

Automobile Insurance

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Introduction to Auto Insurance

Auto insurance helps pay for the injuries and damage that can happen when you own and drive a car or other motor vehicle .

This brochure can help you compare policies and make informed decisions when you buy auto insurance . It can help you understand your auto policy . Your policy is a legal document, and it is important that you understand it .

Your motor vehicle may be an auto, truck, van, motorcycle, or another kind of private passenger vehicle .

California Law

You must show financial responsibility for any vehicle that you own, in case of injury to other people or damage to their property. Most people show financial responsibility by buying auto liability insurance. California law states,

“All drivers and all owners of a motor vehicle shall at all times be able to establish financial responsibility and shall at all times carry in the vehicle evidence of the form of financial responsibility in effect for the vehicle.”

If you do not have auto liability insurance, you can be fined, your license may be suspended, and your vehicle could be impounded.

Your Auto Policy

Your auto insurance policy is a contract between you and your insurance company. It explains:

- Your costs.
- Your coverages—the different things your policy covers.
- Your exclusions—the things your policy does not cover.

Compare Policies

Auto policies can vary a lot . Discuss your insurance needs openly with your agent, broker, or insurance company. They can help you, but it is your responsibility to choose the insurance that is best for you. You should always get several quotes. A quote is an estimate of your premium cost. Compare quotes before you buy a policy.

Know Your Policy

It is important to be familiar with your auto policy before you need it. Read it carefully. The Declarations page is a useful summary of your policy.

- Call your agent, broker, or insurance company if you do not understand something in your policy.
- Tell your agent, broker, or insurance company if you sell or buy a car or have new drivers in your household.
- Read your policy before you allow others to drive your car. Some drivers might be excluded from your policy. This means that the policy will not cover accidents when they are driving.

Know Your Rights

Good Driver Provision.

Every automobile insurance company must offer coverage for Good Drivers. A Good Driver is a person who has been licensed for at least three consecutive years and has no more than one- point on his or her driving record. It is important to note that your rates as a Good Driver must be at least 20% lower than a non-Good Driver’s rates would be at the same insurance company.

Cancellation/Nonrenewal Provisions

There are only three reasons an automobile policy can be canceled/non-renewed once it is issued:

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

In relation to a cancellation for nonpayment of premium, the insurance company must provide you with 10-day written notice after the payment due date before the insurer can effectively cancel the policy.

Auto Insurance Costs

Premium

A premium is the amount you pay to the insurance company to buy your auto policy. The premium covers the term or length of the policy. The term can vary from one month to one year. Most insurance companies allow you to pay the premium in installments. Ask if there is an extra fee for doing this.

Deductible

Some kinds of coverage have deductibles. A deductible is the amount of loss which the insured is responsible to pay.

You usually pay a lower premium if you choose a higher deductible.

Example: Let’s say that your Comprehensive coverage has



a \$500 deductible. If a storm causes \$1,500 of damage to your car, you must pay the first \$500. Then your Comprehensive coverage pays the rest—\$1,000.

Limits

Each kind of coverage has its own limits. The limit is the total amount the insurance company will pay for a single accident or claim. The insurance company will not pay any costs above the limits.

Example: Let's say that your auto liability coverage has a \$50,000/\$100,000 limit on bodily injury for one accident. In this case, your insurance will not pay more than \$50,000 for one person. It will not pay more than \$100,000 for one accident.

Do I pay a fee to my agent or broker?

Agents represent insurance companies and are paid by insurance companies, not by you. If you work with a broker, you will usually pay a broker's fee.

Do all insurance companies have the same costs?

No. Costs vary, even in the same area. When you shop for auto insurance you should compare costs and coverage from several companies.

I cannot afford my premiums. What can I do?

California has a Low Cost Automobile Insurance Program for drivers who are income eligible. For more information, go to www.mylowcostauto.com. Or call 1-866-602-8861.

Liability Coverage and California Law

Liability coverage helps pay for injuries or damage that you cause to others. If you own and drive a vehicle, you must follow the financial responsibility laws in the state Vehicle Code. The most common way to do this is to buy auto liability coverage.

Liability coverage does not pay for injuries to you or the people in your household. You can buy medical payments coverage for you and your household members.

Minimum Liability Coverage (\$30k/\$60k/\$15K).

