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**WELCOME TO BRADEN ROOFING NEWS™ VOLUME IX, HOMEOWNER’S GUIDE
TO MANAGING YOUR INSURANCE CLAIM**

Welcome to Braden Roofing News™ IX. This guide is to help you understand the process of getting an insurance claim on your storm damage roof, and how the claim process works once you have actually gotten your claim.

NOTE! If you are curious about what does or does not constitute hail damage, please look at Braden Roofing News II. At Braden Roofing, we are always happy to give you a free inspection to help determine if your roof may qualify for an insurance claim.

There is a lot of confusion out there as to how insurance claims really work and what rights and responsibilities you have as a homeowner. Frequently, other roofers and even insurance companies contribute to the confusion (either intentionally or by carelessness). This guide will give you the TRUTH about how insurance claims really work.

If you have read any of the other editions of Braden Roofing News, you have undoubtedly noticed that I, Braden Castaner, founder of Braden Roofing, have a tendency to speak bluntly and directly about the roofing trade. Readers and customers find my stark truthfulness refreshing in the face of the misinformation which seems to prevail from other sources in the industry. It is my sincere hope that you continue to trust in the Braden Roofing News articles as your most reliable source of information about roofing issues.

...And as always, if you have any particular questions, you are always welcome to call me at the office number posted above.

A QUICK DISCLAIMER!: I will give you the truth about hail claims EXCEPT about illegal activity such as insurance fraud.

First of all, we are NOT lawyers. You should not mistake any information we give you to be legal advice! We can certainly tell you approximately how the laws work, but you should get your legal advice from a lawyer!

Secondly, we will NOT explain how insurance fraud works! While this kind of illegal activity does occur, we do not feel that it would be appropriate to explain the tricks that certain people use in order to commit insurance fraud. Furthermore, I would like to assure you that the legal penalties for said insurance fraud are NOT worth the risk. Insurance companies are smarter than they may sometimes appear. We will BRIEFLY talk about this issue in more detail a little bit later.

STEP ONE. DO YOU THINK YOU MAY HAVE HAIL/STORM DAMAGE? HOW DO YOU FIND OUT?

For most people, the biggest hint that they may have hail damage comes from directly experiencing the actual event. You may have been comfortably ensconced in your home watching the weather report on the news (tornado alert for five counties!). Outside, the sky has turned an ominous greenish gray hue and the clouds are forming into oddly shaped and colored billows. The wind gusts and stills itself spasmodically. As you thankfully remind yourself that you are in a well-built comfortable home, you suddenly hear something loud. WHAM! (clunk, clunk!).

Before you can even think twice about it, the loud noise you heard has been followed by many, many others just like it. Blam! Splat! Crunch! It is not subtle. Nervously, you cringe about the car that you parked in the driveway! When you look out the window, you see the yard littered with what looks like golf balls!

For many homeowners, this is not a tragic situation at all, but rather a chance to switch out that old, crummy, and poorly installed roof for something (hopefully) better courtesy of the insurance company.

Some homeowners will quickly snap pictures of the hail-covered yard of their residence. Others actually save the frozen hailstones in their freezers to show insurance adjustors at a later date. While these are not bad ideas, the insurance adjustor will most likely determine hail damage based upon the Haag guidelines described in Braden Roofing News II. Furthermore, any hailstones which are stored in a freezer will probably shrink over time unless they are tight wrapped in plastic.

As a general rule, hailstones should be at least golf ball sized before a homeowner may expect substantial damage to occur. Homeowners should NOT assume that because a neighbor has received an insurance settlement then they, too, automatically must have claimable hail damage.

It is not uncommon for two houses located side by side to have one home suffer severe hail damage while the other may have minimal damage. Many factors account for such discrepancies. The age and quality of the shingles may be a factor in the amount of actual damage a hail hit does. The pitch and angle of the roof also are factors. Roofs with multiple layers tend to suffer more severe damage.

It probably won't take long before your neighborhood is overrun with roofers. You will have fliers in your door and mailers. There may be salesmen knocking on houses door to door. Odds are pretty good that you will have plenty of choices in terms of getting a roofing company.

