

# Shopping Smart

Tips for Buying Auto, Homeowners, and Renters Insurance



Texas Department  
of Insurance

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Learn about insurance.  
1-800-252-3439 | [tdi.texas.gov](http://tdi.texas.gov)

Updated October 2017

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## Get Help From TDI

For insurance questions or for help with an insurance-related complaint, call the **Texas Department of Insurance (TDI) Consumer Help Line** at **1-800-252-3439** or visit our website at **[tdi.texas.gov](http://tdi.texas.gov)**.

Visit **[HelpInsure.com](http://HelpInsure.com)** to shop for automobile, homeowners, condo, and renters insurance. Visit **[TexasHealthOptions.com](http://TexasHealthOptions.com)** to learn more about health insurance and your options for coverage.

Shopping for insurance is like shopping for any major item. It's a good idea to compare companies and products to find the best price, quality, and customer service.

**[HelpInsure.com](http://HelpInsure.com)** is a free service of TDI and the Office of Public Insurance Counsel (OPIC). You can use [HelpInsure.com](http://HelpInsure.com) to shop for auto, homeowners, condo, and renters insurance.

### Quick Tips to Help You Shop

- **Use [HelpInsure.com](http://HelpInsure.com) to start your search.** [HelpInsure.com](http://HelpInsure.com) has sample rates, policy coverage comparisons, and insurance company profiles. The profiles show a company's history, complaint index, and financial rating from an independent rating organization. You'll need to call the companies directly to get an exact rate quote.
- **Ask several companies and agents for price quotes.** Rates vary among companies, so get several quotes. When comparing prices, make sure you understand the coverages.
- **Include independent agents in your search.** Some agents represent only a single company or company

group. Independent agents usually represent several companies and can give you more than one quote at a time.

- **Consider factors other than price, including an insurance company’s financial rating, complaint index, and license status.** The financial rating indicates a company’s financial strength and stability, and the complaint index is an indication of its customer service record. Buy only from licensed insurance companies and agents. It is against the law to sell insurance without a license in Texas. Learn an insurance company’s license status, complaint history, and financial rating from an independent rating organization by calling TDI’s Consumer Help Line.
- **Decide what coverages you want and need.** Review your limits annually to make sure that you have enough coverage to replace your car and house if they’re destroyed. Making a written inventory will help you decide how much coverage you need. Use TDI’s Home Inventory Checklist at [www.tdi.texas.gov/pubs/consumer/cb086.pdf](http://www.tdi.texas.gov/pubs/consumer/cb086.pdf) to create your inventory.
- **Consider higher deductibles.** A deductible is the amount you have to pay before the insurance company will pay. For example, if you have a claim for \$1,000 and a deductible of \$300, the insurance company will automatically deduct \$300 from the amount it will pay you. The higher your deductibles, the lower your premium. Choose the highest deductibles you can afford.
- **Ask your agent about discounts.** Most home and auto insurance companies offer discounts that will lower your premium. Ask if you’re eligible for any discounts the company offers.

- **Don't pay cash to an agent.** Make payments by check or money order payable directly to the insurance company, not the agent. Get a receipt for your payment.
- **Make sure you have uninterrupted coverage.** Never cancel a policy until you get your new policy or a written binder. A binder proves you have coverage until the company issues your policy.
- **Keep shopping if a company turns you down.** Different companies have different criteria for accepting customers. If you're having trouble finding insurance, consider the Texas FAIR Plan Association for homeowners insurance and the Texas Automobile Insurance Plan Association (TAIPA) for auto insurance.
- **Know your rights.** Auto and homeowners policies in Texas must include a Consumer Bill of Rights that explains your legal rights and responsibilities. Read it carefully. You can also read the bills of rights on the TDI website.

## Auto Insurance

Although your coverages and policy terms may be different from these, this summary can help you understand the basic eight coverages:

1. **Liability coverage** pays expenses, up to your policy's dollar limits, for people in the other car involved in an accident that you or someone covered by your policy caused. Expenses can include medical bills, car repair, and car rental. Texas law requires minimum coverage of \$30,000 for each injured person, up to a total of \$60,000 per accident, and \$25,000 for property damage per accident. This basic coverage is called 30/60/25

coverage. Liability covers you and your family members and other people driving your car with your permission. Some policies – called named driver policies – won't cover people who live with you, including family members, unless they're specifically named in the policy. For these policies, the declarations page must list the names of the people the policy covers.

