Wisconsin Office of the COMMISSIONER OF INSURANCE

FAQ SHEET
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Frequently Asked Questions – Automobile Insurance

The Automobile Insurance Policy

What is automobile insurance?

Automobile insurance is a contractual agreement between an insurance company and an insured (policyholder). In exchange for a premium, the insurance company promises to provide bodily injury liability coverage, property damage liability coverage, and uninsured motorist coverage.

Who does the automobile policy cover?

The personal automobile policy provides coverage to the named insured, spouse, and other relatives living in the home, and anyone who has permission from the insured to operate the insured vehicle.

What are the different parts of the automobile policy?

The first section of the policy is the "declarations page," which lists what coverages are in effect and the dollar amounts of coverages. The next section of the policy includes the actual contract language, clearly describing the insurance company's rights and responsibilities as well as the policyholder's. The policy may also contain a third section called the endorsement section, which changes or modifies the policy. Certain general provisions are required by law, but policies can be very different. It is important to read any policy issued to you as soon as you receive it. If you have questions, contact your insurance agent or company for clarification.

Wisconsin's Financial Responsibility Law

Is automobile insurance mandatory in Wisconsin?

Yes. **All Wisconsin drivers are required to have an automobile insurance policy in force** or, in limited situations, other security, such as a surety bond, personal funds, or certificate of self-insurance, when operating a motor vehicle in Wisconsin. Details are available on the Wisconsin Department of Transportation website at wisconsindot.gov/Pages/dmv/license-drvs/susp-or-rvkd/proof-of-insurance.aspx.

If I buy automobile insurance, what coverages are required in Wisconsin, and what are the minimum limits I can purchase?

Your automobile insurance policy must provide the following **minimum** liability coverage:

- $25,000 for injury or death of one person
- $50,000 for injury or death of two or more people
- $10,000 for property damage

Wisconsin law also requires uninsured motorist coverage with a minimum limit of $25,000 for one person and $50,000 for two or more people for bodily injury coverage.

You may want to protect your assets by purchasing more coverage than the minimum required in Wisconsin. Higher limits are usually available, but you may have to pay an additional premium.

What is covered under bodily injury liability coverage?

This coverage does not protect you or your vehicle directly. If you cause an accident injuring other people, it protects you from their claims up to the stated amounts for medical expenses, lost wages, pain and suffering, and other losses. It will also usually pay if the accident was caused by a member of your family living with you or a person using your vehicle with your consent. It does not pay for bodily injury you may sustain.

What is covered under property damage liability coverage?

Property damage liability coverage pays for any damage you cause to the property of others, up to the stated amount provided by the policy (i.e., a crushed fender, broken glass, or a damaged wall or fence). Your insurance will pay for this damage whether you were driving your vehicle or if it was being driven by another person with your permission. This includes coverage for government property you may damage, such as a light pole or signpost, up to the limit you choose.

What is uninsured motorist coverage?

Uninsured motorist (UM) coverage applies to bodily injury you, your family, and/or other occupants of your vehicle incur when hit by an uninsured motorist or hit-and-run driver. It also covers you and your family if you're injured as a pedestrian when struck by an uninsured motorist or hit-and-run driver. It protects you by making sure money is available to pay for injuries caused by someone else. The minimum amount of coverage required by law is $25,000 per person and $50,000 per accident for bodily injury only.

You may want to purchase more than the minimum coverage required by law if you feel the need for more protection. **Uninsured motorist coverage does not cover property damage to your vehicle and does not protect the other driver.** Your insurer may sue the other driver for any money the insurer pays you because of the other driver's negligence.

What is underinsured motorists coverage?

Underinsured motorists (UIM) coverage increases the bodily injury protection to you and the people in your vehicle up to the amount of coverage you purchase if the at-fault party's bodily injury liability insurance limits are lower than your UIM coverage limits. The maximum amount payable is the difference between the two limits.

Underinsured motorist coverage is not mandatory. Notice of coverage availability is required with the delivery of the policy. Coverage may be rejected. However, if requested, minimum coverage limits of $50,000 per person and $100,000 per accident are required.

What is medical payments coverage?

Medical payments coverage pays medical or funeral expenses for you or others injured or killed in an accident while riding or driving in your vehicle. Medical payments coverage usually covers only those expenses not covered by health insurance, such as copayments, deductibles, etc. It will pay for your medical and funeral expenses even if you caused the accident.

Insurance companies must offer this coverage to you, but you can decline it. If you elect to have medical payments coverage, the minimum limit is $1,000.

Physical Damage Coverage

What does collision coverage provide?

Collision coverage pays for physical damage to your vehicle caused by your vehicle colliding with an object, including another vehicle, or if it overturns. In the event of an accident, collision coverage will pay to repair your

vehicle up to the amount equal to the value of the vehicle before the accident. Your insurer will pay for such damage even if the collision is your fault.

