

Texas Home Owner Insurance Basics

*Things Every Texas Home Owner Should Know About
Texas Home Insurance*

Provided by:

www.TexasInsuranceZone.com

Texas HomeOwner Insurance Details

Our Texas Home and Homeowner Insurance Consumer Rate Quote Guide provides basic Texas home insurance policy information for the state of Texas. Details on the exact type of home insurance and specific kind of homeowner insurance coverage should be obtained from your insurance agent and Primary insurance company. The purpose of our Texas home insurance and homeowner insurance resources quote guide is to encourage consumers to compare and shop for their Texas homeowner insurance coverage.

A Consumer Guide to Homeowner insurance combines more than one type of home insurance coverage into one singular policy. **Usually, four types of insurance coverage are contained in each homeowner policy: (1) Homeowner Dwelling and Personal Property; (2) Liability; (3) Medical Payments; and, (4) Additional Home Living Expenses.**

(1) Home Dwelling and Personal Property Coverage

Home Dwelling coverage helps pay for any structural damage to the home or dwelling. Other physical structures such as a detached garage, a Home storage shed or any other building on your home property are usually covered for 10% of the coverage on your house. Personal property coverage pays for your contents including home and household furniture, clothing and other personal homeowner possessions. The amount of home or homeowner insurance is usually 50% of the insurance policy limit on your home or dwelling. Your Texas home insurance policy also provides more limited homeowner insurance coverage for personal property, commonly 10%, if the home is stolen or damaged while you are away from home, including when you are on vacation.

(2) Personal Liability Coverage

Homeowners insurance provides personal liability coverage that applies to non-automobile accidents on and off your home property if the injury or damage is caused by you, a family member, or your household pet. The liability coverage in your homeowner insurance policy pays both for the cost of defending you and paying for any damages a court rules you must pay. Unlike other coverage in a homeowners insurance policy, the liability coverage does not have a deductible that must be met before the home insurance company reimburses. The basic home insurance policy limit is typically set at \$100,000, you may request higher home insurance policy limits, which are normally available at additional costs.

(3) Medical Payments Home Insurance Policy Coverage

Medical payments coverage pays if someone outside your home or household is injured at your home regardless of fault and pays for reasonable medical expenses. In limited circumstances, Medical Payments may pay if you are involved in the injury of another person away from your home.

(4) Additional Living Expenses

If you must temporarily move into a motel or apartment due to a loss covered by your policy, the insurance company will pay reasonable and necessary additional living expenses, generally for up to 12 months. The typical Texas home insurance policy pays up to 20% of the insurance policy limit on your home or dwelling for expenses that exceed your normal daily household living expenses.

Homeowner insurance programs generally provides the following additional coverage:

BASIC TEXAS HOMEOWNER'S INSURANCE POLICY

- ADDITIONAL COVERAGES

- **Debris Removal.** The homeowner insurance policy usually covers a fixed amount toward the cost of having debris that is left as a result of the property loss removed from the home or premises.

- **Trees, Plants and Shrubs** Trees, plants and shrubs around the house are usually covered for 5% of the insurance on the home, up to \$500 per item against theft, fire, lightning, explosion, vandalism, riot, and even falling aircraft. Windstorm damage to trees, plants and shrubs is normally not covered.

Ask your insurance agent about the following additional Texas homeowner insurance policy benefits offered by some insurance companies for extra premiums:

- **Credit Card Coverage** Many home insurance policies pay up to \$500 to cover unauthorized credit card use.

- **Identity Theft** Some home insurers offer coverage for household expenses arising from the misuse of your identity.

- **Mold** Some home insurers offer limited coverage of property losses related to mold.

