

What They Don't Teach You in High School

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There are many classes you have to take to graduate from high school (whether you like it or not). Sometimes it's hard to understand how all this stuff applies in the real world. While you just have to trust that you will make use of the information someday, at the time it can seem overwhelming and frustrating. The last thing you want to think about is auto insurance. It's hard enough to deal with parents, school, and your social life, why bother learning about something that Mom and Dad handle? If you are lucky enough to have your own car or borrow a car from Mom or Dad, you remember what it was like before you had your license and always had to bum a ride. Your driver's license and access to a car has given you the kind of freedom that freshmen only dream about, but freedom doesn't come without responsibilities (ouch!). All that freedom can be taken away in an instant if you don't have car insurance. Doing your homework on auto insurance will prepare you for the day when you are on your own ... and the less surprises you have, the better.

Why Should You Care About Auto Insurance?

Insurance may not be at the top of your priority list right now, but soon it will be. If you have been lucky enough to be on your parents' auto policy, you may never have even considered auto insurance. In the near future, it is going to be up to you to get auto insurance because you can't stay on your parents' policy forever.

So, why do you need auto insurance anyway? Well, the first answer is simple: it's the law. The DMV requires that you take financial responsibility for owning and operating an auto in California. The easiest way of satisfying your financial responsibility is by buying liability insurance.

Minimum Liability Coverage Liability insurance protects you when you cause property damage or bodily injury to someone else when driving your car. Bodily injury liability limits must meet the minimum of \$15,000 for injury or death of 1 person per accident, \$30,000 for injury or death of 2 or more persons per accident and \$5,000 for any property damage per accident. These limits are often referred to as \$15K/\$30k/\$5K. Starting January 1, 2025, these minimum mandatory liability limits will increase to \$30k/\$60K/\$15k. That's \$30,000 for injury or death of 1 person per accident, \$60,000 for injury or death of 2 or more persons per accident and \$10,000 for property damage per accident.

Property damage liability limits must meet the minimum of \$5,000 per accident. Liability insurance protects you when you cause property damage or bodily injury to someone else when driving your car. If you are caught driving without liability insurance in California you will be charged hefty penalties. Violators can face up to hundreds of dollars in fines for a first time offense. Also, if you are involved in an accident and do not have liability insurance, your license may be suspended whether or not you are at fault.

Legal issues aside, insurance is a way to protect yourself in the case of an accident. Your coverage can't stop an accident from happening, but it can help to put you back in the place you were before an accident occurred. It can also protect you from financial hardship if you are at fault and hurt someone else or their property in an accident. There is no doubt that you need auto insurance. If you're not convinced yet, then read the following reasons to get insurance now, before it's too late:

- Do you have the money to pay for repairs if your car is damaged or vandalized? Physical damage (coverage comprehensive and collision) will pay for these types of repairs.
- Do you have the money to cover towing and car rental if you total your car? You can choose an auto policy with special coverage options such as towing and rental car coverage. It's not too cool when you're forced to take the bus to the prom!
- What would you do if your car was stolen? Would you be able to buy another car if the police didn't recover your car? Comprehensive coverage will put you back in the driver's seat with a total loss settlement if your car is stolen. Would you be able to pay off your car loan? Gap coverage pays your lender any amount that is still owed on your car loan after your comprehensive coverage pays out the fair market value of your car. In other words, gap coverage kicks in when your remaining loan amount exceeds the fair market value that your comprehensive coverage pays out.
- Do you have the financial certainty that you can pay for any accident that was your fault? When you have liability insurance, your insurance company takes care of it up to the amount of liability limits you purchase. Although the minimum liability limits are \$15k/\$30k/\$5k you may want to purchase higher limits if you have assets now or may in the future have assets that exceed those minimum limits. For example, if you have \$5,000 property damage



limits, but you crash into someone else's car and cause \$25,000 in damage to their car, you could be on the hook for the extra \$20,000.

- Would you rather pay a small deductible or the entire amount of damage to your car? That's a no-brainer!
- How would you feel if your friends were injured in your car and could not afford medical treatment? Medical payments can provide an amount of coverage for initial medical treatment.
- Are you the type of person who complains about how others are so irresponsible? Take the real responsibility of driving and owning a car seriously and purchase auto insurance.

How Do You Shop for Auto Insurance?

Now that you have been convinced (maybe?) about the many reasons for purchasing auto insurance, it's time to learn about insurance shopping. Just like any other consumer product, it's just plain smart to comparison shop and be informed about what you are purchasing. We've all met status conscious people that only buy brand name merchandise and pay the highest prices at trendy retail outlets. Most likely we also know those who insist on always buying the cheapest item regardless of quality. Neither buying strategy is particularly worthy. You have worked hard at that job after school, and you don't want to waste money needlessly on over-priced insurance, but you also don't want to buy something so cheap that you don't get the service you need when you need it. Here are a few things to remember when shopping for insurance, whether you're an insurance novice or not:

Get the Facts!

