

*Discussion:*

*The practice of “Roof Replacement or Cancellation” by home insurance companies and its impact on homeowners.*

April 11, 2016

Council members

I wish to draw your attention to a practice I have discovered concerning home inspection by the insurance industry which I feel is questionable at best, places low and fixed income homeowners of older properties at economic risk, is and possibly unethical.

I have learned that it has become customary for insurance companies in our area—and perhaps throughout the state—to make a “home inspection” of a property one or two weeks after the homeowner has paid for their home insurance policy premium. Following this home inspection a policy holder may receive a letter telling them their roof has been deemed to be “near the end of its effective life”, and that their policy **will be cancelled** unless a “**full roof replacement**” is done within 30-60 days.

This can be quite an unexpected shock if you have a home that has a serviceable roof that has shown no signs of leakage. The homeowner has not been informed that an inspection of their home is about to take place, and the “inspection” upon which this report is based is typically not shared with the homeowner.

The homeowner is placed in a difficult situation. If he carries a mortgage, he must by law cover his mortgage with proper homeowners insurance. If the home is already paid for, he still must secure his investment with proper insurance.

Full replacement of a typical roof may cost \$7,000 or higher. The homeowner is basically placed in the position of being forced to spend \$7,000 to secure an home insurance policy costing perhaps \$700. For those on fixed or limited income, meeting this unexpected roof repair demand can be a financial disaster.

The option for the homeowner is to seek insurance elsewhere. But this practice is becoming the norm in the industry.

In my instance, the insurance company offered to send out their own “handyman roofer” to fix my home so I could keep my insurance. He arrived and offered to re-roof my home in a single day for \$11,000.00. He said he did this for many customers who are getting “failed roof” reports from this agency. I could only wonder if there is some financial agreement that lies behind this partnership.

Disagreeing with the insurance company’s evaluation of my roof, I sought several independent evaluations. Four well-known, qualified roofing companies came to inspect my roof. All reported being aware of this practice.

One well-known roofer, who also holds a Masters Degree in business law, told me he believed this practice amounted to “Liability Avoidance” on the part of the insurance companies—i.e. they do not want to be liable for serious claims, so they will not insure homes with anything less than a basically brand new roof. If the homeowner disagrees, he is cancelled. He agreed that this seemed very possibly unethical.

What is “full roof replacement” level of wear?

Any sign of curling on the roof, whether there is leaking or not, has become cause for roof replacement in this industry. Curling is common on most roofs that are about 10 years old, especially on any south-facing gables. This is not a proof of roof failure—but it is being used by insurance companies to require full roof replacement.

The same roofer said he has seen still functional roofs removed and taken to the landfill due to this practice. As a person who believes in conservation of material, he said this trend was especially disturbing to him.

One roof he was asked to evaluate involved a homeowner who had recently purchased a home in Urbana that had been inspected by both the lending bank and the real estate agency. Two weeks after closing the purchase he received a letter from his insurance agency requiring that the roof be totally replaced. The roof was in fact *only two years old*. [Roofer # 1 Letter – Redacted]

A second respected local roofer confirmed this practice. He writes:

“Throughout the past ten years, insurance companies have demanded homeowners to get new roofs, else they would have their coverage dropped. This started as an anomaly, but has become the norm. It has become standard for me to hear at least 3 times a week. . . . Repeatedly, customers are being told to replace ten and fifteen year old roofs that have plenty of life left on their roof. Perfectly good roofs are being replaced that have never leaked and probably will not for years to come.”

[Roofer #2 Letter – Redacted]

I feel there is a need to address this harmful practice that is taking place in our community. Several other roof company owners who wished to remain anonymous confided to me that they believed the practice is extreme and it should be reviewed. Several of their clients have filed complaints to the State Attorney General’s office in the past, without result. They said that perhaps if an elected official made a complaint, some action might be taken. I have two letters from local roofers supporting an inquiry.

