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Does homeowners insurance pay for the replacement of your roof?

The answer to this question depends upon many factors, including your homeowners insurance policy and why your roof needs to be replaced. If your policy provides coverage for the damage, the amount your insurance company will pay depends upon the terms of the policy, the coverage limits of your policy and your deductible. Detailed information about how your claim will be settled can be found in the "loss settlement method" section of your policy.

COVERAGE FOR THE DAMAGE

Homeowners policies typically cover losses that are sudden and accidental, and caused by specific perils such as fire, wind, hail, and the weight of ice or snow. Policies usually exclude coverage for losses caused by certain perils like flood or earthquake. Homeowners policies do not provide coverage for "maintenance." Therefore, repairing damage due to wear and tear or deterioration of your roof over time generally will not be paid for by the insurance company. Additionally, if a covered peril, such as hail for example, damages a roof that is already in need of maintenance due to wear and tear or deterioration, your insurance policy may not cover all or part of your claim. Likewise, if only a portion of the roof is damaged, your insurance policy may cover the repair of the damaged portion only. You should read your policy to better understand what types of losses are covered and which perils are excluded.

LOSS SETTLEMENT: ACTUAL CASH VALUE VERSUS REPLACEMENT COST

If you have purchased Replacement Cost Value (RCV) coverage, your policy will cover the cost to repair or replace your damaged property without deducting for depreciation. However, most homeowners policies require you to complete the repair or replacement in order to obtain full reimbursement. Until the repairs are made, it is likely you will only receive payment for the cost to repair less depreciation. Once the repair or replacement is finished, you will receive the remaining amount that had been deducted for the depreciation.

If you have purchased Actual Cash Value (ACV) coverage, your policy will cover the depreciated cost to repair or replace your roof. The amount deducted for depreciation may be significant, especially if the damaged property was at or near the end of its useful life. For

example, if your 20 year old roof is destroyed by a covered peril and must be replaced, the policy with RCV coverage will pay the full cost to replace the roof, assuming the work is done. The policy with ACV coverage will pay the depreciated cost to replace the roof, which will most likely be far less.

DEDUCTIBLES

Some homeowners policies contain a special deductible for losses caused by wind, hail, hurricanes or other storms. If damage is caused by the specified event, this special deductible may be applied instead of the “all peril” or general policy deductible. Some insurers automatically include this special deductible for wind, hurricanes or other storms, while other insurers make deductible options available to the policyholder at different prices.

Some deductibles are written as a flat amount, such as \$1,000, while other deductibles are applied to the loss as a percentage of the insurance coverage on the dwelling.

For example, assume a wind storm causes \$3,000 in damage to your roof, and your dwelling is insured for \$100,000. If you had a \$1,000 deductible for wind storms on your policy, your insurer would pay \$2,000 towards repairing the damage. Using that same example, but changing the cause of loss to a hurricane, if your policy has a 2% hurricane deductible, the deductible would be \$2,000, and the insurer would pay \$1,000 towards repairing the damage. In this same example, if your hurricane deductible was 5%, you would not receive any payment from the insurer because the deductible amount would be greater than the cost to repair the damage.

If you have questions about what your policy does and does not cover, contact your insurance producer (agent or broker) or your insurance company. If you believe you need additional coverage to fill a gap, you can ask your producer or the company if an endorsement is available.

If you have questions or think that the insurance company has not lived up to the terms of the contract, contact the Maryland Insurance Administration at 410-468-2000 or 800-492-6116.