

Roofing Revolution:

The Discontinuation of 3-Tab Asphalt Roofing Shingles and the Impact on Property Claims



Introduction

The roofing industry is undergoing a significant transformation as 3-tab asphalt roofing shingles are being phased out of production by most major manufacturers. This shift away from what has been one of the most popular roofing choices for decades will have wide ranging impacts on builders, roofers, and on aspiring homeowners. But it also has wide-reaching ramifications for the property insurance industry. The shift has the potential to negatively impact reconstruction costs, repairability rates, and claims cycle times for insurance carriers already facing macroeconomic headwinds.

To gain a deeper understanding of the multifaceted impacts of the discontinuation of 3-tab shingles and to explore innovative strategies towards a more sustainable future in roofing, we invite you to explore this white paper developed by itel, a longtime trusted provider of data and technology for the homeowners' insurance industry.

However, it is precisely challenges like these that have spurred much of the innovative new tools, processes, and products we see today. Companies like yours are constantly seeking new ways to streamline operations, reduce costs, and deliver value to customers faster and more efficiently.



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Why you can trust itel

itel operates the most extensive building materials database in the industry, featuring over 20,000 unique SKUs and more than 6.7 million data points. itel's data helps settle more than 1 million property claims each year.

PART 1

The Decision to Discontinue

In the last ten years, architectural shingles have gained popularity among homeowners and builders. However, 3-tab shingles are still commonly used as they are more affordable than architectural shingles. Unfortunately, the availability of 3-tab shingles has decreased in recent years. Although a small number of 3-tab shingles will still be manufactured in the future, many leading manufacturers have decided to reduce overall production and retire more unique SKUs.



While the industry is a bit uncertain about the transition from 3-tab asphalt shingles, this change offers an opportunity for innovation and business growth.

Jacob Piazza

Director of Roofing Services, itel



A mix of economic and consumer choice has led most manufacturers to wind down production of 3-tab shingles.



Economic

Rising costs of production and installation have made 3-tab asphalt shingles less economically viable compared to alternative roofing materials.



Consumer Preferences

Consumers increasingly prefer the dimensional, varied look of architectural shingles over the uniform pattern of 3-tab shingles.



Durability

3-tab shingles tend to have a shorter lifespan compared to other asphalt shingles and are more likely to be damaged by weather events.



Regulatory Trends

Building regulations and policies aimed at promoting sustainability and resilience have contributed to the decline of 3-tab asphalt shingles, particularly in new home construction.

The Appeal of Architectural Shingles

Since the introduction of asphalt shingles, 3-tab shingles are most widely known for being the most affordable asphalt shingle available.

The cost savings comes with a drawback, however. 3-tab asphalt shingles generally have a shorter lifespan compared to other roofing materials.

The added durability and more varied look that architectural shingles offer has led to a years-long decline in 3-tab shingle popularity among homeowners and roofers alike.



Architectural Shingles
Introduced in the 1980s
Varied, natural appearance
30+ years longevity
Durable choice
Increasing in popularity



