

1-800-927-4357

www.insurance.ca.gov



Health

Insurance



California Department of Insurance



Table of Contents

Page

- 2 Health Insurance Basics
- 4 Health Insurance Benefits
- 6 Health Insurance Costs

Ways to Get Health Insurance in California

- 8 Getting Group Health Insurance Through Your Job
- 10 If You Lose Your Group Health Benefits
- 12 Buying Individual Health Insurance on Your Own
- 14 Programs for People with Low Incomes
- 15 Programs for People with Pre-Existing Conditions

Types of Health Insurance

- 16 Preferred Provider Organizations (PPOs)
- 17 Health Maintenance Organizations (HMOs)
- 18 Compare PPOs and HMOs
- 20 Other Types of Health Coverage

- 22 Shopping for Health Insurance
- 24 Know Your Rights and Responsibilities
- 26 Health Care Reform
- 28 What to Do if You Have a Problem with Your Policy
- 30 Common Terms
- 33 Find More Information
- 34 Talk to the Department of Insurance

Health Insurance Basics

Health insurance can help protect you from the high costs of illness or injury. It also helps you get regular health care, such as exams and vaccines.

But health insurance can cost a lot. And it can be hard to choose the best insurance. Use this brochure to help choose health insurance.

This brochure can also help you understand your health insurance policy. Your policy is a legal document, and it is important that you understand it.

How will health care reform affect me?

In California, consumers already have new rights under the health care reform law. For example:

- Most policies now let you keep your children on your insurance until age 26.
- As long as you fill out the application honestly, your health insurance cannot be cancelled because you get sick.
- Many policies provide preventive care, such as vaccines and certain cancer screenings, with no out-of-pocket cost to you.
- More changes are coming soon. To learn more, see page 26.

How can I learn more about my health insurance?

- Ask your insurance company or employer for a Summary of Benefits. This is a short list of your benefits and costs.
- Make sure you have a copy of your policy. This has more information about your costs and benefits. It also tells you the services that are not covered.
- Most health insurance companies have a phone number you can call with questions. Or ask your health insurance agent, insurance company, or employer to explain things.



How can the California Department of Insurance (CDI) help me?

CDI regulates many health insurance companies. This means that we make sure they follow the law.

- We can help you understand your health insurance.
- We can help you if you have a problem, or want to file a complaint (such as an appeal or grievance).
- You can call CDI with questions. Contact us at:
1-800-927-4357
www.insurance.ca.gov
- For a list of other agencies that help people with health insurance problems, see page 33.

What if I have Medicare?

This brochure does not explain Medicare.

- For information on Medicare call **1-800-MEDICARE** or visit **www.medicare.gov**.
- You can also call California's Health Insurance Counseling and Advocacy Program (HICAP) at **1-800-434-0222**. HICAP provides free counseling and information on Medicare.
- If you have a question about Medicare Supplement (Medigap) policies plans, you can call CDI at **1-800-927-4357**.

Do I have to buy health insurance?

You do not need to buy insurance now. But beginning in 2014, most people must buy health insurance. Health insurers will also no longer be able to deny your application. The California Health Benefit Exchange will help people find affordable health insurance. The federal government will provide subsidies for those who qualify.

Health Insurance Benefits

Benefits are the services your health insurance pays for. To use a benefit, you must need it. Your health insurance only pays for services that are medically necessary.

Most health insurance in California covers a wide range of basic services, including:

- Hospital care
- Visits to a primary care doctor and specialists
- Outpatient procedures, like surgery
- Laboratory tests and diagnostic services, like x-rays and mammograms
- Pregnancy and newborn care
- Preventive and routine care, like vaccines and checkups
- Mental health care (including therapy for autism)
- Emergency and urgent care
- Rehabilitation therapy, such as physical, occupational, and speech therapy
- Some home health or nursing home care after a hospital stay

Some services must be covered.

The law says that policies must cover certain services. For example, many policies must cover diabetes supplies. Check out the list of benefit mandates at www.chbrp.org.

Beginning in 2014, many policies must cover “essential health benefits.” These include the services listed above, as well as prescription drugs, substance abuse treatment, and oral and vision care for children. California is still deciding on the list of essential health care services.



Preventive Care

Preventive care helps you stay healthy. It also helps doctors catch health problems early. It includes:

- Blood pressure, diabetes, and cholesterol tests
- Birth control
- Cancer screenings
- Routine vaccines
- Regular pediatrician visits
- Vision and hearing screening for children
- Counseling about obesity

Under federal health care reform, many policies cover certain preventive care services without any out-of-pocket cost to you.

- This means that you do not have a co-pay or co-insurance for the preventive care.
- Even if you have not met your deductible yet, you do not have to pay for the preventive care.
- Policies that started before health care reform began (March 23, 2010) do not have to follow this rule. They are called “grandfathered” policies.



Watch out for “discount plans” and “limited benefit plans.”

These are plans that do not cover all basic health care services. See page 21.

Health Insurance Costs

Insurance helps pay for health care. But it does not pay all costs. Usually, you have to pay a share of the costs.

Premium: A fee to get and keep insurance. You may pay the whole premium. Or your employer may pay all or part of it.

Deductible: This is the amount you must pay each year before your insurance begins to pay. Some policies have separate deductibles for prescription drugs and hospital care. Some policies have no deductible. Check your policy to learn how your deductible works.

Co-insurance or Co-pay

Some policies have a co-pay and some have a co-insurance. And some have both.

- **Co-insurance:** This is the part of each bill that you must pay, after you've met your deductible. For example, if your insurance covers 80% of the charges for your surgery, you must pay the other 20%. This 20% is called the co-insurance.
- **Co-pay:** This is a flat amount you pay for each visit to a doctor or each prescription, such as \$20 for a doctor visit or \$15 to fill a prescription.

Annual out-of-pocket limit: After you reach this limit, you may not have to pay more co-pays or co-insurance for the year. This limit may not include prescription drugs. Check your policy to learn how this limit works.

Yearly and Lifetime Limits (Maximums)

Some policies have a limit on what they will pay for your health care in one year or in your lifetime. Under health care reform this is changing. Health policies can no longer put a lifetime limit on essential health benefits. Yearly limits end in 2014.



Keep track of your bills.

- Keeping track of your bills helps you protect yourself from fraud.
- You may get something in the mail that says, “This is not a bill.” It may be called an Explanation of Benefits (EOB). You should not pay it.
- If you do not understand a bill, call the people who sent it to you. You have a right to get an explanation.
- If you think the bill is wrong, call your health insurance company. You can file a complaint or appeal if you disagree with the bill. See pages 28–29.
- If you have two insurance policies, usually one policy pays first. Talk to your insurance companies to make sure you understand what to do with your bills.

How much will I have to pay?

It can be hard to know how much you may owe. Call your insurance company and ask for an estimate before you get a costly service. Ask if you can compare the costs of different providers online.

The Allowed Amount

Some policies have a limit on what they will pay for a service. This is called the “allowed amount” or “negotiated rate.” If your provider charges more, you may get a bill for the extra amount. This is called balance billing.

- A provider that is not in your PPO network may bill you more than the allowed amount. Learn about PPOs on page 16.
- However, a provider in your PPO's network should not balance bill you. They can only bill you for your deductible, co-pay, or co-insurance.

Getting Group Health Insurance Through Your Job

Most people in California get group health insurance through a job. This is also called employee coverage. Employers with 50 or more employees buy large-group policies, and those with fewer than 50 buy small-group policies.

In most cases, group insurance is better than individual insurance. It gives you more benefits at a lower cost.

- Your employer may offer one group policy, or several.
- You may pay part of your premium.
- You may pay all of the premiums for your dependents.
- Most group policies must cover the basic services listed on page 4. Self-insured plans do not have to cover all these services.
- Group policies must cover care for pregnancy and delivery, whether you are pregnant when you join or become pregnant after you join.



For more information on your group insurance, see your Human Resources department or ask for an insurance handbook.

Pre-existing conditions: A pre-existing condition is a health condition you had before you enrolled in health insurance. Health care reform says that children under age 19 cannot be denied group insurance because of a pre-existing condition.

If you are age 19 or older, group health insurance can delay services for your pre-existing condition for up to 6 months. If you had health insurance within the last 63 days, this period might be shorter.

Beginning in 2014, health care reform says that insurers cannot deny group insurance to anyone because they have a pre-existing condition.



Waiting periods: Some group policies have waiting periods for all new employees, instead of exclusion periods for pre-existing conditions. The waiting period can be up to 60 days. During this time, you do not pay premiums or get any health care services.

Enrolling in Group Health Insurance

When you are hired, ask about your deadline for enrolling in your employer's health insurance. After this deadline, you must usually wait until the yearly open enrollment period to join.

However, you can enroll dependents after certain events, such as marriage, birth, or when a spouse or partner loses their job.

The open enrollment period is when you make decisions about the insurance choices your employer offers. Your employer will tell you when insurance choices, benefits, and costs change.

Self-insured Plans

Many large employers are self-insured. The employer sets aside a pool of money and uses it to pay for the health care of employees. Ask your employer if they are self-insured.

- If you have a self-insured plan through your employer or union, you can get help from the U.S. Department of Labor, Employee Benefits Security Administration. Call the Employee Assistance Hotline at **1-866-444-3272**.
- If you have a self-insured plan through your town or religious organization and you have a problem with the plan, you can file a complaint with the plan directly or you can file a lawsuit.

If You Lose Your Group Health Benefits

If you lose your job or your hours are cut, you may also lose your group health benefits.

- You may be able to buy continuation health coverage. See below.
- Or you may be able to buy an individual policy (see page 12).
- Or you may qualify for a public program (see page 14).
- Or you may be able to get on your spouse's or partner's group insurance. Try to do this as soon as possible, to avoid a gap in coverage.

Continuation Health Coverage

You and your dependents may be able to continue your health coverage with continuation health coverage.

- You have to pay all the premium.
- You cannot be denied coverage because of a pre-existing condition.
- After you use up one kind of continuation coverage, you may be eligible for another kind of coverage.
- There are deadlines and other requirements for each kind of continuation coverage.



Kinds of Continuation Health Coverage

- **COBRA** and **Cal-COBRA** may allow you and your dependents to keep your group coverage for up to 18 or 36 months.
- **Conversion** coverage is an individual policy with the same insurance company that offered your group policy. You must first use up all of the COBRA and/or Cal-COBRA that you qualify for.
- **HIPAA** coverage is also an individual policy. But you can buy it from any company that sells individual policies. You must first use up all of the COBRA and/or Cal-COBRA that you qualify for.



Certificate of Creditable Coverage

When you leave any health plan, ask for a Certificate of Creditable Coverage. Keep it. You may need it when you sign up for new insurance.

Buying Individual Health Insurance on Your Own

People usually buy individual health insurance because they do not have group insurance through a job and they do not qualify for any public program.

You can buy an individual policy from an insurance company or through a licensed health insurance agent. You can search for health plans at www.healthcare.gov.

There are many kinds of individual policies, with different costs and benefits. You should study your choices carefully so that you can choose the one that best suits your needs. See pages 22–23 for tips on choosing a policy.

Can I be denied coverage? If you are age 19 or older, an individual policy can refuse to cover you if you have a pre-existing condition. Or it can charge you more, or limit your benefits. If you are pregnant when you join a plan, it may not cover your pregnancy care.

Can children under 19 with pre-existing conditions be denied coverage? No. Under health reform, individual policies cannot deny coverage to children under 19 because of a pre-existing condition. However, the premium can be higher.



New Rules in 2014

Beginning in 2014, plans will not be able to reject anyone's application based on their health history or pre-existing condition.



Can a policy delay services for adults with pre-existing conditions? Yes. Your policy may delay coverage for pre-existing conditions for up to one year after your policy starts. This is called an “exclusion period.” This period is shorter if your previous insurance ended within the last two months.

How will coverage for pre-existing conditions change in 2014? Under health care reform, in 2014, most policies cannot limit benefits, charge higher premiums, or deny coverage due to a person's pre-existing condition.

Waiting Periods

Some individual policies have a waiting period before any of your benefits start. The waiting period is 60 days or less. You do not pay a premium during this period.

Premiums

- Your premium for individual health insurance depends on the plan you choose, your age, your health, your family size, and where you live.
- Your premium can be increased yearly or more often. It can also be increased if you or members of your family have a birthday and move into a new age group.
- Premiums cannot be based on your race, ethnicity, sex, sexual orientation, or gender identity.

Programs for People with Low Incomes

Medi-Cal (California's Medicaid program)

Medi-Cal pays for health care for people with limited incomes. To find out if you qualify for Medi-Cal, contact the welfare or social services department in your county.

www.dhcs.ca.gov

www.medi-cal.ca.gov

1-800-541-5555

Healthy Families

Healthy Families is low-cost insurance for children and teens who do not qualify for no-cost Medi-Cal. It provides health, dental, and vision care.

www.healthyfamilies.ca.gov

1-800-880-5305

AIM (The Access for Infants and Mothers Program)

AIM is low-cost health care for pregnant women whose income is too high for no-cost Medi-Cal. It is also for women who have health insurance with a maternity-only deductible or co-pay above \$500.

www.aim.ca.gov

1-800-433-2611

Federally Funded Health Centers

If you do not have insurance and need health care now, these centers can help you. People pay what they can afford, based on income.

<http://findahealthcenter.hrsa.gov>

Programs for People with Pre-Existing Conditions

These are programs for people who have been denied insurance because they have pre-existing conditions. In 2014 it will become illegal for most plans to deny you insurance because you have a pre-existing condition.

Both websites below have a link to the PCIP/MRMIP Application and Handbook, which helps you compare the two programs.

PCIP (The California Pre-Existing Condition Insurance Plan)

PCIP is a federal program under health reform. To qualify, you must have been without any health insurance for the last 6 months. The premium is based on your age and where you live.

www.pcip.ca.gov

1-877-428-5060

MRMIP (Major Risk Medical Insurance Program)

MRMIP is a state-funded program. Sometimes there is a waiting list due to limited funding.

www.mrmib.ca.gov

1-800-289-6574

Types of Health Insurance Preferred Provider Organizations (PPOs)

For more information on comparing PPOs and HMOs, see pages 18–19.

Which doctors, hospitals, and other providers can I use?

You can see “preferred” providers or “out-of-network” providers.

