

A Consumer's Guide to... **Personal Auto Insurance**

(Updated October 25, 2023)

This brochure is meant to be used only as a guide when you shop for auto insurance. We have tried to explain some commonly used insurance words to help you better understand the types of auto insurance you can buy, what coverages are required by law, and what each type of insurance covers should you have to file a claim.

How do I shop for insurance?

The key to comparison shopping is to know what insurance coverage you need *before* you start. Once you know what you want, you can find out how much the coverage will cost from different companies. Comparison shopping takes time, but it will save you money. The only way you can make sure you are not paying too much is to shop around and find out what different companies charge for the same products and services.

Where can I get information?

Information is available to consumers from a number of impartial sources. These sources include public libraries, consumer groups, the Internet, and consumer publications.

Because the insurance industry, like many other industries, has developed many terms that are not commonly used by the average person, you may need to find a glossary or dictionary of insurance terms from your public library. The Property/Casualty Division of the Maine Bureau of Insurance can also help you with any questions or problems you may have about your auto insurance.

Check the newspaper and yellow pages of the telephone book for companies and producers in your area. You can ask your neighbors, relatives, and friends for their recommendations on insurance companies and producers. Also ask them about their experience with price and service, and the kind of claim service they have received from the companies they recommend.

INFORMATION INSURERS NEED WHEN YOU APPLY FOR INSURANCE

When you shop for car insurance, premium quotations are useful to compare different companies' products. When you ask for price quotations, make sure that you give the *same* information to each producer or company to get a fair comparison.

Insurance companies look at many factors when they set the price you pay for insurance. Your premium is affected by your driving record; where you live; your age; your marital status; how much you drive; the age, make, and model of your car; and your car's safety features, among other factors. Here is more information about some of these factors:

- **Driving Record:** The policy application will ask about your driving record. Insurers will ask for information about accidents and moving violations for any driver covered by the policy for the prior three to five years. Drivers with previous violations or at-fault accidents are considered to be a higher risk and may be charged a higher premium.
- **Territory:** The claims experience of people in your area will also affect your rates. Applications include a question that asks for the address where the vehicle will be garaged. From this information insurers can tell a great deal about your risk of financial loss. Insurers know from their claims experience that more claims are made from city areas than country areas (busy traffic, thefts, vandalism, etc.).
- **Gender and Age:** Statistics show that males still have more accidents than females. For that reason, young men may tend to pay more for insurance than young women. Insurers also have statistics that show a higher number of claims for some age groups than for others.

- **Marital Status:** Insurance company claims records show that married policyholders have fewer claims than unmarried policyholders.
- **Prior Insurance Coverage:** Insurers want to know if you have been insured and if your prior coverage was canceled or nonrenewed. Your premiums may be higher if your prior coverage lapsed while you were required by law to have insurance. Cancellation and nonrenewal actions by other insurers may also affect the premium charged or coverage offered.
- **Vehicle Mileage:** On the application you will be asked about how often and how far you drive the vehicle you want to insure. Higher annual mileage generally means higher premiums because it creates a greater exposure to claims.
- **Vehicle Use:** You will also be asked how the vehicle is used. You must specify whether you drive to work or school, or use it for pleasure use or business use. Different ratings apply to each of these uses. Policies typically exclude coverage if you rent or lease your vehicle to others or use it to carry people or property (such as newspapers, mail or food) for a fee. Share-the-expense carpooling is usually an acceptable use, but participation in a transportation network company arrangement or peer-to-peer car sharing arrangement typically is not, and most policies exclude all coverage while a vehicle is used for that purpose.
- **Make and Model of the Vehicle:** The type of car you drive will directly affect the cost of your automobile insurance. A make or model of car with a high number of claims or higher repair costs will be charged a higher premium for comprehensive and collision coverage.
- **Licensed Drivers in Your Household:** You will be asked to list all licensed drivers in the household. Insurers may also want to know the ages of anyone who could become a driver in the near future. (Maine law defines "license" as an operator's or driver's license or other permit to operate a motor vehicle.)
- **Claim History:** You will be asked to list any automobile claims that you or any other drivers in the household have had during the past three to five years. If you had prior insurance, your new insurer may ask your prior company about any claims you had.
- **Credit History:** A company may also request to check your credit history to decide whether to issue a policy or to determine the appropriate premium to charge; however, if an insurer makes an unfavorable underwriting decision based on credit history, it must tell you how you can request a copy of your credit report. When you receive your report, it is important to make sure that it contains correct information. Correct any mistakes that you find on the report.