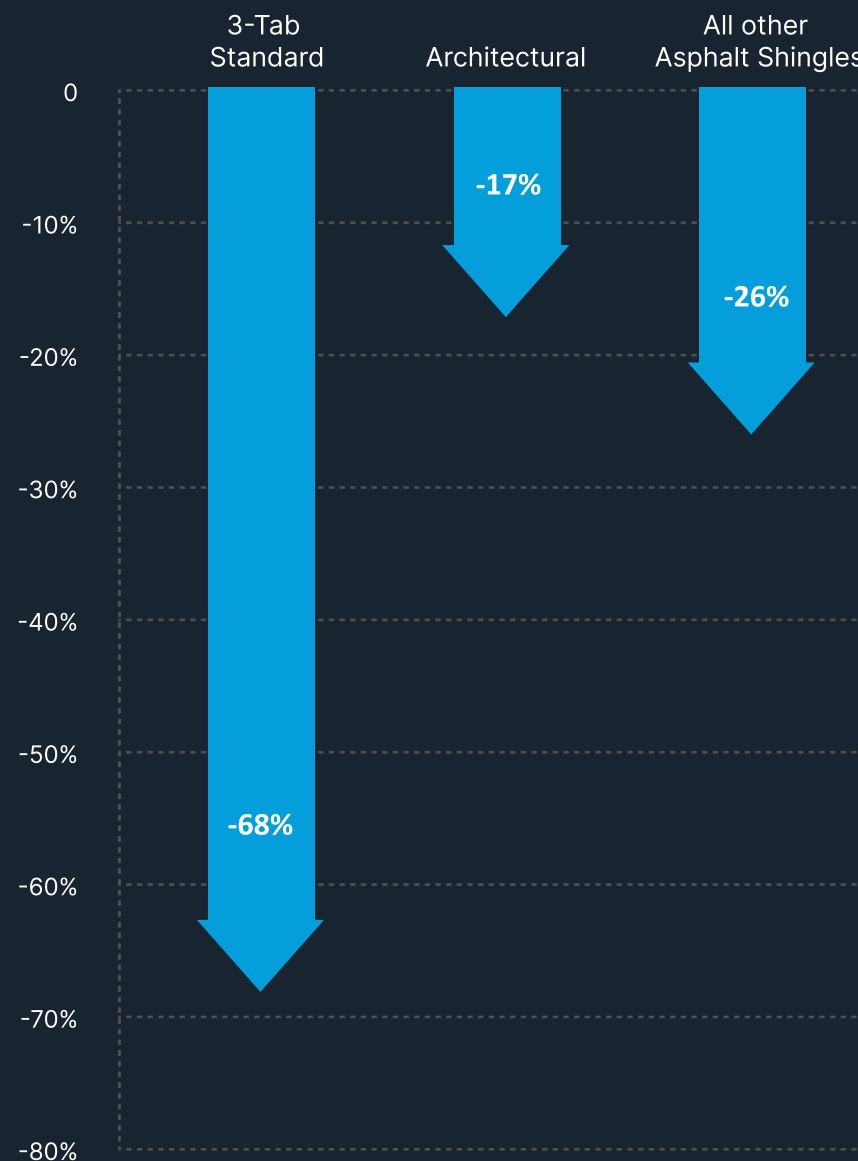
3-tab shingles
Introduced in the 1930s
Flat, uniform appearance
15-25 years longevity
Affordable choice
Declining in popularity

SKUing Down

Over the past five years, asphalt shingle manufacturers have reduced the overall number of unique SKUs they are manufacturing.

3-tab shingles are seeing the greatest decline in availability. itel's asphalt shingle database shows a 68% decrease over the last 5 years in unique 3-tab SKUs available in the U.S.

