

CONSUMER'S GUIDE TO AUTO INSURANCE

The Division of Insurance prepared this booklet to assist you in “shopping” for auto insurance and to help you understand your Personal Auto Policy.

When shopping for insurance, please remember there are factors to consider other than price, such as the level of service provided. The premium prices in this booklet are based on data supplied by the insurance companies listed. Your premium will vary depending on the coverages you choose, your driving record, the type of vehicle you drive, your age, and other information. You may choose to contact companies who are not listed. A list of all companies offering personal automobile insurance in Nevada is available upon request by calling the Division of Insurance.

To use this booklet, select the example with circumstances that most closely resemble your own, and choose a Zip Code location near you. The highest premiums are designated in **bold** numbers, the lowest premiums by ***bold italic*** numbers. These examples are only intended to illustrate the difference in premiums. Also, please note that some of the companies listed may only offer policies to members of certain affinity groups or organizations. Again, your premium is likely to differ from the amount stated, depending upon factors mentioned above.

Shopping for insurance is not easy. It takes time and effort and can be confusing. There is a form on the last page of this booklet that may help you to compare several companies at one time

We hope this booklet meets your needs. If we can assist you in any way, please call one of our Consumer Officers at:

Carson City:775) 687-4270

Las Vegas:(702) 486-4009

Toll Free in Nevada:1-800-992-0900

Carson City – Extension 4270

Las Vegas – Extension 4009

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Forty-five-year-old single female. Clean driving record. No previous insurance for past 30 days. Drives 10 miles round trip to work daily. Annual mileage is 12,000.

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Married retired couple both seventy years of age. Pleasure use of vehicle. Wife has one ticket for passing a stopped school bus within the past 12 months and the husband has a clean driving record. Senior citizen or other age-related discounts applied if applicable. Annual mileage is under 5,000.

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Sixteen-year-old single male. Clean driving record. Good student with driver’s education. Drives ten miles round trip to school daily. Annual mileage is under 10,000. Rate on father’s policy from Example F. Multi-car discount applies.

Example NN – 2004 Dodge Ram Truck
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Seventeen-year-old single male. One ticket 20 miles over the speed limit in a school zone and one ticket for reckless driving within past 12 months. Drives ten miles round trip to school daily. Annual mileage is under 10,000. Rate on father's policy from Example F. Multi-car discount applies.

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Twenty-four-year-old male and twenty-one-year-old female married couple. Husband is the primary driver and drives ten miles round trip to work daily. Husband has one speeding ticket 15 miles over the speed limit within past 12 months. Wife is a homemaker and occasional driver with a clean driving record. Annual mileage is under 10,000.

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Forty-year-old married male. Clean driving record. Drives 15 miles round trip to work daily. Filed bankruptcy within the past year. Annual mileage is 12,000.

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Forty-year-old married male. Poor credit record; 60 days behind in house payment, has missed a Visa card payment for more than 30 days, three within the last year and has not made a child support payment for the past two years. Drives 15 miles round trip to work daily. Clean driving record. Annual mileage is 12,000.

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Married retired couple both seventy years of age. Pleasure use of vehicle. Wife has one ticket for passing a stopped school bus within the past 12 months and the husband has a clean driving record. Senior citizen or other age-related discounts applied if applicable. Annual mileage is under 5,000.

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Seventy-year-old married/retired male. Clean driving record. Pleasure use of vehicle. Annual mileage is less than 4,000. Senior citizen or other age-related discounts applied if applicable.

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The Division of Insurance would like to gratefully acknowledge the Nevada Department of Transportation for their assistance, support and use of their library by providing the vehicle photo for the cover of the guide.

The Division of Insurance would also like to acknowledge the following insurance companies for their participation and rate information, which is the backbone of the Auto Guide: Allstate Property and Casualty Company, American National Property and Casualty Company, California State Auto Association, Country Mutual Insurance Company, Country Preferred Insurance Company, Dairyland Insurance Company, GEICO, GEICO Casualty Company, GEICO General Insurance Company, GEICO Indemnity Company, Liberty Mutual Fire Insurance Company, National General Assurance Company, Nevada General Insurance Company, Progressive Preferred Insurance Company, Property and Casualty Company of Hartford, State Farm Fire and Casualty Company, State Farm Mutual Automobile Insurance Company, Sentinel Insurance Company, Ltd, Titan Indemnity Company, United Services Automobile Association, and the USAA Casualty Insurance Company.

INTRODUCTION

Auto insurance is an expensive purchase for most Americans. This guide provides

information to consumers on how to make decisions that can lower the cost of their automobile insurance and increase the value they receive.