DISCOUNTS

Insurance companies give discounts to those they see as "better risks." Ask about the type of discounts offered by each company before you buy.

Maine law **requires** every auto insurance company to provide a discount for liability, medical payments, and collision coverages for drivers age 55 and older who have completed an approved motor vehicle accident prevention course. You may contact the Bureau of Highway Safety at (207) 624-8756 for a list of approved courses and times.

This discount for older drivers may not be applied if either the insured or another member of the insured's household was involved in an at-fault accident or has a moving violation or license suspension during the previous three years. The discount applies for 36 months after the course completion. A new course must be completed every three years to continue the discount.

The following describes some other typical discounts:

- **Multiple Vehicles:** Most insurance companies include a discount for insuring more than one car with the same company. Companies offer these discounts not only because they want all of your business, but also because it is more cost effective for them. Industry statistics show that individuals and families who insure more than one car generally have better than average claims experience. Companies pass along some of their savings to you through this discount.

- **Driver Education Courses:** Discounts for driver education courses are targeted primarily at younger and older drivers.
- **Good Student:** Insurers' experience has shown that those students who are responsible enough to maintain a B average or better tend to be more responsible drivers. For that reason, many companies offer a "Good Student Discount."
- **Safety Devices:** Automobile safety devices can help lower insurers' costs by preventing accidents or limiting their severity. These savings are passed along to the policyholder with discounts for safety equipment, such as air bags, anti-lock brakes, and automatic seat belts.
- **Antitheft Devices:** Devices or systems that discourage theft or vandalism also lower claims costs. Many companies provide discounts for antitheft devices, such as alarm systems.
- **Low Mileage:** The fewer miles you drive the less chance you have of getting into an accident. Insurers recognize this fact and generally offer discounts for low mileage drivers. Some insurers also offer discounts for drivers who carpool.
- **Good Driver/Renewal:** Some insurers offer discounts to drivers with a good driving record who renew coverage with the same insurer.
- **Auto/Home Package.** Some insurance companies offer a discount when you buy both your homeowner's and auto policies from them.
- **Dividends.** Some insurers, particularly mutual companies, provide dividends to policyholders if the sale of auto insurance has been profitable to them. Dividends are declared and paid after the policy period has expired.

Discounts not only help companies attract customers, they are also ways for companies to compete and keep business. So when you shop, don't just ask if a discount exists, but also ask how much you will save. The savings can differ from one company to another. In addition, you should make sure that you receive all the discounts for which you qualify. When comparing the cost of insurance among different insurers, compare the total cost after any applicable discounts have been applied.

INSURANCE COVERAGE REQUIRED BY LAW

Maine law *requires* every vehicle owner or operator to carry: liability insurance, uninsured motorists coverage, and medical payments coverage.

To satisfy the financial responsibility law in Maine, you **must** buy a minimum of \$50,000 liability for the injury to or death of any one person; \$100,000 liability for one accident resulting in injury to or death of more than one person; and \$25,000 liability for property damage.

These amounts are usually shown as \$50/100/25 on your insurance policy. A combined single limit (that combines bodily injury and property damage liability) of \$125,000 is also acceptable. You cannot register your vehicle without proof that you have this minimum amount of insurance. Uninsured motorist bodily injury of \$50/100 (or combined single limit of \$100,000) and a minimum of \$2,000 for medical payments coverage is also required.

