



Texas Department of Insurance
www.tdi.state.tx.us - Consumer Helpline 1-800-252-3439

Automobile Insurance Made Easy

(August 2006)

Automobile Insurance

Texas law requires you to have auto liability insurance, and if you still owe money on your car, your lender requires that you also carry collision and comprehensive coverage. Auto insurance pays for damages, injuries, and other losses specifically covered by your policy. Read your policy carefully to know exactly what it covers. Pay special attention to the exclusions section, which lists the things your policy doesn't cover. The front page of your policy is called the declarations page. It contains useful information such as the exact name of your insurance company, your policy number, and the amount of each of your coverages and deductibles.

Texas has an automobile insurance Consumer Bill of Rights. Your company must send you a copy with your policy or policy renewal. Take time to read it to fully understand your rights under Texas law.

Texas Requires Proof of Financial Responsibility!

If you drive in Texas, you must show that you can pay for accidents you cause. Most Texas drivers do this by buying auto liability insurance. Texas law requires minimum coverage of \$20,000 per injured person, up to a total of \$40,000 for everyone hurt in an accident, and \$15,000 for property damage. This basic coverage is called 20/40/15 coverage. However, basic coverage might not be enough if you are held liable for an accident. You should consider buying more than the basic limits. When you buy an auto policy, your insurance company will send you a proof-of-insurance card. You will have to show proof of insurance when you

- are asked for it by a law enforcement officer
- have an accident
- register your car or renew its registration
- obtain or renew your driver's license
- get your car inspected.

Texas law provides severe penalties for violating the state's financial responsibility laws. A first conviction will result in a fine between \$175 and \$350. Subsequent convictions could result in fines of \$350 to \$1,000, suspension of your driver's license, and impoundment of your automobile.

Auto Insurance Coverages

The Texas Personal Automobile Policy offers eight types of coverage. Texas law requires you to have basic liability coverage. The other coverages are optional, but if you still owe money on your car, your lender will require you to have collision and comprehensive coverage. The following describes the eight types of coverage available in the Texas Personal Automobile Policy. Auto insurers may offer alternative policies if approved in advance by TDI. Read your policy carefully, as your coverages and policy terms could differ from those listed below.

1. Liability Coverage

Pays: Other people's expenses for accidents caused by drivers covered under your policy, up to your policy's dollar limits. These may include the other person's

- medical and funeral costs, lost wages, and compensation for pain and suffering
- car repair or replacement costs
- auto rental while their car is being repaired
- punitive damages awarded by a court.

Liability insurance also pays attorney fees if you are sued and bail up to \$250 if you are arrested.

Covers: You, your family members, and other people driving your car with your permission, even if they don't have their own liability insurance and are not named on your policy. You and your family members also are covered when driving someone else's automobile - including a rental car - but not a car that you don't own but have regular access to, such as a company car.

Who qualifies as a family member?

Your auto policy covers your spouse, blood relatives, in-laws, adopted children, wards, and foster children living in your home, even if not named on the policy. Family members attending school away from home and a spouse living elsewhere during a marital separation also are covered.

2. Medical Payments Coverage

Pays: Medical and funeral bills arising from accidents, including those in which the victim was a pedestrian or a bicyclist.

Covers: You, your family members, and passengers in your car, regardless of who caused the accident.

3. Personal Injury Protection (PIP) Coverage

Pays: Same as medical payments coverage, plus 80 percent of lost income and the cost of hiring a caregiver for an injured person.

Covers: You, your family members, and passengers in your car, regardless of who caused the accident.

An insurance company must offer you \$2,500 in PIP, but you can buy more. If you don't want PIP, you must reject it in writing.

4. Uninsured/Underinsured Motorist (UM/UIM) Coverage

Pays: Your expenses from an accident caused by an uninsured motorist or if the other driver did not have enough insurance to cover your bills, up to your policy's dollar limits. Also pays for accidents caused by a hit-and-run driver if you reported the accident promptly to the police.

- Bodily injury UM/UIM pays without deductibles for medical bills, lost wages, pain and suffering, disfigurement, and permanent or partial disability.
- Property damage UM/UIM pays for auto repairs, a rental car, and damage to items carried in your car. There is an automatic \$250 deductible. This means you must pay up to \$250 of the repairs yourself.

