

Texas Automobile Insurance: Coverage Guide

What Texas Drivers Should Know

Provided by

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Introduction

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.

Texas 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.

Texas 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.

Texas 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.

Texas 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.

Texas 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*.

Texas 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.

Texas 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.

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.

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.

TDI's Consumer Help Line or by visiting the TDI website
1-800-252-3439
463-6515 in Austin
www.tdi.state.tx.us