A CONSUMER GUIDE TO AUTO INSURANCE






MARYLAND

INSURANCE ADMINISTRATION

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INTRODUCTION

The Maryland Insurance Administration (MIA) is an independent state agency that regulates Maryland's insurance marketplace and protects consumers by ensuring that insurers and insurance producers (agents and brokers) act in accordance with insurance laws. We produced this guide to help educate Maryland residents about auto insurance.

The Insurance Administration is also responsible for investigating and resolving complaints and questions concerning insurers that do business in Maryland.

HOW TO SHOP FOR AUTO INSURANCE

Comparison shopping is the key to getting the most for your insurance dollar. Consumers think nothing of price shopping for televisions, computer tablets or appliances to save $20 or $30, but forget to shop around for auto insurance where hundreds of dollars can be saved. There are more than 150 auto insurers (or insurance companies) licensed in the state which offer policies, so there are plenty of places to shop.

The best time to shop for insurance is BEFORE you purchase a vehicle, trade in a vehicle, add drivers to your policy or renew your policy.

Here are some basic tips to follow when shopping for insurance:

Before buying a car, determine your insurance costs. This is the first cost-savings step in purchasing auto insurance. When you are shopping around for a new or used car, be sure you factor in the cost of insurance as well. High-performance vehicles are more expensive to insure.

Know what insurance coverage you are buying. Before you begin calling to request price quotes, you should familiarize yourself with the insurance coverage you are buying. It is important to know which coverages Maryland law requires you to purchase and those coverages that you may choose to purchase (Refer to other sections of this publication for more information).

Seek additional information. Many resources offer information about insurance. In addition to referring to the Maryland Insurance Administration's auto insurance rate guide, you may also seek information from consumer groups, consumer publications and the internet.

Check your Credit Report. Under Maryland law, insurers may not use your credit history to decide if they will insure you, cancel you, renew you or increase your premium. However, insurers may use your credit history to determine what rate
you will be paying for your auto insurance. Not all insurers use credit history and you may obtain auto insurance through insurers that do not use credit. For those insurers that do use credit, they are required to tell you at the time you apply for the insurance that they will consider your credit history. If you ask, an insurer must tell you how much of your premium is as a result of your credit score.

Credit reports are used to determine the type of financial risk you present. Reviewing your credit report will help inform you of your standing when you apply for certain credit and certain types of insurance, as well as allow you to correct any errors you identify. You are entitled to review your credit report at no charge once every 12 months. For questions or to make corrections to your credit report, you should contact the Federal Trade Commission, or any of these credit reporting agencies: TransUnion, Equifax, or Experian. The MIA's web page, *www.mdinsurance.state.md.us,* under the tab *For Consumers,* has a link to enable you to access your credit report a well as your loss history report.

For those insurers that use credit history to determine a portion of your premium, they are required to review your credit history every two years, or you can request the insurer to do so once during your policy term. The insurer may only give you the benefit of any improvement in your credit history; it cannot be used to increase your premium even if your credit deteriorates from what it was when you applied for your policy.

DO COMPARISON SHOPPING

- Contact several insurers or contact a producer*. Agents/agencies have contractual arrangements with insurers to sell insurance on behalf of the insurers. Brokers do not have such arrangements, but work with agents to locate or broker insurance on the consumer's behalf. In either instance, your insurance policy is with the insurer itself and not the agent/agency or broker. Insurers, agents, agencies and brokers are listed in the Yellow Pages and advertise in newspapers.

  * Under Maryland law, individuals and entities that sell, solicit or negotiate insurance contracts (insurance agents and brokers) are referred to as "producers."

- Ask your relatives and friends for recommendations regarding purchasing auto insurance. In addition, some banks, employers and special interest groups offer insurance directly to their members.

- The internet also provides a variety of insurance information. Many insurers have web sites and/or work with non-affiliated quoting vendors to provide insurance premium quotes on-line.

Ask for price quotes. In order to make an apples-to-apples price comparison, you must provide the same information to each insurer or producer. The following information is normally requested: make/model/year of the vehicle you wish to insure, average annual miles driven, the region in which you live, the types of coverages and limits for those coverages that you wish to purchase and driving record (accidents or violations) of the vehicle operators. This information is required to provide you an accurate quote. (Refer to the *Maryland Insurance Administration's Auto Insurance Comparison Guide to Rates* obtain information about sample rates.)

Ask about deductibles. A deductible is the amount you agree to be responsible for in the event of damage to your vehicle (i.e. accident, fire or vandalism). If you select a high deductible, you will pay more money out-of-pocket for any damage; however, your insurance premium should be lower.

Ask for discounts. Again, to help keep rates down, ask what discounts the insurer offers. Make sure you provide all information that may result in a discounted premium (e.g. security devices, safety devices, good driving record, good student, defensive driving courses, multi-vehicle or multi-policy discounts, etc.). (See pages 9-10 for additional information.)

Protect yourself from insurance fraud. Once you have selected an insurer, contact the Maryland Insurance Administration to verify that the insurer is licensed to sell insurance in Maryland. It is illegal for unlicensed insurers to sell insurance. If you choose to use a producer, also verify that the producer is licensed.

Financing Insurance. Not everyone can afford to pay their insurance premiums upfront; therefore, many insurers offer installment plans. In addition, your premium may be financed by a premium finance company in exchange for your agreement to pay interest and service fees.

Whether you choose an installment plan or a premium finance company, ask the following questions before buying the policy:

- How much is the down payment?
- How much are the monthly payments?

- How many months will payments be made (i.e. six or 12 months)?
- How much is the total payment over the period of the policy?
- Is a premium finance company financing the payment?
- What is the interest rate on the premium payments (if the payments are financed)?
- What other costs or fees are associated with financing the premium?
- Does the insurer offer an installment plan? Is there an installment charge or service fee?

Other considerations. Price is an important factor in selecting an auto insurer; however, other factors also deserve consideration. Some consumers prefer to deal with a producer that has an office in the same community or with an insurer that has a claims office nearby. Customer service is another important consideration.

Also, you may want to know how long the insurer or producer has been operating in Maryland, how quickly claims are processed and how often complaints were filed against the insurer or producer. Some of this information may be obtained directly from the insurer or producer. You may also contact the Maryland Insurance Administration in writing to obtain some complaint information. Additionally, closed complaint information is available on the National Association of Insurance Commissioner's (NAIC) Consumer Information Source which can be accessed on the NAIC's website at *www.naic.org/index_consumer.htm.*

WHAT FACTORS IMPACT RATES?

When you apply for auto insurance, the insurer will ask for information about you to evaluate your individual risk characteristics. These individual risk characteristics assist insurers in predicting the likelihood that you will be in an auto accident in the future or will file a claim for damages. Insurers evaluate these characteristics to determine whether their guidelines, known as underwriting guidelines, permit them to write a policy for you.

If the insurer's underwriting guidelines permit a policy to be written for you, the insurer will then assign a rate based on your individual risk characteristics. Some risk characteristics that insurers rely on to determine rates include:

Your driving record. Insurers are prohibited from increasing your rate based on accidents or traffic violations that are more than three years old. Insurers may consider traffic accidents and traffic violations that have occurred in the past three years in determining your risk. If your driving record is less than perfect, then you will be considered a higher risk and will pay a higher premium.

Geographic area. The number of claims filed by policyholders in your geographic area affects the rates charged by insurers. Counties or zip codes are commonly used geographic areas.

Gender and age. Males and young adults have a higher incidence of accidents; therefore, your gender and age will impact your rate. Rates generally decrease at age 25 and may increase as you approach age 50 or 55.

Marital Status. Married individuals have a lower incidence of accidents and claims. Therefore, married individuals generally pay lower premiums than single people.

Prior insurance coverage. Most insurers ask about your insurance history, including whether or not you currently have coverage or whether or not you have ever been cancelled or nonrenewed. Some insurers require individuals to pay higher premiums if there has been any lapse in insurance coverage. However, insurers are prohibited by law from denying insurance because an applicant was previously insured by the Maryland Automobile Insurance Fund.

Annual mileage. Insurers will also calculate your premium based on the average distance you drive on an annual basis. If your annual mileage is high, then insurers will consider you a greater risk and will charge you a higher premium.