Get the Facts! Insurance may seem pretty simple, but allow adequate time to do some real research on policies and available coverages. Doing your insurance homework will ensure that you get the policy that is right for you. Everyone is an individual, so what is good for your best friend may not necessarily be the best thing for you. However, that doesn't mean you can't talk to your friends and family if you need help purchasing insurance. Never be afraid to ask questions. Contact your local agent or insurance company. Also, don't overlook the research power of the internet. The internet provides a lot of insurance information. Make sure to access both consumer-oriented websites, company websites and the California Department of Insurance (CDI) website at www.insurance.ca.gov to get a complete picture of what is available to you.

CYA = Cover Your Automobile!

Now is the time to learn about the different types of coverage available like liability, comprehensive, collision, medical payments, and uninsured motorists. It's too late to discover you didn't have the right coverage or you didn't understand the coverage you had when seeing your smashed up car at the towing yard. Buying auto insurance is a lot like going to a cafeteria, in that you pick and choose what coverage you want cafeteria-style. Since there is no such thing as "full coverage," it is important to gain a working knowledge of all the coverage options. Each element of your policy will protect you in a different way. Whether you are at fault for an accident, have property damage to your car, or sustain bodily injury, the coverages you choose protect you differently depending on the circumstance. California requires that you carry minimum liability limits, while other coverages are optional. Loan companies usually mandate that you carry comprehensive and collision coverage as a condition of your car loan. Know the insurance requirements of your loan before you shop for insurance.

Shop 'Til You Drop!

Be careful not to sacrifice the insurance coverage you need to save a few bucks. Sticking to a budget is one thing, but scrimping on auto insurance is a bad place to cut corners. When it comes to your safety and financial future, you have to play it smart. It's not easy to get a good job, get your own apartment, and still be responsible for other obligations such as auto insurance. This is the main reason why you should shop around. There are a lot of great insurance companies that offer excellent coverage at competitive prices. It is a good idea to compare 4 to 5 companies when shopping for insurance. Have the agents or companies quote similar coverages, limits, and deductibles as much as possible, so you can compare apples to apples. Make sure to visit the California Department of Insurance Web site at www.insurance.ca.gov and compare the complaint information of the companies you contact for quotes. With complaint and premium information, you will be able to make the best decision possible.

What Else Can You Do?

Drive Safely! Did you know drivers between the ages of 15-20 account for 14 percent of all fatal vehicle crashes? In fact, for the same age group, 30 percent of the drivers who were killed in auto crashes were under the influence of alcohol. Being a part of such a high-risk group can be scary,



but driving safely is a goal that is attainable. Protecting yourself on the road is easier when you know the rules of safe driving and how to anticipate unexpected road hazards. Consider the following safe-driving guidelines to help protect you from being another fatality statistic:

- Drive at the speed limit and adjust your speed down for night driving and road conditions such as rain, snow, ice, or fog.
- Do not use your cell phone while driving.
- Drive defensively. Look out for other drivers, pedestrians, cyclists, and animals.
- Keep a safe distance between you and the car in front of you. Back off! No one likes a tailgater.
- Always wear your seat belt. It's the law and seat belts have saved countless lives. Anyway, that glass in the forehead look is really overrated.
- Know how to work the controls and quickly check the instrument panel of your car. Playing around with the radio, cruise control, cell phone, or any other instrument control is dangerous and decreases your concentration.
- Pay attention when you drive. The most important thing to do when driving is driving!
- Drive sober. Choose a designated driver.
- Ride only with sober drivers. Offer to drive if the driver has been drinking or spring for a taxi. Almost half of the people who die in car crashes are passengers.
- Allow plenty of time to get where you're going. The idea is getting there! There's always time for a funeral.
- Make sure your car is in good working order. Know how to fill the gas tank, check the oil, change a flat tire, gauge tire pressure, fill windshield wiper fluid, and check windshield wipers for wear.
- Keep your car free of trash and clean all windows and mirrors. It's not good when your diet soda can gets lodged under the brake pedal.

Questions and Answers

Anticipating every question that you might have regarding auto insurance is kind of like expecting your teachers to have the big exam graded the day after you take the test. However, since it's our job to know your mind, we put together the following list of questions and answers after speaking with your peers and fielding their questions (names have been changed to protect the innocent):

Q: How does an insurance company calculate auto insurance premium?

A: Auto premium is based on three primary factors: how

long you've had your license, how many miles you drive in a year, and how many accidents or tickets you have. The insurance company can also use a variety of secondary factors to determine premium, but the most important secondary factor is the frequency and severity of claims the company has experienced in the area where you live. Since claim experience differs between companies, the premium charged by insurance companies can greatly vary. That's why you need to shop around.

