



# Texas Department of Insurance

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**August 10, 1994**

**TO: ALL PROPERTY AND CASUALTY INSURANCE COMPANIES**

**Re: Replacement of Damaged Roofs with Multiple Overlays of Roof Covering**

On June 11, 1993, the Texas Department of Insurance issued a bulletin to address replacement of damaged roofs. The bulletin specifically set forth the position of the Department regarding the payment of a claim for a roof damage loss to include the cost of the removal of the damaged roof as part of the covered loss to the roof caused by an insured peril.

The purpose of this bulletin is to advise insurers regarding the settlement of claims for roof damage and specifically to address the settlement of claims involving damage to roofs that may have multiple overlays of roof coverings, including composition shingles overlaid on a wood shingle roof. A policy of insurance providing replacement cost coverage requires damaged property to be repaired or replaced with material of like kind and quality and includes the cost of removing any of the damaged property. The purpose of insurance coverage is to make an insured whole again after a loss. An insurance policy with replacement cost coverage is a betterment policy because it provides new replacement material for old material. A policy of insurance providing actual cash value coverage also includes the cost of removing any of the damaged property and the insured must be put in the same position as immediately prior to any loss.

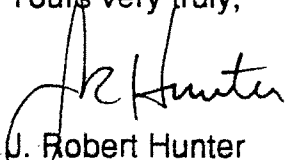
In instances where roof damage occurs due to a covered cause of loss and there are multiple overlays of roof coverings, the cost to remove all layers of roof coverings is part of the covered loss, and in accordance with the valuation clause contained in the policy, the settlement of any claim for damage to a roof with multiple overlays of roof coverings should include the cost to remove those multiple layers of roof coverings. If composition shingles have been overlaid on wood shingles, the covered loss should include the cost of removing all layers of roof coverings, including the wood shingles, and the cost of redecking the roof to allow the application of a new layer of shingles.

The payment for overlaying one roof covering over another has been a practice of insurers in recent years. Whether the option to overlay was at the request of the insured or insurer, insurers enjoyed lower payments in covered losses through the use of overlays of roof coverings. It is unfortunate that a few insurers continue to refuse to pay for the cost to remove multiple layers of roof coverings that would otherwise have been covered as part of a loss had each covering been removed at the time each loss occurred. Insureds have a right to be treated fairly and to deny payment for the removal of all roof coverings at the time of a loss is unfair treatment of insureds and an unfair practice of insurers.

An insurer's refusal to pay for the removal of all overlays of roof coverings when roof damage occurs may subject the insurer to disciplinary action pursuant to the Unfair Claim Settlement Practices Act (Article 21.21-2, Insurance Code).

The Texas Department of Insurance will pursue alleged violations of the Insurance Code and will take appropriate disciplinary action, including the requirement for complete restitution to insureds. We urge insurers to review their claims practices to ensure that claims for damaged roofs are being handled appropriately.

Yours very truly,



J. Robert Hunter  
Commissioner of Insurance

JRH:LA:mf