2. **Collision coverage** pays to repair or replace your car after an accident, no matter who caused the accident. The company will pay your car's actual cash value, the amount to repair or replace the car, or the amount stated on the declaration page, whichever is less. Actual cash value is the current cost to replace your car, minus depreciation.
3. **Comprehensive (other than collision) coverage** pays to repair or replace your car if it is stolen or damaged by fire, vandalism, hail, falling objects, or an event other than a collision. Payment is limited to your car's actual cash value, minus your deductible.
4. **Medical payments coverage** pays medical and funeral bills if you, a family member, a passenger in your car, or other people, including bicyclists and pedestrians, is injured or killed in a car accident.
5. **Personal injury protection (PIP)** pays the same as medical payments coverage, plus 80 percent of lost income and the cost of hiring a caregiver for an injured person. Your insurance company will automatically give you PIP coverage, but you may reject it in writing if you don't want it.
6. **Uninsured/underinsured motorist coverage** pays expenses for you, your passengers, and others driving with permission from an accident caused

by an uninsured motorist, a motorist who didn't have enough insurance, or a hit-and-run driver. It also pays for personal property that was damaged in your car. Insurance companies must offer UM/UIM coverage. If you don't want it, you must reject it in writing.

7. **Towing and labor coverage** pays towing charges when your car can't be driven. It also pays labor charges, such as changing a flat tire or jump-starting your battery.
8. **Rental reimbursement coverage** pays a set daily amount for a rental car if your car is being repaired because of damage that your policy covers, such as fire or theft.

## Factors that Affect Your Premium

Companies may use a number of factors to set your premium, including:

- **Your age and, for younger drivers, your marital status.** Men 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. Insurance companies will charge you more if you have accidents or tickets on your driving record. Companies may also charge more for major convictions, some driving violations, and accidents that damage property. Some surcharges are mandatory and will apply to your premium for three years.
- **Where you keep your car.** Rates are typically higher for people who live in cities because they have more accidents and auto thefts than people

who live in rural areas.

- **Your car's type.** 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.
- **Your car's primary use.** Your rates will be higher if you drive your car to and from work or for business. Rates are lowest for people who only drive for pleasure.
- **Your credit score.** Companies often use your credit score to decide if they want to sell you a policy and at what cost. A company can't refuse to sell you a policy or cancel or nonrenew your policy based only on your credit. To find out which companies use credit scores and how they use them, visit the Learning Center on HelpInsure.com.
- **Whether you drove uninsured in Texas.** Companies may charge more if you drove without insurance in Texas for more than 30 days in a row in the 12 months before you applied for insurance. If you didn't, a company can't charge you more for liability coverage because of your prior lack of coverage.

## Ask about Discounts

Discounts can help you save money on your premium. Discounts vary by company. Companies often offer discounts for:

- defensive driving courses,
- driver education courses for young drivers,
- students with good grades,
- parent or family whose young driver is away at



school without a car,

- more than one car on a policy,
- policy renewal with good claims and driving records, and
- a homeowners policy with the same company.

You might also qualify for a discount if your car has:

- airbags and automatic seatbelts,
- automatic daytime running lights,
- antilock brakes, and
- antitheft devices.

## Homeowners Insurance

Most homeowners policies in Texas include the following coverages:

- **Dwelling** pays if your house is damaged or destroyed by a covered loss.
- **Personal property** pays if the items in your house (such as furniture, clothing, and appliances) are damaged, stolen, or destroyed.
- **Other structures** pays to repair or rebuild structures not attached to your house, such as detached garages, storage sheds, and fences.
- **Loss of use** pays your additional living expenses (housing, food, and other essential expenses) if you have to temporarily move because of damage to your house from a covered loss. Your policy will pay either a percentage of the amount of your dwelling coverage (typically 10 to 20 percent) or for a specific period after the loss (such as 24 months).

- **Personal liability** pays to defend you in court against lawsuits and provides coverage if you are found legally responsible for someone else's injury or property damage.
- **Medical payments** pays the medical bills of people hurt on your property. It might also pay for some injuries that happen away from your home, such as your dog biting someone at the park. A basic homeowners policy pays \$500 in medical bills, but you may buy up to \$5,000 in medical payments coverage.

The types of policies sold in Texas are:

- **All-risk policies** (also known as a comprehensive coverage or open perils coverage). These policies offer you broad protection and cover all causes of loss unless the policy specifically excludes them.
- **Named perils policies** (also known as specified perils coverage). These policies offer narrower protection than an all-risk policy and cover only the causes of loss specifically named in the policy.

