

HOME INSURANCE RATES GOING UP, COVERAGE GOING DOWN

By Basil Housewright

Home Insurance rates are still increasing substantially in Fort Bend County. We are still experiencing a limited availability of home insurance options as many Insurance Companies are limiting their writing of new home insurance policies in this area and renewal rates and deductible options are increasing. Those Insurance Companies, which are still writing new home insurance policies in Fort Bend County, are mostly offering a minimum of 2% or even 3% deductible options while still charging ever-increasing rates. The home insurance renewal rates for Fort Bend County have been in double digits for over 5 years now and this trend does not appear to be showing any sign of relief in the next few years. This trend is disappointing since our area has been quite fortunate in the last 3 years to not experience any major storms or catastrophic losses. Insurance Company Representatives tell us they need these higher rates to plan on future losses in our area. They also still continue to refer back to Hurricane Ike in 2008, which resulted in billions of dollars in damage in our area. Insurance Company Representatives claim the current rates are to anticipate future losses of this magnitude and greater. The Texas Department of Insurance, which oversees insurance rates in the State, seems to be agreeing and allowing them to charge what they wish.

In most other parts of Texas the weather and large loss events have not been so friendly. Major hail and wind storms, tornadoes, freezing weather and even chemical plant explosions have resulted in major losses to most home insurance carriers doing business in Texas. Even with these major losses in other areas the cost of home insurance in most other counties in Texas have been very moderate as compared to 20%+ rate increases by most carriers in Fort Bend county.

Some Insurance Companies are also beginning to add endorsements to their home insurance policies, which limit the coverage provided. The endorsement to provide Actual Cash Value coverage for the roof is becoming more common and just may become an industry standard.

The following is information and definitions, which we hope will be helpful to you in understanding the coverage you have available on your policy.

ACTUAL CASH VALUE is the value of the damaged item at the time of loss less depreciation.

DEPRECIATION is the lessening or lowering in value of an item due to its age and condition.

REPLACEMENT COST is the amount to replace or repair the damaged item to like kind, and quality.

When a claim settlement is made, the estimate of repair for the resulting damages specifies material, units, and unit costs necessary to repair your home or replace your contents. In accordance with the replacement cost provision of your policy, the Insurance Company will pay up to the amount stated on the estimate, if you incur this expense in repairing or replacing your damaged property. Please note however, that the initial payment will represent the Actual Cash Value for the damaged property at the time of loss. The Actual Cash Value is the estimated cost to repair or replace the damaged items less depreciation. If your policy provides only Actual Cash Value coverage then this is the only payment you will receive. This means any loss settled at Actual Cash Value will be estimated at the cost to repair or replace the damaged item less depreciation and less your deductible.

If your policy provides Replacement Cost coverage depreciation withheld can be recovered. In order to receive payment for the amount of depreciation withheld, the cost of repair or replacement must be greater than the amount of claim payment already made (actual cash value). If the cost to repair or replace is more than the initial payment, you must provide documentation the property was repaired or replaced with the itemized cost for these repairs or replacement. The claims office will review the documentation to determine the amount of the supplemental payment to be made to you to recover the depreciation, which was withheld.

So what this means if your home insurance policy provides Actual Cash Value coverage for your roof and you incur damage, which necessitates replacement of your roof when your deductible and depreciation are applied, there may be no payment due you for your roof replacement from your Insurance Company. This means the homeowners will be self-insuring for roof damages on their homes.

Basil is manager of Texans Insurance & Financial Group, Inc a local Independent Insurance Agency operating in Sugar Land since 1991. He can be reached at (281) 277-7800, Fax (281) 277-7801, E-Mail – basil@texansinsure.com. Visit www.texansinsure.com.