- A PPO has a network of preferred providers. You pay less if you see these providers. These providers have contracts with the PPO to provide care at certain rates.
- If you go to a doctor or hospital that is not on the preferred provider list, you pay more. This is called going out-of-network. The plan pays less or nothing at all.

What are my costs if I have a PPO?

Costs can vary a lot, depending on the providers you see. If you stay in the PPO’s preferred provider network, your costs are less.

If you decide to see a doctor outside the PPO network, you pay much more. Before you see out-of-network providers, check with your PPO to find out what is covered.

Where can I go if I have a problem?

If you have a PPO, call the California Department of Insurance for assistance. Call **1-800-927-4357**.

Types of Health Insurance Health Maintenance Organizations (HMOs)

For more information on comparing PPOs and HMOs, see pages 18–19.

Which doctors, hospitals, and other providers can I use?

You must use providers in the HMO network.

- Usually, you must have a primary care doctor. This doctor provides your basic care and makes referrals to specialists.
- The doctors and other providers may be employees of the HMO or they may have contracts with the HMO.
- To join an HMO, you must live in the area the HMO serves. Outside this area you can only get emergency or urgent care.

What are my costs if I have an HMO?

Usually you pay a flat co-pay each time you see a doctor or fill a prescription. But you may pay a co-insurance for some services. This is a part or percent of the cost, such as 20%.

Where can I go if I have a problem?

If you have an HMO, contact the California Department of Managed Health Care (DMHC) for assistance. Call the DMHC Help Center at **1-888-466-2219**.

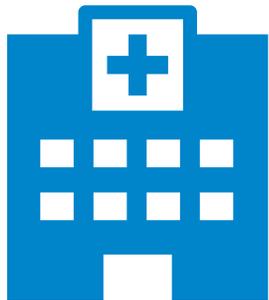
Compare PPOs and HMOs

Why would I choose a PPO?

You have a doctor you like and want to keep your doctor. You want the freedom to see providers out of your network even if you have to pay more. You want to see specialists and other providers without having to get referrals or pre-approvals.

Why would I choose an HMO?

You want to have a primary care doctor who can help you decide what care you need and how to get it. Usually HMOs have fixed co-pays for certain services, so you do not have to worry about getting a bill for a percentage of the cost of care.



	PPO	HMO
Network	You pay less to see providers in your policy's network. These are called preferred providers.	You get care from the doctors, labs, and other providers in your plan's network.
Out-of-network	You can go out of the network, but you pay more.	You cannot see providers outside the network except in an emergency or if your plan gives you pre-approval.
Primary care doctor	You can choose whether or not to have a primary care doctor.	You must have a primary care doctor. This is the doctor you usually see first when you need care.
Referrals	You may be able to get many health services without a referral.	You need referrals to see specialists or get lab tests.
Pre-approval	You may be able to get many health services without pre-approval.	You will need pre-approval from your health plan before you can get many health services.
Costs	<ul style="list-style-type: none"> You may have a yearly deductible. You may also have deductibles for hospital care and prescription drugs. Care in the network costs a lot less than care outside the network. 	<ul style="list-style-type: none"> You are less likely to have a yearly deductible. You usually pay a co-pay or flat fee for most doctor visits.

Other Types of Health Coverage

Fee-for-Service

Fee-for-service insurance is also called traditional or indemnity insurance. It was widely available in the past, but it is a rare type of insurance these days. Most insurance companies now offer the preferred provider network type of insurance, such as a PPO or HMO.

Fee-for-service policies usually allow you the most choice of doctors and hospitals, with few geographic limits. However, you must make sure that your doctor or hospital takes your insurance.



How fee-for-service works:

- You give the doctor (or other provider) your insurance card at the time you get care.
- Usually, the doctor bills your insurance. You must send a claim to your insurance if the doctor does not do that for you.
- Usually, your insurance pays part (such as 80%) and you pay the rest. For example, if the bill is \$300, your insurance might pay \$240 and you pay \$60.
- If you have not paid your deductible yet, you may have to pay the whole \$300.

Fee-for-service is usually the most expensive kind of insurance. You usually have a deductible. You usually pay a co-insurance, or percent, of the cost of each service. You send in a claim form for care you receive.

If you have a problem, you can call the California Department of Insurance. Call **1-800-927-4357**.

High-Deductible Plans

These plans have lower premiums but high deductibles. The deductible each year can be over \$5,000 for an individual and over \$10,000 for a family. You must pay a lot of money each year before your plan covers anything except preventive care.

Usually a high-deductible plan is combined with a Health Savings Account (HSA). You or your employer can put tax-free money into a savings account and use it to pay your deductible.

Limited Benefit Plans

Limited benefit plans are also called mini-meds. They provide very limited benefits. They are advertised on TV as low-cost health insurance. Read the policy very carefully. If you have a serious illness, you might run out of coverage quickly.

Discount Plans

Discount plans are not health insurance. They simply offer discounts from certain doctors, pharmacists, and other providers. They are often advertised on the Internet and late-night TV. You should read the plan contract very carefully. Before you buy, contact the California Department of Insurance at **1-800-927-4357**.

Supplemental Health Insurance Policies

These policies are for people who already have health insurance. They pay some of the costs that your main insurance does not cover. They can pay limited benefits such as a daily dollar amount if you are hospitalized, or a set sum if you are diagnosed with cancer. Make sure you understand the supplemental policy:

- What are the limitations and exclusions?
- How does the policy coordinate benefits with your main health insurance?

Shopping for Health Insurance

Shopping for health insurance can seem overwhelming. Think about what is important to you. Start by asking these questions:

What are the costs?

- How much are the premiums?
- Is there a deductible?
- How much are the co-pays and/or co-insurance?
- What is the plan's out-of-pocket maximum (the most you would have to pay in one year)?

Which doctors and other providers can I see?

- Is there a network? How large is it?
- Can I see any provider in the network?
- Is my current doctor in the network?
- If I need to choose a new doctor, are there doctors in my area accepting new patients?
- Will I need a referral from my doctor to see a specialist?
- Does the plan have hospitals and pharmacies near me?
- Do I need pre-approval (pre-authorization) from the plan for certain services?
- If I travel often, what care can I get away from home?

What are the covered benefits?

- What services does the plan pay for? What is not covered? Are the services that I need covered?
- Are prescription drugs covered? How much will I need to pay for my prescriptions?
- Are there any limits on the number of visits for some kinds of care?

What is the quality?

- The California Department of Insurance can tell you how a company ranks in complaints. You can find out how long it takes to reach a real person when you call the company and how many complaints the company gets. We have a PPO Report Card with quality information about PPOs. Call **1-800-927-4357** or go to **www.insurance.ca.gov**.
- The California Office of the Patient Advocate (OPA) has information on health insurance and provider quality, at **www.opa.ca.gov**.

Applying for Health Insurance

When you buy individual insurance, you need to fill out an application. Fill out the application accurately and completely. If you knowingly provide incorrect, incomplete, or misleading information, especially about a pre-existing condition, your coverage can be cancelled later. If the plan can prove that you deliberately lied on your application, they can charge you for all the costs of the services you received.

What if my application is not approved?

If you are purchasing individual insurance and you are 19 years of age or older, your application can be denied because you have a health problem. This will change in 2014 under health reform.

If you cannot find insurance, look into the programs described on pages 14–15.



The most expensive plan may not offer the best quality of care. And the cheapest plan may not cover the benefits you need.

Know Your Rights and Responsibilities

You have a right to:

- Be treated with courtesy and respect.
- Get quality health care.
- Get care from qualified medical personnel.
- Choose a primary care doctor or pediatrician you trust, and change doctors if you are not satisfied.
- Get an interpreter when English is not your first language.
- Get an appointment when you need one.
- Understand your health problem.
- Understand the risks and benefits of your treatment choices.
- Get a second opinion about a diagnosis or treatment.
- Choose or refuse treatment.
- Have your health information protected.
- Get a copy of your medical records.



Ask questions.

If you are not sure how to get a service, talk to your doctor or call your plan. Usually there is a membership or customer service number on your membership card.



Learn the rules for your policy.

- Read your health plan's Summary of Benefits to learn what is covered and what is not covered (excluded).
- Your insurance only pays for care that is medically necessary. This is defined in your insurance policy.
- Your plan may not pay for care that is experimental or investigational. But if you have a serious illness and feel that you need an experimental or investigational treatment, you can ask for an independent medical review. See page 29.
- You may need to get pre-approval from your health plan for some kinds of care.
- You do NOT need pre-approval for emergency care.
- Health plans must cover some specific treatments (mandates). To see this list, visit www.chbrp.org.
- For more information about the rules for plans regulated by the California Department of Insurance (most PPOs and fee-for-service plans), visit www.insurance.ca.gov.
- For more information about the rules for plans regulated by the California Department of Managed Health Care (HMOs and Blue Cross/Blue Shield PPOs), go to www.dmhc.ca.gov.
- Self-insured plans follow different rules. For more information, see your policy or go to www.dol.gov/ebsa.

Health Care Reform

National health reform was passed by Congress and signed into law by President Obama in 2010. The name of the new law is the Patient Protection and Affordable Care Act (ACA).

Health reform offers many benefits to Californians looking for health insurance. For more information on health care reform in California, go to www.insurance.ca.gov.

These reforms are already in effect:

- No cancellation of your policy when you become sick.
- Children under age 19 cannot be denied coverage because of a pre-existing condition.
- No more lifetime limits on essential health benefits (see page 4). Annual limits on essential benefits are also ending. They rise from \$750,000 to \$2 million a year until they completely end in 2014.
- No charge for preventive care such as mammograms, vaccines, well-child care, and many other health screenings.*
- You do not need to get a referral for pregnancy and other gynecological care, as long as the provider is in your network.*
- Generally, children can stay on their parents' policy until age 26, as long as the policy offers dependent coverage.*

* There are certain exceptions for "grandfathered" plans—plans that existed before passage of the Affordable Care Act.



More reforms are coming in 2014:

- A health insurance company cannot deny you coverage if you have a pre-existing condition.
- No annual limits on essential health benefits.
- Medi-Cal coverage will expand to include more low-income families.†
- Health insurance companies must sell and renew insurance policies to anyone.
- The California Health Benefit Exchange opens a one-stop shop where you will be able to shop for and buy insurance. For more information, visit www.hbex.ca.gov.

Do I have to buy health insurance?

Beginning in 2014, most people will be required to purchase health insurance. Health insurers will also no longer be able to deny your application beginning January 1, 2014. The California Health Benefit Exchange will help people find affordable health insurance, and the federal government will provide subsidies for those who qualify.

The California Health Benefit Exchange

Starting in 2014, the Exchange will help Californians and small employers buy health insurance. To learn more, go to www.hbex.ca.gov.

The Exchange will help you find out if you can qualify for tax credits to save costs on health insurance. If you do, the Exchange can help you get the credit ahead of time to help you buy your policy.

† California will expand Medi-Cal coverage to include all individuals under 133% of the federal poverty level. See current levels at <http://aspe.hhs.gov/poverty/12poverty.shtml>.

What to Do if You Have a Problem with Your Policy

Contact your health plan to resolve your problem.

- Talk to your doctor and call your health plan. Sometimes talking solves the problem.
- You can file a complaint with your health plan. A complaint is also called a grievance or appeal.
- Generally, your insurance company must make a decision within 30 days.
- If your health problem is urgent, your health insurance must do an Expedited Review. It must be done as soon as possible, in 72 hours or less.

If you are not satisfied with your health plan's review process or decision, call the California Department of Insurance (CDI). You may be able to file a complaint with CDI or another government agency.

If your policy is regulated by CDI, you can file a complaint at any time. The CDI reviews cases that involve:

- Disagreements about the services your health plan must cover.
- Termination or cancellation/rescission of your insurance policy.
- Exclusions and limits on services that are usually covered (such as a pre-existing condition exclusion or a provider network exclusion).



My claim was denied. Now what?

Your health insurance policy tells you how to appeal if your plan denies your claim or pays less than you think it should.

You have a right:

- To receive an explanation of your plan's grievance and appeal procedures.
- To file a complaint, also called a grievance or appeal, with your plan.
- To receive an easy-to-understand written decision on your appeal.
- To file a complaint with the CDI. Call **1-800-927-4357** or visit **www.insurance.ca.gov**.

Independent Medical Reviews (IMR)

In an IMR, independent medical professionals review a medical decision made by your insurance company. You can ask for an IMR if your health plan:

- Denies, changes, or delays a service or treatment, based on a decision that it is not medically necessary.
- Will not cover an experimental or investigational treatment for a serious medical condition.
- Will not pay for emergency or urgent medical services that you have already received.

For more information about IMR:

- Go to **www.insurance.ca.gov**.
- Call CDI at **1-800-927-4357**.

Common Terms

Allowed amount or negotiated rate—The most that your insurance will pay for a service. If your provider charges more than the allowed amount, you may have to pay the difference.

Balance billing—When a provider bills you for the difference between their usual charge and your insurance company's allowed amount. For example, if the usual charge is \$100 and the allowed amount is \$70, your provider might send you a bill for \$30. In California, a provider in your preferred provider network may not balance bill you.

Certificate of Creditable Coverage—A written statement from your last health plan that says how long you were covered.

Claim—A claim is a request to your insurance company to pay for a health care service you received.

Co-insurance—This is your share of cost for a health care service. It is a percent (for example, 20%) of the allowed amount for the service. For example, if the charge for an office visit is \$150 and your co-insurance is 20%, you pay \$30 and your plan pays \$120.

Co-pay—This is a fixed amount (such as \$15) that you pay for a service. You usually pay the co-pay when you get the service.

Deductible—The amount you pay before your insurance company covers any costs. For example, if your deductible is \$1,000, your plan will not pay anything (except preventive care—see page 5) until you have met your \$1,000 deductible. You may choose a higher deductible to lower your premium.

Essential health benefits—These are the benefits that some policies must cover beginning January 1, 2014. Most individual and small group insurance policies will have to cover these benefits.

Exclusions, excluded services—Services that your health plan does not pay for.

Network—The facilities, providers, labs, hospitals, and pharmacies that your health plan has contracts with to provide health care.

Out-of-pocket limit—The most you pay during a year before your health insurance company begins to pay 100% of the allowed amount. This limit does not include your premium, balance-billed charges, or the costs for health care your plan does not cover.

