

The National Association of Insurance Commissioners (NAIC) is a collective of state insurance regulators in the U.S. that aims to protect consumers and promote fair practices in the insurance market. They provide resources, including a consumer guide for auto insurance, which is a significant financial commitment, with the average annual premium for private passenger auto insurance reported at \$820.91 in 2003. The guide highlights two primary factors influencing auto insurance costs: underwriting and rating. Underwriting assesses an applicant's risk based on characteristics such as driving history, personal details, and vehicle type, while rating assigns a price based on the insurer's assessment of financial risk associated with potential claims. Key elements in underwriting include the applicant's driving record, geographic location, age, gender, marital status, prior insurance coverage, vehicle usage, and credit history, with lower-risk individuals benefiting from reduced premiums.

The document outlines various discounts available to consumers, which are offered to those considered "better risks." Discounts can vary by state and insurer, and consumers are encouraged to inquire about specific savings opportunities. Notable discounts include those for insuring multiple vehicles, completing driver education courses, maintaining good student status, installing safety devices, driving low mileage, having a good driving record, bundling auto and home insurance, and receiving dividends from mutual insurers. The guide also explains the tort and no-fault systems of auto insurance. In a tort system, liability insurance is essential, covering bodily injury liability, property damage liability, and uninsured/under-insured motorist coverage. Each coverage has specific limits, and while minimum amounts are mandated by law, consumers may opt for higher limits to protect their assets. Conversely, a no-fault system allows individuals to file claims with their own insurers regardless of fault, with personal injury protection (PIP) covering medical expenses and other related costs, though it does not cover property damage liability.

Property damage coverage includes collision and comprehensive coverage, with collision covering damages from collisions and comprehensive addressing non-collision incidents. Both are optional,

but lenders may require them for financed vehicles. Consumers can set deductibles to lower premiums and should consider their financial situation when choosing coverage levels. Additional optional coverages include medical payments coverage, rental reimbursement coverage, and towing and labor coverage. Consumers are advised to review these options carefully to avoid duplicating benefits covered by other policies. The document emphasizes the importance of smart shopping and comparison when selecting auto insurance.

Before purchasing auto insurance, consumers should identify necessary coverages and compare costs from various insurers, as rates can vary significantly. They are encouraged to seek unbiased information from public libraries, state insurance departments, the Internet, and consumer publications. State insurance departments provide guides and premium comparisons to help consumers understand available rates and coverage options. For specific quotes, consumers must contact individual insurers directly, providing consistent information such as vehicle description, usage, driver's license number, household driver count, and desired coverage limits. Insurance companies market their products through direct marketing, independent agents, or exclusive agents, with independent agents offering quotes from multiple companies, which can be advantageous for consumers.

Before finalizing coverage, consumers should verify that the agent and company are licensed in their state, as unlicensed entities cannot guarantee coverage. Each state has a guaranty fund to protect consumers from financial loss if an insurer becomes insolvent. If approached by an unlicensed agent or company, consumers should report this to their state insurance department. An auto insurance policy is a legal contract outlining the rights and responsibilities of both the policyholder and the insurer. It is crucial for consumers to read and understand their policy, keep it in a safe place, and know their insurer's contact information. For questions or complaints, consumers should first contact their insurance company, and if unresolved, they can reach out to their state insurance department for assistance, which also publishes consumer guides and premium

comparison reports as valuable resources for auto insurance consumers.