Age, make and model of vehicle. Premiums are also based on your vehicle's age, make, model and value. Certain makes and models of vehicles – when involved in accidents – cause or permit greater levels of bodily injury, sustain greater levels of damage, and are more difficult and costly to repair. Insurers charge a higher premium to insure those makes and models.

Credit history. Some insurers review an individual's credit history when determining that person's premium. For instance, bankruptcies, late payments, and the number of credit cards you have may result in a higher premium. Insurers must follow specific laws when using a consumer's credit history to underwrite or rate an auto insurance policy.

Those laws state that an insurer may not:

- increase a renewal premium based on the credit history of the insured;
- apply a surcharge of more than 40% based on credit history; or
- use the following factors to rate a policy: the absence of or inability to obtain credit history, the number of credit inquiries, or any factor that is more than 5 years old.

Additionally, you have the right to request that your insurer recheck your credit history once per policy period. If your credit history has improved, the renewal premium may be reduced. However, if your credit history has deteriorated, this information cannot be used to increase your premium.

You can review your credit report(s) when you apply for certain credit and certain types of insurance, and correct any errors you discover. You can review these reports at no charge every 12 months. For questions, to make corrections to your credit report, or to access information about how to obtain free copies of your credit reports, you should contact the Federal Trade Commission at *www.ftc.gov.*

Compare the premium you are paying to what another company might charge you. Refer to our *Automobile Insurance: A Comparison Guide to Insurance Rates* at *www.mdinsurance.state.md.us* or call 410-468-2000 to obtain a copy. Make sure you compare policies that have the same coverage.

WHAT DISCOUNTS ARE AVAILABLE?

Many insurers offer discounts. You should ask your insurance company or representative about any available discounts before purchasing or renewing your auto insurance policy. Not all insurers offer the same discounts but some of the most common ones include:

Good driving record. Insurers may consider traffic accidents and traffic violations that have occurred in the past three years in determining what to charge you. If your driving record is less than perfect, then you may be considered a higher risk and might pay a higher premium.

Safety devices. Frequently discounts are offered for devices that limit bodily injury or property damage caused by accidents. Such devices can include anti-lock brakes, automatic safety belts, or air bags.

Anti-theft devices. Car alarms and other theft-deterrent devices may also result in a discount.

Multiple policies. Although an insurer cannot require you to buy a homeowners insurance policy when you purchase an automobile insurance policy, some insurers offer discounts to policyholders who purchase both automobile and homeowners policies. In addition, insurers may offer discounts if you have more than one vehicle insured with the insurer.

Good student. Many insurers offer discounts to students who maintain at least a B average.

Driver Education Courses. Many insurers offer discounts for the completion of a driver education course.

Renewal Discount. Some insurers offer a discount to policyholders who have maintained continuous coverage with the insurer for a specified number of years.

Memberships or employment discounts. Insurers may offer discounts to members of certain organizations such as credit unions, shopper's clubs, or alumni associations. You also may be eligible to receive a discount through your employer.

Review your deductible. The deductible is the amount you agree to pay in the event your vehicle is damaged. Raising the deductible on your policy generally will decrease your premium. If you select a high deductible, you will pay more money out of pocket for any damage; however, your insurance premium generally will be lower.

Consider whether you want to maintain comprehensive and/or collision coverage. If your vehicle is older and has been paid off, you may want to consider dropping these coverages to reduce your premium. However, if you drop these coverages and your vehicle is damaged in an accident that you cause, or if it is stolen, vandalized or you collide with an animal, you must pay for the repair.

Options for High-Risk Drivers

If you have speeding tickets, accidents or other violations, some auto insurers will consider you a high-risk driver and may not sell you an insurance policy. However, auto insurance coverage is required under Maryland law. A high-risk driver does have options. Some insurers and independent producers specialize in finding coverage for high-risk drivers.

Alternatively, Maryland residents who have been turned down for coverage from at least two private insurers may seek coverage from the Maryland Automobile Insurance Fund (MAIF). For additional information, please call 800-492-7120, or visit the MAIF web site at *www.maif.net.*

BASIC OVERVIEW OF COVERAGE

Auto insurance coverage may include several types of protection. However, state law requires all registered vehicle owners to purchase certain minimum protections or coverage levels. Many drivers purchase more than the minimum requirements to protect themselves from high repair bills, medical expenses and lawsuits. Consumers who choose to purchase coverage above the state's minimum requirements will pay higher premiums.

LIABILITY INSURANCE

Liability insurance protects policyholders when they have caused an accident. There are two types of liability coverage that are required by state law: bodily injury liability coverage and property damage liability coverage.

For all polices written or renewed after January 1, 2011, the minimum amount of liability coverage required by Maryland Law is:
$30,000 for bodily injury per person
$60,000 bodily injury per accident; and
$15,000 property damage

BODILY INJURY LIABILITY INSURANCE
If you cause an accident and an injured person makes a claim or files a lawsuit against you, bodily injury coverage will:

- Pay for a lawyer to defend you if you are sued; and

- Pay the amount of medical expenses, lost wages and pain and suffering that you are legally responsible to pay to another person (up to the policy limits); or,

- Pay an amount to settle these claims (up to the policy limits).

In other words, if the claim for bodily injury is covered by your policy, the insurer will pay the claim up to the dollar limits of the coverage you purchased; you would only need to pay if the claim exceeds the policy limit or if the claim was not covered under the terms of the policy.

PROPERTY DAMAGE LIABILITY INSURANCE:
If you cause an accident that damages someone's property (such as their car) and the property owner makes a claim or files a lawsuit against you, property damage liability coverage will:

- Pay for a lawyer to defend you in the event that you are sued; and

- Pay the amount of physical damage that you caused to vehicles or property that you do not own (up to the policy limits); or,

- Pay an amount to settle these claims (up to the policy limits).

In other words, if the claim for property damage is covered by your policy, the insurer will pay the claim up to the dollar limits of the coverage you purchased; you would only need to pay if the claim exceeds the policy limit or if the claim was not covered under the terms of the policy.

Other people, such as family members, may also be covered under your insurance policy's bodily injury or property damage coverage. Family members are generally covered if: they are listed on the policy as drivers, they are driving your car for an occasional purpose with your consent, and they are not otherwise excluded by your policy's terms. If you are unsure whether a potential driver would be covered under your policy, read the terms of your policy or call your insurer or producer before you let that person drive the car.

Note: While state law establishes the minimum level of liability coverage, consumers who can afford higher premiums may choose to purchase more coverage. Higher limits of coverage provide more protection against repair expenses, medical expenses and legal judgments which might be higher than the minimum coverages required by Maryland law.

UNINSURED MOTORIST (UM) COVERAGE

Uninsured motorist coverage will protect you if someone driving without insurance causes damage to your property or injures you or your passenger(s). Coverage also applies when an auto damages your vehicle or injures you and leaves the scene of the accident without being identified. This insurance covers repairs to your property, as well as medical expenses, lost wages, and pain and suffering.

For all policies written or renewed after January 1, 2011, the minimum amount of uninsured motorist coverage required by Maryland law is:
$30,000 for bodily injury per person;
$60,000 bodily injury per accident; and
$15,000 property damage.

In Maryland, UM coverage also includes underinsured motorist coverage, which is known as UIM coverage. It provides you with bodily injury protection in the event you are involved in an accident where the at-fault driver has an insurance policy with liability limits that are less than your UM limits, and your injuries exceed the at-fault driver's available limits. You then can claim the difference under your own insurance policy.

PERSONAL INJURY PROTECTION (PIP)

Up to the specified dollar amount of your coverage, PIP coverage will reimburse you (or others named on your policy) for reasonable and necessary medical expenses resulting from an auto accident, as well as lost wages. This reimbursement will be made regardless of who caused the accident.

PIP coverage can be denied if claims are not properly and timely filed with your insurer. Therefore, it is important to contact your insurer or producer immediately after an accident has occurred and request PIP forms.

Maryland law requires consumers to purchase at least $2,500 in Personal Injury Protection (PIP) coverage. You may be able to waive PIP coverage for certain individuals resulting in a reduction in your premium. Consult your producer for a thorough explanation.