You may find some of our competitors to be extremely aggressive in manner as they seek your business—which is fine if it's OK with you. At Braden Roofing, however, we do things differently. We want to earn your business with our knowledge, professionalism, and our great reputation. Our roof experts will take the time to explain our service and answer questions. We take pride in providing our customers with the information (such as the Braden Roofing News™ articles) you need in order to make a decision you will be comfortable with for years to come.

“WE WILL WORK WITH YOUR INSURANCE COMPANY!”(part one)

Many roofing companies including Braden Roofing will offer to help you get an insurance claim and “work with your insurance company”. What does that mean?

Let us consider how the actual claims process works.

Let's say you think you have suffered a loss due to hail. In order to get the claims process moving, the first thing you need to do is contact your insurance carrier. Typically that means calling your insurance agent, but it may be easier if you just call your insurance company's 1-800 claims number. The truth is, you don't necessarily need to contact your insurance agent if you can contact the insurance company's claims department. Furthermore, the agent him/herself does not have any say in whether your claim is accepted or not. If your claim is rejected by the field adjustor, do not blame your agent. It is not the fault of the agent.

When you have contacted the claims department, the insurance company will typically assign your case a “claim number” and tell you that an “adjustor” will be calling you to set up an inspection appointment. If you have already chosen a good roofing company such as Braden Roofing, you can give the insurance company our name and phone number so that the adjustor can contact us directly. We are always very happy to attend appointments with adjustors and to help plead your case.

STEP TWO: CONTACTING THE INSURANCE COMPANY

A CONUNDRUM

You may ask yourself if you actually should even file a claim. What happens if you try to file a claim but your claim is rejected? Does the insurance company still count that as a claim and therefore raises your insurance rates? Wouldn't it be a good idea to know for sure if an insurance company will accept a claim before filing it?

Well, maybe.

First of all, at Braden Roofing, we are always happy to give you a free inspection to determine if you do or do not have claimable hail damage. We are a Haag certified company (Haag

Engineering is the company which writes the guidelines that the insurance companies follow in determining what is or is not claimable hail damage). We really understand hail damage.

We cannot, however, predict what an insurance company representative will or will not positively say qualifies as hail damage. We therefore cannot positively tell you whether the adjustor will or will not approve your claim. It is not for us to positively say. The best we can do is tell you what kind of damage we see and how closely it resembles classic hail damage as defined by Haag.

Our experience is that it is more common for houses with minimal or even zero hail damage to get a claim than it is for houses with legitimate claims to be rejected. In other words, the insurance companies are more likely to give a homeowner “the benefit of the doubt”.

On occasion, we are asked to inspect a roof for hail damage and are just plain unable to find a darn thing no matter how hard we look. The homeowner may be very surprised to hear this because they may have already found out that neighbors on three sides have already gotten claims approved and two previous roofing companies already told the homeowner that they **POSITIVELY** had hail damage. All the evidence indicates that they **SHOULD** have hail damage, and yet we at Braden Roofing could not find any.

Look, folks, sometimes being honest means telling friends something they don't want to hear. We are not going to go and get homeowners stoked up about getting a roof claim when we don't see that as being the case. You will always get the truth from us as we see it. What you choose to do with that information is up to you. We would **NEVER** tell someone that they shouldn't make a claim. That's up to you.

In the meanwhile, we will absolutely do our due diligence and be your advocate.

IF THEY WILL LIE FOR YOU, THEY WILL LIE TO YOU

Roofing company salesmen are highly motivated to find hail damage and tell your insurance company about it—whether or not there really is hail damage.

We will help you any way we can, and we are darn good at it. That being said, we are not practiced or skilled at the fine art of lying. We will not lie to you nor should you expect us to lie to your insurance company.

A FEW THOUGHTS FROM INDUSTRY INSIDERS

As for the question of whether or not the insurance companies count a rejected claim as a claim, I have asked a few industry insiders for their thoughts on the matter. Let's take a look at some of the most common questions homeowners have about their insurance claims and see what some industry experts have to say on the subject.

I called upon several insurance industry insiders to answer some of the most common questions homeowners may have about their insurance claim.

My panel of industry experts includes the following:

Joyce Stillings, representative for the Kansas Insurance Commissioner

Bob Watson, agent for State Farm insurance

Jeff Hartman, independent insurance agent

Some of the responses have been paraphrased for brevity.

