

## Frequently Asked Questions Auto Insurance

OFFICE OF THE COMMISSIONER OF INSURANCE

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### The Automobile Insurance Policy

#### What is auto insurance?

Auto insurance is a contractual agreement between an insurance company and an insured (policyholder). In exchange for a premium, the insurance company promises to provide bodily injury liability coverage, property damage liability coverage and uninsured motorist coverage.

#### What are the different parts of the auto policy?

The first section of the policy is the "declarations page," which lists what coverages are in effect and the dollar amounts of the coverages. The next section of the policy includes the actual contract language, which clearly describes the insurance company's rights and responsibilities as well as the policyholders. Your policy may also contain a third section called the endorsement section, which changes or modifies the policy. Certain general provisions are required by law, but policies can be very different. It is important to read any policy issued to you as soon as you receive it. If you have questions, contact your insurance agent or company for clarification.

#### Who does the auto policy cover?

The personal auto policy provides coverage to the named insured, spouse and other relatives living in the home as well as anyone to whom the named insured has given permission to operate the vehicle.

### Wisconsin's Financial Responsibility Law

#### Is auto insurance mandatory in Wisconsin?

Yes. All Wisconsin drivers are required to have an automobile insurance policy in force or, in limited situations,

other security which could be a surety bond, personal funds, or certificate of self-insurance when operating a motor vehicle in the state. Details are available at the Department of Transportation, Division of Motor Vehicles (DMV), Hill Farms State Office Building, 4802 Sheboygan Ave., Madison, WI 53702

#### If I buy automobile insurance, what coverages are required in Wisconsin and what are the minimum limits I can purchase?

Your automobile insurance policy must provide the following minimum liability coverage:

- \$25,000 for injury or death of one person;
- \$50,000 for injury or death of two or more people; and
- \$10,000 for property damage.

The law also requires uninsured motorist coverage with a minimum limit of \$25,000 for one person and \$50,000 for two or more people for bodily injury coverage.

You may want to protect your assets by purchasing more coverage than what is provided in the minimum policy required in Wisconsin. Higher limits are usually available but you may have to pay additional premium.

#### What is covered under bodily injury liability coverage?

This coverage does not protect you or your car directly. If you cause an accident injuring other people, it protects you from their claims up to the stated amounts for medical expenses, lost wages, pain and suffering and other losses. It will also usually pay if the accident was caused by a member of your family living with you or a person using your own auto with your consent. It does *not* pay for bodily injury *you* may sustain.

#### What is covered under property damage liability coverage?

Property damage liability coverage pays for any damage you cause to the property of others up to the stated amount provided by the policy (i.e., a crushed fender, broken glass, or a damaged wall or fence). Your insurance will pay for this damage if you were driving your auto or if it was being driven by another person with your consent. Property damage liability also pays if

you damage government property like a light pole or signpost, up to the limit you choose.

#### **What is uninsured motorist coverage?**

Uninsured motorist (UM) coverage applies to bodily injury you, your family, and other occupants of your vehicle incur when hit by an uninsured motorist or hit-and-run driver. It also covers you and your family if injured as a pedestrian when struck by an uninsured motorist or 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. The minimum amount of coverage required by law is \$25,000 per person and \$50,000 per accident for bodily injury only.

You may want to purchase more than the minimum coverage required by law if you feel the need for more protection. *Uninsured motorist coverage does not cover property damage to your vehicle* and does not protect the other driver. Your insurer may sue the other driver for any money the insurer pays you because of the other driver's negligence.

#### **What is underinsured motorists coverage?**

Underinsured motorists (UIM) coverage increases the bodily injury protection to you and the people in your car up to the amount of coverage you purchase if the at-fault party's bodily injury liability insurance limits are lower than your UIM coverage limits. The maximum amount payable is the difference between the two limits.

Underinsured motorist coverage is not mandatory. Notice of coverage availability is required with the delivery of the policy. Coverage may be rejected. However, if requested, minimum coverage limits of \$50,000 per person and \$100,000 per accident are required.

#### **What is medical payments coverage?**

Medical payments coverage pays medical or funeral expenses for you or others injured or killed in an accident while riding or driving in your automobile. It will also cover you or members of your family if you are struck by an automobile as a pedestrian or while riding in another automobile. Medical payments coverage usually covers only those expenses not covered by health insurance, such as copayments, deductibles, etc. It will pay for your medical and funeral expenses even if you cause the accident.

Insurance companies must offer this coverage to you but you can reject it. If you elect to have medical payments coverage, the minimum limit is \$1,000.

## **Physical Damage Coverage**

#### **What does collision coverage provide?**

Collision coverage pays for physical damage to your vehicle caused by your vehicle colliding with an object, including another car or if it overturns. In the event of an accident, collision coverage will pay to repair your vehicle up to the amount equal to the value of the vehicle before the accident. Your own insurer will pay for such damage even if the collision is your fault.

