

REG4.2/AU1/1980

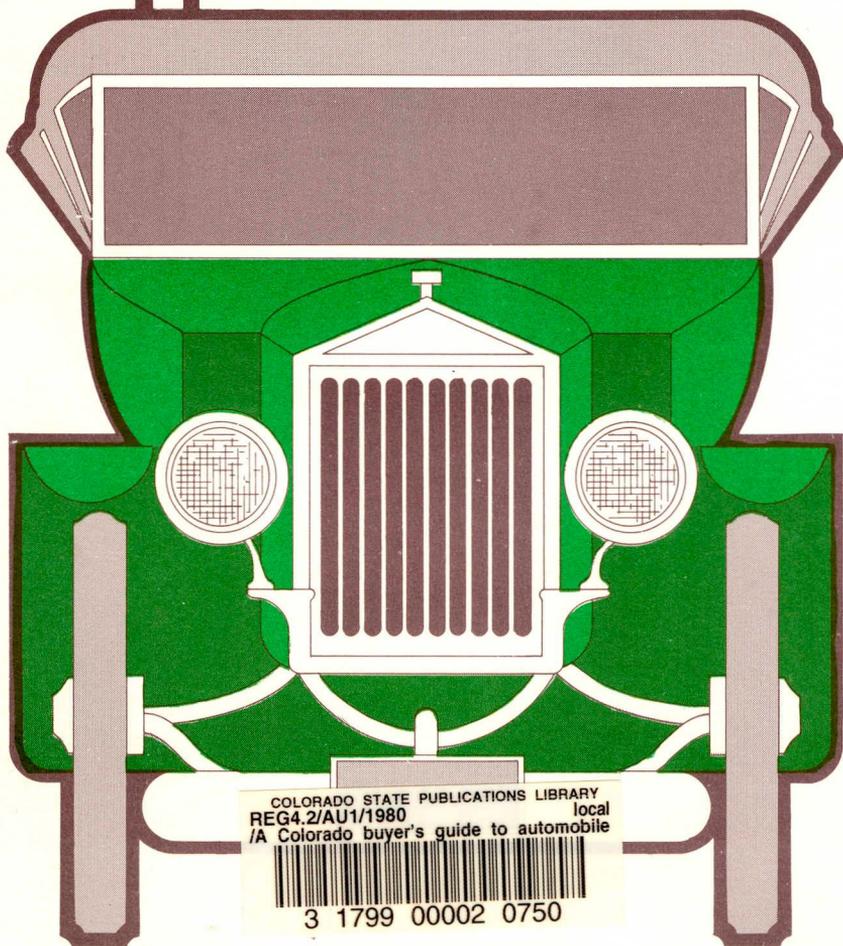
C.1

# A COLORADO BUYER'S GUIDE TO

RECEIVED

JAN 14 1981

COLORADO STATE LIBRARY  
State Publications Depository



COLORADO STATE PUBLICATIONS LIBRARY local  
REG4.2/AU1/1980  
/A Colorado buyer's guide to automobile



3 1799 00002 0750

## Automobile Insurance

# Introduction

---

This pamphlet will provide the information you need to be an informed buyer of automobile insurance. The information is divided into two sections to help you make better decisions about automobile insurance. The first section explains basic information about automobile insurance and requirements of Colorado law. The second section provides shopping tips to help you get the most coverage for the least dollars.

The Division of Insurance at 839-3214 will provide comparative costs among insurance companies doing business in Colorado to help you in your own insurance shopping. The Division and the Department of Regulatory Agencies have also developed consumer guides for homeowner's, life and health insurance. These guides are provided as a public service. It is our hope that these guides will give you the information you need to get the best insurance value available.



Gail H. Klapper  
Executive Director  
Colorado Department of  
Regulatory Agencies



J. Richard Barnes  
Commissioner of Insurance



**Division of Insurance**  
106 State Office Building  
201 East Colfax Avenue  
Denver, Colorado 80203

**Insurance Board Members:**

Doris M. Drury	Ronald Anderson	Robert G. Busch	James F. Poole
	James Q. Hammond		

# Basic Information About Automobile Insurance

---

## The Need for Insurance

If you cause an automobile accident in which you injure someone or damage someone's property, you will be legally responsible for paying medical expenses, property damage, lost wages and damages for pain and suffering. If you cannot afford to pay for all the damages, your possessions including savings and future wages could be used to pay for a judgment against you.

