

## [Homeowners: How to understand a wind/hail deductible](http://www.netquote.com/home-insurance/wind-hail-deductible.aspx)

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If you live in a part of the United States that experiences frequent severe weather, tornadoes and hurricanes may not be your only concern.

Your finances may also take a hit, as you may be expected to pick up more of the tab for wind and hail damage to your home.

How do home insurance deductibles work?

Most home insurance policies have a deductible, meaning the homeowner pays a certain amount before the insurance company pays any part of the claim.

So if you have a \$500 deductible, you'd pay \$500 and the insurer would pay the rest of the claim amount.

However, a number of insurers are adding a new deductible to standard home insurance policies called a wind/hail deductible. As a result, any time your home is damaged due to straight-line winds from a thunderstorm or quarter-size hail, you'll have to pay that deductible before the insurer will cover the claim.

Wind/hail deductibles are the new normal when it comes to disaster risk, "especially due to losses associated with wind, rain and hail," says Mary Bonelli, a spokeswoman for the Ohio Insurance Institute. Between 2007 and 2011, wind and hail accounted for the largest share of home insurance claims, according to the nonprofit Insurance Information Institute. In 2011, 46 percent of claims were a result of wind or hail, up from 36 percent in 2010.

"Insurers are looking at ways to reduce costs and keep policies affordable," Bonelli says. While some simply raise home insurance premiums, others use the deductibles as a way to pass some of the costs for storm-related damage over to you.

When were wind/hail deductibles introduced?

After Hurricane Katrina hit the U.S. in 2005, many insurers in states along the Gulf Coast and East Coast put hurricane deductibles in place, meaning homeowners would pay a certain amount out of pocket

before the insurer paid money for hurricane damage.

Wind/hail deductibles are based on that concept. Costs of wind/hail deductibles are usually calculated in one of two ways, Bonelli says. Homeowners may pay a flat amount such as \$1,000 or \$2,000 per claim. Or, more commonly, homeowners may pay a percentage of their home insurance coverage, typically between 1 and 5 percent, according to the III.

For example, if you have \$200,000 worth of home insurance coverage and your home is damaged by wind or hail, a 1 percent deductible would mean you'd pay \$2,000 out of pocket for every wind- or hail-related claim. A 5 percent deductible would cost you \$10,000.

Wind/hail deductibles are most common in states in and around Tornado Alley, a region in the central U.S. that typically experiences severe windstorms and hail. Tornado Alley states include Texas, Oklahoma, Kansas and Nebraska. Wind/hail deductibles are also found in other Midwestern states such as Ohio.

Are wind/hail deductibles bad for consumers?

While insurance companies say wind/hail deductibles are necessary to accommodate the costs associated with storm damage, consumers suffer as a result, some advocates say.

"I can't imagine a way that a separate deductible for wind and hail is helpful to the insurance consumer," says David Baria, a member of the Mississippi House of Representatives and a board member for nonprofit consumer advocacy group United Policyholders. It's just another way for insurers to cut down on their costs, he adds. The costs can also quickly stack up for consumers.

In areas of the U.S. that see frequent severe storms and tornadoes, it's becoming more difficult to avoid policies that have wind/hail deductibles, Baria says. In fact, Baria says, in some areas such as the Mississippi Gulf Coast, there are some home insurers that don't cover wind at all.

While providing no coverage for wind might keep premium costs down on a traditional home insurance policy, it doesn't protect residents in those areas from the real threat of wind damage. As a result, some states have established funds that provide wind insurance for homeowners who can't get it as part of their home insurance policy.

The Texas Windstorm Insurance Association and the Mississippi Windstorm Underwriting Association are two last-resort insurers. However, purchasing wind insurance policies through these associations can be expensive.

For example, rates for windstorm insurance through the Mississippi Windstorm Underwriting Association can be as much as \$1.43 per \$100 in coverage. That translates to \$2,860 a year for \$200,000 in coverage.

How you can manage a wind/hail deductible

If you do live in a region that's prone to windstorms, there are steps you can take to be proactive, Baria advises.

1. Read your policy.

Insurers are required by law to advise customers of changes to their policies. However, if you don't read your renewal notice, you could miss additional deductible information, Baria says.

2. Ask your agent.

If you're unsure about what your home insurance covers — and what it doesn't — ask your agent or broker, Baria says. While you may expect your agent would tell you about wind/hail deductibles, "sometimes they don't do an adequate job of explaining all of the nuances of the policy," Baria says.

3. Be prepared.

Catastrophes happen. "No matter where you live in the United States, you're just a couple of years away from some major catastrophic event," Baria says. If your policy requires a wind/hail deductible, make sure you have the money saved up so you'll be able to pay it when that disaster actually occurs.

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