

## Added PDF Insurance Contingency Considerations

It is important for all homebuyers to communicate with their insurance agents before looking for properties so that they are familiar with the types of claims history records, credit or insurance scores, and property conditions that may cause a home to be uninsurable or which may cause a dramatic increase in the buyer's homeowner's insurance premiums. The information that will affect a new buyer's homeowner's insurance falls into two categories: (1) information about the buyer and (2) information about the property.

### INFORMATION ABOUT THE BUYER

- 🔑 Homebuyers should obtain their CLUE Reports (to see what is on their individual insurance claims history record) and their credit or insurance scores and discuss them with their insurance agent before looking for properties.
- 🔑 **NOTE:** An individual who has a credit card and Internet access can receive a CLUE Report, an Insurance Score or a Credit Score online immediately and will be able to view it for 30 days from the date of purchase (many of these reports are available for \$12.95/report).

Because this information is so readily and quickly obtainable, a model contingency has not been provided for the purpose of allowing the buyer time to learn his credit and claims history information after writing an offer to purchase. In the unusual case where this might be helpful, the offer would be contingent upon the buyer obtaining his or her credit and claims history by a stated deadline. The buyer would be given a time period in which to confer with his or her insurance agent and decide whether to give written notice terminating the transaction -- if the buyer's information alone or in conjunction with the property condition will cause the buyer's homeowner's insurance premiums to rise to exorbitant levels or make the home virtually uninsurable for the buyer.

### INFORMATION ABOUT THE PROPERTY – The Seller's CLUE Report

It will be most beneficial for the buyer to receive the seller's CLUE Report (property's insurance claims history) before they write an offer to purchase. Ideally the seller will provide the CLUE Report for the seller's property at the same time that the RECR is provided to the buyer. The CLUE Report reports property damage and related insurance claims made relative to the property over the past five years. Thus, the CLUE Report may disclose property defects.

1. If the buyer has the seller's CLUE Report in advance, the buyer can confer with the buyer's insurance agent and address any problems that are capable of a remedy directly in the offer, e.g., require electric upgrade, adjust purchase price due to increased insurance costs, etc.
2. The buyer may also direct his Wisconsin registered home inspector to inspect problem areas during the home inspection, and, if needed, direct the inspection of a problem area, e.g., a leaking basement or hail damage, by a qualified independent inspector or contractor.

For instance, if the buyer knew that the property had only 60-amp electric service through the RECR, the seller's CLUE Report, or the real estate agent's inspection of the property during a showing, the buyer could insert a contingency similar to the following to require an electric service upgrade and avoid any refusal of homeowner's insurance coverage based upon this concern. This contingency may be modified in any manner necessary to reflect the intentions of the parties and/or to address other property conditions requiring repairs or upgrading.

#### **Electric Service Upgrade Contingency**

This Offer is contingent upon Seller providing Buyer with a current written report, within \_\_\_ days of acceptance, from a certified electrician confirming that the electric service to the

Property has been upgraded to 100 amp service with circuit breakers and that any tube wiring has been replaced. All work shall be performed in a good and workmanlike manner and in accordance with any standards provided to the Seller from the Buyer's insurance agent no later than \_\_\_ days after acceptance of this Offer.

If the buyer has not received the seller's CLUE Report by the time the offer is written, the following provision gives the outline of a contingency that may be modified for use in an offer to purchase. This contingency does not provide for a seller's right to cure because it is assumed that most of the adverse conditions listed in the CLUE Report will be conditions that are not capable of further repair or remedy beyond the measures taken when the insurance claim was made. This contingency may be modified in any manner necessary to reflect the intentions of the parties.


### **CLUE Report Contingency**

This Offer is contingent upon Seller delivering to Buyer, within \_\_\_ days of acceptance, at Seller's expense, with a current Comprehensive Loss Underwriting Exchange Property Database (CLUE) Report for the Property that does not reveal any insurance claims history or Property condition(s) that will cause the Property to be uninsurable for a new homebuyer or that will increase the Buyer's homeowner's insurance premiums by more than \_\_\_ percent (\_\_\_%) over the homeowner's insurance premiums that would otherwise have been available in the absence of the reported claims history or Property condition.

**RECEIPT OF CLUE REPORT.** If a copy of the sellers' CLUE Report is not delivered to Buyer within \_\_\_ days of acceptance, the Buyer may, within the three business days following that deadline, rescind this Offer by delivering written notice to Seller or Seller's agent stating that no CLUE Report has been delivered to Buyer and that this Offer is rescinded.

**BUYER'S NOTICE OF OBJECTIONS.** This contingency shall be deemed satisfied unless Buyer, within \_\_\_ days of Buyer's receipt of Seller's CLUE Report, delivers to Seller and Seller's agent, written notice listing the claim(s) and property condition(s) identified in the CLUE Report to which the Buyer objects. Upon delivery of Buyer's written notice of objections to Seller, this Offer shall be null and void. **[CAUTION: BUYER MUST CONFER WITH BUYER'S INSURANCE AGENT TO DETERMINE WHAT CLAIMS HISTORY OR PROPERTY CONDITIONS WILL INCREASE HOMEOWNER'S INSURANCE PREMIUMS OR MAKE THE PROPERTY UNINSURABLE.]**

In the event that a situation arises where the owner has not made certain repairs or undertaken certain remedies (insurance money used for other purposes, owner could not afford repairs, etc.), this contingency may be modified to incorporate a seller's right to cure wherein the seller would have the opportunity to undertake repairs/remedial actions to address the items listed on the buyer's notice of objections. These objections would be items on the seller's CLUE Report that would cause the Property to be uninsurable for a new homebuyer or cause a substantial increase in the Buyer's homeowner's insurance premiums so as to make it unaffordable for the buyer. In general terms, such a contingency would resemble the inspection contingency in the WB-11 offer to purchase.

 Listing agents should use a favorable seller's CLUE Report and distribute copies along with the RECR.

Please direct any questions or suggestions to Debbi Conrad at the WRA, [dconrad@wra.org](mailto:dconrad@wra.org), 800-279-1972.