

Property and Casualty Frequently Asked Questions

Auto

- **Why are car insurance rates higher for young men than for young women?**

Young male drivers generally do pay more than young females for auto insurance. Insurance companies use statistical evidence to determine which groups, such as young male drivers are most likely to have accidents and file claims. Statistics show that drivers under age 25, particularly males, are much more likely to be involved in accidents: 15% of all licensed drivers are under age 25, yet this group accounts for 29% of all accidents, and about 26% of all fatal accidents. The accident rate is much lower for young female drivers, so they are charged less for auto coverage.

I work part-time delivering pizza. Does my regular auto insurance cover me while I am working?

Most personal auto policies exclude coverage when the automobile is used to carry property for a fee. Some companies have denied claims based on this exclusion. Before agreeing to use your car for business purposes, find out what your insurance covers.

- **Is it better to keep my auto insurance with the same company as my homeowner's policy?**

Some companies offer discounts when you have automobile and homeowner's insurance with them. The company may cover house, auto, boat, etc., all under one policy. However, there may be situations where you can save money by spreading your coverage among several companies. It is your choice. Please shop carefully for all of your insurance needs.

My agent gave me a quote but the insurance company is charging me a higher premium than we originally discussed. Must the company honor the agent's quote?

No. A quote in the insurance market represents an offer to sell an insurance contract subject to compatibility of that offer with the carrier's filings with this department. An Insurance Company may not collect a premium for less than or more than this amount. A carrier may also find other information, such as information from a motor vehicle report, which would revise the premium from the original quote.

- **What can I do if I have a complaint in general regarding my auto insurance?**

You should first attempt to resolve your concerns with your agent or insurance company. However, if you believe you have been treated unfairly, have received poor service, or

have some other complaints against your insurer or its agent, you may wish to file a formal complaint with the Consumer Relations Division, Insurance Bureau who will investigate the facts of the complaint and determine if any of the New Mexico statutes or the New Mexico Insurance Code have been violated. If the Consumer Relations Division, Insurance Bureau identifies a possible violation, they will advise the Superintendent of Insurance who will review the facts for possible enforcement action. A link to the complaint form is included on this website.

- **Why should I buy auto insurance?**

Before you can register a vehicle in New Mexico, you must show proof of financial responsibility. This is usually done by the purchase of an automobile insurance policy.

If I decide to satisfy the financial responsibility requirements of New Mexico by buying auto insurance, what coverages are required in New Mexico and what are the minimum limits I can purchase?

The required coverages in New Mexico are Bodily Injury and Property Damage. The minimum required limits are \$25,000 per person and \$50,000 per accident for Bodily Injury and \$10,000 per accident for Property Damage. It is also required that Uninsured Motorist Coverage be included in the policy but if you decide you do not want this coverage, you must reject it in writing.

I have not had any accidents or violations, so why do my auto insurance premiums continue to increase?

An insurance company's premium increases are a direct reflection of the countrywide or statewide pool of losses that the insurance company experiences. The losses of the few within the insurance company's pool of policyholders are paid for by all policyholders within the pool. This is the basic premise upon which the concept of insurance is based and without which no insurance would be available. This does not mean that your own favorable loss experience cannot be recognized. Various insurance companies give numerous discounts to policyholders, which recognize their excellent driving records.

- **What is covered under Bodily Injury coverage?**

This coverage pays for bodily injury to others for which you become legally responsible due to an auto accident in which you were involved. It does not pay for bodily injury you may sustain. You would need to have Medical Payments coverage in order to have the injuries you sustain in an auto accident covered under your own auto policy.

Does Property Damage coverage provide coverage to fix my vehicle if the other driver is at fault and has no insurance?

No. Property Damage coverage protects you for damage you may cause to the vehicles or property of others. You would need to purchase Collision coverage on your auto policy in order to have coverage to repair or replace your vehicle in this situation.

Will my policy provide coverage if my teenage son, who does not have a license yet, or a relative from out of town, drives my car and has an accident?

Whenever you give your permission, anyone who drives your vehicle, as long as that person is not specifically excluded and holds a valid driver's license or permit, will be covered under your policy, but you need to review your policy to see what situations are included or excluded. We suggest reviewing your policy with your agent to ensure you have the coverage you require.

- **What coverage is provided if I pull a trailer with my vehicle?**

In most cases, if the vehicle pulling the trailer is covered under the policy, the liability coverage will be extended to the trailer if you own the trailer. However, Physical Damage (comprehensive or collision) must be purchased separately. You will need to review your policy for exceptions.

What coverage is provided by my policy if I buy a vehicle to replace an existing vehicle on the policy during the policy term?

If you replace your previously covered vehicle with a private passenger auto, pickup or van, it will normally have the same coverage as the vehicle it replaced. In most cases, you will need to notify the insurance company or agent within a specific time limit to add the new vehicle to your policy. We suggest you check your policy to determine the time limit available to you. You should contact your agent if you are unable to locate the specific language in your policy.