You cannot afford to bet against the chance of your having an accident. Approximately 117,266 Coloradans had reportable automobile accidents in 1979. Automobile insurance protects you from personally paying the costs of damage or accidental injuries.

Accidents are costly. Can you afford to replace your car if it is wrecked or stolen? Can you personally afford to pay for damages or injuries resulting from an accident? If you cannot, you need automobile insurance.

Insurance companies can afford to pay for accidents because they spread or share the risk among all the people they insure. Only a relatively small number of people insured by one company have accidents during a year; therefore, the premiums paid by all customers are used to pay for the losses of those drivers who have accidents.

## The Requirements of Colorado Law

Everyone who drives an automobile is responsible for operating a safe vehicle in a safe manner. All drivers are also legally responsible for being able to pay for injuries or damages they might cause. Under Colorado's Financial

Responsibility Act, if you have an automobile accident which causes bodily injury or \$250 in property damage, you must file a report with the Motor Vehicle Division with proof you can pay the damages either through insurance or adequate personal assets. If you cannot prove you are financially responsible, your right to drive may be taken away.

Since April 1, 1974, Colorado motorists have been required to carry Personal Injury Protection (PIP) and liability insurance under the Colorado Auto Accident Reparations Act, commonly known as the No-Fault insurance law. No-fault insurance is based on the principle that people injured in auto accidents should receive prompt, fair and reasonable payment to cover their economic losses (such as medical and hospital expenses and loss of income) without having to go through the expensive and time-consuming legal task for establishing who is at fault, how serious the injury is and how much should be paid for the difficult-to-define "pain and suffering."

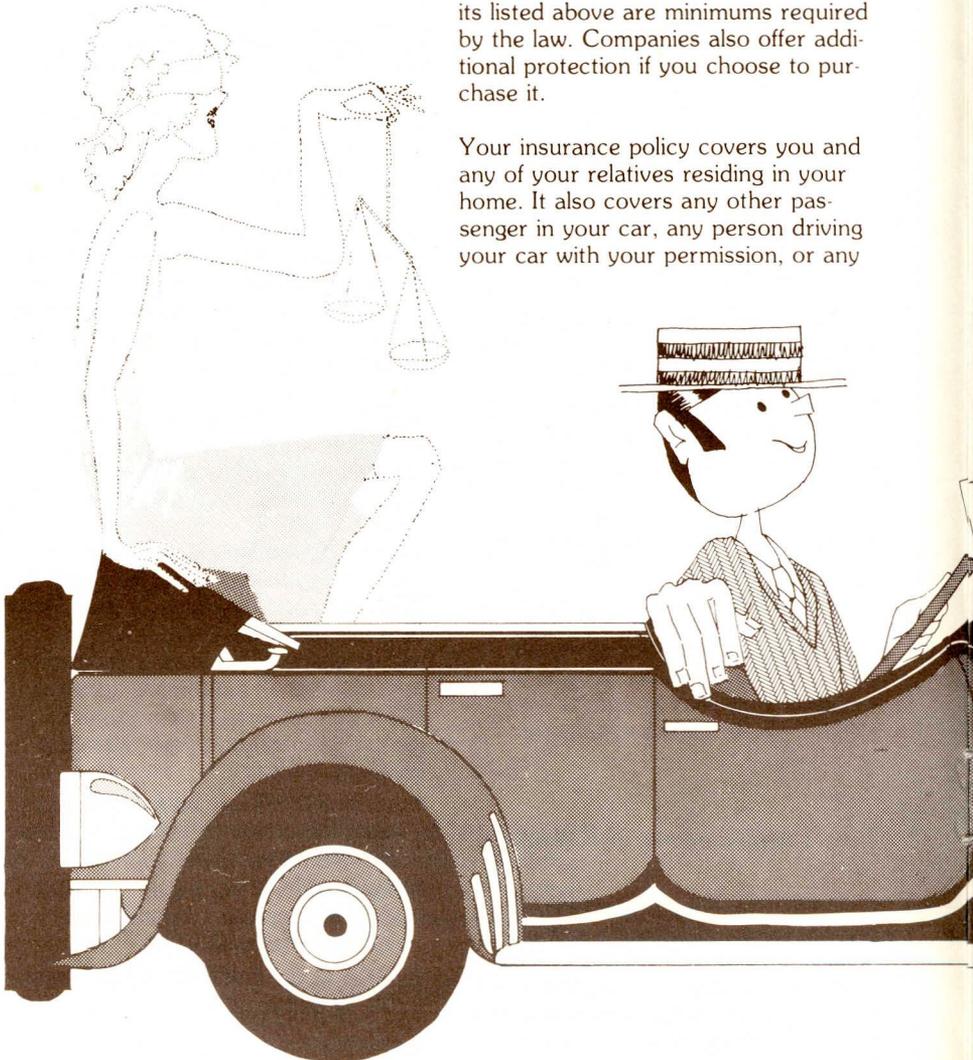
Under Colorado law, vehicle owners are required to provide at least minimum coverage for personal injury protection and liability insurance. If you, any occupant of a car, or a pedestrian is involved in an automobile accident, and if you have the legal minimum amount of insurance, your insurance company will pay:

- up to \$25,000 per person per accident for necessary medical and hospital expenses within 3 years
- up to \$25,000 per person per accident for necessary rehabilitation expenses within 5 years
- 100% of the first \$125 of lost wages for 52 weeks

- 
- up to \$15 per day to hire someone to perform essential services (such as housekeeping) you cannot perform for 52 weeks
  - \$1,000 per fatality for funeral expenses as a result of an auto accident

The law also requires you to provide liability coverage. Liability coverage is typically written in the following manner: 15/30/5, each number referring to thousands of dollars. The first number refers to bodily injury per person, the second number refers to the total limitation on bodily injury per accident, and the last number refers to property damage. The No-Fault benefits listed above are minimums required by the law. Companies also offer additional protection if you choose to purchase it.

Your insurance policy covers you and any of your relatives residing in your home. It also covers any other passenger in your car, any person driving your car with your permission, or any



---

pedestrian or bicyclist injured in an accident involving your car in Colorado.

Personal injury benefits apply not only for injuries received in Colorado but also out-of-state. If you are involved in an accident in another state, you are protected for the same benefits as in Colorado. However, if the other state has higher minimum no-fault benefits, your policy automatically provides them.

Liability insurance also covers the legal cost of defending yourself in a suit. Payments of benefits must be made at least monthly as expenses are incurred. Companies must offer at an appropriate premium reduction at least a \$100 deductible for your medical benefits and those for your family. With such a deductible, you agree to pay the first \$100 of a claim, and your company pays the remainder up to the limits of your policy.

If you are injured, your own insurance company will pay your basic personal injury benefits. In addition, you retain

the right to sue the person at fault in all cases involving death, dismemberment, permanent disability, permanent disfigurement or if the reasonable value of your medical expenses exceeds \$500. You cannot, however, collect again for those basic personal injury benefits paid by your insurance company under no-fault provisions.

The No-Fault package does not provide insurance for damage to your own car. If you want this kind of protection, you may purchase comprehensive and collision insurance.

### **Types of Optional Coverage**

In addition to the personal injury protection and the liability coverage required by Colorado law, you can purchase additional insurance. There is really no such thing as "full coverage" because what might be considered enough coverage for one person just might not be enough for someone else. It is important for you to decide what kind of additional coverage meets your needs. Your agent or company can assist you in this choice.



