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[‘Hurricane Deductibles’ Shift Home-Repair Costs to Consumers](#)

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Harvey and Irma could trigger requirement that homeowners pay percentage of insured value of property. Tens of thousands of homeowners hit by Hurricane Harvey may soon find out they are on the hook for extra payments under their insurance policies, and that number could rise into the millions if Hurricane Irma sweeps through Florida.
The storms are expected to trigger widespread use of “hurricane deductibles,” little-known provisions that allow insurers to shift thousands of dollars of damage costs per home onto consumers. Homeowners insurance policies in coastal states often allow insurers to charge consumers a higher deductible if certain catastrophes like hurricanes occur.

These deductibles were widely put in place after Hurricane Katrina in 2005 and have been standard in many states for years. But they have rarely been triggered on a large scale because few hurricanes have landed in the U.S. over the past decade.

Harvey made landfall as a Category 4 hurricane last month before weakening to a tropical depression as it moved inland. Irma, a Category 5 hurricane, made landfall in the northeast Caribbean on Wednesday and could reach the U.S. later this week. Florida Gov. Rick Scott on Monday declared a state of emergency in all of the state’s 67 counties.

Proponents say hurricane deductibles make insurers more willing to offer policies in high-risk areas and encourage homeowners to take steps to prevent storm damage.

But consumer advocates say hurricane deductibles can be confusing and prohibitively expensive for homeowners.

Unlike a typical deductible, which requires consumers to pay a flat amount to cover losses before the insurance company will pay out for a claim, these special deductibles are calculated as a percentage. Consumers can be required to pay anywhere from 1% to about 10% of the total insured value of the building or its contents, not a percentage of the claim amount. Insurers will only pay for damage that exceeds the deductible amount.

For example, a homeowner whose house is insured up to $200,000 with a 5% hurricane deductible would be responsible for the first $10,000 of hurricane-related damage to the building.

This type of deductible can be triggered by hurricanes, high wind speeds, earthquakes or other disasters. The triggers vary depending on region and insurer. Nineteen states and the District of Columbia have hurricane deductibles, according to the Insurance Information Institute.

In 2012, Hurricane Sandy didn't trigger hurricane deductibles across the East Coast because the storm weakened from a hurricane to a tropical storm before it made landfall.

Harvey, on the other hand, arrived on Aug. 25 as a hurricane. The Texas Wind Insurance Association, the insurer of last resort on the Texas coast, had received more than 42,000 claims from policyholders as of late Monday, a spokeswoman said. A majority of TWIA residential policies have a hurricane deductible of 1% or 2%.

Allstate Corp. , one of the top home insurers in Texas, has different deductible criteria depending on the policy, but they were all triggered by Harvey, a spokesman said.

In Florida, the typical homeowners policy has a 2% hurricane deductible, and the average insured value is $250,000, according to a spokeswoman for the state's Office of Insurance Regulation. That means the average Florida homeowner needs to pay about $5,000 to cover the deductible, which "may be problematic for some homeowners," she said.

Some insurers began adding hurricane deductibles to policies after Hurricane Andrew in 1992, the second-costliest hurricane for insurers in U.S. history behind Katrina.

"It was a strategy employed by the national carriers to at least maintain their presence in Florida" as many were sharply cutting back their footprint in the state, said Kevin McCarty, a founder of Celtic Global Consulting LLC and a former Florida insurance commissioner. "It gave insurance companies more capacity to sell additional policies" in Florida, he said.

Many households in the Caribbean islands in Irma's path are uninsured or underinsured compared with U.S. households, meaning that residents could be on the hook for relatively higher recovery costs.

Hurricane activity has been subdued in Florida over the past decade, so for many homeowners Irma could mark the first time that their hurricane deductibles are triggered.

Yet about one-third of homeowners in five coastal states, including Florida and Texas, are unaware that hurricane deductibles exist, according to a 2017 survey by the Insurance Research Council. About one-fourth of survey respondents in those states said they didn't know whether their home-insurance policies included hurricane deductibles.

"The problem is, a lot of people end up getting nothing because of percentage deductibles," said Amy Bach, executive director of consumer-advocacy organization United Policyholders. "People tend not to pay attention to their insurance until it's really too late."

Danielle Hoffman of Deltona, Fla., learned that her insurance includes a hurricane deductible of several thousand dollars after Hurricane Matthew in 2016 caused some minor damage in her home.

"We were shocked at how high it was," said Ms. Hoffman, 31 years old. "It wasn't something we really paid too much attention to" when buying homeowners insurance.

Ms. Hoffman said she and her husband paid out of pocket for some repairs but propped up the fence around their home instead of getting it fixed. "I guarantee with this storm coming, it will be the first thing to go down," she said about the fence.

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