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CONSIDER INSURING YOURSELF

Insurance is basically a legal bet. You pay a premium to the insurance company every year. If your annual premium is \$3,000.00 then you are betting \$3,000.00 every year that you are going to be sued and lose a substantial amount of money. If at the end of the year, you don't get sued, you lose the bet (3,000.00). Most inspectors are happy to lose their bet. If on the other hand, you pay the \$3,000.00, get sued and your insurance pays out a substantial amount of money, you win the bet. Most inspectors don't want to win this bet.

The insurance company, like a casino in Las Vegas, stacks the odds in its favor. In other words, it wants to take in more money in premiums than it pays out in attorneys' fees and claims. By not buying insurance, you become your own insurer, and are betting on yourself.

If you are paying \$3,000.00 insurance premiums, and put that \$3,000.00 in the bank over the course of ten years you will have \$30,000.00 in the bank, with additional accumulated interest. If over that ten year period, you pay out less than \$30,000.00 in attorneys' fees and claims you end up ahead. If after ten years you pay out no attorneys' fees and have no claims, you have \$30,000.00 you can do as you please.

Based upon my experience, nine out of ten home inspectors over the course of a ten year period are going to save money by not having insurance. By this I mean that if a home inspector is paying \$30,000.00 to an insurance company over a ten year period, most home inspectors would spend less than \$30,000.00 on claims and attorneys' fees if they went uninsured. There is always the risk that you will be the one home inspector in ten that loses a big lawsuit or incurs substantial attorneys' fees and ends up paying more than \$30,000.00 in a ten year period, but you would be the exception.

Lawsuits against home inspectors are typically different from large medical claims. As we all know a person's medical expenses in a catastrophic situation can easily run into the hundreds of thousands even over \$1 million. It would be very unusual for that type of situation to occur with regard to home inspectors. The vast majority of claims exceeding against home

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inspectors are less than \$10,000.00 with very few claims exceeding the \$20,000.00 figure. While there is always a possibility of a \$100,000.00 - \$200,000.00 claim, these are rare.

Another factor to be considered is the level and expertise of the individual home inspector. If the home inspector makes sure each of his customers signs a contract affording the home inspector reasonable protection, the home inspector performs a thorough home inspection and most importantly the home inspector is careful about describing his findings. He or she can greatly limit his or her exposure. For the home inspector who follows these guidelines, becoming self-insured may be an acceptable risk. As in the cases of most insurance policies, the premiums paid by the low risk participants often make up for the claims submitted by the high-risk participants. Even though one home inspector does a thorough job and take the proper precautions, he or she may end up paying the same premium as the reckless and inexperienced home inspector. The home inspector insurance market isn't at the point where there is a serious evaluation of the individual risk based upon the practices of each home inspector, as there is in the auto insurance area.

If you are somewhat of a gambler and wish to bet on yourself, consider going uninsured.