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SOMETHING TO THINK ABOUT

The insurance industry is in a state of disorder. Insurance companies are trying to cut their losses. With losses on September 11th and losses that occurred when the stock market dropped, insurance companies are in financial trouble. One of the ways that they are cutting losses is by denying homeowners insurance for reasons that in the past would have been inconsequential.

People, who are applying for homeowner's insurance, are now having insurance companies look into their situation in great detail. Anything that creates the potential for a possible future claim, can cause an insurance company to deny coverage or drop a current client. Houses with roof problems create potential claims. Basement problems create potential claims. Houses that have had a series of repeated problems such as window leaks or mold create potential claims.

This new situation can have a significant impact on home inspectors. Assume a home inspector inspects a house and writes a report stating there is nothing seriously wrong with the house. The buyer purchases the house, finds a problem and the buyer's homeowner's insurance drops them. What if the buyer cannot find coverage and the house in the meantime burns down. What if the buyer has to pay exorbitant rates for new insurance? Client of mine recently discovered that his house had been subject of a major fire that was concealed. He is spending huge sums of money ripping out all of the burned wood. In the meantime his homeowner's insurance company raised his premiums to \$3,000.00 a year and then told him that they were dropping him. Now he cannot find coverage anywhere.

The potential for paying high premiums or not finding insurance, can lead to monstrous damages. If a buyer sues a home inspector and claims that the buyer wasn't informed of defects and it ended up costing him his insurance resulted in high premiums over the next ten years, he may be looking at the home inspector for compensation.

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The point of this article is this. When you are inspecting a house, look at the house the way an insurance company would look at the house who is considering insuring it. Look at the house as if you were working for the insurance company. Is the house an insurance risk? Any house that has a rick of ongoing problems is a house that will be difficult to insure. You may even note in your fee agreement that you are not evaluating the house from the perspective of insurability. This isn't much protection, but it is something.