Basic Perils Insured Against in Texas home owner insurance or Texas homeowner insurance policy covers:

Typical Texas Homeowners Form A

- Fire and lightning
- Aircraft & vehicles Earthquakes
- Vandalism and malicious mischief
- Theft
- Explosion
- Riot and civil commotion
- Smoke
- Windstorm, hurricane, and hail
- Sudden and accidental water damage (with proper endorsement if offered)

Typical Texas Homeowners Form B (Broad Form)

The broad Texas home insurance and Texas homeowner insurance policy covers all the perils covered by the basic plus: building or home collapse; freezing or accidental discharge of water in the house, or steam from within home plumbing, heating, etc.

COMMON EXCLUSIONS AND LIMITATIONS TO MOST TEXAS HOMEOWNER INSURANCE POLICIES ARE:

- Flooding
- Earthquakes
- Termites
- Insects, rats or mice (vermin)
- Freezing pipes while your house is unoccupied (unless you turned off the water or heated the building)
- Wind or hail damage to trees and shrubs
- Losses if your house is vacant for 60 days or more
- Wear and tear or maintenance
- Water damage resulting from continuous and repeated seepage

Choosing Your Home Insurance Policy Limits

To decide how much homeowner insurance coverage you need, consider:

The value of your home and contents. Prepare a list of your personal possessions, including product values and serial numbers. This will help you decide how much personal property coverage you need.

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- Whether you want full home insurance coverage or are willing to bear part of the cost of a home loss.

- Asking that unusual or high-valued articles, including antiques, art objects, and jewelry, be specifically listed in the home insurance policy. You may be able to increase coverage for this property by paying an additional premium. To determine if you already have homeowner insurance coverage, check the theft provisions of your home insurance policy.

- The value of the assets you wish to protect in determining how much homeowner liability coverage you need.

Buying Enough Home Insurance Policy Coverage

Before buying homeowner's insurance, consider the difference between "actual cash value" and "replacement cost coverage." These terms apply to the Texas home insurance coverage on your dwelling and your personal property. Most homeowner's policies contain replacement cost on the home and actual cash value coverage on personal property. Some companies do sell replacement cost coverage for personal property. Actual cash value is the value of the home or property when it is damaged or destroyed. This usually is determined by taking the replacement cost and subtracting depreciation.

For example, a house chair that initially cost \$500 may have a reasonable "life" of 20 years. If it is destroyed after 10 years, its actual cash value probably will be about \$250. Replacement cost is what it would cost to completely replace your house or any home from market value and actual cash value. A home that was built five years ago for \$50,000 may have a current market value of \$75,000, but have a replacement cost that is higher or lower than the market value. In order to qualify for full home replacement cost, the dwelling normally must be insured at 80% to 90% of the replacement cost.

For example, if the home replacement cost of your house is \$50,000, you should have the house insured for at least \$40,000 (80%) of its value. Then if part of the home is damaged, you can get that part of the home fully replaced. If you purchase an amount less than 80% of the home replacement cost of your home, your home insurance company will not be obligated to pay the total cost of loss to your home even if it is a small loss. Be sure to consider increasing your Texas home insurance if you add to your home or personal property.

- **Inflation Guard.** Many Texas home insurance policies include an inflation guard provision that automatically increases the amount of the home or dwelling insurance to reduce the possibility of the house being underinsured due to inflation.

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- The above home insurance policy event descriptions are generalized. It is important that you check your homeowner's insurance policy to determine the precise terms of your actual home insurance policy. Read through the home

insurance policy to know your rights and the insurance company's obligations. If you do not understand your home insurance policy, ask your insurance agent or insurance company to explain it to you. Read insurance renewal policies! Home Insurers can change the terms of your homeowners policy at renewal.

- **Check-up.** Request an insurance "check-up" from your insurance agent periodically. The following are some of the home insurance factors that insurance company's consider when determining whether to accept or reject an insurance policy application and the cost of the home insurance coverage:

- **Age of the home.** Some Texas home insurance companies charge less to insure a new home than an older one because they have found newer homes are less likely to sustain damage in storms and fires.

- **Crime and vandalism** in an area will affect the cost of home insurance.