A 2003 National Association of Insurance Commissioners (NAIC) study found that, in 2001, the average automobile insurance premium expenditure countrywide for private passenger auto insurance was \$717.70 for each vehicle insured for one year. Nevada was ranked the seventh highest for average premium per vehicle at \$851.15 annually. In several states of the country, a year's automobile insurance premium for a vehicle is measured in the thousands of dollars. What these figures show is that automobile insurance is an important purchase for most consumers. To get the best buy for their money, consumers must take responsibility for their auto insurance purchase and wisely make their own decisions.

BUYING AUTOMOBILE INSURANCE

When buying auto insurance, it is recommended that you seek advice from an insurance agent. This booklet is designed to be a tool to help you understand the process and value of insurance policies.

Bodily injury and property damage coverages (liability coverages) can be purchased as split limit coverage or as combined single limit coverage. The two liability limits for bodily injury and property damage shown in this booklet are for split limit coverage of 15/30/10 (\$15,000 per person for bodily injury, \$30,000 per accident for bodily injury, and \$10,000 per accident for property damage) and 100/300/50 (\$100,000 per person for bodily injury, \$300,000 per accident for bodily injury, and \$50,000 per accident for property damage). The minimum limits of liability required by Nevada law are 15/30/10. If you choose to purchase the coverage as a combined single limit, the minimum allowable is \$40,000 under Nevada law.

Comprehensive and collision coverages are not required by Nevada law and, in certain cases, because of the age or condition of the automobile, may not be available. However, if you borrowed money to purchase your automobile, your lender may require you to carry this coverage until the loan is paid. You are not required to carry medical payments or uninsured/underinsured motorist coverage, but all insurance companies are required to offer you medical payments coverage of at least \$1,000 and uninsured/underinsured motorist coverage in an amount equal to your bodily injury coverage.

If you plan to lease an automobile, you should check your lease agreement. Generally, these agreements require that you carry liability coverage in the amount of \$100,000 per person, \$300,000 per accident and may require you to carry property damage coverage in excess of the \$10,000 limit required by Nevada law.

DEFINITIONS OF COVERAGES SOLD WITH PERSONAL AUTOMOBILE INSURANCE

Bodily Injury/Property Damage Liability - These coverages protect you if you injure someone else or damage someone else's property while operating your automobile. You must be legally liable for the injuries or damages to activate these coverages. Nevada law requires liability insurance.

Collision - This protects against damage to your vehicle resulting from a collision with another vehicle or object regardless of whom is at fault. If the other driver is at fault, your insurance company may have a legal right to seek reimbursement from the other driver or the other driver's insurance company.

Comprehensive - This insures you against theft or other damage to your vehicle other than collision, such as wind damage, falling objects and vandalism.

Collision and comprehensive coverage are subject to a deductible selected by the insured. Other coverages that may be sold include towing and mechanical breakdown.

Credit Scores – Credit scoring is a mechanism by which insurance companies determine eligibility and pricing for automobile and homeowners insurance. The legal authority typically cited for the use of credit scores for the purpose of insurance is the federal Fair Credit Reporting Act (FCRA). The FCRA “allows” but does not mandate the use of credit information in the acceptance and pricing of insurance.

The Division believes that credit scoring should not be used exclusively and appropriate weight must be given to other relevant rating variables. Factors that may affect a person's credit score include: late credit card, auto loan and house payments; bankruptcy; and unpaid child support. Effective July 1, 2004 Nevada Revised Statutes 686A.680 implements legislation passed in 2003 which restricts certain uses by insurers of credit reports and credit scores.

The insurance industry favors the use of credit scores. Their arguments are: credit scores are a good predictor of losses and alleviate uncertainty and ultimately lower rates; credit scoring increases the availability of insurance by providing fair rates to all; credit scores are not based on an individual's gender, age, or national origin; credit scores indicate how an individual manages his assets; and credit scoring is an inexpensive tool that is not directly subject to manipulation by the consumer.

Diminution in Value – This refers to the possible reduced value of your vehicle as measured before a loss to the vehicle and after the repair of that vehicle. The idea is, all other things being equal, that a vehicle that has never been in an accident may in some cases be considered more valuable than a fully repaired vehicle. If your insurance policy provides for collision or comprehensive coverage under which your vehicle is being repaired, the loss to your vehicle will be measured by the language in the policy, and not by its diminution in value.

