

Consumer Guide to AUTOMOBILE INSURANCE*

FIVE TIPS TO HELP YOU BUY AUTO INSURANCE

Tip 1: Obtain the broker's business card.

If you are reading this pamphlet, it was probably given to you by an insurance broker or solicitor. (A solicitor is a person who works for a broker. In the rest of this pamphlet we will use the term "broker" to include both solicitors and brokers.) All brokers must be licensed by the State of California Department of Insurance. To obtain a license, a broker must take a class on insurance, pass an exam, and meet other requirements. However, a few people try to sell insurance without a license. *Make sure your broker is currently licensed in California.*

By law, a broker must include his or her license number on his or her business card, and on any written price quote given to you. *Obtain the business card*

of each broker who talks to you about insurance! If the broker says he or she does not have a business card, ask him or her to write down his or her first, middle and last name, along with his or her license number. Keep the business card or piece of paper along with your other insurance papers.

The California Department of Insurance website (www.insurance.ca.gov) lists all licensed brokers. You can find out whether the person who helped you buy insurance is licensed by checking this website, or by calling the Department of Insurance at (800) 927-HELP or (213) 897-8921. If you buy insurance from a person who does not have a license, you are legally entitled to have any broker fee you paid refunded.

Tip 2: Understand the difference between an

insurance company and an insurance broker.

Brokers are not insurance companies; they are independent insurance salespersons. The broker represents you, the client. In order to find insurance for you, a broker will usually review the premium rates and coverages of several insurance companies.

A broker will usually have the words "insurance agency," "insurance brokers," "insurance brokerage," or "insurance services" in its business name. An insurance company is responsible for paying any claims you have; a broker is not. An insurance company will usually have the word "insurance company," "casualty company," "indemnity company," "insurance underwriters" or "assurance company" in its name.

* Prepared for consumers by the California Department of Insurance. A broker must give this pamphlet to its insured whenever the broker charges a broker fee and sells an auto policy, pursuant to Title 10 of the California Code of Regulations Chapter 5, Subchapter 1, Article 6.8, Appendix A.

Some insurance companies will use the services of another business, called a “managing general agent” or “general agent.” These businesses may perform underwriting, claims handling and billing on behalf of the insurance company issuing the policy.

Remember, when purchasing insurance through a broker you could be dealing with several different companies: 1) the insurance broker; 2) a managing general agent; 3) the insurance company. In addition, if you need to borrow money to help pay your premium, another type of company, a “premium finance company,” may be involved.

Tip 3: Obtain and keep important insurance papers.

Application

When you apply for insurance, the broker will probably help you complete an insurance application form. This form will be sent to the insurance company. Read the application carefully before you sign it. *Do not sign the application* if any information on it is missing or incorrect, even if the

broker says it is ok to do so, or that the wrong information will save you money. An insurance company can sometimes deny your claim if you signed an application with incorrect information. *Obtain and keep a copy of the application.*

Binder

When an insurance company accepts an application, it typically mails the actual insurance policy several weeks later. If you need insurance right away or within a few weeks, the broker should provide you with an insurance form called a “binder” or “certificate of insurance.” These forms provide you with proof that you have insurance coverage until the insurance company actually sends you the policy. A binder or certificate should show the name of the insurance company, the date your insurance takes effect, your name, a description of your vehicle, the types of coverage you bought, the liability coverage limit if you bought liability insurance, and deductibles if you bought comprehensive or collision coverage. Obtain and keep the binder. Don’t accept a broker’s word that you are covered or will be covered as of a

certain, future date; get it in writing. Every broker should be able to give you a binder if you need coverage quickly.

Receipt

You will usually have to pay some or all of the premium to the broker when you apply for insurance. *Obtain a signed receipt for your premium payment.*

Insurance company payment plans

Many people choose to pay their insurance premium in installments. For these people, the insurance company may offer an installment payment plan for a small, extra charge. However, not all companies offer such plans.

Premium finance companies

Another option for people who can not, or prefer not to, pay their insurance premium all at once, is to obtain a loan from a “premium finance company.” With premium financing, you will pay a down payment to the broker when you apply for the insurance. The finance company will pay the full premium to the insurance company. After that, you will reimburse the finance company over several months. Be aware that

premium financing typically includes a non-refundable fee and an interest rate that is usually much higher than banks impose on credit cards.

In order to obtain premium financing, a premium finance application form must be completed. Do not let a broker sign this form for you – obtain it, take your time to read it carefully, ask the broker to explain anything you don't understand, then sign it if you still want to have premium financing. The form will contain very important information – how much you will have to pay, how often, how much the fees are, what the interest rate is, and what the total principal and interest will be. Once you sign-up for premium financing, it may be expensive to cancel it.

If a broker suggests using a premium finance company, be sure to ask the broker about insurance companies that offer installment payment plans. Even

if an insurance company with an installment plan charges more premium than an insurance company that does not have an installment plan, your total cost of insurance may be less if you don't have to pay loan fees and interest to a premium finance company.

Broker fee disclosure and agreement

To charge a broker fee, a broker must have you sign a broker fee agreement, and must give you a special broker fee disclosure. Obtain copies of both of these documents.

Tip 4: Take your time and ask questions.

Read all forms carefully, and take your time. Don't let anyone try to rush you. Ask questions – a broker should take the time to explain everything slowly and with words you understand. If a

broker makes any promise to you, get it in writing. Never sign any form that has empty spaces – have the broker draw a line through those spaces before you sign the form.

Tip 5: Find out more about insurance.

Insurance is expensive. You can save a lot of money, possibly hundreds of dollars each year, year after year, by learning more about insurance. A good place to start is at the Department of Insurance website at www.insurance.ca.gov, or by getting brochures from the Department of Insurance help line, 1-(800) 927-HELP (4357) or (213) 897-8921. You can obtain pamphlets about many insurance topics, such as different types of insurance, how to file claims, and how to buy insurance.