Policy—The written contract between an individual or group policyholder and an insurance company. A policy outlines the responsibilities of both parties.

Pre-authorization, pre-approval, or prior approval—This is a form from your health plan that says the service your doctor or you requested is approved. Your health plan can require pre-approval for some services before you receive them, except in an emergency.

Pre-existing condition—A health condition you had before you joined a group plan or applied for individual insurance. See pages 8, 12, and 13.

Premium—The fee you pay to have insurance. Your employer may pay part of your premium. The premium is usually paid monthly.

Provider—A health professional or organization that provides health care services, such as a doctor, physical therapist, hospital, lab, or clinic. A preferred provider is a provider in your plan's network.

Tiered network—A kind of network with several cost levels. You pay different amounts to see providers in different tiers.

UCR (usual, customary, and reasonable)—The amount that providers in an area usually charge for the same or similar service. The allowed amount may be based on the UCR amount.

Find More Information

For information about the Department of Insurance, see page 34.

California Department of Managed Health Care Help Center

Information and assistance for members of HMOs and some other health plans.

www.dmhc.ca.gov

1-888-466-2219

California Office of the Patient Advocate (OPA)

Information on health insurance and provider quality.

www.opa.ca.gov

HICAP (Health Insurance Counseling and Advocacy Program)

Free counseling and information on Medicare, throughout California.

www.aging.ca.gov/hicap

1-800-434-0222

Medicare

Information and assistance with Medicare. This is the official federal Medicare website.

www.medicare.gov

1-800-MEDICARE

U.S. Department of Labor, Employee Benefits Security Administration (DOL-EBSA)

Information on COBRA and on some kinds of self-funded plans.

www.dol.gov/ebsa

1-866-444-3272

The California Department of Insurance

Consumer Education and Outreach Bureau

300 South Spring Street, South Tower, Los Angeles, CA 90013

1-800-927-4357

1-800-482-4833 (TDD)

www.insurance.ca.gov



This brochure is a joint project of the California Department of Insurance and Health Research for Action, School of Public Health, University of California, Berkeley.

Form 254 / Health Insurance

August 2012 – OSP

1-800-927-4357

www.insurance.ca.gov

Automobile Insurance



California Department of Insurance



Table of Contents

Page	
2	Introduction to Auto Insurance
4	Auto Insurance Costs
6	Liability Coverage and California Law
8	Other Kinds of Coverage
10	Coverage Summary
12	Shopping for Auto Insurance
14	Worksheet: How Much Insurance Do I Need?
16	Filling Out an Application
18	Working with an Agent or a Broker
19	If You Have an Accident
20	If You Cannot Afford Standard Auto Insurance
22	If You Have a High-Risk Driving Record
23	Common Terms
26	Find More Information
27	Disclaimer
28	Talk to the Department of Insurance



Introduction to Auto Insurance

Auto insurance helps pay for the injuries and damage that can happen when you own and drive a car or other motor vehicle.

This brochure can help you compare policies and make informed decisions when you buy auto insurance. It can help you understand your auto policy. Your policy is a legal document, and it is important that you understand it.

Your motor vehicle may be an auto, truck, van, motorcycle, or another kind of private passenger vehicle.

California Law

You must show financial responsibility for any vehicle that you own, in case of injury to other people or damage to their property. Most people show financial responsibility by buying auto liability insurance. California law states,

“All drivers and all owners of a motor vehicle shall at all times be able to establish financial responsibility and shall at all times carry in the vehicle evidence of the form of financial responsibility in effect for the vehicle.”

If you do not have auto liability insurance, you can be fined, your license may be suspended, and your vehicle could be impounded.

Your Auto Policy

Your auto insurance policy is a contract between you and your insurance company. It explains:

- Your costs.
- Your coverages—the different things your policy covers.
- Your exclusions—the things your policy does not cover.



Contact the California Department of Insurance (CDI)

We are the state agency that regulates the insurance industry. We also work to protect the rights of insurance consumers. See page 28 for more information about CDI. Contact us at:

1-800-927-4357

www.insurance.ca.gov

Compare Policies

Auto policies can vary a lot. Discuss your insurance needs openly with your agent, broker, or insurance company. They can help you, but it is your responsibility to choose the insurance that is best for you.

You should always get several quotes. A quote is an estimate of your premium cost. Compare quotes before you buy a policy.

Know Your Policy

It is important to be familiar with your auto policy before you need it. Read it carefully. The Declarations page is a useful summary of your policy.

- Call your agent, broker, or insurance company if you do not understand something in your policy.
- Tell your agent, broker, or insurance company if you sell or buy a car or have new drivers in your household.
- Read your policy before you allow others to drive your car. Some drivers might be excluded from your policy. This means that the policy will not cover accidents when they are driving.

Auto Insurance Costs

Premium

A premium is the amount you pay to the insurance company to buy your auto policy. The premium covers the term or length of the policy. The term can be 6 months or 1 year.

Most insurance companies allow you to pay the premium in installments. Ask if there is an extra fee for doing this.

Deductible

Some kinds of coverage have deductibles. A deductible is the amount you must pay before the insurance company pays anything on a claim.

You usually pay a lower premium if you choose a higher deductible.

Example: Let's say that your Comprehensive coverage has a \$500 deductible. If a storm causes \$1,500 of damage to your car, you must pay the first \$500. Then your Comprehensive coverage pays the rest—\$1,000.

Limits

Each kind of coverage has its own limits. The limit is the total amount the insurance company will pay for a single accident or claim. The insurance company will not pay any costs above the limits.

Example: Let's say that your auto liability coverage has a \$50,000/\$100,000 limit on bodily injury for one accident. In this case, your insurance will **not** pay more than \$50,000 for one person. It will **not** pay more than \$100,000 for one accident.



Do I pay a fee to my agent or broker?

Agents are paid by insurance companies, not by you. If you work with a broker, you will usually pay a broker's fee. See page 18.

Do all insurance companies have the same costs?

No. Costs vary, even in the same area. When you shop for auto insurance you should compare costs and coverage from several companies. See pages 12–13.

I cannot afford my premiums. What can I do?

California has a Low Cost Automobile Insurance Program for good drivers who are income eligible. See pages 20–21.

Liability Coverage and California Law

Liability coverage helps pay for injuries or damage to others when you are responsible. If you own and drive a vehicle, you must follow the financial responsibility laws in the state Vehicle Code. The most common way to do this is to buy auto liability coverage.

Liability coverage does not pay for injuries to you or the people in your family. You can buy medical payments coverage for you and your family (see page 8).

Minimum Liability Coverage

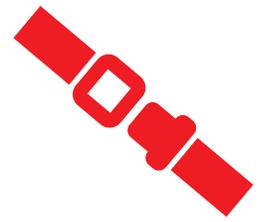
By law, the limits below are the minimum insurance limits for a standard auto policy. You must have this much coverage.

Minimum Bodily Injury Liability Limits

- **\$15,000** for the death or injury of any one person. If one person is injured in the accident, your coverage pays up to \$15,000.
- A total of **\$30,000** for the death or injury of more than one person in any one accident. If 2 or more people are injured, the coverage pays up to \$30,000. The coverage will not pay more. The injured people share the money.
- This coverage applies to injuries that you cause to someone else.

Minimum Property Damage Liability Limits

- **\$5,000** for damage to the property of other people.
- This pays for damage you cause to someone else's car, or to objects and structures that your car hits.



You must buy liability coverage.

Driving without insurance is illegal. Also, you must have liability coverage to register your car. Your insurance company tells the California Department of Motor Vehicles (DMV) if you buy auto insurance or if you stop paying your premium.

What happens if I do not have liability coverage?

If you do not show proof of insurance when asked, you will get a ticket. If you do not have any insurance, your license may be suspended and your vehicle could be impounded. Remember, driving is a privilege, not a right.

How do I prove that I have liability coverage?

Your insurance company will send you a card to show proof of insurance. It lists the insured vehicles and the name of the policy owner. It also shows the policy number and the dates the policy starts and ends. **Keep this card in your car.**

What if I cause an accident that costs more than my liability limit?

You can be sued for additional costs. It is possible that you could lose your savings and even your house.

Should I get higher limits than the law requires?

You may want higher liability limits than the law requires. In general, the more assets you have, the more you could lose in a lawsuit. You should discuss your situation with your agent, broker, insurance company, or financial advisor.

Are there other ways to show financial responsibility besides buying insurance?

Yes, there are several ways to show financial responsibility. For more information, go to the DMV website at www.dmv.ca.gov.

Other Kinds of Coverage

These are other common types of coverage. You may not need all of them.

Uninsured Motorist Coverage (UMC) / Underinsured Motorist Coverage (UIM)

This covers you if you are in an accident with a driver who does not have any liability insurance, or is underinsured.

The insurance company must offer you this coverage. If you choose not to buy it, you must sign a form, called a waiver. The form says you were offered the coverage and turned it down.

- **Uninsured motorist bodily injury (UMBI):**
This pays for injuries to you and any person in your car when there is an accident with an uninsured driver who is at fault. The limits are the same as your liability coverage limits.
- **Underinsured motorist (UIM):**
This covers limited costs for bodily injury if you are in an accident with a driver who does not have enough insurance to pay for damages.
- **Uninsured motorist property damage (UMPD):**
This pays for the damage to your car from an accident with an uninsured driver who is at fault. The limit is \$3,500. This only pays if the uninsured driver is identified. You may not need it if you have collision coverage.

Medical Payments Coverage

This covers the cost of medical expenses if you or your passengers are injured. This coverage can pay for immediate medical care, no matter who is at fault.

- The minimum limit you can buy is \$1,000 for each person injured. You can ask for higher limits of coverage.

Physical Damage Coverage

- **Collision** covers damage to your car caused by physical contact with another vehicle or an object, such as a deer, tree, rock, guardrail, building, or person.
- **Comprehensive** covers damage to your car caused by something other than a collision. For example, comprehensive can cover damage from fire, theft, vandalism, windstorm, flood, falling objects, etc. It does not cover mechanical breakdown, normal wear and tear, or maintenance.

Collision and Comprehensive coverage provide compensation based on the market value of your car. If the value is low, you may not choose these.

Additional Kinds of Coverage (Endorsements and Riders)

- You can buy insurance for extra equipment, such as stereos, CD players, custom wheels, navigation systems, and cell phones that are permanently installed.
- You can buy insurance for towing and road service.
- You can buy *rental reimbursement* insurance for renting a car when your car is being repaired after a covered accident.

If you have a car loan:

If you have a loan, you usually need to insure your car. If you do not buy insurance, the loan company may buy it and charge you. It usually costs less if you get your own Collision and Comprehensive coverage.

Auto insurance does not pay off your loan if your car is damaged and its market value is less than what you owe. Auto dealers and lenders may offer Guaranteed Auto Protection (GAP) insurance for this purpose.

Coverage Summary

Type of Coverage	Do you have to buy this coverage?
<p>Liability Coverage is for accidents that are your fault.</p> <ul style="list-style-type: none"> • Bodily injury liability pays for bodily injury you cause someone else. • Property damage liability pays for property damage you cause someone else. 	<p>California law requires you to have this coverage. See pages 6–7.</p>
<p>Uninsured/Underinsured Motorist Coverage is for accidents when the other driver is at fault and does not have insurance or does not have enough insurance.</p> <ul style="list-style-type: none"> • Bodily injury coverage pays medical expenses for you and passengers. • Property damage coverage pays the cost of repairs to your car not covered by collision coverage up to \$3,500. You may not need this if you have collision coverage. 	<p>You must be offered this coverage, but you can choose not to buy it.</p>

Type of Coverage	Do you have to buy this coverage?
<p>Medical Payments Coverage pays limited medical expenses for people injured in the car you are driving when you have an accident, whether or not you are at fault.</p>	<p>You may be offered this coverage.</p>
<p>Physical Damage Coverage pays the cost of repairs or replacement of your car, minus your deductible.</p> <ul style="list-style-type: none"> • Collision covers damage to your car from an accident with another car or a physical object, such as a deer. • Comprehensive covers damage to your car from events other than a collision, such as theft, fire, or vandalism. 	<p>This coverage is required by lenders or leasing companies.</p>
<p>Additional Kinds of Coverage</p> <ul style="list-style-type: none"> • Towing and road service. • Rental reimbursement pays for car rental when your own car is being repaired after a covered accident. 	<p>You can choose to buy these coverages. They are not required.</p>

Shopping for Auto Insurance

Auto insurance costs and coverage vary. You should always get several *quotes*. A quote is an estimate of your premium amount.

An agent or broker can help you figure out your insurance needs, get quotes, compare policies, and get the best discounts. Keep notes of your conversations. If you want, have a trusted family member or friend with you.

Compare policies:

1. Use the worksheet on pages 14–15 to decide what kinds of coverage you want.
2. Ask for each insurance company’s quote in writing.
3. Compare quotes.
4. Ask for the complete name of the insurance company that will issue each policy.
 - Make sure the company is licensed to do business in California. Go to www.insurance.ca.gov.
 - Check the company’s record for paying claims and customer service. Go to www.insurance.ca.gov and search for “consumer complaint study.”



If you think you have been treated unfairly, call the California Department of Insurance at **1-800-927-4357**.

Save money on your policy:

- Ask about multi-car discounts, for insuring several cars.
- Ask about mature driver and good driver discounts.
- Ask about discounts for airbags, anti-theft devices, or other features.
- Ask about payment installment plans and if there are service fees.
- Ask about higher deductibles for comprehensive and collision coverage. This will lower your premium.
- Think about dropping comprehensive and/or collision coverage on an older car.
- If you do not have collision coverage, ask about uninsured motorist property damage coverage.

Notes:

Worksheet: How Much Insurance Do I Need?

These are some of the common limits you can buy.
Check off what you want.

Liability Coverage—Bodily Injury Limits

Limit for each Person/Limit for each Accident

- \$15,000/\$30,000 (minimum required by law)
- \$25,000/\$50,000
- \$50,000/\$100,000
- \$100,000/\$300,000
- \$250,000/\$500,000
- Other:

Liability Coverage—Property Damage Limits

- \$5,000 (minimum required by law)
- \$10,000
- \$25,000
- \$50,000
- \$100,000

Uninsured Motorist—Bodily Injury

These limits are usually the same as your Liability Coverage—Bodily Injury Limits.

