

Insurance Tips for Homebuyers

Consumers making a real estate purchase should not take property insurance for granted and must not wait until the last minute to apply for insurance. Consumers should be aware that insurance companies evaluate the buyer's credit information, the buyer's insurance claims history, and the claims history of the property when they consider homeowner's insurance applications. Insurance rejections may be based upon the condition of the property (such as having fuses rather than circuit breakers) or prior claims related to the property. Some insurance rejections are also based upon buyer characteristics such as the buyer's pets or the buyer's prior claims records.



Both lenders and insurance companies will consider the credit history of the buyers. Many consumers are familiar with their credit reports, but many lenders and insurance companies instead use credit scores. One of the most widely used credit scores are FICO® scores, prepared by Fair, Isaac & Company, Inc. Credit scores are computed using credit report information, and are a snapshot of your credit risk at a particular point in time. Credit scores are intended to predict the likelihood that you will make all of your payments on time.

Some insurance companies use insurance scores instead of credit scores. An insurance score is a credit-based statistical analysis of your likelihood to file an insurance claim within a given period of time. Insurance scores also are computed using information from your credit report, but the formulas used are different than the formulas used to compute credit scores.

Insurance companies also look at the buyer's insurance claims history and the insurance claims history of the property as reported in the Comprehensive Loss Underwriting Exchange (CLUE) database. Insurance company studies have shown a correlation between a consumer's prior claims history and his/her future insurance loss potential. A CLUE claims history report contains a record of all insurance claims made with respect to a property and all claims made by the property owner over the past five years. Consumers should be aware that contacting their company or agent to simply discuss the consumer's options regarding an actual loss is generally considered to be reporting a claim, even if the insurance company never pays out.

Your REALTOR® can give you the information you need to order your credit report, credit score, insurance score or CLUE Report; or go to the WRA Web site at www.wra.org, click on the REALTOR® Resources tab near the top of the page, click on WRA Resource Pages in the left column, and then click on Wisconsin Homeowner's Insurance Resources.

Hints for Successfully Obtaining Homeowner's Insurance

- Use your own insurance company, or use the insurance company that the seller uses to insure the home you are buying.
- Insure your car and your home with the same insurance company-your insurance will likely be less expensive.

Before Looking for a House

1. Get a copy of your credit report and correct any errors or problems at least six months before you start looking for a house. Remember that your credit report information is used to compute your credit score and your insurance score.
2. Ask your insurance agent for homeowner's insurance information. Find out about application procedures and any property conditions or lifestyle issues that typically result in refusals to insure.
3. Get your credit score or insurance score.
4. Obtain your claims history (CLUE).

Once You Are Interested in a Property

1. Ask the seller for the CLUE report on the property before you write an offer to purchase.
2. If the seller does not give you a property CLUE report, put a contingency in the offer to purchase requiring the seller to furnish this information.
3. If the house has 60-amp electrical service or fuses instead of circuit breakers and your insurance company won't provide coverage without an upgrade, put a contingency in the offer to purchase for an electrical service upgrade.
4. If your REALTOR® or the seller's CLUE report points to a property condition that may make it difficult to obtain reasonably priced homeowners' insurance, discuss with your REALTOR® whether a contingency might be included in the offer to address this issue.