Covers: You, your family members, passengers in your car, and others driving your car with your permission.

Insurers must offer UM/UIM coverage, but you can reject it in writing.

5. Collision (Damage to Your Car) Coverage

Pays: The cost of repairing or replacing your car after an accident, regardless of who was driving or who was at fault. Payment is limited to your car's actual cash value, minus your deductible. Actual cash value is the market value of a car like yours before it was damaged.

6. Comprehensive (Physical Damage Other than Collision) Coverage

Pays: The cost of replacing or repairing your car if it is stolen or damaged by fire, vandalism, hail, or another cause other than collision. Comprehensive coverage also pays for a rental car or other temporary transportation if your car is stolen. Your policy won't pay for an auto theft unless you report it to the police. Payment is limited to your car's actual cash value, minus your deductible.

7. Towing and Labor Coverage

Pays: Towing charges when your car can't be driven. Also pays labor charges, such as changing a tire, at the place where your car broke down.

8. Rental Reimbursement Coverage

Pays: A set daily amount for a rental car if your car is stolen or is being repaired because of damage covered by your policy.

Coverage for Stereo Equipment

Your policy won't pay for tapes, compact discs, cellular phones, citizen band radios, or stereo equipment not permanently installed in your car. However, you can buy endorsements to your policy that provide separate coverage for these items for an additional premium.

Insurance Coverage When Renting a Car

Auto rental agencies offer collision damage waivers as well as liability policies. The collision damage waiver is not insurance. It is an agreement that the rental company will waive its right to recover the costs of the damage to the auto from the renter with certain exceptions, regardless of who is at fault. If you have an auto liability policy, your policy already covers damage to a rental car. Your coverage limit, however, might be less than the value of a rental car. If you rent cars often, it might cost less to raise the liability limit on your auto policy rather than buying collision damage waivers each time you rent. The Texas Automobile Rental Liability Policy provides liability insurance for renters who do not have a personal auto policy.

If you don't own a car, but borrow or rent cars often, you can buy a non-owner liability policy. A non-owner policy pays for damages and injuries you cause when driving a borrowed or rented car but not for damage to the auto you are driving.

Coverage When Driving in Other States, Canada, and Mexico

Your Texas policy automatically meets the financial responsibility requirements of other U.S. states and Canada. Mexico, however, does not recognize U.S. auto liability policies.

Mexico does not require drivers to have automobile liability insurance. However, drivers can be held criminally and financially responsible for any auto accidents they cause. If you're in an accident that results in an injury, police in Mexico may detain you until they determine who is at fault. You will have to

show that you either have insurance recognized by the Mexican government or the financial ability to pay any judgment against you.

You can buy Mexican liability insurance from Texas agents who specialize in it. Some U.S. companies provide a free endorsement extending your policy's coverage to infrequent trips of up to 10 days and as far as 25 miles into Mexico. You can buy coverage for longer stays, but it is valid only within 25 miles of the border. Telephone books in border towns list insurance agents that specialize in car insurance for travel in Mexico. Your local agent also might be able to help you find coverage with a Texas-licensed Mexican company.

You also may be able to buy a limited Mexico "tourist" endorsement that extends your Texas liability coverage to pay expenses exceeding those covered by a Mexican liability policy. This endorsement covers trips of any distance and any length of time. Ask your agent which endorsements your insurance company offers.

Coverage of New or Additional Automobiles

If you buy a new or additional car, your policy will automatically cover it, but there are certain limitations you should be aware of.

An additional car automatically has the same coverage as the car with the broadest coverage provided by your policy. For example, if you have two cars - one with liability coverage only and one with liability, collision, and comprehensive - and you buy a third car, the third car will automatically have liability, collision, and comprehensive coverage.

A replacement car automatically has the same coverage as the car it replaced. For example, if you trade in an older car that only had liability coverage, the new car will automatically have only liability coverage.

Be sure to notify your insurance company as soon as possible that you have added or replaced a car and which coverages you want. You could lose coverage on the new car if you wait longer than 30 days.

