

Automobile Insurance Guide



Simply stated, automobile insurance is a contract between you and your insurance company that protects you against financial loss if you are in an accident. Auto policies contain a variety of coverages that can be purchased depending upon your needs and wants. You agree to pay the premium, and in return, the insurance company agrees to pay for certain expenses as defined in your policy. Having the right insurance coverage may prevent you from suffering a large financial loss in the event of an automobile accident.

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A glance at
what's inside

The following supplements are also available to you free of charge and can be downloaded from our Web site:

- Auto Insurance Glossary
- Questions and Answers about Automobile Insurance
- Comparison of Sample Premium Rates

Drivers must purchase and maintain car insurance in order to legally drive in Pennsylvania. Under Pennsylvania law, this is called maintaining “financial responsibility” on your vehicles. A lapse in insurance coverage may result in the suspension of your vehicle registration privilege for three months, unless the lapse of insurance was for a period of less than 31 days and the owner or registrant proves to the Department of Transportation (PennDOT) that the vehicle was not operated during this short lapse in coverage.

If PennDOT determines that you operated your vehicle without the required insurance, your driver’s license may be suspended for three months. Also, your car’s license plate, registration sticker and driver’s license must be surrendered to PennDOT in order to serve the suspension. Restoration fees and proof of insurance must be submitted prior to having either registration or driving privileges returned.

If you are stopped for a moving violation and it is determined that you are operating your vehicle without insurance, you could face the following penalties and expenses:

- A minimum of \$300 fine for driving uninsured
- A three-month suspension of your vehicle registration
- A three-month suspension of your driver’s license
- Restoration fees to restore your vehicle registration
- Restoration fees to restore your driver’s license
- Vehicle impoundment

In addition, your vehicle may not be driven by anyone while the registration is suspended.

Auto insurance is mandatory in the commonwealth

The Pennsylvania Department of Transportation can suspend your vehicle’s registration if you do not maintain the required insurance on your vehicle.

When you purchase private passenger automobile insurance, there are certain coverages that are required and others that are optional. The required coverages are:

Medical Benefits — This pays medical bills for you and others who are covered by your policy, regardless of fault. The minimum limit is \$5,000 of coverage. Higher limits are available if you so choose.

Bodily Injury Liability — If you injure someone in a car accident, this coverage pays their medical and rehabilitation expenses and any damages for which you are found liable. The minimum limit is \$15,000/\$30,000. The \$15,000 pays for injuries to one person, while the \$30,000 represents the total available for one accident.

Property Damage Liability — If you damage someone's property in an accident and you are at fault, this coverage pays for it. The minimum limit is \$5,000 of coverage.

Some companies offer a single limit of \$35,000 which meets the bodily injury liability and property damage liability minimum requirements.

Limited or Full Tort — You can choose to have full or limited tort coverage. Limited tort coverage offers you a savings on your premiums. You are still able to recover all out-of-pocket medical and other expenses; however, you are not able to recover certain damages - such as payments for pain and suffering - unless the injuries meet one of the exceptions to limited tort as defined in Act 6 of 1990, title 75, section 1705 (d). With full tort coverage selection, you retain unrestricted rights to bring suit against the negligent party.

In addition, private passenger automobile insurance policies offer a variety of additional optional coverages that can be purchased. These include:

Uninsured Motorist (UM) — This coverage applies to you, your family and your passengers for bodily injury if you are hit by an at-fault uninsured motorist. This does not cover damage to property.

Underinsured Motorist (UIM) — This coverage applies to you, your family and your passengers for bodily injury if you are hit by an at-fault motorist who does not have enough insurance to cover your claim. This does not cover damage to property.

Pennsylvania's
required
coverages

Pennsylvania's
optional
coverages

Stacking of UM or UIM — This coverage allows you to either multiply the amount of uninsured or underinsured motorist coverage by the number of vehicles on your policy or to receive uninsured or underinsured motorist coverage from more than one policy under which you are insured. It costs extra to stack uninsured or underinsured motorist coverage.

Funeral Benefit — This coverage pays, up to a certain dollar amount, money for funeral expenses if you or a family member dies as a result of an auto accident.

Income Loss — This coverage pays a portion of your lost wages when injuries sustained in an auto accident keep you from working.

Collision — This benefit pays to repair damage to your car as a result of an accident. Most banks or lenders require you to buy this coverage to receive a car loan. Under Pennsylvania law, the insurance company applies a \$500 deductible unless you request a lower amount. Generally speaking, the higher your deductible, the lower your premium.

Comprehensive — Generally, this pays for theft or damage to your car from hazards including fire, flood, vandalism or striking an animal. Most banks or lenders require you to buy this coverage to receive a car loan. There are various levels of deductible that may be purchased.

Extraordinary Medical Benefits — This coverage pays for medical and rehabilitation expenses that exceed \$100,000. It provides a maximum of \$1 million of coverage.

Accidental death benefit — This benefit is paid to the personal representative of an insured if the bodily injury from a motor vehicle accident results in death within 24 months of the date of the accident.

Rental reimbursement coverage — This pays for an individual's expenses, up to the limit on their policy, to rent a vehicle if they have a covered comprehensive or collision loss.

Towing coverage — This reimburses an individual, up to the limit on their policy, for towing and labor costs for a covered disabled vehicle. This coverage is usually only available if comprehensive and collision is carried on the vehicle.

Gap coverage — This will pay the difference between an insurance company's payment for a totaled vehicle and the balance of a vehicle loan. This coverage is traditionally only available when an individual is purchasing a new vehicle.