- **Is there any coverage provided if I buy an additional vehicle during the policy term?**

Policies may extend the coverage for a newly acquired vehicle you add to your existing policy. We suggest you check your policy for the additional vehicle and contact your agent to ensure you have coverage before taking possession of the vehicle.

Will my New Mexico personal auto policy provide coverage if I drive my vehicle into Mexico?

Mexican law requires that you purchase separate liability coverage from a Mexican insurer before operating your vehicle in Mexico. Your New Mexico personal auto policy may provide some limited coverage on a limited basis (within 25-50 miles of the Mexican border); however, this coverage does not meet the insurance requirements of the Republic of Mexico. Failure to purchase proper Mexican liability insurance may result in many hours in a Mexican jail or a heavy fine if you are involved in an accident while

operating your vehicle in Mexico. Check with your company or agent to determine the coverages available under your specific policy.

- **What is covered under Comprehensive coverage?**

Some of the coverages provided under Comprehensive include theft of all or part of the vehicle, glass breakage, and damage due to fire, windstorm, hail, water, falling objects, vandalism, explosion, or hitting a bird or animal.

- **What is covered under Collision coverage?**

Collision coverage pays if your auto collides with an object, including another car, or if it overturns. Your insurer will pay to repair this damage even if the collision is your fault.

- **Is there any reason why I should carry higher than minimum liability limits?**

If you have assets you need to protect, you may want to carry higher than minimum liability limits to protect yourself from lawsuits by a person or persons you may injure in an accident.

- **How is the deductible for Comprehensive or Collision coverage applied?**

The deductible for Comprehensive or Collision applies to each loss that occurs to your vehicle. A deductible is the dollar amount you will have to pay toward the loss before the insurance company begins to make payments on the loss.

- **To whom do I pay the deductible if I have a Comprehensive or Collision loss?**

In most cases, you will pay the deductible to the repair facility.

Will my minimum limit New Mexico policy protect me if I drive to another state that requires higher minimum liability limits?

Your New Mexico policy limits will be interpreted to provide at least the minimum limits required by the laws of the state in which you are operating your vehicle.

Will my personal auto policy provide coverage if I use my vehicle for business purposes?

Insurance companies may provide coverage for business use vehicles depending upon the type of vehicle and its particular use in business, but you may need to purchase a commercial auto policy to receive the coverage you need. You should consult with an insurance company or agent to determine the proper policy needed.

Will my personal auto policy provide coverage if I use my vehicle as a carpool vehicle?

If you are in a share-the-expense car pool, your policy may provide the same protection as if you did not use your vehicle in a carpool. We suggest you review your policy for specific coverage.

If I go on vacation and rent a vehicle, will my New Mexico auto policy provide coverage while I am driving the rental vehicle or must I purchase coverage from the rental company?

If you vacation within the United States (and in most cases Canada), for liability coverage, the policy carried by the rental company will be primary (pay first), and your policy will be secondary (pay second). For physical damage to the rental vehicle, some companies insurance allow the broadest coverages you have under your comprehensive and collisions coverages to apply to the rental vehicle, subject to the deductible stated in your policy. Before renting the vehicle, you should check with your insurance company or agent to determine if your coverage applies to the rental vehicle. New Mexico requires your insurance policy act as the primary in New Mexico.

Will my New Mexico personal auto policy provide coverage if I drive my vehicle into Canada?

Most New Mexico personal auto policies will provide coverage for driving in Canada, but you should review your policy or contact your insurance company or agent before driving into Canada to determine if your coverage applies in Canada.

What is covered under Medical Payments coverage and to whom does the coverage apply?

You will need to read your policy for a complete description of the coverage provided. Basically, Medical Payments coverage provides coverage for necessary and reasonable medical and funeral expenses incurred as the result of an automobile accident up to the policy for you or passengers in your vehicle.

If I already have health insurance, do I need to carry Medical Payments insurance on my auto policy?

Even though you have major medical insurance, you may still wish to carry some medical payments insurance to cover deductibles and co-payments, which are not covered by your health insurance plan.

- **What is the difference between Uninsured and Underinsured Motorist coverages?**

Uninsured Motorist coverage protects you or passengers in your vehicle for bodily injury you or your passengers sustain in an accident involving a driver who has no liability coverage. Underinsured Motorist coverage protects you or passengers in your vehicle for bodily injury you or your passengers sustain in an accident involving a driver who has insufficient insurance to cover the injuries of you or your passengers. There is a mandatory \$250 deductible required for this coverage.

If everyone in New Mexico is required to purchase liability coverage, why do I need Uninsured Motorist coverage?

Although the law requires all motorists in New Mexico to carry liability insurance, not all New Mexico motorists have liability coverage in force. Also, motorists may come into New Mexico from other states or countries and not have liability coverage on their vehicles.

