



# OLR RESEARCH REPORT

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## HURRICANE DEDUCTIBLES

By: Janet L. Kaminski Leduc, Senior Legislative Attorney

You asked if the states that permit hurricane deductibles in homeowners insurance policies do so by statute or regulation. You also asked for a comparison of the states' hurricane deductible requirements.

### SUMMARY

State regulators in the following 18 states and the District of Columbia permit hurricane deductibles in homeowners insurance policies: Alabama, Connecticut, Delaware, Florida, Georgia, Hawaii, Louisiana, Maine, Maryland, Massachusetts, Mississippi, New Jersey, New York, North Carolina, Rhode Island, South Carolina, Texas, and Virginia. The following six have laws or regulations regarding hurricane deductibles: Florida, Louisiana, Maryland, New Jersey, New York, and Rhode Island.

A deductible is the amount of money a policyholder pays out-of-pocket before insurance coverage begins. A standard homeowners insurance policy deductible is typically a flat dollar amount (e.g., \$500 or \$1,000). But a hurricane deductible, which applies to losses due to a hurricane, is generally a percentage of the home's insured value (e.g., 1% to 5%). It is separate from the deductible that applies to all other perils (i.e., causes of loss).

For example, if a policyholder’s home is insured for \$200,000 and the insurance policy contains a 2% hurricane deductible, the policyholder would have to pay the first \$4,000 needed to repair the home, if the loss were caused by a hurricane, before the insurance coverage begins.

Whether a hurricane deductible applies to a claim depends on the applicable “trigger” or event needed to occur before the deductible will apply. Triggers vary by state and insurer, but usually apply when the National Weather Service (NWS) issues a hurricane watch or warning. The hurricane deductible continues to apply until some time after the watch or warning terminates (e.g., between 24 to 72 hours).

For more information about hurricane deductibles, see the Insurance Information Institute’s publication [http://www.iii.org/issues\\_updates/hurricane-and-windstorm-deductibles.html](http://www.iii.org/issues_updates/hurricane-and-windstorm-deductibles.html).

## HURRICANE DEDUCTIBLES

Table 1 provides a comparison of state requirements for hurricane deductibles, including the deductible trigger.

**Table 1: Hurricane Deductibles Permitted by State**

<b>State</b>	<b>Deductible Permitted</b>	<b>Deductible Trigger</b>
<b>Alabama</b>	Percentage of the insured value of the home ranging from 1% to 5%.	Varies by company. Generally goes into effect when NWS issues a hurricane warning. Ends 24 to 72 hours after the warning is lifted.
<b>Connecticut</b>	Percentage of the insured value of the home. Cannot exceed 2% to 5% of property value.  Deductible must be identified on the declarations page of the homeowners policy.	Begins when the National Hurricane Center (NHC) issues a hurricane warning for anywhere in the state. Ends 24 hours after the NHC terminates the hurricane warning or downgrades the storm from a hurricane.

**Table 1 (continued)**

<b>State</b>	<b>Deductible Permitted</b>	<b>Deductible Trigger</b>
<b>Delaware</b>	Percentage of the insured value of the home.  Insurers must provide policyholder with a description of the deductible, the trigger, examples of how the deductible is calculated, and a statement that deductibles (1) are not required by state law and (2) vary by insurer.	Varies by company. Generally goes into effect when NWS issues a hurricane warning. Ends 24 to 48 hours after the storm has passed.
<b>District of Columbia</b>	Percentage of the insured value of the home.	Varies by company. Generally begins when NWS issues a hurricane watch or warning. Ends some period of time after storm passes (as set by the insurer).
<b>Florida</b> (Fla. Stat. §§ 627.701 and 627.4025)	Insurers must offer the following hurricane deductibles: \$500, 2%, 5% and 10%. Percentages are of the total value of the home.	Begins when NWS issues a hurricane warning or watch for any part of the state. Continues anytime hurricane conditions exist throughout the state. Ends 72 hours after the watch or warning ends.
<b>Georgia</b>	Percentage of the insured value of the home.	Varies by company. Generally begins when the NWS issues a hurricane watch or warning. Ends 24 to 48 hours after storm passes.
<b>Hawaii</b>	Percentage of the insured value of the home.	Varies by company. Generally begins when NWS issues a hurricane watch or warning. Ends some period of time after storm passes.
<b>Louisiana</b> (La. Rev. Stat. Ann. § 22:1337)	Percentage of the insured value of the home.  A hurricane deductible must be applied on an annual basis.	Varies by company. Generally begins when NWS issues a hurricane watch or warning. Ends some period of time after storm passes.