Medical Payments - This pays for reasonable and necessary medical expenses, without regard to legal liability, resulting from accidental bodily injury while operating or occupying an insured vehicle or being struck as a pedestrian by a motor vehicle. “MedPay” is often purchased in nominal amounts, such as \$1,000, to provide a means for quick payment of minor medical bills without having to deal with the courts or other insurance companies. This coverage must be offered under NRS 687B.145(2), but does not have to be accepted by the insured.

Uninsured/Underinsured Motorist - This protects the named insured, the named insured's resident relatives and occupants in the insured vehicle, if they sustain bodily injury in an accident in which the owner or operator of another motor vehicle is legally liable and does not have insurance (uninsured) or does not have enough insurance (underinsured). This coverage must be offered under NRS 687B.145(2), but does not have to be accepted by the insured.

UNDERWRITING AND RATING

Two factors, underwriting and rating, govern what you will pay for auto insurance. These

factors analyze a consumer's characteristics and determine the risk that consumer presents.

Underwriting - Insurance companies underwrite in order to assess the risk associated with an applicant, group the applicant with other similar risks, and decide if the company will accept the application.

Rating - Rating is the determination of premium based on the driver and the automobile characteristics.

Insurers depend on information provided on your policy application. When you apply for insurance, you will be asked a series of questions, which assess the expected cost of insuring you.

Insurers want to know your past driving record and certain personal characteristics to group you with other similar drivers. Insurers review the claim history of your group to make projections about future claims. Some of these characteristics are beyond your control, such as age and gender. Other characteristics may be difficult to control but, since they may relate directly to lifestyle or income, such as geographic location and use of the vehicle, will affect your premium.

A third group of characteristics is highly controllable, such as the make and model of the vehicle the consumer wishes to own and insure. A vehicle with few safety devices and a powerful engine carries a greater risk of high claims than a less sporty model. The consumer has a choice, or control, over the decision to own a high-risk vehicle.

Insurers also consider lifestyle characteristics in the underwriting process. These characteristics include marital status and employment history. From prior claims data, insurers know that married persons tend to have lower claim levels than unmarried persons. Other statistics show that persons who work in the same place for a long time tend to have lower claims. Also, underwriting criteria can include credit history.

A rate for each group is set based on the historical claims paid by the insurer for the people in that group. The higher the losses from a group, the higher the rate for that group and, therefore, it is an advantage for you to be in a low-risk group.

QUESTIONS COMMONLY ASKED BY INSURERS FOR RATING PURPOSES

- 1) **Driving Record** - On the application, you will be asked about your previous driving record. Insurers will ask about accidents and traffic violations for any driver covered by the policy for the preceding 3-5 years. Drivers with previous violations or "at fault" accidents are considered to be a higher risk and are charged a higher rate.
- 2) **Territory** - The claims experience in your geographical area will also affect your rates. Applications include a question that asks for the address where the vehicle will be garaged. From this information, insurers assign you to a territory whose rate is based on historical experience for that territory. Generally, more claims are made from urban areas with tendencies of busy traffic, thefts and vandalism, than from rural areas.
- 3) **Gender and Age** - Statistically, males have more accidents than females. For this reason, men may tend to pay more for insurance than women. A small number of states have prohibited insurers from using gender as a factor in underwriting. Nevada, however, allows this type of rating. Insurers also have statistics that show a higher number of claims for some age groups than for others. For these reasons, young men

tend to pay more for insurance than young women, and a person under 25 will pay more for insurance than a person of age 35.

- 4) **Marital Status** - Statistics show fewer auto insurance claims among married policyholders than unmarried policyholders.
- 5) **Prior Insurance Coverage** - Insurers may ask if you have previously had insurance coverage because they want to know if you have been canceled for non-payment of premiums or other reasons. If you have had insurance, your prior company can tell the new insurer about your claims history.
- 6) **Vehicle Use** - You will be asked on the application how often and how far you drive the vehicle that you want to insure. Greater use will generally result in higher premiums due to the increased exposure to risk.
- 7) **Make and Model of Vehicle** - The type of car you drive directly affects the cost of comprehensive and collision coverage. A make or model of car that has a high number of claims or higher claim costs will be charged a higher premium.

The single greatest influence on the rating process is claim frequency. This does not mean how many times you specifically have made an insurance claim, although that will have an additional effect. Claim frequency measures how often an insured event occurs within a group relative to the number of policies contained in that group.

Persons sharing characteristics with a high-claims group will be charged more for insurance coverage. At the same time, persons who share characteristics with low claims classes will be charged lower rates. Insurance companies offer discounts to individuals who exhibit certain characteristics. However, the greatest controllable factor is your driving record. A person with a clean driving record will pay less than other drivers.