What does Rental Reimbursement coverage provide, and does it provide coverage if I take my vehicle to a shop for mechanical repairs?

Rental Reimbursement coverage provides a specified amount for you to rent a vehicle while your covered auto is being repaired or replaced after it has been damaged because of a loss covered under Comprehensive or Collision. In most cases, Rental Reimbursement does not provide coverage for mechanical repairs that result from mechanical breakdown that are not related to a covered loss.

If I borrow a car from a friend or relative for a short time while my vehicle is being repaired, will my policy cover me while I am driving the borrowed car?

The policy covering the vehicle would be primary and in most cases, your policy would cover the vehicle on an excess basis. If no policy covers the borrowed car, most companies will treat your policy as the primary coverage for the borrowed car.

- **What do you mean by primary and excess basis?**

Primary means that policy will provide coverage first, and excess means that policy will provide coverage after the limits of the primary policy have been exhausted.

If I rent a truck to move my personal property, will my personal auto policy provide any coverage for the rental truck?

No. Most personal auto policies do not provide any coverage for the rental truck.

If my vehicle was damaged in an accident that was not my fault, how can I recover my deductible?

If the negligent individual carried liability coverage, you or your carrier can recover your deductible from the negligent driver's insurance company. If you filed the claim directly with the negligent party's carrier, no deductible will apply.

If my vehicle was stolen along with some personal items which were in the vehicle at the time. Does my auto policy provide any coverage for the personal items?

Most policies do not provide coverage for personal items left in a vehicle.

What coverage is provided by my policy if I buy a vehicle to replace an existing vehicle on the policy during the policy term?

If you replace your previously covered vehicle with a private passenger auto, pickup or van, it will normally have the same coverage as the vehicle it replaced. In most cases, you will need to notify the insurance company or its agent within a required time limit after purchasing a different vehicle.

- **Is there any coverage provided if I buy an additional vehicle during the policy term?**

Most policies extend the coverage for an auto you already have on your policy to an additional vehicle.

- **What is the Fair Market Value and how is it determined?**

In most cases the insured utilizes a vender who specializes in determining the fair market value of a vehicle. The fair market value is the normal price that your vehicle would sell for prior to the accident. You can research the fair price of your value by contacting dealers to determine what they would list the price of your vehicle. The insured should compare your vehicle to others of the same year; type, condition and mileage in determine the fair market value. If you are not sure of how the insurance company arrived at their amount you can contact them and ask they provide you with that information. If you are unable to obtain this information, you may contact our Consumer Relations Division for assistance.

- **What are the reasons for which my policy can be cancelled?**

New Mexico law permits the policy to be cancelled for the following reasons:

1. Non-payment of premium.
2. The insurance was obtained through fraudulent misrepresentation.
3. You or anyone who customarily operates your vehicle has:
 - a. Has had his or her driver's license suspended or revoked during the policy period.
 - b. Becomes permanently disabled and does not produce a certificate from a physician testifying to such person's ability to operate a motor vehicle.

- c. Is or has been convicted during the thirty-six months immediately preceding the effective date of the policy or during the policy period of:
1. Criminal negligence, resulting in death, homicide or assault, arising out of the operation of a motor vehicle.
 2. Operating a motor vehicle in an intoxicated condition or while under the influence of drugs.
 3. Leaving the scene of an accident.
 4. Making false statements in an application for a driver's license.
 5. Reckless driving.
 4. The insurance company is placed in rehabilitation or receivership.
 5. The insured vehicle which is rated as a private passenger auto is used regularly and frequently for commercial purposes.
 6. The director of insurance determines that the continuation of the policy would place the insurer in violation of the laws of New Mexico or would jeopardize the solvency of the insurer.
 7. Non-payment of premium.

Other than my driving record and type of car, what other factors do insurance companies use to determine my premiums? Do all insurance companies look at the same things?

Most insurance companies look at driving records, type of car, use of vehicle, location of vehicle, and age of driver.

What happens if I'm in an accident with someone who doesn't have coverage, and the other driver is at fault?

To protect yourself in the event you have an accident with one of these illegal motorists, you can purchase uninsured motorists coverage. You will be paid for damages just as if the other driver was covered. There is, however, a mandatory \$250 deductible with this coverage.

I recently purchased a new car. When I applied for the loan, I was told I would have to purchase comprehensive and collision on the new car, as well as what's required by law. Is this legal?

It is not unusual for a lender to require comprehensive and collision on a new vehicle. Your new car serves as the lender's collateral, so it's in the lender's interest to have it financially protected in case of accidents.

- **When I was buying my auto insurance, my insurance agent said I was with a "nonstandard" insurance company. What is a "nonstandard" company?**

A "non-standard" automobile insurance company should write auto insurance for those drivers who have difficulties in obtaining insurance through normal means.

"Nonstandard" companies generally charge higher premiums.