Because PIP coverage may duplicate an individual's health care coverage, some consumers choose to waive PIP if they feel they have adequate health care coverage and/or can afford to pay for medical treatment. You should check your health care policy and consult your producer about this coverage. Although waiving PIP results in a lower premium, you should keep in mind that PIP also pays lost wages and your household members' medical expenses, which are not covered under health care policies.

WHAT OTHER COVERAGES ARE AVAILABLE?

Physical Damage Coverage, also referred to as comprehensive and collision coverage, is the most commonly recognized coverage as it protects you from expenses related to damage or loss of your vehicle (e.g. accidents that you cause, theft or vandalism).

Although Maryland law does not require you to purchase physical damage coverage, often banks and other financial institutions that lend you money to purchase your vehicle or lease you a vehicle, will require that you purchase both collision and comprehensive coverage to protect their interests in the vehicle.

Collision Coverage pays to repair your vehicle or pays you what your vehicle was worth right before an accident occurred. (If your insurer determines the vehicle is a total loss, this means that the cost to repair the vehicle exceeds 75% of the value of the vehicle). Collision coverage is provided regardless of who caused the accident.

Because collision coverage is usually the most expensive component of your auto insurance premium, many people may choose to purchase collision coverage with a high deductible.

Generally, your premium decreases as the amount of the deductible increases. For example, if you hit a pole and the resulting damage to your vehicle is $1,200 and your deductible is $500, then the insurer will pay $700 to the body shop and you will pay the balance of $500. On the other hand, if you purchased collision coverage with a lower deductible or no deductible, then you would pay less towards the repair costs, but you would pay a higher premium.

Comprehensive Coverage (also known as *Other Than Collision*) pays for damage to your car resulting from causes other than an accident, such as vandalism or theft. As with collision coverage, choosing a higher deductible will lower your insurance cost.

ADDITIONAL OR SUPPLEMENTAL COVERAGE

Additional coverages are available that can supplement your insurance policy.

Medical Payments Coverage pays for medical expenses and related costs for you or others injured or killed while riding in your vehicle. These claims may include rehabilitative, surgical, chiropractic, x-ray, dental, prosthetic, professional nursing and funeral expenses. In addition, this coverage will typically cover you or members of your family if hit by a vehicle while walking or riding in another vehicle.

Most policies require that the amount you purchased under your PIP coverage be used in full before payments will be made under medical payments coverage.

Medical payments coverage is different from PIP coverage in that medical payments coverage will only pay medical expenses. If you have health care coverage, you should consult your policy to determine whether you are duplicating coverage. Please see page 12 for further explanation of PIP coverage.

Rental Reimbursement Coverage pays for all or a portion of the cost of a rental vehicle while your vehicle is being repaired after an accident or a loss specifically protected under your comprehensive coverage. The coverage typically pays a specific daily rate for a specified number of days.

Transportation Expense Coverage covers additional transportation costs – such as car rental, bus fare, etc. – while your vehicle is being repaired after an accident or a loss covered under your comprehensive coverage.

Towing and Labor Coverage pays to tow your vehicle to a repair shop after an accident or a breakdown. Members of auto clubs, such as AAA, may already have similar coverage.

Mechanical Breakdown Coverage pays to repair your vehicle after a mechanical breakdown (e.g. engine failure). New car buyers are advised that mechanical breakdown coverage may be less expensive than purchasing an extended warranty through an auto dealer. Insurers offer this coverage either directly or as a separate policy.

COMMONLY ASKED QUESTIONS

POLICY AND COVERAGE ISSUES

What types of coverages are provided when I purchase an auto insurance policy? Can I purchase other coverages as well?
An auto insurance policy must contain certain "mandatory" coverages, and may contain other optional coverages that you may choose to purchase. Below is a description of various types of mandatory and optional coverages. You are required to purchase no less than the statutory minimum amount for the mandatory coverages. However, you may choose to purchase more than the statutorily required limits of one or all of the mandatory coverages. There is no statutory minimum for

optional coverages. You may wish to contact your producer or insurer for assistance in determining the appropriate amount of insurance for you.

- **Bodily Injury Liability Coverage (Mandatory):** Bodily injury liability insurance provides coverage for medical expenses, loss of wages and pain and suffering that you may be legally responsible to pay to a person you have injured. This coverage may be applicable to passengers in your vehicle, persons in another vehicle or pedestrians. The policy provides separate limits of coverage for each person injured and a cap on coverage for each accident. For all policies that are written or renewed after January 1, 2011, Maryland law requires minimum coverage in the amount of $30,000 per person and $60,000 per accident.

- **Property Damage Liability Coverage (Mandatory):** Property damage liability insurance provides coverage for physical damage that you have caused to vehicles or property that you do not own. Maryland law requires minimum coverage for property damage liability in the amount of $15,000.

- **Personal Injury Protection (PIP) Coverage (Mandatory Offer/ You May Waive):** Personal Injury Protection (PIP) insurance provides reimbursement for some types of lost income and medical expenses for injuries sustained as a result of an accident, regardless of fault. Maryland law requires minimum coverage of $2,500. If you choose to purchase PIP coverage for all insured drivers and residents of the household above 16 years of age, this is known as "Full PIP." You may, however, elect not to purchase a portion of Full PIP. When you decline to purchase PIP for any listed driver and family members of your household (over 16 years of age), this is known as "Limited PIP". Some policyholders who have health insurance coverage may choose to waive PIP coverage in order to reduce the premium on the policy. Please note, however, that PIP is designed to ensure that medical expenses are paid promptly to limit the economic harm you may suffer due to injuries from an auto accident. Many policyholders pay the extra expense associated with PIP in order to have coverage for lost wages. Others purchase PIP so that they have a second source of recovery when being treated for accident-related injuries.

- **Comprehensive Coverage (Optional):** Maryland law does not require that you purchase comprehensive coverage. However, if you take out a loan to purchase your vehicle, most lenders will require that you purchase comprehensive coverage. The same is true if you have leased a vehicle; the lessor may require you to purchase comprehensive coverage for the vehicle. Comprehensive insurance provides coverage for property damage to your insured vehicle resulting from occurrences other than collision, and is sometimes referred to as coverage for "acts of God." Comprehensive insurance typically provides coverage for flood, theft, vandalism, glass breakage not resulting from an accident, and accidents in which the driver strikes an animal.

- **Collision Coverage (Optional):** Maryland law does not require that you purchase collision coverage. However, if you take out a loan to purchase your vehicle, most lenders will require that you purchase collision coverage. Collision insurance provides coverage for property damage to your insured vehicle in the event of a collision or in the event the vehicle flips over.

- **Uninsured/Underinsured Motorist Bodily Injury Liability (Mandatory):** Uninsured/underinsured motorist bodily injury liability insurance provides coverage for medical expenses, lost wages and pain and suffering caused by a vehicle that does not have insurance or that has insurance that is insufficient to cover damages. Maryland law requires that you purchase uninsured/underinsured motorist bodily injury liability insurance that covers at least $30,000 in damages per person injured, with a cap of $60,000 per accident. You may choose to purchase coverage in amounts larger than this statutory minimum.

- **Uninsured Motorist Property Damage Liability (Mandatory):** Uninsured motorist property damage liability insurance provides coverage for property damage to your vehicle and other property that is caused by a vehicle that does not have insurance. Coverage also applies when an auto damages your vehicle or injures you and leaves the scene of the accident without being identified. Please check your insurance policy, as there is usually a provision that requires you to notify the police and report the accident to the insurer within 24 to 48 hours after its occurrence. Maryland law requires that you purchase uninsured motorist property damage insurance that provides at least $15,000 in coverage. You may choose to purchase coverage in amounts larger than this statutory minimum.

- **Medical Payments Coverage (Optional):** Medical payments insurance provides coverage for medical expenses arising out of an auto accident, regardless of fault. This coverage is available after any PIP coverage is exhausted.

- **Towing and Labor (Optional):** Towing and labor insurance provides coverage for towing and labor expenses arising out of a breakdown of an insured vehicle.