Uninsured Motorist—Property Damage

The limit is \$3,500.

Underinsured Motorist—Bodily Injury

These limits are usually the same as your Liability Coverage—Bodily Injury Limits.

Medical Payments Coverage Limit per person injured

<input type="checkbox"/> \$500	<input type="checkbox"/> \$5,000	<input type="checkbox"/> \$50,000
<input type="checkbox"/> \$1,000	<input type="checkbox"/> \$10,000	<input type="checkbox"/> \$75,000
<input type="checkbox"/> \$2,500	<input type="checkbox"/> \$25,000	<input type="checkbox"/> \$100,000

Physical Damage Coverage

	Vehicle # 1	Vehicle # 2	Vehicle # 3
Make/Model			
Comprehensive—	<input type="checkbox"/> \$100	<input type="checkbox"/> \$100	<input type="checkbox"/> \$100
Most common deductibles	<input type="checkbox"/> \$200	<input type="checkbox"/> \$200	<input type="checkbox"/> \$200
	<input type="checkbox"/> \$500	<input type="checkbox"/> \$500	<input type="checkbox"/> \$500
Collision—	<input type="checkbox"/> \$200	<input type="checkbox"/> \$200	<input type="checkbox"/> \$200
Most common deductibles	<input type="checkbox"/> \$500	<input type="checkbox"/> \$500	<input type="checkbox"/> \$500
	<input type="checkbox"/> \$1,000	<input type="checkbox"/> \$1,000	<input type="checkbox"/> \$1,000
	<input type="checkbox"/> _____	<input type="checkbox"/> _____	<input type="checkbox"/> _____

Coverage for Towing and Road Service

Coverage for Rental Reimbursement if I cannot use my car after an accident

Coverage for Special Equipment

Item: _____ Cost: _____

Item: _____ Cost: _____

Waivers or Exclusions

Waiver/Exclusion: _____ Cost: _____

Compare Quotes from Different Insurance Companies

	Company # 1	Company # 2	Company # 3
List company			
Telephone number			
Premium quotes by company			

Filling Out an Application

You will have to provide some information when you apply for auto insurance. The insurance company uses the information to decide if they will insure you and for how much.

- How you use your car, such as for business, commuting to work, or family trips
- How many miles you drive in a year
- The years, makes, models, and vehicle identification numbers for all cars in the household
- The amount you paid for the car(s)
- The insurance requirements if you have a loan or lease
- How long you have been driving
- The names, ages, marriage status, and driver's license numbers for all drivers in your household
- The driving record for all drivers in your household including accidents, insurance claims, and tickets for moving violations, but not parking tickets
- Most insurance companies will order a Motor Vehicle Report from the DMV—this is the state's official record of your accidents, traffic violations, and suspended licenses

Before you sign anything:

- Take time to review your application before you sign it.
- Do not sign any forms that you do not understand.
- Do not sign any blank forms.
- Ask for copies of all forms and other documents for your records before you leave the office of the agent, broker, or insurance company.

When you get your new policy, review it.

Make sure the information is correct and the coverage is what you bought. Contact the company right away if you find an error. Send changes to your agent, broker, and/or insurance company in writing and keep a copy. Do not be afraid to contact the insurance company directly to make sure that your agent or broker has requested the coverage you wanted. Use “certified mail/return receipt requested” to make sure that your letter was received.



Working with an Agent or a Broker

In California, you can buy insurance from an agent, a broker, or an insurance company. You can get insurance quotes online, over the telephone, or by mail.

- All agents and brokers must be licensed by the state to sell insurance.
- When an agent or broker sells a policy, they get a commission from the insurance company.
- Brokers charge an extra fee, called a broker's fee. Ask what the fee is before you sign anything. Brokers' fees are not set by law, so you can discuss the fee and ask for a lower fee.
- Make sure to keep the receipts for your premium payments, especially if you are paying in cash.

Choosing an Agent or Broker

Choose your agent or broker carefully. Can you trust the agent or broker? Do you feel that they will put your interests first?

You can look for agents or brokers in your local yellow pages or online. Or ask for names from family members, friends, neighbors, or co-workers. Ask:

- Did the person take the time to fully explain your policy?
- Did they answer all your questions?
- How did they respond when you had a claim?
- How often do they contact you to review and update your policy?

Check the license:

Check that the agent or broker is licensed to sell auto insurance in California. Go to www.insurance.ca.gov/license-status/ and enter the name of the agent or broker. Or call the California Department of Insurance at **1-800-927-4357**.

If You Have an Accident

Report accidents immediately to law enforcement and to your insurance company. You can order a free brochure from CDI called "So You've Had an Accident, What's Next?" This brochure explains what to do when you have an accident.

Your insurance company may send a person called an *adjuster*. The adjuster investigates and evaluates your damage and losses. If there is damage to your car, they may refer you to a body shop, or you may choose your own.

What if both drivers are at fault?

In many accidents, both drivers share the fault. The police, the insurance companies, or the courts, decide the *comparative negligence*. This states each driver's share of the responsibility.

If I am injured in an accident, does my health insurance pay anything?

Usually, your health insurance pays for your immediate medical care. Then your health insurance company will typically try to get back money from your auto insurance or the other person's auto insurance.

When one insurance company tries to get money back from another insurance company, it is called *subrogation*.

Does my auto insurance company charge me more if I have an accident?

If the accident is not your fault, your insurance company does not charge you more. If you are at least 51% at fault, your premium can go up when you renew your policy. This increase is called a *surcharge*.

If You Cannot Afford Standard Auto Insurance

California's Low Cost Automobile Insurance Program (CLCA)

The law says that you must have auto liability insurance. However, if you have a low income, it can be hard to pay the premium. California has a program to help you.

This program helps income-eligible good drivers get insurance. The premium for liability coverage is under \$400 for one year, depending on where you live.

- The liability limits for this program are lower than the limits usually required by the state. But these limits do satisfy state financial responsibility laws. The limits are:
 - \$10,000 bodily injury or death per person
 - \$20,000 bodily injury or death per accident
 - \$3,000 property damage per accident
- Your annual income must be 250% or less of the federal poverty level. Your car must be worth \$20,000 or less.
- You must qualify as a good driver. This means: In the last 3 years, you did not have more than one accident that was your fault, there was no injury or death in the accident, and you had no more than 1 point for a moving violation such as speeding.
- You must be a California resident.
- You must be at least 19 years old.
- You must have been continuously licensed to drive for at least 3 years.

- If there is a single male driver in the household who is 19 to 24 years old, the premium is higher.
- There are 5 payment plans available. There is no broker's fee.
- For more information, go to www.mylowcostauto.com. Or call 1-866-602-8861.

Worksheet for the Low Cost Auto Insurance Program (CLCA)

Use this worksheet to write down the costs of your auto insurance from the Low Cost Automobile Insurance Program (CLCA).

The liability coverage that you must buy in a CLCA policy:

<input type="checkbox"/> Bodily Injury Limit for each Person/each Accident is \$10,000/\$20,000. Property Damage Limit is \$3,000.	\$ _____
---	----------

With a CLCA policy you can also buy additional coverage. For an extra charge, you can buy:

<input type="checkbox"/> Uninsured Motorist Bodily Injury Limit for each Person/each Accident is \$10,000/\$20,000.	\$ _____
<input type="checkbox"/> Medical Payment Limit is \$1,000.	\$ _____

Total: \$ _____

If You Have a High-Risk Driving Record

The California Automobile Assigned Risk Plan (CAARP)

If you have had several accidents or speeding tickets, you may not be able to find a standard company that will insure you.

If you shop around, be sure to compare costs and coverage carefully.

You can also get liability insurance through the California Automobile Assigned Risk Plan (CAARP).

- The program assigns you to an insurance company. All insurance companies that are licensed to sell auto insurance in California must accept CAARP.
- All the companies in the CAARP program must charge the same premiums. You can pay in installments.
- After a certain number of years, your traffic violation or accident may be removed from your record. At this time, you may be able to buy a standard policy.
- There is no broker's fee if you buy a CAARP policy.
- For more information, call CAARP at **1-800-622-0954**.

Common Terms

Actual Cash Value (ACV)—Unless otherwise defined in the policy, actual cash value in California means fair market value. The fair market value of an item is the dollar amount that a knowledgeable buyer (under no unusual pressure) is willing to pay, and a knowledgeable seller (under no pressure) is willing to accept.

Adjuster—The person from your insurance company who investigates and evaluates your damage and losses.

Agent—An individual or organization licensed to sell and service insurance policies for an insurance company.

Binder—A short-term agreement that provides temporary auto coverage until your auto insurance policy starts.

Broker—An individual or organization that is licensed to sell and service insurance policies for you.

Broker Fee Agreement—The contract between you and your broker. It lists the fees for your broker's services.

Cancellation—When you or your insurance company ends your policy early. They might do this because you did not pay your premium. You might cancel your policy because you no longer own or drive a car.

Claim—Your request to an insurance company to cover an accident or other loss.

Collision coverage—Pays for damage to your car caused by physical contact with another vehicle or an object, such as a deer, tree, rock, guardrail, building, or person.

Commission—The fee that an insurance company pays an agent or broker when they sell a policy.

Comparative negligence—The percent of responsibility that each driver shares in an accident when both drivers are at fault.

Comprehensive coverage—Pays for damage to your car caused by something other than a collision, such as fire, theft, vandalism, windstorm, flood, falling objects, etc.

Declarations page—Usually the first page of an insurance policy. It lists the full legal name of your insurance company, the amount and types of coverage, the deductibles, and the vehicle(s) insured.

Deductible—The amount of the loss that you must pay before your insurance company pays anything. Only comprehensive and collision coverage have deductibles.

Endorsement/rider—A written statement that changes the coverage or details of an insurance policy.

Exclusion—These are the specific things that your insurance policy does not cover or limits coverage for. For example, your policy may not cover certain kinds of dangers, people, property, or locations.

Gap coverage—This pays the difference between the fair market value of your new car and the balance you owe on your loan or lease.

Insured—The person who can receive covered benefits in case of an accident or loss. Also called the policyholder.

Insurer—The company that issues your insurance.

Liability coverage—Insurance that helps pay for the injuries and damage to others from accidents that are your fault.

Limit—The most money that your insurance company will pay for your loss.

Medical payments coverage—Covers limited medical costs for you or others in your car, when you are in an accident.

Non-renewal—This is when you or your insurance company does not renew your policy at the end of its term.

Policy—This is your contract with the insurance company. It explains your coverage. It also states the rights and duties of both you and the insurance company.

Premium—The amount you pay to buy an insurance policy.

Private passenger automobile—Four-wheeled motor vehicles for use on public highways, like cars, station wagons, SUVs, and vans. They must be registered with the state.

Quotation (quote)—An estimate of your insurance premiums based on the information you give to the agent, broker, or insurance company.

Rescission—The cancellation of a policy back to its start date. If this happens, the insurance company does not pay for any of your losses, and your premiums are refunded. This can happen if you knowingly gave false information when you applied for the policy.

Subrogation—When one insurance company pays money on a claim, and then tries to get paid back or reimbursed by another insurance company.

Surcharge—An extra charge that is added to the premium by an insurance company. This usually happens because a covered driver has had an accident or moving violation that is their fault.

Uninsured/Underinsured Motorist Coverage (UMC)—Provides coverage for a policyholder involved in a collision with a driver who does not have liability insurance or whose liability limits are too low to pay for all the damage.

Find More Information

For information about the Department of Insurance, see page 28.

California Automobile Assigned Risk Plan (CAARP)

Information about the state insurance plan for high-risk drivers

1-800-622-0954

www.aipso.com/ca

California Low Cost Automobile Insurance Program

Information about the state-sponsored pilot program for good drivers who are income eligible

1-866-602-8861

www.mylowcostauto.com

Notes:

Disclaimer

1. This brochure is for informational purposes only.
2. The actual terms of an insurance policy and related law prevail over the information provided in this brochure.
3. In the case of a dispute, the insurance policy is controlling and a court of law will rely on the policy as it is written to resolve the dispute.
4. The policy is the only document that describes what the insurance company will pay.
5. The information contained in this brochure does not create rights or obligations on the part of the insured, the insurer, the agent, the broker, or the state.
6. This brochure is not intended to be a substitute for the actual insurance policy.

Talk to the Department of Insurance

We are the state agency that regulates the insurance industry.
We also work to protect the rights of insurance consumers.

Contact the California Department of Insurance (CDI):

- If you feel that an insurance agent, broker, or company has treated you unfairly.
- If you have questions or concerns about insurance.
- If you want to order CDI brochures.
- If you want to file a request for assistance against your agent, broker, or insurance company.
- If you are having difficulty opening a claim with your insurance company.
- To check the license of an agent, broker, or insurance company.



Call:

Consumer Hotline **1-800-927-4357**

TDD **1-800-482-4833**

8:00 AM to 5:00 PM, Monday to Friday, except holidays



Visit us on the Web at:

www.insurance.ca.gov



Write:

California Department of Insurance

300 South Spring St., South Tower, Los Angeles, CA 90013



Visit us in person:

300 South Spring St., South Tower, 9th Floor, Los Angeles, CA 90013

8:00 AM to 5:00 PM, Monday to Friday, except holidays

The California Department of Insurance

Consumer Education and Outreach Bureau

300 South Spring Street, South Tower, Los Angeles, CA 90013

1-800-927-4357

1-800-482-4833 (TDD)

www.insurance.ca.gov



This brochure is a joint project of the California Department of Insurance and Health Research for Action, School of Public Health, University of California, Berkeley.

Form 101 / Automobile Insurance
November 2012 – OSP

1-800-927-4357

www.insurance.ca.gov



Earthquake Insurance



California Department of Insurance



Table of Contents

Page	
2	Before You Buy Earthquake Insurance...
4	Basic Earthquake Insurance
6	What Earthquake Insurance Does Not Cover
8	Earthquake Retrofitting
10	How to File a Claim for Earthquake Damage
12	Should I Buy Earthquake Insurance?
14	Common Terms
15	For More Information
16	Talk to the Department of Insurance

Earthquakes Are a Fact of Life in California

Earthquakes will happen, but we do not know exactly when. We do know that they can cause a lot of damage to your home and your belongings. You may even have to move out of your home while it is repaired or rebuilt.

