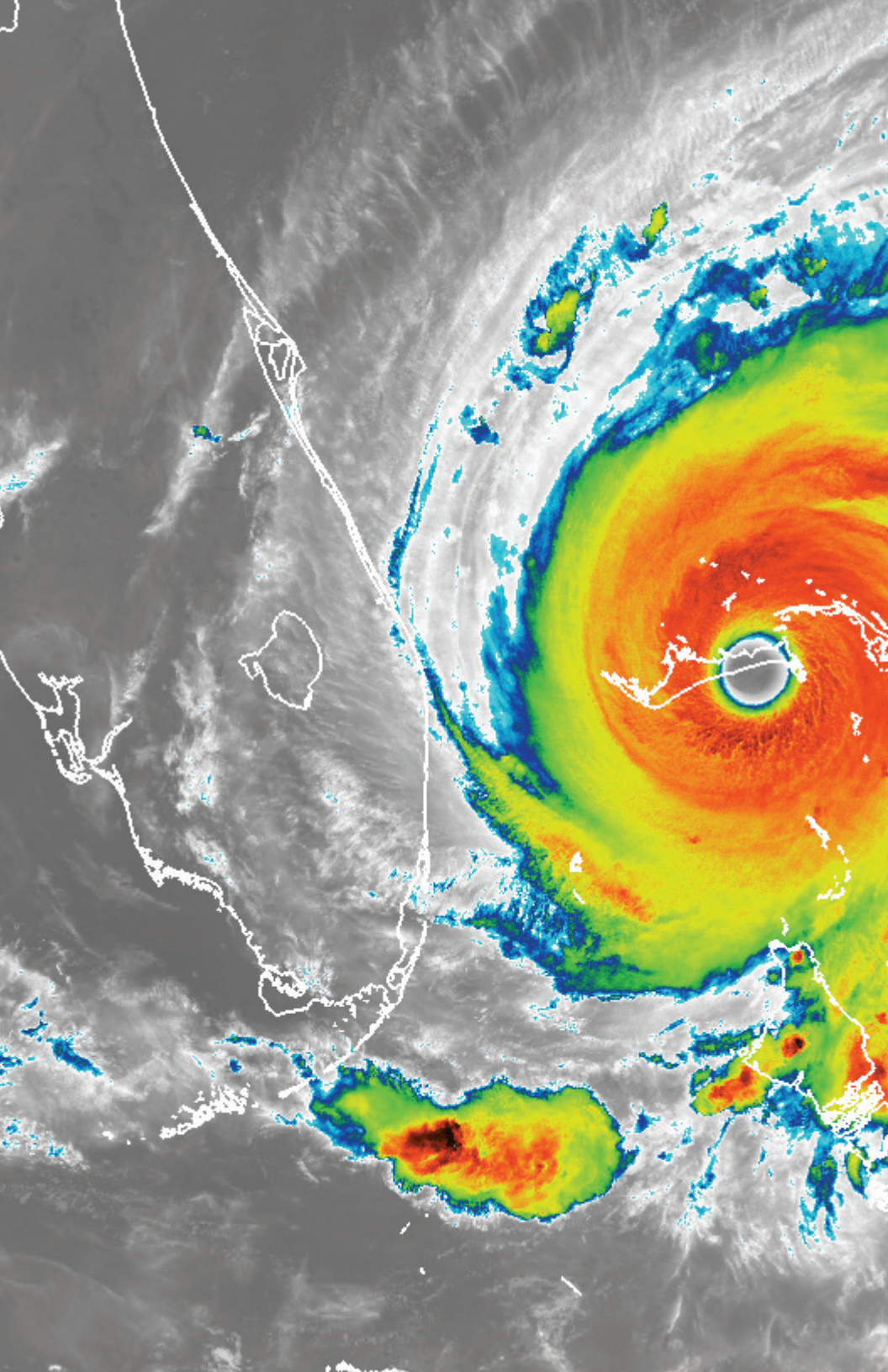
# FLORIDA'S HURRICANE DEDUCTIBLE

BLAISE INGOGLIA
CHIEF FINANCIAL OFFICER
STATE OF FLORIDA

## FLORIDA'S HURRICANE DEDUCTIBLE

Florida is a unique state that is surrounded by water on three sides and is susceptible to hurricanes. Therefore, Florida insurance policies have a unique hurricane deductible. To make sure it is applied consistently to all covered windstorm claims resulting from a hurricane, the law is very specific regarding when the hurricane deductible applies, for what duration and how many times the deductible can be applied in a calendar year.



## DEFINITIONS

**Hurricane:** A storm system that has been declared a "hurricane" by the National Hurricane Center.

**Hurricane Coverage:** Insurance coverage for damage caused by a windstorm during a hurricane. This does not include coverage for flooding.

**Time Period for the Duration of a Hurricane in Florida:**

1. Beginning when a hurricane warning is issued for any part of Florida by the National Hurricane Center of the National Weather Service.
2. Ending 72 hours after the last hurricane watch or warning is terminated for any part of Florida by the National Hurricane Center of the National Weather Service.

**Hurricane Deductible:** "Hurricane deductible" means the deductible applicable to loss caused by a hurricane. The deductible is the dollar amount paid by the policyholder before an insurance company pays anything.

Hurricane deductibles are typically 2, 5 or 10 percent of the amount of insurance covering the dwelling at the time of loss. In Florida, you only have to pay one hurricane deductible within the calendar year, provided you are insured with the same insurance company or group of companies for the second or subsequent hurricanes during the same calendar year.

