

A CONSUMER GUIDE TO

AUTO INSURANCE

FOR TEEN & YOUNG ADULT DRIVERS



Maryland
INSURANCE ADMINISTRATION

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WHO WE ARE

The Maryland Insurance Administration (MIA) is an independent state agency that regulates Maryland's insurance marketplace and protects consumers by ensuring that insurers and insurance producers (agents and brokers) act in accordance with insurance laws. We produced this guide to help educate Maryland residents about auto insurance for teen and young adult drivers.

The Insurance Administration is also responsible for investigating and resolving complaints and questions concerning insurers that conduct business in Maryland.

INTRODUCTION

Most teens can't wait to earn the privilege to drive . . . alone and away from parents' protective eyes. Statistics show that teenagers are at the highest risk of a crash or injury during their first two years of driving. Much of this is due to a simple lack of experience. Driver error is also precipitated by such distractions as talking on a cell phone, sending or reading text messages, conversing with passengers, smoking, eating or listening to music.

Did you know that this simple *lack of experience*, combined with any driving infractions, will greatly affect the auto insurance premiums your family pays? That is why the Maryland Insurance Administration has prepared this guide. It provides an overview of Maryland's insurance laws and helpful tips on how to reduce your family's auto insurance premiums.



REQUIRED AUTO INSURANCE COVERAGE

Maryland law requires that each motor vehicle owner obtain insurance coverage on a motor vehicle before it is registered. Coverages mandated by law include liability coverage, uninsured motorist coverage, and personal injury protection; other coverages, as discussed later, are optional. These mandatory coverages are described generally below. To determine the specific terms of coverage and monetary limits you have under your policy, you will need to read your policy forms and endorsements.

- **Liability Coverage:** This mandatory coverage pays for damages to another person or another person's property that result from an accident where you are at fault. This coverage typically extends to a member of your family who is living with you or to a person to whom you gave permission to operate your vehicle. If you're sued because of the accident, this coverage will also pay the cost of your legal defense. Liability coverage is often split into two separate coverages: (1) bodily injury, and (2) property damage.
 1. **Bodily Injury (BI):** When another person sustains injuries or dies as a result of an accident for which you are at fault, BI coverage pays that person's damages up to the policy maximum. Although the terms of coverage are defined in each policy, such damages generally include medical expenses and lost income, as well as pain and suffering. The policy may provide coverage to passengers in your vehicle, operators and passengers in another vehicle involved in the accident and/or to a pedestrian(s). For all policies written or renewed after January 1, 2011, Maryland law requires the minimum bodily injury coverage each driver must have is \$30,000 per person per accident and \$60,000 total per accident.
 2. **Property Damage (PD):** Property damage coverage pays, up to the policy limits, for damages to another person's car or property, such as fences, mailboxes, buildings, utility poles, signs or trees, that are the result of an accident where you are at fault. Maryland law requires that each driver have, at minimum, property damage coverage in the amount of \$15,000 per accident.

Although state law sets a minimum level of coverage, you may purchase higher limits of both types of coverages if you wish. Also, by law, your insurer must offer you liability coverage for claims made by a family member in the same amount as the liability coverage for claims made by a nonfamily member.

***NOTE:** You may want to consider buying higher coverage limits, because the state minimums may not be enough to fully protect you in the event of a serious accident claim or lawsuit. Most vehicles today are worth more than \$15,000, and medical bills for injuries could easily exceed \$30,000 per person or \$60,000 per accident if several people are injured. If you are found at fault for an accident, and the damages exceed your insurance limits, you can be held personally responsible for those amounts not covered by your insurance. You should decide if your financial condition warrants your purchase of higher coverage limits. The higher coverage limits will result in a higher insurance premium for your policy. You might wish to obtain quotes for policies with different coverage limits so that you know you are getting the coverage you want at a price you can afford.*

- **Uninsured Motorist Coverage (UM):** This mandatory coverage pays you and the occupants of your vehicle for bodily injuries or property damage arising out of an accident involving an uninsured vehicle or a hit-and-run vehicle. It will also protect you in the event that you are a pedestrian struck by an uninsured motor vehicle. For all policies written or renewed after January 1, 2011, Maryland law requires, at minimum, uninsured motorist coverage of \$30,000 per person per accident and \$60,000 total per accident for bodily injury and \$15,000 per accident for property damage. By statute, you are entitled to purchase UM bodily injury coverage in the same amounts as the liability bodily injury coverage you have on your policy or you may choose to waive any amount of coverage in excess of the statutory minimums.