Homeowners

My estimate says I should get paid \$2500 but my check isn't for the whole amount. What does "holdback" amount mean?

The hold-back amount is repair or replacement minus actual cash value. According to your contract, your company will pay no more than actual cash value of the damage until actual repair or replacement is complete. At that time, the insurance company will issue the second check to cover your loss. This loss settlement provision can be found under Section 1--Conditions of your homeowner policy.

• I borrowed my neighbor's lawn mower. While using it I struck an object and damaged the mower. Will my homeowners policy help pay for it?

The liability coverage section of most homeowner's policies excludes coverage for property not owned by you, but in your "care, custody, or control." However, a provision in the Additional Coverage's section of the contract does give back limited coverages specifically for "damage to property of others." Generally, the amount of coverage is provided at a \$500 or \$1,000 limit. In addition, there is no deductible applied to this type of claim.

• I rent my apartment. Is it necessary to have renter's insurance?

You should consider purchasing a renter's policy, which will cover the contents of your apartment. If you have valuable items such as jewelry, antiques or artwork, it may be advisable to have these items scheduled separately.

I am shopping for a house. What do I need to know about homeowner's insurance before I buy?

There are two parts to a typical homeowner's policy:

- (1) Contents coverage protects your personal items and the contents of your home.
- (2) Dwelling coverage protects the structure and most cases any unattached buildings.

I recently installed smoke alarms on all levels of my home. Am I entitled to a discount on my homeowner's policy?

Most insurance carriers offer discounts for several features, one of which may include smoke alarms. The amount of the reduction varies from company to company. You may be able to get an insurance discount and have a safe home for your family as well.

• Are there any types of discounts required in New Mexico on a Homeowner's policy?

New Mexico requires a 10% discount be provided when you have an operable electronic burglar alarm installed in your home. A 5% discount is also available when you have wrought iron bars on all doors and windows.

- **What is Homeowner's Insurance?**

Homeowner's insurance is coverage for your home, contents, and your personal liability. A homeowner's policy usually covers:

- property damage to your home and other detached buildings.
- contents and personal belongings.
- reimbursement for your additional cost to live at another place if your home is damaged and uninhabitable.
- personal liability to protect you from a claim or lawsuit if you are responsible for injuries to others or damage to their property.

As a result of rain and hail storm, we have a hole in our roof. If I get the roof patched before the insurance adjuster comes to see it, will the insurance company still pay for the actual repair of the roof?

Yes. It is your responsibility to protect the roof from further damage until the insurance adjuster can determine the extent of the loss. In order to get reimbursed for these expenses, you should keep receipts to submit to the insurance company.

- **What is usually not covered?**

Most homeowner's policies will not cover vehicles or vehicle stereo equipment, or losses from natural disaster such as flooding, earthquakes or nuclear accidents. You can usually buy coverage for these things in a separate policy.

- **What Is The Difference Between Actual Cash Value and Coverage and Replacement Cost Coverage?**

New Mexico requires your homeowner's policy to provide replacement cost coverage for your dwelling up to the policy limit. Your contents and personal belongings are settled at their actual cash value at the time of the loss, unless your purchase replacement cost coverage for your contents. This is replacement cost less deduction for depreciation. Some policies will offer replacement cost coverage, which will repair or replace personal property at current prices with no reduction for depreciation. You can usually upgrade your policy to replacement for an additional charge.

If my home were destroyed by a disaster, would my homeowner's policy cover my furniture and belongings?

Yes. However, if you want to protect the contents of your home at full value, you must purchase replacement cost coverage. Making an inventory of your property prior to a loss is strongly suggested. Using photographs and a videotape can be helpful. If you have any unique items, you may choose to insure these items specifically. Policies will normally cover content at actual cash value; however, most companies have a replacement cost option. Theft following a disaster will impose low monetary limits on money, jewelry, furs, silverware, guns, etc. Higher limits may be purchased. To make sure you have adequate coverage, we suggest you review your policy with your agent. Reduce any time period applicable to a pre-existing condition-waiting period for time covered by qualifying previous coverage. The coverage must have been continuous for at least sixty-three days before the effective date of the new coverage.

- **Do you have information on Flood Insurance?**

Floods can happen at anytime and anywhere. But the Flood Disaster Protection Act of 1973 helps ensure that you will be protected from financial losses caused by flooding. Backed by the U.S Government, flood insurance is available to residents in more than 18,000 communities across America that participates in the National Flood Insurance Program (NFIP).

At a time when flooding causes more than \$2 billion in property damage each year, you cannot afford to think that it will never happen to you. It can happen, and often when it's least expected. You may contact the Flood Insurance Plan at 1-800-427-2354.

Losses due to flooding are not covered under most homeowner's policies. You can, however, protect your home and its contents through the NFIP, if your community is participating in the program.

