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When It Comes to Wind & Hail Claims, The Age of Your Roof Matters



Most commercial property insurance policies are written on a Replacement cost basis. This means that if you have a roof loss and it requires your roof to be repaired or replaced, the insurance carrier will pay what it costs minus your deductible to repair or replace your roof damage. The main stipulation to get replacement cost is that you repair or replace the roof. If you choose not to repair or replace at that time, you will only be paid the actual cash value. Actual cash value is the depreciated value of the roof. In simple words, you won't be paid for what you don't do.

Even with a replacement cost policy there is often a potential exception to getting paid replacement cost. Most policies contain language or an endorsement that states that if the roof is over 15 years old, then a claim would be settled on an actual cash value basis. In other words, you would only be entitled to the depreciated value of the roof. 15 years is currently the standard but occasionally you will see the limitation of 10 or 5 years.



The Importance of Proper Roof Maintenance

WHY IS THIS THE CASE?

Once a roof is 15 years old or older, it is nearing the end of its life. In most cases, the insurance carrier believes that a roof over this age is more vulnerable to damage and the roof probably already has some wear and tear. Insurance does not pay for wear and tear.

THE SILVER LINING

If you are not aware of this wording at the time of loss, it can be disappointing to learn that you will only be receiving 50%, 60% or 70% of the cost of a new roof minus your deductible. But on the bright side of things, you were within a couple of years of having to replace your roof out of your own capital account. Getting a significant portion of that upcoming cost paid by an insurance carrier is still a pretty good deal.

HOW IS THE AGE OF THE ROOF DETERMINED?

Obviously, documentation of when your roof was installed or replaced is the best

determination, but often 10-15 years later, that information is not available. If the information is not available, many times an inspection by an adjuster and a roofer can make the determination. When it is still not clear, the carrier may engage an engineer to perform a roof analysis and take samples to a lab to make the determination. When this occurs, the carrier is not trying to deny or avoid cost, they simply want to do the right thing for you and the right thing for them. Insurance companies are not a government program, they are a business too! And just like you with your customers, you want to provide what you promised but also not give services away that you did not agree to.

ADVICE ON SETTLING A CLAIM

When clients have a loss and are working with contractors and adjusters I always tell them, "If you approach the repairs or replacement like you are paying the claim out of your pocket, it always seems to work out for everyone."