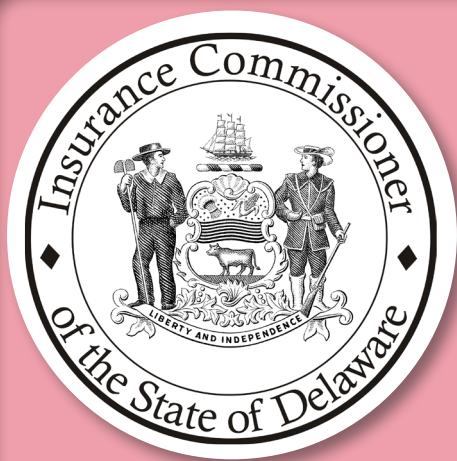


The Instant Insurance Guide: Auto



**Information
for drivers
in Delaware**

**Karen Weldin Stewart, CIR-ML
Delaware's Insurance Commissioner
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A Message From The Delaware Department of Insurance

This guide is intended to help you understand the basics of auto insurance so that you can make informed decisions when purchasing insurance for cars, trucks and motorcycles. We've covered the essentials but, of course, there's more to know than can fit in these pages. If you're looking for more detailed information about auto insurance please visit our website, www.delawareinsurance.gov.

Just like health insurance, there are numerous options when it comes to purchasing auto insurance. Some policies only cover you for the required state minimum levels of coverage. Other policies provide everything from comprehensive coverage to reimbursement for a rental car if your car is being repaired after an accident—but those extra perks don't come for free. The goal is to find a policy that balances the coverage you desire with a price you can afford.

Please feel free to call the Delaware Department of Insurance at 1-800-282-8611 with any questions, issues or problems you have regarding auto insurance in Delaware.

www.DelawareInsurance.gov

1-800-282-8611

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Disclaimer: The Delaware Department of Insurance makes every attempt to provide accurate and up-to-date information. If you need further clarification with any auto insurance questions we suggest you call your insurance provider or our office. This guide is not a substitute for legal or professional advice. May change without notice. Last updated October 2015.

Auto Insurance

What is auto insurance and why is it necessary?

Automobile insurance is a contract between you and an insurance company that protects you financially if you are involved in an accident. If you cause an accident your insurance will help pay for losses you caused. Your losses could be substantial if you are required to pay not only for the damage to property but also for medical expenses, lost wages, and pain and suffering of any injured person. If you don't have any, or enough, insurance coverage anything of value that you own could be taken to help pay those costs, including: your home, any savings, and even future earnings.

Auto insurance policies are offered with a variety of coverages available 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 accident. A minimum level of insurance coverage is required by the state in order to register your car in Delaware.

What is the penalty for driving without insurance in Delaware?

When a law enforcement officer stops you for any reason, you will be required to show valid proof of insurance on the vehicle. If you are driving a vehicle while not having the proper insurance, upon conviction you will be fined not less than \$1500 for the first offense and \$3000 for each subsequent offense occurring within 3 years of a former offense. Driving license and/or privileges will also be suspended for 6 months.

What's a deductible? What's a premium?

Deductible: A deductible is the amount you have to pay out-of-pocket on a claim before the policy pays the loss. Higher policy deductibles mean lower policy premiums. A policy with a \$1,000 deductible has a lower premium than the same policy with a \$500 deductible. But be sure you can afford the deductible in case you have a loss.

Premium: The amount that you must pay for an insurance policy. Your premium is usually paid monthly, semi-annually or yearly.

Minimum Required Coverage

In Delaware, all drivers are required to carry three types of auto insurance:

1. Bodily Injury Protection - \$15,000/\$30,000

If you are responsible for the injury or death of another person and have minimum coverage, your insurance company will pay:

- Up to \$15,000 to one person involved in a single accident
- Up to \$30,000 to all people involved in a single accident, with no more than \$15,000 to any one person

2. Property Damage - \$10,000

If you are responsible for damages to another person's property and have minimum coverage, your insurance company will pay:

- Up to \$10,000 due to destruction of property of others as a result of any one accident

3. Personal Injury Protection (PIP) - \$15,000/\$30,000

Whether you are responsible for the accident or not, your insurance company will pay for the medical expenses and loss of wages for you and your passengers. If you have minimum coverage, your company will pay:

- Up to \$15,000 to any one person involved in a single accident
- Up to \$30,000 to all people involved in a single accident, with no more than \$15,000 to any one person

Also included in PIP coverage is up to \$5,000 for funeral expenses.

The minimum amounts in these three categories are relatively low and you may wish to purchase additional coverage to protect yourself from possible claims in higher amounts. Keep in mind, however, that as you raise your coverage, your premiums will increase.