Q: Why does my policy cost so much?

A: Auto insurance costs more for people who have little driving experience. Accident statistics show that newer drivers and drivers who are teenagers and young adults have an increased likelihood of accidents. As you get older and gain more driving experience, your premium will go down. However, you won't enjoy lower premium rates if you get too many tickets or have too many at-fault accidents along the way.

Q: Can an insurance company raise my premium because of tickets or accidents?

A: You bet they can! Your premium is partially based on your own driving experience. If you have tickets or at-fault accidents, you will be charged an additional surcharge based on the type of ticket or accident for which you have been cited. The more tickets and accidents you have, the higher your premium.

Q: What can I do to save some money on auto insurance?

A: Comparison shopping is the best way to save money on auto insurance. Savvy shoppers who keep a clean driving record will be able to find the best insurance deals with good companies. Another way to save money is by taking larger deductibles and lowering limits; however, make sure that you are not putting your financial future in jeopardy by choosing low limits and high deductibles. Auto insurance needs to be a priority in your budget, not an afterthought.

Q: When I get my driver's license, will my parents' auto insurance cover me?

A: Generally speaking, if your parents have a standard auto insurance policy, it will cover any person in the household that drives on an occasional basis. However, when there is a minor or adult of legal driving age in the household, your parents' insurance company will require that person to be permanently added to the policy for a premium charge. The



insurance company can also decide to exclude that person from your parents' policy if separate proof of insurance from a different insurance company is provided. An insurance company can start charging additional premium from the time that a driving permit is issued to a minor. It is up to the individual insurance company to determine when to start charging additional premium. Some will wait until the driver's license is issued.

Q: How do you pay for auto insurance?

A: When an insurance company offers coverage, the full premium is due up-front. However, most insurance companies offer payment plans. These payment plans require a down payment and usually charge a small service fee for each installment. Brokers and agents may also offer premium financing options from premium financing companies. Read these contracts very carefully, as you may be responsible to pay the full premium amount to the premium financing company even if you cancel your auto policy in the middle of the term.

Q: What happens if I don't pay my premium?

A: The insurance company is only obligated to give you 10-day notice of cancellation due to non-payment of auto premium. What this means is if your premium is not in their office and applied to your account by 12:01 a.m. the day that it is due, the insurance company will send you a 10-day notice of cancellation. This gives you the chance to pay the insurance before your policy is cancelled. If the company doesn't have your money, you don't have the coverage, and they will not send out another notice telling you that you have been cancelled. You can see why it is very important to make sure your payment is made in plenty of time.

Q: I am going to college in another state, do I have to make changes to my policy?

A: You will have to give the insurance company your new mailing address and the principal address where your car will be garaged. If your insurance company does not operate in the state where you will be attending college, you will have to get new insurance in that state.

Q: Is it true if I'm a full time student with a B average that I won't pay as much for auto insurance?

A: Some insurance companies offer special "good student" discounts. The idea behind the discount is that students who are busy studying and getting good grades are less

likely to have the time to drive around partying and getting into accidents. Not all insurance companies offer good student discounts. Contact your insurance company or company representative and ask.

Q: Is it okay to let a friend borrow my car? Will my car be covered if my friend is in an accident?

A: It's not a good idea to let your friends borrow your car. Most standard policies will cover a friend who has borrowed your car; however, if a friend borrows your car on a regular basis, the insurance company most likely will not pay for the loss. Also, some policies exclude coverage when someone other than you drives your car. It may not be fascinating reading like your psychology 101 text, but it pays to read and research your policy to see how your insurance company responds when an accident happens.

Q: What do I do if I am in an accident?

A: You need to exchange personal and insurance information with the person or person(s) involved in the accident. Write down names, phone numbers (work and home), license numbers, driver's license numbers, and insurance company names and policy numbers. Make sure you take down witness information as well. Take pictures of the accident scene and damage to the cars and other personal property. If there is bodily injury, call the police and ambulance if necessary. As soon as you can, call your insurance company and give them the details of the claim. You may want to see our brochure entitled, "So You've Had an Accident, What's Next?" for more helpful advice.

Where Can I Go for More Help on Auto Insurance?

If you need some help with questions on auto insurance or you are just looking for a place to start, contact us. Before you purchase insurance, you should check out the license status of all the parties involved. If you are going to an insurance agency or brokerage, you should make sure that it is licensed as well as the agent or broker you have contacted. The insurance company should also be licensed. We can provide that information to you online or at our Consumer Hotline number. Also, we have several auto-related brochures online that can give you tips on such topics as dealing with accidents or understanding basic auto insurance terms. They're not bestsellers, but they get the job done. Please see the "Talk to Us" section of this page for the many ways you can reach out and touch us.



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:

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