

Personal Auto Insurance Policy and Claims Document

1. Eligibility and Underwriting

Personal auto insurance covers legally licensed drivers and specified vehicles. Insureds are typically individuals (and family members) meeting state residency and licensing requirements. Policies generally require listing **all licensed household drivers** on the policy. (For example, Massachusetts mandates naming every licensed driver in the household – omitting a driver can let an insurer deny a claim.) Underwriting assesses each applicant's risk: age, driving history, credit/financial factors, and vehicle characteristics all influence insurability. For instance, insurers consider a driver's age, typical vehicle usage (commute miles, ridesharing), past violations or accidents, and the make/model of the car during underwriting. High-risk applicants (e.g. with multiple recent DUIs or many accidents) may be declined or placed in a high-risk program. Insurers may also restrict coverage for drivers engaged in business use (taxi, delivery, ride-share) unless a special endorsement is purchased. Personal auto policies cover specifically named *covered autos* (typically the listed private passenger vehicles); other vehicles (e.g. unlisted family cars, motorcycles, RVs, commercial trucks) are not covered unless endorsed.

2. Covered Persons and Vehicles

The **named insured** (the policyholder) and family members living in the household (spouses, relatives, foster children) are typically covered drivers **for the use of any covered auto**. Other people may be insured if driving with permission (permissive use) or as specified in the policy. Liability coverage usually protects permissive drivers: “almost all liability policies cover a licensed driver who drives your car with your permission”. (In contrast, some policies have a **named-driver exclusion** to omit a specific high-risk household member.) A **covered auto** is defined on the declarations page (usually listed by make, model, VIN). Policies often include coverage for newly acquired vehicles (with prompt notice) and for trailers used with covered cars. Coverage **excludes vehicles not listed** on the policy: if you own an auto and fail to insure it, collision and liability losses on that car will not be covered by your existing policy (the “owned-but-unlisted” exclusion).

3. Coverage Types

Personal auto policies are divided into major coverage parts. The **minimum mandatory coverages** in most states are liability insurance (Bodily Injury and Property Damage), plus often Uninsured Motorist (UM) coverage. Additional coverages (Collision, Comprehensive, PIP, etc.) are optional unless required by state law or a lienholder. Key coverages include:

- **Bodily Injury Liability (BI):** Pays claims for injuries or death of others caused by the insured's negligence. This covers medical costs, lost wages, and pain and suffering for injured third parties. (BI limits are expressed per person and per accident, e.g. 30/60 thousand.)
- **Property Damage Liability (PD):** Pays for damage the insured causes to others' property (other vehicles, fences, buildings, etc.). (Combined with BI, these are the liability coverages.)
- **Uninsured/Underinsured Motorist (UM/UIM):** Pays the insured's injuries (and often their vehicle damage) when the at-fault driver has no or insufficient insurance. For example, UM bodily coverage compensates you for injuries caused by a hit-and-run or uninsured driver. Some states require UM/UIM at state minimum levels.
- **Collision Coverage:** Covers physical damage to *your* car from collision with another vehicle or object. This is optional (unless a lender requires it). Collision pays repair costs or the vehicle's Actual Cash Value (ACV) after a covered crash. If repair costs exceed the vehicle's worth, the car is declared a **total loss** and the insurer pays ACV.
- **Comprehensive Coverage:** Covers non-collision losses to *your* car (theft, vandalism, fire, flood, falling objects, etc.). Comprehensive (sometimes called "Other Than Collision") also typically covers glass damage (e.g. windshield) and hitting animals. It is optional (not required by law) but often purchased to protect against these risks.
- **Medical Payments (MedPay)/Personal Injury Protection (PIP):** Pays medical expenses for the insured and passengers, regardless of fault. PIP (required in many "no-fault" states) can also cover lost wages and funeral costs up to its limits. If you live in a no-fault state, your own PIP coverage pays for your injuries regardless of who caused the crash. (MedPay is similar but usually only covers medical bills, not wage loss.)
- **Optional/Endorsement Coverages:** Policies may include or add riders for extra benefits. For example, **Guaranteed Auto Protection (GAP)** covers the "gap" between loan balance and ACV if a financed car is totaled. **Rental Reimbursement** pays for a temporary rental car while your vehicle is repaired. **Roadside Assistance/Towing** covers towing, flat tire, locksmith or fuel delivery costs when your car is disabled. Others include **Rental Car Coverage** at a counter, **New Car Replacement** (if totaled), and **Accessory Coverage** for custom equipment. (Note: most personal auto policies do *not* cover motorcycles, large trailers, or commercial vehicles – a separate policy or endorsement is needed for those.)

