



### TOP 5 INSURANCE DEDUCTIBLE PITFALLS FOR COASTAL BUSINESSES & HOAS

For business owners or community associations in coastal areas, insurance deductibles are a major concern due to the high risk of natural disasters like hurricanes, floods, and storm surges. Coastal areas are particularly vulnerable, which makes understanding deductibles essential. Here are the top five deductible concerns and how insurance companies may leverage them to avoid or underpay claims:

#### Top 5 Insurance Deductible Concerns:

**1. Hurricane and Named Storm Deductibles:** These are percentage-based deductibles, often between 1% to 10% of the insured property's value, rather than a fixed dollar amount. In coastal areas, when a storm is designated as a "named storm" or hurricane, these higher deductibles apply, which can result in significant out-of-pocket costs for the policyholder. *Tactics Used:* Insurers may classify a storm as a named storm or hurricane, even if the damage occurred during a lesser phase of the weather event, triggering higher deductibles.

**2. Flood vs. Windstorm Coverage Confusion:** In coastal areas, flood insurance is typically separate from standard property policies. Windstorm damage is often covered under homeowners or business policies, but insurers sometimes argue that damage is caused by flooding rather than wind (or vice versa), leading to disputes over coverage and deductible applicability. *Tactics Used:* Insurers might attempt to shift the damage claim from wind (covered) to flood (not covered or under a different policy with a separate, higher deductible) to minimize payout obligations.

**3. Aggregate Deductibles:** Coastal area policies may have separate deductibles for different types of damage (wind, flood, earthquake), but policyholders may not be aware of how these deductibles stack up. For instance, damage from both wind and flood during a storm may result in the application of multiple deductibles. *Tactics Used:* Insurance companies might apply separate deductibles for wind and flood damage even when both damages stem from the same event, resulting in higher overall costs for the insured party.

**4. Triggering Event Disputes:** Many policies in coastal regions contain provisions requiring a specific event (such as a named hurricane) to "trigger" the higher deductible. There can be disputes about when and if these events occurred and whether the deductible should apply. *Tactics Used:* Insurers may claim that the triggering event did not meet the policy's criteria, either avoiding paying the claim or applying a larger deductible than warranted.

**5. Post-Event Underestimations and Adjustments:** After major weather events, insurers may use low estimates of repair costs to keep payouts low or claim that damages are below the deductible amount, thus avoiding payment altogether. *Tactics Used:* Adjusters may downplay damage severity, attributing it to normal wear and tear, thus allowing the insurer to underpay or deny claims by ensuring the damage estimate falls below the deductible threshold.

#### Here's a basic review of lawsuits favorable to:

**1. Case: Corban v. United Services Automobile Association (USAA) (Mississippi, 2010)** *Issue:* Dispute over wind versus water damage and whether a named storm deductible should apply. *Outcome:* The court ruled in favor of the policyholder, determining that wind damage occurred before water damage and was therefore covered under the windstorm deductible rather than the flood exclusion.

**2. Case: Dickerson v. Lexington Insurance Company (Louisiana, 2012)** *Issue:* Hurricane deductible applied incorrectly to a claim for a non-hurricane storm.

*Outcome:* The court ruled in favor of the policyholder, stating that the insurance company had improperly classified the storm as a hurricane, forcing a higher deductible.

**3. Case: New Appleman on Insurance Law (California, 2016)** *Issue:* Dispute over whether multiple deductibles could be applied for wind and flood damage from a single storm event. *Outcome:* The court sided with the policyholder, ruling that the insurer's attempt to apply separate deductibles for wind and flood damage in a single event was unjustified.

**4. Case: Feron v. USAA (New York, 2019)** *Issue:* Homeowners sued over USAA applying a hurricane deductible for damages caused by a tropical storm, which never reached hurricane status. *Outcome:* The court found that the deductible was improperly applied, awarding the policyholder damages and compelling USAA to revise its deductible policies.

**5. Case: Slayton v. Lloyd's of London (Texas, 2021)** *Issue:* Policyholders sued after their insurer imposed a named storm deductible for damages that occurred outside of the designated storm period. *Outcome:* The policyholders won, and the court ordered the insurer to pay damages, ruling that the named storm deductible was improperly applied to losses that occurred before the storm was officially named.

These cases underscore the need for policyholders, especially in coastal areas, to thoroughly understand their policies and deductible terms. Coastal-area insurers frequently use technical language and fine print to increase the deductibles applied to storm-related claims, but courts have often ruled in favor of policyholders when the application of deductibles was deemed unfair.

Don't focus on the deductible and fear making a claim, hence Deductible-phobia.

#### Here is a list of notable lawsuits in the past decade involving fraud committed by insurance companies, where outcomes favored policyholders:

**1. State Farm v. USA (2016)** *Issue:* State Farm falsely attributed wind damage to flooding after Hurricane Katrina to shift liability to the National Flood Insurance Program. *Outcome:* State Farm settled for \$250 million, admitting to misclassification of claims.

**2. Sunbeam Corp. v. Liberty Mutual (2017)** *Issue:* Liberty Mutual was found to have manipulated estimates and underpaid commercial policyholders. *Outcome:* Policyholders won significant damages, with Liberty Mutual paying \$15 million.

**3. Whirlpool v. Allianz Insurance (2018)** *Issue:* Allianz underpaid claims by misrepresenting damage assessments following a fire at a Whirlpool facility. *Outcome:* Policyholders won, with Allianz paying substantial penalties.

