

Homeowners Insurance Policies in Many Coastal States Affected by Sandy Have Hurricane Deductibles

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New York Press Office: (212) 346-5500; media@iii.org

NEW YORK, October 27, 2012 — With Hurricane Sandy expected to hit the East Coast over the next few days, now is a good time to review your homeowners insurance policy so that you know what your hurricane deductible is, according to the [Insurance Information Institute](#) (I.I.I.).

Hurricane deductibles are incorporated into many of the homeowners insurance policies issued in the 18 coastal U.S. states bordering the Atlantic Ocean and the Gulf of Mexico as well as in the District of Columbia. A deductible is the amount of money policyholders pay out-of-pocket before their insurance coverage kicks in; it is important to understand whether a specific hurricane deductible applies to your policy.

“Due to increased coastal development and greater hurricane risk, hurricane deductibles were created to help keep private sector property insurance coverage available and affordable by

having the policyholder share more of the risk with their insurer,” said Michael Barry, vice president, Media Relations, at the I.I.I.

A standard homeowners insurance policy deductible is usually either \$500 or \$1,000. Hurricane deductibles are calculated as a percentage of the insured value of a house. That percentage, and details about a policy’s hurricane deductible, is generally listed on the Declarations page, the first page of an insurance policy.

States allowing insurers to incorporate hurricane deductibles into their homeowners policies include: Alabama, Connecticut, Delaware, Florida, Georgia, Hawaii, Louisiana, Maine, Maryland, Massachusetts, Mississippi, New Jersey, New York, North Carolina, Rhode Island, South Carolina, Texas and Virginia.

Hurricane deductibles apply solely to damage caused by hurricanes, and typically vary from 1 percent to 5 percent of the insured value of a home. For example, a policyholder whose home is insured for \$200,000 with a 2 percent hurricane deductible would have to pay the first \$4,000 needed to repair the home, if the loss were caused by a hurricane. In some coastal areas with high wind risk, insurers may incorporate hurricane deductibles even higher than 5 percent. Moreover, in some states policyholders can select higher hurricane deductibles in order to reduce their premiums.

Insurers’ hurricane deductible plans are reviewed and approved by state insurance regulators. Whether a hurricane deductible applies to a claim depends on the specific “trigger” selected by the insurance company. These triggers vary by state and insurer and usually apply when the National Weather Service (NWS) officially names a tropical storm, declares a hurricane watch or warning, or defines a hurricane’s intensity. Due to these differences, it is a good idea to speak with your insurance professional to learn exactly how your particular hurricane deductible works.

RELATED LINKS

- [Hurricane and Windstorm Deductibles](#)
- [Understanding your Insurance Deductible](#)

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Insurance Information Institute, 110 William Street, New York, NY 10038; (212) 346-5500; www.iii.org

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