- **Rental Reimbursement (Optional):** Rental reimbursement insurance provides coverage for your costs in renting a vehicle that is needed to act as a substitute for the insured vehicle damaged in an accident. Coverage is usually provided on a fixed rate basis per day, regardless of the actual daily cost of the rental, up to a maximum amount of days (usually not to exceed 30 days).

How do insurers develop the premium that I am charged?
Insurers consider a wide variety of criteria in developing their premiums. Each of the criteria assists the insurer in predicting the likelihood that you will be in an accident or otherwise incur damages resulting in filing a claim. The criteria that insurers consider commonly include age, sex, marital status, number of miles driven annually, driving record, credit history, whether the insured vehicle is used for business, pleasure or both, the type of vehicle insured, and the location where the vehicle is principally garaged. Since each insurer balances these rating factors

differently, the rate quoted by one insurer may differ dramatically from the rates quoted by other insurers. The amount of your premium will also depend upon the coverages you purchase, the amounts or limits for the coverages that you purchase, and the deductibles you choose for the coverages.

When shopping for an auto insurance policy, it is important to compare quoted premiums, policy limits, coverages and deductibles in order to determine which insurer provides the best value for your insurance dollars. There are many options available and questions to be answered with respect to the differences between quotes. Your insurance producer or insurer should be able to assist you and answer all of your questions.

What can I do to reduce my auto insurance premium?
The first step to reducing your auto insurance premium is to determine the type and amount of each coverage that you have, and the amount that you are paying for each coverage. You can then make a judgment as to whether it is appropriate (or even possible) to obtain those same coverages from another insurer at a lower cost and/or whether it is appropriate to reduce the type or amount of one or more coverages in order to reduce cost. Your insurance producer or insurer may be able to assist you in making this assessment.

The MIA has prepared an *Auto Insurance Comparison Guide to Rates* to assist consumers in comparing the rates of different insurers. This guide is updated biannually and is available on our website at *www.mdinsurance.state.md.us* under *For Consumers /Publications.* You may also contact the MIA at 410-468-2000 or 800-492-6116 (toll free) to request a free copy.

If you think that a reduction in the amount of your coverage might be appropriate, you may want to consider the following options. If you currently have full Personal Injury Protection (PIP) coverage and also have health insurance, you may want to give some consideration to whether the duplication of coverage is worth the additional premium you are paying. If you currently have physical damage coverage (comprehensive and collision), you may want to give some consideration to discontinuing the coverage (see the more detailed discussion below, in response to the next Commonly Asked Question). You should also review your uninsured motorists (UM) coverage limits. Do they equal your liability limits? If so, you could save some premium dollars by reducing your UM limits to the minimum required by statute. Before making any decisions to reduce coverages or the amounts of coverages, however, you should make a determination as to whether the reduction in coverage that is provided to you under the policy is justified by the amount you will save in reduced premium.

You may also want to give some consideration to whether increasing the amount of your deductibles would be beneficial for you. For example, if you raise the deductible on your collision insurance from $100 to $500, the amount of your premium will decrease. You must then weigh the benefit of the reduction in premium against the fact that you will have to pay $500, instead of $100 in the event that you are in an accident and make a claim under your collision coverage.

Once you have reviewed the various coverage options, you should discuss with your producer or insurer whether there are any discounts that might be available to you. Many insurers offer, for example, good driver discounts (for drivers without any violations or accidents for a pre-determined period of time while insured by the insurer); multi-policy discounts (if you have more than one policy with the insurer, i.e., homeowners and auto); multi-vehicle discounts (when you insure more than one vehicle with the insurer); protective device discounts (anti-theft, antilock brakes, air bags); discounts depending on the make and model of your vehicle; affinity group discounts (if, for example, you are a member of an alumni group, buying club or other organization); and longevity discounts (for those insured by an insurer for a certain period of time).

You may also want to ask your producer or insurer to explain your premium payment options. You may be able to reduce your total insurance costs by changing to a different payment method. For example, if your premium is being financed through a premium finance company, you are paying fees and interest charges on top of your premium. Check to see if your insurer offers installment plans that allow you to make payments monthly, bi-monthly, or quarterly for a nominal fee and no interest. Also, check to see whether the insurer offers a discount if you pay the entire annual or semi-annual premium up front.

My car is several years old and has been paid off. Should I maintain comprehensive and collision coverage?
The answer can depend on whether you can afford to repair or replace your vehicle if it is damaged in an accident that you caused (collision coverage), or if it is stolen, vandalized, or you hit an animal (comprehensive coverage). While you are required by law to have property damage liability coverage that covers physical damage to the property of others if you are at fault, the law does not require you to have coverage for physical damage to your own property.

You should compare the cost of having these coverages against the value of your vehicle. If the cost of having the insurance coverage exceeds the value of your vehicle, it may not be worth purchasing these types of coverages.

You can determine the costs of these coverages by asking your producer or insurer to tell you what these specific coverages cost. You can determine the value of your vehicle by referring to similar vehicles that may be listed for sale in the newspaper or on the internet. You may also choose to find pricing information by using one of the resale price guides, such as Kelly Blue Book or the NADA Used Car Guide.[1] Should you decide the cost of comprehensive and collision coverage is not worth the protection you would receive, and you decide to remove these coverages from your auto insurance policy, your premium will be decreased.

You can also decrease the amount of your premium by raising the amount of your deductible, which is the amount you pay before the insurer will pay for any damages you may have sustained.

1 Reference to these guides is not meant as an endorsement by the Maryland Insurance Administration.

May an insurer consider my credit history when reviewing my application for auto insurance?
No. Maryland law states that an insurer may not refuse to underwrite (that is to insure), refuse to renew, cancel or increase the renewal premium based, in whole or in part, on the credit history of the insured or applicant. However, an insurer may use credit history to rate a new policy. This means that the decision to place you with an affiliated insurer, assign you to a specific tier within an insurer, or to add or remove a discount based on your credit score when you first obtain insurance with the insurer, is authorized by law.

May an insurer consider my credit history when establishing the premium for my auto insurance policy?
Yes. When a person initially applies for an auto insurance policy, the insurer may consider an applicant's credit history when determining the premium to be charged. If the insurer considers your credit history, it can only rely upon credit factors that occurred within the previous five years.

Additionally, the insurer/producer must advise you, at the time of your application, that your credit history is being considered and, if you request it, must provide you with a quote that separately identifies the portion of the premium that is affected by your credit history.

Once the policy is effective, your premium cannot be increased if your credit score worsens. However, if your credit score improves, that may help lower your premium at renewal. Insurers that use credit are required to obtain new credit scores every two years and you will automatically receive the benefit of an improved credit score if the new report shows an improvement. However, if you believe your score improved, you may request the insurer to check it even if the two year period has not passed. You are entitled to request the insurer to check your credit score once during any policy period.

What happens if there is a lapse in my coverage? Will I have to pay a penalty?
Maryland law requires all owners of motor vehicles to purchase and maintain the minimum coverage for bodily injury liability, Personal Injury Protection, property damage, and uninsured/underinsured motorist protection. State law requires you

to have a minimum of $30,000 per person and $60,000 per accident in bodily injury liability coverage, $15,000 in property liability coverage, and identical amounts of uninsured/underinsured motorist bodily injury coverage, as well as $15,000 in uninsured motorist property damage coverage and $2,500 in Personal Injury Protection coverage.

By law, when an automobile insurance policy is cancelled or nonrenewed, the insurer is required to notify the MVA. If, based on the information they have on record, it appears to the MVA that you do not have insurance coverage, the MVA may contact you and request that you provide a Maryland Insurance Certification Form (FR-19) that shows adequate coverage has been in place since the vehicle was registered. Insurers are required to provide FR-19 forms free-of-charge, without question, to all policyholders. If coverage cannot be verified through an insurer, the MVA will assess the vehicle owner a penalty fee for each day the vehicle was uninsured. Uninsured vehicle owners could:

- lose license plates and vehicle registration privileges;
- pay uninsured motorist penalty fees for each lapse of insurance - $150 for the first 30 days, $7 for each day thereafter;
- pay a restoration fee of up to $25 for a vehicle's registration;
- be prohibited from registering any future vehicles until all insurance violations are cleared;
- be prohibited from renewing a suspended registration until all insurance violations are cleared;
- have license plates confiscated by an authorized tag recovery agent once a registration suspension is in effect; or
- pay a fine of up to $1,000 and/or one year imprisonment for providing false evidence of insurance .