DISCOUNTS

Discounts are awarded because the insurance company views you as a “better risk.” You should be aware of the discounts offered by companies before buying auto insurance. Here are some discounts you should look for:

- 1) **Multiple Vehicles** - Most insurance companies offer a discount to consumers that insure more than one car with their company. Companies offer these discounts not only because they want all of your business, but also because it is easier for them to underwrite individuals that they know, thus reducing their risk and saving them money. Industry statistics show that individuals and families that insure more than one car have better than average claims experience. Through this discount, companies pass along some of their savings to you.
- 2) **Drivers Education Courses** - Discounts for drivers education courses are targeted primarily at younger and older drivers. In Nevada, all insurers must provide a reduction in premium for a three-year period for people aged 55 and above if they successfully complete a driving course approved by the Department of Motor Vehicles. The insured must maintain a clean driving record in order to keep the discount. One of the driving courses offered is 55-Alive, which is sponsored by the American Association of Retired Persons.
- 3) **Good Student** - Insurers have found that students who earn a B average or better tend to

be more responsible drivers. For that reason, many companies offer a good student discount.

- 4) **Safety Devices** - Automobile safety devices can lower insurers' costs by preventing accidents or limiting their severity. These savings are passed along to the policyholder through discounts for safety equipment. This equipment includes air bags, automatic seat belts and anti-lock brakes.
- 5) **Anti-theft Devices** - Devices or systems that deter theft or vandalism also lower claims costs. Many companies offer discounts for anti-theft devices.
- 6) **Low Mileage** - The fewer miles you drive, the less chance you have of getting into an accident. Insurers recognize this fact and generally offer discounts for low mileage drivers. Some companies also offer discounts for drivers that participate in car pools.
- 7) **Good Driver/Renewal** - Some insurers offer discounts to drivers who maintain a good driving record and renew their policy with them.
- 8) **Auto/Home Package** - Some insurers offer a discount on one or both policies if an individual buys a homeowner policy and an auto policy from the same insurer.
- 9) **Dividends** - Some insurers, particularly mutual insurers, offer dividends to policyholders if the sale of auto insurance has been profitable to them. Dividends are declared and paid after the policy period has expired.

Discounts are not only ways for companies to attract customers, but also a means for companies to compete and retain business. So when you shop, do not just ask if a discount exists, but also ask how much you save. Savings can differ from company to company. Consumers should make sure that they receive the discounts for which they qualify.

THE TORT SYSTEM

Insurance provides protection to consumers by assuming certain risks and promising to pay for financial loss. The type of insurance you buy will be based on how the financial loss can occur. In Nevada, legal and financial responsibility is based upon the law of negligence. A negligent act which causes damage is legally known as a tort. If an accident is your fault, that is, you are negligent, you are responsible for bodily injury and property damages suffered by the innocent party.

FINANCIAL RESPONSIBILITY

To ensure that innocent parties are adequately compensated for their injuries, Nevada law requires that all registered owners of a motor vehicle have security for tort liability arising from the use of their motor vehicles. For most Nevadans, security will be in the form of an insurance policy.

Nevada law requires that the insurance policy must minimally provide coverage in the amount of \$15,000 for bodily injury or death of one person in an accident, \$30,000 for bodily injury or death of two or more persons in an accident, and \$10,000 for injury or damage to the property of others. This coverage is generally described as 15/30/10. When you have liability coverage, your insurance company will pay for the victim's damages up to your policy limits. If you choose, you can increase your coverage for added protection.

The penalty for not having liability auto insurance is severe. Nevada Revised Statutes 482.480 states that if you are the owner of a motor vehicle that is registered, or should be registered, and you are found guilty of operating, or allowing someone to operate your motor vehicle without insurance, you will be required to pay a fee to the Department of Motor Vehicles, Insurance Verification Program. The fee amount is \$250 unless you can provide proof that the vehicle was dormant, which may reduce the fee to \$50. If you are found to be without insurance by a law enforcement officer, the penalty will be administered by a court of jurisdiction and is generally more severe.

If you do not carry insurance, and you or someone using your motor vehicle with your permission is involved in an accident, your registration and driver's license may be revoked. You may also be required to have an insurance company certify that you have insurance. Most insurance companies will charge you an additional fee for this certification (commonly referred to as a SR-22), that you will have to maintain continuously for a three-year period.

Finally, once you have gone without insurance for any period of time you may find it difficult to find insurance you can afford. Many companies do not insure people who have not had insurance or have allowed their insurance to expire. Other companies will simply charge you more for insurance.

