

**A411-T3**

**January 2024 Edition**

**(Updated: January 2025)**

## Question 2

### A

Two weeks ago, the neighbourhood where Joachim lives was hit by a violent storm. Large hailstones struck objects and the ground. Joachim noticed damage to the vinyl siding on his house and to his asphalt shingle roof. He contacted his insurance company to submit a claim. He then received a call from the claims adjuster with the damage appraisal.

Damage to vinyl siding	\$8,000
Damage to roof	\$6,000

The claims adjuster also reminded the insured that the roof is 15 years old.

Not factoring in the deductible and using depreciation Table 1.1, how much will Joachim's insurer pay?

- a) \$14,000
- b) \$8,000
- c) \$6,000
- d) \$13,100

### B

During the same storm, Joachim's neighbour, Bernard, also had his roof damaged. While talking to him, Joachim learns that Bernard was paid 100% of the appraisal. No depreciation was applied.

What factors justify this settlement?

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- a) The cladding is not asphalt shingles or the roof is less than ~~40~~ years old.
- b) Bernard's insurance premium is much higher than Joachim's, and Bernard knows the claims adjuster well.
- c) Bernard agreed to have lower quality material used for the repairs and helped with the work.
- d) Bernard's insurer is better than Joachim's, and the claims adjuster made serious miscalculations.

**B**

During the same storm, Joachim's neighbour, Bernard, also had his roof damaged. While talking to him, Joachim learns that Bernard was paid 100% of the appraisal. No depreciation was applied.

What factors justify this settlement?

9

- a) The cladding is not asphalt shingles or the roof is less than 10 years old.**
- b) Bernard's insurance premium is much higher than Joachim's, and Bernard knows the claims adjuster well.
- c) Bernard agreed to have lower quality material used for the repairs and helped with the work.
- d) Bernard's insurer is better than Joachim's, and the claims adjuster made serious miscalculations.

**→ Justification**

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For the depreciation table to apply, the roof must be made of asphalt shingles. Also, for the first ~~nine~~ years of the roof's life, the insurer applies Option 1 – Repair or Replacement Cost Without Deduction for Depreciation. The answer does not suggest it, but it is possible that the depreciation table in Bernard's personal property insurance policy does not cover the same cladding, the same perils or the same depreciation based on the age of the roof, or there is no table.

- b) The settlement of a loss is based on contract clauses and not on the premium paid by the insured or favouritism.
- c) The contract clauses do not permit the use of lower quality material and, in general, the insured does not help with repairs.
- d) Despite differences between insurers, the settlement of losses is based on contract clauses and not on the insurer's reputation. Also, the claims adjuster is a professional, and insurers have internal audit processes to avoid serious errors.

See Section 1.1.3.2 on Option 2 – Actual Cash Value.