● Reduction in Asphalt Shingle SKUs by Category: 2019 - 2024

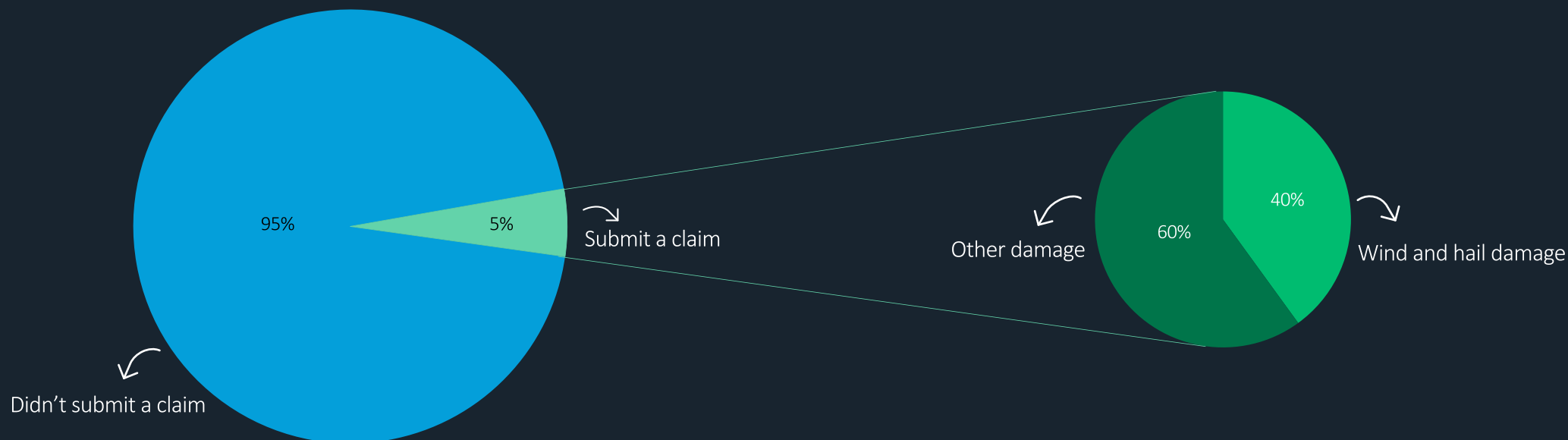


PART 2: THE IMPACT ON PROPERTY CLAIMS

The Impact on Property Claims

Around 5% of the over 75 million insured homeowners submit a claim each year, with wind and hail damage historically accounting for over 40% of these claims. As a result, insurance carriers are one of the largest consumers of asphalt shingles in the country.

The discontinuation of 3-tab asphalt shingles nationwide will have a significant impact on property insurance carriers, impacting underwriting, repairability programs, claims processes, and more.



3 Key Impacts to Property Claims Carriers



Economic Impact

The shift away from 3-tab and the increase in architectural shingle popularity will impact insurance carriers' underwriting decisions and overall indemnity costs.



Repairability Impact

Even though manufacturers are phasing out 3-tab shingles, they are present on tens of millions of insured U.S. homes. This market shift will have ramifications on repairability programs and cycle times.



Environmental Impact

If repair programs are adversely impacted in the near-term, more shingles will be sent to landfills. However, the increased prevalence of durable alternatives should reduce waste and the overall environmental impact of asphalt shingles long-term.

Economic Impact

itil's asphalt shingle pricing benchmark shows the price difference between standard grade architectural shingles and standard grade 3-tab shingles has remained consistent.

If 3-tab shingles are unavailable in the policyholder's area, the indemnity impact for the carrier is twofold: it decreases the likelihood of a repair and it increases the cost of an equitable replacement.

