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Many Insurance Companies Have Raised Their Deductible for Hail Damage

REAL ESTATE TODAY

By JIM SMITH, Realtor®

Perhaps you were surprised, as I was, following the May 8th hail storm, to discover that your deductible for hail damage was higher than in the past. The last time I had a claim, the same insurance deductible ($1,000) was applied to all losses, but now I'm finding that a different deductible applies to hail claims. My insurer is Liberty Mutual, and the deductible for hail is calculated at 0.5% of the replacement value of my home, capped at $2,500. Other insurers have even higher deductibles for hail.

For example, Belmar Commons, a community of 45 townhomes, has a master policy with a 2% deductible for hail losses, and the HOA had to impose a special "loss assessment" of over $5,600 per unit to cover their quarter-million-dollar insurance deductible. (Note: If you live in a condo or townhome community with a master insurance policy and purchase a "condo" policy, consider paying for a rider that covers such loss assessments — with its own deductible, of course!)

I'm told that "split deductibles" have been introduced over the past several years, with some companies applying different fixed deductibles for wind/hail losses vs. other losses, and others applying deductibles of up to 5% of the home's valuation on such claims. If you've been with the same company for over 10 years, you probably have a policy without a higher deductible for hail, but if you change insurers thinking you'll save on insurance, you may end up losing more than you save if you suffer a wind or hail loss in the future.

Many Coloradans saw an increase in their insurance premiums following the 2013 floods and the more recent wildfires, and we'll quite likely see more increases because of this hail storm and other severe weather events, both past and projected.

It's the nature of the insurance industry that the risk and cost of weather-related losses is spread out among all policy holders. So, just because you were not affected directly by the May 8th hail storm does not mean that you won't pay a price for it and for other weather-related losses when your policy renews.

This should be a wake-up call for homeowners regarding the impact of climate change, and that impact goes beyond increases in insurance premiums. Earlier this month the Union of Concerned Scientists released a study concluding that within 20 years almost 200 coastal American cities may become unlivable due to chronic flooding caused by rising sea levels. Chronic flooding is defined as 26 or more flooding events per year — or one every two weeks. When that becomes the norm, people start thinking about moving to higher, safer ground.

Climate change is also responsible for the increase in severe weather events such as tornadoes. I watch national news programs each night and am struck by how places like New England are now experiencing tornadoes and other weather events which I don't recall happening when I lived there.

Yes, the premiums on homeowner's insurance will increase, but consider for a moment the possible impact of more people moving to Colorado from cities which experience more flooding or other severe weather. People looking to move out of areas impacted by flooding, tornadoes or other weather-related catastrophes will be looking at the map for states with less flooding and severe weather. Fortunately, Colorado is blessed — for now — with fewer severe weather events than many other areas of the country.

I've always wondered why insurance companies "gave" us a new roof after a hail storm, even if the roof was already quite old. This is different, say, from car insurance, where an insurer will "total" a car when the cost to repair the car exceeds a certain percentage of the book value of the car.

Insurers are already "depreciating" the value of wood shake roofs, meaning that they assign a certain "life span" to a wood shake roof — say, 15 years. If that roof is totaled, they will allow only its depreciated value instead of applying a deductible to the total cost of replacing it. If the roof is 15 years old, you might get very little — even though you've been paying a premium for having a roof that is considered a fire hazard.

Liberty Mutual paid an additional $7,000 to remove and reinstall the solar panels on my roof, even though I don't pay a higher premium for those panels. I hesitate to say it, but I wouldn't be surprised to see insurance companies begin charging more for homes with solar panels to cover that cost.

On This Week's Radio Show:

We'll be diving deeper into this subject on the "Golden Real Estate" show this Saturday at 3pm on AM 630 KHOW. All our shows are streamed on Facebook Live, where they are also archived. Find them at Facebook.com/GoldenRealEstate1.

We'll have insurance experts as guests and will also take your phone calls.

Why Aren't Carbon Monoxide & Fire Detectors Required in Garages?

Most garages have gasoline and other flammable liquids stored in them and have cars which can kill you with their emissions, so I find it interesting that building codes don't require smoke/fire or carbon monoxide detectors in the garage. The code requires self-closing fire doors and fire-rated drywall construction to slow the movement of fire from garage to house, but why not smoke and CO detectors?

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Come to Golden This Coming Weekend for Buffalo Bill Days

Golden Real Estate is once again a co-sponsor of this signature event in downtown Golden and, as always, our two moving trucks and Tesla will be an entry in the "Best of the West Parade" on Washington Avenue at 10 a.m. We like "fueling up" for it at the annual pancake breakfast in the 10th Street fire station, which benefits Golden's volunteer fire department. Come join the fun!

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