Shopping for Auto Insurance

Rates vary widely among companies, so it pays to shop around. Following are some useful tips to help you find the best deal for your money:

- Decide before shopping what coverages you need.
- Consider choosing a higher deductible. Your deductible is the amount you must pay yourself before the insurance company will pay. Higher deductibles will lower your premium, but remember that you'll have to pay more out of your own pocket if you have a claim.
- Because rates vary, ask several companies and agents for price quotes. Make sure the quotes you get are for the same coverages.
- When getting a price quote or applying for insurance, answer questions truthfully. Wrong information could cause you to get an incorrect price quote or could lead to a denial or cancellation of coverage.
- Consider factors other than price - including a company's financial rating and its complaint index. Financial ratings indicate a company's financial strength and stability, while its complaint index indicates a company's customer service record. Buy only from licensed companies and agents. You can find out whether a company or agent is licensed and learn a company's financial rating from an independent rating organization and its complaint index by calling TDI's **Consumer Help Line** or by visiting the TDI website

1-800-252-3439

463-6515 in Austin
www.tdi.state.tx.us

- Ask your agent whether you qualify for any discounts the company may offer.

Understanding Rates

Texas law requires rates for insurance offered in Texas to be reasonable, adequate, not excessive to the risks for which they apply, and not unfairly discriminatory. Auto insurance companies in Texas set their own rates and then file them with TDI for review. Companies do not have to receive prior approval before putting their rates into effect, but if TDI determines that a company's filed rates are excessive, the company can be ordered to make refunds to consumers who were overcharged.

Factors that Affect Your Premium

Companies may use a number of criteria to establish your individual premium. These include:

- **Your age and, for younger drivers, your marital status.** Male drivers under 25 and unmarried women under 21 have the highest rates. Drivers over 50 may get discounts.
- **Your driving record and claims history.** A good driving record can save you money. If you have accidents or tickets on your driving record, you'll likely be placed in a nonstandard company, which charges higher rates. In addition, companies can add penalties - called surcharges - to your premium for major driving offenses and accidents resulting in property damage of \$1,000 or more. Surcharges are mandatory for rate-regulated companies and stay on your premium for three years.
- **The county where you keep your car.** Because urban counties have more accidents and auto thefts, their rates tend to be higher than those of rural areas.
- **The type of car you drive.** Collision and comprehensive rates are highest for luxury, high-performance, and sports cars. Rates may also be higher for cars that damage easily or cost more to repair than others.
- **How you use your car.** Rates are higher for cars driven to and from work or used for business.
- **Your credit score.** Companies may consider your credit score when deciding whether to sell you a policy and what to charge you. However, a company cannot refuse to sell you a policy or cancel or nonrenew your policy solely on the basis of your credit. Companies that use credit scoring must file their models with TDI.
- **Whether you drove uninsured in Texas.** Companies can charge more if you drove uninsured in Texas for more than 30 days in the 12 months before you applied for insurance. However, a company cannot otherwise charge you a higher rate for liability coverage because of your prior lack of coverage.

Companies must file their underwriting guidelines with TDI and update them each time they make a change.

Discounts and Surcharges

Discounts can help you save money on your premium. Discounts vary by company. Following is a list of some of the discounts commonly available in Texas:

- defensive driving and driver education courses for young drivers
- airbags and other passive restraints
- two or more cars on a policy
- your age and annual mileage driven
- policy renewal with a good claims and driving record
- anti-lock brakes
- a parent or family whose young driver is away at school without a car

- cars with automatic daytime running lights
- students with good grades.

If you have a poor driving record, you can expect to pay more for your insurance. Companies may add surcharges to your premium -- some as high as 60 percent -- for the following:

- accidents (the more accidents, the higher the surcharge)
- moving violations (speeding, etc.)
- involuntary manslaughter
- driving under the influence
- criminally negligent driving
- driving without a license or with a suspended license.

Insurance on the Installment Plan

TDI rules require all auto insurers to offer installment plans. Some companies only offer payment plans through premium finance companies, which usually charge high interest rates.

Shopping smart for car insurance means you should seek not only low rates but also low-cost financing. Ask who will provide your installment plan. Look for insurance companies that offer their own installment arrangements. Ask about the down payment, the number of installments, interest or service charges, and the amount of your total monthly payment. Get premium quotes and installment plan information from several companies before you decide.