To become eligible, a community first enters the emergency phase of the NFIP by adopting preliminary actions to reduce the flood threat. Everyone in that community can then apply for limited amounts of flood insurance at federally subsidized rates. Much higher levels of insurance become available when a community qualifies for the regular program phase. This occurs after the Federal Emergency Management Agency (FEMA) has conducted a detailed flood study, and local officials have enacted more stringent measures to safeguard life and property from future flooding. To find out more about flood insurance and whether your community is eligible, ask any licensed property/casualty agent or broker-the same person who sells you your home and auto policies. Flood insurance coverage is an asset to you as a borrower. It reimburses you for financial losses from flood damage. With one annual premium, you have peace of mind that your losses will be covered.

- **When does the policy take effect?**

Most flood policies require a 30-day waiting period between the time the policy is purchased and the coverage is in force.

- **How do I know when Flood Insurance Coverage should be purchased?**

Flood insurance is required by law for all federally insured or regulated lenders for mortgages and other loans on buildings and manufactured (mobile) homes when located in special flood hazard areas. However, you may opt to purchase flood insurance for your own protection even if law does not require it.

- **Will I be reimbursed for taking preventive measures against flood?**

Preventive measures to reduce flood damage to an insured building are often reimbursable. Policyholders may have a limited amount of coverage to recover the cost of removing insured contents from a building that has been declared in imminent danger of flooding by community officials.

- **Do I need flood insurance? What is covered, and where can I buy it?**

Present day homeowners insurance policies do not include loss due to flood-related water damage. In fact, most contracts specifically exclude coverage for floods or rising waters.” Insurance companies have not looked favorably on insuring against loss due to floods because it is extremely difficult to predict when the loss will occur and how big the loss will be. Premiums to cover such an unpredictable loss could be very high. During a period of drought, people are unwilling to pay significantly more for homeowners insurance to cover loss due to floods.

Federal flood insurance is available in cities, counties, or townships that participate in the National Flood Insurance Program (NFIP) and can be purchased through any licensed property/casualty insurance agent. Depending on the level of protection purchased, coverage can include:

- Structural elements (walls, floors, equipment)
- Content (furniture, appliances, carpeting)
- Personal items (clothing, stereos, televisions)
- Basement cleanup expenses and items such as furnaces, water heaters, elevators
- Seepage is not covered in most cases

If you are contemplating purchasing flood protection, it is important to know that there is a 30-day waiting period from the time of application.

You should review your policy with your agent and talk about the type of water damage coverage they presently have and what coverage, including federal flood insurance, may be available.

The Insurance Contract

- **What is the “Policy”?**

The insurance contract is called a “policy” and includes three distinct parts. First, the “Declaration Page” that lists what coverages are in effect and the dollar amount of coverage. Secondly, the “Text” of the contract that tells you who and what is covered

and not covered. Thirdly, the “Endorsements” section of the contract that changes or modifies the policy.

- **Who does the contract cover?**

The personal auto policy provides coverage to the named insured, spouse and other relatives residing at home as well as anyone to whom the named insured has given permission to operate the vehicle.

- **When can a company cancel my contract?**

Once an auto policy has been in force for sixty days, the insurance company may only cancel the policy for the following reasons:

- Nonpayment of premium.
- If the license or registration of the named insured or any other operator has been suspended, rescinded, canceled or revoked during the period.
- Fraud or material misrepresentation by the insured in applying for the policy, or in presenting a claim under the policy.
- The insured motor vehicle is mechanically defective.
- The named insured moves to a state where the insurer is not licensed to do business.
- Failure to pay membership dues or fees to an association when it is a prerequisite to obtaining the insurance coverage.

The notice of cancellation must be given at least 30 days prior to the effective date of the cancellation with the exception of the nonpayment of premium, which can be a 10-day notice. Notice must be sent to the insured’s last known address.

- **What if I don’t pay my premium by its due date?**

Unlike health insurance policies, property and casualty policies, including auto policies, do not have a required “grace period.” The premium is due, in the hands of the company, on the date identified on the billing. If the premium is not received by that date the policy automatically terminates. Some companies voluntarily allow grace periods without a lapse in coverage. There are some companies, however, that do not permit a grace period in which case they may or may not reinstate a policy effective the day the premium is received.

- **What is the difference between a cancellation and a non-renewal?**

A cancellation happens in the middle of the policy period. A non-renewal takes place at the anniversary or renewal date of the contract. Unlike cancellation, a company may non-renew a contract based upon underwriting criteria. Underwriting criteria are those specific requirements written into the company’s program. For example claims frequency is used by many companies. A cancellation or non-renewal of an auto policy both result in termination of a contract.

RATING

- **What factors determine what my auto insurance will cost?**

Auto insurance premiums vary considerably depending on risk, coverages and vehicle type.

Generally, premiums are based on:

- The amounts and types of coverage you buy. The higher the limits and the broader the coverage, the more you pay.

- Your driving record. Persons with no accidents or violations will pay less.