In Maryland, UM coverage also includes underinsured motorist coverage, which is known as UIM coverage. It provides you with property damage and bodily injury protection in the event you are involved in an accident where the at-fault driver has an insurance policy with liability limits that are less than your UM limits, and your damages or injuries exceed the at-fault driver's available limits. You then can claim the difference under your own insurance policy.

Personal Injury Protection (PIP): Personal Injury Protection (PIP) insurance provides reimbursement for some types of lost income and medical expenses for injuries sustained as a result of an accident, regardless of fault. Maryland law requires minimum coverage of \$2,500. If you choose to purchase PIP coverage for all insured drivers and residents of the household above 16 years of age, this is known as “Full PIP.” You may, however, elect not to purchase a portion of Full PIP. When you decline to purchase PIP for any listed driver and family members of your household (over 16 years of age), this is known as “Limited PIP”. Some policyholders who have health insurance coverage may choose to waive PIP coverage in order to reduce the premium on the policy. Please note, however, that PIP is designed to ensure that medical expenses are paid promptly to limit the economic harm you may suffer due to injuries from an auto accident. Many policyholders pay the extra expense associated with PIP in order to have coverage for lost wages. Others purchase PIP so that they have a second source of recovery when being treated for accident-related injuries. If you meet certain conditions, MAIF and some other insurance companies may permit you to reject all PIP coverage. Ask your producer or company to learn more.

OTHER COVERAGE OPTIONS

There are other types of coverages, including collision and comprehensive coverage, which, while not legally required, are worth your consideration. If you have an auto loan, your lender may require you to carry comprehensive and/or collision coverages to protect the lender’s financial interest in your vehicle.

- **Collision Coverage:** Pays for repairs to your vehicle or, in the event of a *total loss*, will pay you the fair market value of your vehicle prior to the accident, when the vehicle is in a collision or overturns. Collision coverage is available regardless of who caused the accident, but is subject to a deductible.
- **Comprehensive Coverage** (also known as *Other Than Collision*): Pays for damage to your car resulting from causes other than an accident, such as vandalism, theft, glass breakage not resulting from an accident, or hitting an animal with a car. This coverage is also subject to a deductible.

Depending on the age and value of your car, these coverages may or may not be beneficial. If your car is older, the premiums for comprehensive and collision coverage may cost more than the car is worth. However, if your vehicle has a value to you and you could not afford to be without the vehicle or money for the vehicle, you may wish to consider purchasing these coverages as the potential loss to you may be greater than the cost of the coverages. In general, you can expect your insurance premium to increase if you add these coverages to your policy. However, if you choose a higher deductible, your premium will be lower. (This is because you, rather than your insurance company, are assuming more risk.)

OTHER OPTIONAL COVERAGES TO CONSIDER:

- **Rental Reimbursement:** This coverage pays the cost of renting a vehicle while your damaged vehicle is repaired, when you are at fault for an accident. The policy will establish the maximum allowable daily rate and maximum number of days for which a rental will be paid; the maximum generally allowed is 30 days.
- **Transportation Expense Coverage:** This coverage pays for additional transportation costs (i.e. car rental, bus or train fare) while your vehicle is repaired following an accident or a loss.
- **Towing and Labor:** This coverage will reimburse you if your vehicle has to be towed as a result of an accident or mechanical breakdown.
- **Medical Payments Coverage:** This coverage provides you with additional money to pay for medical expenses arising out of a motor vehicle accident, regardless of fault. This is in addition to any PIP benefits you may purchase.



GAP Insurance: It can be devastating financially if your brand-new vehicle, with a brand-new loan, is stolen or totaled in an accident, because a traditional insurance policy only will pay the actual cash value (ACV) of the vehicle at the time of the loss, even if the car owner owes more than the amount of the loan he took out to pay for the vehicle. If you only have traditional coverages, situations can arise where the car owner - though not at fault for the accident - will be left without a car and have to continue to make payments on the loan. GAP insurance eliminates this problem by paying the difference between your automobile's ACV paid pursuant to an automobile insurance policy and the outstanding balance on the car loan.

