

Right on the Money: Will this claim make my insurance go up?

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When it's springtime in Texas, that question gets asked a lot. Some answers and advice about property damage and insurance.

Because I do so many housing stories, I decided to hit a really large stack of books and go through the Texas real estate agent licensing process myself. And I passed!

As I was going through all the lessons, I kept thinking property owners, sellers, buyers, and renters need some of this knowledge, too. So, I marked a lot of Right on the Money reminders in the margins, and we will get to those items in a special series of reports that we'll call 'Home Schooling'. This is the first installment.

Do claims for weather damage increase your property insurance cost?

We start with homeowner's insurance claims. That's especially timely because this is Texas, and it is spring. Many people would automatically agree that some of the major storm damage we have seen recently should absolutely be filed with the insurance company. But what about minor or moderate storm damage?

I have heard people wonder about claiming that level of damage because they are worried that their property insurance might get more expensive. But if you have a loss due to natural causes, which includes weather events, you should know that your insurer is prohibited from charging you more after you make those claims.

That is plainly stated in number 19 in the insurance Consumer Bill of Rights in Texas, "Your insurance company cannot increase your premium based on claims for damage from natural causes, including weather-related damage...". Furthermore, number 18 in the document addresses whether you can be

'dropped' from coverage for this, "Your insurance company cannot refuse to renew your policy based on claims for damage from natural causes, including weather-related damage..."

What about damage that isn't from natural causes?

What if it's not a natural hazard- like you drove through your garage door? Or what if you have damage after you started a kitchen fire, or you have a claim after thieves broke in and took some things? Those types of claims can affect your future premiums.

But according to the Consumer Bill of Rights, that can't happen the first time the insurance company has to pay for a loss like that. If you have two or more of those types of claims in a 3-year period, then your insurer can raise your insurance costs.

Specifically, the state says for claims other than appliance-related water damage claims, 'Your insurance company cannot refuse to renew your policy based on other claims unless: You: (a) file 2 claims within a three-year period; and (b) after the second claim, your company gives you written notice that filing a third claim could result in your policy not being renewed; and You file a third claim.'

Making an inquiry instead of a claim

If you have damage, Kaplan's Modern Real Estate Practice says you should contact your insurance company. But they suggest that instead of saying you need to file a claim, you should start by saying you just want to make an inquiry.

Basically, you are telling the insurance company that you simply want to discuss the terms of coverage for a specific loss. The book says you should ask them *IF you file a claim for that loss, how might it affect the future insurability of your property and what impact might it have on your premium when you get to your next renewal period.

They also say you should ask how a potential claim might impact your CLUE report. That's the Comprehensive Loss Underwriting Exchange, a database that allows insurance companies to see all your property insurance claims for the past three years. Again, the book points out that if you just make an inquiry about property damage or a loss, it doesn't go on your CLUE report, but a claim does.

So, discuss it. And know that they also include guidance that it may sometimes be cheaper to pay out of pocket for repairs, especially if they cost less than or not much more than the amount of your deductible,

particularly if you are getting a no-claim discount on your property insurance.

If you need to file an insurance claim

If you have to make a claim, you should know your insurance Consumer Bill of Rights in Texas, which requires the insurer to do certain things within certain timeframes. A consumer advocacy group called United Policyholders also has a whole collection of sample letters for all kinds of issues you may need to address with your insurer.

And they have a lot of recommendations in case you must file a claim. For starters, they suggest you begin keeping a daily claim journal, where you write down all details of “conversations, issues, problems, and agreements” with the insurance adjuster and contractors and anyone else with whom you have to deal.

They advise that you handle issues related to the claim in writing, if possible. If you must have an in-person or phone conversation, they suggest that immediately afterward, you send a letter or email summarizing what “was said or agreed to” and that you document in that correspondence that you are “cooperating fully with the insurer” because that will “prevent them from blaming you for delays and confirm that you’re holding up your end of the bargain.”