- Your age, sex and marital status. For example, young, single male drivers generally pay more than any other group.

Where you live. The state is divided into territories for rating purposes. Generally people in metropolitan areas pay more than those in less congested areas.

- How you use your car. The more you drive, the more you pay.

- The type of car you drive. It costs more to repair some cars than others and companies charge accordingly.

- Your credit history. Consumers with a poor credit history (financial stability score) may pay a higher premium than a consumer with a good credit history.

- **How do companies determine what rates to charge the consumer?**

When you buy insurance, you receive financial protection in case you become involved in an accident. Therefore, the insurance company must charge rates that will allow them to pay losses and operating expenses (with a reasonable amount for profit). In order to do this, the company uses statistical information to calculate the expected loss cost per vehicle. The company then adds to this its operating expenses and profits to arrive at a final rate.

- **Do companies give any discounts?**

“Discounts” can make a big difference in the price you pay. You qualify for discounts by doing things that make you more attractive for the company to insure: driving safely, buying a car with safety equipment, etc. Company discounts may include: good student discount, accident free discount, anti-theft device discount, defensive driving discount, and airbag or antilock brake discounts. Many of the safety discounts are built into the rating of your particular vehicle so a separate discount won’t be given.

New Mexico has a mandatory 20% discounts for individuals age 55 and older who have completed a motor vehicle accident prevention course approved by the traffic safety bureau of the state highway and transportation department.

- **If I have an accident, will my rates go up?**

Each company generally adds an additional “surcharge” for accidents for which you are determined to be responsible. The law requires a company disclose it’s underwriting and rating procedures applicable to accident surcharges and loss of discounts before or at the

time of issuance of a policy. Surcharges cannot be assessed as a result of a comprehensive coverage claim, when your vehicle was legally parked when the damage occurred, or when a claim has been paid on a rental vehicle coverage claim. In most instances the “surcharge” will remain on your policy for a three-year period. The surcharge will not be added midterm but will be added at the next renewal.

- **Can a company require me to pay a fee in addition to the rate?**

In some cases, membership in an organization gives you access to an insurance company underwriting that group of individuals. In that case, the dues or fees to that organization may be a prerequisite to obtaining the auto insurance.

- **Why does the company include all licensed drivers in my household when rating my policy?**

Motor vehicle liability insurance is mandated by law. Court cases have determined that this obligation extends to all family members in the household. This means that the insurance company would be required to provide coverage in the event of a claim. Therefore, the company rates for all potential drivers. Unfortunately, one bad driver in the household can negatively impact the rates for the rest of the family. The only time a company will not rate a licensed driver in your household on to your policy is when that individual holds their own in force policy.

- **Why are the rates for young drivers so much higher than adults?**

Insurance rates are based upon statistics. Traditionally, the less experienced drivers have shown significantly higher losses resulting in higher rates. Your premiums may not be affected when your teen gets a learner’s permit but will increase when a driver’s license is obtained. Check with your agent or company to find out when the teen has to be added to your policy and a new premium charged.

- **Can an insurance company exclude a driver from my policy?**

The law permits an insurance company to issue a policy with driver exclusion. The law also allows the company to issue a policy with minimum limits of coverage for a specified driver while maintaining higher limits for all other drivers. A company is not required to exclude a driver but may do so according to its underwriting program.

- **Is there anything I should be aware of before switching companies?**

When you make application for insurance to a new company, by law, they have a right to underwrite your application. If you do not meet their underwriting guidelines, the company may cancel your coverage within the first 60 days for their underwriting reasons. Therefore, any recent change in driving records, or claims history could result in cancellation.

- **How can a company charge more premium than the agent quoted me?**

There are many different factors involved in rating a policy including driving record, claims history, age and type of vehicle, etc. The agent's quote is an estimate based on information you provide. The actual premium is determined by the company after reviewing all the information including Motor Vehicle Reports and claims reports. When shopping, it is important that all questions are answered truthfully and completely including any traffic tickets or accidents. The wrong information may result in an incorrect price quotation and/or rejection of your coverage. Remember, the actual premium may be more or less than the quoted estimate.

- **What is a financial stability rating score (credit score)?**

Statistical and insurance companies in recent years have begun to use a formula to "read" your credit history (report). The formula generates a single number, generally between 0-999, which is known as your credit score. The score is referred to by some companies as a financial stability rating score.

- **Why is a "credit score" used in rating auto insurance?**

Statistical and insurance companies have done analysis comparing individual credit scores with insurance loss history, and claim to have found a significant correlation between the two. This information is claimed to be predictive of future loss experience thus making it a useful tool for companies to use in matching drivers to a proper premium level.

