**TEXAS HOME OWNER’S INSURANCE COVERAGE**

There’s a key difference in home owner’s insurance that’s important to know. It’s the difference between an ’Open Perils’ policy versus a ‘Named Perils’ policy. The insurance industry used the term ‘perils’ to describe what’s covered in a property owner’s policy. ‘Named Perils’ limit coverage to things specifically listed in the policy. Common examples of ‘Named Perils’ are things like fire, theft, and vandalism. An ‘Open Perils’ policy provides coverage for any reason not specifically excluded in the policy. So if you have an ‘Open Perils’ policy on your house and Santa Claus crash lands on your roof—you are covered.

‘Open Perils’ policies in North Central Texas commonly exclude tornado and hail damage. ‘Open Perils’ policies in Southeast Texas commonly exclude flood and hurricane damage. That’s the reason the Texas Insurance Department created the ‘Texas FAIR Plan’ and the ‘Texas Windstorm Insurance Association’ (also know as ‘Twee-a’). These are ‘Pooling Devices’ that all insurance companies doing business in Texas have to pay into to share the risk. Homeowners can buy standard policies intended to cover these high risk areas in Texas. The Texas Department of Insurance created these to be ‘insurers of last resort’ for homeowners.

Good things about the ‘Texas FAIR Plan’ and ‘Texas Windstorm Insurance Association’ is that no one who owns a house in Texas can be turned down and no one who makes their monthly payments can get cancelled. However there are several bad things about them. The policies are very poorly written for starters. The homeowner has *absolutely* no say in the policy language. Their adjusters have a reputation for being poorly trained. They have no official underwriting department. They basically have manuals telling the adjuster how they are *supposed* to interpret these policies. To make matters worse, the provisions of the Texas Deceptive Trade Practices Act that allow for triple damages specifically do not apply to these insurance pooling devices. They generally have a bad reputation in the insurance industry. My personal experience is that it’s well earned. Homeowners can also get flood insurance through the National Flood Insurance Program run by the federal agency FEMA.

There’s also another important difference in homeowner’s insurance policies. This is ‘replacement cost’ and ‘actual cash value’. ‘Replacement Cost’ pays for almost all necessary expenses that come with rebuilding or repairing damaged property. There’s usually policy limits and deductibles. ‘Actual Cash Value’ also pays for depreciation. This distinction becomes important when there’s a dispute between ‘structural damage’ and ‘cosmetic damage’. This is particularly important in Texas hail damage claims. It’s important to know that insurance companies often offer to pay whichever is lowest. Sometimes they agree to pay ‘Actual Cash Value’ first and then pay ‘Replacement Cost’ after the damaged property gets repaired.

There’s an excellent website for homeowners looking for insurance coverage in Texas. It’s [opic.state.tx.us](http://opic.state.tx.us). ‘OPIC’ stands for ‘Office of Public Insurance Counsel’. This allows you to look at insurance polices from up to five different insurance companies. Some insurance companies have more than one policy. You can also get policies for condominiums and people who rent homes. It’s also good for the homeowner to go in with the basic information on a policy so they can negotiate ‘Endorsements’ with an insurance agent. An ‘Endorsement is a particular type of coverage for a specific reason. If you do a lot of work out of your home for example; you can negotiate an ‘Endorsement’ to specifically cover things like financial records, computers, and office files.