Policies typically provide replacement cost or actual cash value coverage:

- **Replacement cost** is what you would pay to rebuild or repair your home, based on current construction costs. Replacement cost is different from market value and doesn't include the value of your land. Ask your insurance company if you aren't sure how much it would cost to rebuild your house.
- **Actual cash value** is what you would pay to rebuild or replace your property minus depreciation. Depreciation is a decrease in value due to wear and tear or age. If your home is destroyed and you only have actual cash value coverage, the insurance

company will not pay enough to completely rebuild your home.

To compare policies approved for sale in Texas, visit **OPIC's** website at [opic.texas.gov](http://opic.texas.gov).

## Other Types of Insurance You Might Need

Depending on where you live and what you're insuring, you might want to consider the following types of insurance to supplement your residential policy:

- **Flood insurance.** Homeowners policies typically don't cover damage caused by flood. To protect yourself from losses caused by flooding, buy a flood insurance policy from the National Flood Insurance Program (NFIP). The Federal Emergency Management Agency (FEMA) runs NFIP. If your property is in a special flood hazard area, your lender will require you to have flood insurance. For more information, visit the **NFIP** website at [FloodSmart.gov](http://FloodSmart.gov) or call **1-800-427-4661**.
- **Windstorm and hail insurance.** If you live on the Texas coast or in Harris County on Galveston Bay, your homeowners policy won't cover windstorm and hail damage. The Texas Windstorm Insurance Association (TWIA) sells windstorm and hail coverage for Texas coastal residents. You can buy TWIA coverage through local insurance agents if you need it. For more information, visit the **TWIA** website at [twia.org](http://twia.org) or call **1-800-788-8247**. For more information or questions about TWIA claims, visit TDI's **Coastal Outreach and Assistance Services Team (COAST)** program website at [www.tdi.texas.gov/consumer/coast/index.html](http://www.tdi.texas.gov/consumer/coast/index.html) or call **1-855-35COAST** (1-855-352-6278).

- **Extra coverage (endorsements).** If you want more coverage than the policy offers, you might be able to add an endorsement to your policy for a higher premium. Some of the most common endorsements increase coverage for jewelry, fine arts, or electronics. Other common endorsements provide coverage for backup of sewers or drains, damage to foundations and slabs, mold remediation, and water damage from a plumbing, heating, or air conditioning system.
- **Personal umbrella liability insurance.** If you want more liability coverage than a homeowners policy provides, you can buy a separate umbrella policy. Make sure the agent or company fully explains the coverage because policies are different for each insurance company.

## Factors that Affect Your Premium

Companies use various factors to determine premiums. These include:

- **Your home's age and condition.** Companies may refuse to insure homes in poor condition, but they may not deny coverage solely because of a home's age or value. However, most companies will charge you more if you are insuring an older house.
- **Your home's replacement cost.** If you have a replacement cost policy, your policy will pay to rebuild your home if it's destroyed. Your premiums will increase in relation to the amount of your replacement cost.
- **Construction materials used in your home.** Homes built primarily of brick are less expensive to insure than frame homes.

- **Where you live.** Premiums will likely be higher in areas with a higher crime or high storm activity.
- **Availability of local fire protection.** Premiums are usually lower for homes in areas with access to good fire protection.
- **Your claims history.** Companies use your claims history to determine what to charge you for your coverage. Your claims history includes both the type and the number of claims filed.
- **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 can't refuse to sell you a policy or cancel or nonrenew your policy solely because of your credit score. Companies that use credit scoring must file their credit scoring models with TDI. It's a good idea to look at your credit report each year and correct any errors. For more information about credit scoring, visit TDI's **Credit Scoring and Insurance** web page at [www.tdi.texas.gov/credit/index.html](http://www.tdi.texas.gov/credit/index.html).

## Ask about Discounts

Discounts can help you save money on your insurance. Most companies offer premium discounts if you reduce the chances of a loss. Each company sets the amount of the discounts it offers. You might be able to get a discount for:

- having an alarm system;
- having fire extinguishers, fire alarms, or a sprinkler system;
- having a newer home or a home in good condition;

- having other policies with the same insurance company or group;
- being over 65; and
- being claim free for three years in a row.

Visit our Company Discount Charts on [HelpInsure.com](http://HelpInsure.com) to learn what discounts companies offer.

## Renters Insurance

If you rent your home, your landlord's insurance won't cover your personal property if it is stolen, damaged, or destroyed. Renters insurance covers your personal property and also provides liability coverage.