Collision premiums are generally based on the make, model and year of your car. You should evaluate the current market value of your car and your ability to afford a similar car should it be destroyed before you purchase this coverage. You may not need this coverage if your car has decreased in value or if you can afford to replace it.

#### **What does comprehensive coverage provide?**

Comprehensive (also called other than collision) coverage pays for damage to your vehicle resulting from fire, vandalism, water, hail, glass breakage, wind, falling objects, civic commotion, or hitting a bird or an animal. Damage from striking a deer is a relatively frequent accident in Wisconsin. It is important to know that most policies cover hitting an animal under comprehensive, not collision, insurance.

Comprehensive coverage also pays if your vehicle or parts of it, such as a battery or tires, are stolen. Flood damage to your car is also covered if your auto insurance policy includes comprehensive coverage. If you carry collision without comprehensive, you are not covered for flood damage.

#### **How is the deductible for comprehensive or collision coverage applied?**

Deductibles for comprehensive or collision coverage are applied for each occurrence. A deductible is the dollar amount that you have to pay toward the loss before the insurance company begins to make payments on the loss. For example if you suffered a comprehensive loss (a deer hit) and that same day suffered a collision loss (a shopping cart hit your vehicle), your policy allows the insurer to apply two different deductibles.

#### **If I have my car financed, do I need to purchase auto insurance?**

If you do finance the car, the financial institution (lender) will require that you have car insurance. The terms of your loan will most likely require you to provide comprehensive and collision insurance. This is because the lender considers your vehicle collateral for the loan. If

your policy lapses, the bank will force coverage (obtain a policy) and add it to your loan. Forced coverage provides protection to the bank, not you, for their interest in the car and nothing else. The cost of this insurance is much higher than you would pay if you bought your own policy through a standard carrier.

## **The Claims Process**

### **Can I require the insurance company to replace my car?**

The personal auto policy is not a replacement policy. Coverage for your car is based on actual cash value. The actual cash value (ACV) of your car is based on the value of your car at the time of the accident, taking into account its current market value. Therefore, the insurance company's obligation is to repair the car based upon its actual cash value not its replacement cost.

### **What is meant by aftermarket parts?**

Auto repair shops may use aftermarket and/or used parts when repairing or replacing a damaged part (i.e., bumpers, bumper covers, and associated bumper parts, etc.). Aftermarket parts are produced by companies other than the original equipment manufacturers (known as OEM parts).

Auto insurance contracts do not generally specify what parts will be used. You may request that aftermarket parts not be used to repair your vehicle, but you are responsible for any repair costs that exceed the final claim settlement negotiated with the insurance company.

### **The insurance company is totaling my car. How can I make sure I get what it's worth?**

An insurance company totals a car if repairs would cost more than it is worth. An insurance company will use various sources to value your car including, but not limited to, the National Automobile Dealers Association Used Car Guide ("Blue Book") or the CCC Information Services, Inc., guide. The company's offer, therefore, might not recognize your car's condition, special features or value on the local market. A company is more likely to raise its offer if you can show that your car would sell for a higher price in your area. Keep the lines of communication open. Get several used car dealers to write price quotes for a similar automobile. Newspaper used-car ads also can build your case. *Remember these quotes and ads provide asking prices and the actual value or sales price could be lower.*

### **The other driver's insurance company wants me to sign a release on my injury claim. How long can I delay this?**

Sign the release when you are satisfied with your total settlement. Get a letter from your doctor estimating the cost and length of your future medical treatment. You may, of course, consult an attorney before accepting a settlement. You have three years after the accident to either settle your claim or file a lawsuit.

### **What is meant by comparative negligence?**

Wisconsin has a comparative negligence law that means responsibility is frequently shared. The comparative negligence law is based on a percentage of negligence. This means you may recover damages from the other party providing your negligence is not greater than the other party, but your damages shall be reduced by the percent of negligence attributed to you. You are barred from recovery if your negligence is greater than the other party's negligence.

## **Cancellation/Nonrenewal**

### **When is it allowable for my insurance company to cancel my auto insurance during the term of my policy?**

An insurance company may cancel a new policy any time within the first 60 days and is not required to provide you with a reason for the cancellation. A cancellation is also permitted during the terms of the policy if the premium is not paid when it is due, discovery of fraud or material misrepresentation made by you or your representative in obtaining your insurance, or by your pursuit of a fraudulent claim under your policy, or significant changes in insuring characteristics. For the situations discussed above, no cancellation is effective until at least 10 days after the insurance company mails or delivers to you a written notice of cancellation.

### **When is it allowable for my insurance company to nonrenew my auto insurance policy?**

Nonrenewal refers to the termination of a policy at the expiration date. If an insurance company decides it does not want to renew your policy, it must mail or deliver to you a nonrenewal notice at least 60 days before your policy's expiration date.

### **Does an insurance company have to say why it refused to renew my policy?**

Yes, the nonrenewal notice must provide the reason for the insurance company's decision to nonrenew your policy.