*By law, the limits below are the minimum insurance limits for a standard auto policy. You must have at least this much coverage.

Minimum Bodily Injury Liability Limits

- \$30,000 for the death or injury of any one person. If one person is injured in the accident, your coverage pays up to \$30,000.
- A total of \$60,000 for the death or injury of more than one person in any one accident. If two or more people are injured, the coverage pays up to \$60,000. The coverage will not pay more. The injured people share the money.
- This coverage applies to injuries that you cause to someone else.

Minimum Property Damage Liability Limits

- \$15,000 for damage to the property of other people.
- This pays for damage you cause to someone else's car, or to objects and structures that your car hits.

You must buy liability coverage.

Driving without insurance is illegal. Also, you must have liability coverage to register your car. Your insurance company tells the California Department of Motor Vehicles (DMV) if you buy auto insurance or if you stop paying your premium.

What happens if I do not have liability coverage?

If you do not show proof of insurance when asked, you will get a ticket. If you do not have any insurance, your license may be suspended and your vehicle could be impounded.

How do I prove that I have liability coverage?

Your insurance company will provide you with proof of insurance. It lists the insured vehicles and the name(s) of the insured(s). It also shows the policy number and the dates the policy starts and ends. Keep this card in your car.

What if I cause an accident that costs more than my liability limit?

You will be responsible for any damage you cause beyond the limits purchased.

Should I get higher limits than the law requires?

You may want higher liability limits than the law requires. In general, the more assets you have, the more you could lose in a lawsuit. You should discuss your situation with your agent, broker, insurance company, or financial advisor.



Are there other ways to show financial responsibility besides buying insurance?

There are three ways to accomplish financial responsibility:

- Obtain automobile liability insurance from an insurance company authorized to do business in California.
- Make a cash deposit of \$35,000 with the Department of Motor Vehicles (DMV).
- Obtain a surety bond for \$35,000 from an insurance company licensed to do business in California.

Evidence of financial responsibility must be carried at all times in the vehicle. Most Californians maintain financial responsibility by purchasing automobile liability insurance from an insurance company authorized to do business in California.

Other Coverage Options

These are other coverage options commonly available for purchase.

Uninsured Motorist Coverage (UM) /Underinsured Motorist Coverage (UIM)

This covers you if you are in an accident with a driver who does not have any liability insurance, or is underinsured. The insurance company must offer you this coverage. If you choose not to buy it, you must sign a form, called a waiver. The form says you were offered the coverage and turned it down.

- Uninsured motorist bodily injury (UMBI): This pays for injuries to you and any person in your car when there is an accident with an uninsured driver who is at fault. The limits can be the same or lower than your liability coverage limits.
- Underinsured motorist (UIM): This covers limited costs for bodily injury if you are in an accident with a driver who does not have enough insurance to pay for damages.
- Uninsured motorist property damage (UMPD): This pays for the damage to your car from an accident with an uninsured driver who is at fault. If you do not have collision coverage. The limit is \$3,500. This only pays if the uninsured driver is identified.

Collision Deductible Wavier (CDW)

This pays for your collision deductible if your insured vehicle is damaged in an accident with an uninsured driver who is at fault.

Medical Payments Coverage

This covers the cost of medical expenses if you or your passengers are injured. This coverage can pay for immediate medical care, no matter who is at fault.

- The minimum limit you can buy is \$1,000 for each person injured. You can ask for higher limits of coverage.

Physical Damage Coverages (comprehensive and Collision)

- Collision covers damage to your car caused by physical contact with another vehicle or an object, such as a, tree, rock, guardrail, or building.
- Comprehensive covers damage to your car caused by something other than a collision. For example, comprehensive can cover damage from fire, theft, vandalism, windstorm, flood, falling objects, etc. It does not cover mechanical breakdown, normal wear and tear, or maintenance.

Collision and Comprehensive coverage provide compensation based on the market value of your car.

Endorsements

- You can buy insurance for extra equipment, such as custom wheels, navigation systems, and custom equipment that is permanently installed.
- You can buy insurance for towing and road service.
- You can buy rental reimbursement insurance for renting a car when your car is being repaired after a covered accident.
- You can purchase insurance to cover business use of the vehicle including when driving for a Transportation Network Company.

If you have a car loan:

If you have a loan, you usually need to insure your car. If you do not buy insurance, the loan company may buy it and charge you. It usually costs less if you get your own Collision and Comprehensive coverage.