Insurance companies can sell several types of renters policies in Texas. Read your policy carefully to know exactly what it covers.

### Renters Insurance Coverages

Renters insurance policies typically include three types of coverages: personal property coverage, loss of use, and personal liability.

- **Personal property coverage** pays to repair or replace your personal property, up to your policy's dollar limit. In addition to a total dollar limit, policies may limit payments for certain kinds of property. Common limits are: \$100 for cash; \$2,500 for personal property used for business; \$500 for valuable papers; and \$500 for jewelry, watches, and furs. Renters insurance also covers your luggage and other personal items when you travel. This coverage is usually limited to 10 percent of the amount of your policy or \$1,000, whichever is greater.

- **Loss of use** pays your additional living expenses for things like food and rent if you have to temporarily move from your house or apartment. Loss of use coverage is generally limited to a percentage of a policy's personal property coverage.
- **Personal liability** protects you against a claim or lawsuit if someone is injured in your home. The amount the policy will pay varies by company.

Ask about buying additional coverage if the value of your personal property is more than your coverage limits. People often buy endorsements to add or increase coverage for jewelry, fine arts, antiques, computers, and electronics. Also consider additional liability coverage if you don't think the basic limits are high enough. Your company might require higher limits if you have potentially dangerous items like a pool or trampoline.



**Note:** Renters insurance may duplicate other coverage. For instance, if you are still a dependent, your parents' homeowners policy may cover your personal property. This coverage is limited to 10 percent of the total personal property coverage the policy provides.

## Having Trouble Finding Insurance?

Texans having trouble finding insurance from licensed companies may have other options for obtaining coverage. The following programs may be able to help:

### Texas FAIR Plan Association

The Texas FAIR Plan Association provides basic homeowners insurance to eligible consumers. To be eligible for coverage, you must have been denied insurance by at least two licensed insurance companies writing residential property insurance in Texas and may

not have received a valid offer of comparable insurance from a company licensed in Texas.

For more information, contact your agent or the **Texas FAIR Plan** online at [texasfairplan.org](https://texasfairplan.org) or at **1-800-979-6440**.

## TAIPA

If you can't find a company willing to sell you a policy, you can get basic coverage through the Texas Automobile Insurance Plan Association (TAIPA). You qualify for TAIPA coverage if two insurance companies refuse to sell you a policy.

TAIPA offers only liability, PIP, and UM/UIM coverages. It doesn't provide collision or comprehensive coverage or higher liability limits than the law requires. You must reject PIP and UM/UIM coverages in writing if you don't want them.

TAIPA insurance is more expensive than insurance from most companies. TAIPA also charges surcharges for traffic tickets. Surcharges for accidents are also higher than in the traditional market.

To get TAIPA coverage, apply with a licensed insurance agent (not TAIPA).

## Surplus Lines Carriers

If you can't get insurance from a standard insurance company, you might be able to buy coverage from a surplus lines carrier. Surplus lines carriers insure risks that companies in the standard market are unwilling to insure. Surplus lines carriers usually charge more than licensed companies and offer less coverage.

Surplus lines carriers aren't members of a guaranty association. This means that your claims might go unpaid



if the surplus lines carrier becomes unable to pay its claims.

Agents must try to find coverage with a licensed company before offering you a surplus lines policy. Ask which licensed companies turned you down, and why. Companies must tell you why they turned you down.

## Your Rights against Discrimination

An insurance company may not:

- deny, refuse to renew, limit, or charge more for coverage because of your race, color, religion, or national origin;
- 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 insurance company would have to show evidence that you present a greater risk for a loss than other people it is willing to insure;
- nonrenew your policy because someone in your family has turned 16; or
- 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.

## Consumer Complaints

If you have a problem with your insurance company, first try to resolve the problem by talking to your agent or company. Disputes are often caused by miscommunication.

If you still can't resolve the dispute, you may complain to TDI. TDI will ask the company for a response to your complaint and then share the response with you. The insurance specialist assigned to your complaint will send you an explanation of the outcome.

There are some types of complaints that we can't help resolve. For instance, we can't resolve questions of fact or determine who is at fault in an accident. You usually have to resolve these issues in court. Even if we can't help, our involvement may encourage the company to review your issue more thoroughly. In addition, your complaints and inquiries help us identify potential problems with insurance companies and agents.

*The information in this publication is current as of the revision date. Changes in laws and agency administrative rules made after the revision date may affect the content. View current information on our website. TDI distributes this publication for educational purposes only. This publication is not an endorsement by TDI of any service, product, or company.*



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