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## **Translating the numerous variations of windstorm deductibles in light of the 2017 Hurricane Season**

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The variations of windstorm deductibles were tested more this year than any year since the 2004 and 2005 hurricane seasons.

Over the past 10+ years, there have been a number of different windstorm deductible forms introduced – many of which are difficult to translate.

\*Hurricane Matthew may have slightly tested these forms in 2016, but the 2017 season most certainly did.

I personally witnessed disconnects on many levels (insured, retailer, adjuster and carrier) when translating how the policies would respond in terms of the windstorm events and translating their windstorm deductible structure(s).

It is imperative to be able to translate the way the windstorm deductible applies in the event of a loss, regardless of the fact that there are many variations of forms in the market.

The 2017 Hurricane Season served to expose the many inexperienced independent adjusters and public adjusters occupying the insurance space.

In a Hurricane Irma Claim scenario, the adjuster is assigned to the claim by the carrier and generically states to the insured that their Business Income/ Extra Expense (BI/ EE) deductible is 72 hour wait as per ISO.

This simply is not the case with the majority of excess and surplus lines property carriers.

In this case, the insured has a 3% Windstorm deductible that applies to the Total Insured Values (TIV) of their policy.

In turn, the claim file is passed along to the carrier claims team for review. They advise that there is a 3% deductible based on the Total Insured Values (TIV) that will be applied once the 72 hours has passed. Another way to word it is the coverage “Period of Restoration” actually begins after 72 hours, and the carrier will apply 3% deductible to that coverage once the 72 hours has passed.

This creates a situation where the independent adjuster inadvertently provides the insured with incorrect information regarding their claim.

The 2017 Hurricane Season highlighted the separation between carriers and the independent adjusters they hire on their behalf and showed areas that need improvement.

Carriers can be hesitant to disclose specifically how their windstorm deductibles apply in the event of loss. Every scenario is unique and co-insurance may be add another angle to the calculations. There simply is not a cut and dry way that these deductibles are calculated.

Many carriers calculate the windstorm percentage based on the TIV for accounts including business income/extra expense (BI/EE) as noted in the case above. There are limited markets willing to consider the windstorm deductible on the TIV (not including BI/EE) with simply a 72 hour wait on the BI/EE.