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Insurers can now offer reduced levels of roof replacement coverage. What this means to you

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Turns out there's still such a thing as a "free roof," much to the dismay of Florida's insurance industry and homeowners who want insurance prices to stop increasing.

Last month, Florida's Legislature failed to weaken incentives for roofing contractors who canvass neighborhoods offering to get homeowners "free roofs" paid for in full by their insurance companies. This practice, insurance companies say, results in higher insurance costs for all homeowners.

But last week, Florida's insurance commissioner David Altmaier said that the Office of Insurance Regulation can help where the Legislature failed — by allowing insurers to offer coverage [that won't pay the full cost of roof replacements](#).

The difference is that the reduced coverage would be voluntary to homeowners, leading some insurance experts to doubt enough consumers would opt in without substantial premium discounts.

Lawmaker logjam and consumer choice

Currently, Florida's building code requires a full roof replacement if more than 25% of a roof is damaged. Proposals to make Florida's generous roof replacement requirements less profitable for opportunistic homeowners, contractors and attorneys died in the Legislature last month after House Speaker Chris Sprowls said he first wanted to see whether reforms enacted in 2021 will work as intended.

A bill that passed the Senate this year would have enabled insurance companies to require homeowners to pay a 2% deductible toward replacement of roofs more than 10 years old unless destroyed by a hurricane or as part of a total loss, such as by fire. That proposal replaced an earlier one

that would have enabled insurers to provide depreciated value coverage for older roofs instead of full replacement coverage in standard homeowner policies.

Critics pointed out that while the proposals would save money for insurers by reducing incentives for roofing companies, they would also penalize low-income homeowners who would have to come up with thousands of dollars if forced to replace their roofs.

In a March 29 meeting of the Florida Cabinet, Florida's insurance commissioner David Altmaier said his office could approve insurers' requests to offer the two reduced-coverage proposals, but as consumer choices rather than coverage limits.

"We can approve [options] that do what the Senate bill does. The biggest difference," he said, "is that consumer have to proactively choose that."

Making the benefit reductions optional for consumers, presumably in exchange for a discount on their policy premiums, is a major difference from the mandatory downgrades proposed in the Senate. Had the Senate's proposal become law, consumers wouldn't have received a discount.

It's unknown yet whether any insurer has asked Altmaier's office to authorize use of the 2% deductible. A spokeswoman on Tuesday provided names of two companies authorized to offer \$5,000 roof deductibles in 2020.

Numerous insurers have been cleared since 2020 to offer discounts to consumers who accept depreciated value roof coverage instead of full replacement coverage.

What this means to you

So what does Altmaier's announcement mean for Florida policyholders? Here's what we've been able to find out so far:

Why do insurers want me to accept less coverage?

Florida's home insurance industry is awash in red ink. Combined net losses have increased in each of the past five years before hitting \$1 billion in 2021.

If the industry is going to survive and provide homeowner coverage required by most mortgage lenders, it will need to stem losses by reducing incentives to file claims, insurers say.

Increased roof claims are a major reason insurers' losses are climbing and consumers' premiums are increasing. Other factors are lingering disputes over claims from Hurricane Irma in 2017 and continued high litigation rates over issues like busted pipes and leaking water heaters.

Florida, Altmaier told the Cabinet, accounted for 79% of all property insurance-related lawsuits in the nation in 2020 while filing just 8% of claims, according to state regulators' analysis of data from the National Association of Insurance Commissioners.

The number of lawsuits filed against property insurers in Florida increased from 27,416 in 2014 to 99,519 in 2021, according to state data presented by state-owned Citizens Property Insurance Corp. at that company's recent rate hearing. Nearly half of those 2021 suits originated in Broward, Miami-Dade and Palm Beach counties.

The legal battles benefit lawyers more than homeowners. A study released in early 2021 by consultant Guy Fraker concluded that of \$15 billion spent on claims that resulted in lawsuits since 2015, only 8% was paid out to policyholders. Plaintiffs' attorneys got 71%, and insurers spent 21% on defense attorneys.

When insurers are hit with excessive losses, they turn to their own insurance policies, known as reinsurance, to bail them out. But just like insurers that are forced to raise rates paid by homeowners, reinsurance companies are raising the rates they charge property insurers. This year, reinsurers are raising rates as high as 30% to 35% prior to the June 1 start of hurricane season. Some companies won't have enough cash on hand to pay for reinsurance and will likely go insolvent, industry officials say.

Five insurers with significant Florida marketshare have gone into liquidation since January 2021 and a sixth is likely to be dissolved after losing its financial stability rating from analysis firm Demotech last month.

Why do insurers want to reduce my roof replacement benefit?

Insurers contend that roofing companies and attorneys have become so efficient at exploiting Florida laws requiring roof replacements that they've been forced to raise premiums to nearly unaffordable levels. As mentioned, Florida's building code requires a full roof replacement if more than 25% of a roof is damaged.

