

NEWS & MEDIA



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Can You Afford a New Roof?

By Ron Hurtibise

Many Fla. homeowners could soon find it difficult to get private market insurance coverage on their homes, as a result of big losses insurers say are partially due to skyrocketing claims and lawsuits over roof replacements. To stay insured, owners may have to replace their roofs, regardless of whether or not those roofs are failing.

FORT LAUDERDALE, Fla. – Tony Lilly can't find a private market insurance company willing to insure the house he bought last August because, he was told, at 16 years, the structure's cement tile roof is too old.

It's a problem millions of Florida homeowners could soon face, thanks to insurance companies' efforts to avoid paying for skyrocketing numbers of roof replacements. Homeowners will have to shell out tens of thousands of dollars to replace their roofs – regardless of whether or not those roofs are failing – if they want to remain insured.

For many, that will be a financial hardship. Asphalt shingle roofs typically cost about \$12,000 to \$15,000 to replace. Tile roofs cost about \$30,000 to \$35,000.

And there's no quick fix on the horizon to the issues that have brought us to this point.

Lilly was stunned to learn that he couldn't get coverage because of his roof. His house was built in the 1990s. Its roof was installed in 2005. An inspector who looked at the roof and a roofer who replaced a handful of broken tiles last fall both told Lilly that the roof should be good for another 20 years. It's cement tile, after all.

That apparently doesn't matter to Florida-based home insurers, reeling after five years of collective operating losses they blame on a combination of factors:

Florida's building code requires replacement of an entire roof if more than 25% is damaged. When insurers refuse to pay claims to replace entire roofs, the contractors sue them.

While contractors and attorneys maintain they sue only when insurers refuse to pay legitimate claims in a timely manner, insurers contend that they are treated like ATMs by contractors, attorneys and, yes, homeowners willing to look the other way when promised free roofs, bathrooms or kitchens.

But that leaves honest homeowners – who would never file an insurance claim except in an emergency – stuck with higher premiums and forced to replace good roofs.

The number of lawsuits filed against the top 44 insurers in Florida has continued to spike – totaling 44,325 during the first six months of 2021 compared to about 30,000 during the same periods of each of the three previous years, according to data maintained by the state Department of Financial Services.

Get ready to buy a new roof

For Florida consumers, “the outlook is bleak,” said Paul Handerhan, president of the consumer-focused Federal Association for Insurance Reform. “But you can't force insurance companies to write business they can't write. If the law suddenly required companies to cover homes with older roofs, you'd be risking the company's solvency and that wouldn't do anyone any good, because after a catastrophe, they'd be going bankrupt and no one would get paid.”

Consumers with asphalt shingle roofs, among the most common roof types, will be facing expensive replacement requirements if they just bought a home, want to switch insurers or were recently dropped by their previous insurer.

Companies are increasingly unwilling to write new policies with asphalt shingle roofs over 10 or 12 years old, according to a comparison compiled in January by one of the insurers, which asked not to be named as the source of the data. The list, which the insurer said was based on a review of information submitted to state insurance regulators, identified four companies unwilling to insure shingle roofs more than 10 years old, two companies that set the cut-off age at 12 and three others that drew the line at 15 years.

Metal and tile roofs are generally allowed up to 20 or 25 years, and some companies are listed as willing to insure homes with metal or tile roofs as old as 40. Those insurers could be among many that are currently not writing policies in South Florida and therefore weren't available to Lilly. Which companies opted not to offer Lilly coverage is not known.

Since the list was compiled in January, some of the companies on the list have sought to lower their roof cut-off ages, but the state Office of Insurance Regulation has been “pushing back” against those proposals, the insurer said.

Barry Gillway, Citizens’ president and CEO, told the company’s board of governors this month, “It’s getting hard for an independent agent in Southeast Florida to find a company willing to write a roof that’s more than five years old.”

While many insurers are ordering more inspections when existing customers’ policies come up for renewal, some aren’t yet subjecting renewing customers to the same stringent age-of-roof criteria if they haven’t filed expensive claims, said Locke Burt, president and CEO of Security First Insurance Co.

“That’s why most agents tell people: ‘If you get a renewal notice, take it and don’t worry about the premium [increase],” he said.

Owners of older roofs have few choices

Insurers don’t care whether a 10- or 12-year-old roof is still functional, Handerhan said. The issue is that they see homes with older roofs as most likely to be targeted by roofing companies that canvass neighborhoods promising owners they can get them a free roof from their insurer.

Eliminating older roofs from their books of business is the easiest way they can avoid the costliest claims, he said.

Homeowners with targeted roofs older than companies’ cutoff ages will have little choice but to replace them before their usable lives are over, settle for state-owned Citizens Property Insurance Corp., or try to find a private market insurer that will sell them a customized policy that limits their roof coverage to one that pays only the depreciated value.

Lilly’s insurance agent said he had no choice but to settle for Citizens, the “insurer of last resort” that no one wants but that tens of thousands of South Florida homeowners are turning to because they have no other choice. Upon renewal this year, Lilly’s Citizens policy went up \$500. Again, he asked agents to help him find a private-market policy, and again they told him his roof is too old, he said.

Will it ever end?

Insurance experts interviewed for this story don’t expect companies to ease up on roof-age restrictions until recently passed reforms succeed in reducing costs of roof replacement claims and other expenses driven by contractors and attorneys.

A new law that took effect on July 1 bars roofing companies from offering homeowners incentives to allow the companies to inspect their roofs for damage.

Another part of the new law prohibits advertisements such as door hangars, business cards, pamphlets and emails encouraging homeowners to file insurance claims. But a judge this month found that section violated contractors’ First Amendment rights and struck it down,

telling the state to instead find more targeted ways to address fraud.

Other parts of the law remain in force, however, including restrictions on collection of legal fees that insurers contend encouraged attorneys to file massive numbers of lawsuits without financial consequences.

The new law also reduces the amount of time plaintiffs have to file claims after losses occur, from three years to two years. The latter change is meant to reduce roofers' opportunities to identify damage they can pin on past weather events, like hailstorms or hurricanes.

Still, those changes might not reduce claims and lawsuits for several years, insurers say, if attorneys are allowed to pursue claims for old losses under the old rules.

Insurers also hope to see more criminal prosecutions of crooked contractors.

The Legislature provided the Department of Financial Services \$1.8 million specifically to investigate property and casualty homeowner insurance fraud.

Department spokesman John O'Brien said the money will fund two squads of detectives at the Division of Investigative and Forensic Services.

Meanwhile, several insurers, including Citizens, Security First and Tower Hill, are pursuing claims under Racketeering Influenced and Corrupt Organization Act laws, developed to fight organized crime, against roofing companies they contend are engaging in fraud.

The problem of roof-based coverage denials and ever-rising claims costs might not be solved until the concept of homeowner insurance in Florida is revolutionized, said Paresh Patel, CEO of HCI Group, which includes Homeowners Choice and Typ Tap insurance companies.

Patel envisions a day when homeowners most likely to file claims for repairs, like roof replacements, are allowed to buy more expensive policies that are designed more as home maintenance coverage. Homeowners willing to accept the responsibility to pay their own costs to replace aging, deteriorating roofs and other components would pay less for traditional coverage, he said.

"Essentially we're going to be separating the people who think of their insurance policy as a home maintenance policy vs. an insurance policy. Both products can be priced differently," he said.

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