Each coverage has a limit (the policy maximum) and deductible (the portion you pay). Premiums and deductibles vary by coverage type; e.g. higher liability limits or lower deductibles increase the premium.

4. Exclusions and Limitations

Personal auto policies explicitly list exclusions – situations *not* covered. Common exclusions include:

- **Intentional or Criminal Acts:** Any injury or damage an insured deliberately causes (or while committing a felony) is excluded. For example, a policy will not pay if the driver intentionally hits a person or property.
- **Prohibited Use:** Losses while using the vehicle for an unauthorized purpose (e.g. commercial delivery, taxi, or ride-sharing) are excluded unless a commercial endorsement is purchased. Similarly, racing or speed contests are excluded.
- **Excluded Drivers or Autos:** A “named-driver exclusion” omits coverage for specific individuals (e.g. a high-risk household member). Vehicles owned but not listed on the policy are also excluded (no coverage if you fail to insure a car you own).
- **Family Member (UM) Exclusion:** Some policies exclude coverage for an insured’s own family member if injured in the insured’s vehicle, to prevent fraud (not permitted in all states).
- **War/Nuclear/Military Action:** Damage from war, insurrection, nuclear events or military action is universally excluded.
- **Non-U.S. Use:** Driving outside the policy’s territorial limits (usually U.S., Canada, and U.S. territories) is excluded.
- **Wear-and-Tear/Mechanical Breakdowns:** Coverage is for accidental physical damage only; normal wear, mechanical failures, maintenance issues, or defect are not covered.
- **Punitive Damages:** Any punitive or exemplary damages awarded in a lawsuit are not covered by the liability portion of the policy. (The insured must pay those personally.)
- **Specialty Vehicles:** Personal auto policies generally do not cover losses to motorcycles, ATVs, RVs, snowmobiles, or off-road vehicles.

These exclusions are detailed in the policy and may vary by insurer and state.

5. Policy Term, Cancellation, and Renewal

A personal auto policy is typically written for a fixed period (often 6 or 12 months). The **policy period** runs from the effective date/time to the expiration date. At the end of each term, the policy usually automatically renews, subject to re-underwriting and notice of any change in terms. The declarations page lists the coverage limits, covered autos, and named

insureds; it also shows premium, deductibles, and policy period. If you finance a vehicle, the lender is named as the “loss payee.”

Cancellation and Non-Renewal: State laws govern mid-term cancellation and renewal notice. Insurers generally cannot cancel a policy during its initial term (e.g. first 30–60 days) except for specific reasons (non-payment of premium, fraud/misrepresentation, or loss of a driver’s license). After that period, cancellation mid-term is only allowed for defined causes, with proper notice. Most states also require advance notice before nonrenewing a policy. For example, New York requires 45–60 days’ advance written notice of intent not to renew. The notice must state the reason for nonrenewal. When a policyholder cancels, the insurer may refund unearned premium (often on a pro-rata or short-rate basis, possibly charging a cancellation fee). An insured always has the right to cancel; an insurer’s right to cancel or refuse renewal is subject to state regulations (e.g. prohibiting nonrenewal based solely on the insured’s age).

Mid-term Changes: Endorsements (policy changes) can be made during the term – for example, adding/removing a vehicle or driver, changing limits, or adding optional coverage. The premium is adjusted pro-rata. If the insured moves to a new address, drives more miles, or has changes in risk, the insurer will adjust rates accordingly at renewal or mid-term as allowed by law.

6. Premiums and Rating Factors

Premium is the price paid for insurance coverage. It is determined by the insurer’s underwriting class and rating plan. **Underwriting** first decides if the applicant is insurable; if accepted, **rating** assigns the premium based on risk. As NAIC explains, “two factors determine what you pay” – underwriting (risk assessment) and rating (pricing). Rating reflects the insurer’s estimate of expected loss.

