

Home Insurance & Roof Coverage Changes are on the Way

By Basil Housewright, Jr.

Ask any homeowner if they have ever replaced their roof because it was worn out and the reply is typically, "Heck no that's what I have home insurance for." Ask any residential roofer if they have many residential roofing jobs which are not at least partially paid by insurance and the reply is typically, "Very few." This situation may be changing very rapidly in Texas weather you want it to or not just because of our weather. Latest estimates set losses for (7) seven catastrophic weather events in Texas in 2012 at \$2.3 Billion in insured losses. That's a lot of greenbacks paid for 7 hail and windstorms with the majority of the insured damage being paid out for roof replacements. The home insurance industry has struggled to continue to make home insurance affordable and pay the weather related claims they keep experiencing year after year in Texas.

The home insurance industry in Texas has mostly moved to a minimum deductible of 2% over the past couple of years with the intent of making the deductible at least the amount of a roof replacement. This did not work because since Hurricane Ike in 2008 the cost of an "insured roof replacement" has more than doubled. So let's look at the math.

Before Ike - \$250,000 dwelling insured with a 2% (\$5,000) deductible and the cost of "insured roof replacement" at about \$5,000 the homeowner is responsible for the roof replacement. And the homeowner could most likely get it done without insurance for \$3,500 to \$4,000.

After IKE - \$250,000 dwelling insured with a 2% (\$5,000) deductible and the cost of "insured roof replacement" at about \$10,000 the homeowner is responsible for the 50% roof replacement. And the homeowner could most likely get it done without insurance for \$5,000 or work with their roofer to get (2) two invoices – one for insurance showing job cost at \$10,000 and their actual invoice at \$5,000.

Expect to see a major change in how home insurance carriers doing business in Texas are going to address this issue. Bottom line is the home insurance industry must avoid taking care of roof maintenance or replacing roofs, which have reached their useful life to keep the cost of home insurance affordable. Roof terminology dealing with quality of roofing materials is typically indicated by a number of years the manufacturer warranties the roof. A typical roof in our area is a 25-year, 30-year, 35-year or 40-year roof. In the Texas Gulf Coast with our extremely hot summers you can cut that # in half and that is about how long a roof will last until it starts balding or prematurely losing the granules from the surface of the shingle and becomes brittle. In layman's terms it is worn out. If a worn out, brittle roof gets hit with hail it breaks easily and the home suffers lost shingles and roof leaks. A newer roof still has elasticity and typically suffers no or very little appreciable damage when hit by hail and still performs its job of keeping the rain out.

Expect to see home insurance carriers applying Actual Cash Value (ACV) provisions in home insurance policies, which will apply to roof claims. What this will do is apply depreciation, which would not be recoverable to any roof claim based on the age of the roof. An example would be:

\$250,000 dwelling insured with a 2% (\$5,000) deductible and the cost of "insured roof replacement" at about \$10,000. The roof is 10 years old and is a 30-year roof so the depreciation applied is 50% so the ACV of the "insured roof replacement" is \$5,000 ($\$10,000 \times 0.50$) so the homeowner is responsible for the entire roof replacement since the ACV amount covered by the home insurance policy is \$5,000 and the deductible is \$5,000 so the claim is closed with \$0 paid. And the homeowner could most likely get the roof replacement done without insurance for \$5,000.

We insure a large number of autos for individuals and we have never had an auto insurance client call in to make a claim for replacing their tires because they were worn out. Just like the tires on your car, your roof is a wear item and after a certain number of years it has reached its useful and expected life and needs replacement. Many times the roof claims we experience, the roof is just worn out which is a maintenance issue, which goes along with the responsibility of owning a home. A roof is like your hot water heater,

washer machine, dryer, dishwasher, stove, etc... it is a component of your home, which will eventually wear out and require replacement. An exception to this are very expensive roofs made of slate, metal and tile which are much more expensive but last a very long time with very little wear. Change is on the way so expect your home insurance to change in this regard soon.

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