Insurers and premium finance companies must give you terms at least as good as these:

- For a 12-month policy, a 16.67 percent down payment and 10 equal monthly installments. If the policy is written through the Texas Automobile Insurance Plan Association (TAIPA), the down payment is 20 percent.
- For a six-month policy, 33.33 percent down, with four equal monthly payments.

Insurers and premium finance companies may offer even smaller down payments and more time to pay. An insurance company may add a service charge to your payment. The basic service charge is \$3 per month, but the company can add 50 cents for every \$250 (or fraction) of premium over \$500.

Premium Finance Companies

Premium finance companies are specialized lenders that loan consumers money to pay their insurance premiums, often at high interest rates.

Sometimes the only installment plan offered is through a premium finance company, which might be owned by the agent selling your policy.

The insurance agent must tell you if your installment plan is with a premium finance company and must give you the premium finance company's name.

Note: If you buy insurance through TAIPA, an agent who offers a premium finance company loan must give you a disclosure form comparing it with TAIPA's own installment plan. The form will show a side-by-side comparison of the premium finance company's payment plan and the TAIPA installment plan. The form will show fees, interest payments, and the amount you will pay under each plan. If you choose the premium finance company, you must sign this form as proof you made your choice after seeing the comparison.

If you enter into a premium finance agreement with a premium finance company, you will pay the down

payment to the agent, who forwards it to your insurance company. Be sure to get a receipt at the time of payment.

The premium finance company pays the balance of your premium directly to the insurance company and then collects the amount financed, plus interest, from you in installments.

Your loan agreement assigns your power of attorney to the premium finance company for payment transactions involving your policy. The premium finance company can go to the insurer and cancel your policy if you fall behind in your payments.

If your policy is canceled for any reason, the premium refund goes to the premium finance company, which uses it to pay off your note. The premium finance company owes you a refund if any money is left over. The finance company must send your refund to you within 20 days after receiving it from the insurance company.

A premium finance company must have a license from TDI. You can verify its license by calling TDI's Consumer Help Line. When dealing with a premium finance company, it's a good idea to

- Make sure the agent presents your payment plan separately from the sale of insurance so you will understand how your premium is being financed.
- Determine the charges (interest plus fees) the company will use. Compare these to installment plans offered by insurance companies. Also compare premium finance company charges to bank or credit card interest rates.
- Never buy or finance a policy until all the documents are completely filled out and you understand the charge for each item. Be sure the agreement correctly identifies the financed policy. The agreement should show the policy or binder number, effective date of the policy, and the premium amount.
- If there is a premium finance agreement, be sure to sign and date it before leaving the agent's office.
- Insist on getting a copy of the installment agreement. Federal truth-in-lending laws require the lender to give you a copy.
- Make your installment payments only by check or money order payable to the company named on your premium finance notice. Do not pay in cash. Keep a record. If you do pay cash, demand a receipt.
- If you or the insurance company cancels your policy, make sure the premium finance company pays any refunds you have coming.

Losing Your Insurance

Companies may cancel or nonrenew a policy for a variety of reasons. Cancellation means the company terminates your policy before it runs out. Nonrenewal means the company refuses to renew your policy when it expires. It's helpful to know your rights regarding cancellation and nonrenewal of your insurance.

A company must explain in writing its reasons for declining, canceling, or not renewing your policy. This explanation must include

- the precise incident, circumstance, or risk factor that violated the company's underwriting guidelines
- the insurer's sources of information about the incident, circumstances, or risk factor.

An insurance company may not cancel an auto policy that has been in effect for more than 60 days unless

- you fail to pay your premium

- you file a fraudulent claim
- your driver's license or motor vehicle tags are suspended or revoked. This also applies to other drivers who live with you or customarily use your car.

However, during the first 60 days, the company may cancel a policy for any lawful reason, including a ticket or an accident. If the company cancels your policy because of an accident, it still must pay for covered damages resulting from the accident. The company must give you written notice at least 10 days before canceling your policy.

If either you or the company cancels your policy, the company must refund any premiums paid in advance that did not buy coverage. This amount is called the "unearned premium." For example, if you paid a six-month premium of \$600 and you cancel your policy after one month, the company owes you \$500 in unearned premium.