Keep in mind that these minimum amounts may be too low for your situation; you may want to buy more coverage. You should base your decision on what assets you need to protect you from claims that may exceed the minimum amounts. As you raise your coverage, your premiums will also increase; however, the extra cost of higher coverage tends to be relatively low.

Purchasing a personal umbrella policy is one way to have higher limits of liability inexpensively. An umbrella policy provides broad liability protection over and above the liability limit of your auto policy. It will also cover some exposure to losses that your auto or homeowners policies do not cover. Most umbrella policies require you to have at least \$250,000/\$500,000 or \$300,000 single limit on your auto policy. The umbrella policy or endorsement generally adds an additional \$1,000,000 limit.

WHAT IS LIABILITY INSURANCE?

Most auto liability insurance policies contain three major parts:

- liability insurance for bodily injury;
- liability insurance for property damage; *and*
- uninsured/under-insured motorists coverage.

Bodily injury liability insurance does not protect you or your car directly. If you cause an accident in which other people are injured, this insurance protects you against claims for damages such as their medical expenses, lost wages, and pain and suffering. This insurance coverage will also pay if a member of your family who lives with you was driving your car, or another person was using your car with your permission.

The maximum amount that your insurance company pays for any one person injured in an accident, and the amount available for multiple injured parties, is determined by the amount of insurance you buy. See your policy's Declarations Page for these amounts.

As stated above, you must purchase a minimum limit of \$50,000 per person/\$100,000 per accident, or a combined limit of \$125,000 which includes the minimum amount required for property damage.

Property damage liability insurance pays for any damage you cause to the property of others, like a crushed fender, broken glass, or a damaged fence or wall. Your insurance will pay for this damage whether you are driving your car or whether it is being driven by another person with your permission. The minimum limit required by Maine law is \$25,000.

Uninsured/Underinsured motorists (UM) coverage is a required coverage under Maine law. It applies when you are injured by an at-fault driver who:

- cannot be identified (is a hit-and-run driver);
- does not have the required auto liability insurance (an uninsured driver); or
- has liability insurance limits that are lower than your own UM limits (an underinsured driver).

UM covers your family members and other passengers who are injured while in your car. UM will also cover you or the family members in your household for injuries from another car while walking or biking or while riding in another car.

UM does not cover the other driver's injuries and it **does not cover damage to your vehicle or other property**. The purpose of UM is to provide you with the same personal injury recovery that would have been available if the at-fault driver had insurance to the same extent as you.

Your policy's UM coverage must equal its liability coverage limit **unless** you specifically elect a lower limit. If you want less UM coverage, your insurance company must give you a rejection form and you must sign it **before** the effective date of the policy. Even if you decide you want UM coverage that is lower than your liability coverage limit, you may not have less than the minimum required amounts of \$50,000 per person and \$100,000 per accident. Umbrella policies do not usually cover uninsured motorist claims.

Medical payments coverage pays for the medical and funeral expenses incurred by you or others hurt or killed in an accident while riding in or driving your car. Claims against this coverage include all reasonable hospital, surgical, chiropractor, X-ray, dental, professional nursing, prosthetic, and funeral expenses. It will also cover you and family members in your household for injuries resulting from another vehicle while walking or biking, or while riding in another car.

This coverage will pay for your medical and funeral expenses even if you cause the accident. Usually, only expenses incurred within a specified period of time after the accident are included. Medical payments coverage is also required by Maine law; you **must** have at least \$2,000 in medical payments coverage on your policy.

COVERAGE FOR DAMAGE TO YOUR VEHICLE

The coverages previously discussed are the basic coverages required by law; however, when you buy auto insurance you will have to decide if there are other insurance coverages that you would like to add to your policy. The other most common coverages are collision and comprehensive.

Collision Coverage pays for physical damage to your car from colliding with an object, like a tree or another car. If you have an older car worth less than \$2,000 you may not want to buy collision coverage, because you are likely to pay more money in premium than you would receive because of a claim. Auto insurance policies will generally not cover repair costs in excess of the actual cash value of the vehicle. Once repair costs reach a percentage of the value of the car (for example, 75%) as set by the company, the company will declare the vehicle a total loss and pay the actual cash value of the vehicle instead of the cost to repair.