Don't Drive Uninsured: Uninsured drivers are against the law and cost other drivers money in higher insurance premiums. Registered vehicles are randomly checked for coverage and insurance companies will notify the state if coverage is dropped. Driving without insurance can cost you a fine, your license plate or your drivers license.

Optional Coverage

These types of coverage are not required by law in Delaware. However, if you take out an auto loan, your bank or lender will likely require collision and comprehensive coverage.

Collision coverage pays for physical damage to your car as the result of your vehicle colliding with an object, such as a tree or another car. This coverage is based on the value of your vehicle and can be costly.

Important information about collision coverage: Auto insurance policies only require the company to cover your financial losses, not to replace your vehicle. In the case of an accident involving an older car, the cost of repairing it can quickly exceed the value of the car and your insurance carrier will pay you what the car was worth rather than fix it. In severe cases, the value of the car may be less than premiums paid for the coverage. Therefore, if your vehicle is worth less than \$2,000, there is little reason for you to purchase collision coverage, because you are likely to pay more money in premiums than you would ever receive as a result of your claim. This coverage may not pay the full replacement cost of the vehicle or may not satisfy the balance of your auto loan.

Comprehensive coverage pays for damage to your car from almost all other causes besides an accident, including fire, severe weather, vandalism, flood and theft. Comprehensive coverage also will cover broken glass, such as windshield damage. It will also cover damage to your vehicle if you strike an animal, like a deer.

Uninsured motorist coverage pays if you incur losses from a driver who does not have auto insurance or a hit-and-run driver. This coverage, when in effect, takes the place of the insurance that the other driver should have had but did not. The coverage comes at an automatic \$250 deductible for property damage, regardless of the deductible you may have on your other coverage.

Uninsured motorist coverage will have policy limits. It does not protect the other driver. Your insurance company may sue the other driver for any money the company pays to you because of the other driver's negligence. You must have made a police report about the accident in order to make a claim under an uninsured motorist policy.

Optional Coverage

Under-insured motorist bodily injury coverage protects you if you are involved in an accident that is not your fault and the other driver does not have enough insurance to cover your loss. This coverage does not pay for damage to your vehicle. This insurance covers you and your passengers for bodily/personal injuries damages, or death caused by an at-fault driver with insurance that is not sufficient to cover the cost of your medical bills.

Towing and labor coverage pays the cost of towing your car to the repair shop subject to the limit of your policy. Premiums for this coverage are very inexpensive. However, if you are a member of an auto club, you probably already have this service.

Rental reimbursement coverage usually pays the cost to rent a car after an accident, subject to the policy's terms. The premium will vary from insurer to insurer.

Rates

Some of the factors that affect your rates—some controllable and some not:

Age: Certain age groups tend to have more accidents, and thus more claims. Typically, the youngest and oldest drivers have the most claims.

Type of vehicle: Premiums are based in part on what it would cost to repair your car if it were involved in an accident. A luxury car like a Mercedes will likely have more expensive parts than a Ford. Insurers will also take in to account the car model's claims record.

Driving record: Drivers with previous moving violations or accidents are considered to be a higher risk.

Discounts: Auto insurers may offer premium discounts for numerous reasons, including for people who have taken an approved defensive driving course. Ask your agent what discounts are available to you.

Amount of coverage: If you choose to carry coverage above the mandatory minimum, your premiums will be higher.

Deductible amount: Choosing a higher deductible will reduce the premiums of your car insurance. However, your out-of-pocket expense will be higher if you have an accident.

Usage of vehicle: The more you drive, the higher the risk and so the higher the premium.

Where you live: Urban areas usually have more claims than rural areas. Densely populated areas often have higher incidents of crime like vandalism and theft that drive up claims and the cost of premiums.

Your credit score: Credit-based insurance scores are based on information like payment history, bankruptcies, collections, outstanding debt and length of credit history. Companies can only take your credit score into consideration when you are applying for a new policy, except upon the request of the insured. In that case the consumer may be re-rated at renewal based upon a current credit score, but only to the extent that it benefits the consumer.

Ways to Save

Tips on lowering your auto insurance premiums:

Shop around and compare prices. A list of companies that offer auto insurance in Delaware can be found on our website, delawareinsurance.gov, or check the yellow pages. You may want to ask friends, family or neighbors who live near you about their experiences with various insurance companies.

Maintain a **good driving record**.

Take the **highest deductible you can afford** on collision and comprehensive coverage. A higher deductible will mean lower premiums. But remember that you will be responsible for the deductible amount if you have an accident.