# Extended Medical Protection

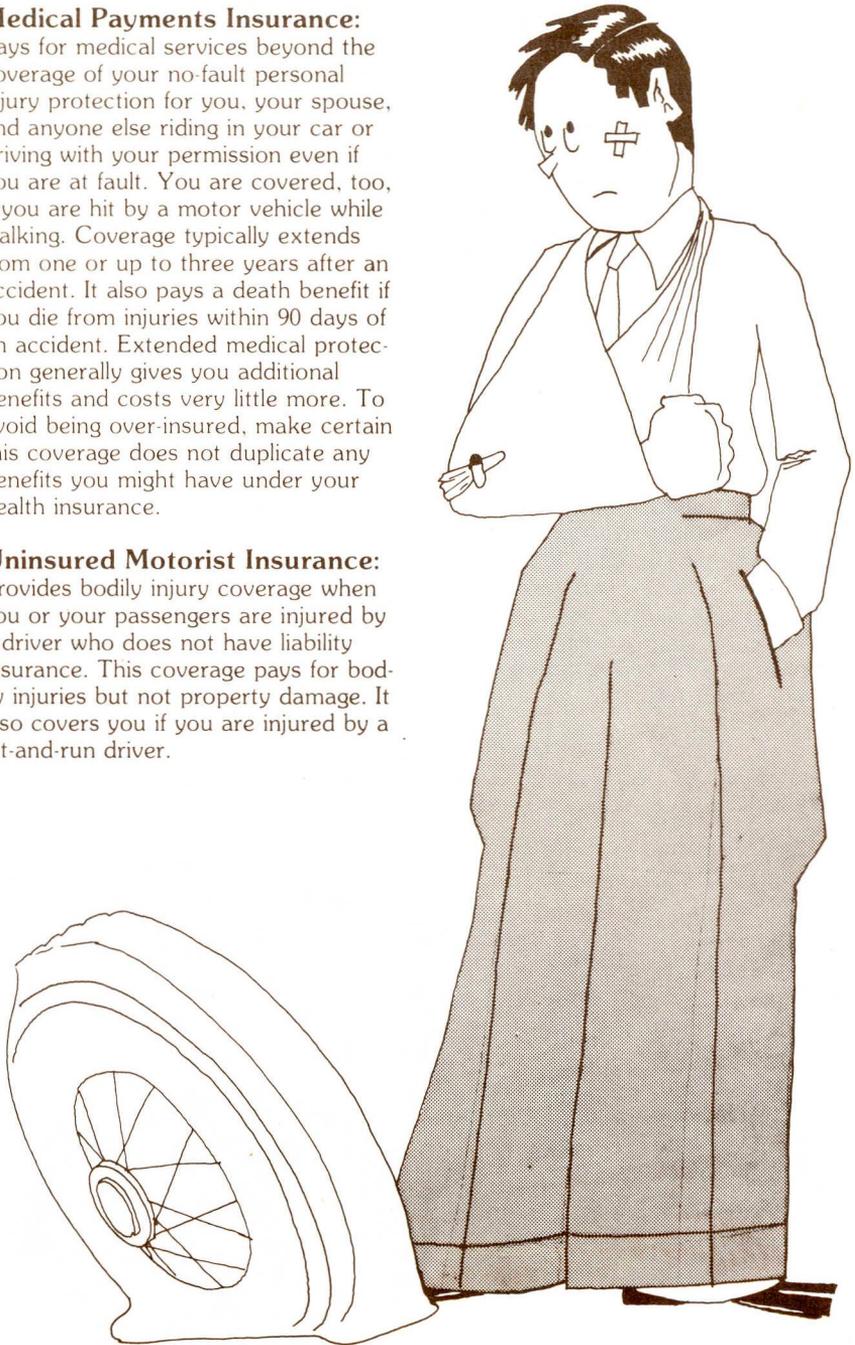
---

## **Medical Payments Insurance:**

Pays for medical services beyond the coverage of your no-fault personal injury protection for you, your spouse, and anyone else riding in your car or driving with your permission even if you are at fault. You are covered, too, if you are hit by a motor vehicle while walking. Coverage typically extends from one or up to three years after an accident. It also pays a death benefit if you die from injuries within 90 days of an accident. Extended medical protection generally gives you additional benefits and costs very little more. To avoid being over-insured, make certain this coverage does not duplicate any benefits you might have under your health insurance.

## **Uninsured Motorist Insurance:**

Provides bodily injury coverage when you or your passengers are injured by a driver who does not have liability insurance. This coverage pays for bodily injuries but not property damage. It also covers you if you are injured by a hit-and-run driver.