- **Do all companies have the same standards for writing an insurance policy?**

No. There are three basic markets when writing automobile insurance: non-standard, standard and preferred. They can be described as follows, starting at the most expensive:

- Non-Standard Markets: May include drivers with less experience, drivers with lots of tickets or accidents, drivers with a reckless or drunk-driving history and drivers with an poor credit score.
- Standard Markets: Includes the average driver who uses family-type vehicles who has a reasonably clean driving record and a good credit score.
- Preferred Market: Insures low-risk drivers with clean records over the past three years and a good credit score. This market has the cheapest premiums. A company's underwriting requirements may vary within these three markets. If an insurance company declines your application do not give up. Keep Shopping! Different companies have different requirements for accepting drivers for coverage. They do this by setting target "markets" that help them select the types of drivers they want to insure. A company is not required by law to sell you automobile insurance if you do not meet their underwriting requirements. A company may choose those people they wish to insure unless you have applied for coverage through the Assigned Risk Plan.

- **What is High Risk Insurance?**

Some companies specialize in writing individuals who have a history of claims, accident, or a bad-driving record. These are commonly referred to as “high risk” or non-standard companies. In addition to applying the normal rating factors, they also base the rate upon your record.

CLAIMS

- **How much of my premium dollar goes to pay for claims?**

The cost of claims and the cost to settle claims vary from company to company, but generally run about \$.65 out of every \$1.00 in premium. If the cost of claims goes higher it generally indicates the need to raise the company’s rate.

- **What part does the agent play in the claims process?**

A few insurance carriers give the agent the authority to settle small claims. However, most companies limit the agent’s involvement in the claims process to that of helping the insured complete the loss report and forwarding it to the company Claims Department for processing. In most cases, the agent does not have the authority to make claims settlement offers on behalf of the insurance company.

- **Can a company require me to have a car fixed at a specific repair shop?**

No. The company may use one of three methods. The company may elect to settle your claim based upon the lowest of the estimates you have provided them, in which case you could have your vehicle repaired at the shop of your choice. However, if you have the repairs done at the shop with the higher estimate, you could be responsible for the additional costs. The second method of settlement is to have the company adjuster prepare an estimate that you may take to any shop you desire. Generally, a body shop will honor the company’s estimate. The third method involves you voluntarily taking the vehicle to a shop that your company has a special agreement with, known as a preferred shop. The company has agreed to let the preferred shop prepare the estimate and complete the repairs. In any case, you should contact your company and ask which method they generally use and then make your decision accordingly.

- **What is the difference between a damage appraiser and an adjuster?**

A damage appraiser is trained to evaluate the cost of repairing damage to a vehicle. An adjuster can do damage appraisals, but generally also has the authority to make claim settlement offers.

- **Are there a certain number of estimates a company must require?**

The law does not require a certain number of estimates nor does it prohibit the company from requesting estimates. It is reasonable for a company to have you obtain two

estimates of damage. Companies may vary on their needs from as few as one to as many as three.

- **Does the company have a right to examine a damaged vehicle?**

Yes. The insurance company is obligated to repair your vehicle under the terms of your contract. In order to determine the extent of damage it is important that the company have access to the vehicle before repairs are made.

- **Can I require the company to replace my vehicle?**

No. The personal auto policy is not a replacement policy. The policy is based upon the fair market value of the automobile. Actual Cash Value is the replacement cost less depreciation, which most often is the current market value at the time of loss. Therefore, the company's obligation is to repair the car or pay based upon its fair market value, not its replacement cost.

- **What is a "Total Loss"?**

If the cost to repair a vehicle is more than 75% of the actual cash value of the vehicle, the vehicle is then considered to be a "total loss." The payment on a "total loss" would be the Fair Market value less the deductible. Should you decide to keep your vehicle rather than turning it over to the company, the company would also deduct the salvage value of the vehicle from the actual cash value payment.

- **Can I choose to repair my car even if my company considers it to be totaled?**

If the company has determined the vehicle to be totaled, it will make settlement in one of two ways: payment of actual cash value less deductible and take the car, or payment of actual cash value less deductible, less salvage value and you keep the car. You would be free to repair the vehicle with your payment but generally the payment would not be sufficient to cover all repairs. The company would not be obligated to pay any more. The insurance company is required by law to "Brand" your title salvage if you retain a totaled vehicle.

- **Can I require all new parts on my vehicle?**

There currently is no specific law that addresses this issue. If a vehicle is less than two years old, it would be appropriate to replace the damaged parts with new parts. However, if the vehicle is more than two years old, it would be reasonable for the company to use parts that are not new. Your policy may have specific language regarding the use of Like, Kind Quality or After Market Parts.

- **What are after market parts?**

After market parts are vehicle replacement body parts manufactured by a company other than the original manufacturer. Companies can use these parts as long as the quality is comparable to the manufacturer's parts. Your policy may have specific language regarding the use of Like, Kind Quality or After Market Parts.

