

Wind could blow deductibles higher

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Newsday.com by: Joe Ryan Sandy may not have been a hurricane by the time it slammed into Long Island, but its winds were still powerful enough to trigger higher insurance deductibles that could cost homeowners thousands of dollars. As the tempest swirled toward New York, it was downgraded to a post-tropical storm. Gov. Andrew M. Cuomo and other politicians were quick to say the distinction meant insurance companies could not apply costly “hurricane deductibles,” which sharply increase the amount of repair bills that homeowners must shoulder. Some Long Islanders, however, may still be stuck with hefty payments, according to insurance experts and consumer advocates. Certain policies include “wind” or “windstorm” deductibles, which are triggered by damaging winds – not just hurricanes – and can add thousands of dollars to the amount homeowners must pay. “Everybody needs to read their policy,” said Ellen Melchionni, president of the New York Insurance Association. “I think the statements that have been made about hurricane deductibles may be giving consumers false hopes.” In the seven years since Hurricane Katrina, insurance companies have been adding hurricane deductibles to insulate themselves from massive losses in the wake of catastrophic storms, industry experts said. More recently, they have introduced wind deductibles as options for homeowners to lower their premium payments. Instead of paying deductibles of, say, \$500 to \$1,000, the clauses typically call for homeowners to be responsible for the initial cost of repairs up to 5 percent of the property’s total insured value. So the owner of a house with an insured value of \$350,000 could pay a deductible of up to \$17,500. The requirements for wind deductibles vary from policy to policy. Robert Hartwig, president of the Insurance Information Institute, said the clauses are utilized by a “relatively small” portion of homeowners. “They are an option presented to people who want to save money” on premiums, Hartwig said. Consumer advocates, however, said they doubted most homeowners are aware whether their policies include wind deductibles. “Even for trained lawyers, these policies are hard to understand,” said Thomas Maligno, executive director of Touro Law school’s public advocacy center in Central Islip. If an insurance company applies a wind deductible to the claim of a homeowner who did not willingly opt for one, the consumer should file a complaint with the state Department of Financial Services, said Ronald Klug, an agency spokesman. It remains unclear, insurance watchdogs said, whether insurers would comply with the order from Albany

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not to use hurricane deductibles. Insurance policies are legal contracts. And if Sandy met the requirements for a hurricane deductible under the terms of a specific policy, insurers may ignore Cuomo, said J. Robert Hunter, a former Texas state insurance commissioner who now works for the Consumer Federation of America. "I hope the governor prevails," Hunter said. "But it is not a done deal."