Collision premiums are generally based on the make, model, and year of your vehicle. Before purchasing this coverage, you should consider the current market value of your vehicle and whether you can afford a similar vehicle if your current vehicle is considered a total loss following a covered accident. . You may not need this coverage if your vehicle has decreased in value or if you can afford to replace it. Example: if your vehicle is worth $5,000, and you can afford to cover the $5,000 loss yourself, it may be reasonable to skip collision coverage and save the cost of the collision premiums.

What does comprehensive coverage provide?

Comprehensive (sometimes called "other than collision") coverage pays for damage to your vehicle resulting from fire, vandalism, water, hail, glass breakage, wind, falling objects, civil commotion, or hitting a bird or an animal. Damage from hitting a deer is a relatively frequent type of accident in Wisconsin. It is important to know that most policies cover hitting an animal under comprehensive coverage, not collision coverage.

Comprehensive coverage also pays if your vehicle or parts of it, such as a battery or tires, are stolen. Flood damage to your vehicle is also covered if your automobile insurance policy includes comprehensive coverage. If you carry collision without comprehensive, you're not covered for flood damage.

How is the deductible for comprehensive or collision coverage applied?

Deductibles for comprehensive or collision coverage are applied for each occurrence. A deductible is the dollar amount you must pay toward the loss before the insurance company begins to make payments on the loss.

Example: if you had a comprehensive loss, such as hitting a deer, and that same day you also had a collision loss, such as a shopping cart hitting your vehicle, your policy allows the insurer to apply two different deductibles.

If I have a loan on my vehicle, do I need to purchase automobile insurance?

If your vehicle is used as collateral for your loan, the lender will require you to have automobile insurance. The terms of your loan will most likely require you to have comprehensive coverage and collision coverage. If your insurance policy lapses, the bank will force coverage (obtain a policy) and add the cost of the coverage to your loan payments. Forced coverage protects the bank for its interest in the vehicle and nothing else. This type of coverage does not provide you with any protection. The cost of this insurance is much higher than you would pay if you bought your own policy.

The Claims Process

Can I require the insurance company to replace my vehicle?

A personal automobile insurance policy is not a replacement policy. Coverage for your vehicle is based on actual cash value (ACV). The ACV of your vehicle is based on the value of your vehicle at the time of the accident, considering its current market value. Therefore, the insurance company must repair the vehicle based upon its actual cash value, not its replacement cost.

What is meant by aftermarket parts?

Vehicle repair shops may use aftermarket and/or used parts when repairing or replacing a damaged part (i.e., bumper covers, associated bumper parts, etc.). Aftermarket parts are produced by companies other than the original equipment manufacturer (OEM). Parts that would have been original to the vehicle when it was manufactured are known as OEM parts.

Automobile insurance contracts do not generally specify what parts will be used. You may request aftermarket parts not be used to repair your vehicle, but you will likely be responsible for any price difference between OEM and aftermarket parts.

The insurance company is totaling my vehicle. How can I make sure I get what it is worth?

An insurance company considers a vehicle a total loss if repairs would cost more than 70% of the vehicle's total value. An insurance company will use various sources to value your vehicle including, but not limited to, the National Automobile Dealers Association (NADA) Used Car Guide, Kelley Blue Book ® or similar. The company's offer might not reflect your vehicle's exact condition, special features, or value in your local market. A company is more likely to increase its offer if you can show your vehicle would sell for a higher price in your area. Keep the lines of communication open. Get several used vehicle dealers to write price quotes for a similar vehicle. Advertisements for used vehicles can also help support your position, but **remember, these quotes and ads provide asking prices and actual values or sales prices could be lower.**

The other driver's insurance company wants me to sign a release on my injury claim.

Sign the release when you're satisfied with your total settlement. Get a letter from your doctor estimating the cost and length of your future medical treatment. You may, of course, consult an attorney before accepting a settlement. You have three years from the date of the accident to either settle your claim or file a lawsuit.

What is meant by comparative negligence?

Wisconsin has a comparative negligence law, meaning responsibility is frequently shared. The comparative negligence law is based on a percentage of negligence. This means you may recover damages from the other party only if your negligence is not greater than the other party, but your damages will be reduced by the percent of negligence attributed to you. You cannot recover damages if your negligence is greater than the other party's negligence.

Cancellation/Nonrenewal

Can my insurance company cancel my automobile insurance during the term of my policy?

An insurance company may cancel a new policy at any time within the first 60 days and is not required to provide you with a reason for the cancellation. Cancellation is permitted during the remaining term of the policy if the premium is not paid when it is due, the company discovers fraud or material misrepresentation made by you or your representative in obtaining insurance, the company discovers that you pursued a fraudulent claim under your policy, or significant changes have occurred in insuring characteristics. For the situations described above, no cancellation is effective until at least 10 days after the insurance company mails or delivers to you a written notice of cancellation.

When is it allowable for my insurance company to elect for nonrenewal of my automobile insurance policy?

Nonrenewal refers to the termination of a policy at the expiration date. If an insurance company decides not to renew your policy, it must mail or deliver a nonrenewal notice to you at least 60 days before your policy's expiration date.

