Owen Ye

Licensed Texas Real Estate Agent | Real Estate Consultant

Mortgage Loan Originator, Loan Factory · NMLS #2541101 · Equal Housing Lender

Phone (347) 774-5396
Website owenrealestatetx.com
Serving the Greater Houston Area
WeChat Owenyerealtor
Email owenyerealtor@gmail.com

Home Insurance, In Depth: Why Premiums Rise — and Why the Deductible Is a Percentage

Understand the math first: replacement cost, the percentage deductible and the levers you can actually move — in one guide

A homeowners premium is not calculated on the purchase price: the insurer prices the replacement cost of rebuilding the home, then layers on roof age, claim history and regional risk. This guide works through how a premium is assembled, why the storm deductible is a percentage, what that percentage is in dollars, which losses a policy does not cover, and the few levers that genuinely move a premium — after which a policy becomes a checklist you can question and adjust item by item.

1. First, take the premium formula apart

A homeowners premium is not calculated on the home's price — that is the first thing to separate. You paid $500,000 for a home; the insurer's math looks at what it would cost to tear this house down and rebuild it, which is the replacement cost — land is not what has value, the building itself is, and the land value and school-district premium inside the price have no direct relationship to the premium. On top of that replacement-cost base, several variables are layered: the roof's age and condition (a heavily weighted item at present — an earlier article on this site covers **roofs** in full, and the logic is developed there); the home's claim record over the past few years; the homeowner's own insurance claim history; and the area's weather risk, distance to a fire station and fire hydrants, and the like. Every item is, in the insurer's eyes, a probability of a claim; a premium is, in essence, the price of probability.

Once you understand this structure, you can understand why Houston premiums have risen across the board in recent years: it is not that insurers are targeting anyone; several variables in the environment worsened at the same time — construction labor and material costs rose, lifting every home's replacement cost; extreme weather events increased, and regional risk pricing moved up overall; and homes with aging roofs take an extra surcharge on their own line. What a homeowner can move is the few variables that belong to their own home, not the whole market.

2. The deductible: why the storm one is a percentage

In a Texas homeowners policy there is usually more than one deductible — the place people who move from other states most easily miss. One is the regular deductible, covering everyday claims like a burst pipe, which can be a fixed dollar amount or a percentage; the other covers wind specifically — the hurricane, named-storm (windstorm / named storm) deductible — and it is almost always set as a percentage, commonly chosen within the band of 1% to 5% of the home's insured value; the specifics follow the policy terms.

A percentage sounds small; converted to money it is very concrete. Take a round-number example: a home insured for $400,000, with the storm deductible chosen at 2% — if a hurricane damages the roof, the first $8,000 of the repair bill comes out of your own pocket, and the insurance pays from above that $8,000. The same home at 1% means

$4,000 out of pocket, at the cost of a somewhat higher regular premium; at 3%, $12,000 out of pocket, and a lower premium. This is, in essence, a cash-flow question: how much emergency money the household can produce at any time decides how high that percentage can be set. Stretch the deductible too high to save a little premium, and when the storm actually comes and the out-of-pocket part cannot be produced, the insurance is half bought for nothing.

3. A geographic detail of wind coverage

On wind, the scope needs to be stated precisely. Texas's coast has a dedicated insurance arrangement (TWIA, the Texas Windstorm Insurance Association) aimed at the coastal catastrophe counties the state designates; most of Harris County is not inside that area, so for the great majority of Houston homes the wind risk is written directly into the ordinary homeowners policy and managed through that percentage deductible — there is no need, and no eligibility, for the TWIA route. For the few boundary areas near the bay, the answer for a specific home follows the broker's address-level check and the policy terms; do not conclude from one sentence from a neighbor.

4. What a policy usually does not cover — know it in advance

A few common losses are not, by default, covered by ordinary homeowners insurance; knowing in advance beats discovering it at claim time. First, flooding: water entering and flooding a home runs through separate flood insurance — an earlier article on this site covers **flood zones and flood insurance** in full, not repeated here. Second, foundation repair itself: damage from foundation settlement and soil shrink-and-swell is usually outside coverage; but separate the cases — if a sudden event like a burst pipe causes water damage, that water damage and the foundation problem are two different matters with different treatment. The policy terms and the claim determination govern in the end; I can only add one reminder: when a problem appears, photograph and document first, report and ask clearly, then start repairs. Third, normal wear and aging: the roof reaching its age, pipes rusting through — problems where the time simply arrived. Insurance covers accidents, not the years.

5. The few levers that genuinely move a premium

The movable levers are only these, ranked by effect. The deductible choice, covered above, trades out-of-pocket risk for premium — confirm the emergency fund before moving it. The roof: a new roof often improves underwriting terms and premium immediately, which is why I say the roof must be calculated at the buying stage. Shopping companies: for the same home, different insurers' quotes can differ noticeably; if you have not compared in years, have a broker run the market again. Bundling home and auto with one company usually brings a package discount. And one counterintuitive item: do not lightly file small claims — paying a few hundred dollars out of pocket is sometimes the better deal, because a claim record follows your premiums for years afterward; saving small money can cost big money. Security systems and leak monitors do carry discounts, but small ones — take them as they come; do not reorganize your life around them.

6. Why insurance gets quoted during the option period

One last order question, and it is the same logic the roof guide gave: get the insurance quote during the buying option period, not after closing. Two reasons. First, the quote may not be issuable, or may be expensive enough to change the budget — roof age and claim history, those landmines, only go off at the quoting step; found during the option period, the contract still has room to maneuver. Second, the premium directly decides the monthly payment: with a loan, the insurance is prepaid monthly into the escrow account, so a premium higher than estimated means a monthly payment higher by the same step — that math belongs in PITIA before signing, not as a surprise against the payment statement after closing. A more common chain reaction: at a mid-year renewal the premium rises, the escrow account develops a shortage, and the lender spreads the shortage across the next year's payments, so the monthly payment rises for no apparent reason — the source is often that renewal statement nobody read closely.

7. To close

Home insurance has two thresholds to understanding it: how the premium is assembled, and what the deductible percentage is in dollars. Once understood, the policy turns from a stack of unreadable English into a checklist that can be questioned and adjusted item by item. Quote before you buy, re-check at renewal, and the home's yearly fixed cost stays in your own hands.

If you have a home in mind, send me the address: I will first look at the visible factors that affect a quote — roof age and area — and the broker's quote follows, so you know where you stand.

Send me the address — I will take a first lookWeChat Owenyerealtor · Phone (347) 774-5396 · Email owenyerealtor@gmail.com — Chinese, English and Spanish all welcome

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This guide is general information only and is not insurance advice. For a specific policy, rely on the insurer's policy terms and formal quote.

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