QUESTIONS

CAN THE INSURANCE COMPANY RAISE YOUR HOMEOWNER'S INSURANCE RATES IF YOU HAVE FILED A CLAIM?

Joyce: Sure. We don't regulate the way insurance companies underwrite policies. They can use whatever underwriting guidelines they want. We basically make sure that the insurance companies are financially solvent. We also regulate discrimination issues.

Bob: Yes. Understand that underwriting is totally different now than it was ten years ago. In automotive insurance, for example, we see that there are a large number of factors that go into the underwriting process. The insured's credit report may be a factor. Some of that is now starting to spill over into homeowner's insurance.

Jeff: Yes. However, the way it usually works is that most homeowner's insurance contracts have a "claim free discount" rider. If you don't have any claims, you get a discount on your premium. If you do have a claim, you lose the discount. It's not really an increase, but it still adds up that way.

WHAT IF THAT CLAIM IS A STORM DAMAGE CLAIM?

Joyce: No difference from a regulatory point of view. However if any one insurance company were to engage in practices outside of the normal expectation, they would probably end up losing business. There are several hundred insurance companies licensed to do business in Kansas.

Bob: Most companies including State Farm will typically not consider what we call a "cat" claim for underwriting purposes. (Braden's note: "cat" is short for "catastrophe". This refers to major storms which damage a large number of residences).

Jeff: Yes, but weather related claims are looked upon in a better light. Frequency of claims is also a big issue.

WHAT IF THAT STORM DAMAGE CLAIM IS NOT ACCEPTED? DOES IT STILL COUNT AS A CLAIM?

Joyce: Again, we don't regulate this issue. We would only require that an insurance company's guidelines be consistent so that there is no discrimination of one person versus another.

Bob: Yes. Even if the claim is what we called "closed without pay". It is still considered a claim. I personally don't agree with this practice, but that is the way it works. This is why it is a good idea for the homeowner to get an idea of the cost of a potential loss before they decide to actually file the claim. This is why I like to work with good roofers like you, Braden. I am also very aware that it's not always fair to you, Braden, because you go out and troubleshoot problems for free and then maybe the customer goes and hires someone else to do the job. It's not a perfect situation.

Jeff: It is still considered a claim, but the underwriters may treat it differently. It really depends on the company and the contract. Still, this is why I'm glad that I know an honest roofer like you to go and check these things out first.

(Braden's note: I did NOT solicit these comments!)

WHAT IS INSURANCE FRAUD?

Joyce: We do actively investigate insurance fraud. We will investigate insurance companies but also individuals. Fraud can be someone profiting from an insurance claim, or making a claim with a fraudulent basis. I am not an attorney so I cannot tell with certainty if insurance fraud is a felony.

Bob: I would define insurance fraud as when we pay one dime we don't owe due to false information.

Jeff: Yes it's true that a homeowner is not supposed to profit from a claim. False claims are a little more of an issue, I would say. This is probably a little bit more of an issue on theft claims.

WHAT ARE THE RIGHTS OF A HOMEOWNER IN AN INSURANCE DISPUTE?

Joyce: Well, first of all, if there is any dispute between a homeowner and the insurance company, the homeowner needs to document everything as well as possible. Most insurance policies have an appraisal clause where the homeowner has the right to have independent parties decide on the merit of their claim. Finally, if all else fails, they can contact us at the Kansas Insurance Commission.

Bob: It's not just a matter of a right, but also an obligation. In theory, anyway, I am supposed to report any potential claim that I know about. Now that has to give way to common sense such as in situations where the total value of a claim may be less than the deductible. In my years and years of being an agent, I have never once seen State Farm intentionally try to screw anybody out of a legitimate claim. ...And let me tell you, I have seen at least ten thousand, probably closer to

twenty THOUSAND claims in my career. An article in the Wall Street Journal recently estimated the cost of insurance fraud in the ballpark of 100 billion a year. When a claim is denied, it is not to try and screw anybody. It is to help keep everybody's rates fair. As you well know, Braden, if there is any situation where one of my customers needs me to stand up for their rights, you know damn well that I will be the first person to stand up and scream to the company that we need to take a closer look at something. That's part of my job as an agent.

