

7 Important Insurance Secrets **You Should Know Before** **Buying Homeowners Insurance**



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7 Questions You Should Ask Before Purchasing Homeowners Insurance

In a world filled with choices, you must understand that ***not all insurance policies are the same***. Carriers will often change policy coverage(s) with endorsements that add or take away coverage written into the standard homeowners insurance form. Often, the homeowner or insurance buyer is not aware that their policy has such endorsements that limit the amount of coverage offered by the insurance company.

For most people, our home is our most valuable asset. Regardless if you have a mortgage on your property or not, you probably have equity in your home that builds as you continue to pay it off. Does it seem practical to provide *sub-standard insurance* on something that is **so valuable**? You would not provide limited medical insurance coverage on your children so, think about the protection of your home.

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About us

ABM Insurance & Benefit Services, Inc. is a family owned business that has roots back to 1988. ABM is lead by Mike Alexander, Jr. for the past 17 years and has been recognized as one of the top 50 independent insurance agencies and most recently, Mike was named as one of the Top Producers for Independent Agencies in 2016. For 28 years, we have been working with our homeowners insurance customers and in an effort to assist them in making an informed insurance decision, we have included 7 items of concerns that we recommend homeowners reference when purchasing homeowners insurance. Some things to look for when purchasing an insurance policy.

1.) Is your insurance agent a Trusted Choice, Independent Agent? Trusted Choice agents are held to the highest standard of excellence. If your current Agent / Company is not independent, they are not able to provide you with multiple options and expect you to accept a, one size fits all" product. We often start our conversation asking the homeowner "what matter s most to them"; Price or Coverage. Independent agents have access to some of the most comprehensive homeowners insurance policies in the market. But they come at a price and a new homeowner may not want the extended coverage options available under these types of products and he/she can recommend other options.

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The independent insurance agent does not work for the insurance company and can provide a **legitimate unbiased approach** to your Quote, Claim, etc. A great resource to use to compare homeowners insurance policies in Texas is through the Office of Public Insurance Counsel - www.opic.texas.gov. They provide a detailed comparison of the policies offered however, be careful. Many of the policies listed can offer options which limit or exclude coverage (i.e. Accidental Sudden Water Discharge, or Replacement cost coverage). Use your insurance agents experience and expertise to find the best value in the market for you and your family.

2.) Insurance Deductibles (BEWARE) A deductible is the amount of your responsibility in the event of a covered loss. The deductible is often separated between Clause 1 (Wind / Hail) and Clause 2 (all other covered perils). Some policies have a separate, Named Storm, deductible. The deductible is usually represented as a percentage (1% - 10%) of Coverage A (Dwelling). **Therefore, if you are insuring a \$500,000 home with a 5% deductible, you will be responsible for \$25,000 in the event of a covered loss.** Most homeowners with these high deductibles are not aware of this until a loss - Review your policy and request options for a lower deductible. Typically, the premium savings is not worth the extra amount in

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your deductible but is recommended by most insurance companies. When determining the right amount for your coverage, calculate the percentage and review in actual dollars. A 5% deductible may not seem like a lot but will add up if you have a \$200,000 + valued home.

3.) Actual Cash Value vs Replacement Cost - Does your Home, Contents and Roof Include Replacement Cost Valuation?

If you have an older home, insurance carriers will often place the coverage on an *Actual Cash Value Policy* (ACV). This type of coverage takes depreciation into account in the event of a loss. It is common for insurance companies to provide ACV coverage on roofs and when a loss occurs, the insurance company will discount the claim based on the current value of the roof. For instance, if you have a 20 year roof that is 10 years old and it cost \$20,000 for a new roof. Under an ACV policy, the insurance company will discount the amount of the claim and may provide you with a \$10,000 value. If you have a high deductible, you may not have much left to file a claim. *Replacement Cost (RC)* will provide protection, up to the policy limit, to replace the property that was damaged / destroyed, due to a covered peril while the policy was in-force. When given the choice, most customers will choose a Replacement Cost Policy. In fact, if you have a mortgage on your home, you are

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required to insure your home with a replacement cost based policy.

4.) Replacement Cost Estimators Is your Home Insured to Replacement Cost?

Every insurance company has their own Replacement Cost Estimator. The Estimators take into account many factors, Type of Construction, Sq Ft, Grade of construction, etc. The estimate is based on the cost to replace your home in the event of a total loss. This amount is **much different** than the value used by the tax authority and that of Market Value. Reconstructing a damaged / destroyed property is much more costly than building a new home. Additionally, construction material pricing fluctuates based on demand. If a catastrophe hits an area i.e. hurricane, the demand for bricks, wood, shingles , etc will increase dramatically. Such material will have to be brought in from other areas and the cost to supply such material will increase. **DO NOT skimp and make sure the RC value is accurately assessed.**

5.) Don't expect your homeowners policy to cover a vacant home or rental home. Is your Home Vacant or are you Renting the Home?

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Texas and Louisiana have specific policy coverage forms. These forms are specific to the type of protection provided. HO-3 is a traditional homeowners insurance policy, HO6- Condo, TDP1 - Basic coverage for a rental property, TDP3 Broad coverage for rental property, etc. If you have your home insured with a traditional homeowners policy and have a loss, don't expect the policy respond or pay for the claim(s). Additionally, if you have a property that has been vacant for more than 30 day, you **need to advise your agent and / or insurance company.** They will provide the appropriate coverage necessary to make sure your property is protected. If you are renting your home, your standard homeowners insurance policy may not respond in the event of a loss. While Fire Dwelling Coverage (landlord) coverage forms are generally more costly than a standard homeowners policy, you need to make sure you have the right protection. You need to discuss with you agent if you are renting your home (even if to a family member).

6.) Combine your policies and save Do you have your auto and homeowners insurance with the same insurance provider?- Seems like every other commercial on television is about auto insurance. All the auto insurance writers want your business however, not all auto insurance companies offer a competitive homeowners insurance. Did you know that insurance

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carriers offering both Auto & Homeowners Insurance provide very **deep discounts**? Additionally, most provide a single deductible in the event of a catastrophic loss. This alone could save you Thousands of Dollars. Find an insurance company that will provide a competitive homeowners insurance, then see if the auto insurance is competitive . In most all cases, if the homeowners insurance is competitive and the auto insurance is written by **THE SAME INSURANCE COMPANY**, you **SAVE A BUNDLE** and will be receiving the best value in the market.

7.) Is your home insurable? Before you make a decision to change insurance providers..... Make sure your home is insurable. All insurance companies conduct detailed inspections. **If you have a pit bull, or home in need of repairs, you will not qualify for a new homeowners insurance product** and your coverage will be cancelled when they conduct the inspection. Complete all necessary repairs, remove all hazards, complete all updates before considering a change. In the end, any savings by switching may changing providers may cost you more money .

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Was this information Helpful?

Not all insurance policies are the same and you need an experienced dedicated agent to help you find the best value in the market. Your home is your most valuable asset and you should treat it as such by insuring your home with a qualify provider.

We hope you find this information educational. If you have any questions or if we can help in any way, please contact our offices at **800-362-2809**. We are licensed to offer coverage in Texas, Louisiana and Oklahoma. Our products are very competitive and we will always be there to help in the event of a loss.