Take a **defensive driving course**. If all drivers of a vehicle complete an approved course you can receive 10 percent off a portion of your auto insurance for three years. If you take a refresher course just before the end of the three-year period you can receive a 15 percent discount. A list of defensive driving courses can be found on the DMV's website. Find the link to that page at <http://delawareinsurance.gov/auto/defensive.shtml>

Before buying a vehicle, call an agent for a quote on the cost of insuring it. Sports cars and luxury cars generally cost more to insure. Remember, a quote is only an estimate of the premium.

Review your policy periodically and update coverage accordingly. As a car gets older and loses value, you may determine that it is no longer worth the financial costs to carry comprehensive and collision insurance due to the declining value of your vehicle.

Ask whether there are **discounts** offered for:

- Multiple cars on a policy
- Good student drivers
- Mature drivers
- Accident-free record
- Airbags, anti-theft devices and other equipment
- Other insurance with same company

Repairs

After an accident, your vehicle may need to be repaired. Here are some things you need to know:

- **Check your deductible.** If the damage to your vehicle is minor, it may be less than your deductible. For example, if your bumper needs to be repaired and is estimated to cost \$199, and you have a \$250 deductible, you will be responsible for the entire amount. The insurance company will not owe you or the repair shop anything until the cost goes over \$250.

If you have a \$250 deductible and the repair estimate is \$350, you would pay the first \$250 and the insurance company would pay the remaining \$100.

- The insurance company will **assign an adjuster** to estimate the damage to the car and how much the company will pay to have it fixed. Again, if the damage is determined to be less than your deductible, you will be responsible for all of the repair amount.

- The **final choice of repair shop is yours.** You may want to use a repair shop the company recommends. However, if you choose a different one, be aware you may have to pay the difference if your body shop's estimate is higher than the insurance company's, unless the increase can be justified and agreed upon by all parties. One advantage of using your insurance company's preferred shop is that their work is guaranteed by your insurance company.

- If you choose to put a **brand new part on an older car** instead of a salvaged or remanufactured part, you may have to pay the difference in cost.

If You're In An Accident

Stop and keep calm. Do not drive away from an accident. Do not argue with the other driver over the cause.

Call an ambulance, if needed. Do what you can to provide first aid, but do not move an injured person unless you possess medical or lifesaving expertise, or unless there is a life-threatening event, such as a vehicle leaking gas.

Move your car. In a fender bender or other minor crash, police advise that you move your car out of the street or highway, to a clear area where it will not be a hazard to other traffic. Police will be able to determine who was at fault from descriptions and evidence.

Call the police. Dial 911 to notify the appropriate law enforcement authorities. Fully cooperate with the officers responding to the accident. Give the police officer the personal information that you need to exchange with the other driver. If the accident occurs on private property, such as in a parking lot, you will need to exchange information with the other driver yourself (see next step).

Gather information. Exchange insurance; registration information; witnesses' names, phone numbers and addresses; brief description of how the accident occurred. Take pictures of accident scene, if possible.

Call your insurance company or agent. Use the claims contact number on your insurance card or call your insurance agent. This person will go over your policy with you and will verify your coverage.

If anyone calls you and tells you that “you must act now” to keep your coverage simply hang up the phone. Don't rely on caller ID. Some scammers are able to display a company's name or phone number on the caller ID screen.

You can always call the Department of Insurance if you are not sure if an offer or a call to action is fraudulent or legitimate.

Motorcycles

A motorcycle owner and driver is required to carry the same minimum amounts of bodily injury protection, property damage and personal injury protection as any other vehicle (see pages 5, 6 and 7 of this guide). Many motorcycle owners choose to purchase additional types of non-required coverage, just as they do for their automobile. Your best bet is to have a thorough discussion with your insurance agent to discuss your needs, your wants and what's possible with your budget.

- When inquiring about a policy, an agent may give you a quote based on the minimum personal injury protection (PIP) limit of \$15,000, but with a \$15,000 deductible. That means, unless you deliberately choose otherwise and pay an additional premium, you will essentially have no PIP coverage, as the coverage limit of \$15,000 will be reduced to zero by the deductible. Consider other options which come at a higher premium but with lower deductibles. Ask your agent about the difference between “restricted” PIP coverage and “unrestricted” PIP coverage.
- A motorcycle insurance policy may provide only limited benefits. For example, a lower premium policy may provide medical and lost wage benefits for only those accidents which occur (a) on a highway and (b) when there is actual physical contact with another vehicle. To receive coverage for a greater range of potential accidents, you will likely have to pay higher premiums.