Car insurance premiums vary widely, but common factors include: driving record (accidents, violations), vehicle type, usage, and coverage levels. For instance, young drivers or those with prior crashes are charged higher rates. Other rating factors include the insured’s zip code (urban areas have more accidents) and annual mileage. A hard-working statistic is that claim frequency in a risk group strongly influences rates. Insurers also apply discounts (good-driver, multi-car, multi-policy, safety features, etc.) and load for special factors (high-risk occupation, poor credit in allowed states, etc.). NAIC notes that insurers follow general guidelines but each uses its own formula. Key factors explicitly cited include driving record, territory, age/sex, and marital status.

Premiums may be paid annually or in installments. A grace period (often 30 days) is typically allowed for payment before cancellation for non-payment. At renewal, the insurer may revise the premium based on the insured’s updated risk profile (e.g. new claims, traffic violations, changes in credit or vehicle, or statewide rate changes).

7. Claims Reporting and Documentation

Figure: An adjuster reviews documents with a policyholder during claims handling (illustrative).

When an accident or loss occurs, the policyholder must **report the claim promptly** to the insurer (or agent). Timely reporting is crucial: carriers often impose deadlines (e.g. 24–72 hours for serious injuries) and insurers have time-based obligations by law. NAIC advises contacting the insurer “as soon as possible” after a loss. Ideally, the insured should document the scene before moving vehicles: take photographs of damage and positions, note road conditions, and collect contact details of all involved parties and any witnesses. The insured should exchange insurance information with any other drivers. If police are called, obtain the police report number and attending officer’s name.

Documentation: Submit all required documents to the insurer: a completed claim form (if provided), the police or state accident report (if available/required), medical release forms, and any repair estimates. Preserve any damaged items (e.g. broken auto parts, personal effects) for inspection. Keep receipts for towing, rental car (if covered), and medical treatments. Good records (photos, bills, notes of conversations) help support the claim. For catastrophes or disasters, NAIC specifically emphasizes documenting losses and photographing damage before cleanup. (While that guidance is for homes, the same principle applies to cars: document everything for the adjuster.)

Example: Accident Reporting

A common scenario is a minor collision. For example, *John Rear-ends a Car at a Stop Sign*. John’s car bumper is damaged. He immediately takes photos of both vehicles and the intersection. He exchanges names, phone numbers, license plate numbers, and insurance details with the other driver, and notes a witness’s name. The next day he reports the accident to his insurer, describing the time/location and providing the photos and police report. Because John reported and documented the loss promptly, the insurer assigns an adjuster quickly (as NAIC advises). This proactive communication helps avoid delays or disputes later in the claim.

8. Investigation and Liability Determination

Once a claim is reported, the insurer assigns a claims adjuster or examiner. The adjuster reviews the submitted documentation, interviews the insured (and possibly other parties), and may inspect the vehicle damage in person or via an appraiser. The adjuster gathers evidence to determine **coverage** and **liability**. This may include: verifying the policy was in effect, checking that the loss isn’t excluded, obtaining repair estimates, interviewing witnesses, and reviewing the police accident report.

In fault-based (tort) jurisdictions, the adjuster then determines who caused the accident. Many states use comparative negligence laws: fault can be split between parties (e.g. 70% vs. 30%). The insurer evaluates whether the insured was fully at fault or partially at fault, based on traffic laws, statements, and evidence. (In no-fault states, fault determination is limited to settling injury claims beyond the scope of PIP.) If the insured is found at fault, the insurer’s liability coverages pay the other party’s damages up to the policy limits. If the

insured is not at fault (or partially so), the adjuster handles the claim accordingly or may subrogate.

State laws and regulatory “fair claims” statutes require insurers to investigate claims **promptly and thoroughly**, and to pay or deny within specified deadlines. NAIC notes that states often mandate “prompt and reasonable” claim handling. Insurers may use an internal claims guideline (often 30 days to investigate, 15 days to respond to status inquiries, etc.), though complex cases can take longer. Throughout, the adjuster must communicate with the claimant about the status and any needed information.

Example: Disputed Liability

Consider a case where fault is unclear. *Maria and Tom collide at an uncontrolled intersection.* Maria says Tom ran the intersection; Tom says Maria was speeding. The adjuster obtains the police report, which lists both vehicles and notes no citation. The adjuster interviews a witness who says she saw Tom’s car enter the intersection first. Based on state law and the evidence, the adjuster assigns 60% fault to Maria and 40% to Tom. Maria’s insurer will pay 60% of Tom’s property damage. Because fault was disputed, the adjuster carefully documented each driver’s statements and third-party evidence before deciding the percentage. This determination affects how each carrier settles the claim. (If the parties had continued to dispute, the adjuster might have referred the claim to arbitration or encouraged settlement negotiations, but in this example sufficient evidence allowed a split-fault resolution.)