A company cannot refuse to renew your policy unless it has been in effect for at least 12 months. This means a six-month policy must be renewed to give you a full 12 months of coverage. The company must give you 30 days' notice before not renewing your policy.

In Texas, a company cannot refuse to renew your policy because of

- weather-related claims, including damage from hail, floods, tornadoes, high winds, and hurricanes
- damage from colliding with animals or birds
- damage from gravel and other flying and falling objects (the company can raise your deductible, however, if you have three such claims in 36 months)
- towing and labor claims (the company can refuse to renew your towing and labor coverage, however, if you have four such claims in 36 months)
- other claims or accidents that cannot reasonably be blamed on you, unless you have more than one of these claims in a 12-month period.

Sometimes an insurer will move you to another company in its company group. If a company moves you to another company within its group, it must give you 30 days' notice that your original policy will not be renewed. If the company fails to give you 30 days' notice, TDI can require the company to renew your policy for another year in your original company.

If you get a nonrenewal or cancellation notice, it's a good idea to start shopping for new insurance immediately. You'll need to make sure that you keep your liability coverage uninterrupted to satisfy Texas' financial responsibility laws. Also, if you still owe money on your car, your lender will usually require you to maintain collision and comprehensive coverages without interruption. If you cancel or lose these coverages, your lender will buy single-interest automobile physical damage coverage and add the cost to your loan payment. It's expensive and protects only the lender. You may drop collision and comprehensive once you have paid off your car loan, but you should keep the coverages as long as you owe money on your car.

Your Rights Against Unfair Discrimination

An insurance company cannot deny, refuse to renew, limit, or charge more for coverage because of your race, color, religion, or national origin.

A company also cannot deny, refuse to renew, limit, or charge more for coverage because of your age, gender, marital status, geographic location, disability, or partial disability unless the refusal, limitation, or higher rate is "based on sound underwriting or actuarial principles." This means the company would have to show valid evidence that you present a greater risk for a loss than others it is willing to insure. Also, a company cannot nonrenew your policy because someone in your family has reached driving age.

In addition, a company cannot unfairly discriminate between individuals of the same rate or risk class in its rates, policy terms, benefits, or in any other manner unless the refusal, limitation, or higher rate is "based on sound actuarial principles."

You may sue insurance companies for unfair discrimination, including denial of insurance. The suit must be filed in an Austin district court. However, if the court finds the suit groundless, in bad faith, or brought for the purpose of harassment, you may be ordered to pay the insurance company's legal expenses.

Auto Insurance for "High Risk" Drivers

Being labeled "high risk" makes it harder to get car insurance, particularly at favorable prices. Insurance companies often check motor vehicle records for your driving history and credit reports for your financial history before writing or renewing your policy. Owning a car built for speed also can label you as high risk.

Many companies use the Comprehensive Loss Underwriting Exchange (CLUE®) to learn an applicant's insurance claims history. If the company based its decision to deny, cancel, or nonrenew you even partly on a CLUE® report, you can get a free copy by calling the ChoicePoint Consumer Center or visiting its website

1-800-456-6004

www.choicetrust.com/index2.htm

Before calling, get the CLUE® reference number from the company's denial letter or from the company. Using the reference number will speed the process and ensure you request the right report.

Insurance Options for High-Risk Drivers

- Several major insurer groups write coverage for high-risk drivers through one of their member companies.
- TAIPA is available for drivers who can't find basic liability coverage elsewhere. You qualify for coverage through TAIPA only if two insurance companies reject you. A licensed insurance agent must sign your application and send it to TAIPA. TAIPA then assigns you to an insurance company, which collects your premium and pays your claims. The company will provide coverage for as long as three years.
- Keep shopping! Each company has its own underwriting guidelines for deciding whether to insure people.

If you get auto insurance through TAIPA, your policy will provide basic liability insurance required by Texas law. You can add \$2,500 worth of Personal Injury Protection and uninsured/underinsured motorist coverage.

TAIPA doesn't provide collision or comprehensive insurance. Nor does it offer more liability coverage than the law requires. TAIPA policyholders who need collision, comprehensive, or more liability coverage should ask an agent for help finding a policy.

