

Get a C.L.U.E.

Buyers should insist on seeing the C.L.U.E. report as a condition of the sale

C.L.U.E. stands for "Comprehensive Loss Underwriting Exchange" and is a claims history database that enables insurance companies to access consumer claims information when they are underwriting or rating an insurance policy. As C.L.U.E. reports play an increasingly important role in real estate transactions, buyers are becoming more curious about how C.L.U.E. reports can affect them.

C.L.U.E. was created in 1992 and is administered by ChoicePoint, a data aggregation company. Roughly 600 homeowners' insurers (about 90% of insurers) contribute claims data to the database. Most insurers renewing existing policies do not access C.L.U.E. reports at renewal, largely because they already have loss histories for these properties in their own databases. Many buyers now stipulate that a C.L.U.E. report on a home must be included with the real estate transaction.

The report contains consumer claim information provided by insurance companies. Policy information, such as date of loss, type of loss, and amounts paid, and a description of the property covered, is all included in the report. Only loss history information within five years prior to the current date is stored in the database. No other sources of data, such as credit reports, civil lawsuits, criminal records or legal judgments, are incorporated into C.L.U.E. reports.

C.L.U.E. reports let potential home buyers know about water damage, mold, and other issues that can make it difficult or even prohibitively expensive to insure a home. Without viewing the report, big trouble may be brewing for buyers who simply assume that they will receive an insurance policy for their new home.

Imagine a typical real estate transaction, in which the property sells, ownership is transferred, the buyer gets the keys, and the real estate agent gets paid. But a few weeks later, the buyer gets a letter from their insurance company rescinding the policy due to a previous claim. Many mortgage documents state that a property must remain insured. If the homeowner can't find insurance elsewhere, they can be forced into paying the mortgage company's premium insurance rates or foreclosing on the home. Understandably, many of these situations result in lawsuits: buyers sue the seller for non-disclosure, the home inspector and the real estate agent if they did not insist upon obtaining an inspection or C.L.U.E. report for their client. This entire situation may have been avoided if a C.L.U.E. report had been ordered by the seller and reviewed by the buyer.

Note that you cannot order a C.L.U.E. report for a home that you are merely interested in buying. Only current owners, insurers and lenders for the property can order C.L.U.E. reports. However, you can request that the current owner of the property order a C.L.U.E. report for you to view.

During a buyer's inspection, the inspector is tasked with exposing the property's dark secrets that may make its purchase less desirable for the buyer. While this process traditionally involves inspection for current defects that affect the safety or functionality of household components, buyers should be concerned with previous defects that, as detailed above, can create nightmare scenarios after the house has been purchased.

If the inspector finds evidence of major damage that has since been repaired – even if the repair has made the component safe – the buyer should request that the seller order a C.L.U.E. report, if this has not been done already. Flood damage from four years prior, for instance, can make a property uninsurable under a new policy. Even if the inspector finds no such evidence, it couldn't hurt to request the report from the seller. Homeowners can get an electronic or mailed copy of their own C.L.U.E. report for a small fee.

In summary, C.L.U.E. reports play an important role in real estate transactions. These reports can affect your ability to receive future insurance coverage.