### **Does my auto insurance policy have a grace period?**

Unlike health insurance policies, auto insurance policies do not have a required grace period. The premium is due, at the insurance company, on the date identified on the premium notice. If the premium is not received by that date, the policy automatically terminates.

### **Can credit history be used as a reason to nonrenew or refuse to renew my car insurance?**

Insurers may use credit information as one of the criteria they consider when underwriting personal lines insurance. However, it is the position of the Wisconsin Insurance Commissioner's Office that insurers should not use credit information, whether they use credit reports or credit scoring mechanisms, *as the sole reason* to refuse an application, cancel a new insurance policy in its first 60 days of coverage, or nonrenew an existing policy.

### **What can I do if my policy has been canceled or nonrenewed and I cannot find another insurance company that will write auto insurance for me?**

If you have tried several insurance companies and cannot find coverage, you can be insured through the Wisconsin Automobile Insurance Plan. You can apply through any licensed property and casualty insurance agent. For general information on the plan, you may call or write to Wisconsin Auto Insurance Plan (WAIP), 20700 Swenson Drive, Suite 100, Waukesha, WI 53186, (262) 796-4599.

## **Rating**

### **What affects the price of auto insurance?**

When determining the rate for an auto insurance policy, insurers separate drivers into categories called classifications. Drivers are classified based on a number of different characteristics including, but not limited to, age and gender, marital status, where the vehicle is garaged, driving record, make and model of the vehicle, prior insurance coverage and annual miles driven. History has shown that drivers with certain characteristics, such as a poor driving record, have a greater chance of being involved in an accident, and the drivers in those classifications must pay higher rates. While some of the classification criteria (such as age and sex) are out of your control, others, such as driving record and type of vehicle driven, are within your control.

### **Can the driving/accident records of my child and/or spouse have an impact on my ability to buy auto insurance?**

Yes, the driving record of any licensed driver in the household could affect the decision of the insurance company to insure your vehicle(s). Their records can possibly cause you to be turned down for insurance coverage or to pay higher insurance premiums.

### **How much will my insurance cost?**

Premiums or the amount you pay for insurance can vary. The type of car you drive, driving record, age, gender, where you live, and how much you drive usually affect the cost.

### **Is there a way I can reduce my premiums?**

Every auto insurer has its own package of special discounts to attract particular types of customers. Most insurance companies provide discounts for at least some of the following: accident-free drivers discount; a package discount for insuring your home and auto with the same company; multi-car discount; good student discount; nonsmokers discount; and passive restraint discount (for vehicles with air bags or automatic seat belts). You may also consider higher deductibles for your comprehensive and collision coverages.

### **Can my insurance company raise my premium due to an accident or traffic ticket?**

Your insurer may charge an extra fee, a surcharge, if you are involved in a chargeable accident or were ticketed for a traffic violation. Surcharges must be applied in a uniform manner and are required to be filed with the Wisconsin Office of the Commissioner of Insurance. *However, the Wisconsin Office of the Commissioner of Insurance plays no role in your insurance company's decision to raise your premiums.*

A surcharge is used as a tool to properly price the exposure the insurer is writing and not as a means to recoup payment made under a claim. The total dollar amount paid as the result of a claim usually does not affect the surcharge.

## **Miscellaneous Auto Insurance Questions**

### **Will my Wisconsin policy with the state required minimum liability limits protect me if I drive to another state that requires higher minimum liability limits?**

Your Wisconsin policy limits will be interpreted to provide at least the minimum limits required by the laws of the state in which you are operating your vehicle.

**When I buy an additional car or replace a car, does my policy automatically cover it?**

Yes, but you need to be aware of certain limitations. An additional car automatically has the same coverage as the car with the broadest coverage provided by your policy. (For example: You already have two cars. One has just liability coverage. The other has liability, collision and comprehensive—the broadest coverage afforded by the policy. Therefore, if you buy a third car, it automatically will have liability, collision and comprehensive.)

A replacement car automatically has the same coverage as the car it replaced. (For example: You have two cars. You trade in the older car, which has only liability coverage, on a new car. This means the new car automatically has only liability coverage.)

Be sure to notify your insurance agent or company as soon as possible that you have added or replaced a car and which coverages you want for the new car. The personal auto policy requires the policyholder to notify the agent or company within a specified number of days. It is best to call your agent before picking up your car to make sure you have the coverages you want.

**What can I do if I have a problem with an auto insurance company?**

You should first attempt to resolve your concerns with your insurance agent or with the company involved in your dispute. If you do not get satisfactory answers from the agent or company, contact the Wisconsin Office of the Commissioner of Insurance. A complaint form is included on this Web site.

Make sure you have included detailed information about your insurance problem. *Be sure that you include the correct name of the insurance company involved in your complaint.* Many companies have very similar names. Listing the wrong name may delay the investigation of your complaint.

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OCI's Web Site:  
[oci.wi.gov](http://oci.wi.gov)