Auto insurance does not pay off your loan if your car is damaged and its market value is less than what you owe. Auto dealers and lenders may offer Guaranteed Auto Protection (GAP) insurance for this purpose.



Coverage Summary

Liability Coverage is for accidents that are your fault.

- Bodily injury liability pays for bodily injury you cause someone else.
- Property damage liability pays for property damage you cause someone else.
- California law requires you to have this coverage.

Uninsured/Underinsured Motorist Coverage is for accidents when the other driver is at fault and does not have insurance or does not have enough insurance.

- Bodily injury coverage pays medical expenses for you and passengers.
- Property damage coverage pays the cost of repairs to your car up to \$3,500. You may not need this if you have collision coverage.
- Collision deductible waiver pays your collision deductible.
- You must be offered this coverage, but you can choose not to buy it.

Medical Payments Coverage pays limited medical expenses for people injured in the car you are driving when you have an accident, whether or not you are at fault.

- You may be offered this coverage, but you can choose not to buy it.

Physical Damage Coverage pays the cost of repairs or replacement of your car, minus your deductible.

- Collision covers damage to your car from an accident with another car or a physical object.
- Comprehensive covers damage to your car from events other than a collision, such as theft, fire, or vandalism.
- This coverage is required by lenders or leasing companies.

Additional Kinds of Coverage

- Towing and road service.
- Rental reimbursement pays for car rental when your own car is being repaired after a covered accident.
- You can choose to buy these coverages. They are not required.

Shopping for Auto Insurance

Auto insurance costs and coverage vary. You should always get several quotes. A quote is an estimate of your premium amount.

An agent or broker can help you figure out your insurance needs, get quotes, compare policies, and get the best discounts. Keep notes of your conversations. If you want, have a trusted family member or friend with you.

Compare policies:

1. Decide what kinds of coverage you want.
 2. Ask for each insurance company's quote in writing.
 3. Compare quotes.
 4. Ask for the complete name of the insurance company that will issue each policy.
- Make sure the company is licensed to do business in California. Go to www.insurance.ca.gov.
 - Check the company's record for paying claims and customer service. Go to www.insurance.ca.gov and search for "consumer complaint study."

Save money on your policy:

- Ask about multi-car discounts, for insuring several cars.
- Ask about mature driver and good driver discounts.
- Ask about discounts for airbags, anti-theft devices, or other features.
- Ask about payment installment plans and if there are service fees.
- Ask about higher deductibles for comprehensive and collision coverage. This will lower your premium.
- Think about dropping comprehensive and/or collision coverage on an older car.
- If you do not have collision coverage, ask about uninsured motorist property damage coverage.

Filling Out an Application

You will have to provide some information when you apply for auto insurance. The insurance company uses the information to decide if they will insure you and for how much.

- How you use your car, such as for business, commuting to work, or family trips
- How many miles you drive in a year
- The years, makes, models, and vehicle identification numbers for all cars in the household
- The amount you paid for the car(s)
- The insurance requirements if you have a loan or lease
- How long you have been driving
- The names, ages, marriage status, and driver's license numbers for all drivers in your household
- The driving record for all drivers in your household including accidents, insurance claims, and tickets for



- moving violations, but not parking tickets
- Most insurance companies will order a Motor Vehicle Report from the DMV—this is the state’s official record of your accidents, traffic violations, and suspended licenses

Before you sign anything:

- Take time to review your application before you sign it.
- Do not sign any forms that you do not understand.
- Do not sign any blank forms.
- Ask for copies of all forms and other documents for your records before you leave the office of the agent, broker, or insurance company.

When you get your new policy, review it.

Make sure the information is correct and the coverage is what you bought. Contact the company right away if you find an error. Send changes to your agent, broker, and/or insurance company in writing and keep a copy. Do not be afraid to contact the insurance company directly to make sure that your agent or broker has requested the coverage you wanted. Use “certified mail/return receipt requested” to make sure that your letter was received.

Working with an Agent or a Broker

In California, you can buy insurance from an agent, a broker, or an insurance company. You can get insurance quotes online, over the telephone, or by mail.