Does an insurance company have to say why it decided not to renew my policy?

Yes, the nonrenewal notice must provide the reason for the insurance company's decision for nonrenewal of your policy.

Does my automobile insurance policy have a grace period?

Unlike health insurance policies, automobile insurance policies do not have a required grace period. The premium is due to the insurance company on the date identified on the premium notice. If the premium is not received by that date, the policy automatically terminates.

Can credit history be used as a reason to nonrenew my automobile insurance?

Insurers may use credit information as part of the criteria they consider when underwriting personal lines insurance. However, it is the position of the Wisconsin Office of the Commissioner of Insurance (OCI) insurers should not use credit information, whether they use credit reports or credit scoring mechanisms, *as the sole reason* to refuse an application, cancel a new insurance policy in its first 60 days of coverage, or for nonrenewal of an existing policy.

What can I do if my insurance company cancels or elects to nonrenew my policy and I cannot find another insurance company that will write automobile insurance for me?

If you've tried several insurance companies and can't find coverage, you may be insured through the Wisconsin Automobile Insurance Plan. You may apply through any licensed property and casualty insurance agent. For general information on the plan, you may call or write to:

Wisconsin Automobile Insurance Plan (WAIP)
20700 Swenson Drive, Suite 100
Waukesha, Wisconsin 53186
1-800-827-5964
waip.org

Rating

How much will my insurance cost?

Premiums, or the amount you pay for insurance, can vary. The type of vehicle you drive, driving record, age, gender, where you live, and how much you drive can affect the cost.

What affects the price of automobile insurance?

When determining the rate for an automobile insurance policy, insurers separate drivers into categories called classifications. Drivers are classified based on several different characteristics including, but not limited to, age and gender, marital status, where the vehicle is garaged, driving record, make and model of the vehicle, prior insurance coverage, and annual miles driven. History has shown drivers with certain characteristics, such as a poor driving record, have a greater chance of being involved in an accident, and the drivers in those classifications pay higher rates. While some of the classification criteria, such as age and gender, are out of your control, others, such as driving record and type of vehicle you drive, are within your control.

Can the driving and accident records of my child and spouse have an impact on my ability to buy automobile insurance?

Yes, the driving record of any licensed driver in the household could affect the decision of the insurance company to insure your vehicle(s). Their records can cause you to be turned down for insurance coverage or to pay higher insurance premiums.

Is there a way I can reduce my premiums?

Every automobile insurer has its own package of special discounts to attract customers. Most insurance companies provide discounts for at least some of the following: accident-free drivers discount, a bundle discount for insuring your home and vehicle with the same company, multi-vehicle discount, good student discount, nonsmokers discount or having some types of anti-theft devices. You can also consider higher deductibles for your comprehensive and collision coverages.

Can my insurance company raise my premium due to an accident or traffic ticket?

Your insurer may charge a surcharge (an extra fee) if you're involved in a chargeable accident or are ticketed for a traffic violation. Surcharges must be applied uniformly and are required to be filed with OCI. **However, OCI does not play a role in your insurance company's decision to raise your premiums.**

A surcharge is used as a tool to properly price exposure the insurer is writing, and not to recover payment made under a claim. The total dollar amount paid as the result of a claim usually doesn't affect the surcharge.

Miscellaneous Automobile Insurance Questions

Will my Wisconsin policy with the state-required minimum liability limits protect me if I drive to another state requiring higher minimum liability limits?

Your Wisconsin policy limits will be interpreted to provide at least the minimum limits required by the laws of the state in which you're operating your vehicle.

When I buy an additional vehicle or replace a vehicle, does my policy automatically cover it?

Yes, but you need to be aware of certain responsibilities and limitations.

It is your responsibility to notify your insurance agent or company as soon as possible that you've added or replaced a vehicle and specify which coverages you want for the new vehicle. Personal automobile policies require the policyholder to notify the agent or company within a specified number of days. It is best to call your agent before picking up your vehicle to make sure you have the coverages you want.

An *additional vehicle* automatically has the same coverage as the vehicle with the broadest coverage provided by your policy. Example: you already have two vehicles. One has only liability coverage. The other has liability, collision, and comprehensive—the broadest coverage afforded by the policy. Therefore, if you buy a third vehicle, it automatically will have liability, collision, and comprehensive.

A *replacement vehicle* automatically has the same coverage as the vehicle it replaced. Example you have two vehicles. You trade in the older vehicle, which has only liability coverage, for a new vehicle. This means the new vehicle automatically has only liability coverage.

What can I do if I have a problem with an automobile insurance company?

You should first attempt to resolve your concerns with your insurance agent or with the company involved in your dispute. If you don't get satisfactory answers from the agent or company, contact OCI. A complaint form is available at oci.wi.gov/complaints. Make sure to include detailed information about your insurance problem. Be sure to include the **correct name of the insurance company** involved in your complaint. Many companies have very similar names; listing the wrong name may delay the investigation of your complaint.