As you can see, going without insurance can cost you much more than carrying the liability coverage that is required by Nevada law.

LIABILITY INSURANCE

Most auto liability insurance policies contain the following major parts: liability insurance for bodily injury, liability insurance for property damage, and uninsured/underinsured motorist coverage.

Bodily injury liability insurance does not protect you or your car directly. If you are the cause of an accident in which other people are injured, this insurance protects you against their claims for damages such as medical expenses, lost wages, and pain and suffering. This insurance coverage will also pay if a member of your family living with you caused the accident, or if it was caused by a person using your car with your consent.

Bodily injury liability insurance carries specific benefit limits. These limits address how much money your insurance company is committed to pay for any one victim injured in an accident and limits the amount the company must pay for multiple victims.

To make a smart consumer purchase, you must understand these limits for bodily injury liability insurance. Remember that Nevada law requires that you carry limits of \$15,000 for bodily injury or death of one person in an accident and \$30,000 for bodily injury or death of two or more persons in an accident.

You may decide to purchase additional coverage. This decision may be based on your desire to protect your assets from claims above the minimum amounts. The extra cost of higher coverage tends to be relatively low.

First Party insurance covers the insured's personal and real property and the insured's own person. Contrast with Third Party below.

Property damage liability insurance pays for damage you cause to the property of others, such as a crushed fender, broken glass, or a damaged wall or fence. Your insurance will pay for this damage whether you are driving your automobile or whether it is being driven by another person with your consent. Nevada law requires you to carry \$10,000 for injury or damage to the property of others. You may decide to purchase additional coverage.

Third Party liability insurance is purchased by the insured (first party) The insurer is known as the second party for protection against possible suits brought by another person (third party).

Uninsured/underinsured motorist coverage protects you directly. This coverage pays if you are injured by a hit-and-run driver or a driver who does not have auto insurance (uninsured), or whose policy limits are not high enough to cover your injuries (underinsured). This coverage does not protect the other driver, and it does not cover damage to your vehicle.

Nevada law requires your insurance company to offer you uninsured motorist coverage in an amount not less than your minimum limits of liability insurance for bodily injury described above. You do not have to accept this offer, because Nevada law does not require that you carry uninsured/underinsured motorist coverage.

Another way to provide higher limits of liability inexpensively is through the purchase of a personal umbrella policy. An umbrella policy provides broad liability protection over and above your auto policy's liability limits. It will also cover some exposures to loss that are not covered by your auto or homeowner policies.

PROPERTY DAMAGE COVERAGE

In addition to the basic liability coverages outlined above, the most commonly recognized coverages are collision and comprehensive coverages.

Collision coverage pays for physical damage to your car as the result of your auto colliding with an object, such as a tree or another car. This coverage is relatively expensive. This coverage is optional and not required by law. However, your lending institution or lessor may require collision insurance.

If you have an older vehicle worth less than \$2,000, there is little reason for you to purchase collision coverage, because you are likely to pay more money in premium than you would ever receive as a result of a claim. Auto insurance policies only require the company to cover your financial expenses, **not to replace your vehicle**. In the case of an accident involving an older car, the cost of repairing the car can quickly exceed the value of the car. In that case, insurers will "total" the car in accordance with Nevada Revised Statute 487.790 and pay you what the car is worth rather than fixing the car. The law states that a "Total Loss Vehicle" is one which has been wrecked, destroyed or otherwise damaged to such an extent that the cost of repair is 65 percent or more of the fair market value of the vehicle immediately before it was wrecked, destroyed or otherwise damaged. The term does not include a nonrepairable vehicle or other motor vehicle which is 10 model years old or older and which requires only the replacement of the hood, trunk lid, grill assembly or two or fewer quarter panels, doors, bumper assemblies, headlight assemblies, taillight assemblies, or any combination thereof, to restore the vehicle to its condition before it was wrecked, destroyed or otherwise damaged.

Comprehensive coverage pays for damage to your auto from almost all other causes, including fire, severe weather, vandalism, floods and theft. Comprehensive coverage also covers broken glass, such as windshield damage. Comprehensive coverage is less expensive than collision coverage and many consumers choose to carry it. However, remember it is your choice; you are

not required by law to carry comprehensive coverage.

Deductibles reduce your premiums because you agree to deduct an amount from the claim your insurer otherwise would have to pay. Insurers offer deductibles because they reduce the number of small claims that are costly for them to handle.

