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TEXAS REALTORS

INFORMATION ABOUT PROPERTY INSURANCE FOR A BUYER OR SELLER

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A. The availability and the affordability of property insurance may affect both the buyer and the seller.

Typically a buyer will seek to insure the property. Most mortgage lenders require that the property be insured in an amount not less than the loan amount. The failure to obtain property insurance at or before closing may delay the transaction or cause it to end, either of which can impose both inconvenience and cost to both the buyer and the seller.

B. There are a number of factors that affect the availability and affordability of insurance.

(1) The level of coverage will significantly affect the cost of insurance. There are several levels of insurance coverage. For example:
  (a) a policy may cover the replacement cost of the improvements and the replacement cost of many personal items in the property in the event of most casualties;
  (b) a policy may cover only value of the improvements and exclude many casualties; or
  (c) a policy may cover casualties and costs between the two noted extremes under (a) and (b).

(2) Coverage levels and prices vary from company to company. There are many insurance companies conducting business in Texas who offer a variety of insurance products at various prices.
  (a) One insurance company may refuse to insure a particular property or person while another insurance company may elect to do so.
  (b) One insurance company may charge a significantly lower premium than another insurance company for the same or similar coverage.
  (c) Generally, each insurance company has specific guidelines by which it prices its insurance policies. The following are examples of criteria that an insurance company may use in evaluating an application for insurance. The criteria vary from company to company.
    (1) Past claims filed against the property to be insured in the 5 years preceding the application.
    (2) Past claims filed by the applicant to be insured in the 5 years preceding the application.
    (3) The applicant's insurance credit score.
    (4) The past relationship between the insurance company and the applicant.
    (5) The physical characteristics of the property such as condition, age, location, or construction materials.

C. Most insurance companies participate in the Comprehensive Loss Underwriting Exchange (CLUE) and obtain a CLUE report to evaluate the claims history of the property and the applicant.

(1) Most insurance companies contribute information about claims to an insurance industry database known as CLUE (a registered trademark of Equifax, Inc.). An insurance company obtains a CLUE report when evaluating an application for insurance.
(2) A CLUE report contains information about the claims history of the property and of the applicant for insurance.
  (a) The CLUE report contains only data and does not inform the buyer or seller whether insurance is or is not available or at what cost.
  (b) Insurance companies use the CLUE report in different ways.
  (c) It is best to speak with an insurance agent with respect to how the information in a particular CLUE report affects the affordability and availability of insurance.

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(3) While CLUE reports are generally accurate, there may be errors in the reports.
  (a) An event may be listed as a claim even though the insurance company did not pay any proceeds (for example, the cost of repair did not exceed the deductible or an inquiry may be incorrectly classified as a claim).
  (b) Federal law permits a person to challenge inaccurate information. One may contact the administrator of the CLUE report (Lexis-Nexis) to correct information in a CLUE report.

(4) A property owner may, for a fee, obtain the CLUE report on his or her property through companies such as Lexis-Nexis (https://personalreports.lexisnexis.com, 1-866-312-9076), A-Plus (800-709-8842) or other companies, most of whose services are accessible via the Internet. An owner may also contact the Equifax Insurance Consumer Center at 800-456-6004.

D. Promptly after entering into a contract to buy a property in Texas, the buyer should take the following steps to avoid delays in closing and to avoid additional costs.

If the buyer has the option to terminate the contract, the buyer should make sure that the buyer and the insurance agent have completed the following steps before the option expires.

(1) Contact one or more insurance agents.
  (a) The buyer should discuss the various levels of coverage with an insurance agent and ask questions that are necessary so the buyer understands the levels of available coverage.
  (b) Insurance agents can provide applicants with written summaries of the various coverage levels.
  (c) Basic summaries are available at the websites noted in Paragraph E.

(2) ***Submit an application*** for insurance with the insurance agent of the buyer's choice.
  (a) Applying for insurance promptly after entering into a contract to buy a property helps avoid surprises or delays in closing the transaction.
  (b) Prompt application permits the buyer time to evaluate various coverage levels and prices.
  (c) Delaying the application for insurance may limit opportunities to obtain the most suitable coverage and may limit opportunities to address any unforeseen problems or delays in obtaining coverage.
  (d) In recent years, many transactions have been delayed or terminated because of problems associated with obtaining insurance.

(3) Ask for written confirmation from the insurance agent that the insurance company:
  (a) has received the application;
  (b) has reviewed the applicant's CLUE report; and
  (c) has conducted all necessary reviews to issue a policy at the particular price quoted (some insurance companies may ask for specific information or may wish to inspect the property).

(4) Verify that the insurance coverage the buyer chooses is acceptable to the buyer's lender.

E. If one is not able to obtain insurance at a reasonable price or more information is needed, contact the Texas Department of Insurance (www.helpinsure.com or www.tdi.state.tx.us).

Receipt acknowledged by:

Signature: Authentisign Raymond Levy 09/28/26

Signature: Authentisign Lola Levy 09/25/26

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