



UNDERSTANDING ROOFING SUPPLEMENTS

An insurance claim supplement is a charge or charges that need to be added to a claim for items omitted, overlooked, under paid or discovered after work begins. They can be confusing to understand at first.



Understanding Insurance Claim Supplements

For the purpose of this discussion, let's define a supplement as a charge or charges that need to be added to a claim for items omitted, overlooked, under paid or discovered after work begins. Supplementing a claim is allowable and insurance companies prefer to get notification of supplementation request early vs late in the project.

However, when a contractor is installing a roof, they may not wait on insurance approval for a supplement, but will do the work needed and, then, after the roof is complete, file a supplement. This is not out of the ordinary, since contractors do not want to leave your roof open and risk additional damage due to rain, etc.

Based on their findings, your contractor will work with your insurance company to present the items for supplementation. They will identify each item to be supplemented, write an explanation and, in some cases, support their findings with pictures. The contractor may not get every item approved. For that matter, it can vary from adjuster to adjuster, insurance company to insurance company.

However, you should have an agreement with your roofing contractor that they get the supplement money if your insurance approves a supplement, but you do not pay for supplements not approved by your insurance company, unless approved through a signed change order, which you have approved.

Once the insurance company approves a supplement, you will receive a notification and a new/revised "Summary of Estimate" form your insurance company.

This is when you may get concerned and confused. So, to help you understand, we will illustrate the financial transaction of a supplement, using a side-by-side summary of estimate spread sheet (See Chart 1: Side-by-Side Financial Effect of a Supplement).

The key things to notice are:

1. Even though the Replacement Cost Value (RCV) increase from \$10,598.17 to \$13,305.62 your deductible \$3,454.00 (The out of pocket deductible Money you pay) did not go up.
2. However, the Balance Owed did go up by the amount of the Net Supplement \$1,883.85, but the final check you will receive will also go up by \$1,883.85. Therefore, the money exchange nets itself out.
3. The Delta simply confirms that even though the amounts change from line-to-line, the financials result in the same net effect.

Chart 1: Side-by-Side Financial Effect of a Supplement

	Summary of Estimates			Supplement
	Original	Revised		
Line Item Total	\$ 10,301.76	\$ 10,855.31		
Material Sales Tax	\$ 287.41	\$ 299.35		
Replacement Cost Value (RCV)	\$ 10,589.17	\$ 11,154.66		
- Supplement #1	\$ -	\$ 1,075.48		
- Supplement #2	\$ -	\$ 1,075.48		
RCV	\$ 10,589.17	\$ 13,305.62		\$ 2,716.45
Less Depreciation	\$ (4,162.92)	\$ (4,995.52)		\$ (832.60)
Actual Cash Value (ACV)	\$ 6,426.25	\$ 8,310.10		
Less Deductible	\$ (3,454.00)	\$ (3,454.00)		
Net Claim	\$ 2,972.25	\$ 4,856.10		
Total Recoverable Depreciation	\$ 4,162.92	\$ 4,995.52		\$ 1,883.85
RCV	\$ 10,589.17	\$ 13,305.62		
1st Check	\$ 8,880.92	\$ 8,880.92		
Balance Owed	\$ 1,708.25	\$ 4,425.37		
Final Check from Insurance	\$ 4,162.92	\$ 6,879.37	= \$4,995.52 + \$1,883.85	
Delta	\$ 2,454.67	\$ 2,454.67		