TAIPA coverage costs more than most companies charge, but could be less than you would pay a county mutual. TAIPA policyholders must pay additional premiums, called surcharges, for traffic convictions. They also pay higher surcharges for accidents than other drivers. TDI rules encourage insurance companies to take policyholders out of TAIPA and insure them at lower rates after a year without tickets or accidents. The rules also require companies to offer cheaper "voluntary" policies to their TAIPA policyholders who have gone three years without tickets or accidents.

To get coverage through TAIPA, apply through a licensed agent who will forward your application and

first payment to TAIPA. You should receive a proof-of-insurance card by mail within 10 days. Only agents specifically certified by TAIPA may sell TAIPA policies. An agent who quotes you a premium higher than TAIPA's must tell you about TAIPA if you were previously uninsured and had no more than one accident and one ticket in the past three years.

For more information about TAIPA, call

**1-800-580-TAIP or
512-444-4441**

After the Accident... What Now?

Accident Checklist

- Move your car, if possible, to avoid blocking traffic and to protect it from further loss or damage.
- Call the police if somebody is injured or killed, if a vehicle can't be moved, or if the accident involved a hit-and-run driver. Your uninsured motorist coverage pays for a hit-and-run accident only if you report the accident to the police.
- Get the other driver's name, address, telephone number, license plate number, driver's license number, and insurance information. Give the other driver the same information about you.
- Record the insurance company name and the policy number exactly as shown on the other driver's proof-of-insurance card. Similar company names can cause confusion, so make sure you write down the correct company name.
- Get the names, addresses, and telephone numbers of any witnesses to the accident.
- Notify your insurance company as soon as possible. Your company probably has a 1-800 number to report claims. If not, call your agent. Some agents have authority to settle small claims. The agent or company will advise you about seeing an adjuster and getting repair estimates. Also, give your agent or company the names and addresses of any witnesses and injured persons.
- If you reported your claim by phone, be sure to follow up in writing as soon as possible to protect your rights under Texas' prompt payment of claims laws.
- Send the company copies of the accident report and any legal papers you receive about the accident.
- Cooperate with the company's investigation. You might have to submit a proof-of-loss form and undergo a medical examination.

If the other driver refuses to tell you his or her insurance company, get a copy of the police accident report. The accident report will list the other driver's name and insurance company. If the police did not investigate the accident, you can report the driver's refusal to the police. This could result in a report identifying the driver's insurance company. In addition, the Department of Public Safety keeps files of forms - called SR-22s - that show the insurance companies of people convicted of DWI or driving without insurance. DPS will advise you how to find out if the driver has an SR-22 on file and the name of his or her insurance company. You may also request the information by calling

512-424-2600

Accidents Caused by Other Drivers

If you were in an accident caused by another driver, the other driver's insurance company should pay the following costs, up to the policy's limits:

- repair or replacement of your car
- car rental while your automobile is being repaired
- your medical and hospital bills
- wages lost because of an injury

- compensation for pain and suffering if anyone is hurt.

If the other driver's insurance won't cover all your medical bills, you should file a claim for the difference against your Personal Injury Protection (PIP) coverage, if you have it. For amounts over that, you can claim against your uninsured/underinsured motorists (UM/UIM) coverage or your health insurance policy.

If the other driver's policy won't cover all of your auto repairs, file a claim against your collision or UM/UIM coverage for the difference (minus your deductible) between the damage to your car and what the other driver's policy will pay.

The other driver's insurance company may ask you to sign a release to settle your claim and forgo future claims related to the accident. Don't sign a release until you are satisfied with your total settlement. Get a letter from your doctor estimating the cost and length of your future medical treatment. You might want to consult an attorney before accepting a settlement. Under Texas law, you have two years after an accident to either settle your claim or file a lawsuit.

Texas law prohibits insurance companies from delaying payment on a claim as a means to pressure you to sign a release. If you believe an insurance company is delaying payment to you so that you will sign a release, you should file a formal complaint with TDI.

If the other driver denies fault, his or her insurance company may refuse to pay the claim. Independent witnesses could make a difference in getting the company to pay. It's important to get names, addresses, and telephone numbers of any witnesses to the accident. Make sure the insurance company knows about the witnesses. If the company continues to refuse to pay the claim, you can file a claim against your own insurance or you may have to go to court to resolve the issue.