# Automobile Damage

---

## **Comprehensive Insurance:**

Includes any physical damage to your car (except a collision) such as fire, theft, explosion, falling objects, earthquake, windstorm, hail, flood, vandalism and glass breakage. Such insurance does not cover everyday wear and tear on your car, mechanical breakdown or freezing. You need to check your policy for any exclusions from coverage. Comprehensive coverage may be purchased with a deductible.

## **Fire, Theft and Combined Additional Coverage:**

Covers specifically named perils which are listed in your policy. It usually does not cover glass breakage. This type of coverage is an alternative to comprehensive coverage and may also be purchased with a deductible.

**Collision Insurance:** Covers any damage to your car that occurs when it hits something, or when your car turns over. Collision insurance typically is sold with a deductible amount you must pay every time you have a claim, except when your car collides with another car insured by your company.

## **Collision and Comprehensive Insurance:**

Sold as a package, covers both collision and comprehensive losses. This protection is useful when your car is new or while you are still paying for it. It covers all permanently attached equipment on your car, except portable sound equipment (which may be covered in your homeowners policy). If you want coverage for special equipment, like a CB radio, your company must add a special endorsement to your policy.

**Towing and Labor Costs:** Under this coverage, your company will pay a certain amount, usually from \$10-\$25, for towing fees and labor costs in an emergency. Under this coverage, an insurance company will pay for a tow, push, tire change or jumper cable start up to the limits of your policy. It does not pay for fixing the car once it reaches the garage, the cost of repairing the tire, charging the battery or changing necessary parts.

## **Car Rental Reimbursement:**

Added coverage which pays for a rental car while your car is being repaired.

## **Summary of Coverage**

In Colorado, motor vehicle operators must have:

- Personal Injury Protection
- Liability Insurance 15/30/5

You may choose additional coverage for additional costs:

- Medical Payments Insurance in excess of minimum personal injury protection
- Liability insurance in excess of mandated coverage
- Uninsured Motorists Insurance
- Collision; Comprehensive; Fire, Theft and Combined Additional Coverage
- Towing and Labor Costs
- Car rental reimbursement

---

## Making an Insurance Claim

In choosing an insurance company you should not base your choice solely on the lowest premiums. The way in which a company services complaints is also important. Talking to friends about their experiences is a good way to assess a company's responsiveness. After January, 1981, the Division of Insurance will provide the ratio of complaints to premium dollars for each company doing business in Colorado.

If you are in an accident, it is important for you to have complete and accurate facts including:

- License numbers of the cars involved;
- Insurance companies of the cars involved;
- Names, addresses, and telephone numbers of everyone involved including police officers and particularly witnesses;
- Circumstances of the accident which means the exact time, location, road and weather conditions, lighting, skid marks, traffic signals and signs as well as the chain of events leading to the accident;
- Draw a diagram; take photographs, if possible; request a police report and get witnesses' statements.

You will need to report the accident to the police, to your insurance company, and to the Motor Vehicle Division. The company should pay your claims promptly or tell you why there is a delay. Be careful not to release an insurance company until you are satisfied that all the repairs have been made and that medical treatment is completed.

## Consumer Rights

As an insurance consumer, you can expect good service from your company. A company can choose not to continue to insure you during the first 60 days of your policy without giving you a reason. However, you cannot be denied insurance solely because of your age, sex, residence, race, creed, color, national origin, ancestry, marital status or lawful occupation. After your policy has been in effect for 60 days, the company cannot cancel it unless you fail to pay a premium, your license has been revoked, or you misrepresented information in applying for your policy. The company can decide not to renew your policy if it gives you 30 days notice. You have the right to have a hearing before the Division of Insurance if your policy is not renewed.

If your company becomes insolvent, you are protected under Colorado law. You would have to find a new company, but your past claims would be paid.

## Unsatisfactory Service

If you believe you have received unsatisfactory service from your company, you should file a formal complaint with the company. It is best if you complain to your agent, or to the company's local office and then to the home office, if necessary, by letter, giving your name, address, telephone number, policy number, type of policy and the nature of your complaint. If you make a complaint by telephone, it is important to keep notes of the conversation you have. After you have complained to your company, if you still do not believe you have received an adequate response to your concerns, call the Colorado Division of Insurance at 839-3214.