Adjusters working for roofing contractors can find 25% damage on just about any roof, insurers say. Full roof requirements can also be triggered if the type of roof tile that your builders used has been discontinued and is no longer available. Building codes require all materials to match.

Eliminating full roof replacement coverage would reduce incentives for contractors to canvass neighborhoods for roof damage and for attorneys to sue insurers for the full replacement cost, insurers say. Florida, they contend, is the only state with the 25% replacement threshold and one of the only states that require full-replacement coverage in standard all-perils homeowner policies.

How much could I reduce my insurance premium if I accept one of the two reduced roof coverage options?

That's up to state insurance regulators to approve, based on their analyses of whether proposed discounts are in line with accepted insurance practices.

For the depreciated value option, Ormond Beach-based Security First Insurance offers a discount equal to 5% of a policyholders' hurricane coverage premium.

For example, the owner of a nine-year-old \$407,000 house in Miami would save \$161 on their annual premium, or 2.05%, says Melissa Burt DeVriesse, the company's president. Owners of older homes with older roofs would save a larger amount dollar-wise, but that's because their overall insurance cost would be higher, DeVriesse said.

"Depending on other factors, we find our customers save anywhere from 1.5% to 3.5% overall when choosing this endorsement," she said.

The Office of Insurance Regulation provided examples of two companies — U.S. Coastal and Safe Harbor — that offer roof deductibles of \$5,000 each. Discount amounts were not disclosed in the companies' 2020 rate filings, and insurance sources interviewed for this story said they were unaware of any companies that recently sought approval for roof deductibles and discounts.

Will optional roof coverage reductions help stabilize Florida's insurance industry?

That depends on how many people opt for it. And that number will depend on how much money people will be able to save on their premium.

Ron Assise, president of The Horton Group, an Orland Park, Illinois-based insurance agency licensed to do business in Florida, doesn't believe many consumers will opt for it unless the discount is too big to refuse.

"I'd say the adoption rate will be little to none unless the carriers [offer] substantial discounts," he said. And discounting premiums by too much "would defeat the purpose" of helping the industry regain financial stability, he said. "They need premiums to stay the same or go up."

Assise predicted that most consumers won't take the risk of foregoing full replacement coverage in exchange for a modest discount.

Does a 2% deductible mean I would have to pay 2% toward the cost of my roof replacement?

No. As with hurricane windstorm coverage, the 2% is multiplied by the value of your home's replacement cost. What that means is if your home's replacement cost is \$400,000, your deductible would be 2% of that amount (\$8,000), not 2% of the roof replacement cost. The cost of the replacement doesn't matter — you'll still have to pay \$8,000 before your insurance would kick in.

Would that be so bad?

Yes and no. No, if you can afford the \$8,000 and you were already facing a roof replacement project costing much more than \$8,000. Yes, if your roof still had nine or 10 years of life left and you don't have \$8,000 to spend.

Wait, doesn't my policy already have a deductible for non-hurricane claims?

Yes, but the roof replacement deductible would likely be higher. Non-hurricane deductibles are fixed amounts, typically ranging from \$500 to \$2,500. That's what you would pay toward a roof replacement under current terms of standard homeowner policies.

If my insurer is authorized to offer reduced coverage, can I be forced to take it as a condition of renewal?

No, Altmaier said explicitly that it would have to be offered as a consumer choice. However, the opposite would be true if reduced-coverage proposals are enacted by the Legislature and governor. Then it would be your insurer's

choice whether to offer the same full replacement coverage they are currently required to provide.

Homeowners who don't want reduced roof coverage should pay attention before signing a new or renewed policy. Agents might include the endorsement in a quote that attempts to reduce the policy cost as much as possible.

“My concern is that some consumers would choose it without thinking about the repercussions,” says Paul Handerhan, president of the Fort Lauderdale-based watchdog group Federal Association for Insurance Reform, “and they don't realize what they signed until they learn they have to spend a lot of money.”

Also, some companies might include the endorsement as the default option in policy quotes, as Progressive Insurance announced last December that it would start doing for new and renewing Florida customers with roofs over 10 years old. Progressive owns several insurers operating in Florida, including American Strategic, ASI Preferred, ASI Assurance, Progressive Property Insurance, and ASI Home Insurance.

Are insurers likely to push again for reduced roof coverage that I won't be able refuse?

Yes. Insurers have been calling for a special legislative session to deal with what they say is an insurance crisis that could soon threaten Florida's housing market. While Gov. Ron DeSantis has said he doesn't expect a special session until after the November elections, insurers want one sooner.

On Wednesday, Sen. Jeff Brandes, a Pinellas County Republican, [threatened to ask legislators to vote to authorize a special session](#) on insurance if House and Senate leaders refuse to schedule one.

Whenever the Legislature decides to take up insurance reforms again, homeowners can expect mandatory roof coverage reductions to be on the agenda.