Comprehensive Coverage pays for damage to your car from almost all causes (other than collision) including fire, severe weather, vandalism, floods, and theft. Comprehensive coverage also covers broken glass, such as windshield damage.

DEDUCTIBLES

- If you buy collision or comprehensive coverage, you can save money by agreeing to the highest deductible you can afford to pay in case of an accident. A deductible is the amount of money you agree to pay as part of a claim *before* the insurer is obligated to pay the rest of the claim. For example, if you carry collision coverage with a \$250 deductible and you have a \$1000 loss, you must pay the first \$250 and the insurance company would pay the remaining \$750.
- Deductibles reduce your premiums because you agree to pay a set amount of your claim that your insurer would otherwise have to pay. Insurance companies offer deductibles because they reduce the number of small claims which are expensive for them to handle.

If you buy a new car with a loan or lease a car, the financial institution loaning you the money or the person leasing the car to you may require you to buy comprehensive and collision coverage. This is to make sure that you have the means to repair the car if it is damaged and to pay off the loan if the vehicle is totaled. The financial institution or lessor generally will also require to be named on the policy as an additional interest.

OTHER OPTIONAL COVERAGES

CD Players, GPS Navigation Units, Satellite Radio, DVD Players and other audio or visual electronic equipment are generally covered under collision and comprehensive coverages ***if they are permanently installed in the vehicle***. Many policies may limit coverage to \$1,000 for some installed equipment, but you may be able to buy higher limits.

Portable electronics are excluded under the auto policy unless the insurer offers an endorsement to cover your personal effects in the vehicle. Otherwise, coverage for these items may be included under your renters or homeowners policy, subject to its deductible.

Rental Reimbursement Coverage

This coverage usually pays \$15 to \$30 a day to rent a car while your car is being repaired from damage that is covered by the policy. Most policies specify a maximum of 30 days for the coverage. The premium varies from insurer to insurer, but is generally inexpensive.

Towing and Labor Coverage

This coverage pays the cost to tow your car to the repair shop, subject to the limit amount in your policy. Premium for this coverage can run as low as \$5 to \$10 a year. If you are a member of an auto club (like AAA), you probably already have this service and may not want to duplicate your coverage. You will not be able to collect under both.

WHAT IS LOAN/LEASE COVERAGE?

If you purchased a new car with only a small down payment or with no money down and you financed a large part of the cost, you may owe more money than the car is worth. This gap exists because the policy compensation for vehicle damage is based on the vehicle's actual cash value (the cost to replace your vehicle less an amount for its depreciation); not on what you paid for the car.

Loan/lease coverage (sometimes called GAP coverage) can help cover this gap. It may pay the difference between the actual cash value of the car at the time of loss and the remaining balance you owe on the loan, depending upon the terms of the coverage. Any portions of the balance involving interest for late payments, roll-over amounts from a prior loan, or additional purchases such as the cost of an extended warranty are not covered. When purchased as part of your insurance policy, this coverage is generally inexpensive. Not all insurers offer this type of coverage.

OTHER COST FACTORS

Surcharges (extra premium charges)

Surcharges are used to spread the cost of automobile insurance among policyholders as fairly as possible.

For example, a driver who has a clean driving record pays the lowest possible rates while a surcharge may apply to the premium for a driver who is at-fault in an accident or who is convicted of a moving violation. The surcharge is not a flat fee and is not designed to recover money that was paid out for any prior claims. Surcharges are usually applied for three policy years following the accident or conviction.

Canceling your Policy in the Middle of the Policy Term (*Short-Rate Cancellations*)

A short rate cancellation may apply when you decide to change to another company in the middle of a policy term. In most cases, your insurance company will keep 10% of the unearned premium when you request cancellation before the policy expires. This charge covers the expenses the company incurs when it issues a policy. Once the cancellation of the old policy has been processed and the short-rate cancellation charge is applied, the new policy may no longer be a "bargain." Companies generally allow an exception to the short-rate cancellation if you no longer own the vehicle.