If you wish to challenge the fine, you must contact the MVA at 410-768-7000. The MVA also may impose other penalties, such as revoking license plate and vehicle registration privileges. You also may have to pay a fee to reinstate your vehicle registration.

If your vehicle is uninsured for any period of time, you also may find that your insurance premium is higher after the lapse. Additionally, you may find that some insurers will not insure you or your vehicle if there has been a lapse in coverage while you owned it. Insurers sometimes do this because they have found that those who drive without insurance present a greater risk for future losses than those drivers who maintain continuous insurance coverage.

Is there a difference between the "Point System" used by the Maryland Motor Vehicle Administration (MVA) and the "Point System" used by an insurer?
Yes. The MVA tracks points assigned to your driving record for any violations of motor vehicle laws (e.g. tickets or accidents). The law sets out the number of points that may be assigned for any violation of the motor vehicle law. This point system is used to determine if you are eligible for a Maryland driver's license or if it will be restricted in any manner.

On the other hand, insurers assign points based on the insurer's individual underwriting (or pricing) guidelines or in accordance with its rating plan filed with the Maryland Insurance Administration. The guidelines or rating plans are not necessarily consistent with the MVA's point system and are not established by law. Rather, insurers assign points to a driver's rating category for moving violations and accidents. The total points for all drivers in a particular rating category will determine whether the insurer will insure you, will renew your insurance and what the amount of your policy premium will be, including any rate increases or surcharges that may be added due to your driving violations or claims history.

Additionally, while the MVA maintains points on your driving record for a period of two (2) years, points assigned by an insurer remain on the policy for a period of three (3) years.

My child is attending college and is living away from home. Why should I keep him/her on the policy?
A personal auto insurance policy provides coverage for the named insured, all listed drivers and all resident relatives in the household. Although your child is away at school, he or she may still be considered a resident of your household, and as such, still presents an exposure or risk to the insurer.

For example, when the child returns home for visits, school breaks, etc., he or she will, more than likely, have access to the family vehicles and will drive them. As a result, some insurers may continue to charge and collect premiums as if the child is still in the home. However, other insurers may take this into consideration and adjust the rate accordingly. Therefore, you should contact your insurer or producer and ask what the insurer's rating rules provide with respect to a child away at college.

My daughter or son is going to be driving soon. When should I notify my insurer?

Insurers determine premiums based upon the exposure or risk presented by the applicants and/or insureds. Youthful operators will cause the premiums to increase because a youthful operator does not have much experience operating a motor vehicle and is, statistically, more likely to be involved in an accident.

Some insurers require that policyholders add youthful operators as soon as they obtain their learner's permits or provisional licenses, while others require their addition to the policy upon receipt of their driver's licenses. As a result, you should contact your insurer or producer before your child obtains a learner's permit to find out what the insurer's policy, guidelines or rating plan requires and how this will affect your premium.

Some insurers also offer an "accident forgiveness" program which means that, for an additional cost, the premiums will not be raised if any of the drivers, including the youthful operator, are involved in an accident. For families with youthful operators, this may be a wise purchase.

What is GAP insurance and should I purchase it?

Today's automobiles are expensive and most consumers finance the purchase of a motor vehicle. However, the value of a motor vehicle will start to decline as soon as you drive it off the lot. As a result, many new and used car buyers find themselves "upside down," owing more for the vehicle than the vehicle's actual cash value at the time of a loss. It can be devastating if your vehicle is stolen and not recovered or is totaled in an accident and the actual cash value is less than the balance owed on the loan. The insurer paying for the accident is only required to pay you the actual cash value of the damaged vehicle at the time of the loss. Thus, you could be left in a situation where your vehicle is determined to be a total loss, but once you have been paid the value of the vehicle, you still owe a balance on your motor vehicle loan. GAP insurance is an optional coverage that you can purchase to protect you in the event your vehicle is totaled and the actual cash value of the vehicle is less than the amount owed on the vehicle. Some insurers offer a replacement cost endorsement that would provide you with a new vehicle as a replacement for the damaged vehicle. GAP protection provides you with a policy that will pay the difference between the actual cash value of the vehicle paid pursuant to the auto insurance policy and the amount outstanding on the loan. This means that at the end of the claims process, you are not left with an outstanding balance due for a vehicle that no longer exists. However, you will still be without a vehicle.

Can my automobile insurance company require me to insure my home with them?
No. Maryland law prohibits an automobile insurance company from denying, refusing to renew, or canceling a policy solely because the consumer does not have a homeowners or renter's insurance policy with the same company. Insurers are permitted to offer discounts to consumers that choose to have their homeowners or renter's policy with their automobile insurance company.

PREMIUM INCREASES, NONRENEWALS AND CANCELLATIONS

I have not had a ticket or an accident, nor have I filed a claim. Why has my premium increased?
Insurers consider a wide variety of criteria in developing their premiums. Each of the criteria assists the insurer in predicting the likelihood that you will be in an accident or otherwise incur damages resulting in the filing of a claim. The criteria that insurers consider commonly include age, sex, marital status, number of miles

driven annually, driving record, credit history, whether the insured vehicle is used for business, pleasure or both, the type of vehicle insured, and the location where the vehicle is principally garaged. These criteria are also referred to as rating or risk factors. People who have similar characteristics are placed in the same group and charged the same premium.

While many insurers have defensive driver plans, also known as surcharge plans, that make policyholders who receive tickets or are involved in accidents pay an additional premium, often the surcharges may not be enough to cover the insurer's losses. Sometimes, based upon the experience of the group, the premiums collected may not be sufficient to support the projected costs of the claims. When this occurs, an insurer may file with the Maryland Insurance Administration a plan to implement a general rate increase. The insurer is required to collect premiums in accordance with the plans if they justify their rates.

In general, the more stringent the insurer's underwriting criteria (no losses, or one loss within three years, no tickets, etc.), the lower the premium for the policyholders as the insurer is limiting its exposure to losses.

My insurer sent a notice increasing my premium due to my son's accident and offered the option to exclude him. What does this mean?

When an insurer proposes to increase your auto insurance policy premium, Maryland law requires the insurer to send you a notice at least 45 days in advance of the date the new premium is effective. If the premium increase is based on the driving record of one or more drivers insured under the policy, the notice must provide you with the option to exclude the driver whose record is causing the increase from the coverage of the policy. Thus, you have at least three options:

1. Accept and pay the increased premium;

2. File a protest of the increase with the MIA; or

3. Exclude the driver causing the premium to increase for the policy.

The first option is self-explanatory.

The second option, a protest of the increase, will only result in the insurer's action being overturned (and the premium increase being disallowed) if the insurer has violated Maryland insurance law. If, however, the insurer acted properly in implementing the increase and provided the proper notice, the MIA will uphold the insurer's action and permit the insurer to collect the premium increase.

The third option is for the insured to decide to exclude the driver with the poor driving history from the coverage of the policy. If you exclude this driver, the insurer cannot increase your premium based on the driving history of the excluded driver. It is important to understand, however, that an excluded driver cannot legally operate the insured vehicle(s) unless he obtains a separate policy of auto insurance. If the excluded driver should operate any vehicle covered by the insurance policy and is involved in an accident, there will be no coverage under your policy for the damage the excluded driver has caused; either to another person and their property or to your vehicle.

What is the difference between a nonrenewal and a cancellation?
Insurance policies are issued for a specific period of time or "term". Insurers will issue a policy for a period of either six or 12 months. A nonrenewal occurs when an insurer decides not to renew your insurance coverage at the end of the policy's term. A cancellation occurs when an insurer decides to stop your coverage during the effective period of the policy or before the policy term ends.

An insurer may nonrenew your policy under the following conditions:

1. If you committed fraud or misrepresented your driving record or other material fact(s) when applying for your insurance or while making a claim.

