



Homeowners Insurance 10 Q&A Tips For Property and Casualty Insurance.

1. What is the most common misconception the public has about homeowners insurance?

That the coverage is the same amongst insurance carriers and therefore just shop for the lowest premium. The premium will reflect the coverage.

2. What changes in the insurance industry have occurred in the last 20 years and how do those changes impact the way people use homeowners insurance?

In Texas in the early 2000's homeowners insurance changed from a standardized homeowner insurance policy, where carriers policies were virtually the same. With the change, the carriers submit their policy form(s) to Texas Department of Insurance (TDI) for approval, along with rates. This means the carrier's coverage's (policy forms) are not the same. The impact is that consumers if they change carriers often for a low premium, do not always know what their policy covers.

3. What are the common homeowner's policies?

The homeowner's policy is All Risk vs. Named Peril. All Risk Policy, every eventuality is covered, except for specifically cited exclusions. Named Peril Policy only specified risks are covered. The All Risk Policy minimizes the possibility that some problem won't be covered and also minimizes the possibilities of overlapping and unnecessary coverage.

4. What additional endorsements should homeowners in this area consider?

A review of the policy should include the policy coverage and what endorsements can be added. Ask if an endorsement is not added at inception, can it be added after the policy is in force? An endorsement is added coverage to the policy. One specific area to review is water damage coverage for the sudden and accidental loss. Within the policy, is there a limit to the coverage? Is an additional endorsement offered for water damage beyond sudden and accidental loss, like leakage and seepage over an extended time?

5. What's the benefit of combining home and auto insurance?

Significant discounts on both policies - this even applies for Renter's Insurance - before becoming a homeowner. Some carriers of auto policies use third party carriers for the homeowner's policy. While you receive a discount for purchasing both policies when it comes time for a claim on the homeowner's policy you will not be handled by the same company. Besides the discount offered, for better claims service consider coverage for both from the same insurance carrier.

A renter's insurance policy is designed for anyone who rents a home or apartment. Renters insurance covers personal belongings and the liability of the renter and it is remarkably inexpensive. Just like a homeowners policy, discounts apply for both renters and auto policies.

6. I am thinking about investing in rental property, what type of coverage should I carry?

Rental properties are not covered under the same homeowner's policy, rental properties have a separate rental dwelling policy. You are covering the rental property for damage or complete loss to the dwelling, not personal property. There can be more risk involved in rental properties as the care of the dwelling may not always be the same by tenants as by the owner. Review the Rental Dwelling Policy, and ask for a comparison to your Homeowners Policy so that you don't have an assumption of coverage. An item overlooked and not always provided by carriers on such policies is Liability coverage. An investor in real estate property should be sure to carry liability coverage, in the realm of their assets.

7. In 2009 the Austin area experienced a hailstorm that severely damaged roofs throughout the area. Should this happen again, what should homeowners know about coverage for repairing/replacing damaged roofs?

Well, we live in Texas so it will likely happen. Maybe not a wide-spread storm, but hail storms typically occur in the spring season and throughout the state. Remember that not all policies are the same. A significant difference in carrier policies, besides water damage coverage, is roof coverage. Review that the policy covers full replacement value not depreciated value on the roof. Depreciated value means the carrier will only pay (minus your deductible) for the replaced roof at the depreciated value of the roof. This means the homeowner can have significant out of pocket costs replacing the roof. A carrier that offers full replacement value will cover the roof (minus your deductible) at what it costs to replace the roof.

8. What's the story on flood insurance? When should we have it and what does it cover?

The government determines flood zones and if the property is located in a flood zone, the mortgage company will require flood insurance. Flood insurance is purchased on a national level, it is not offered by individual carriers. If a homeowner would like to purchase flood insurance, outside of the property being in a flood zone, they can. Insurance agents are able to provide flood insurance through the national program.

9. What should we know about water damage not related to flood? Such as wind driven rain and slow leaks that aren't discovered until there's significant damage.

Covered loss from water damage should be reviewed with your insurance carrier. This is another area, like roof coverage, where coverage varies and in some cases widely. The previous discussion on sudden and accidental water loss, you should review the length of time that water loss could be occurring to be eligible for claim coverage. Think of going on vacation for multiple weeks and coming home to a toilet problem that caused flooding throughout an entire floor or to multiple stories. How much coverage do you have for repairs from water damages and how long can the water even occur before being discovered? So now what about a water loss that could be a slow leak behind a wall, leakage, and seepage, that could take months to discover with damages resulting from that leak, how is that covered?

While flooding and rising water are not covered by homeowners policies, is wind driven rain covered? Some policies will only cover damage from a storm where water has caused damage inside the home when a hole in the roof caused the damage. Other more comprehensive policies will cover damages to the home from wind driven rain, in addition to the hole in the roof.

10. What constitutes a loss of use and what to look for in coverage?

Loss of use is when you can't occupy the home from the covered loss. When you can't occupy the home, you need to live somewhere and now incur additional living expenses while the home is repaired/rebuilt. So again the carriers differ on how much coverage is in the policy for loss of use and how long the loss of use is offered. Think of a region-wide disaster like the Central Texas fires several years back, the time to rebuild that many homes is not an easy process. How much does your policy cover for the loss of use?