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The Emerging Need for Wind/Hail Buy Back

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The property market has been turbulent for the first half of the year, to say the least. We seeing the standard and E&S markets increasing deductibles, lowering or even removing supplemental coverages and sublimits, and increasing, sometimes exponentially, premiums for property in general. One area we'd 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 deducible(s). It is not uncommon for a property insurance policy to have multiple deductibles such as an AOP deducible and a separate wind/hail deductible. The most common increase happens when accounts go from flat wind/hail deductibles to percentage-based deductibles. When you have larger buildings in play, then it can tend to increase dramatically from what insureds have had before. A $25k W/H deductible on a $10M building getting bumped to a 1% deductible with a $50k minimum can look daunting when viewed on a renewal quote. This swing of $75k in deductible may lead to insureds asking questions on what they can do to bring that down.

Luckily for us, wind/hail buy-down policies are a viable option. These policies are offered through various carriers and can be used to buy that higher deductible down to somewhere "more manageable" for the insured. Wind/hail buy down (or buy back) policies are based on the total insured value of the risk and the amount being "bought down." Meaning, a $10M buying down from a 5% wind/hail deductible to a $25k deductible will garner more premium needs than a $1M building buying down from $25k to $5k. 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 attempt 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 buy it back, it comes at a price, and those aforementioned factors do play a part. Minimum premiums start anywhere between $500 to $5,000. This figure and premiums in general can increase depending on the building values, location, roof size, spread of risk and loss history. If you have any questions on a WHBB policy and if it would fit for your insured, please reach out to our property team at Arlington/Roe!

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