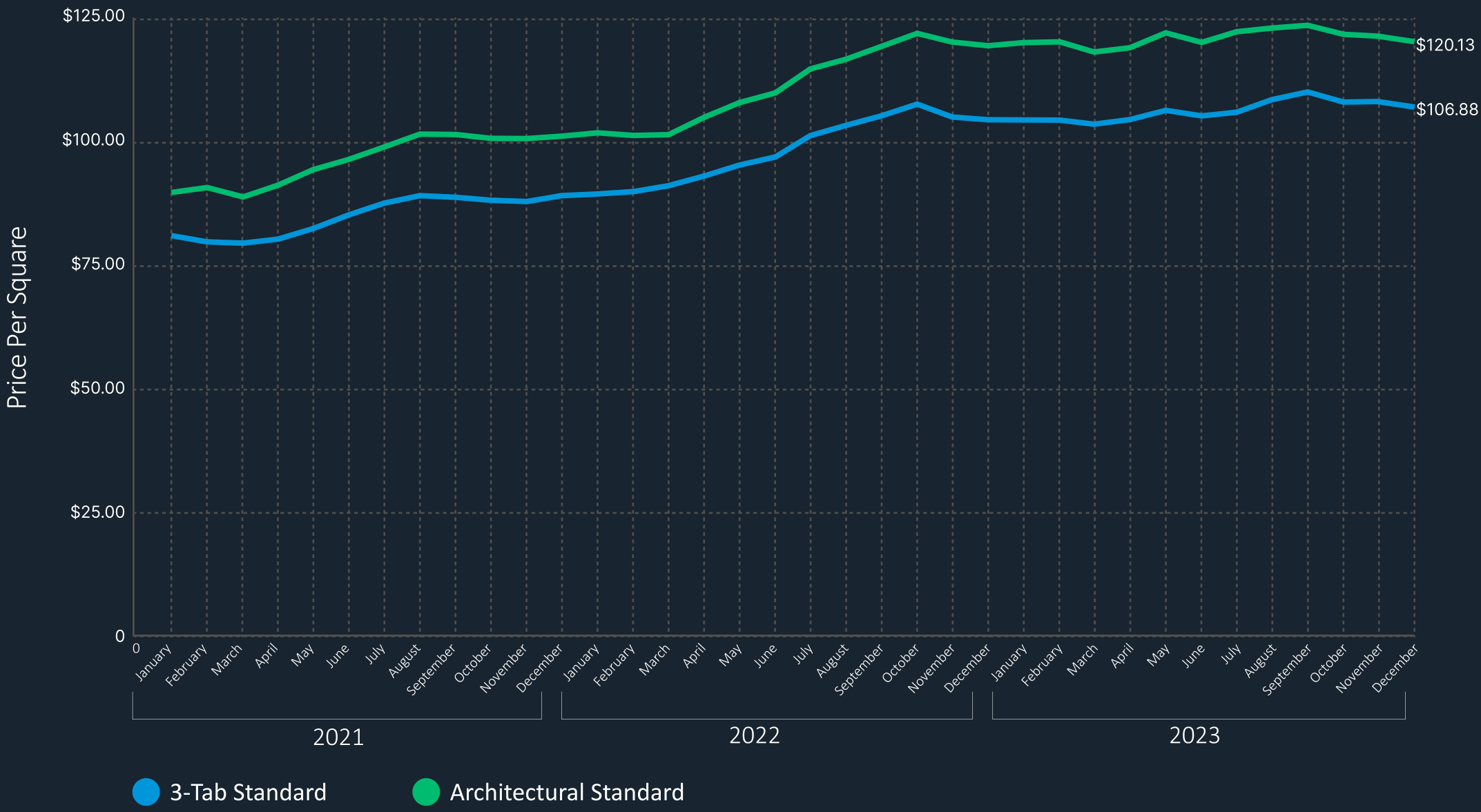
Over the last three years, architectural shingles have remained

13.5%

more expensive than 3-tab shingles, on average nationwide.