9. Settlement and Payment

Once liability and coverage are confirmed, the insurer processes the payment. For **vehicle damage**: if the car is repairable, the insurer typically pays the repair shop or reimburses the insured up to the repair cost (minus the deductible). If the car is a **total loss** (repair cost exceeds ACV), the insurer pays the Actual Cash Value (market value) of the vehicle before the accident. (The “Blue Book” or guide values are only indicative; the insurer researches comparable used-car prices in the area.) The insured must pay the deductible – for example, if a \$10,000 total loss is valued and the deductible is \$500, the insurer pays \$9,500. The insurer then usually takes possession of the damaged vehicle and its salvage title, being entitled to its salvage value. The owner can negotiate to buy back the salvage by paying the salvage value to the insurer. The bottom line is: **insured receives ACV – deductible, and insurer retains salvage.**

For **injury claims**, the insurer pays medical expenses, lost wages, and other covered losses to the injured party (or reimburses the insured if they paid). The insurer might negotiate a lump-sum settlement or, if litigation arises, pay a judgment up to policy limits. If the insured is sued, the liability policy generally covers legal defense and any settlement/judgment up to the limit.

Insureds should note: any deductible applies per claim under collision/comp. For example, if an uninsured driver totals your car, you’d use your collision or uninsured motorist coverage and must pay the deductible yourself. (Even though the other driver had no insurance, your policy payoff is subject to its deductible.) After claims are paid, the insurer issues payment –

often a check made to the insured and lienholder (if financed) to protect the lender's interest. (This is why banks often co-sign auto repair checks to ensure funds go to repairs.)

After payment, the claim is closed. If the loss is covered, the insurer issues payment promptly as required by law (typically within 30 days of agreement). The insured can appeal if they believe the settlement is insufficient (through appraisal or legal means, if provisions exist). Otherwise, payment completes the claims process.

10. Subrogation

If another party was at fault, the insurer will pursue **subrogation** after paying the insured's claim. Subrogation is the insurer's right to "step into the shoes" of the insured and recover its losses from the third party (or their insurer) responsible for the accident. For example, if an at-fault driver hit your insured car and your company paid your claim, your insurer will bill or sue the at-fault driver's insurer for the amount paid. Any funds recovered are first applied to reimburse the insurer for the claim payout. Typically, the insured's deductible is also reimbursed to the insured as part of subrogation recovery. (If the insurer recovers more than its payout, the excess – including the deductible – is returned to the insured.) Subrogation helps keep premiums lower by shifting costs to responsible parties.

11. Illustrative Claim Scenarios

Accident Reporting Example: *John Rear-ends Another Vehicle.* John's insurer requires prompt notice. He exchanges information with the other driver, takes photos of the damage and scene, then calls his insurer that evening to report the claim. The insurer provides a claim number within 24 hours. An adjuster is assigned and reviews John's photos and the police report. Because John documented the loss (photos, notes, report) and reported promptly (as NAIC recommends), the claim proceeds smoothly to repair.

Disputed Liability Example: *Maria–Tom Intersection Collision.* Maria and Tom give conflicting accounts after a crash. The insurer collects Maria's statement, Tom's statement, and a witness account. The adjuster carefully compares them: under state law Maria should have yielded, but the witness gives some credence to Tom's claim. The adjuster allocates fault 60/40. As a result, Maria's insurer pays 60% of Tom's damage costs, and Tom's insurer pays 40% of Maria's. Both carriers document the dispute and resolution. This scenario illustrates how evidence and comparative negligence rules affect claim outcome.

Total Loss Example: *Emily's Car is Totaled.* Emily's car is hit by an uninsured driver and deemed a total loss. Her collision coverage (with \$500 deductible) applies. The adjuster determines the car's ACV was \$15,000 before the crash. After subtracting Emily's \$500 deductible, the insurer issues \$14,500 (payable jointly to Emily and her lender). The insurer keeps the car's salvage title (with an estimated salvage value of \$3,000). Emily is given the option to buy back the salvage vehicle for its salvage value. Since the other driver was uninsured, Emily's claim did require her to pay the deductible. This example shows the total-loss process: ACV payment, deductible, and handling of salvage.