I therefore filed an official complaint with the Office of the Attorney General: case OAG2016-000020829.

I have also spoken to my State Legislator Carol Ammons. Representative Ammons shares my concern over this practice, especially how it can affect low-income homeowners. Her staff is looking into the state law. Representative Ammons believes it may take a revision of state law overseeing insurance companies to curtail roofing replacement extortion in Illinois. She has assigned staff to research this topic.

The Illinois Department of Insurance has been notified by Carol Ammons office and is currently reviewing the complaint: Illinois Department of Insurance Case IL-16-03509.

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## What outcome might be expected from a discussion in City Council?

- To initiate a conversation about this practice in Urbana and Champaign County.
  - To ask for a full review of the practice of requiring full roof replacements as a condition of insurance.
  - Gathering stories in this community from homeowners who have been threatened with a loss of home insurance unless they invested in “full roof replacements.”
  - Prohibit the practice of roof inspections being conducted *after* the payment of the premium and the signing of an insurance policy agreement.
- \* Investigate whether an industry is acting ethically.

A discussion of this practice before the Urbana City Council may help shine a spotlight on this problem and create safeguards of protection for homeowners of Urbana—and perhaps in the State—against what amounts to roof replacement extortion by threat of cancellation.

Dennis Roberts  
Alderman, Ward 5  
April 3, 2016

## Images of a “failed roof” requiring “Full Replacement”

—per the insurance agency’s inspection report



East Gable North Face



East Gable South Face





West Gable North Face



West Gable South Face



North Gable East Face





North Gable West Face



South Gable East Face



South Gable West Face (1st)



South Gable West Face (2nd)



[ Logo ]

March 7, 2016

Attorney General

State of Illinois

RE: Home Insurers Mandating Roof Replacements

I am a professional licensed, bonded, and certified roofing contractor operating out of Urbana, Illinois since 1989. I wanted to share with you a disturbing trend which I have observed over the last several years in my industry. Approximately five years ago I provided a prospective home buyer with a proposal for replacing the roof of a home in Urbana that he was getting ready to close on. Even though he had a full home inspection done which indicated the roof had a remaining life of 3-5 years, and the mortgage company concurred, he was interested in replacing the roof within 1-2 years for cosmetic reasons, and wanted to know what he would be up against in terms of price. When I inspected his roof I agreed with the previous assessments as to its life expectancy, but furnished him with a proposal for its eventual replacement. I was very surprised therefor to hear from him a few weeks later. He was very upset because he had received a mandate from his homeowner's insurance that in order to maintain coverage he had to replace the roof within 45-60 days (I don't remember which)! Apparently one of its "inspectors" had driven by unannounced and deemed his roof at the end of its useful life! After furnishing the insurance company with letters from myself and his home inspector basically guaranteeing that the existing roof was nowhere near the end of its useful life, the insurer refused to back off on its demands for immediate replacement of the roof. This was very frustrating to me, not to mention the homeowner! Feeling that he had no alternative, he hired us to replace his roof.

Since that time I have seen this scenario escalate, growing more prevalent each year, with more and more insurance companies doing this. While there have been cases where the roof clearly was in need of replacement, a large percentage of these clearly did not. And in no instance was I able to convince the insurer to overturn their decision. What is particularly aggravating is the fact that in most cases the "inspector" never even got on the roof (probably since they never gave the homeowner notice of the "inspection" and did not have permission)! One instance in particular a couple years ago was where an insurer demanded replacement of a 2-year-old roof! Since the roof was a lower slope and laminated architectural shingles had been used, the roof had a more "textured" appearance from the ground, leading the "inspector" to assume that he was seeing a buckled, worn-out roof. When we apprised the

insurer of their error, they absolutely refused to re-inspect, and maintained its demand that the roof be immediately replaced! Unbelievable! Rather than replace a perfectly good roof, the homeowner successfully obtained insurance from another insurer who actually acknowledged that the roof was practically new.

