

The Emerging Need for Wind/Hail Buyback

Aiden Holliday & Olivia Piekenbrock, Arlington/Roe Commercial Property Brokers

The property market has been turbulent for the first half of the year, to say the least. We are seeing the standard and E&S markets increasing deductibles, lowering or removing supplemental coverages, sublimits, and increasing premiums for property in general. One area we would like to touch on is the increase in deductibles, specifically for wind/hail, and how we can mitigate the burden for the insured while helping you sell an account.

Tornadoes, wind and hail have become some of the most significant contributors to annual insurance and reinsurance losses. With losses mounting, properties in high-risk areas are seeing greater underwriting scrutiny. Insurers are adding newer and broader deductibles in property insurance policies. Insureds are being forced to take on a larger portion of the risk through their deductible(s). It is not uncommon for a property insurance policy to have multiple deductibles such as an all other peril deductible and a separate wind/hail deductible. The most common increase happens when accounts go from flat wind/hail deductibles to percentage-based deductibles. With larger buildings, it can tend to increase dramatically from what insureds have had before. A \$25k wind/hail deductible on a \$10M building getting amended to a 1% deductible with a \$50k minimum can look daunting on a renewal quote. This \$75k difference in deductible may lead to insureds asking questions on what they can do to lower it.

Luckily, wind/hail buyback policies are a viable option. We have multiple carriers that offer these policies, which can be used to buy that higher deductible back making it more manageable for the insured. Wind/hail buyback policies are based on the total insured value of the risk and the amount being “bought back.” For example, a \$10M building buying back from a 5% wind/hail deductible to a \$25k deductible will have a higher premium than a \$1M building buying back from a \$25k wind/hail deductible to a \$5k deductible. Think of it as a layer resting just underneath the overlying property policy.

When discussing options with the insured, it is important to know what budget they have in mind if they would like to pursue a policy that will buy back their coverage. As noted above, deductibles are increasing due to upward trends in loss severity and frequency coupled with unpredictable climate changes. While the product does exist to help lower the deductible, it comes at a price. Minimum premiums start anywhere between \$500 to \$5,000. Premiums can increase depending on the building values, location, roof size, spread of risk and loss history. If you have any questions on a wind/hail buyback policy and if it would be a fit for your insured, please reach out to our commercial property team at Arlington/Roe!

Contact Aiden Holliday at aholliday@arlingtonroe.com, ext. 2253 or Olivia Piekenbrock at opiekenbrock@arlingtonroe.com, ext. 8814.