When considering collision and comprehensive coverage, you should consider your deductible. A deductible is the amount of money you agree to pay as your share of the cost of a claim before the insurer is committed to pay the rest of the claim. For example, if you carried collision coverage with a \$200 deductible and you had a \$500 loss, you would pay \$200 and the insurance company would pay the remaining \$300.

If you purchase a new car with a loan, the financial institution that lent you the money may require you to purchase collision coverage. This is because the lender considers your car as collateral for the loan, and they want to make certain it is worth something if they need to repossess the vehicle.

In the event you have to buy or decide to buy collision or comprehensive coverages, you can save money by agreeing to the highest deductible you can afford to pay. Since comprehensive coverage is usually cheaper than collision coverage, many people save money by dropping the collision coverage and keeping the comprehensive coverage in force to protect against natural perils, theft and glass breakage.

OTHER OPTIONAL COVERAGES

Be cautious when purchasing optional coverages. They may duplicate coverage that you have through other insurance policies. For instance, medical payments coverage may duplicate health or disability benefits that you buy individually or receive as a benefit through your job. Before purchasing these coverages, review them and your other insurance policies carefully.

1.) **Medical payments coverage** is an optional coverage. However, Nevada law requires that your insurance company offer you at least \$1,000 of this coverage. This coverage pays for the medical and funeral expenses for you or others injured or killed in an accident while riding or driving in your auto. Claims against this coverage include all reasonable hospital, surgical, chiropractic, x-ray, dental, professional nursing, prosthetic and funeral expenses. It will also cover you or members of your family if an auto strikes you while walking or riding in another auto. This coverage will be paid even if you caused the accident. Usually, only expenses incurred within a specified period of time after the accident are covered.

2.) **Rental reimbursement coverage** usually pays \$15 to \$20 a day to rent a car for a specific number of days while your vehicle is being repaired. The premium varies from insurer to insurer.

3.) **Towing and labor coverage** pays the cost of towing your car to the repair shop subject to the limit of your policy. Premium for this coverage can run as low as \$5 to \$10 per year. However, if you are a member of an auto club, you probably already have this service and may not want to duplicate your coverage.

OPERATOR'S POLICY

An operator's policy is different than standard liability insurance. This insurance coverage insures the driver or operator, not the car. That is, the driver or operator would be insured no matter what vehicle was driven. This insurance coverage does **not** cover another driver or person

using your car with or without your consent.

SMART SHOPPING

The key to comparison shopping is to know what insurance coverages you need before you begin, and then to find out how much those coverages will cost from a number of companies. Comparison shopping takes time but can save you money.

No one wants to pay more for auto insurance than is absolutely necessary. The only way you can make certain you are not paying too much is to shop around and find out what different companies charge for identical products and services.

For example, the Division compared the 2003 rates available to a forty-year-old man with a clean driving record who drives a 2004 Dodge Ram Pickup Truck fifteen miles round trip to work daily (12,000 miles per year). If the man sought 15/30/10 coverage, Plus \$30,000 per accident uninsured/underinsured coverage plus \$1,000 medical payment with a deductible of \$250 comprehensive and \$500 collision, he could pay from \$1,142 to \$4,524 annually in Las Vegas or from \$781 to \$3,492 in Reno.

SEEK UNBIASED INFORMATION

Information is available to consumers from a number of unbiased sources. These sources include public libraries, the Nevada Division of Insurance, consumer groups and consumer publications.

Because the insurance industry, like many other industries, has developed many words not commonly used by the average person, consumers may need to find a good glossary or dictionary of insurance terms from the public library.

Consumers may also obtain a wide variety of information from the Nevada Division of Insurance. Look for us on the World Wide Web at <http://doi.state.nv.us>. The Nevada Division of Insurance has people available to answer questions regarding auto insurance coverage.

PRICE QUOTATIONS

In shopping for auto insurance, premium quotations are a useful tool for the comparison of different companies' products. When asking for price quotations, it is crucial that you provide the same information to each agent or company.

To give you an accurate quote, the agent or company will usually request the following information:

- ! A description of your vehicle;
- ! Its use;
- ! Your driver's license number;
- ! The number and ages of drivers in your household;
- ! The coverages;

- ! The limits you want; and
- ! Accidents/tickets in the last 3-5 years.

This information is necessary to the underwriting and rating process described earlier in this guide.

FOR YOUR PROTECTION

You should be aware that an auto insurance policy is a legal contract. It is written so that your rights and responsibilities, as well as those of the insurance company, are clearly stated. When you purchase auto insurance, you will receive a policy. You should read that policy and try to understand its contents. If you have questions about your insurance policy, contact your insurance agent for clarification. If you still have questions, call the Nevada Division of Insurance.