I understand that as a roof nears the end of its useful life it becomes more susceptible to wind and hail damage, and that insurers are more liable for such damages. However, harking back to my Business Law class at college, prematurely requiring the replacement of fully functional roofs seems to be an attempt to "contract out of their liability". It is also disturbing given the fact that the roofs we install come with a specified warranty period from the manufacturer, and if the insurance companies do not allow the roofs to successfully make it to the end of this period, the homeowner is being cheated financially.

Insurers should be required to accept the findings of professional roofing contractors, especially given the fact that most roofers tend to err on the side of wanting to replace a roof, even prematurely. This is a problem that I believe your office should address, and I would be more than happy to assist in any way that I can.

Sincerely,

A large black rectangular redaction box covering the signature of the sender.

Owner, 





[logo]

(217)352-2200

712 N Hickory St, Champaign IL 61820, USA

March 9, 2016

Dennis,

I am writing you to express my concern about a growing trend in the insurance industry. This is a touchy subject within the roofing industry, because I do not want to bite a hand that feeds me. But, a wrong is a wrong and should not be tolerated.

Throughout the past ten years, insurance companies have demanded homeowners to get new roofs, else they would have their coverage dropped. This started as an anomaly, but has become the norm. It has become standard for me to hear at least 3 times a week. The idea, in and of itself, isn't necessarily bad. Insurance companies should check a house they are going to ensure and make sure a roof is not about to fall in. However, this isn't something that can be performed from a satellite or by driving by. Repeatedly, customers are being told to replace ten and fifteen year old roofs that have plenty of life left on their roof. Perfectly good roofs are being replaced that have never leaked and probably will not for years to come.

I believe that if your roof is a three tab shingle that isn't brand new, the insurance companies automatically request replacements. I have written several letters trying to convince insurance companies that the roofs are fine. Sometimes, they choose to listen to me. Unfortunately, the majority of the time they do not care what I say and require replacement of the roof anyway.

I am not sure how to fix this problem. I do not like how it is currently handled, but I cannot offer an applicable solution. Feel free to call or email me to discuss this further.

Thank you for your time.



*Roofing*

w 217.

c 217.



**OFFICE OF THE ATTORNEY GENERAL  
STATE OF ILLINOIS**

**Lisa Madigan**  
ATTORNEY GENERAL

March 2, 2016

Dennis Roberts  
507 East Green  
Urbana, IL 61802

Re: ██████████ Insurance Company  
File No: 2016-CONSC-00021427

Dear Mr. Roberts:

Thank you for your recent letter regarding the above-named business. We have recorded this information in our complaint files for future reference.

Should an inquiry into this matter or subsequent complaints indicate actionable violations of Illinois law, your file will be reviewed again for appropriate action. Thank you for your cooperation in bringing this information to our attention.

Sincerely,

ATTORNEY GENERAL  
State of Illinois

*Carla Ogden*

Carla Ogden  
Citizen's Advocate  
Consumer Protection Bureau  
(217) 782-8456  
cc: Department of Insurance



Letters from Urbana Citizens who have received letters from their Insurance Company threatening cancellation unless their roof was immediately repaired or replaced.

1.) [REDACTED] — April 4, 2016

Hello,

This is in reference to the SUNA list and roof inspections.

I closed on [REDACTED] St Urbana IL 61801 on 26 Oct 2015.

I have used [REDACTED] for my previous 4 homes and never had an issue. This time, it took some running around with the agent to get a policy, but she said it was because of personal health issues. However, they had ample time to do a pre-close inspection if they wanted to and I would have gladly supplied the inspection report (even proffered it to the agent while trying to get them to issue a policy). They issued a policy in time for the closing to go through normally.

On 6 Nov 2015, 11 days after closing, [REDACTED] sent me a letter with a response required by 5 Jan 2016. The entirety of their notice said "The roof of your swelling is lifting or buckled, has granular loss, has moss build-up." Loss of insurance was implied.

