

## Property Insurance Deductibles

### Know How % Deductibles Apply

With the heavy Hail losses over the past two years and the devastation of Hurricane Harvey, Texas insurers have experienced huge financial losses. In addition to increasing premiums across the State, they are increasing deductibles such that we are seeing more percentage deductibles with higher percentages than ever before.

**Important!** The % applies to value shown on the property schedule – not the amount of a loss. Example: Hail loss of \$2,000,000 with building replacement cost of \$35,000,000, a 3% deductible = \$1,050,000, not \$60,000. Because of such deductibles, for both Harvey and for hail storms, many districts discovered they actually had no insurance recovery.

Building	Value	1% Deductible	2% Deductible	3% Deductible	5% Deductible
Elementary	30,000,000	300,000	600,000	900,000	1,500,000
Junior High	40,000,000	400,000	800,000	1,200,000	2,000,000
High School	50,000,000	500,000	1,000,000	1,500,000	2,500,000
Concentration	120,000,000	1,200,000	2,400,000	3,600,000	6,000,000

In addition, it is essential to understand how the deductible % and minimums apply. A district discovered after Harvey that the % applied to the total schedule of values, rather than just the damaged properties. Be certain that the % deductible applies only to the **damaged** buildings. Some deductibles apply to the total building and contents value even if only one is damaged.

The application of the Minimum Deductible is also important. Minimums can be \$100,000, \$250,000, \$500,000 or even \$1,000,000 and should apply to the entire loss (Occurrence) – not building or location.

We encourage our clients to consider purchasing a Maximum Deductible. Not many districts with \$120,000,000 in replacement cost value could afford a \$6,000,000 Deductible.

Alternative lower deductibles called a Deductible Buy Downs will cost an additional amount. The Buy Down can apply to the flat, percent, minimum or maximum deductible, and may even be provided by another insurer.

Coverage wording varies; “Location” or “Unit of Insurance” is often found. Obtain a written definition.

Buy a Flat Deductible whenever possible. If not available, for Wind/Hail purchase:

- a % Deductible by **Damaged Building**
- a Maximum Deductible per **Occurrence**
- the highest Minimum Deductible that is affordable; get options