If you purchase an insurance policy through an unlicensed company, you are very likely to find that you have no coverage when a claim occurs. To avoid falling into these scams, you should:

- 1) Check to see if the company is licensed in Nevada by contacting the Nevada Division of Insurance. Even if the insurance company claims to be exempt from state regulation or is utilizing a licensed Third Party Administrator, have your proposed plan reviewed by the Division of Insurance to determine if the company is really exempt. Companies that are licensed by the State are required to provide annual statements, which allow the Insurance Division to assess a company's continued ability to pay claims, and to take corrective action in advance of potentially devastating problems.
- 2) Confirm that your insurance agent is selling you a state licensed product. If you suspect an insurance agent is trying to sell you an unauthorized product, contact the Insurance Division.
- 3) Ensure you are dealing with a reputable insurance agent. If the person trying to sell you the coverage states that he or she doesn't need a license because the coverage isn't insurance or is exempt from regulation, be wary.
- 4) Ask your agent for the name of the insurer and check the paperwork you receive to see whether it names a licensed insurer that is fully insuring the coverage.
- 5) Never pay cash, always get a receipt for all payments and be sure the receipt shows your policy number, date of payment, period of coverage, and the name of the insurance company providing the coverage.

Here are some of the most common red flags and signs that an insurer may be a phony:

- The insurance company in question boasts low rates, or offers minimal or no underwriting.
- The agent (or information they provide) claims that the plan is covered only by stop-loss.

- The plan claims to be federal, not state regulated.
- Sales material and pitches that avoid the word "insurance" or the use of certain insurance terminology, even though it operates like insurance. For instance, it pays "consultant fees" instead of commissions, or refers to premiums as "contributions."
- The product claims to be "fully funded," "fully insured," or "reinsured" but agents are not told the name of the carrier insuring or underwriting the product.

Don't just trust your agent; even insurance agents get fooled. Individuals and businesses are bilked out of thousands of dollars each year by scam artists who misrepresent themselves as insurance agents. But you can run the risk of purchasing a phony policy even if you work with a legitimate agent. At times, even experienced agents can unknowingly sell insurance from an illegal provider. Though honest agents will do their level best to avoid such circumstances, it can happen. Worst of all, you as the consumer may discover that you are on the hook for a wide range of costs and expenses that you thought your insurance was covering.

When it comes to buying insurance, your instincts might not always be correct. In an effort to save money, one's judgement can become impaired, so don't hesitate to check out everyone you deal with. It takes a little more time, but the effort could possibly save you a lot of money.

PAYMENT OF INSURANCE PREMIUMS

There is **no grace period** on insurance premium payments. In other words, if an insurance premium payment is due on the 15th of the month, your payment must be received by the insurance company on or before that date. Examples I, U, II and UU demonstrate higher premiums charged and the possible difficulty of obtaining insurance coverage with a lapse in coverage even if you have a clean driving record.

MID-TERM CANCELLATION OF YOUR POLICY

Nevada laws restrict the mid-term cancellation of your policy. If the company cancels your policy, the premium will be prorated without any penalty to you, but the reason for cancellation must be in compliance with NRS 687B.320, which requires notification be delivered or mailed to the policyholder at least 10 days before cancellation, for failure to pay a premium when due, or 30 days for all other reasons noted in the statute. However, if you cancel the policy, there is normally a "short rate" penalty that usually amounts to about 10% of the return premium. If the policy is canceled early in the term, the penalty is greater than if it is canceled late in the term.

FREQUENTLY ASKED QUESTIONS

1. I was involved in a car accident and my car was determined to be a total loss by my insurance company. The insurance company sent me a check for \$7,000 but I paid \$15,000 for the car. Why didn't the insurance company send me a check for the amount I paid for the car?

The insurer's limit of liability for a physical damage loss to a covered auto is the lower of (1) the actual cash value of the damaged or stolen property; or (2) the

amount necessary to repair or replace the property with other property of like kind and quality with the exceptions found in Nevada Revised Statutes 487.790 (see the Property Damage Coverage section of this guide). Actual cash value generally means the replacement cost of property minus an allowance for depreciation. The depreciation is based on market value in the geographical area. For example, you purchase a new car in 2000 in Carson City that cost \$15,000, and that same car could be purchased for \$7,000 in 2003. If the car was involved in an accident and declared a total loss by the insurance company in 2003, the market value would be \$7,000.