I contacted my [REDACTED] agent and [REDACTED].

[REDACTED] had done the inspection during September 2015. As it turns out, the same individual had done the inspection for the seller a few months before (just blind luck). I talked with the inspector where we went through the whole house. There was a small area of roof on the West side sun room that was listed as "weak" in his report for the sellers. The sellers solution was to replace the entire sun room roof ([REDACTED] did the work). The main area of roof was listed as fine and discussion with the inspector jibbed with my own eye (fifth house) - the main roof was fine with 5-10, maybe even 15 years of economic life left.

I contacted the [REDACTED] agent and asked for the Inspection report. They responded asking if I wanted pictures. I said I'd like the report. I also asked why they didn't do their inspection before the closing or the issuance of a policy and asked if they would like a copy of my [REDACTED] or, if they wanted, to get a copy directly from [REDACTED]. They didn't respond to these question asked several times. Finally, tired of chasing e-mail, I went to their office and asked for the inspection report and again, all they would do is ask if I wanted pictures. I told them I wanted the report, but all I got was pictures (unasked for btw). After repeated requests, they finally told me they would not send me the inspection report. So, [REDACTED] had time before the closing to do the inspection, but didn't, and they didn't inform me they were even going to do an inspection. It bothered me that they just laddered to my roof "one day when I didn't know about it" and took pictures (though I'm sure the legalese of the insurance allowed them to do it). I now wonder if their inspector was licensed and if there really was an inspection report?

The [REDACTED] agent warned me that changing agents wouldn't do me any good because "They all use the same broker" presumably meaning that once my house had been branded as having a bad roof I wouldn't be able to get insurance. However, I found another company willing to write a policy and procured a better policy at a cheaper rate. To ensure my home is not on the "bad home" list if I need to sell it quickly, I have already replaced the roof (two week ago I had [REDACTED] replace it - again, just blind luck that they had also been the ones to replace the sun room roof). Now I wonder how to get my home off the "Bad Roof list" the [REDACTED] agent alluded too.

Thanks for listening.

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[REDACTED]  
[REDACTED] St  
Urbana IL 61801  
217-493-6253

2.) [REDACTED] — April 5, 2016

Yes, this happened to us—we changed our insurance policy to a landlord's policy when we rented out our house for a year and then the company refused to renew our insurance as a home owner's policy until we replaced our entire roof, although we had no leakage problems with it, and a roofer thought it didn't need replacement. It cost us a pretty penny . . .

It was [REDACTED] We rented out our house during 2012-13 while we were on sabbatical on the East Coast, and so we switched to a landlord's policy that year. In the middle of the year, in telling us about how to switch back to a home owner's policy once we'd be back, we received the unwelcome news that we'd need to replace the roof before they would write us a new home owner's policy! We had to have the work done while we were living in Rhode Island, and as it happened, it was done poorly, and once we returned, we needed to have some of it remove and re-done by another roofer, so it ended up costing us a lot of money.

I have a vague memory of seeing their inspection report pointing out a few small problem spots, and a roofer confirmed that he could fix those spots alone, but when I asked if we couldn't just get those spots fixed, as I recall, the company said we'd need to replace the whole roof.

This is a few years old so the details are a little fuzzy, but that's the gist . . .

And the second roofer (who corrected the first roofer's bad job) told me that he's been hearing a LOT of insurance policy-driven roof replacement stories like this, in recent years. . .

Thanks for looking into this!!

[REDACTED]  
[REDACTED] U.  
E-mail: [REDACTED]  
[REDACTED]

3.) [REDACTED] — April 4 2016

Dennis

I saw your post about the homeowners insurance and new roofs.

I got taken by this last fall.

In order to save money (especially on my car insurance), I switched from [REDACTED] homeowners policy to [REDACTED].