CONSEQUENCES OF FAILING TO MAINTAIN THE MINIMUM REQUIRED INSURANCE

Maryland law requires all owners of motor vehicles to purchase and maintain the minimum coverage for bodily injury liability, personal injury protection, property damage, and uninsured/underinsured motorist protection. State law requires you to have a minimum of \$30,000 per person and \$60,000 per accident in bodily injury liability coverage, \$15,000 in property liability coverage, and identical amounts of uninsured/underinsured motorist bodily injury coverage, as well as \$2,500 in Personal Injury Protection coverage. (For more information on Personal Injury Protection coverage, see page 4.)

By law, when an automobile insurance policy is cancelled or nonrenewed, the insurer is required to notify the MVA. If based on the information they have on record it appears to the MVA that you do not have insurance coverage, the MVA will contact you and request that you provide a Maryland Insurance Certification Form (FR-19) that shows adequate coverage has been in place since the vehicle was registered. Insurers are required to provide FR-19 forms free-of-charge, without question, to all policyholders. If coverage cannot be verified through an insurer, the MVA may assess the vehicle owner a penalty fee for each day the vehicle was uninsured. Uninsured vehicle owners could:



- lose license plates and vehicle registration privileges;
- pay uninsured motorist penalty fees for each lapse of insurance - \$150 for the first 30 days, \$7 for each day thereafter;
- pay a restoration fee of up to \$25 for a vehicle's registration;
- be prohibited from registering any future vehicles until all insurance violations are cleared;

- be prohibited from renewing a suspended registration until all insurance violations are cleared;
- have license plates confiscated by an authorized tag recovery agent, once a registration suspension is in effect; or
- pay a fine of up to \$1,000 and/or one year imprisonment for providing false evidence of insurance.

If you wish to challenge the fine, you must contact the MVA at 410-768-7000. You also may have to pay a fee to reinstate your vehicle registration.

If your vehicle is uninsured for any period of time, you also may find that your insurance premium is higher after the lapse. Additionally, you may find that some insurers will not insure you or your vehicle if there has been a lapse in coverage while you owned it. Insurers sometimes do this because they have found that those who drive without insurance present a greater risk for future losses than those drivers who maintain continuous insurance coverage.

FACTORS AFFECTING AUTO INSURANCE PREMIUMS

Rating factors are characteristics that place you within a group of drivers with similar risk-related characteristics. Companies set rates for each group based on the claims paid for the policyholders in that group. Some common rating factors are:

- driving record
- age (As *young* drivers haven't yet had the time to accumulate a safe driving record, their insurance rates as well as their parents' will be affected by both age and driving record.)
- sex (Young males up to age 26 generally pay higher rates than same-aged females.)
- address or zip code where the vehicle is primarily garaged
- vehicle type. (Sports and high performance cars cost more to insure.)

TIPS FOR REDUCING AUTO INSURANCE PREMIUMS

Probably the easiest and least expensive way for a teen to obtain auto insurance is to be added to his parents' policy. Parents may add their teenager driver to their policy by listing him as a driver or, if the parents' name(s) are listed on the title of the teen's vehicle, by adding the vehicle to their policy. Either way, the bottom line is this: the parents' rates will increase.

Here are some tips to help teens maintain lower rates:

- **Keep a clean driving record.** Drivers with accidents and moving violations usually pay higher premiums than those with *clean* driving records. For example, if you have more than one at-fault accident in less than three years or if you are convicted of any moving violation, your insurance company may choose to raise your premiums, non-renew your insurance policy or exclude you as a driver from the policy, which allows your parents' premium to stay the same, but prohibits all recovery if you operate the insured vehicle. If your driver's license is suspended or revoked, your insurance company may cancel the policy. If you are covered under your parents' policy, *your* driving record will affect *their* insurance policy.
- **Carefully choose the vehicle you drive.** Certain vehicles cost more to insure because they cost more to repair, are more likely to be damaged in an accident or are stolen frequently. If you own a sports or other high performance car, you may pay a higher insurance premium.
- **Drive a vehicle with safety features.** Some companies offer discounts for items such as air bags, anti-lock brakes, automatic seatbelts and antitheft systems.
- **Maintain a good credit history.** Companies may consider your financial stability and charge higher premiums based on your financial status (i.e., credit card history, amount of credit, how timely you pay your bills, etc.).