Homeowners, renters, and condominium insurance policies do not cover damage from natural disasters such as earthquakes, floods, and landslides.

Earthquake insurance can help pay for some of your losses. This brochure will tell you about earthquake insurance.

Before You Buy Earthquake Insurance...

Earthquake insurance covers some of the losses and damage that earthquakes can cause to your home, belongings, and other buildings on your property.

If you have a mortgage, you must have homeowners insurance. But you do not have to buy earthquake insurance.

- Your homeowners insurance does not cover earthquake damage (except fire—see page 7).

I have homeowners insurance. How can I get earthquake insurance?

If you have homeowners insurance in California, your company must offer to sell you earthquake insurance. It must offer this every other year.

- The offer must be in writing. It must tell you the amounts it covers (the limits), the deductible, and the premium.
- You have 30 days to accept the offer. The 30-day period starts the date the company mails the offer to you. If you do not reply, you are rejecting the offer.

Does earthquake insurance cover all damage from earthquakes?

No. There are limits on what earthquake insurance pays. The purpose of earthquake insurance is to help put a roof back over your head. It does not replace everything you lost.

What if I rent?

You can buy earthquake insurance to cover damage to your belongings and to pay for living somewhere else while your rented home is being repaired.



What if I have a condo?

You can buy earthquake insurance to cover damage to your belongings. It can also pay for living somewhere else while your condo is being repaired. You may also need insurance to help pay for your condo association assessment to repair your building. Talk to your condo association.

What if I have a mobile home?

You can buy earthquake insurance to cover damage to your home and belongings. It can also pay for living somewhere else while your mobile home is being repaired.

The California Earthquake Authority (CEA)

The California Earthquake Authority (CEA) provides most earthquake insurance in California. The CEA offers several basic policies, including a new Homeowners Choice policy. You cannot buy earthquake insurance directly from the CEA. But you can buy it from insurance companies that are members of CEA.

Most companies in California that sell homeowners or renters insurance are members of CEA. A CEA company can only offer CEA policies.

- You must have homeowners or renters insurance to get CEA earthquake insurance.
- For more information on the CEA, visit www.earthquakeauthority.com.

Basic Earthquake Insurance

This page explains the 3 main parts of the basic earthquake coverage offered by the California Earthquake Authority (CEA).

Part 1: Your dwelling coverage. This covers your home up to a certain amount, called the *limit*.

- The limit on your earthquake insurance is the same as the limit on your homeowners insurance (dwelling coverage).
- The deductible is your part of the loss. It is usually 15% of the limit. You can buy a 10% deductible for a higher cost.
- Usually, the insurance does not cover landscaping, pools, fences, masonry, and separate buildings.
- If you rent or own a condo, you do not need this coverage.

Part 2: Your personal property coverage. This covers things in your home, like furniture, TVs, and computers.

- The limit is usually low—such as \$5,000 or 10% of the limit on the dwelling. You can increase the limit up to \$100,000.
- Things like china and crystal are usually NOT covered.

Part 3: Additional living expenses (ALE) or loss of use. This only covers temporary and extra costs to live somewhere else while your area is evacuated or your home is repaired.

- It can cover temporary rental of a home, apartment, or hotel room; restaurant meals; a temporary telephone line; moving and storage; furniture rental; and laundry.
- It is limited to a reasonable time needed to repair the home, or for you to move to another permanent home.
- The limit can be from \$1,500 to \$25,000.
- You do not need this if you don't live in the insured dwelling.



Homeowners Choice Policies

Beginning July 1, 2012, the new CEA Homeowners Choice policy offers several coverage options. You can choose separate coverage for dwellings and personal property, with different deductibles. You also have different choices for loss of use limits. The policy includes \$1,500 for emergency repairs, with no deductible. For more information, go to www.earthquakeauthority.com.

Additional Coverage

You may be able to buy building code upgrade coverage (see page 9). You may also be able to buy additional coverage for limited debris removal, land restoration, and emergency repairs. The CEA Homeowners Choice policy includes \$1,500 for emergency repairs, with no deductible.

Stand-alone or Monoline Policies

These are not CEA policies. A few companies offer these policies. They are policies that you can buy without buying homeowners insurance from the same company.

How do earthquake insurance premiums vary?

Your premium depends on many things, including: the age of your home, the location, the kind of soil, the cost to rebuild, and the deductible. It also depends on the construction of your home, such as the building material, the number of stories, and the amount of retrofitting (see pages 8–9).

What Earthquake Insurance Does Not Cover

All insurance policies have exclusions. These are the things the policy does not cover. Read your policy to learn about your *exclusions*.

Common Earthquake Insurance Exclusions

Common exclusions in earthquake insurance policies include:

Fire

Earthquake insurance usually does not cover anything that your homeowners policy already covers. For example, your homeowners policy covers fire damage, even if an earthquake causes the fire. Therefore, your earthquake policy does not cover fire damage.

Land

Usually, earthquake insurance does not cover damage to your land, such as sinkholes from erosion or other hidden openings under your land. You may be able to buy limited additional coverage to restore or stabilize land.

Vehicles

Earthquake insurance does not cover damage to your vehicles. Check your auto insurance policy to find out if it covers that damage.

Flood

Earthquake insurance does not cover water damage from outside your home, such as sewer or drain back-up, flood, or tsunamis. For example, if you live near a lake that floods your home after an earthquake, earthquake insurance will not pay to repair the damage. A flood insurance policy will cover you.

Does my homeowners or renters insurance cover any earthquake damage?

In general, your homeowners or renters insurance does not protect your house from the damage an earthquake causes, even if the damage is indirect.

- The main exception is fire. See below.
- In some cases your homeowners or renters insurance may specifically cover direct loss due to explosion, theft, or breaking glass caused by an earthquake, even if you do not have earthquake insurance. Ask your insurance agent.
- Read your homeowners policy and contact your insurance company whenever an earthquake damages your property. Do not assume that the damage is not covered.



Homeowners Insurance Covers Fire Damage

California law says that both homeowners and renters insurance must cover fire damage that is caused by or follows an earthquake.

This means that the fire damage is covered, whether or not you have earthquake insurance.



Earthquake Retrofitting

Retrofitting is making changes to increase the safety and strength of your home. This can help you save money on insurance and repairs.

The cost of earthquake insurance is based on a number of things, such as the way the home is made and the kind of soil under it. The cost is usually higher for:

- Older homes.
- Homes built of brick or masonry.
- Homes that have more than one story.
- Homes that are on sandy soil instead of clay or rock.
- Homes that are not up to code.

What if my home is not up to code?

Your insurance company must offer you earthquake insurance even if your property does not meet current Building Code and Health and Safety Code rules about bolting foundations and anchoring water heaters. But you may be charged a higher premium and/or deductible.

You may get a discount if you retrofit.

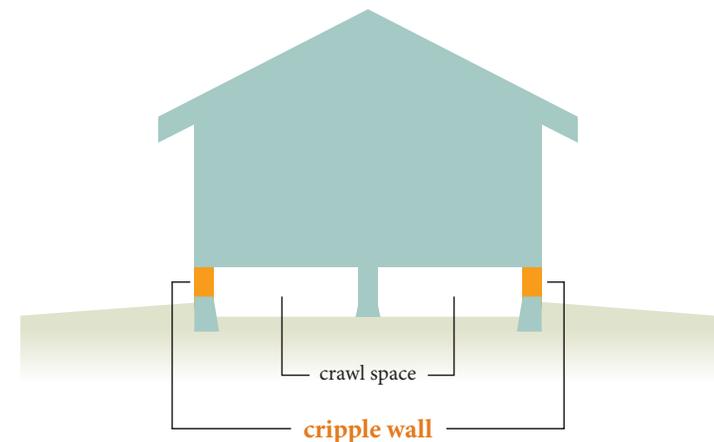
You may be able to reduce your premium or deductible by retrofitting to make your home safer and stronger. Your insurance company must tell you in writing about these discounts. Retrofitting can:

- Reduce earthquake damage.
- Reduce insurance costs.
- Bring your home up to code.

How can I retrofit?

Here are a few ways to retrofit. To learn more about retrofitting, go to www.daretoprepare.org.

- Bolt your house to the foundation.
- Brace the chimney.
- Brace the water heater to a wall.
- Put in automatic gas shut-off valves.
- Use plywood to strengthen cripple walls. See the picture below.



Building Code Upgrade Coverage

You can buy \$10,000 additional insurance, called building code upgrade coverage. The coverage pays only for the building code upgrades you need to get a reconstruction permit.

How to File a Claim for Earthquake Damage

If you notice damage or just suspect it, report it to your insurance company as soon as possible:

1. You can report claims by telephone.
2. Your insurance company must open a claim when it gets your report of a claim.
3. If your insurance company refuses to open a claim, call the California Department of Insurance immediately.
4. Insist that the company assign a claim adjuster to your case. This person is trained to assess the damage to your property.
5. Set a time as soon as possible for the claim adjuster to come out and inspect the damage.
 - Show the claim adjuster all the damage you found.
 - Make sure they inspect the hidden areas of your property such as basements, crawl spaces, slabs, and raised foundations.
6. If you find more damage after the first inspection, report it and ask the claims adjuster to make another inspection.

The inspection is important.

It can be hard to know exactly how much earthquake damage you have. Some types of damage are hard to find at first. You and the claims inspector need to look long and carefully. Make sure that all the damage you can see is listed in your claim, as well as all the possible hidden damage.



Telephone Tips

Take notes on every phone call to your insurance company. Write down:

- The name and title of the person you talked to.
- The date and time you called.
- What you talked about.
- What the person said would happen next.

Do not delay reporting your claim!

An insurance company can deny claims that are not reported within one year. The year starts with a date called the *inception of the loss*. This is when you first:

- Noticed property damage, or
- Should have noticed it, if you had looked carefully for all possible earthquake damage to your home.

Your Claims Payment

If your claim is larger than your deductible, the insurance company will subtract the deductible from their payment. You do not need to spend anything before you can get payment.

Contact California Department of Insurance (CDI).

- Call CDI now if your insurance company refuses to open a claim. Call **1-800-927-4357**.
- Download CDI's *Residential Property Claims Guide* at **www.insurance.ca.gov** or order it by phone.

Should I Buy Earthquake Insurance?

The questions below can help you decide whether or not to buy earthquake insurance for you and your family.

Can I afford earthquake insurance?

Use the Premium Calculator at www.earthquakeauthority.com to estimate your premium.

Do I live where earthquakes are common?

You may need to do some research about nearby fault lines and the type of soil in your area. Search for fault lines on the U.S. Geological Survey website at www.earthquake.USGS.gov.

Do I have a high-risk house?

A house is likely to have more damage if it is older, or built of brick or masonry, or has more than one story.

Can I afford NOT to have earthquake insurance?

After a big earthquake, could you afford to repair or rebuild your home? Can you afford to keep paying your mortgage and taxes while you rebuild?

Won't the government help me after a big earthquake?

Maybe. The main form of federal disaster relief is the low-interest loan. You must show that you can repay the loan. Grants from the Federal Emergency Management Agency (FEMA) for emergency home repairs and temporary rent assistance are only for those who do not qualify for loans.



I can't afford earthquake insurance. Are there other ways I can protect my home?

Yes. There are many things you can do to protect your home and reduce the damage caused by earthquakes. Whether you buy earthquake insurance or not, you should do what you can to protect your home, your belongings, and your family.

- Retrofit as much as you can. See page 8.
- Secure breakable items with museum putty.
- Put latches on china cabinets.
- Bolt tall furniture, like bookcases and armoires, to the studs in the walls.
- Tie down computers and TVs.
- Look in your local hardware store for latches, putty, computer straps, and other devices to help you protect your belongings.
- For more tips on protecting your home, go to www.earthquakeauthority.com and www.daretoprepare.org.

Do not wait until after the earthquake.

Waiting until after an earthquake to buy insurance is not a good idea. It doesn't protect you from the damage you have already had. Also, after an earthquake, insurance companies often do not sell earthquake coverage for a certain period. And when they start to sell it again, the premiums may be higher.

Common Terms

Additional living expenses (ALE)—Your extra costs when you have to live somewhere else while your area is evacuated or your home is repaired.

Agent—A person who is paid by an insurance company to sell their insurance. The CDI licenses agents.

Broker—A person who is paid by you to find insurance. The CDI licenses brokers.

Claim—Your request to your insurance company to cover specific loss or damage.

Claim adjuster—A person who works at your insurance company and is trained to examine your home for damage and loss and to estimate costs.

Deductible—The part of your insured damages that you pay, before your insurance pays anything. See pages 4–5.

Dwelling limit—The most your insurance will pay (minus the deductible) to repair or rebuild your dwelling.

Premium—The yearly cost of buying earthquake insurance.

Retrofitting—Changing your home to make it stronger and safer in an earthquake. See pages 8–9.

For More Information

For information about the Department of Insurance, see page 16.

California Earthquake Authority

www.earthquakeauthority.com

- Learn more about earthquake insurance.
- Estimate your premium.
- Print free earthquake preparedness handbooks.

Earthquake Country

www.daretoprepare.org

- Find information on retrofitting.
- Learn how to prevent injuries and make a disaster plan.
- Learn about risks from fault lines and soil types.

National Flood Insurance Program

www.floodsmart.gov

- Find information on buying flood insurance.

Seismic Safety Commission

www.seismic.ca.gov

- Learn about earthquake safety in California.

U.S. Geological Survey

www.earthquake.USGS.gov

- Search for fault lines.

Talk to the Department of Insurance

We are the state agency that regulates the insurance industry.
We also work to protect the rights of insurance consumers.

Contact the California Department of Insurance (CDI):

- If you feel that an insurance agent, broker, or company has treated you unfairly.
- If you have questions or concerns about insurance.
- If you want to order CDI brochures.
- If you want to file a request for assistance against your agent, broker, or insurance company.
- If you are having difficulty filing a claim with your insurance company.
- To check the license of an agent, broker, or insurance company.