**Table 1 (continued)**

<b>State</b>	<b>Deductible Permitted</b>	<b>Deductible Trigger</b>
<b>Maine</b>	Percentage of the insured value of the home.	Varies by company. Generally begins when NWS issues a hurricane watch or warning. Ends some period of time after storm passes.
<b>Maryland</b> (Md. Code Ann. § 19-209)	Percentage of the insured value of the home.  Insurers that want to apply a deductible that exceeds 5% of the insured value of a home must request approval from the insurance commissioner.  Insurers must notify policyholders of the deductibles and explain how they are applied.	Begins when the NHC issues a hurricane warning anywhere in the state. Ends 24 hours after the warning is ended.
<b>Massachusetts</b>	Percentage of the insured value of the home.	Varies by company. Generally begins when the NWS issues a hurricane watch or warning. Ends 24 to 48 hours after storm passes.
<b>Mississippi</b>	Percentage of the insured value of the home.	Varies by company. Generally begins when NWS issues a hurricane watch or warning. Ends some period of time after storm passes.

**Table 1 (continued)**

<b>State</b>	<b>Deductible Permitted</b>	<b>Deductible Trigger</b>
<p><b>New Jersey</b> (N.J. Admin. Code 11:2-42.1, <i>et seq.</i> and N.J. Stat. Ann. §§ 17:36-5.34 &amp; -5.36)</p>	<p>Percentage of the insured value of the home, up to 5% (mandatory) or 10% (optional).</p> <p>(Mandatory deductible means the insurer will not sell homeowners insurance without a hurricane deductible. When a deductible is optional, policyholders may choose a lower deductible for a higher premium.)</p> <p>Insurers must provide policyholder with information brochure that explains the hurricane deductible program.</p>	<p>Varies by company. Generally begins when the NWS issues a hurricane watch or warning. Ends 24 to 48 hours after storm passes.</p> <p>For hurricane deductibles approved by the New Jersey Department of Banking and Insurance, deductible applies to losses from a storm that the NWS designated a hurricane, but only if sustained wind speeds of 74 miles per hour (Category 1 hurricane) were measured somewhere in the state.</p>
<p><b>New York</b> (N.Y. Ins. Law § 3445 and N.Y. Comp. Codes R. and Regs. tit. 11, § 74.0, <i>et seq.</i>)</p>	<p>Percentage of the insured value of the home.</p> <p>Insurers must disclose windstorm deductible to policyholders. Notice must include amount of deductible, when deductible applies, and examples of how it is applied.</p>	<p>Varies by company. Some use a Category 1 hurricane as the triggering event and others use Category 2 hurricane, as determined by NWS. Generally ends 12 hours after storm is downgraded or storm makes landfall anywhere in the state.</p>
<p><b>North Carolina</b></p>	<p>Percentage of the insured value of the home.</p>	<p>Varies by company. Generally begins when the NWS issues a hurricane watch or warning. Ends 24 to 48 hours after storm passes.</p>
<p><b>Rhode Island</b> (R.I. Gen. laws § 27-5-3.7 and R.I. Code R. § 11-5-110)</p>	<p>Up to 5% of the insured value of the home.</p> <p>Insurers must provide notice of a hurricane deductible and give at least two examples of how it works. The deductible, calculated as a dollar amount, must be included on the policy's declarations page.</p>	<p>Begins when the NWS issues a hurricane warning for any part of the state. Ends 24 hours after the warning terminates for any part of the state.</p> <p>For Block Island, a loss is due to a hurricane only when there are hurricane force sustained winds, as reported by NWS.</p>

**Table 1 (continued)**

<b>State</b>	<b>Deductible Permitted</b>	<b>Deductible Trigger</b>
<b>South Carolina</b>	Percentage of the insured value of the home.	Varies by company. Generally begins when the NWS issues a hurricane watch or warning. Ends 24 to 48 hours after storm passes.
<b>Texas</b>	Percentage of the insured value of the home.	Varies by company. Generally begins when the NWS issues a hurricane watch or warning. Ends 24 to 48 hours after storm passes.
<b>Virginia</b>	Percentage of the insured value of the home.	Varies by company. Generally begins when the NWS issues a hurricane watch or warning. Ends 24 to 48 hours after storm passes.

Sources:

1. Insurance Information Institute's publication [http://www.iii.org/issues\\_updates/hurricane-and-windstorm-deductibles.html](http://www.iii.org/issues_updates/hurricane-and-windstorm-deductibles.html).
2. OLR research of state laws and regulations.

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