2. If, within the past three years, you:
    - filed three or more claims where you were not responsible or "not at fault" (e.g. theft, windshield damage, or a Personal Injury Protection claim);

- filed two or more claims for accidents that you caused or that you were considered to be "at fault";
- filed any combination of three or more "at-fault" accident claims or moving violations;
- were convicted of operating a motor vehicle while under the influence of alcohol, impaired or intoxicated, or while under the influence of drugs or controlled dangerous substance or any combination of drugs and alcohol that impair your ability to operate a motor vehicle;
- were convicted of homicide, assault, reckless endangerment or criminal negligence arising out of the operation of your vehicle;
- were convicted of using a motor vehicle to participate in a felony act; or
- violated the insurer's underwriting guidelines.

NOTE: Depending upon the insurer's underwriting guidelines or rating rules, a "conviction" may include a plea or *nolo contendere* or a probation before judgment..

3. If, within the past two years, you:
   - have had your license or registration revoked or suspended for a reason related to the driving record of the operator; or
   - have had three or more moving violations.

An insurer may cancel a policy mid-term under the following conditions:

- if you commit fraud or misrepresent your driving record or other material facts when applying for your insurance or while making a claim;

- if there exists a matter or issue related to the risk that constitutes a threat to public safety;

- if there is a change in the condition of the risk that results in an increase in the hazard insured against;
- if you fail to pay your premium when due; or
- if the driver's license or motor vehicle registration of the named insured or any covered driver under the policy is suspended or revoked for reasons related to the driving record of the named insured or any covered driver.

Can an insurance company transfer my automobile policy to a different insurer at renewal?
An insurance company may transfer your policy to an affiliate (owned by the same parent company) as long as: (1) the affiliated company is admitted as an insurer in Maryland; (2) your premium does not increase; and (3) there is no reduction in coverage under the policy as a result of the transfer. The policy issued by the new company will still be considered a renewal of the expiring policy. The insurer must send a notice of your renewal policy premium at least 45 days in advance, and that notice must contain a disclosure of the transfer to the new company.

Can my insurer nonrenew my policy because of accidents that were not my fault?
Yes. An insurer may cancel or nonrenew a policy if you have filed three or more "not-at-fault" claims within a three-year period of time. Comprehensive and uninsured/underinsured motorist coverages are considered "not-at-fault" coverages. Comprehensive claims include theft, vandalism or striking of an animal. Personal Injury Protection claims may be considered either "at-fault" or "not-at-fault," depending on the facts surrounding the particular claim. Even though you may not have been at fault for these claims, there are costs for an insurer associated with these claims which is why state law allows them to be used to cancel or nonrenew a policy if there are three or more within a three year time period.

May my insurer lawfully nonrenew my policy for accidents and violations?
Yes, but only under the following conditions:

1. If you committed fraud or misrepresented your driving record or other material fact(s) when applying for your insurance or while making a claim.

2. If, within the past three years, you:
   - filed three or more claims where you were not responsible or "not-at-fault" (e.g. theft, windshield damage or a Personal Injury Protection claim);
   - filed two or more claims for accidents that you caused or that you were considered to be "at-fault";
   - filed any combination of three or more "at-fault" accident claims or moving violations;
   - were convicted of operating a motor vehicle while under the influence of alcohol, impaired or intoxicated, or while under the influence of drugs or controlled dangerous substance or any combination of drugs and alcohol that impair your ability to operate a motor vehicle;
   - were convicted of homicide, assault, reckless endangerment or criminal negligence arising out of the operation of your vehicle;
   - were convicted of using a motor vehicle to participate in a felony act; or
   - violated the insurer's underwriting guidelines.

3. If, within the past two years, you:
   - have had your license or registration revoked or suspended for a reason related to the driving record of the operator; or
   - have had three or more moving violations.

   NOTE: Depending upon the insurer's underwriting guidelines or rating rules, a "conviction" may include a plea or *nolo contendere* or a probation before judgment.

Can my insurance company increase my premium because it paid a claim under the PIP (Personal Injury Protection) coverage of my policy?
No. Maryland law prohibits an insurance company from increasing your premium (including surcharging, reclassifying, or removing a discount) as a result of a claim or payment made under PIP coverage.

When can an insurer cancel my policy?
An insurer may cancel a policy mid-term under the following conditions:

- If you commit fraud or misrepresent your driving record or other material facts when applying for your insurance or while making a claim;

- If there exists a matter or issue related to the risk that constitutes a threat to public safety;

- If there is a change in the condition of the risk that results in an increase in the hazard insured against;

- If you fail to pay your premium when due; or

- If the driver's license or motor vehicle registration of the named insured or any covered driver under the policy is suspended or revoked for reasons related to the driving record of the named insured or any covered driver.

Can my insurer nonrenew my policy if I gave inaccurate information when I applied or when I made a claim?
Yes. Your insurer may lawfully nonrenew your policy if you commit fraud or misrepresent material information when applying for insurance (such as, in some cases, your driving record or accident history), or if you commit fraud or misrepresent material information when filing a claim (such as, in some cases, how the accident occurred or who was driving).

Additionally, by law, all applications for insurance and all claim forms must contain the following statement, or a substantially similar one:

> Any person who knowingly or willfully presents a false or fraudulent claim for payment of a loss or benefit or who knowingly or willfully presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.

Can my insurer cancel my binder if I gave inaccurate information when I applied for insurance?
Yes. A binder is temporary evidence of insurance provided by the producer or insurance company until a policy is actually issued. Under Maryland law, insurers may use a 45 day underwriting period and if they find you are not eligible within that period of time, your policy may be cancelled with a fifteen day notice to you. The insurer must be able to prove that it mailed the notice to the named insured's last known address at least 15 days in advance of the cancellation; however, proof that you actually received the notice is not required. You should answer all the questions on the insurance application completely and honestly. An insurer may cancel your coverage or raise your premium if you are dishonest.

Additionally, State law requires thatall applications for insurance and all claim forms contain the following statement, or a substantially similar one:

Any person who knowingly or willfully presents a false or fraudulent claim for payment of a loss or benefit or who knowingly or willfully presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.

I wrote a check to purchase automobile insurance, and the insurance company gave me a "binder". But then my check bounced and the company told me I did not have insurance. Can the company do that?
Yes. If your initial premium payment is not honored by your bank and the insurance company informed you at the time of application that you would not have coverage unless the initial payment was honored by your bank, then you will

not have insurance coverage. The insurance company must notify you immediately, or the next business day after it receives notice from your bank that your payment was not honored and that your insurance coverage is rescinded. But your insurer is required to continue or reinstate the policy or binder without a lapse in coverage if you promptly notify the insurer that the financial institution made an error and provide supporting documentation, or you pay the insurer the amount of the initial premium within five business days of the date on the notice from the insurer that the payment was not honored.

Can my insurer cancel my policy for late payment?
Your insurer may cancel your insurance policy for nonpayment of a premium, even if the payment is just one day late. The insurer must mail a notice that the policy will be canceled for nonpayment of premium 10 days in advance to the named insured's last known address, or, if the insured elected to receive notices from the insurer electronically, to the electronic mail address where the insured has consented to receive notices. Proof that you actually received notice is not required. Some insurers have guidelines for late payment and may reinstate your policy when the payment has been made after its due date, but this is not required under State law. The best practice is to pay your premiums by the due date in order to avoid having your policy cancelled.

My insurer cancelled or nonrenewed my auto insurance policy; however, I did not receive prior notification. Is this legal?
Maryland law requires your insurer to give you at least 45 days notice prior to canceling or nonrenewing your auto insurance policy for any reason(s) other than nonpayment of premium (the law requires only 10 days notice of cancellation for nonpayment of premium). Your insurer must be able to prove that it mailed the notice to the named insured's last known address 45 days in advance of the date of the policy's cancellation or nonrenewal, or, if the insured elected to receive notices electronically from the insurer, the insurer must be able to prove that it provided electronic notification at least 45 days in advance to the electronic mail address where the insured has consented to receive notifications from the insurer. Proof that you received the notice is not required.

Will I receive a notice after my policy has been cancelled or nonrenewed?
No. While some insurers may notify you as a courtesy, insurers are not required to send additional notice once the coverage has expired. The insurer is only required to send a notice at least 45 days prior to taking this action.

CLAIMS RELATED QUESTIONS

What should I do after an accident or when I discover I have to file a claim for something other than an accident (i.e. vandalism or theft)?
You should:

- Dial 911. Give the operator detailed information about the incident, including if you or others involved need medical assistance or towing assistance.