Asphalt Shingle Prices - Prior 3 Years



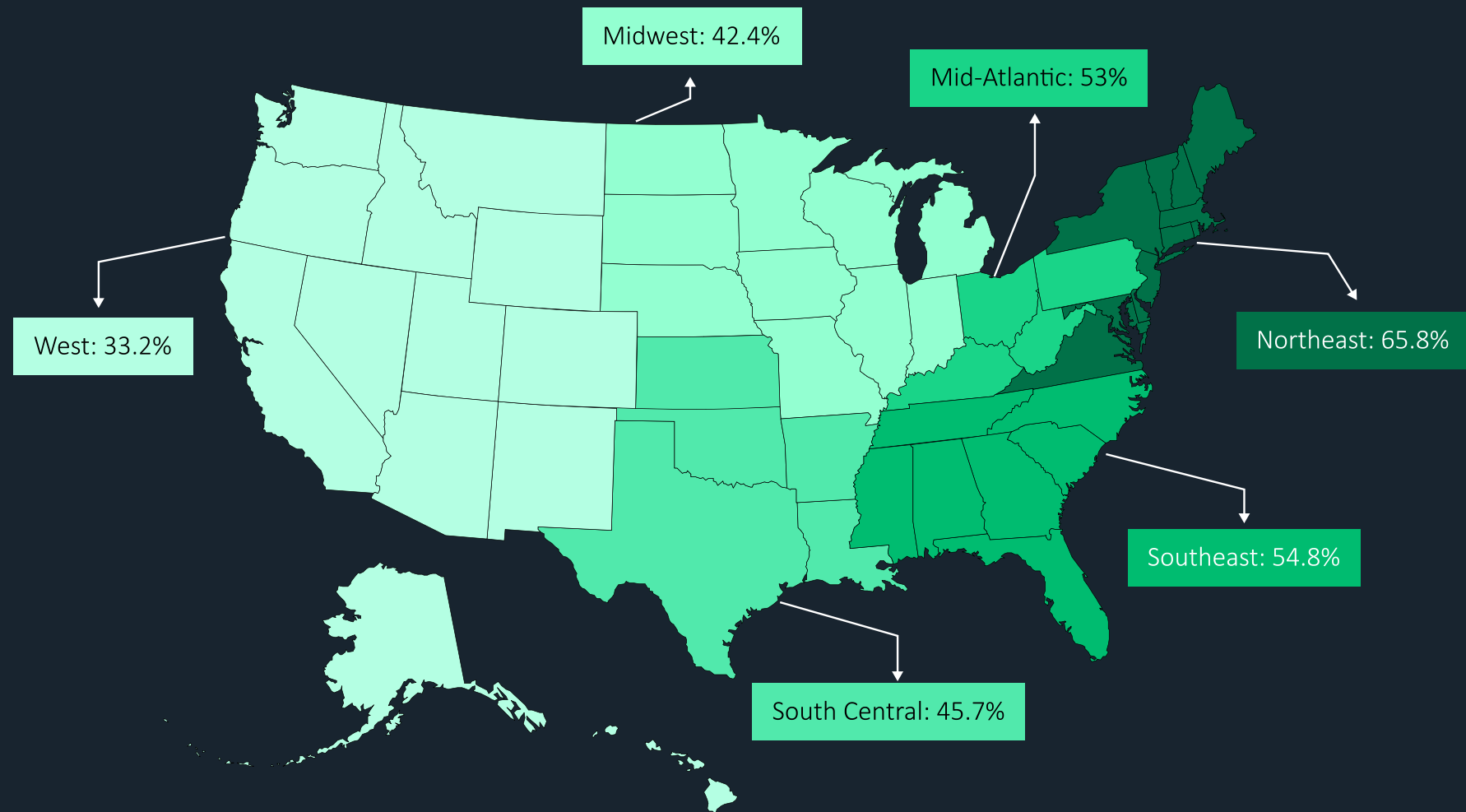
The Regional Impact

3-tab shingles are more frequently found on homes in the Eastern U.S. They are disproportionately represented in the Northeast; in 2023, almost two-thirds of houses in this region with asphalt shingle claims had 3-tab shingles.

Regional insurance carriers concentrated in areas where 3-tab shingles are more popular are likely to be most impacted by this change.

Prevalence of 3-Tab Shingles in Asphalt Shingle Claims

Percentage of total asphalt shingle claims in a region that involved 3-tab shingles.



The Regional Impact

5 states with **highest** percentage of 3-tab shingles in overall asphalt shingle roofing claims, 2023

Nevada	74.3%
Maryland	72.7%
Virginia	67.3%
Georgia	63.6%
Delaware	63.5%

5 states with **lowest** percentage of 3-tab shingles in overall asphalt shingle roofing claims, 2023

Montana	25.1%
South Dakota	25.0%
North Dakota	23.0%
Colorado	20.7%
Wyoming	17.9%

States with the highest net number of claims on houses with 3-tab shingle roofs, 2023

