

Don't Take Property Insurance For Granted

THE PROPERTY INSURANCE ISSUE:

Recently, the property insurance environment has dramatically changed and continues to do so. Here are some important tips to consider about this new insurance environment:

- **Don't wait to secure your insurance.**

As soon as your offer is accepted, call your insurance agent and arrange for coverage. If you are shopping around, try to pick an insurance company/agent before you write an offer. Then, when your offer is accepted you will know whom to call. If you haven't picked an insurance company or agent by the time your offer is accepted, do it immediately after your offer is accepted.

- **Consider Learning Your Insurance Score.**

Consider buying an "Insurance Score" report. Similar to a "credit score," your "insurance score" is used by many insurance companies in deciding whether to extend insurance coverage to you. The components of your insurance score may vary from company to company, but usually include a composite of your credit score and possibly your past record of filing insurance claims on other properties you have owned or rented. One company offering Insurance Score Reports is Choice Trust. Their web site is www.choicetrust.com. A Choice Trust Insurance Score Report is available for a minimal fee.

- **Obtain "CLUE" for Current Property:**

Consider obtaining a "CLUE" Report for the property you currently own. "CLUE" means Comprehensive Loss Underwriting Exchange." CLUE is a database of insurance claims on properties throughout the United States. Insurance Companies contribute claims information about properties they have insured and thus a record of claims as to each property that has been insured by a contributing company has been built over the past 10 to 12 years. Generally, claims over the past 5 years are available through the CLUE database. CLUE Reports are used by insurance companies to decide whether to insure a property. If a CLUE Report reveals that a property has had "too many" past claims or certain types of claims (such as water damage), many insurance companies will not insure the property. Unfortunately, there is no standard among insurance companies about what are "too many" claims to result in a denial of coverage. CLUE Reports can be obtained at the Choice Trust website, www.choicetrust.com. There is a nominal charge to obtain a CLUE Report. The best time to get a CLUE Report for your own property is **before** you put it on the market and **before** you write an offer to buy a new property. If your current property's CLUE Report reveals significant insurability issues, this may affect the salability of your property.

- **Consider Asking:**

Consider asking the seller of the property you are interested in buying for a CLUE Report for their property before writing an offer to buy. Only the owner of the property can obtain a CLUE Report.

- **When Buying Your Insurance:**

When buying your insurance, ask your insurance agent if the binder or policy can be cancelled by the insurance company after it has been issued. Some binders and policies give the insurance company up to 60 days or more to cancel the policy for any reason, including information revealed in a CLUE Report. This 60 day period may extend after your closing date. Cancellation of your insurance after closing could cause serious problems for you with your lender.

- **Cost of Insurance:**

Even if property insurance is available, it may be significantly more expensive than in the past. Property insurance premiums have risen substantially overall in the past several months. Also, a property that has an unfavorable CLUE Report may be insurable, but only at a significantly higher premium. Buyers with low insurance scores may also be required to pay higher premiums to secure property insurance.

- **Consider Higher Deductibles:**

Consider higher deductibles to make your insurance more affordable. 10-12% discounts are offered on \$1,000 deductibles rather than the \$500 deductible option.

Source: Bruce H. Aydt, ABR, ABRM, CRB