- If possible, take pictures or draw a diagram of the scene. If your camera has a date and time stamp, that would be useful.

- Remove your vehicle from the roadway and off to the side, if possible, so as not to block the flow of traffic.

- Talk to witnesses. Obtain names, addresses and phone numbers of those who witnessed the incident/accident.

- Cooperate with the police. Provide all information that is requested of you. Be sure to write down your incident/accident number and the officer's name and badge number. (Note: In some counties and Baltimore City, police are not required to write reports of accidents that do not involve bodily injuries or excessive damage.)

- Take notes. Write down the location and time of the accident/incident and any other details (e.g. summary of what happened). Exchange information with others involved in the accident; including the names, addresses and telephone numbers of the drivers and passengers; the names, addresses and telephone number of any witnesses; as well as any insurance information for any of the other vehicles involved (the name of the insurance producer, insurer and the insurance policy number). Write down the make, model and license plate of the other vehicles involved.

- Contact your insurer or producer as soon as possible. Promptly report any accident and provide all information that is requested. Keep records of all paperwork related to your claim (e.g. copy of accident report, notes from accident scene, expenses, etc.)

Do I have the right to choose whether to repair, replace or receive payment for my damaged vehicle?
An insurer is not obligated to replace your damaged vehicle with another vehicle. If the vehicle can be repaired, and the cost of repair equals or is less than 75% of the actual cash value of the vehicle prior to the damage, the insurer is required to pay for repairs up to the coverage limits less any applicable deductible. In determining the cost of repairs, the cost of any cosmetic repairs is not included. If your vehicle is damaged but can be repaired, you may elect to repair your vehicle or receive payment from the insurer for the damages. However, if you do not repair the damage, these damages will become pre-existing and will affect the value of your vehicle in the event of another loss. If there is a lienholder on the vehicle, the lienholder may require that you repair the damage in order to protect its security for the loan, or the lienholder may require that you pay off the balance of the loan if you wish to keep any portion of the money you receive from the insurance company instead of using it to repair the vehicle.

If the damage to the vehicle cannot be repaired or if the cost of repairs exceeds 75% of the actual cash value of the vehicle, the insurer will declare your vehicle a "total loss", and pay the fair market value of the vehicle before it was damaged. You have the right to elect to retain salvage of the damaged vehicle. This means that you receive a payment and get a salvage title to your damaged vehicle. Please be aware that most insurers sell totaled vehicles for salvage in order to recover some of the monies they pay out. Therefore, the salvage value will be deducted from the amount you receive from the insurer in payment of the total loss if you decide you want to keep the damaged vehicle. So, before you decide whether you want to keep the damaged vehicle, you should ask the insurer what the salvage value is and the amount of money you will receive if the vehicle is salvaged by the insurer as opposed to the amount of money you will receive if you keep the damaged vehicle. Additionally, if you keep the salvaged vehicle, please be aware that in the event of a subsequent loss, the vehicle may have little or no value.

You should review your policy with respect to your rights and the insurer's obligations after a loss.

Am I required to use a specific auto body shop for the repairs to my vehicle or can I choose the shop I want to use?
You are not required to use a specific auto body repair shop; you may have your vehicle repaired at the shop of your choice. Maryland law prohibits an insurer or an adjuster from requiring that a certain repair shop be used or from recommending a particular shop without notifying the claimant or the insured that their vehicle may be repaired by the auto shop of their choice. The insurer will only pay an amount that it has determined represents the cost of repair for the damage your vehicle sustained as a direct result of the loss based on an estimate of the cost for the necessary parts and labor expenses.

May my insurer repair my vehicle with used parts?
An insurer is not required to pay to have your vehicle repaired with original equipment manufacturer (OEM) parts unless the policy provides this coverage. Most policies only pay for repairs with parts of like kind and quality. Parts of like kind and quality can include after-market and used parts. However, if your policy only provides coverage for after-market or used parts, and you want to use OEM parts, you can use them if you pay the difference in the cost of repair. You can check with your insurance company to see if they offer payment for repair of your automobile with original equipment manufacturer parts. You also should review the language of your policy to determine the insurer's obligation.

What if my insurer determines that my car is a "total loss"?
An insurer may determine that your car is a "total loss" if the cost to repair the damage (excluding cosmetic damage) equals or exceeds the vehicle's actual cash value. An insurer will determine what your vehicle's actual cash value was by establishing its actual cash value immediately before the damage occurred.

If you are the insured under the policy and your insurer has determined that your vehicle is a total loss as a result of a covered claim, your insurer generally has 10 business days to make you a cash settlement offer. If your vehicle was stolen and is not recovered, your insurer is required by law to make you a cash settlement offer for your vehicle within the later of 30 days after receiving notification of the claim or the time period provided in the policy.

If you are not the insured, but are a claimant under another's insurance policy, and the other driver has been determined to be at fault, the insurer for the other driver generally has 10 days to make you a cash settlement offer for your vehicle after it has completed its investigation, determined its insured was at fault for the accident, and determined that your vehicle is a total loss.

The offer from the insurer must be in an amount that reflects the retail value for a "substantially similar motor vehicle" using a nationally recognized valuation manual or computerized data bank that produces statistically valid fair market values for a substantially similar motor vehicle. A "substantially similar motor vehicle" means a vehicle that:

1. is the same make and model as the damaged vehicle;

2. is the same year as, or more recent year than, the damaged motor vehicle;

3. contains at least the same major options as the damaged motor vehicle;

4. is in a condition substantially similar to or better than the condition of the damaged motor vehicle immediately before the damage occurred; and

5. has mileage that is within the greater of 4,000 miles or 10 percent of the mileage on the damaged motor vehicle at the time that the damage occurred unless the vehicle is limited in production, specialty in nature, or older than 10 model years at the time of total loss.

Generally, insurers refer to the National Auto Dealers Association (NADA) Official Used Car Guide, Kelley Blue Book or CCC database to determine your vehicle's fair market value. The offer will be based on that value plus the applicable taxes and transfer fees, less the amount of your deductible, if applicable. Alternatively, the insurer may determine the fair market value of your vehicle by obtaining a quote for a substantially similar vehicle from a qualified dealer at a location reasonably convenient to you. If the insurer uses the quotation to make its offer, it will add the applicable taxes and transfer fees and then subtract the deductible, if applicable.

If a vehicle is damaged by collision, fire, flood, accident, trespass, or other occurrence to the extent that the cost to repair (excluding cosmetic damage) the vehicle for legal operation on a highway exceeds 75% of the fair market value of the vehicle prior to sustaining damage, by law, the vehicle is considered "salvage." If you decide to keep the damaged vehicle for salvage, there will be a deduction in the settlement offer for the amount of the vehicle's salvage value.

You may request that the insurer put, in writing: (1) its settlement offer; (2) an explanation of the method used to arrive at the offer; (3) a detailed explanation of the calculation of the motor vehicle's total loss value, including the calculation of any value added to the motor vehicle by options; (4) a list of all the deductions that will be made from the value of the motor vehicle; and (5) a copy of the inspection guidelines relied on to determine the condition of the vehicle at the time of the loss. An insurer is required by law to respond within 7 business days of your request. Upon receipt of the insurer's written settlement offer, you may either accept or, in writing, reject the offer and make a counteroffer based on quotes you have gotten from dealers for a substantially similar motor vehicle, ads you have found for a substantially similar motor vehicle, or any other source of valuation for a substantially similar motor vehicle. If you make a counteroffer, the insurer has 5 business days within which to accept your counteroffer or to provide you with a written explanation as to why the information relied on in making your counteroffer does not provide a more accurate valuation of the vehicle than the information relied upon by the insurer in making its offer.

Once you accept a settlement offer, the insurer will ask you to send it a copy of the vehicle's title. After the insurer receives the title, it will issue a check in the amount of the offer. If there is a lienholder on the vehicle, the lien will either be paid directly, or a joint check will be issued to you and the lienholder. If you choose to retain a damaged vehicle that has been declared "salvage", the insurer will request that you send your original title before it will send you a settlement check. The insurer is also obligated to notify the MVA that the vehicle has been declared salvage and that the owner is retaining possession of the vehicle. The MVA will then issue a salvage certificate to the owner.

