

CONSUMER AWARENESS ANNOUNCEMENT: Wind and Hail Deductibles

The Division of Consumer Protection has noticed elevated homeowners' complaints due to wind and hail claims in recent years. In many instances, homeowners were not fully aware of changes to their policies.

In order to hold premiums down, many insurance companies are offering higher wind and hail deductibles that generally are in the form of a percentage of the value of the home.

Example: *If your home is insured for \$135,000 and your wind and hail deductible is 2 percent for wind and hail claims, you would be required to pay \$2,700 before your insurance company begins paying for the roof repair. If the cost of repairs to your roof is \$14,000, your insurer will pay \$11,300.*

Some companies offer higher flat amount deductibles for these claims.

Example: *If your home is insured for \$135,000 and you have a \$2,000 wind and hail deductible, you will be required to pay \$2,000 before your insurance company begins paying for the roof repair. If the cost of repairs to your roof is \$14,000, your insurer will pay \$12,000.*

Insurance companies are also offering roof repairs due to wind and hail on a depreciated basis. It is important for you to know whether your company is writing "actual cash value" (ACV) or "replacement cost" coverage for these events.

Example: *If your policy provides ACV coverage on your roof and your shingles are 12 years old, they may be rated with a life expectancy of 20 years depending on material. If the cost of replacing your roof is \$14,000, your insurer will apply 60 percent (12/20) depreciation and pay the ACV of \$5,600 less your deductible.*

Actual cash value: Cost to replace or repair the property, taking into consideration age and general condition. Equal to replacement cost minus depreciation.

Replacement cost: Cost to replace the property without considering age or condition of the original item.

Most homeowners' insurance policies are renewed annually. Deductibles may be selected or changed at the time of purchase or renewal. The Division of Consumer Protection urges you to carefully review your homeowners' insurance contract with your agent so you fully understand the coverage and deductibles involved before completing the purchase or renewal.

The Division of Consumer Protection of the Kentucky Department of Insurance was created in 1998 to give consumers assistance with insurance-related issues. The division is responsible for handling consumer complaints against insurance companies and other licensees, including agents and agencies.

If you would like to contact a Consumer Protection investigator, call toll-free in Kentucky 800-595-6053 (option 1) or 502-564-6034.