STEP THREE: GETTING THE CLAIM

Braden Roofing is respected by adjustors for our integrity and professionalism. On the rare occasions when the adjustor does not agree with our diagnosis, they still typically respect and listen to our opinions.

WHAT IS AN ADJUSTOR?

What is an adjustor, anyway?

An adjustor is basically an inspector/estimator. They work for the insurance company (either directly or as independent contractors). It is the adjustor's decision as to whether or not the insurance company will accept or reject your claim. It is also the adjustor who determines just how much the insurance company will pay to cover your claim. They typically use a computerized estimation program called Exact-O-Mate.

BEWARE OF SCAMMERS

Sometimes unethical roofing contractors will claim to be a "public adjustor" and might tell unsuspecting homeowners that they can "get you a hail claim". They will then ask you to sign a vaguely worded agreement so that they can get you that free roof. Be careful! It probably is a scam. Any roofing contractor who tries to convince you that they are an adjustor and tries to promise you that your claim will be accepted is not being honest with you.

"WE WILL WORK WITH YOUR INSURANCE COMPANY!" (part two)

The adjustor should call you and/or Braden Roofing within a few days to set up an inspection appointment.

When a roofing company such as Braden Roofing says that we will "work with your insurance company", that typically means three things.

1. We will try to help you get a claim approved.
2. We will perform the work prescribed by the adjustor for the price which the insurance company deems appropriate.
3. We will bill at least part of the cost directly to the insurance company to help keep your paperwork to a minimum.

The tool we typically use to accomplish these three things is what we refer to as a “contingency contract”. This is also sometimes called a “service agreement”. We certainly can use a more traditional contract format, if you prefer.

THE CONTINGENCY CONTRACT

So what is a contingency contract? What does it do? How does it work?

A contingency contract is a **CONDITIONAL** contract between the homeowner (you) and the roofing contractor (hopefully Braden Roofing).

A contingency contract means, in essence, that the price of the work and even the validity of the contract are entirely dependent upon what the insurance company approves or does not approve.

Huh?

In other words, the contract is **ONLY** valid **IF** the insurance company actually accepts the claim.

This means that if, by some chance, the insurance company decides that it will not accept a hail or storm damage claim, the contract becomes void. You as a homeowner have no risk of being tied to a contract without an insurance claim.

The second part of the contingency contract is the pricing. A contingency contract typically does not have a price attached to it. The contract will typically state, “pricing based upon insurance adjustment”.

This means that you pay us what the insurance company pays you (minus the deductible). Once again, there is no risk on your part. You already know what your expense will be (your deductible).

Some customers are not comfortable having a contract without a set price. We understand. If you prefer, we can have a set price put on the contract. However, as we shall see, bidding does not necessarily work the same way when we are dealing with an insurance claim. As we shall see, it does **NOT** always pay to go with a lower bid, even if the jobs are (in theory) identical. We shall discuss this more in the future.

WHY A CONTINGENCY CONTRACT?

At Braden Roofing, we like to use contingency contracts when our customers have RCV policies (more on what that means in a moment) because it means that our customers have **ZERO** risk of getting stuck in a contract without an insurance claim or have additional money out of pocket (besides the deductible).

Contingency contracts work very well with RCV insurance policies. Most homeowners have RCV policies. A very few homeowners have what is called an ACV policy.

ACV ALERT! There is one occasion where a contingency contract doesn't work very well, even if the homeowner does get an insurance settlement. That is when the homeowner has what is called an ACV policy on their home. We should take a moment to look at the two kinds of insurance policies. When we understand these two policies, we will also understand exactly how and when the insurance companies pay out on claims.

A very quick formula:

ACV + Depreciation = RCV.

We'll talk about this a little bit more in a moment.

STEP FOUR: GETTING PAID BY THE INSURANCE COMPANY

RCV POLICY

RCV stands for Replacement Cost Value. In essence, it means that the insurance company will pay to replace the loss (on a roof) at the current market price. Even if the 25 year roof is 24 ½ years old, they will pay to replace the whole roof at the whole price, minus the deductible.

The way this typically works is that the insurance company will eventually issue two checks. The first check is the ACV, or Actual Cash Value check. The second check is a "recoverable depreciation" check. The main difference between an ACV and RCV policy is that with an ACV policy, the insurance company will issue a check for the ACV (Actual Cash Value) and that's it. With an RCV policy, the insurance company will issue a check for the ACV and THEN WHEN THE WORK IS DONE AND BILLED it will issue a second check for the recoverable depreciation.