- All agents and brokers must be licensed by the state to sell insurance.
- When an agent or broker sells a policy, they get a commission from the insurance company.
- Brokers sometimes charge an extra fee, called a broker’s fee. Ask what the fee is before you sign anything. Brokers’ fees are not set by law, so you can discuss the fee and ask for a lower fee.
- Make sure to keep the receipts for your premium payments, especially if you are paying in cash.

Choosing an Agent or Broker

Choose your agent or broker carefully. Can you trust the agent or broker? Do you feel that they will put your interests first?

You can look for agents or brokers in your local yellow pages or online. Or ask for names from family members, friends, neighbors, or co-workers. Ask:

- Did the person take the time to fully explain your policy?
- Did they answer all your questions?

- How did they respond when you had a claim?
- How often do they contact you to review and update your policy?

Check the license:

Check that the agent or broker is licensed to sell auto insurance in California. Go to www.insurance.ca.gov/license-status/ and enter the name of the agent or broker. Or call the California Department of Insurance at 1-800-927-435.

If You Have an Accident

Report accidents immediately to law enforcement and to your insurance company. You can order a free brochure from CDI called “So You’ve Had an Accident, What’s Next?” This brochure explains what to do when you have an accident.

Your insurance company may send a person called an adjuster. The adjuster investigates and evaluates your damage and losses. If there is damage to your car, they may refer you to a body shop, or you may choose your own.

What if both drivers are at fault?

In many accidents, both drivers share the fault. The police, the insurance companies, or the courts, decide the comparative negligence. This states each driver’s share of the responsibility.

If I am injured in an accident, does my health insurance pay anything?

Usually, your health insurance pays for your immediate medical care. Then your health insurance company will typically try to get back money from your auto insurance or the other person’s auto insurance.

When one insurance company tries to get money back from another insurance company, it is called subrogation.

Does my auto insurance company charge me more if I have an accident?

If the accident is not your fault, your insurance company does not charge you more. If you are at least 51% at fault, your premium can go up when you renew your policy. This increase is called a surcharge.



California's Low Cost Automobile Insurance Program (CLCA)

The law says that you must have auto liability insurance. However, if you have a low income, it can be hard to pay the premium. California has a program to help you.

This program helps income-eligible good drivers get insurance. The premium for liability coverage varies by the county you live in. Please check our website for current rates.

- The liability limits for this program are lower than the limits usually required by the state. But these limits do satisfy state financial responsibility laws. The limits are:
- \$10,000 bodily injury or death per person
- \$20,000 bodily injury or death per accident
- \$3,000 property damage per accident
- Your annual income must be 250% or less of the federal poverty level.
- Your car must be worth \$25,000 or less.
- You must have a valid California drivers license.
- You must be at least 16 years old.
- If there is a single male driver in the household who is 19 to 24 years old, the premium is higher.
- There are 7 payment plans available. There is no broker's fee.
- For more information, go to www.mylowcostauto.com. Or call 1-866-602-8861.

If You Have a High-Risk Driving Record

The California Automobile Assigned Risk Plan (CAARP) If you have had several accidents or speeding tickets, you may not be able to find a standard company that will insure you.

If you shop around, be sure to compare costs and coverage carefully.

You can also get liability insurance through the California Automobile Assigned Risk Plan (CAARP).

- The program assigns you to an insurance company. All insurance companies that are licensed to sell auto insurance in California must accept CAARP.
- All the companies in the CAARP program must charge the same premiums. You can pay in installments.
- After a certain number of years, your traffic violation or accident may be removed from your record. At this time, you may be able to buy a standard policy.
- There is no broker's fee if you buy a CAARP policy.
- For more information, call CAARP at 1-800-622-0954.

Common Terms

Actual Cash Value (ACV)

Unless otherwise defined in the policy, actual cash value in California means fair market value. The fair market value of an item is the dollar amount that a knowledgeable buyer (under no unusual pressure) is willing to pay, and a knowledgeable seller (under no pressure) is willing to accept.

Adjuster

The person from your insurance company who investigates and evaluates your damage and losses.

Agent

An individual or organization licensed to sell and service insurance policies for an insurance company.

Binder

A short-term agreement that provides temporary auto coverage until your auto insurance policy starts.

Broker

An individual or organization that is licensed to sell and service insurance policies for you.

Broker Fee Agreement

The contract between you and your broker. It lists the fees for your broker's services.