## II. Shopping Tips

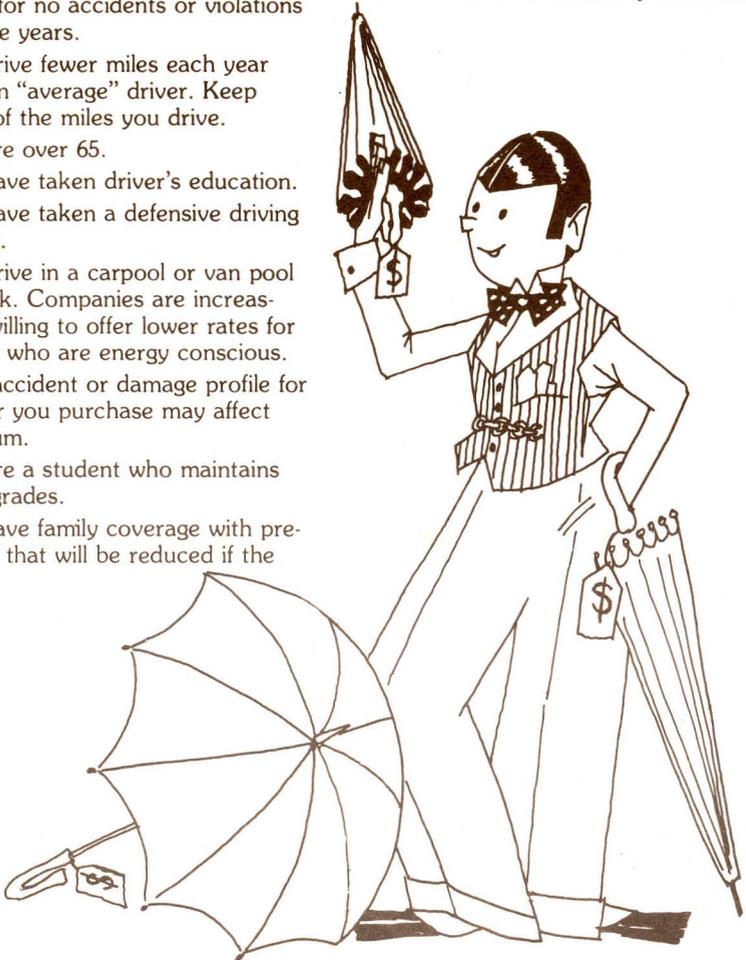
---

Insurance rates are based on statistical data and administrative and claim costs. On the basis of statistical data, the company determines the likelihood of your having an accident and the probable cost of settling your claim. Your premium costs will be affected by your profile as a driver. You may be entitled to lower rates if you maintain a good driving record. Once you choose a company, you may be eligible for lower rates if you qualify in any of the following categories:

- You are eligible for a safe driver discount for no accidents or violations in three years.
- You drive fewer miles each year than an "average" driver. Keep track of the miles you drive.
- You are over 65.
- You have taken driver's education.
- You have taken a defensive driving course.
- You drive in a carpool or van pool to work. Companies are increasingly willing to offer lower rates for people who are energy conscious.
- Your accident or damage profile for the car you purchase may affect premium.
- You are a student who maintains good grades.
- You have family coverage with premiums that will be reduced if the

young drivers in your family return to college and drive less or get married.

- You have an anti-theft device on your car.
- You are a teacher, former military officer, government employee, non-drinker, non-smoker, farm bureau member or other identifiable group to whom companies sometimes give reduced rates.
- You take high deductibles on collision and comprehensive coverage, which will have reduced premiums.



---

You need to compare the cost of collision and comprehensive coverage with the cost of an accident. If you drive an older car, you need to decide if the cost of insurance is more than the car is worth. Such a choice is a personal one that you need to base on your savings, the risk of vandalism or theft in your neighborhood, and the market value of your car.

### **Increased Rate Categories**

Insurance companies have to pay more claims for drivers who live in congested areas, or who are young, unmarried, male or commute to work. If you are in one of these high risk categories, you will pay higher premiums.