Call:

Consumer Hotline **1-800-927-4357**

TDD **1-800-482-4833**

8:00 AM to 5:00 PM, Monday to Friday, except holidays



Visit us on the Web at:

www.insurance.ca.gov



Write:

California Department of Insurance

300 South Spring St., South Tower, Los Angeles, CA 90013



Visit us in person:

300 South Spring St., South Tower, 9th Floor, Los Angeles, CA 90013

8:00 AM to 5:00 PM, Monday to Friday, except holidays

The California Department of Insurance

Consumer Education and Outreach Bureau

300 South Spring Street, South Tower, Los Angeles, CA 90013

1-800-927-4357

1-800-482-4833 (TDD)

www.insurance.ca.gov



This brochure is a joint project of the California Department of Insurance and Health Research for Action, School of Public Health, University of California, Berkeley.

Form 425 / Earthquake Insurance
October 2012 – OSP

1-800-927-4357

www.insurance.ca.gov

Driving for Seniors



California Department of Insurance



Table of Contents

Page

2	Introduction
4	Auto Insurance Basics
6	Shop for Auto Insurance
8	Polish Your Driving Skills
10	Plan Your Trip for a Safer Drive
12	Stay on Top of Physical Changes
14	When Is It Time to Stop Driving?
16	Common Terms
19	Find More Information
20	Talk to the Department of Insurance



Introduction

Each of us ages differently. Over time, we all have physical changes. These changes affect our driving. Drivers over 65, along with new teenage drivers, have more accidents for each mile they drive than any other age group.

You can do things now to be a safer mature driver. This booklet has tips to help you drive safely, drive longer, and avoid accidents. You will also find information to help you discuss your automobile insurance needs, ask informed questions, and understand your rights and responsibilities.

As a mature driver, you have years of driving experience. This experience can help you continue to be a safe driver.

California Law

To own a car and drive in California, you must register your car and have a driver's license. You must show financial responsibility for any vehicle that you own, in case of

injury to other people or damage to their property. Most people show financial responsibility by buying auto liability insurance. California law states:

All drivers and all owners of a motor vehicle shall at all times be able to establish financial responsibility and shall at all times carry in the vehicle evidence of the form of financial responsibility in effect for the vehicle.

Liability Insurance

You must have liability insurance for any car that you own. The insurance covers limited costs when your car injures other people and property. You must show proof of your insurance when you:

- Are asked for it by a police or other law enforcement officer.
- Have an accident.
- Register your car or renew the registration.
- Get your car inspected.



Keeping Your Driver's License

After age 70, you can no longer renew your driver's license by mail. You must go to the Department of Motor Vehicles (DMV). You will take a vision test, and you may have to take the written and driving tests.

This booklet has many tips to help you be a safe driver and keep your driving license.

If you have an accident:

You must report accidents right away to law enforcement and to your insurance company. You can order a free brochure from the California Department of Insurance (CDI) called "So You've Had an Accident, What's Next?" It walks you through what you need to do if you have an accident.



How the California Department of Insurance (CDI) can help:

We are the state agency that regulates insurance companies. We also protect the rights of insurance consumers. We have many brochures on insurance. Please contact us if you are experiencing problems or have questions about auto insurance or other kinds of insurance.

Also contact us if:

- An insurance agent, broker, or company has treated you unfairly.
- You want to check the license of an agent, broker, or company.
- You want to check the claims and customer service records of a company.

Contact us at:

1-800-927-4357

www.insurance.ca.gov

Auto Insurance Basics

Insurance Costs

To buy insurance, you pay a fee called a **premium**. It covers the term, or length, of the policy, which is usually 6 months or 1 year.

Your policy has **limits**. This means that the insurance pays a limited amount for each accident or injury.

If you buy physical damage coverage, you have a **deductible**. This is the amount you must pay before your insurance pays anything.

You must buy liability coverage.

If you own and drive a vehicle in California, you must follow the financial responsibility laws in the state vehicle code. You must have a minimum amount of liability insurance. These are the minimum limits in California:

- **\$15,000 Bodily Injury Liability** for death or injury of one person.
- **\$30,000 Bodily Injury Liability** for death or injury of more than one person in any one accident.
- **\$5,000 Property Damage Liability** for damage to the property of other people.

Should I get higher limits than the law requires?

Most standard auto policies have higher limits. You may want higher liability limits than the law requires. Discuss this with your agent, broker, or insurance company.

If you injure someone, they can sue you. In general, your liability limits should be high enough to protect your assets, such as your house and savings, if you are sued.

You can buy uninsured motorist coverage.

This pays if you are in an accident with a driver who does not have any liability insurance.

Bodily injury pays medical and hospital costs. Its limits are usually the same as the limits on your liability coverage for bodily injury.

You can also buy medical payments coverage.

This pays medical costs if you or your passengers are injured, whether or not you are at fault. The minimum limit you can buy is \$1,000 for each person injured. You can buy higher limits.

You can buy physical damage coverage.

This is called collision and comprehensive coverage.

Collision coverage pays for damage to your car from an accident with another vehicle or an object, such as a deer, tree, rock, guardrail, building, or person.

Comprehensive coverage pays for other kinds of damage to your car, such as fire, theft, vandalism, windstorm, flood, or falling objects. It does not cover maintenance, normal wear and tear, or mechanical breakdown.

If your car is old, you may not need these kinds of coverage. Your premiums or deductible may be more than your car is worth.

Additional Coverage

You can buy coverage for extra things, like towing, renting a car when your car is being repaired after a covered accident, or special equipment, like a cell phone that is permanently installed in your car. Before you buy any other kind of coverage, make sure you need it.



Read your policy.

Make sure you know what is covered and what is excluded (not covered). Call your agent, broker, or insurance company if you do not understand something in your policy.

Review and update your auto insurance often.

- Tell your agent, broker, or insurance company if you sell or buy an auto, or if the drivers on your policy change.
- Make sure the limits and types of insurance are still right for you.
- Find out about safe driver discounts. See page 9.
- Has the way you used your auto changed? You may be able to save money on your insurance if you drive less than before.
- Is your auto getting old? Do you still need collision and comprehensive coverage?

Shop for Auto Insurance

Auto insurance can vary a lot. You should always get several quotes. A quote is an estimate of costs and coverage from an insurance company. Compare quotes from several companies to help save money and get coverage that meets your needs.

An agent or broker can help you think about your insurance needs, compare policies, and get the best discounts.

Ask people you trust for the names of good agents or brokers. Check licenses at www.insurance.ca.gov.

Before you sign anything:

- Take time to review the application before you sign it.
- Do not sign any documents that you do not understand.
- Do not sign any blank documents.
- Ask for copies of all documents for your records. Do not leave the agent or broker's office without your copies.

Compare policies before you buy.

- Ask for each insurance company's quote in writing.
- Compare premiums, limits, and deductibles.
- Keep notes of your conversations and the names of people you talk to.
- Have a trusted family member, friend, or advisor with you when you talk with an agent or broker.
- Ask for the complete name of the insurance company that issues each policy. Make sure the company is licensed to sell auto insurance in California. Go to www.insurance.ca.gov and search for "checking license status."
- Check the company's record for paying claims and customer service. Go to www.insurance.ca.gov and search for the "consumer complaint study."



If You Cannot Afford Standard Auto Insurance

California's Low Cost Automobile Insurance Program

The law says that you must have auto liability insurance. However, if you are on a fixed income, it can be hard to pay the premium. This program helps income-eligible good drivers get insurance. The premium for liability insurance is under \$400 a year, depending where you live. You may qualify for this program if you:

- Meet the income eligibility requirements.
- Own a vehicle valued at \$20,000 or less.

- Have a good driving record. This means that in the last 3 years:

- ⚠ You did not have more than one accident that was your fault.
- ⚠ There was no injury or death in the accident.
- ⚠ You had no more than one point for a moving violation, such as speeding.

- Have been continuously licensed to drive for 3 years.
- For more information, go to www.mylowcostauto.com or call 1-866-602-8861.

If You Have a High-Risk Driving Record

The California Automobile Assigned Risk Plan (CAARP)

If you have had several accidents or speeding tickets, you may not be able to find a company that will insure you. You can shop around, but be sure to compare costs and coverage carefully.

You can also get liability insurance through the California Automobile Assigned Risk Plan (CAARP). For more information, call CAARP at 1-800-622-0954.



Know your rights.

As a senior, you may experience pressure from insurance agents. If you think you have been treated unfairly, call the California Department of Insurance at 1-800-927-4357.

Polish Your Driving Skills

It is normal for driving skills to change with age. This usually does not mean that you have to stop driving. But you should be aware of the changes, and learn ways to adjust for them.

Know your risks.

These are common driving problems for seniors. Read the list below and check anything that you have noticed in your driving.

- Not paying attention
- Not giving the right-of-way to other drivers
- Drifting across lane markers or into other lanes
- Getting confused in heavy traffic
- Making left turns when oncoming traffic is too close
- Hesitating at new traffic signs, signals, traffic patterns, or roadways
- Having trouble backing and parking your auto
- Getting more traffic tickets or warnings than before

Now is the time to correct these problems. A mature driver improvement course can help you change bad habits.

Take a mature driver improvement course.

No matter how many years you have behind the wheel, a refresher course can help you keep up good driving skills and learn new ones. It can also help you correct any bad habits you have picked up over the years.

One of the best refresher courses is a mature driver improvement course approved by the California Department of Motor Vehicles (DMV). The course covers:

- How changes in vision and hearing affect driving.
- How medicines, alcohol, tiredness, and emotions affect driving, and what you can do to prevent or correct for the effects.
- How to drive safely in today's driving and road conditions.
- How to plan your travel time and routes.



Review the DMV Driver Handbook.

Try to read this every year. You will learn the new laws and review old ones. Go to www.dmv.ca.gov and search for “Driver Handbook.”

Drive defensively.

The best way to drive safely is to drive defensively. Be aware that other people make mistakes. Do what you can to stop accidents from happening.

- Leave enough space between you and the car in front of you. You need enough room to stop if the car brakes suddenly.
- Stay with the flow of traffic. If you drive too slow or too fast, you are more likely to have an accident.
- Never insist on the right-of-way, even if you are correct.
- Watch the cars around you. If you see a driver who is weaving or driving unsafely, stay away from that car.
- Pay careful attention at intersections. Check for pedestrians, bikes, and motorcycles, as well as autos, before you cross or make a turn.

Pay attention at all times.

- Do not talk on your cell phone while you drive, even if it is hands-free.
- Keep the radio volume low and limit talking, so you can hear what is going on around your car.
- Do not drink and drive. Drinking affects you more as you age.
- Try not to drive when you are tired, angry, worried, or depressed. You are less likely to pay attention to your driving.

Lower your costs with safe driver discounts.

A mature driver improvement course can lower your auto insurance costs.

If you are 55 years or older and you complete a DMV-approved mature driver improvement course, most auto insurance companies will lower your premiums for up to 3 years.

You can usually keep the lower rates if you take the course again every 3 years.

To find an approved course near you, go to www.dmv.ca.gov and search for “mature driver.” Or call the DMV’s toll-free consumer line at **1-800-777-0133**.

Plan Your Trip for a Safer Drive

Travel planning helps everyone. Even if you just make a short trip to the store, planning can make it safer.

Choose the times you travel.

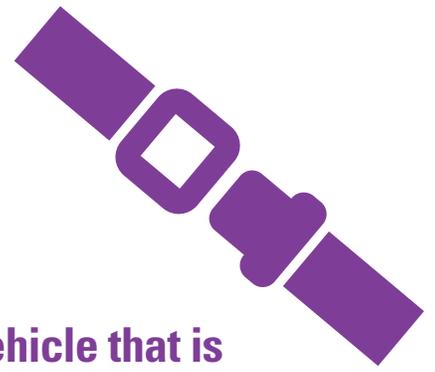
- Avoid rush hour and holiday traffic if you can. Why drive in heavy traffic if you do not have to?
- Avoid driving in the dark or at twilight. It is harder to see at these times, and can also cause eyestrain.
- Change your travel plans if the weather is bad or the road conditions are poor. It is better to arrive late, or to make the trip at another time, than to be in an accident.

Choose the routes you travel.

- Choose routes that are well marked and well lighted.
- Make a note of landmarks and exits that can help you find your way.
- Try to make left turns only where there are green arrow signals. Otherwise, go around the block. Left turns cause many accidents.
- Do not take unnecessary trips.

Remember these safety tips.

- Keep your windshield clean.
- Adjust your seat and mirrors before you start driving. Pull over to the side of the road if you need to make adjustments later.
- Buckle your seatbelt.
- Turn on your headlights anytime you drive. This helps other drivers see you, even in daytime. When you reach where you are going, check to make sure you have turned off your headlights.
- Do not drive when you are distracted. And do not talk on your cell phone while you drive, even if it is a hands-free phone.
- Do not drink and drive. Drinking affects you more as you age.



Do not hurry.

- Drive at the posted speed limit, unless you should drive more slowly because of the weather, the traffic, or other conditions.
- If you must drive more slowly, stay in the right lane.
- Yield the right-of-way. Never insist on the right-of-way, even if you are correct.
- Stay in your lane. Do not weave back and forth between lanes, straddle two lanes, or change lanes near intersections.
- Park in lots or in spaces that are easy to get in and out of.

Pull over and take breaks.

- Pull over and stop if you need to look at a map or your GPS, or use your phone.
- On long trips, take a break every 90 minutes. Stop for coffee or a meal. Take a walk. Or just get out and stretch.

Choose a vehicle that is comfortable for you to drive.

Dropping into a low sports car and shifting through the gears may have been fun when you were younger. However, with age, these tasks are usually harder.

When you shop for a car, look for:

- Automatic transmission
- Power steering
- Power brakes
- Side mirrors and windows that let you see cars on both sides and behind you
- Seats that are easy to adjust, so you can see clearly and use the foot pedals easily

If you have special needs, ask your doctor about a referral to a physical therapist or a driving rehabilitation specialist. See the section on Assistive Devices on the next page.

Stay on Top of Physical Changes

Aging causes many physical changes. For example, our eyes focus less quickly. Our side vision is not as good, and we need more light to see well. These and other changes can affect how safely we drive.

See your doctor regularly.

Regular doctor visits and preventive screenings are even more important as we age. Be honest with yourself and your doctor about any problems you have noticed. Your doctor may be able to help you slow down some physical changes.

Are there any problems you have noticed?