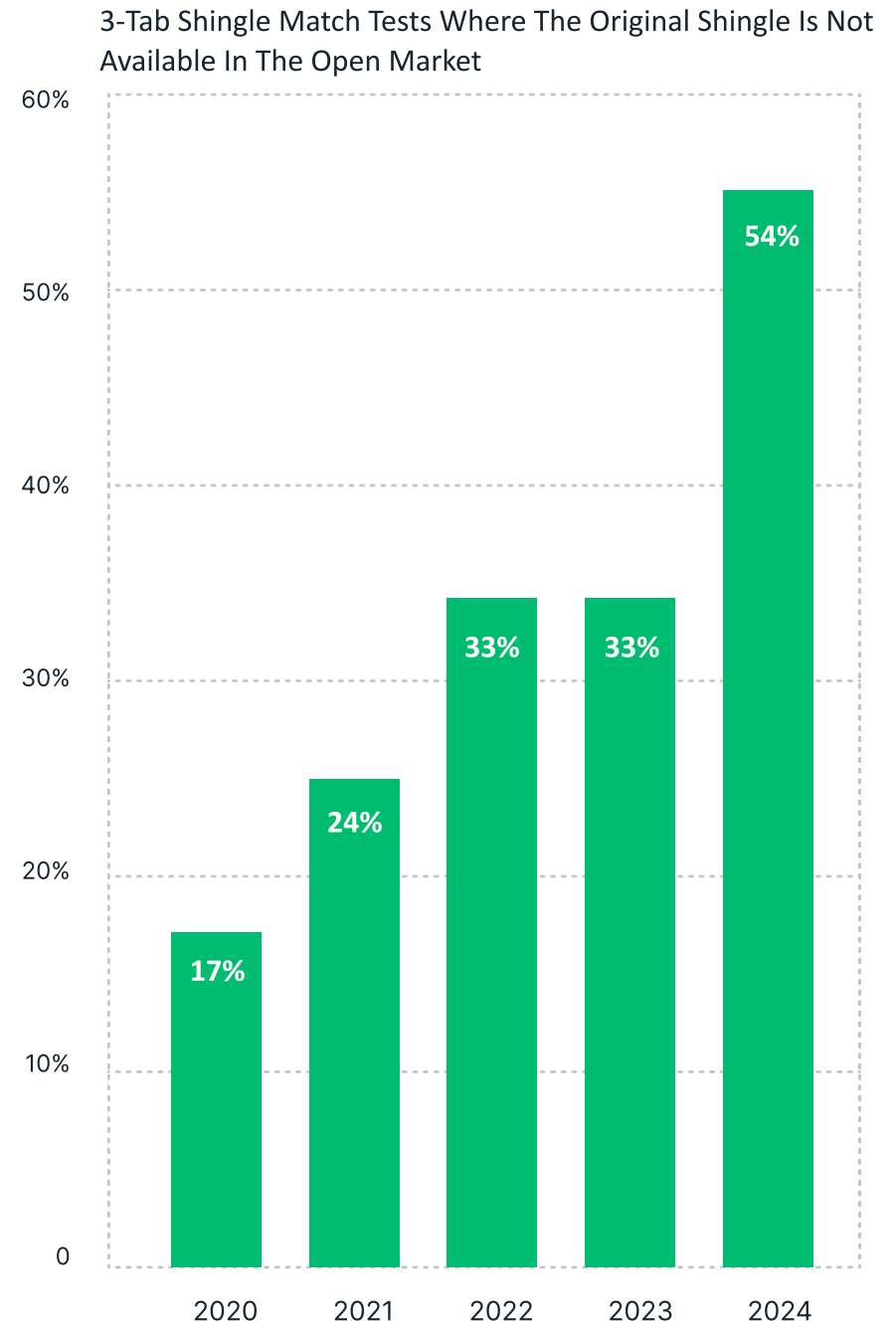
Texas
Georgia
Ohio
Kentucky
Illinois

Repair Programs Impact

Roofing damage is often limited to a single slope on a house or even a small number of individual shingles. In cases like these, facilitating a roof repair instead of a full roof replacement is often an effective and efficient choice.

But with fewer 3-tab shingle SKUs available, carriers may see increased difficulty in finding available products that enable a satisfactory repair.

itel analyzes more than 30,000 3-tab shingles annually to identify matching products. Over the past four years, the frequency with which a matching 3-tab shingle is not available in the open market has grown to 54%.



Policyholder Impact

Safe and dependable homeownership is why the insurance industry exists. Here's how homeowners will be impacted:



Fewer Roofing Options

Policyholders facing a full roof replacement have increasingly limited replacement asphalt shingle options. More homeowners are choosing alternative roofing materials every year.