- **Keep your grades up.** Some companies offer a discount to young drivers who maintain good grades, such as a “B” average or better.
- **Choose the right payment method.** Ask your agent or broker if they charge a fee for making a premium payment with a credit card. They are permitted to charge the actual expenses incurred when a premium payment is made using a credit card, provided the amount of the fee is disclosed.

DRIVING INFORMATION AND TIPS FOR YOUNG DRIVERS

Insurance rates for teenage drivers are high because teenage drivers, as a group, have much higher accident rates than other drivers. According to the Maryland Motor Vehicle Administration, the leading contributing factors cited in police reports in young driver crashes include: not paying attention, driving too fast for conditions, failure to yield right of way, and following too closely.¹ To reduce your risk of an accident, please keep the following in mind while driving:



- Remain alert when driving. Keep your eyes on the road at all times.
- Stay focused on driving. Don't let your passengers, or anything else, distract you while driving.
- Wear your seatbelt. Seat belts have been **proven** to reduce the risk of injuries and fatalities.
- Never drive when consuming alcohol or taking drugs. This is a good idea even for some legally-prescribed and over-the-counter drugs until you are sure of the affect they may have on you.

¹ Source – www.mva.maryland.gov/Driver-Safety/Young/fastfacts.htm

INFORMATION ABOUT THE PRIVILEGE TO DRIVE FOR YOUNG DRIVERS

- If you have a provisional license and are under 18 years of age, state law prohibits you from using a wireless communication device while driving, driving between the hours of midnight and 5 a.m. or having a passenger under the age of 18 unless you are accompanied by a licensed driver who is at least 21 years old and has driven for three or more years.
- If you are 18 years of age or older and have a learner's instructional permit or a provisional driver's license, you may not use a handheld telephone while operating a motor vehicle.
- To be eligible for a full driver's license, a driver cannot have a conviction for a moving violation in the past 18 months while on a provisional license.
- If you are under 18 in Maryland, a parent, guardian or other qualifying adult must cosign your driver's license application to allow you to drive. And remember, a cosigner can write a letter and withdraw his/her consent, allowing the MVA to suspend your license.
- Police officers are authorized to stop and detain anyone if they reasonably believe the individual is, or has been, driving or attempting to drive a motor vehicle while under the influence of alcohol (blood alcohol concentration of between 0.04 or 0.08), drugs, controlled dangerous substances or driving while intoxicated (blood alcohol concentration of 0.08 or higher).

Note: The Maryland Motor Vehicle Administration (MVA) publishes a brochure entitled: *What Young Drivers Need to Know About Driving, Drinking & Drugs*. Call 410-768-7000 to obtain a copy of this brochure. Also, visit www.rookiedriver.com for more information.



WHAT TO DO IF YOU CAN'T FIND INSURANCE AS A YOUNG DRIVER

If you cannot find auto insurance through standard insurance companies, talk to your insurance agent about the Maryland Automobile Insurance Fund (MAIF), created by statute to insure people who are unable to get insurance through standard insurers.

To obtain insurance through MAIF, you:

1. must be turned down for auto insurance by two other insurance companies, or have previously had a policy, but then become uninsured for at least a year;
2. must have a valid Maryland driver's license or a registered vehicle in Maryland; and
3. must not owe MAIF an outstanding premium for prior insurance coverage.

MAIF's premiums may be higher than those written with a standard insurance company. However, if you maintain a good driving record while insured with MAIF, you eventually should be able to return to a standard insurance company.

In addition, if your driving record is poor, and it has triggered an increase in premium or a nonrenewal of your parents' policy, your parents have the option of excluding you from their policy. If you are excluded, this means you cannot operate their vehicle(s) because you are no longer insured under their policy. MAIF offers a named non-owners policy that will provide coverage for you when you operate vehicles owned by others. This may be a more affordable way to provide coverage for a teen driver. Keep in mind, though, that the coverage provided under this type of a policy will be for the minimum limits required by the state. If you have an accident and the damages are greater than the policy limits, you may be personally responsible for the difference.



WHERE TO OBTAIN MORE INFORMATION

The Maryland Insurance Administration publishes *A Consumer Guide to Auto Insurance* and *Auto Insurance - A Comparison Guide to Rates*. These are available online at www.insurance.maryland.gov in the Consumers/Publications section, or by calling 410-468-2340 or 800-492-6116. Your independent insurance producer should also be able to provide information and explanations regarding your auto insurance coverage.