BILLING PROCEDURES AND FEES

Installment Fees: Rather than requiring the whole premium to be paid at the beginning of the policy period, most companies offer the option of paying in semi-annual, quarterly, or monthly installments. If you decide to pay in installments, an installment fee may be applied. This fee covers the additional expense of sending you multiple bills and processing multiple payments.

Fees for Insufficient Funds: Companies may be allowed to charge a fee when payments made by check, electronic transfers, or credit/debit cards are rejected by your financial institution.

Late Fees or Reinstatement Fees: Companies may be allowed to charge a late fee or a reinstatement fee when your payment is not received by its due date. A late fee can be applied if your payment is received late. A reinstatement fee can be applied if your policy is cancelled for nonpayment of premium and then is reinstated.

Mid-term Changes in the Policy: Changes you make to your policy near a billing date will generally not show in the next bill. The amount shown as due should be paid; any adjustments will be made with the following bill.

NOTE: Maine law does not require a grace period for paying property and casualty insurance premiums.

If you do not make a payment when it is due, your policy can be cancelled for nonpayment of premium. Insurers are not required to offer you additional time to make your payment.

IF YOU HAVE AN AUTO ACCIDENT

If you are involved in a motor vehicle accident, knowing what to do can make the experience less frustrating and prevent complications. Use the list below only as a guide. During the claim investigation, the company may request information other than what is listed on the next page.

- Write down the name, address, and license number of everyone involved in the accident.
- Write a description of the other vehicles involved and any damage to them, and note other details such as the weather conditions and visibility.
- Call the police, even if the accident is minor. You must report an accident that results in bodily injury, death, or apparent property damage of \$2,000 or more.
- Write down the name and address of anyone who may have witnessed the accident.
- Immediately contact your insurance company or agent to report your claim. Most companies provide claims service 24 hours a day.
- Promptly notify the police if a hit-and-run driver is involved.
- Permit the insurance company to inspect and appraise the damaged vehicle before its repair or disposal.
- Promptly notify the police if your vehicle is stolen.

You have the responsibility to comply with the specific duties that are outlined in your auto policy. They are listed in the section of your policy titled "Conditions." Failing to comply with the specific terms and conditions listed in your policy could lead to denial of coverage or even provide grounds for cancellation of the policy. Make sure that you know what your responsibilities are if you are involved in a motor vehicle accident.

RIDE AND CAR SHARING SERVICES

Before renting your personal vehicle or using it to provide rides to customers through a Transportation Network Company, you should consider the implications for your insurance coverage. Many personal auto policies do not allow such use of your vehicle, and even those that do will generally not cover you during any period of time that you make your vehicle available for renters or riders. To prevent uncovered losses and liabilities, you will want to ensure that you have other coverage in place.

If you are giving rides to paying customers through a transportation network company, either you or the company will need to obtain insurance that meets certain minimum liability requirements and you must carry proof of insurance that meets those requirements. Importantly, the law does not require these policies to include comprehensive or collision coverage, so they may not cover damage to your vehicle. This coverage gap could be especially problematic for drivers with a car loan because most lenders require borrowers to maintain insurance that will cover loss of the vehicle at all times.

If you are renting your vehicle through a peer-to-peer car sharing program, a standard auto policy will not cover the vehicle during the rental period, and it will be up to you, your provider and/or the driver to fill the coverage gap. Drivers will need insurance to cover their liability to others, and you may need insurance to cover theft or damage to the vehicle. You should familiarize yourself with the terms of that insurance and keep proof of the insurance policy in the rented vehicle at all times.

Whether you are offering your personal vehicle for rides or rent, it is always a good idea to consult with a licensed insurance agent to find the insurance coverage that is right for you. Gaps in coverage can have serious financial consequences.