The ACV check is the Actual Cash Value of a roof MINUS the deductible. Actual Cash Value is the same as "book value" in accounting terms (again, the actual check is written minus the deductible). ACV or "book value" is the replacement cost MINUS depreciation. Depreciation, of course, is the loss of value over time of some asset such as a car or a computer.

Let's say that you have a \$20,000 roof which is supposed to last about 20 years. We can easily calculate that the roof uses up about \$1,000 in value each year (\$20,000 cost divided by 20 years = \$1,000 per year). As such, after, say, 8 years, we can assume that the roof has lost \$8,000 in value. We can then calculate that the ACV, or, "book value" of the roof is \$12,000 (\$20,000 replacement cost minus \$8,000 depreciation = \$12,000).

If we assume a \$1,000 deductible (which is the most common deductible amount on homeowner's policies), we can calculate that the insurance company will issue an ACV check for \$11,000 (\$12,000 ACV minus \$1,000 deductible).

THE PROBLEM WITH AN ACV POLICY

If you have an ACV policy, that is pretty much the end of the story. The other \$9,000 will have to come out of your pocket! Ouch! On the other hand, if you have an RCV policy, you can send that final bill for \$20,000 (or \$8,000 if the original \$12,000 has been billed already) on to the insurance company, and they should issue another check for \$8,000. We can also bill the insurance company directly for the final \$12,000. It's really up to you to decide what you're comfortable with. When you have an RCV policy, you are out of pocket only the deductible of \$1000 rather than the whole of the depreciation AND the deductible.

At Braden Roofing, we are always very happy to spend time looking at your adjustment papers and explaining how they work. We provide this service to our customers free of charge.

THE ADJUSTMENT PAPERS

It is very important that we, as your roofing contractor, look at your adjustment papers.

What are adjustment papers?

Adjustment papers are the written documentation of a claim. They typically include the following information and more...

Homeowner's name

Claim number

Address of loss

Nature of loss

Date of loss

Description of work to be performed

Detailed price itemization of work to be performed

Breakdown between RCV (Replacement Cost Value), ACV (Actual Cost Value) and Depreciation

A lot of other information...

On some occasions, an adjuster will be able to generate the adjustment papers when he/she looks at your house. Other times, they will need a few days to put together the claim information. Most will actually make two copies of the adjustment papers. One will be marked "homeowner's copy" and the other will be marked "contractor's copy". Obviously, the "contractor's copy" is for the contractor—your roofer.

SWORN TO SECRECY?

Oddly enough, some adjustor's will take a totally different point of view. Some may even instruct you NOT to show your claim to your roof contractor.

You as a homeowner may feel odd showing this paperwork to your roofing contractor, as you may be concerned about a potential conflict of interest or ulterior motives.

OK, fine. If you just want a straight bid for some roofing work, we would be happy to do that.

However, it may be more difficult for us to provide you with the high quality service that we at Braden Roofing pride ourselves in providing to our customers. As Tom Cruise said in the movie Jerry Maguire, "Help me..to...help...YOU!"

ADJUSTORS SOMETIMES MAKE MISTAKES!

For example, let's suppose that your adjustor made a mistake in diagnosing the roof. It's easy to happen. Suppose your roof has two layers, composition on top of wood shingle. The correct diagnosis is to remove both layers, install some kind of plywood decking, and then reroof with a matching composition shingle. Unfortunately, your adjustor does not see the second layer of wood shingle and adjusts the roof bid as a one layer reroof WITHOUT installing any plywood decking.

You will NOT be happy when you get our bid! You will probably wonder why we want so much darn money when the insurance company is only offering a much lower figure. The difference, of course, is due to the fact that WE bid the job correctly, and the insurance company accidently missed some important (and costly) details.

EXACT-O-MATE

Adjustors typically use a computerized estimation program called Exact-O-Mate. It is our experience that our bids and bids adjusted through Exact-O-Mate are typically pretty darn close in terms of dollar cost. We find it easier to simply go with an adjustor's Exact-O-Mate bid rather than squawk about just a few dollars either way.

