____
(Area Code+Number)

2. Mailing Address: _____
(Street/Apt. Number)

City: _____ State: _____ ZIP: _____

3. If you are not the insured or the person on whose behalf this complaint is being filed, please tell us who is and explain your relationship:

4. I am complaining against:

a. My insurance company: _____
(Name of Insurance Company or Agent)

(Address, if known)

(Phone Number)

b. Other party's insurance company: _____

(Name of Insurance Company)

(Other party's name)

(Policy or Claim Number)

5. The Insured's Policy, Claim, Certificate or ID Number is: _____

6. The type of insurance is: Auto Homeowners Other _____
(please circle)

Date of Loss: _____

The details of my complaint are: (type or print clearly, use other side if needed)

I am enclosing copies of all correspondence or other papers relating to this matter that may assist the Bureau of Insurance in its evaluation of my complaint. I understand and agree that a copy of this form and any or all of the enclosed information may be provided to the party complained against, other regulated entities, or the appropriate state or federal agency. I also authorize the insurance company to release all medical records relating to this complaint to the Bureau of Insurance, and I authorize the Bureau of Insurance to release medical records relating to this complaint to the insurance company. I also agree that by signing this form I authorize the Bureau of Insurance to obtain any information required to evaluate my complaint.

(Date)

(Signature)

Complements of

Automobile Insurance Quotation Worksheet

RATING INFORMATION

	Age	Sex	Marital Status	% Use of Car	Annual Mileage _____
Principal Operator	_____	_____	_____	_____%	Number of Days per Week or Weeks out of 5 Weeks if Driving in a Car Pool
Other Driver(s)	_____	_____	_____	_____%	Number of Miles One Way if Driving to and from Work Every Day _____

Number of Accidents or Moving Violations in the Last 3 Years _____

Notes:

List on separate sheet. Use date of conviction for violations.

	Make	Model & Year
Type of Auto(s) to Be Insured		
Auto 1	_____	_____
Auto 2	_____	_____

INSURANCE QUOTES

	ANNUAL PREMIUMS			
	Company	Company	Company	Company
LIABILITY LIMITS				
Bodily Injury	_____ per person	_____	_____	_____
Bodily Injury	_____ per accident			
Property Damage	_____ per accident			

Uninsured/Underinsured Motorist

Bodily Injury	_____ per person
Bodily Injury	_____ per accident
Property Damage	_____ per accident

Physical Damage to Insured Vehicle

Comprehensive	_____ deductible per accident
Collision	_____ deductible per accident

Other Coverages _____ Complements of _____

TOTAL ANNUAL PREMIUM

Membership Fees (if Applicable) _____

Installment Charges _____

TOTAL ANNUAL COST OF AUTOMOBILE INS.

Complements of

From: Commonwealth of Virginia
State Corporation Commission
Box 1157
Richmond, VA 23218

To: