

Combatting post-disaster fraud but preserving coverage

Amy Bach and Brent Walker

NAIC Summer Meeting – Chicago, Illinois



UP is a 33 year old 501(c)(3) national insurance consumer non-profit

Our website, (www.uphelp.org) staff, programs, volunteers and guidance help over 500,000 people each year

The screenshot displays the United Policyholders website with a navigation bar at the top containing: HOME, ABOUT, MEDIA, RECOVERY HELP, GET PREPARED, ADVOCACY, COMMUNITY, EVENTS, and SUPPORT UP. Below the navigation bar, there are six news article cards arranged in a 2x3 grid. Each card features a media partner logo, a date, a headline, and a short text snippet.

Media Partner	Date	Headline	Text Snippet
abc NEWS	JUNE 26, 2024	Few have flood insurance to help recover from devastating Midwest storms	Many Midwestern homeowners hit by bad flooding this week do not have flood insurance. Rick Satterwhite's house backs up to the Missouri River, but flood insurance hadn't really seemed necessary – until this week, when he had to pump water out of his basement after...
PINE ISLAND EAGLE	JUNE 26, 2024	GPIA gives update on island's recovery	Representatives of United Policyholders attend meeting, provide information to assist islanders. Last Tuesday, June 18, the Greater Pine Island Alliance providing an update on the island's recovery during its monthly meeting at the Pine Island Community Church where guest speakers from United Policyholders were asked...
inkl	JUNE 25, 2024	12% Americans Don't Have Home Insurance: Why More Homeowners Don't Think The Rising Prices Are Worth It	Americans are increasingly dropping their homeowner insurance policies or falling behind on payments amid high living costs and rising coverage premiums. Read more.
NEWSMAX	JUNE 24, 2024		
USA TODAY	JUNE 23, 2024		
Microsoft Start	JUNE 20, 2024		

The roof over your head

Structural support – The “backbone” of the house.

Keeps out the elements – Hail, high winds, tornadoes can cause broken/missing shingles, leaks, sagging spots and/or tear away portions or entire roofs. Exposure to outside elements can result in interior water damage, mold or mildew as water, snow, or ice seeps into the walls and structure. Untreated water issues can weaken the home’s structural integrity, rust metal and corrode plumbing, ruin electrical systems, destroy ceilings and walls and cause health hazards.

Provides insulation – Keeps heat and AC in

Impacts your property value – The quality of a roof is a significant factor in assessing the value of real estate.

The roof is a system – Experts and some building codes traditionally require replacement if 25% or more damaged. Some local ordinances require tiles to match.

Endorsements/limits/exclusions that fall below replacement value coverage

- ACV only on roofs based on age (15 years old, 11, years old, 6 years old...)
- Separate deductible applying to roof claims
- “Cosmetic” damage exclusions. Burden on homeowner to prove damage is significant/structural
- Roof charts that reduce coverage based on roofing material/type (composition, flat, tile, etc.) and/or age
- No coverage to replace undamaged shingles to match/restore a uniform and consistent appearance

Insult to injury

“Limited Roof Surfaces Settlement Windstorm or Hail Losses” endorsement

We submit for your review and approval a form revision to our Property Program. We are introducing form H 03 64 06 22, Limited Roof Surfaces Settlement Windstorm or Hail Losses. This endorsement provides protection for roof surfaces from loss caused by windstorm or hail based on a pre-determined schedule using roof type and roof age. The insured **may** receive a reduced premium for electing this endorsement. This endorsement will be offered as an optional coverage to Homeowner policyholders with roofs aged less than 11 years. This endorsement will be mandatory for policies with roofs aged 11 years or more, except for roof type surfaces of Slate, Tile, Metal, and Shake/Wood. H 03 64 06 22, Limited Roof Surfaces Settlement Windstorm or Hail Losses was previously approved for use in the Nationwide Agribusiness Insurance Company under SERFF Filing Number NWPP-133205891.

“Iowa insurers cut roof coverage, leaving customers with big bills and jeopardizing mortgages” Des Moines Register, May, 2024

- Several insurance companies recently amended policies to pay *only the depreciated cost* of the roof, leaving policyholders \$10,000 + short on actual repair/replacement costs
- Insurers have increased deductibles
- Insurers have added cosmetic damage exclusions and are requiring customers to pay for lab tests to prove their roofs are in danger of failing
- Consumers are not aware of the changes, and many have to take out loans or live under faulty roofs until they can save enough money to cover replacement costs.
- The quiet change in industry practice may also impact the home lending market. Fannie Mae and Freddie Mac, the government-established companies that guarantee about 70% of U.S. mortgages, have policies that state they will not cover homes unless those properties are insured at replacement cost.

<https://www.desmoinesregister.com/story/news/local/2024/05/31/iowa-insurers-cut-roof-coverage-customers-get-stuck-with-the-bill/73779335007/>

Insurers are creating a conflict for lenders and homeowners re: Fannie Mae's important rules

- Our longstanding requirements are in place to ensure that for any home loan we purchase, insurance policies are written to provide the funds necessary for the homeowner to rebuild or repair the home at the current cost of materials and labor. There are two important aspects to this. First, the coverage amount must be sufficient, taking into consideration the property's replacement cost value (RCV). Second, claims must be settled at replacement cost, subject to the policy coverage amount – this is sometimes referred to as RCV coverage or as an RCV policy.
- We do not accept actual cash value (ACV) policies, which allow insurers to estimate the cost of depreciation factors, such as the age and wear and tear of the property, and deduct the total depreciation amount from the insurance claim payout.
- **These long-established requirements not only help protect the safety and soundness of our companies, mortgage lenders and servicers, and U.S. taxpayers, but importantly, help protect homeowners themselves.**

www.fanniemae.com/research-and-insights/perspectives/gses-protecting-homeowners-taxpayers-and-industry

These coverage reductions have gone too far

Clifford Rossi, a University of Maryland business professor and former Freddie Mac risk management director, predicted property insurance problems like slimmed-down roof coverage will upend the home-lending market for the next decade.

Insurance officials say they must scale back coverage because of increased claims from storms in recent years.

But banks and Wall Street investors, who buy Fannie Mae and Freddie Mac's mortgage-backed securities and keep the country's home-lending system flowing, say they need to know properties will be intact if homeowners default.

Insurers shouldn't jeopardize homes' structural integrity or penalize homeowners for fraud by some roofers

- AI should be helping insurers identify fraud
- State DOIs should consider rescinding approval for and disapproving policy forms that only insure roofs for ACV
- Insurers should be required to set forth deductibles at the point of sale and dec page as a specific dollar amount, not a percentage
- If ACV-only roof provisions remain in effect, a ph that accepts that option should get a premium discount

Thank you!

Committee members and meeting attendees for your time and attention

www.uphelp.org



We've got your back when insurance matters

United Policyholders (UP) is a non-profit 501(c)(3) whose mission is to be a trustworthy and useful information resource and a respected voice for consumers of all types of insurance in all 50 states. We don't take money from insurance companies. We give you the straight scoop. Guide you on buying insurance and navigating claims. Fight for your rights.

info@uphelp.org | www.uphelp.org