Budgetary Constraints

Alternative roofing materials may introduce cost disparities, posing financial challenges for homeowners in affording replacements.



Maintenance and Repair Concerns

Existing 3-tab shingle homes may face some repairability challenges, but as more homeowners adopt architectural shingles overall maintenance and repairs needed will decline.



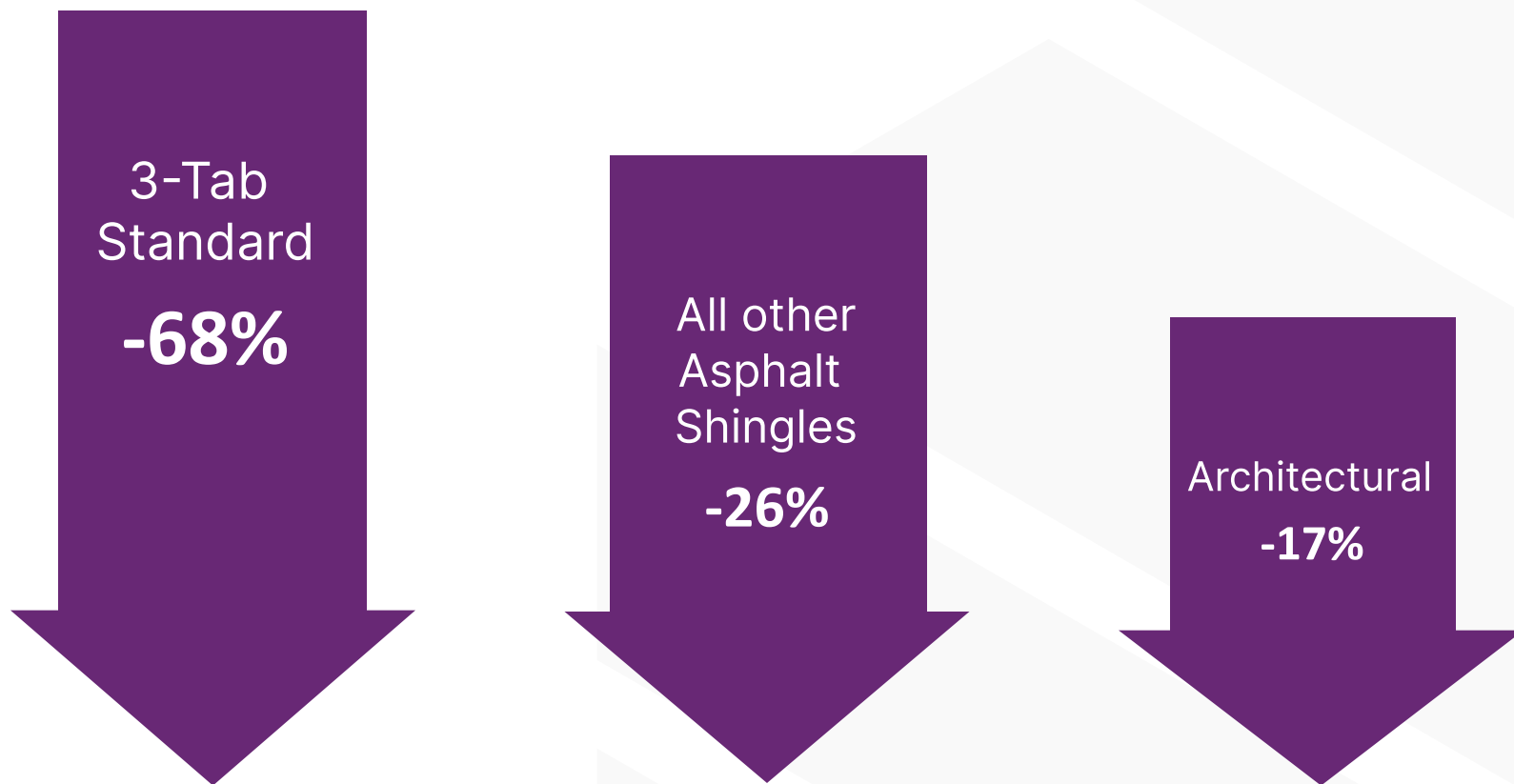
Environmental Factors

Opting for environmentally responsible options that are recyclable, durable, and sourced sustainably helps to promote conservation efforts and sustainable living practices.