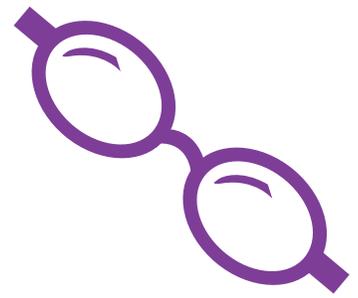
Check them on the list below. Then talk to your doctor about them.

- Pain or stiffness in your neck.
This can make it hard to look over your shoulder when you change lanes or back up.
- Stiffness, pain, or weakness in your legs. This can make it hard to press the pedals or move your foot from one pedal to the other.
- Pain, weakness, or numbness in your hands, wrists, or arms. This can make it hard to grip or turn the steering wheel.
- Blurred vision, trouble seeing at night, problems with glare at night, or trouble seeing things to your right and left.
- Trouble hearing sirens or car horns.
- Trouble reacting quickly when you need to brake or speed up.
- Getting flustered or angry with other drivers.
- Forgetting where you are going or how to get there.
- Other: _____



Assistive devices may help.

There are many assistive devices or driving aids. For example, there are extra mirrors that make it easier to see behind you. Sometimes all you need is a good cushion to raise you up so you can see. For information, call the AT Network at **1-800-390-2699** or visit **www.atnet.org**.



If you cannot see as well:

- Get regular eye exams. Make sure you have screening tests for cataracts, glaucoma, macular degeneration, diabetic retinopathy, and night blindness. Eye exams can help find and correct problems like these.
- Ask if you need prescription glasses.

If you take prescription or over-the-counter medicines:

Some medicines can slow your reflexes, make you sleepy, or blur your vision.

- Ask your doctor or pharmacist how the medicines you take can affect your driving.
- Pay attention to the warnings on the labels. For example, many medicines tell you not to drive until you know how the medicine affects you.
- If a medicine does affect your driving, ask your doctor if there is another medicine you could use.

If you have trouble sleeping:

- Driving when sleepy is dangerous. Talk to your doctor if you are tired a lot, especially when driving.
- If you take sleeping pills or use a device for sleep apnea, ask how they can affect your driving.

If you have stiffness, pain, or weakness:

- Often, a regular exercise program can increase your flexibility and range of motion and reduce pain and stiffness. It also helps strengthen your heart, lungs, and muscles.
- Walking is a good mild exercise. Or look for a dance or aerobic class that fits your level. For programs in your area, call Senior Information and Referral at **1-800-510-2020**.
- Ask your doctor about a referral to a physical therapist or a driving rehabilitation specialist.

When Is It Time to Stop Driving?

Few people want to stop driving. Most of us see driving as a symbol of our freedom and independence. It can be hard to be honest about our driving skills, but driving too long can put your life and the lives of others in danger.

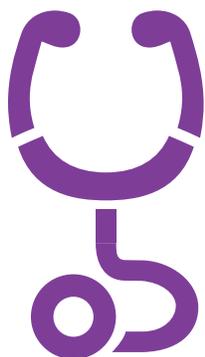
To learn about transportation options for seniors, call **511**, or call Senior Information and Referral at **1-800-510-2020**.

How is my health?

Pay attention to changes in your health. Do they affect your driving?

Talk to your doctor if you have had a recent stroke or heart attack. Ask if your driving is likely to be affected.

If you notice a loss in vision, be sure to get an eye exam. Ask if your driving is likely to be affected.



How is my driving?

If you cannot decide whether or not you should stop driving, ask yourself the following questions.

- Have you gotten a traffic ticket or been in a traffic accident lately?
- Have you been surprised or startled by another car or a pedestrian that you did not see?
- Have you missed or not fully stopped at stop signs?
- Have you taken your turn when someone else had right-of-way?
- Have you had trouble with basic driving skills, such as parking, backing up, or signaling?
- Have you become lost on familiar routes?
- Have you felt nervous or exhausted after routine driving?
- Have you felt anxiety or panic in heavy traffic?
- Have you gotten negative feedback from other drivers?

If you checked some of these questions, then it may be time to stop driving. You may want to ask a trusted friend or family member to check your driving with you.

After Age 70

The DMV will not renew your license by mail after age 70. This does not mean there is anything wrong with your driving. The DMV just wants to make sure you can drive safely. You must pass a standard eye exam to renew your license. You may also have to take a written test or a driving test.

Take a DMV Driver Reexamination.

You can ask the DMV for a Driver Reexamination. A family member, friend, doctor, or police officer can also fill out a DMV Request for Driver Reexamination. The exam has a vision test. It also has a driving test, called the *Supplemental Driving Performance Evaluation (SDPE)*.

During the driving test, an examiner rides in the car with you. The examiner notes any problems with your driving and talks them over with you after the test. If you pass the test, you can keep your driver's license.

Before the test, you may want to take a mature driver improvement course—see page 8.



Be honest with yourself and the DMV.

If you have had problems with driving, it is a good idea to talk openly with the DMV. The DMV is aware of the issues facing mature drivers, and its goal is to keep you licensed for as long as you are safe on the road.

Apply for a restricted license.

If you do not pass the SDPE or the vision test, but the examiner thinks you are able to drive in a limited area, you can take the *Area Driving Performance Evaluation (ADPE)* test. The test will be on the streets you take to get to the places you need to go, like the grocery store or doctor's office. If you pass this test, you will be given a restricted license.

Many people drive with restrictions, like wearing prescription glasses, or

- No freeway driving.
- Driving only from sunrise to sunset (no night driving).
- Driving only in one area or by one specific route.
- Driving only with a special right-side mirror.

Common Terms

Actual Cash Value (ACV)—In California, this means fair market value, unless your policy defines it in a different way. The fair market value of an item is the dollar amount that a knowledgeable buyer (under no unusual pressure) is willing to pay, and a knowledgeable seller (under no pressure) is willing to accept.

Adjuster—The person from your insurance company who investigates and evaluates your damage and losses.

Agent—An individual or organization licensed to sell and service insurance policies for an insurance company.

Binder—A short-term agreement that provides temporary auto coverage until your auto insurance policy starts.

Broker—An individual or organization that is licensed to sell and service insurance policies for you.

Broker Fee Agreement—The contract between you and your broker. It lists the fees for your broker's services.

Cancellation—When you or your insurance company ends your policy early. The company might do this because you did not pay your premium. You might cancel your policy because you no longer own or drive a car.

Claim—Your request to an insurance company to cover an accident or other loss.

Collision coverage—Pays for damage to your car caused by an accident with another vehicle or an object, such as a deer, tree, rock, guardrail, building, or person.

Commission—The fee that an insurance company pays the agent or broker who sells a policy.

Comparative negligence—The percent of responsibility that each driver shares in an accident when both drivers are at fault.

Comprehensive coverage—Pays for damage to your car caused by something other than a collision. Comprehensive covers things like fire, theft, vandalism, windstorm, flood, falling objects and so on.

Declaration page—This is usually the first page of an insurance policy. It lists the full legal name of your insurance company, the amount and types of coverage, the deductibles, and the insured vehicle(s).

Deductible—The amount of the loss that you must pay before your insurance company pays anything. Only comprehensive and collision coverage have deductibles.

Endorsement/rider—A written statement that changes the coverage or details of an insurance policy.

Exclusion—These are the specific things that your insurance policy does not cover or limits coverage for. For example, your policy may not cover certain kinds of dangers, people, property, or locations.

Gap coverage—This pays the difference between the fair market value of your new car and the balance you owe on your loan or lease.

Insured—The person who can file a claim in case of an accident or loss. Also called the policyholder.

Insurer—The company that issues your insurance.

Liability coverage—Insurance that helps pay for the injuries and damage from accidents that are your fault.

Licenses (broker's, agent's, or insurance company's)—
A certificate of authority issued by the Department of Insurance to a broker, agent, or insurance company to do insurance business in California.

Limit—The most money that your insurance company will pay for your loss.

Medical payments coverage—Pays limited medical costs for you or others in your car, when you are in an accident.

Non-renewal—When you or your insurance company does not renew your policy at the end of its term.

Policy—Your contract with the insurance company. It explains your coverage. It also states the rights and duties of both you and the insurance company.

Premium—The amount you pay to buy an insurance policy.

Private passenger automobile—Four-wheeled motor vehicles for use on public highways, like cars, station wagons, SUVs, and vans. They must be registered with the state.

Quotation (quote)—An estimate of your insurance premiums based on the information you give to the agent, broker, or insurance company.

Recision—The cancellation of a policy back to its start date. If this happens, the insurance company does not pay for any of your losses, and your premiums are refunded. This can happen if you knowingly gave false information when you applied for the policy.

Subrogation—This is when one insurance company pays money on a claim, and then tries to get paid back or reimbursed by another insurance company.

Surcharge—An extra charge that is added to the premium by an insurance company. This usually happens because a covered driver has had an accident or moving violation that is their fault.

Uninsured/Underinsured Motorist Coverage (UMC)—Provides coverage for a policyholder involved in a collision with a driver who does not have liability insurance or whose liability limits are too low to pay for all the damage.

Find More Information

AAA Senior Driving

Screening tests and self-assessments for senior drivers.
Sponsored by the Automobile Association of America (AAA).
www.seniordriving.aaa.com

AT Network

Information on assistive devices and driving aids.
1-800-390-2699
www.atnet.org

CDI Senior Information Center

Information from the California Department of Insurance, to help you make informed and safe decisions when you buy auto insurance and other kinds of insurance. Information guides for seniors.
www.insurance.ca.gov/0150-seniors

DMV Senior Driver

The DMV's website for seniors. Includes information on renewing your license, vision tests, restricted licenses, and more. Download a self-assessment and the Senior Guide for Safe Driving (PDF).
www.dmv.ca.gov/about/senior

National Highway Traffic Safety Administration

Information on safer driving for seniors.
www.nhtsa.gov/Senior-Drivers

Senior Information and Referral

Find local resources, such as mature driver classes, health care resources, and exercise programs.
1-800-510-2020

Talk to the Department of Insurance

Contact the California Department of Insurance (CDI):

- If you have questions or concerns about insurance.
- If you want to order copies of this brochure.
- If you want to file a complaint about your insurance.
- If you are having difficulty opening a claim with your insurance company.
- To check the license of an agent, broker, or insurance company.



Call:

Consumer Hotline **1-800-927-4357**

TDD **1-800-482-4833**

8:00 AM to 5:00 PM, Monday to Friday, except holidays



Visit us on the web at:

www.insurance.ca.gov



Write:

California Department of Insurance

300 South Spring St., South Tower, Los Angeles, CA 90013



Visit us in person:

300 South Spring St., South Tower, 9th Floor, Los Angeles, CA 90013

8:00 AM to 5:00 PM, Monday to Friday, except holidays

The California Department of Insurance

Consumer Education and Outreach Bureau

300 South Spring Street, South Tower, Los Angeles, CA 90013

1-800-927-4357

1-800-482-4833 (TDD)

www.insurance.ca.gov



This brochure is a joint project of the California Department of Insurance and Health Research for Action, School of Public Health, University of California, Berkeley.

Form 803 / Driving for Seniors

November 2012 – OSP



1-800-927-4357

www.insurance.ca.gov

Annuities

What Seniors Need to Know



California Department of Insurance



Table of Contents

Page

- 2 What Seniors Need to Know
- 4 Kinds of Annuities
- 6 Deferred Annuities
- 7 Annuities and Taxes
- 8 Annuities and Estate Planning
- 10 Protect Yourself from Financial Abuse
- 12 Choose the Right Annuity for You
- 14 Check Out the Insurance Company
- 15 How to File a Complaint
- 16 Find More Information
- 17 Common Terms
- 18 Talk to the Department of Insurance



What Seniors Need to Know

If you are a senior, someone may offer to sell you an annuity.

Annuities are complex. There are many kinds of annuities. And sometimes companies and agents take advantage of seniors.

This booklet can help you ask questions and protect yourself, so you can make an informed decision that is right for you.

Before you buy an annuity, make sure you

- Understand what an annuity is.
- Protect yourself, so you are not pushed into buying an annuity.
- Decide if an annuity is right for you.

If you have doubts or questions, contact the California Department of Insurance.

What is an annuity?

An annuity is a contract between you and an insurance company. You buy the annuity by making one or more premium payments to the insurance company. The insurance company makes income payments to you, for life or for a limited time.

Annuities usually have commissions and other fees that cut into your investment. They typically earn less money than stocks and bonds.

Most people who buy an annuity do so to get an income when they retire. An annuity is a long-term investment. Make the decision carefully.

Do not be pushed into buying an annuity.

- An agent should not push you to buy an annuity. That's illegal.
- AARP, the senior group, warns: *Do not get a reverse mortgage so you can buy an annuity. You will pay too much in fees and extra charges if you do this.*
- The law says that anyone who offers to sell you an annuity must give you honest and accurate information on the terms and rules of the annuity, and its costs and benefits.
- If you feel pressured, call the California Department of Insurance.

Is an annuity right for me?

The answer depends on your financial situation, age, health, and goals.

Annuities can be right for some people and wrong for others. Ask yourself the following questions. Discuss them with a trusted family member or financial advisor.

Yes No Can I afford to tie up my money for many years?

Yes No Will I have enough money left to have an emergency fund, such as a bank account?

Yes No Will I have enough money left for my long-term care and other health care needs?

Yes No Can I cover my expenses until I start getting income payments?

If you answered **No** to any of these questions, an annuity is probably wrong for you.



“An annuity ties up your money. You can’t get your money out at all, or you have to pay high penalties. This can be financially devastating to seniors on a fixed income.”

*Dave Jones,
California Insurance Commissioner*

Contact the California Department of Insurance (CDI).

We do not recommend or disapprove of annuities. We want to give you the information you need to make the best decision for you. There are laws in California that protect the rights of seniors. You have the right to be treated fairly, with honesty and good faith.

If you are pressured to buy an annuity, contact CDI:

1-800-927-4357

www.insurance.ca.gov

You can also order or view our brochure *Life Insurance and Annuities*. It will tell you more about annuities.

Kinds of Annuities

There are many kinds of annuities. For example, there are:

- Different ways to make premium payments.
- Different ways that annuities earn interest.
- Different ways to start getting income payments.

There are different ways to make premium payments.

Your payments to buy an annuity are called premiums.

- You can buy an annuity with a single premium.
- Or you may make a series of premium payments over time.
- The money you pay to buy the premium is also called your principal.

