Brown & Brown

PERSONAL INSURANCE

The Evolution of Hurricane Deductibles

The landscape of homeowners insurance has evolved significantly over the past few decades. In the 1990s, homeowners' policies typically featured a standard deductible of $250 for all perils. However, the introduction of hurricane deductibles in the aftermath of major hurricanes marked a pivotal shift.

History of Hurricane Deductibles

In 1992, Hurricane Andrew caused an estimated $25 billion in damages, prompting the implementation of hurricane deductibles. These deductibles were designed to mitigate the financial impact on insurance companies by requiring policyholders to bear a greater portion of the repair costs in the event of hurricane damage.

The necessity for hurricane deductibles was further underscored by Hurricane Katrina in 2005, which resulted in over $40 billion in insurance claims. In response to the staggering costs, hurricane deductibles were adopted in 19 states. **Reinsurers**, the companies that support primary insurance providers, pressured insurance carriers to find ways to reduce their claims costs, leading to the widespread implementation of higher and separate storm deductibles.

Understanding Hurricane Deductibles

A **deductible** is the amount of money a policyholder must pay out of pocket before their insurance coverage begins to cover a loss. Traditionally, homeowner policies had a standard all-perils deductible, but the increasing frequency and severity of storms necessitated more specialized approaches.

Today, insurance carriers commonly require a minimum deductible of $1,000 for all other perils (AOP) and implement separate, higher deductibles for storm-related damages. These storm deductibles are typically calculated as a percentage of the insured value of the dwelling.

Other Deductibles

Insurance carriers may use different terms to describe deductibles, so policyholders must understand the specific conditions under which each deductible applies. These deductibles are usually a percentage of the home's insured value, known as the dwelling limit. Common examples include the following:

- **Hurricane:** Applies only to damage resulting from a named hurricane
- **Named Storm:** Applies to damage caused by any officially named storm
- **Tropical Cyclone:** Applies to damage caused by tropical cyclones, including hurricanes and tropical storms
- **Wind/Hail:** Applies to damage caused by any wind or hail

The evolution of homeowners insurance deductibles reflects the industry's adaptation to increasing risks and financial pressures. By understanding the various deductibles and their applications, policyholders can better navigate their coverage and prepare for potential out-of-pocket expenses in the event of storm-related damages.

How Brown & Brown Can Help

Connect with our Brown & Brown team to learn about our knowledge in your industry, how we build our risk mitigation strategies and how we can aid your business in building a cost-saving program.

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