- The building or home's location affects the price of home insurance because some communities have **better fire protection** than others. Insurance companies divide the state into property rating territories. Each city and locality in Arizona is given a numerical fire protection rating classification based on the amount of fire protection in the area. These rating classes depend on such factors as water pressure, access to fire departments, and the training and skills of home firefighters. Most larger cities in Texas are in the lowest rated classes. Small towns and rural areas have higher fire protection classes and generally higher prices. Areas without any home fire protection receive the highest rating, a 10.

A Texas home insurance agent who sells homeowner's insurance policies can tell you the community's fire protection class.

- **Construction of the home impacts cost.** Whether it is block or frame, for instance.

- **Your credit history** is also evaluated by many home insurance company. For more detail, read the Department of Insurance Guide to Understanding How Insurers value your credit history.

Home Insurance Discounts

Claims history of the property and the applicant are also considered in determining price and insurability. Adjusting your home insurance coverage or deductibles and shopping for homeowner insurance discounts can save you money: Copyright © USIZ Inc.

- **Increase your deductible.** Many home insurers will lower your insurance premium if you choose a higher deductible. Since you are actually "self-insuring" or paying for that portion of the loss yourself, you should evaluate whether the premium cost savings is worth the additional home insurance deductible you will have to pay prior to your insurance benefits being applied to a loss.

- **Multiple-policy discounts.** Some home insurers may reduce your home insurance premium if you keep two or more homeowner insurance policies with them. If you already have an auto or car insurance policy with an insurer that also writes homeowner's insurance, ask if the home insurer will discount your homeowner's coverage.

- **Security/Safety discounts.** Some insurance companies offer to reduce your home insurance premium if you install a fire sprinkler system and a burglar alarm that rings into a central station. These home security systems can be expensive and not every alarm system may qualify for the homeowner insurance discount.

- **Nonsmoker discounts.** Some insurance company's reduce insurance premiums for non-smoking households.

- **Long-time policyholders.** If you have had home insurance coverage with the same insurance company for several years and have not incurred losses, some insurers will reduce your home insurance premiums. Taking steps to prevent home insurance losses is just as important as buying homeowner insurance to cover them.

SOME TIPS ON HOME LOSS PREVENTION HOW YOU CAN REDUCE THE COST OF YOUR TEXAS HOMEOWNER'S INSURANCE COVERAGE

- Install smoke and heat detectors near sleeping areas.

- Clear accumulated trash, oily rags and combustible materials.

- Check lamps, lamp cords and light switches for faulty wiring.

- Practice home fire drills, keep matches away from children and make sure smokers do not smoke in bed.

- Install good locks, secure windows, consider a home security system and take other precautions to deter home and property burglars.

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WHEN CAN A HOME INSURER CANCEL YOUR TEXAS HOMEOWNER INSURANCE POLICY?

After a home insurance policy has been in effect for 60 days, insurers may cancel your homeowner insurance policy in the middle of the term if:

- You stop paying insurance premiums,
- Have been convicted of a crime increasing the insurance hazard,
- Have breached the insurance contract,
- Have acted fraudulently or committed material misrepresentation in getting the home insurance policy,
- Have failed to take reasonable steps to eliminate conditions that may increase property losses, or
- If there has been a substantial change in the risk. If a home insurer refuses to continue covering you, it must mail to you a written notice of cancellation and state the reason the home insurance policy is being canceled.

WHEN CAN A HOME INSURANCE COMPANY NON-RENEW YOUR TEXAS HOMEOWNER'S POLICY?

With one exception, insurers may non-renew your home insurance policy at the end of the insurance policy term for any reason. If the policy renewal is based on a condition of the premises, the home insurer must give you 30 days prior notice to remedy the identified condition and another 30 days, upon payment of An insurance premium, to cure the defective condition. Insurers are not permitted to label "condition of premise" losses as "loss/claims history" to circumvent these homeowner insurance policy notice requirements. If a home insurer refuses to continue covering you, it must mail to you, at least 30 days in advance, a written notice of non-renewal and state the reason the insurance policy is not being renewed.