Before filing a claim against your own company, it's a good idea to talk to your agent or your company's underwriting department about how a claim might affect your rates on renewal. A company can raise your premium because of at-fault accidents. Also, a company cannot refuse to renew your policy solely because you had one accident that was not your fault in a 12-month period. However, if the accident affected your Texas Department of Public Safety driving record, your company may consider that in determining your rates, whether you made a claim on the accident or not.

Getting Your Car Repaired

Your insurance company will have an adjuster inspect your car and calculate an estimate for repairs or may ask that you provide repair estimates from mechanics and auto body shops. The insurance company will pay for repairs or replacement only up to the car's actual cash value. Actual cash value is the amount that your car would have sold for before the accident. An insurance company cannot require you to use a particular repair shop. In fact, insurance companies are required to notify you of your freedom-of-choice rights regarding auto repair shops and parts. On collision and comprehensive claims, however, your company is obligated to pay only for parts of "like kind and quality" to those that were damaged.

If the repair estimates are more than your car is worth, the insurance company will likely "total" your car rather than pay to fix it. Insurance companies typically value your car by the National Automobile Dealers Association Used Car Guide or by a "market survey" showing average prices of various makes and models. The company's offer might not recognize your car's condition, special features, value on the local market, or may be less than what you owe on your car loan. In these instances, be prepared to negotiate with the insurance company to get what you believe is a fair deal. A company is more likely to raise its offer if you can show that your car would sell for a higher price in your area. Get written price quotes for a similar automobile from several used car dealers, or look in the classified section of your local newspaper for used car prices.

Sometimes the insurance company may want to total your car, but you'd prefer to have it repaired instead. You can keep your car if you are willing to subtract its salvage value from the insurance settlement. First make sure the cost to repair the car will not exceed the car's actual cash value. To find out the salvage value, contact local salvage yards for estimates. Be sure to record the yard's telephone numbers and the names of the people you spoke with.

If your insurance company totals your car but you can't reach an agreement on the amount to be paid, you can demand an appraisal. Appraisal allows you and the company to hire separate damage appraisers. The two appraisers choose a third appraiser to act as an umpire. The appraisers then review your claim, and the umpire rules on any disagreements. The appraisal decision is binding, but only as to the amount of the loss. If there is a dispute over what is covered, you can still pursue a settlement of the coverage issue after the appraisal takes place. You are required to pay for your appraiser and half of the umpire's costs.

Appraisal is available only in disputes between you and your insurance company. It is not available if the other driver was at fault and you disagree with his or her company's offer.

Getting a Rental Car

If you have more than basic liability coverage or your accident was caused by another driver, you should be able to get a rental car while yours is being repaired:

- If the other driver was to blame, his or her liability insurance will pay for a rental car.
- If the accident was hit-and-run or the other driver was uninsured and at fault, your UM/UIM property damage coverage will pay for a rental car.
- If your car was stolen and you have comprehensive insurance, your company will provide a set amount each day, up to your policy's limit, for a rental car.
- If your car is being fixed or replaced for some other reason, your insurance company won't provide a rental car unless you have rental reimbursement coverage.

Filing a Claim

Once you have filed a claim, Texas law sets these deadlines for the insurance company to act:

- The company must respond within 15 days after receiving your claim in writing. It probably will ask you to document your loss.
- After you submit any requested documentation, the company has 15 business days to accept or reject your claim.
- Once the company agrees to pay your claim, it must send your check or draft within five business days.

A company that cannot meet these deadlines must send you a notice explaining why. The company then has 45 days to either approve or reject the claim.

Note: This law does not apply if another driver's insurance company is paying the claim. However, the company is required to act in good faith and to make a prompt and fair settlement.

If the insurance company rejects your claim, Texas law requires it to explain the rejection in writing. If the company claims that the loss isn't covered by your policy, ask to see the policy language that supports denial of your claim. A court usually will order the company to pay if the language is unclear and the policy reasonably could be read your way.

Automobile Insurance for Young Drivers

Young drivers must comply with the state's financial responsibility laws, just as older drivers do. Most young drivers, however, have the option of satisfying their legal requirements by being added to their parents' auto policy. Adding a young driver to a parents' policy can be expensive, but it's cheaper than taking out a separate auto policy.