Policyholder Impact

Shingle manufacturers have chosen to reduce the overall number of unique asphalt shingles they produce. 3-tab shingles have been disproportionately impacted.

Decline in unique SKUs produced, 2019-2024



Environmental Impact

Insurers are increasingly focused on their Environmental, Social, and Governance (ESG) strategies. A recent survey from PWC suggested that 85% of insurance carriers believe ESG “will impact every area of their business;” 51% have made or are working toward a net-zero commitment.

A strong roof repairability program is a key initiative for insurers looking to bolster their ESG story and reduce their overall carbon footprint.

Without a suitable program in place, the discontinuation of 3-tab shingles threatens to increase the volume of repairable roofs discarded and sent to landfills. Over time, as more homes are roofed with architectural shingles, this specific impact will decline.

10 million tons

Of asphalt shingles end up in landfills annually¹

300-500 years

Time it takes for asphalt shingles to disintegrate²

50,000+

Roof repair decisions itel facilitates each year by identifying matching asphalt shingles

¹ https://www.asphaltpavement.org/uploads/documents/EPA_Analysis_of_Recycling_of_Asphalt_Shingles_in_Pavement_Mixes.pdf

² <https://www.pwc.com/us/en/industries/financial-services/library/next-in-insurance-top-issues/esg-insurance-industry.html>

PART 3 : THE PATH FORWARD

The Path Forward

Over the past five years, property insurance carriers have weathered many challenges, from inflation spikes and labor shortages to surging catastrophic events and mounting tech debt. Now, the phase-out of 3-tab shingles adds another layer of complexity.

Yet, amidst challenges lie opportunities for innovation. By harnessing the right technology and tools, carriers can stay ahead of the challenges and demonstrate their resilience and commitment to policyholder satisfaction.



An Ecosystem Approach to Solving Challenges

Staying up-to-date with the latest technological advancements is no longer a choice but a necessity. Insurance carriers must embrace technology to streamline operations and provide customers with a seamless experience.

The discontinuation of 3-tab shingles is the perfect opportunity for insurance carriers to assess their repairability programs' effectiveness. Are you taking full advantage of emerging solutions in the industry? Are your third-party service providers who visit roofing claims aware of your policies and procedures? The whole ecosystem must work together to provide consistent and accurate repairability analysis.



Just like we've done in the past, the property insurance industry needs to come together and take an ecosystem approach to solve these challenges.

Chris Touchton
President, itel



itel's Discontinued Shingle Program

itel maintains a large warehouse of discontinued shingles and over the past year have significantly increased our stock of 3-tab shingles.

Insurance carriers who opt-in to our discontinued materials program will have automatic reservations placed when we identify a match during a shingle matching test.

This enables us to directly deliver products to job sites, offering a cost-effective solution that eliminates the necessity for full replacements when only a few shingles are damaged.



Did you know?

itel's Discontinued Materials program isn't just for Insurance Carriers.

Roofers and contractors represent more than 40% of itel's discontinued shingles orders, often to help support home additions or other remodeling projects.

Conclusion

The manufacturing landscape for building materials is constantly changing. The phasing out of 3-tab asphalt shingles in the U.S. market represents a significant shift with numerous downstream impacts on property insurance carriers' underwriting and claims programs. But by partnering with ecosystem leaders like itel, you can stay on top of the changes, and make sure your property claims program continues to run efficiently and effectively.





itel

We bring certainty to the property claims process.

Where there's doubt, there's friction, particularly in the property claim process. At itel, we build solutions that take away that friction. Claims are settled more quickly; insurers, adjusters and third-party suppliers can achieve more with greater accuracy; and homeowners have a better, stress-free experience.

It's a better way—a fairer way—to estimate property claims.

www.itelinc.com