What if I disagree with my insurer's decision to total my vehicle?
It is important to remember that when you purchase insurance, you enter into a contract and are bound by its terms. However, as described above under "What if my insurer determines that my car is a 'total loss'?", you have options available if you do not agree with the decision to declare your vehicle a total loss.

If all attempts to resolve the issue of whether your vehicle is a total loss are unsuccessful, many policies provide the option of appraisal. You should check your policy to see if this is an option, and if there are any requirements. Generally though, you may hire an independent appraiser to evaluate your loss, and your independent appraiser, along with the insurer's designee, would then select a person to referee the dispute (an umpire). Agreement by any two establishes the amount of the loss. You may locate an independent appraiser by looking in your local telephone directory or searching the Internet. Because you must pay the independent appraiser's fee, this last option may be more costly.

What is subrogation?
According to the American Institute of Chartered Property Casualty Underwriters (AICPCU) "Subrogation is the process through which an insurer assumes the right to pursue a legal action against a party who may be liable to the policyholder." To

better understand what this means and how this works, here's an example:
You were involved in an accident with Mr. At Fault Driver, and your vehicle was totaled. You have collision coverage on your insurance policy covering the vehicle, and opted to allow your insurer to pay you for the actual cash value of the vehicle, less your deductible. Since you were not at fault, your insurer will pursue the At-Fault Driver and his insurer to recover the amount it paid out on your behalf, as well as your deductible.

What happens if the at fault driver's insurer refuses to honor the subrogation request?
Under Maryland law, all insurers that issue, sell or deliver motor vehicle liability or physical damage insurance policies in the state are required to enter into arbitration and settle all motor vehicle physical damage claims in accordance with an auto subrogation program sponsored by an arbitration organization chosen by the insurer requesting the arbitration. When the insurers proceed to arbitration, each insurer presents its claim file to the arbitrator, who after review, issues a determination. The determination may indicate that the insurer's policyholder was responsible for the accident or that the insurer failed to meet its burden of proof with regard to fault. The arbitration decision is binding only for the property damage aspect of the claim.

What is diminished value (diminution of value) and can I make a claim for it?
Diminished value or diminution of value occurs when a vehicle loses value after it has been damaged in an accident and is subsequently repaired. An automobile may suffer from diminution in value even if the repairs have been done properly.

Whether you can present a claim for diminution in value depends on who is at fault for the damage to your vehicle. Generally, if you are at fault for the accident and you are making a claim pursuant to the collision coverage on your auto policy, you should check your insurance policy to see if diminished value is covered or excluded. Most automobile insurance policies exclude coverage for diminished value.

If you were not at-fault for the accident and the at-fault driver's insurance company has accepted liability, you can present a claim for diminution in value after all the repairs have been completed. In this scenario, you can make a claim because the claim is being paid pursuant to the liability section of the at-fault driver's insurance policy (rather than under the collision coverage), and the insurance company must pay all sums for which its insured is legally liable. Maryland case law recognizes diminution in value as a valid claim under these circumstances.

Simply advising the insurer that you want to claim diminished value is not enough. Rather, the claimant must be able to provide proof of diminished value. A claimant can provide proof of diminished value in a number of ways. Two common ways are to:

1. obtain a written estimate from a sales manager at an automobile dealership that indicates what would be offered for the vehicle if it had not been in an accident, and what would be offered now after the accident and repairs. The difference, if any, would represent the diminished value; or

2. hire an independent appraiser to conduct an appraisal of the vehicle to determine the amount of diminished value.

Once you have gathered your proof, this information should be presented to the insurer in support of your claim for diminished value. The company can either accept your evidence and pay you, or reject it in favor of its own appraisal. Keep in mind that these evaluations are somewhat subjective, so there can be negotiation over the settlement amount if the amount of your appraisal differs from that of the insurance company.

HOW TO FILE A COMPLAINT

The Maryland Insurance Administration's primary role is to protect consumers from illegal insurance practices by making certain that insurers and producers doing business in Maryland act in accordance with state insurance laws. You may contact the Insurance Administration to file a complaint against an insurer or producer who you believe is not acting in accordance with Maryland law.

Maryland's insurance laws not only govern insurers' conduct -- they also protect Maryland consumers. Insurers are prohibited from settling claims in an arbitrary and capricious manner. This means that insurers' claim settlement practices must be fair, nondiscriminatory and adhere to Maryland insurance laws.

If you feel that your insurer has acted improperly, you have the right to take action by filing a complaint with the Maryland Insurance Administration. However, some disputes may be governed by your policy's terms and may not be a problem the Maryland Insurance Administration can resolve for you.

Complaints must be received in writing. Please provide as much detail as possible, including copies of pertinent documents. A trained, professional investigator will handle your complaint. The investigator will contact the insurer/producer to try to resolve the issue. Meanwhile you will be advised of the steps being taken on your behalf. Complaint files are not closed until the Maryland Insurance Administration has made a determination regarding the complaint.

The MIA also established a Rapid Response Program designed to help certain consumers resolve property and casualty claims (such as auto and homeowners claims including those made under commercial lines policies) quickly and without having to file a formal written complaint. For more information about this program, please contact us at 410-468-2340 or 800-492-6116 ext. 2340. Participation in the Rapid Response Program is voluntary and does not affect your right to file a formal complaint.

For additional information or if you have a complaint, please contact the Maryland Insurance Administration's Consumer Complaint Investigation Division at 410-468-2000 or toll-free at 800-492-6116. Consumers may also file their written complaint in person or by mail.

Consumers may also file a complaint by going online to the Maryland Insurance Administration's web site at *www.mdinsurance.state.md.us* and under *For Consumers,* click on *File a Complaint.*

Note: This publication was produced to help consumers better understand auto insurance. This publication, however, should not be considered a substitute for you reading and familiarizing yourself with your auto insurance policy.

Auto insurance policies are contracts with many different parts and terms. As each consumer's needs are different and few auto insurance policies are alike, many consumers benefit from the advice of a knowledgeable insurance producer. Other consumers, however, are comfortable dealing directly with an insurer's customer service representative, who can answer questions and provide advice.

FILING A CIVIL ACTION FOR A FIRST PARTY PROPERTY & CASUALTY CLAIM

As of October 1, 2007, a Maryland consumer who believes that their property and casualty insurer failed to act in good faith in refusing to settle their first-party insurance claim may seek special damages against the insurer, both in a private civil lawsuit against the insurer and in an administrative consumer complaint made with the Maryland Insurance Administration (MIA).

If a consumer alleges that the failure to pay the first party property and casualty claim was made in the absence of "good faith," then the consumer can file a civil law suit seeking to recover, in addition to the value of the claim, up to the policy limits: the costs of litigation, including attorneys' fees up to 1/3 of the amount of the actual damages, plus interest at the post-judgment rate. Some lawsuits that allege the absence of good faith and seek these special damages must first be submitted to the (MIA for review and decision before the suit can proceed in court. An explanation of when a consumer can seek these special damages, when a lawsuit has to be filed with the MIA, and how to make that filing are explained in a separate MIA publication: "Filing a Civil Action for a First Party Property & Casualty Claim - Insurer's Civil Liability for Failure to Act in Good Faith (Section 27-1001 Complaint).

In addition, a Maryland consumer who believes their insurer did not act in "good faith" in denying their first-party property and casualty claim, may submit an administrative consumer complaint to the MIA. If the Commissioner finds that the insurer did not act in good faith with regard to the first-party claim, the Commissioner may sanction the insurer by imposing a financial penalty and, in addition, ordering the insurer to pay:

- the value of the claim, up to the policy limits,
- the costs of litigation, including attorneys' fees up to 1/3 of the amount of the actual damages,
- plus interest at the post-judgment rate.

This consumer guide should be used for educational purposes only. It is not intended to provide legal advice or opinions regarding coverage under a specific policy or contract; nor should it be construed as an endorsement of any product, service, person, or organization mentioned in this guide.

People with disabilities may request this document in an alternative format. Requests should be submitted in writing to the Director of Public Affairs at the address listed below.

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