HOW TO FILE A COMPLAINT

The Maryland Insurance Administration's primary role is to protect consumers from illegal insurance practices by making certain that insurers and producers doing business in Maryland act in accordance with state insurance laws. You may contact the Insurance Administration to file a complaint against an insurer or producer who you believe is not acting in accordance with Maryland law.

Maryland's insurance laws not only govern insurers' conduct – they also protect Maryland consumers. Insurers are prohibited from settling claims in an arbitrary and capricious manner. This means that insurers' claim settlement practices must be fair, nondiscriminatory and adhere to Maryland insurance laws.

If you feel that your insurer has acted improperly, you have the right to take action by filing a complaint with the Maryland Insurance Administration. However, some disputes may be governed by your policy's terms and may not be a problem the Maryland Insurance Administration can resolve for you.

Complaints must be received in writing. Please provide as much detail as possible, including copies of pertinent documents. A trained, professional investigator will handle your complaint. The investigator will contact the insurer/producer to try to resolve the issue. Meanwhile you will be advised of the steps being taken on your behalf. Complaint files are not closed until the Maryland Insurance Administration has made a determination regarding the complaint.

The MIA also established a Rapid Response Program designed to help certain consumers resolve property and casualty claims (such as auto and homeowners claims including those made under commercial lines policies) quickly and without having to file a formal written complaint. For more information about this program, please contact us at 410-468-2340 or 800-492-6116 ext. 2340. Participation in the Rapid Response Program is voluntary and does not affect your right to file a formal complaint with the Maryland Insurance Administration.

For additional information or if you have a complaint, please contact the Maryland Insurance Administration's Consumer Complaint Investigation Division at 410-468-2000 or toll-free at 800-492-6116. Consumers may also file their written complaint in person or by mail.

Consumers may also file a complaint by going online to the Maryland Insurance Administration's web site at www.insurance.maryland.gov and under *Consumers*, click on *File a Complaint*.

Note: This publication was produced to help consumers better understand auto insurance. This publication, however, should not be considered a substitute for you reading and familiarizing yourself with your auto insurance policy.

Auto insurance policies are contracts with many different parts and terms. As each consumer's needs are different and few auto insurance policies are alike, many consumers benefit from the advice of a knowledgeable insurance producer. Other consumers, however, are comfortable dealing directly with an insurer's customer service representative, who can answer questions and provide advice.

FILING A CIVIL ACTION FOR A FIRST PARTY PROPERTY & CASUALTY OR AN INDIVIDUAL DISABILITY CLAIM

A Maryland consumer who has a property and casualty insurance policy (property and casualty insurance includes automobile, homeowners, fire and/or dwelling, inland marine, commercial liability policies) or an individual disability policy (a policy that provides for lost income, revenue, or proceeds in the event that an illness, accident, or injury results in a disability that impairs an insured's ability to work or otherwise generate income, revenue, or proceeds that the insurance is intended to replace) that was issued, sold or delivered in Maryland and believes that his/her property and casualty insurer or his/her individual disability insurer failed to act in good faith in making a decision regarding his/her firstparty insurance claim may seek special damages against the insurer by filing a civil complaint, in addition to or in place of filing an administrative consumer complaint with the Maryland Insurance Administration (MIA).

The Insurance Article defines good faith as making a judgment based on honesty and diligence supported by evidence the insurer knew or should have known at the time the insurer made a decision on the claim. If the Maryland consumer files a civil complaint and the insurer is found to have failed to act in good faith, the insured may be entitled to an award with enhanced damages. Such enhanced damages may include, in addition to the actual contract damages, litigation expenses, including reasonable attorneys' fees not to exceed one third of the actual damages payable to the insured, and interest at the post-judgment rate.

An explanation of when a consumer can seek these special damages, when a lawsuit has to be filed with the MIA, and how to make that filing are explained in a separate MIA publication: "A Guide for Consumers Filing a 27-1001 Civil Complaint."

This consumer guide should be used for educational purposes only. It is not intended to provide legal advice or opinions regarding coverage under a specific policy or contract; nor should it be construed as an endorsement of any product, service, person, or organization mentioned in this guide. Please note that policy terms vary based on the particular insurer and you should contact your insurer or insurance producer (agent or broker) for more information.

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