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HURRICANE PREPAREDNESS: UNDERSTANDING YOUR DEDUCTIBLE

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Property policies typically contain deductible provisions, which set forth the amount of money an insured must pay toward a loss before the insurance company starts to pay. These provisions allow the insurer to reduce the amount it must pay for property damage by the deductible amount. In most cases, if the amount of the loss is less than or equal to the deductible amount, the insurer will not pay for that loss.

For example, a standard homeowner's policy with a flat dollar amount deductible of $500 will require an insured to pay the first $500 of covered property damage on a claim, regardless of the property's insured value. However, a hurricane deductible will apply to damage caused by named storms categorized as hurricanes. Unlike the standard deductible, it is typically calculated based on a percentage of the property's insured value. For example, a hurricane deductible of 5% for a property valued at $300,000 will require an insured to pay the first $15,000 of insured damages. This can create a severe financial burden if a hurricane damages your property.

For commercial, residential property insurance policies issued or renewed on or after January 1, 2006, insurers must offer the policyholder hurricane deductibles that apply on a statutorily outlined annual basis and a deductible for each hurricane. The Florida legislature intended to encourage the use of higher hurricane deductibles to increase the adequate capacity of the hurricane insurance market in this state and to limit the impact of rapidly changing hurricane insurance premiums.

Florida Statutes have mandated that any policy containing a separate hurricane deductible must on its face include in bold-faced type, no smaller than 18 points, the following statement: "THIS POLICY CONTAINS A SEPARATE DEDUCTIBLE FOR HURRICANE LOSSES, WHICH MAY RESULT IN HIGH OUT-OF-POCKET EXPENSES TO YOU." However, a property insurer's failure to comply with the statutory language and type-size requirements for separate hurricane deductibles does not render a noncompliant hurricane deductible provision in an insurance policy void and unenforceable.

Should you have any questions or concerns about your policy, your claim, or your insurance carrier's obligations, please do not hesitate to contact Michael J. Higer of Berger Singerman's Insurance Team.

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