After they approved my application and I cancelled the [REDACTED], [REDACTED] then sent out an inspector then told me that i had 90 days to replace the roof or my insurance would be cancelled

As the cold weather was just starting to hit, i tried to get them to extend the deadline to spring. They wouldn't budge.

I had to scramble to find a roofer who was free and to secure a loan.

I barely did both.

It was very stressful.

I can provide more details if you need them.

Thanks

[REDACTED]  
[REDACTED]  
Urbana, IL 61802



4.) [REDACTED] — April 5, 2016

This is very interesting as we had a similar request from [REDACTED] some 25 years ago! There were other nearby property owners who reported receiving letters also. The rumor was that [REDACTED] was basically red-lining neighborhoods with homes older than some cut-off date. I think that date was 1920. The letter we received came in early December and it demanded that we re-roof AND re-paint our house by January 31st. Neither of these two terms could possibly have been met during the winter months. It was clear that [REDACTED] was simply trying to get rid of us. It was also clearly illegal in that the kind of claim one might make because a house needed painting would not be covered by any kind of home owners insurance policy. We'd never made any claims on [REDACTED] in 15 years except for minor wind damage to the garage roof (a \$400 claim). Instead of pursuing justice on this we simply changed insurance companies.

[REDACTED]  
[REDACTED], Urbana  
WUNA list  
[REDACTED]

5.) [REDACTED] — April 4, 2016

Hi Dennis,

I am a small scale landlord and have purchased WUNA properties over the last 3 years and yes!!!!  
Every time I buy one the insurance company will force me to do an entire new roof or they will not insure.  
I have argued and been incredibly frustrated to no avail.  
I did put on two entire new roofs just to get insurance.  
Finally I solved this by qualifying for an umbrella policy that some landlords can get because they own about 8 properties.  
Even when I have contacted the exact same insurer who insured the building before I bought it to see if insurance could continue with no replaced roof I have been told that they have to review and ultimately I am asked for a new roof.  
It is incredibly costly as you know.

[REDACTED]  
[REDACTED]  
April 4, 2016

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P.S.  
The only explanation I ever got was that insurers were having a ton of water damage claims from bad roofs and needed to tighten up their requirements.  
But thanks for looking into this it certainly has been a sore spot for me with insurers

6.) [REDACTED] — April 4, 2016

Dear Dennis,

One year ago my insurance company ([REDACTED]) sent photos of my rental property's (next door to mine) roof (taken from the ground) stating I needed a new roof or they would not include my roof on the insurance. I had [REDACTED] come over and give me an estimate for a new roof. [REDACTED] said I had 3-5 years left on it. I had [REDACTED] send a statement to the insurance company. They did not accept it and I had to get a new roof. I also had to paint the floor of the porch, which I also did for the third time because it kept peeling as soon as I painted it.

[REDACTED] my insurance dealers, said that insurance companies are doing this as routine. I sort of get it. They do not want to be liable for something that is defective. However, one person that [REDACTED] knew said the homeowner just replaced the roof and they were told to get a new one! Also, the insurance company is behind the times on how long a roof can last these days.

I wish I did not have to replace my roof at the time because I was also sinking my money at that time into a complete re-model of the bathroom (turned out stunning) and high end fridge for the rental.

Thanks for looking into this.

[REDACTED]  
[REDACTED]

April 4, 2016

7.) [REDACTED] — April 4, 2016

From: [REDACTED] <

Sent: Monday, April 4, 2016 1:29 PM

To: [REDACTED]

Subject: RE: [wuna-list] Fw: Insurance companies cancelling over roof condition

My daughter's insurance company ([REDACTED]) cancelled her policy effective in January. They had to replace their roof before Christmas.

[REDACTED]

[REDACTED] <[REDACTED]@yahoo.com>

8.) [REDACTED] — April 4, 2016

Yes, this has happened to me. [REDACTED] insurance told me I had to get a new roof or they could not cover me any longer. I switched companies.

Shevon Brown Walker