

# **What the Hail?**

With hailstorms becoming more frequent and severe across the state of Texas, insurance companies are coming up with more ways to mitigate the payouts of these losses. Hail damage has been the costliest peril of homeowner policies for the past several years. A hailstorm in San Antonio, TX in the spring of 2016 caused the most property damage of any natural disaster in the city's history.

The most common approach that insurance companies do to mitigate their payouts for hail losses is to have a separate deductible for the perils of wind & hail. Almost all carriers in TX require a 1% wind/hail deductible, which means that the minimum out-of-pocket expense for the homeowner is 1% of the dwelling coverage. For example, a home policy that has dwelling coverage (Coverage A) of \$250K, would have a \$2,500 deductible for any damage(s) caused by the perils of wind and/or hail.

Another approach that some insurance carriers are using is regarding the loss settlement for wind/hail losses. Replacement cost coverage is the most common and best way to settle a loss; meaning that the insurance company will pay the cost to repair/replace the damage(s) incurred, without depreciation.

Some companies are using actual cash value (ACV) or scheduled roof payments for wind/hail losses, based on the age of the roof. Actual cash value means the reasonable replacement cost at time of loss, less deduction for depreciation; meaning the homeowner cannot recover any depreciation amount.

Scheduled roof payment means all the estimated reasonable costs to repair or replace a covered loss or damage to any roof materials multiplied by the scheduled roof payment percentage, which is set by the insurance company, and can be decreased up to 3% per year, based on the roof surface material type.

The companies that are utilizing this method may modify the roof loss settlement from replacement cost coverage to actual cash value or scheduled roof payments on a home policy renewal following the roof becoming a certain age, such as 10, 15, or 20 years old. They will notify you via an endorsement.

The most recent approach that some insurance carriers are taking is limiting the time that a homeowner has to file a claim for damages due to wind and/or hail. The companies that are doing this will allow up to 365 days from the date of loss to file a claim. (Date of loss being the actual date of the hailstorm.)

Some signs to look for after a hailstorm are roof shingles on the ground, lifted shingles on the roof, or if neighbors are getting their roof(s) replaced. If you suspect roof damage, it's best to call a reputable roofing company to assess the damage before notifying your insurance carrier about the damage(s).

Most reputable roofing companies should advise if the damages will exceed your wind/hail deductible. Avoid using a roofing company that will promise to waive your deductible. It sounds enticing, but you will be the one committing insurance fraud since your contract/policy state a deductible is required.

If the damage(s) warrant a claim to proceed, contact your insurance agent/carrier to initiate a claim. Having an estimate already completed is ideal since it can be forwarded to the claim adjuster for review. They will then compare the material & labor rates that are most common for your ZIP Code.

Upon approval, you should receive an up-front payment equal to the actual cash value (ACV) of the roof, minus your deductible. Upon completion of the roof replacement, the claim adjuster will review the completed work, and if acceptable, then you will receive the recoverable depreciation amount. Keep in mind that there might be a time limit set for completion, such as 180 or 365 days from claim initiation.

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