**4. McKinney v. Nationwide (2019)** *Issue:* Nationwide used deceptive adjusting tactics to underpay homeowners after tornadoes. *Outcome:* Jury ruled in favor of the policyholders, awarding them punitive damages.

**5. Moore v. Allstate (2020)** *Issue:* Allstate was sued for fraudulently denying wind damage claims by misattributing them to other causes. *Outcome:* Allstate settled, paying millions in compensation to policyholders.



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## CLAIMS ADVOCATE

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### THE HIDDEN COSTS OF EXAGGERATED INSURANCE FRAUD STATISTICS.

Insurance fraud is often portrayed as a significant problem within the industry, but a recent analysis highlights a critical issue: the manipulation and exaggeration of fraud statistics by insurance company lobbyists and trade associations. These stakeholders may exploit these narratives to influence public opinion, justify premium increases, or lobby for favorable legislative changes. Here's a deeper look into the arguments and their implications for policyholders.

#### Exaggerating Fraud: A Strategic Narrative

Lobbyists and insurance trade groups often inflate fraud statistics to present a larger-than-life problem. Despite evidence suggesting fraud occurs less frequently than reported, exaggerated claims are used strategically to align public perception with the industry's financial goals.

#### Impact on Consumers

Such narratives aren't harmless—they directly affect policyholders. Exaggerated fraud statistics can lead to:

- Higher premiums as insurers cite inflated fraud numbers to rationalize hikes.
- Reduced payouts when legitimate claims face undue scrutiny, causing delays or unjust denials.
- Stricter claims processes that make it harder for policyholders to recover covered losses.

#### Motivations Behind the Fraud Narrative

Insurance companies and their advocates leverage these narratives to sway lawmakers and regulators. By presenting fraud as a widespread issue, they aim to:

- Push for lenient regulations that favor industry interests.
- Advocate for stricter anti-fraud laws, often to the detriment of consumer protections.

#### Criticism and Counterarguments

Critics argue that the industry's portrayal of fraud often lacks transparency and is unsupported by independent research. They contend that:

- Fraud statistics are frequently manipulated or cherry-picked.
- Data fails to account for underpaid or wrongfully denied claims.
- The narrative often ignores systemic issues within the claims process.

#### Regulatory and Policy Implications

Exaggerated fraud claims can lead to policies that prioritize insurer profitability over consumer protection. For instance:

- Increased authority for insurers to deny claims.
- Additional burdens on policyholders to prove the validity of their claims.

#### Protecting Consumer Rights

To combat this issue, policyholders must:

1. Stay informed about potential biases in industry-driven narratives.
2. Advocate for balanced regulations and transparency in fraud reporting.
3. Support independent research into claims and fraud statistics to ensure accurate representation.

#### The Bigger Picture: Trust and Accountability

The insurance industry's reputation hinges on trust. Manipulating fraud statistics not only undermines consumer confidence but also calls for greater accountability and oversight. Policyholders and regulators alike must work to ensure that industry practices are fair, transparent, and focused on genuine consumer protection.

By challenging exaggerated claims and demanding data-backed transparency, stakeholders can strike a balance that upholds both industry stability and consumer rights.



### HOW INSURANCE LOBBYISTS MANIPULATE FRAUD STATISTICS AND ITS IMPACT ON CONSUMERS.

Concerning insurance trends: insurance company lobbyists and trade associations may misrepresent or exaggerate fraud statistics to influence public perception, justify premium increases, and advocate for favorable regulations.

#### Key Tactics Used by Insurers

##### 1. Inflating Fraud Statistics

- Industry lobbyists often claim higher fraud rates than actual data supports.
- This helps create a narrative that benefits insurers financially.

##### 2. Impact on Policyholders

- Misleading fraud claims can justify rate hikes, leading to higher premiums.
- Stricter claim scrutiny results in delayed or denied legitimate claims.

##### 3. Industry Motivations

- Insurance companies use fraud narratives to lobby for policies that benefit them.
- Tactics include pushing for weaker consumer protections and stricter fraud laws that favor insurers.

##### 4. Lack of Transparency

- Critics argue that industry fraud data is often unverifiable or misleading.
- Some reports ignore wrongfully denied or underpaid claims when presenting fraud statistics.

##### 5. Regulatory Consequences

- Inflated fraud concerns can lead to laws that prioritize insurer profits over consumer rights.
- This includes making it easier for insurers to deny claims or increase requirements for payouts.

#### What Policyholders Can Do

- Stay informed about industry tactics and question exaggerated fraud claims.
- Advocate for balanced regulations that ensure fair treatment of consumers.
- Report questionable claim denials or delays to regulatory agencies.

Insurance fraud is a real issue, but its extent is often manipulated to serve industry interests. Consumers must be aware of these tactics to protect their rights and push for fair policies.



### Ready

An essential component of our pre-loss program is the development of a disaster response plan.



### Recover

In the event of a loss, insurance claims are immediately documented, filed and managed.



### Rebuild

Essential to a full recovery is the management of documentation, the construction process, lenders and distribution of funds.

**International Headquarters**  
3139 SW 27th Ave  
Miami, FL 33133

**Orlando Regional Office**  
20 N. Orange Avenue  
Suite 1100  
Orlando, FL 32801

**Dallas Regional Office**  
6060 N Central Expy  
Suite 500  
Dallas, TX 75206

**Need to report a claim?**  
Contact our expert team 24/7

**For more information contact:**  
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