- **What is the paint less dent repair method?**

The paint less dent repair method is a relatively new way for skilled technicians to pop out minor hail dents. When done this way, no painting is required thereby resulting in dramatically lower claims costs. This method does not work on major dents, older paint faded cars and certain areas of cars where the technician cannot get access. Company adjusters will use this method where appropriate. Many repairs estimates will use both paint less and conventional methods to achieve a total repair.

- **How does the insurance company handle prior damage when making a new claim?**

The insurance company does not owe for damage that occurred prior to the effective date of your policy. Your insurance policy provides coverage based on an occurrence that takes place while the policy is in force. Therefore, each different occurrence is handled separately. For example, if your bumper was previously damaged before the accident, the company will deduct the cost of the bumper from your current claim settlement. In the event of a total loss, the insurance company will deduct any unrepaired damage from any previous occurrence.

- **Can I take cash instead of repairing my car?**

The policy provisions for loss settlement will dictate the basis a company will use to settle a claim. Most policies currently do not include a provision for a cash settlement. In these situations, the company is obligated to settle (pay) based upon the cost of repair. Some policies, however, may go further and allow the company to negotiate a cash settlement. If they do, it is reasonable for the company to deduct labor, overhead costs and sales tax if you are not going to repair the vehicle.

- **What happens if the company adjuster misses something on the repair estimate/order?**

In the event the repair shop finds that the company adjuster failed to take into consideration something at the time of the estimate, the repair shop should immediately contact the adjuster. The adjuster should meet with the repair shop to determine whether or not the damage is covered. If it is covered, the company would then issue a supplementary check for this additional cost.

- **Why does the company make the check for repairs out to the body shop and me?**

The insurance company is under contract with you through the auto policy to repair your vehicle. To assure that the repairs are done, the company makes the check out to both of you. In addition, the company generally continues to insure your vehicle, so to avoid any future claim problems (unprepared damage) they make the check to both. Under New Mexico law the lien holder must be protected on all first party settlement checks.

- **What is a “branded title”?**

If you have had an accident with your vehicle and it is a total loss, the law requires the title to be branded and the motor vehicle department notified.

- **What is “Loss of Value”?**

A loss of value is simply a reduction in the Actual Cash Value (ACV) of your vehicle. A loss of value may occur when you sell or trade a vehicle with a branded title. In some instances, the owner of the vehicle with a branded title may receive less for the vehicle than he or she would have had the vehicle not had a branded title, despite the fact that the vehicle has been repaired. Current state law does not require the payment by insurance companies of this loss in value if you have been paid for the cost of repairs or the vehicle’s actual cash value.

- **What are my car rental rights?**

If you carry the proper coverage on the vehicle that is damaged, some companies will cover the cost of renting a replacement vehicle for the time that your vehicle is in the repair shop and unavailable to you. Some companies require that you have a “rental reimbursement” endorsement on your policy before they will pay. Check with your agent on how your policy would respond. If you have a claim against a third party for damage to your car, then the cost of renting a replacement vehicle while your car is unavailable to you, will generally be covered if the other party is found to be liable. Note, however, that it is important to communicate to the claims personnel handling the claim that you are renting. This will avoid any misunderstandings and potential gaps in coverage or payment.

- **What is “Comparative Fault”?**

New Mexico law provides that the degree of fault or responsibility for an accident can be apportioned on a percentage basis among all the parties involved. This percentage is the amount each party contributed to causing the accident. The amount either party can recover in damages is reduced by the percentage of fault attributable to that party.

- **How soon must a company settle a claim?**

There is not a set time provided for the settlement of any automobile insurance claim and many factors must be considered when investigating an accident. It is in the best interest of the company to investigate any loss promptly so that valuable evidence is not lost or

destroyed and so that incurred costs, such as storage and any loss-of-use obligations do not become excessive.

What should I do if I am having a disagreement with my company over a claim?

If you have made every attempt to work with the Claims Department personnel and continue to have a disagreement, you should then discuss the matter with your agent to determine if any further resolution can be made.

COMPLAINT PROCEDURES

Inquiries regarding insurance companies are processed by the Consumer Relations Division, Insurance Bureau, to determine if there are any violations of the New Mexico Statutes, Insurance Code or Regulations. The Consumer Relations Division, Insurance Bureau, cannot act as adjusters or attorneys in attempting to assist the consumer in resolving a complaint. The Consumer Relations Division, Insurance Bureau, cannot provide you with legal advice and if you have retained an attorney to assist you with your dispute, we cannot become involved.

Our professional staff will commence an investigation into your complaint and contact the insurance company, agent, adjuster or representative processing your claim or request. The staff will verify the information and advise you of the results of our investigation as soon as possible.

Prior to filing a complaint, we suggest you attempt to resolve the complaint directly with the insurance company, agent, adjuster or representative you have been dealing with. If your efforts to resolve the problems fail, feel free to contact us and we will make every effort to assist.

To file a formal complaint complete the "Insurance Inquiry Form" and return it to the Consumer Relations Division, Insurance Bureau, or contact the staff by phone or e-mail.