Example Totals: These scenarios illustrate key procedures: documenting and reporting an accident immediately, how liability is evaluated when fault is contested, and how a total-loss claim is settled (including use of ACV, deductible, and salvage rights).

12. Coverage Limits Reference

This section provides a reference to common **coverage limits** for personal auto insurance policies in the United States. These limits represent either **minimum amounts required by law** or **typical maximum benefits offered under standard policies**. While exact limits vary by insurer and state, the figures below reflect industry norms and are used by many carriers as default or common coverage options.

12.1 Liability Coverage Limits (BI/PD)

Liability insurance pays for damages the insured causes to others. Limits are typically written in a **split-limit format**:

Example Format: 50/100/25 =

- \$50,000 for **bodily injury per person**
- \$100,000 for **total bodily injury per accident**
- \$25,000 for **property damage per accident**

Coverage Type	Common Minimums (State-Required)	Common Standard Limits	High Coverage Options
Bodily Injury (per person)	\$15,000 – \$25,000	\$50,000	\$250,000 – \$500,000
Bodily Injury (per accident)	\$30,000 – \$50,000	\$100,000	\$500,000 – \$1,000,000
Property Damage	\$10,000 – \$25,000	\$25,000 – \$50,000	\$100,000 – \$300,000

12.2 Uninsured/Underinsured Motorist (UM/UIM)

UM/UIM coverage protects you if the at-fault driver lacks insurance or doesn't carry enough.

Coverage Type	Common Limits (match BI limits)
UM Bodily Injury (per person)	\$25,000 – \$100,000
UM Bodily Injury (per accident)	\$50,000 – \$300,000
UIM Property Damage (optional in most states)	\$10,000 – \$50,000

12.3 Personal Injury Protection (PIP) / MedPay

Covers medical expenses regardless of fault. PIP is **mandatory in no-fault states**; MedPay is optional.

Coverage Type	Typical Limit Ranges
PIP (medical, wage loss, funeral)	\$2,500 – \$50,000
MedPay (medical only)	\$1,000 – \$10,000

Examples:

- Florida: \$10,000 PIP mandatory
- New York: \$50,000 minimum PIP
- California: MedPay is optional, often capped at \$5,000

12.4 Collision and Comprehensive

These cover damages to your own vehicle.

Coverage Type	Claim Limit Basis	Deductible Range
Collision	Actual Cash Value (ACV) of vehicle	\$250 – \$1,000+
Comprehensive	Actual Cash Value (ACV) of vehicle	\$250 – \$1,000+

Example: If your car's ACV is \$18,000 and the deductible is \$500, the **maximum claim payout** is \$17,500.

12.5 Additional Coverage Limits

Coverage Type	Typical Limits	Notes
Rental Reimbursement	\$20–\$50/day up to \$900	Often 30-day max
Roadside Assistance/Towing	\$50 – \$150 per incident	Coverage varies by insurer
GAP Insurance (loan payoff)	Covers loan balance above ACV	Must have full coverage & loan/lease
Custom Parts/Equipment	\$1,000 – \$5,000 (standard); higher with endorsement	For non-factory modifications
New Car Replacement	MSRP or agreed value	Only within first 1–2 years of purchase

12.6 State Minimum Liability Limits (Examples)

State	Minimum BI/PD Liability Limit
California	\$15,000 / \$30,000 / \$5,000
Texas	\$30,000 / \$60,000 / \$25,000
Florida	\$10,000 PDL + \$10,000 PIP (no BI)
New York	\$25,000 / \$50,000 / \$10,000 + PIP
Illinois	\$25,000 / \$50,000 / \$20,000

12.7 Maximum Claim Amounts per Coverage (Illustrative)

Scenario	Coverage Triggered	Max Payout Based On
At-fault collision with two injured parties	BI Liability	Per person & per accident limit
Car stolen overnight	Comprehensive	ACV of vehicle
Hit by uninsured driver	UM/UIM or Collision	UM/UIM or ACV – deductible
Medical expenses after rear-end hit	PIP or MedPay	Elected PIP or MedPay limit

Total loss of financed car	Collision + GAP (if any)	ACV + unpaid loan balance (via GAP)
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