### **Administrative Costs**

If you change companies during the middle of a policy period, you may have to pay an additional amount to cover the additional administrative costs for servicing the change. Adding coverage during a policy period involves no service charge but is likely to involve an additional premium. Some companies charge a membership fee the first time they write a policy for you; some companies charge administrative costs as a percentage of your premium while others charge a flat rate.

Unless you have group auto insurance, you pay more for insurance purchased under a finance plan. Companies have to offer at least a quarterly payment finance plan, and many companies offer monthly plans. Financing your insurance costs through your agent, broker or bank includes an interest charge, so you usually pay more for

making numerous small payments than you would for making one lump sum premium payment. Even if you cancel your insurance or forget to pay a premium, you will still have to pay finance charges and part of the premium for any protection you had before the date of cancellation. If you pay the whole premium at once, your insurance will be less costly.

If you are interested in specific comparative costs among insurance companies, the Division of Insurance will provide a list which shows how rates vary for a hypothetical insurance package. Since rates vary from company to company, driver to driver, car to car and for different types of protection, your own rates will vary if you are not exactly like the hypothetical buyer. Our hypothetical buyer is a 31-year-old male, married, has no accidents or convictions during the past three years and uses his car solely for pleasure. The car he drives is a 1978 Chevrolet Malibu which is considered a standard performance car and cost \$4,795 when it was new. No youthful drivers use our hypothetical car. Listed below are the premiums charged by 10 companies doing business in Colorado for automobile insurance in 1979 and 1980 in 5 different Colorado communities. The coverage includes \$50,000/\$100,000 for bodily injury, property damage at \$25,000, basic no-fault coverage, uninsured motorist protection for \$15,000/\$30,000, comprehensive coverage with no deductible and collision with \$100 deductible. The same coverage cost \$131 with one company and \$421 with another company.

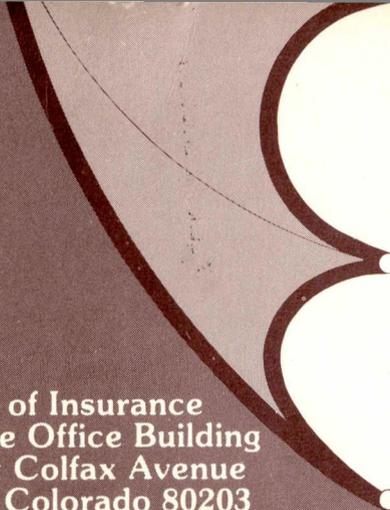
# Auto Insurance Premium Cost Comparison

Company		Colorado			Steamboat		Average
		Denver	Springs	Littleton	Pueblo	Springs	
Company A	'79	\$267	\$257	\$234	\$236	\$263	\$251
	'80	275	256	243	247	260	256
Company B	'79	296	278	296	278	284	286
	'80	296	280	296	284	282	286
Company C	'79	276	262	276	264	254	266
	'80	144	138	144	136	131	139
Company D	'79	245	200	245	231	211	226
	'80	317	211	317	316	294	291
Company E	'79	302	238	302	288	260	278
	'80	312	267	312	340	319	310
Company F	'79	258	246	258	240	253	251
	'80	283	270	284	264	278	276
Company G	'79	352	319	313	307	331	324
	'80	348	309	303	294	318	314
Company H	'79	385	342	385	373	387	374
	'80	388	361	388	421	403	392
Company I	'79	206	200	206	196	203	202
	'80	237	228	228	224	231	230
Company J	'79	349	300	349	342	334	336
	'80	299	265	299	301	304	293

After January 1981, the Division will provide a ratio of complaints to premium dollars.

Before you make your final decision, ask friends their opinions of the agents and companies you're considering. Review the comparative costs listed on the insert in this pamphlet. We have listed several questions you want to ask agents.

- What discounts do you offer?
- How are administrative costs determined? Are they a percentage of the premium or a flat rate?
- Do you have membership fees?
- Do you charge an accident rate penalty? If so, how many accidents within what time period trigger the penalty?
- What is the financial condition of your company?
- How do you service complaints?



Division of Insurance  
106 State Office Building  
201 East Colfax Avenue  
Denver, Colorado 80203