## ROOF DEDUCTIBLES

Please note, if your policy has a separate roof deductible, the roof deductible will not apply when the hurricane deductible applies.

## EXAMPLE: HURRICANE XYZ

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| **Weather System became a tropical storm:** September 5, 2024 |
| **First Hurricane Warning Issued for Florida:**<br>September 7, 2024, 10 a.m. EDT |
| **Last Hurricane Watch or Warning Terminated for Florida:**<br>September 11, 2024, 8 a.m. EDT |
| **Hurricane Deductible Started:**<br>September 7, 2024, 10 a.m. EDT |
| **Hurricane Deductible Ended:**<br>September 14, 2024, 8 a.m. EDT<br>(72 hours after the last hurricane watch or warning is terminated) |

For example, if a hurricane makes landfall and while it travels through Florida, and is downgraded to a tropical storm and later a tropical depression, these downgrades have no bearing on the hurricane deductible, since the hurricane is a named hurricane when the first hurricane warning is issued. Additionally, the hurricane deductible applies until 72 hours after the last watch or warning is terminated, regardless of the status of the storm at that time.

## HOW IS THE CALENDAR YEAR HURRICANE DEDUCTIBLE APPLIED?

If you are insured by the same insurance company or an insurance company from the same insurance company group, the hurricane deductible applies on an annual basis to all covered losses which occur during the calendar year.

This means if you are insured with the same insurance company or an insurance company within the same group when windstorm damage occurs from a second hurricane during the same calendar year, the deductible for the second hurricane will be **the greater of**:

1. The amount left over from the first hurricane deductible, if the deductible wasn't fully met, or
2. The "all other perils" deductible as stated on the policy.

If the hurricane deductible was met in full with the first covered windstorm claim, the "all other perils" or standard deductible would apply to other windstorm claims resulting from a hurricane that occurs in the same year.

However, if a policyholder has windstorm damage resulting from the first hurricane of the calendar year and then moves the policy to a different insurance company that is **not** a part of the original insurance company's group, the hurricane deductible applies in full to the second claim without any credit given for the first hurricane deductible that occurred the same year.

Policyholders should **always** file claims even when the cost to repair the windstorm damage is less than the hurricane deductible. If you file the claim, the company has a record of the amount of credit that should be applied towards the hurricane deductible for the second or subsequent windstorm claim resulting from a hurricane. Also, it is very common to discover hidden damage once the contractor begins repairs. If you have already filed the original claim, a supplemental claim can be easily added to the total amount.

### REPORT DAMAGES PROMPTLY

It may cause additional delays and even a claim denial if the original windstorm damage wasn't reported in a timely manner to the insurance company.

## EXAMPLE

The policyholder has $200,000 in insurance coverage on his home with a 2 percent ($4,000) hurricane deductible. The "all other perils" deductible is $1,000. The policyholder filed the following windstorm claims resulting from hurricanes this calendar year and has not changed insurance companies:

**Hurricane 1:** Hurricane 1 caused windstorm damage of $2,000. Since the hurricane deductible is $4,000, the policyholder must pay for the repairs out of pocket; the insurance company credited the $2,000 claim to the calendar year hurricane deductible. This leaves a hurricane deductible balance of $2,000, which will apply to a second windstorm claim resulting from a hurricane that occurs in the same calendar year. The $2,000 deductible balance **is greater than** the "all other perils" deductible of $1,000.

**Hurricane 2:** Hurricane 2 caused windstorm damage of $5,000. The balance of the hurricane deductible from Hurricane 1 is $2,000. Since the remaining balance of the hurricane deductible of $2,000 **is greater than** the "all other perils" deductible of $1,000, the balance of $2,000 will be subtracted from the amount of damage caused by Hurricane 2.

After the balance of $2,000 has been applied, the full calendar year hurricane deductible is met. The insurance company will pay the repair balance of $3,000 for Hurricane 2 and all subsequent windstorm claims resulting from hurricanes that occur within the same calendar year will have the "all other perils" deductible of $1,000 applied to each claim.

**For a policy issued for a commercial residential property such as for an apartment building or a condominium association, the insurer must offer the following alternatives:**

- A hurricane deductible that applies on an annual basis as above, or
- A hurricane deductible that applies on each hurricane.

## CONSUMER TIPS

**In order to determine whether a hurricane deductible should apply to windstorm losses and for what duration, you need the answers to the following questions:**

- Was the loss caused by a windstorm?
- Were hurricane warnings issued for any parts of Florida? If yes, when was the first hurricane warning issued?
- When was the last hurricane watch or warning terminated for any part of Florida? Calculate 72 hours from the time the last hurricane watch or warning was terminated for any part of Florida to determine the duration of hurricane coverage to which the hurricane deductible may apply.

**To determine if the company is applying the correct amount for the hurricane deductible, you need to know the following:**

- The effective date of your policy.
- The amount of Coverage A (Dwelling Coverage) that is listed on your policy's declarations page.
- The hurricane deductible percentage that is listed on your policy's declarations page.
- Does the declarations page disclose the possibility that the Inflation Guard Endorsement may cause the hurricane deductible to be higher than indicated?
- If yes, what is the percentage of the Inflation Guard that is listed on your policy's declarations page?

**In the event you file claims involving two or more hurricanes in a single season, the Inflation Guard can impact the coverage amount and the deductible amount of the claims.**

For more information on Florida's Hurricane Deductible, visit MyFloridaCFO.com/Division/Consumers/ConsumerProtections.

# NOTES

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