A parents' policy covers children living at home or away at school, even when not named on the policy. Even though children are automatically covered on their parents' policy, it's important that they be listed on the policy as soon as they reach driving age. Insurance companies are required to charge the correct rate, based on the classifications of the drivers in your family. If you don't have all of the drivers in your family listed on your policy and the company learns about them later - because of an accident claim, for instance - the company will bill you for the extra premium you should have paid.

If you have children attending school away from home, tell your insurance company. Because rates are based on where a car is usually located, the insurance company may need to adjust your premium. If the school is in another state, it's a good idea to check on the financial responsibility laws in that state to make sure you have the appropriate coverages.

When you add your children to your policy, they may be rated on the most expensive auto in your household. The rules for this are complex and address a variety of situations, however. Generally, if a teen-ager is the "principal driver" of a particular automobile, his or her rate will be based on that car. If not, the teen-age driver is assigned to the car (usually the most expensive) that produces the highest rate.

Removing Your Children from Your Policy

You may want to remove your children from your policy when they are no longer living with you. You'll probably have to prove to the insurance company that a young driver no longer lives at home, however. You can use documents like a driver's license, lease agreement, or utility receipts to prove that your child has moved. A remotely possible alternative would be a named driver exclusion added by mutual agreement between you and the insurer.

It's probably not a good idea to remove your children from your policy who have moved because they are attending school away from home. An insurance company may require you to keep them on your policy, even if you would like to have them removed. Technically, you could remove your child from your policy with a "named driver exclusion" endorsement. Few companies will agree to this, however. Besides, it's risky to drop coverage when your teen-ager might occasionally drive at school or when home on visits.

You can sometimes remove a teen-aged driver from your policy by purchasing a non-owner policy. This usually is a bad idea. A non-owner policy merely provides additional liability insurance when driving a non-owned vehicle. If your teen-ager has an accident while driving your car, neither your policy nor the non-owner policy will pay for your vehicle's damage. You might also be unprotected financially if held liable for an accident caused by your minor child. Finally, if the non-owner policy is rated properly, your teen-ager's liability insurance might cost as much as or more than if he or she was on your policy.

Saving Money on Insurance for Young Drivers

Unfortunately, insuring young drivers is usually expensive. Some young drivers may qualify for discounts, however. If you are under 18, you must complete a driver training course approved by DPS to obtain a Texas driver's license. Many insurance companies give a 10 percent driver training credit for teen-agers who complete driver education. Parent-taught drivers are eligible for the discount if the parent used a DPS-approved course. Some companies offer discounts to young drivers who make good grades in school or who belong to certain youth groups. Ask your agent about any discounts for young drivers.

Getting Help

If you have a problem with your insurance company, first try to resolve the problem yourself. Often disputes are the result of miscommunication. Talk to your agent or a company representative. Texas law requires most companies to have toll-free telephone lines for their policyholders.

If you are unable to resolve the dispute, you can file a complaint with TDI.

TDI will promptly notify the company of your complaint, ask for a detailed response, and then send you a copy of the response when it is received. The insurance specialist assigned to your complaint will send you an explanation of the outcome. Most complaints are completed in about 45 days.

TDI has limited jurisdiction in some complaints. For instance, we can't resolve questions of fact and have no authority over third-party claims. However, even if we are unable to resolve your complaint, we may be able to bring about a more thorough review of the matter. In addition, your complaints and inquiries help TDI assist other Texans by identifying insurance companies and agents that should be investigated and helping determine the kinds of help consumers need most.

For More Information or Assistance

For answers to general insurance questions or for information on filing an insurance-related complaint, visit our website or call the **Consumer Help Line** between 8 a.m. and 5 p.m., Central time, Monday-Friday

www.tdi.state.tx.us
1-800-252-3439
463-6515 in Austin

For printed copies of consumer publications, call the 24-hour *Publications Order Line*

1-800-599-SHOP (7467)
305-7211 in Austin

Help us prevent insurance fraud. To report suspected fraud, call our toll-free **Fraud Hot Line**

1-888-327-8818

To report suspected arson or suspicious activity involving fires, call the State Fire Marshal's 24-hour **Arson Hot Line**

1-877-4FIRE45 (434-7345)

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For more information contact: ConsumerProtection@tdi.state.tx.us

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