MISTAKES ARE USUALLY PRETTY EASY TO FIX

These discrepancies occur all the time! It's not that the adjustors are trying to shortchange you, it's just that there are a lot of details to doing quality roofing work! It is very easy to miss some small detail which makes a big difference.

At Braden Roofing, we maintain a professional and courteous relationship with your adjustor. If your adjustor has made a mistake, we will gladly make contact with your adjustor to discuss the matter. Most adjustors are also courteous and respectful, and will listen to what we have to say.

Now, before they actually CHANGE the adjustment, they will usually ask that we provide some kind of documentation such as a photo. That's OK. We are accustomed to emailing photos to adjustors. Once the adjustor has proof that they need to add something into the adjustment papers, they will typically do so quickly and without objection.

Some roofing companies will purposely take a confrontational stance with your adjustor. At Braden Roofing, we disagree with that attitude. We believe we get better results when we respectfully persuade people to our point of view rather than trying to bully folks into our way of thinking. Besides, if a roofing company will try to bully an adjustor, what do you think they are going to do if there is a disagreement between them and a customer? Do YOU want to be that customer?

KINDLY DANCE WITH THE ONE THAT BROUGHT YOU

At Braden Roofing, we will happily bust our butts and bend over backwards to professionally help our customers any way we can. We humbly ask that if you would have us spend our valuable time working to help you get a proper claim on your home, that you would in turn hire us to be your roofing contractor. It's only fair and polite. Would you want to work like crazy for someone just to have them dump you because they found a "cheaper bid"?

The contingency contract is your promise to hire us as your roofing contractor if we are able to get you an insurance claim. If we cannot get you the right claim at the right price, you have no obligation to us.

...And speaking of "cheaper bids"...

CHEAPEST BID?

Notwithstanding that roofing companies with "cheaper bids" may not deliver the quality of product and service that you wish for and deserve, the fact of the matter is that price may not even matter in regards to an insurance claim.

SO LONG AS YOUR ROOFING BID IS FOR THE AMOUNT ON THE ADJUSTMENT PAPERS OR LESS, YOU AS A HOMEOWNER WILL TYPICALLY NOT HAVE ANY ADDITIONAL OUT OF POCKET EXPENSES!

In other words, a "cheaper bid" will usually not even save you money. Let's take a look at how this works.

We already know that it is illegal to financially profit from an insurance claim. As such, we know that homeowners are not supposed to get cash back from a claim. While this does sometimes happen, it is highly illegal and is not part of Braden Roofing's business practices.

Let's use the example of the \$20,000 adjustment on a roof replacement. By shopping about, you are able to find a roofing company, "Dirt Cheep Roofin'", to do the job for \$16,000.

You have already received your ACV check for \$11,000 (\$20,000 RCV minus \$8,000 depreciation, minus \$1,000 deductible = \$11,000). In theory, this leaves a depreciation check for \$8,000. In theory, the homeowner can make a tidy \$3,000 profit in addition to avoiding the \$1,000 deductible. A nice difference of \$4,000.

SORRY, YOU CAN'T POCKET THE DIFFERENCE

The problem is that the insurance company will NOT issue the depreciation check until it sees the final billing for the work. When you show that final \$16,000 bill to the insurance company, they will do the math and promptly subtract \$4,000 from your depreciation check! Your new depreciation check will be for \$4,000, not the original \$8,000.

You really haven't accomplished anything.

At Braden Roofing, we pride ourselves in doing top quality work at a quality, fair price. By pegging our pricing to the adjustment papers, we assure that ALL parties will be happy.

Your insurance company will be happy because we will do the work for the price which they dictate.

We will be happy because we are paid fair to do a good job.

...And, most importantly, you will be happy because you get a top quality job without any additional out-of-pocket expenses.

CONCLUSION

I hope this latest BRN has been helpful and informative. As always, we are happy to take your calls, field your questions, and provide free consultations regarding storm damage (or any other roof related issue).

Remember, when you need a great roofer, let there be no frustration! Call the one with The Great Reputation!

You may always contact us at (913) 341-0200.

Thank you for your continued support and friendship

Braden Castaner

P.S., When you need a great roofer, let there be no frustration, call The One With the Great Reputation!TM

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