2. I was involved in an accident two weeks ago and I notified the insurance company the next day. It's been two weeks, and I haven't heard from my insurance company.

An insurer must approve or deny a casualty claim within 30 days after the insurer receives the claim. If the insurer requires additional information or time to determine whether to approve or deny a claim, it shall notify the policyholder of its request for the additional information or time within 20 days after it receives the claim, and at least once every 30 days thereafter until the claim is approved or denied.

3. I was involved in an auto accident in 1999. At the time of the accident, I did not seek medical care. In February of 2003, I began having back pain that I believed was caused by that car accident. I went to the doctor and incurred the expense of the doctor's visit and x-ray costs. I submitted a claim for medical reimbursement under my Personal Auto Policy, Medical Payments Coverage, and my claim was denied. Why?

Under most standard policies, the insurer will pay only those expenses incurred for services rendered within 3 years from the date of the accident under the Medical Payments Coverage of your Personal Auto Policy. Auto policies vary, so you should check your own Personal Auto Policy for time limitations to make a claim under the Medical Payments Coverage.

4. I was involved in an auto accident in 1999. At the time of the accident I felt fine and did not seek medical care. In February of 2003, I began having back pain that I believed was caused by the car accident. I went to the doctor and incurred the expense of the doctor's visit and x-ray costs. I submitted a claim against the negligent driver in the accident and my claim was denied. Why?

Most personal injury liability claims will be denied if they are submitted after the two-year statute of limitations has run (two years from the date of the accident or cause of loss).

5. I was involved in an auto accident in 1999. At the time of the accident I did not make a claim to have my auto repaired. In February of 2003, I submitted a claim for property damage to my car. My claim was denied. Why?

Most personal property damage claims will be denied if they are submitted more than three years after the date of the accident or cause of loss.

6. I had some personal belongings that were stolen from the trunk of my car. Why doesn't my car insurance pay for my stolen property?

Contract provisions in your automobile policy may specifically exclude most personal belongings.

7. I purchased a used vehicle from a car dealership. It had several options, such as running boards, that do not come as standard equipment on a new vehicle. I brought the vehicle to my insurance agent and added it to my policy with full coverage. I was later involved in an accident. My insurance company denied the replacement of the damaged running boards. Why?

Most insurance automobile policies specifically exclude items that are not standard or stock on a vehicle. While speaking with your agent, you should ask if the policy covers specialty items; if not, ask about purchasing additional coverage for those items.

YOUR NEVADA DIVISION OF INSURANCE

The Nevada Division of Insurance exists to serve you. We can be a source of unbiased information and assistance to you. If you do not understand any part of your insurance policy, please feel free to call.

If you have a complaint against an insurer, it is always best to contact your insurer first to attempt to settle the matter. Most insurers have policyholder service offices to handle such questions. If you still are not satisfied, contact the Nevada Division of Insurance, where a Consumer Officer will help you with your problem. Although they cannot represent you legally against an insurer or adjuster, the Consumer Officer can appropriately investigate potential violations of insurance law or regulations based upon your complaint.

Contact our Consumer Services Section as follows:

Toll Free in Nevada

1 - 800 - 992 - 0900

Carson City - Extension 4270

Las Vegas - Extension 4009

DIVISION OF INSURANCE WEB SITE

Address: <http://doi.state.nv.us>

E-MAIL ADDRESSES

General Information: insinfo@doi.state.nv.us

Consumer Services: Carson City: mrbnson@doi.state.nv.us

Las Vegas: jroyle@doi.state.nv.us

RATE COMPARISONS

Twenty-one insurers participated in the following rate comparisons. If an insurer did not quote a rate for a specific example, the driving record given for that example was unacceptable to the company.

Two vehicles were rated for each example as follow:

1998 Volvo S70 Sedan, 4-door, 5 cylinder turbo.

2004 Dodge Ram, Pick-up Truck 4x4, 4-door, Cummins diesel .

There are two liability coverage amounts for each vehicle. The physical damage and other coverage amounts remain the same. Coverages are as follows:

First Liability Coverage Amount

\$15,000 per person/\$30,000 per accident bodily injury
\$10,000 per accident property damage

Second Liability Coverage Amount

\$100,000 per person/\$300,000 per accident bodily injury
\$50,000 per accident property damage

Physical Damage

\$250 deductible collision
\$500 deductible comprehensive

Other Coverages

\$1,000 per accident medical payments
\$15,000 per person/\$30,000 per accident uninsured/underinsured motorist

Rates quoted in this guide are for ANNUAL premiums and may vary from rates quoted by an insurance agent.