Pennsylvania's optional coverages

You can choose to purchase optional coverages to customize your auto insurance policy

When you are ready to purchase insurance, the insurance company or producer (agent) will ask you a series of questions and, based on your answers, will decide whether or not they will accept you as a policyholder. This practice is known as underwriting. By law, insurance companies may not unfairly discriminate by using underwriting standards based on things such as race, religion, nationality or ethnic group, age, sex, family size, occupation, place of residence or marital status. Based on your answers and your circumstance, the appropriate rate to charge you for your premium will be determined.

Certain items will be taken into consideration when figuring your premium, such as the type and age of the vehicle, safety features, where the vehicle is garaged, the average number of miles driven in a year, the coverages and limits chosen for the policy and the driving history of the drivers, to name a few. Some companies do use credit information for underwriting, but are prohibited to use it at renewal time. By law, insurance companies are prohibited from unfairly discriminating between individuals of the same class and of the same hazard in the rates they charge, and may not charge different rates based on an applicant's race, religion or national origin.

You need to know what coverages you want, what limits of liability you require and what deductibles you desire. Also, you need to have the following basic information available on all drivers in your household:

- All drivers' names, ages, sex and marital status
- Driving record (accidents and moving violations)
- Annual mileage driven
- Full vehicle identification number
- Year of vehicle
- Cost of vehicle
- Special equipment, such as anti-theft devices, airbags, etc.

How rates
are
determined

When you're
ready to
apply

Inquire about discounts (such as multiple policies with the same company, multiple vehicles, airbags, anti-theft device, etc.) and/or surcharges the company applies. Not all companies will offer the same type of plans or have the same underwriting rules (eligibility/acceptability guidelines). Therefore, it is critical to ask for this information.

Make sure you know the length of the policy term. Policies can be six months (semi-annual) or one year (annual), depending on the insurance company.

Many companies have their own payment (installment) plans that allow you to pay the premium over a period of time, sometimes for a fee. If you decide to buy a policy on an installment plan, find out the applicable service fees.

If you use a premium finance company to pay for your insurance, the monthly payments may be easier; but the total of payments will be larger. Finance agreements are separate contracts that often include a limited power of attorney that gives the finance company some authority over the termination of your policy. Moreover, if the policy is cancelled, the insurance company must remit all return premiums to the finance company, who will apply them to your account.

Ask about higher deductibles. By requesting higher deductibles on comprehensive and collision coverage, you may be able to lower your costs. However, remember that the deductible you choose is what you are responsible for paying out of your pocket in the event you file a claim against your automobile insurance policy.

Should you drop comprehensive and/or collision coverage on an older car? It may not be cost-effective to have comprehensive or collision coverage on cars worth less than \$1,000 because any claim you make would not substantially exceed the annual premium cost and deductible amounts.

Personal effects and equipment such as cellular telephones, compact discs, CD players and custom stereo speakers and systems that are not permanently installed in the vehicle by the manufacturer generally are not covered, unless specifically declared and added to the policy.

Read what you sign. Remember, you are ultimately responsible for the accuracy and completeness of the information on your application.

Things to
keep in mind

Insuring a teen driver is often an additional cost for many parents. Some companies require that a teenager be added to the policy upon obtaining his/her learner's permit. Check with your insurance producer (agent) or company to determine their requirements. Many companies consider drivers under the age of 25 a higher risk, and this often translates into higher premiums.

Your child may be eligible for discounts. Ask your insurance company if they offer discounts for good grades or completed driver education courses.

Taking a driver safety training course is an excellent way to keep your driving skills sharp and it can also earn you a reduced rate on your automobile insurance, if your carrier offers such a discount. Pennsylvania law requires insurance companies to provide at least a five percent premium discount for each vehicle on a private passenger automobile policy under which all named policyholders are 55 years of age or older and have successfully completed a driver improvement course that meets the standards of PennDOT. 75 Pa.C.S. § 1799.2. Individuals must take an approved course every three years to continue to be eligible for the discount, and they may be disqualified if within the three years of completing the course they are involved in a chargeable accident, convicted of a moving violation or are convicted - or have - Accelerated Rehabilitative Disposition (ARD) for driving under the influence of alcohol or a controlled substance.

Insurance companies recognize that mature drivers face unique challenges as they get older, and they may reward those mature drivers who take the initiative to minimize risk by enrolling in approved driver training courses.

Pennsylvania's Assigned Risk Plan is a program that offers automobile insurance to those who are unable to obtain coverage. All insurance companies writing automobile insurance in the commonwealth are required to participate in the plan. Applicants are assigned to insurance companies in proportion to the amount of business each company writes in the commonwealth. You may contact the plan's customer service office at (401) 946-2800 or, toll-free, at (800) 477-6146.

Teen
drivers

Mature
drivers

Options for
those
without auto
insurance

Automobile Insurance Guide

Brought to you by the Pennsylvania Insurance Department

For more information and additional resources,
log onto www.insurance.state.pa.us,
call us toll-free on our automated hotline at 1-877-881-6388,
or at any of our three regional offices listed below:

Harrisburg Regional Office

Room 1321 Strawberry Square
Third and Walnut Streets
Harrisburg, PA 17120
(717) 787-2317
fax (717) 787-8585
TTY/TDD: (717) 783-3898

Philadelphia Regional Office

Room 1701 State Office Building
1400 Spring Garden Street
Philadelphia, PA 19130
(215) 560-2630
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TTY/TDD: (215) 560-2471

Pittsburgh Regional Office

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