Annuities earn interest in different ways.

Variable Annuity: The insurance company invests your annuity in stocks, bonds, or other investments, based upon the risk you want to take. If the fund does not do well, you may lose some or all of your investment. For more information on variable annuities, read the brochure *Variable Annuities: What You Should Know* at www.sec.gov/investor/seniors.shtml.

Fixed Annuity: Your money earns interest at rates set by the insurance company (or in another way described in the annuity contract). The interest rate may be set for only 1 year or for up to 10 years. An Equity-Indexed Annuity has an interest rate that is usually based on a stock market index.

You have a guaranteed minimum interest. The guarantees are conservative. The interest might be higher.



Do you want more tips on protecting yourself?

Watch the video on the Department of Insurance website. Go to the Senior Information Center at www.insurance.ca.gov. Or order your own DVD of the video by calling 1-800-927-4357.



Watch out for fixed annuities with a minimum guaranteed interest rate of 0%. You will not lose principal, but your money will not grow. Also, you will not get all the extra interest that the stock market might earn. The insurance company decides how much you get.

Watch out for ads that show high interest rates. If the interest rate is not guaranteed, you cannot count on it.

- Some annuities offer a higher guaranteed interest for the first year only. This is called a teaser rate. The interest goes down after that.
- Make sure to ask what the minimum rate is and how long the high interest rate lasts.

There are different ways to start getting income payments.

Immediate Annuity: You start getting income payments within a year after you buy the annuity. You usually cannot take any extra money out. The main reason to buy an immediate annuity is to get a regular income right away in your retirement.

Deferred Annuity: You start getting income many years later, when you retire. The main reason to buy a deferred annuity is to have your money grow tax-deferred for a while. Learn more on the next page.

Deferred Annuities

Deferred annuities are long-term investments. They have two periods:

- **The accumulation period** is when your money grows. It can last for over 10 years.
- **The amortization period** is when you get income payments. It can last as long as your life, and even the life of your beneficiary.

Watch out for surrender charges during the accumulation period!

If you need your money during the accumulation period, you usually have to pay a penalty called a surrender charge.

You can't take any money out in the first year. After that, you may be able to take out some money without a penalty. If you take more, the surrender charges can be high. You may end up with less money than you started with.

What if I need access to my money?

If you think you will need access to your money during the accumulation period, do not get a deferred annuity. However, when this period ends, you may be able to take out your money. This is called cashing out.

What if I die before my income payments start?

This is an important question for estate planning. Your beneficiary may want to cash in the annuity. Ask your agent if your beneficiary would have to pay a surrender charge. See page 8.

Learn more:

Order or view the free brochure *Life Insurance and Annuities* from the California Department of Insurance. Call **1-800-927-4357** or visit **www.insurance.ca.gov**.



Annuity contracts for seniors must provide clear, easy-to-find information on the surrender charge and the period when you have to pay it.

Annuities and Taxes

Tax planning helps to reduce and manage your taxes. A tax attorney or tax accountant should do your tax planning.

Buying or cashing out an annuity may change your taxes. For example, if you sell stocks or bonds so that you can buy an annuity, you may owe extra taxes. Talk to a tax attorney or tax accountant.

Getting the tax benefits of a deferred annuity:

One reason people buy deferred annuities is to delay taxes. You do not have to pay taxes until you get income payments.

- To get the tax benefit, you should let the deferred annuity grow as a long-term investment.
- If you take out money before you reach age 59½, you pay a tax penalty (unless you become disabled or switch your money to another annuity).
- The government does not set an age when you need to start taking income payments from an annuity outside of an IRA or 401(k) plan. However, your annuity contract may specify an age.

- It usually does not make sense to put your annuity into an IRA, because the annuity already gives you tax deferral.

Paying taxes on income:

When you start to receive income payments, you have to pay taxes. Income payments are taxed as regular income, not as capital gains.

Each income payment can include both principal and interest. You pay taxes on the whole income payment if you bought the annuity using pre-tax dollars. You only pay taxes on the interest if you bought the annuity using after-tax dollars.

Replacing an annuity:

You can move your money from one annuity to another without paying taxes. An agent may urge you to replace your annuity. Be careful. The agent gets a commission and you may pay high fees and penalties.

Annuities and Estate Planning

Estate planning helps you make sure your wishes will be followed when you die or can no longer manage your affairs.

Talk to an experienced estate-planning attorney.

If your estate-planning documents are not properly prepared and completed, they may not hold up in court. This can cause lasting damage to you and your family.

An annuity can be part of an estate.

However, before you buy an annuity you should discuss it with your attorney and make sure it fits into your overall plan.

You can choose a beneficiary.

A beneficiary, also called a survivor, can get income payments after you die. This person is usually your spouse.

There are several ways to get income.

- **Life Annuity:** You get an income for life. When you die, payments will stop.
- **Period Certain Annuity:** You get an income for life. After you die, your survivor gets an income for a limited time.
- **Life Annuity with Period Certain:** You get an income for life. If you die before you reach a specific age, your survivor gets an income for a limited time.
- **Joint and Survivor Annuity:** You get an income for life. After you die, your survivor gets a portion of that income (50% or 75%, for example) for life.

Charitable Gift Annuities

A charitable gift annuity is a contract between you and a charity (instead of an insurance company). You give money or property to the charity, and you get a tax deduction. The charity agrees to pay income to you and your beneficiary for your lifetimes. The annuity is backed by the charity's total assets.

- Before you buy a charitable gift annuity, talk to a trusted financial advisor and the Department of Insurance.
- Make sure the charity has a Certificate of Authority from the Department of Insurance.



Protect Yourself from Financial Abuse

Financial abuse of seniors is a growing problem. Many seniors have assets because they have worked all their lives, paid off their homes, and saved for retirement.

Financial abuse can drain seniors of life savings, leaving them penniless when they need health care or long-term care. Illnesses such as dementia and Alzheimer's can make it harder to recognize scams and seek help.

Agents can make high commissions on annuities.

Most insurance agents and brokers obey the laws. But some are dishonest. They may convince you to

- Buy an annuity that is not right for you.
- Replace your annuity—they get a commission and you pay extra fees.
- Get a reverse mortgage in order to finance an annuity.

Living Trust Mills

The growing popularity of estate planning has led to scams called Living Trust Mills. An experienced estate-planning attorney should set up your living trust, not an insurance sales agent.

Scam Warning Signs

- The sales agent claims to be a trust expert, trust advisor, senior estate planner, or paralegal.
- The agent offers free seminars, in sites like assisted living centers, retirement communities, or places of worship.
- The agent offers “free” meals, catered or in a nice restaurant. (You may have to give your contact information to get the “free” meal!)
- The agent offers to create or update a living trust in order to see your financial information.
- The agent gives you wrong information about your current investments. The agent may say that the annuity has less risk than your investments or savings accounts.
- The agent tries to sell an annuity to a veteran, to reduce their assets so they may qualify for a Department of Veterans Affairs benefit.

Your have many rights when agents come to your home.

An agent cannot enter your home uninvited. And they must leave immediately if you ask them to.

When an agent comes to your home:

- Agents must give you 24-hour written notice before they come to your home.
- When they first contact you, they must tell you why. For example, they should say they want to talk about insurance.
- They should tell you the name of the insurance company they represent.
- They should tell you the names and titles of everyone coming to your home.
- Each person should give you a business card or other written identification with their name, business address, telephone number, and any insurance license number.
- You can ask people to leave at any time.

The agent has a legal responsibility to you.

The person who offers to sell you an annuity must give you honest and accurate information on the terms and rules of the annuity, as well as its costs and benefits. This is the law.

Annuities—It's Your Choice

It can be hard to ask someone to leave your home. See how one senior does this. Watch a video on the Department of Insurance website. Go to the Senior Information Center at www.insurance.ca.gov.

Report financial abuse.

See page 15.



Anyone at a meeting in your home should end all discussions and leave your home immediately if you ask them to do so.

Choose the Right Annuity for You

If you decide to buy an annuity, you will need to decide which one is right for you. Make sure you understand the terms of the annuity.

Ask these important questions:

- Do I buy the annuity with one big lump sum payment, or with many payments over time?

For a fixed annuity,

- What is the initial interest rate and how long is it guaranteed?

For a deferred annuity,

- What is the surrender charge if I take out money early?
- How long is the surrender charge period?
- Can I take some money out without paying surrender charges and/or other charges? If yes, how much can I take out?
- What does my beneficiary get if I die before I begin getting income payments?

Use your 30-day free-look period.

As a senior, you have a right to a free 30-day period to look over the annuity to make sure it is what you want. Within the 30-day period you can return the annuity contract for a full refund. Your contract should include this statement:

This policy may be returned within 30 days from the date you received it for a full refund by returning it to the insurance company or agent who sold you the policy. After the 30 days, cancellation may result in a substantial penalty, known as a surrender charge.



Your agent must make sure the annuity is suitable for you. It should be right for your age, income, and finances. The agent should not sell you an annuity if you will need access to the money you put into an annuity.

Before you buy:

Use this check list to make sure you are buying the right annuity for you.

- Get the annuity contract in writing.
- Do not be pressured. Use your 30-day free-look period.
- Do not sign anything you do not understand.
- Have a trusted family member, friend, or advisor review the annuity contract with you.
- Before you replace your annuity with a new one, make sure you receive a full list of the benefits and drawbacks of doing this.
- Ask for a list of all the deadlines, and the surrender charges if you take money out early.
- Make sure the agent, broker, and/or insurance company are properly licensed to sell the annuity you are interested in. See the next page.



Check Out the Insurance Company

Usually you buy an annuity from an insurance company.

Sometimes you can buy an annuity through your 401(k) retirement savings plan at work or from a mutual fund company, bank, or brokerage firm. However, an insurance company actually holds your annuity and manages your money.

Is the insurance company financially sound?

The independent organizations listed below rate the financial stability of insurance companies. Check these ratings before you buy an annuity. You can check them online or at your library.

An “A+++” or “AAA” rating is a sign of a company’s strong financial stability.

AM Best

www.ambest.com

Moody’s

www.moody’s.com

Standard & Poor’s

www.standardandpoors.com

Weiss

www.weissratings.com

Is the insurance company licensed in California?

Make sure the insurance company is licensed by the California Department of Insurance. You can check licenses at **www.insurance.ca.gov** or by calling **1-800-927-4357**.

If the insurance company is licensed in California, the annuity may be partially protected by the California Life & Health Insurance Guarantee Association. For more information, visit **www.califega.org**.

Who is selling the annuity?

You may buy an annuity through a bank, mutual fund company, or brokerage firm. But always ask for the name of the insurance company. The insurance company, not the bank, holds your annuity and manages your money.

- The person who sells you the annuity should be a licensed life insurance agent.
- If you buy a variable annuity, the person who sells it to you should also be a registered securities dealer.

How to File a Complaint

Did someone sell you an inappropriate annuity—an annuity that was not right for your age, health, or financial situation?

For example, it is inappropriate to sell a deferred annuity to someone who needs home health care and needs his or her money to pay for the care.

Would you like to file a complaint against the agent or the insurance company?

Ask if you can cancel the sale.

You can talk to the agent's branch manager or supervisor or to the insurance company. They may be able to cancel the sale if it was inappropriate.

You can also file a complaint with the California Department of Insurance.

To file a complaint or to ask any questions:

- Call **1-800-927-4357**
- Email us at **www.insurance.ca.gov**
(Click on *Request for Assistance*)



Find More Information

- Talk to an insurance agent or company.
- Talk with your financial advisor or attorney.
- Visit your local library and ask for reference books on annuities.

Securities and Exchange Commission

www.sec.gov/investor/seniors.shtml

This is a page of information and resources for seniors, including a link to an article on *Variable Annuities: What You Should Know*.



Common Terms

Accumulation period —The time period when you pay into your annuity.

Annuitant—The person who gets income payments from an annuity (such as you or your beneficiary/survivor).

Annuitization period—The period when you get income payments from your annuity.

Cash value—The amount of money you get when you cash out or surrender your whole annuity.

Deferred annuities —Annuities that provide income payments that start at least one year, and usually many years, in the future.

Fixed annuities—Annuities that grow at a minimum rate set by the insurance company. The rate may be set for only 1 year or for up to 10 years.

Free look—The right of the buyer to have a period to examine an annuity product and, if not satisfied, return it to the company for a full refund. Seniors have a 30-day free-look period.

Immediate annuities—Annuities providing income payments that start within a year after you buy the annuity.

Non-tax-qualified annuity—An annuity that you buy with after-tax dollars.

Premium—The payments you make to an insurance company to buy an annuity. You may make one premium payment, or multiple payments.

Surrender charge—The fee charged if you take money out of your deferred annuity within a certain period, such as 10 years. The surrender charge can be high. You may be able to take out some money without paying a surrender charge.

Tax deferral—The money in your annuity grows tax-deferred. This means that you do not pay taxes on it until you begin receiving income payments.

Tax-qualified annuity —An annuity that you buy with pre-tax dollars.

Variable annuities—Annuities with rates that vary, depending on how the annuity is invested.

Talk to the Department of Insurance

Contact the California Department of Insurance (CDI):

- If you have questions or concerns about insurance.
- If you want to order copies of this brochure.
- If you want to file a complaint about your insurance.
- If you are having difficulty opening a claim with your insurance company.
- To check the license of an agent, broker, or insurance company.



Call:

Consumer Hotline **1-800-927-4357**

TDD **1-800-482-4833**

8:00 AM to 5:00 PM, Monday to Friday, except holidays



Visit us on the web at:

www.insurance.ca.gov



Write:

California Department of Insurance

300 South Spring St., South Tower, Los Angeles, CA 90013



Visit us in person:

300 South Spring St., South Tower, 9th Floor, Los Angeles, CA 90013

8:00 AM to 5:00 PM, Monday to Friday, except holidays

The California Department of Insurance

Consumer Education and Outreach Bureau

300 South Spring Street, South Tower, Los Angeles, CA 90013

1-800-927-4357

1-800-482-4833 (TDD)

www.insurance.ca.gov



This brochure is a joint project of the California Department of Insurance and Health Research for Action, School of Public Health, University of California, Berkeley.

Form 801 / Annuities: What Seniors Need to Know
November 2012 – OSP