Cancellation

When you or your insurance company ends your policy early. They might do this because you did not pay your premium. You might cancel your policy because you no longer own or drive a car.

Claim

Your request to an insurance company to cover an accident or other loss.

Collision coverage

Pays for damage to your car caused by physical contact with another vehicle or an object, such as a deer, tree, rock, guardrail, building, or person.

Commission

The fee that an insurance company pays an agent or broker when they sell a policy.



Comparative negligence

The percent of responsibility that each driver shares in an accident when both drivers are at fault.

Comprehensive coverage

Pays for damage to your car caused by something other than a collision, such as fire, theft, vandalism, windstorm, flood, falling objects, etc.

Declarations page

Usually the first page of an insurance policy. It lists the full legal name of your insurance company, the amount and types of coverage, the deductibles, and the vehicle(s) insured.

Deductible

The amount of the loss that you must pay before your insurance company pays anything. Only comprehensive and collision coverage have deductibles.

Endorsement/rider

A written statement that changes the coverage or details of an insurance policy.

Exclusion

These are the specific things that your insurance policy does not cover or limits coverage for. For example, your policy may not cover certain kinds of dangers, people, property, or locations.

Gap coverage

This pays the difference between the fair market value of your new car and the balance you owe on your loan or lease.

Insured

The person who can receive covered benefits in case of an accident or loss. Also called the policyholder.

Insurer

The company that issues your insurance.

Liability coverage

Insurance that helps pay for the injuries and damage to others from accidents that are your fault.

Limit

The most money that your insurance company will pay for your loss.

Medical payments coverage

Covers limited medical costs for you or others in your car, when you are in an accident.

Non-renewal

This is when you or your insurance company does not renew your policy at the end of its term.

Policy

This is your contract with the insurance company. It explains your coverage. It also states the rights and duties of both you and the insurance company.

Premium

The amount you pay to buy an insurance policy.

Private passenger automobile

Four-wheeled motor vehicles for use on public highways, like cars, station wagons, SUVs, and vans. They must be registered with the state.

Quotation (quote)

An estimate of your insurance premiums based on the information you give to the agent, broker, or insurance company.

Rescission

The cancellation of a policy back to its start date. If this happens, the insurance company does not pay for any of your losses, and your premiums are refunded. This can happen if you knowingly gave false information when you applied for the policy.

Subrogation

When one insurance company pays money on a claim, and then tries to get paid back or reimbursed by another insurance company.

Surcharge

An extra charge that is added to the premium by an insurance company. This usually happens because a covered driver has had an accident or moving violation that is their fault.



Uninsured/Underinsured Motorist Coverage (UMC)

Provides coverage for a policyholder involved in a collision with a driver who does not have liability insurance or whose liability limits are too low to pay for all the damage.

Resources

California Automobile Assigned Risk Plan (CAARP)

Information about the state insurance plan for high-risk drivers

1-800-622-0954

www.aipso.com/ca

California Low Cost Automobile Insurance Program

Information about the state-sponsored pilot program for good drivers who are income eligible

1-866-602-8861

www.mylowcostauto.com

Filing a Complaint (Request for Assistance)

The California Department of Insurance is committed to protecting your rights. Many questions can be answered over the phone. If we are unable to resolve the issue over the phone, you can file a Request for Assistance form by mail or online on our website. The system will allow you to attach copies of all necessary documents, such as policies, canceled checks and correspondence. Some examples of the issues the Department may be able to help with include:

- Improper Denial of Claim
- Cancellation or non-renewal of a policy
- Delay in settlement
- Alleged misappropriation of premiums paid
- Alleged misrepresentation by an Agent/Broker or solicitor
- Unfair underwriting practices
- Dishonest or deceptive insurance sales tactics

Contact Us

Consumer Assistance Hotline:

1-800-927-4357

TTY 1-800-482-4833

Visit us on the web at:

www.insurance.ca.gov

To order additional materials contact

Community Relations & Outreach at:

crob@insurance.ca.gov



Led by Insurance Commissioner Ricardo Lara, the California Department of Insurance is the consumer protection agency for the nation's largest insurance marketplace and your best resource for honest and impartial answers to insurance questions. Knowledgeable insurance professionals are available through our consumer hotline. Call 1-800-927-HELP (4357) or visit www.insurance.ca.gov to view all of our consumer information guides and insurance resources. These tools are available to consumers free of charge.