Possible Discounts: Just as with traditional auto insurance, ask your insurance company about any possible discounts they offer for motorcycle insurance. Discounts are sometimes provided for the following situations:

- Complete an approved motorcycle safety training course
- Multi-line discount for auto or home insurance with same company
- Motorcycle rider organization member (like Harley Owners Group)
- Good driver or mature driver
- Theft recovery discount for bikes with a GPS theft-recovery system

“Other” Motorized Vehicles

Many people own motorized vehicles, aside from their everyday car or truck, that are used on or off-road. While some of these vehicles require registration with the Department of Motor Vehicle (DMV) others do not. If the vehicle requires registration you will be required to purchase insurance. However, if the vehicle does not require registration you may still want to purchase insurance to protect your investment and yourself from any possible lawsuits.

How to Determine if Insurance is Needed

Under Delaware law a 4-wheeled motor vehicle (other than a car or truck) that attains a speed of at least 20 mile per hour, but less than 25 miles per hour in 1 mile and will be driven on a paved road (other than a highway) is classified as a low speed vehicle (LSV) and it would need to be registered and insured. The one exception to this law would be a farm vehicle. This type of vehicle is designated with a license plate starting with “FT” and is used solely for the purpose of operating a farm. This vehicle may be exempt from registration if certain rules are met. You may want to contact your local DMV to determine the requirements for registration. Some examples of LSV vehicles would be:

- Mopeds
- Tri-peds
- Motor scooters

Examples of other vehicles that would not require DMV registration or insurance coverage would be:

- Golf carts
- Boat, Watercraft
- ATVs
- Dirt Bikes
- Snowmobile

*Please note, while these vehicles do not require registration, trailers that carry the vehicle still require DMV registration and insurance coverage.

“Other” Motorized Vehicles

What Coverage Should I Buy?

Many owners will purchase insurance coverage similar to automobile insurance to insure the same protections. The coverage will depend upon the type of vehicle you wish to cover. Examples of some of the standard coverages would be:

- Collision coverage
- Liability coverage
- Comprehensive coverage
- Medical payments
- Guest Passenger Liability coverage

Depending on what type of vehicle you have, there are more optional coverages available:

- Total Loss Replacement
- Accessory coverage
- Uninsured/Underinsured Motorist
- Towing and Road side assistance
- Bodily Injury
- Optional Equipment

Where Can I Buy This Insurance?

Depending on the vehicle type you have, some homeowner's insurance policies will cover the vehicle automatically. However, the coverage may be limited and payable only under certain situations. Therefore, you may want to talk to your agent about the scope limits of your current policy. If the vehicle is not covered under your existing policy you should review the more specific policies available through your automobile or homeowner's agent. If you are not able to locate a policy to fit your needs or vehicle type you may need to consider a surplus line product or personal umbrella policy.

Information continues on next page...

Electronic Proof of Coverage

Information continued from previous page...

- Surplus Lines insurance allows people to buy property and casualty insurance where policyholders, agents, brokers and insurance companies all have the ability to design specific insurance coverages and negotiate pricing based on the risks to be secured.
- Personal Umbrella Policy (PUP) is a type of insurance that provides liability coverage over and above your automobile or homeowner's policy. If your liability coverage isn't enough to cover the accident you cause or an incident on your property, a personal umbrella insurance policy picks up when your other insurance limits have been reached.

Proof of Coverage: Updated in 2014

Electronic Proof of Insurance: As of June 25, 2014, Delaware law-enforcement officials accept proof of auto insurance (insurance ID card) in physical or electronic format. House Bill 258 w/HA 1 states that law-enforcement will now accept electronic proof of insurance on “a cellular phone or any type of portable electronic device.” While this bill made it easier for drivers in Delaware to prove that they have the proper insurance coverage, we recommend that drivers continue to keep a current physical copy of their insurance ID card in their vehicle at all times.

Use this space for notes or questions for your agent or Consumer Services staff:

Insurance Commissioner's Office

The Delaware Insurance Commissioner's Office is here to help if you have questions about or problems with your insurance coverage or insurance company.

Questions about insurance or complaints about an insurance company or insurance agent can be made to the Consumer Services division by phone, by fax, by letter, by email or with an online complaint form:

Phone: 1-800-282-8611 (Toll-free in Delaware)

or (302) 674-7310

Fax: (302) 739-6278

Email: consumer@state.de.us

841 Silver Lake Blvd.

Dover, DE 19904

Visit the Delaware Department of Insurance website to find more information and tips about auto insurance and the services we provide at **www.delawareinsurance.gov**

"Protecting Delawareans through regulation and education while providing oversight of the insurance industry to best serve the public."

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