

The California Department of Insurance (CDI) emphasizes the importance of understanding automobile insurance policies, which are legal contracts detailing costs, coverages, and exclusions. California law requires all vehicle owners to demonstrate financial responsibility, typically through auto liability insurance, which protects against injuries and damages to others. The minimum liability coverage mandated includes \$15,000 for individual bodily injury, \$30,000 for total bodily injury in one accident, and \$5,000 for property damage. Driving without insurance is illegal and can lead to fines, license suspension, and vehicle impoundment. Policyholders have the right to select coverage options and should compare quotes from various insurers. The Good Driver Provision mandates insurers to offer lower rates (at least 20% less) to drivers with clean records. Policies can only be canceled or non-renewed for specific reasons such as fraud, non-payment of premium, or a substantial increase in risk, with a 10-day notice required for cancellations due to non-payment. Premiums vary based on the chosen deductible, and each coverage type has limits beyond which the insurer will not pay.

Additional coverage options include Uninsured Motorist Coverage (UM) and Underinsured Motorist Coverage (UIM), which protect against accidents involving drivers lacking sufficient insurance. Medical Payments Coverage is available to cover medical expenses for the insured and passengers, regardless of fault. The policy outlines various coverage options, with minimum liability coverage limits set at \$1,000 for each person injured, and higher limits can be requested. Physical damage coverage includes collision, covering damage from contact with other vehicles or objects, and comprehensive, covering non-collision-related damages such as fire, theft, and vandalism, but excluding mechanical breakdowns and normal wear and tear. Both collision and comprehensive coverages compensate based on the vehicle's market value. Additional endorsements can be purchased for extra equipment, towing and road service, rental reimbursement, and business use of the vehicle.

If the insured has a car loan, maintaining insurance is typically required; otherwise, the lender may

purchase insurance on their behalf, often at a higher cost. The policy does not pay off the loan if the vehicle's market value is less than the outstanding loan amount, but Guaranteed Auto Protection (GAP) insurance can be obtained for this purpose. Liability coverage is mandatory in California, encompassing bodily injury liability for injuries caused to others and property damage liability for damage to others' property. Medical payments coverage is optional and pays for medical expenses for injuries sustained in the insured vehicle, regardless of fault. Physical damage coverage is required by lenders and covers repair or replacement costs minus the deductible.

The policy encourages shopping for auto insurance by obtaining multiple quotes and comparing coverage options. Discounts may be available for multi-car policies, good driving records, and safety features. The policyholder must provide detailed information when applying for insurance, including vehicle usage, mileage, and driver records. It is crucial to review the application and policy documents carefully before signing and to keep copies for personal records. In the event of an accident, the insured must report it to law enforcement and the insurance company promptly. The insurance company may send an adjuster to assess damages, and if both drivers are at fault, comparative negligence will determine responsibility. Health insurance may cover immediate medical expenses, but the auto insurance may be billed later through subrogation. Premiums may increase if the insured is found to be at fault for an accident.

For low-income individuals, California offers a Low Cost Automobile Insurance Program (CLCA) with reduced liability limits. High-risk drivers may obtain insurance through the California Automobile Assigned Risk Plan (CAARP), which assigns them to an insurance company that must accept them. The policy also defines common terms, such as Actual Cash Value (ACV), which refers to the fair market value of an item. Key terms include "Adjuster," the representative from the insurance company responsible for assessing damage; "Agent" and "Broker," licensed individuals or organizations that sell and service insurance policies; and "Binder," a temporary agreement for auto coverage until the formal policy is issued. "Cancellation" refers to the early termination of a policy,

often due to non-payment of premiums or changes in vehicle ownership. A "Claim" is a request for coverage following an accident or loss.

The document details different types of coverage, including "Collision coverage," which pays for damages from physical contact with other vehicles or objects, and "Comprehensive coverage," which covers damages from non-collision incidents like theft or natural disasters. The "Declarations page" provides essential policy details, including coverage amounts and deductibles, while a "Deductible" is the amount the insured must pay before the insurer covers any loss. "Exclusions" specify what is not covered by the policy, and "Gap coverage" addresses the difference between a vehicle's market value and the remaining loan balance. The "Insured" is the individual eligible for benefits under the policy, and the "Insurer" is the company providing the coverage. "Liability coverage" helps pay for damages and injuries to others when the insured is at fault, and "Medical payments coverage" covers limited medical expenses for occupants in the insured vehicle during an accident. The document also explains "Non-renewal," which occurs when a policy is not renewed at the end of its term, and "Premium," the cost of purchasing the insurance policy.

Additional terms include "Recision," which cancels a policy retroactively, and "Subrogation," where one insurer seeks reimbursement from another after paying a claim. "Surcharge" refers to additional charges on premiums due to accidents or violations. "Uninsured/Underinsured Motorist Coverage" protects the insured in accidents involving drivers without adequate insurance. The document emphasizes that it serves informational purposes only and that the actual insurance policy terms take precedence in any disputes. It also provides contact information for the California Department of Insurance for consumer assistance and further inquiries.