

Did you know that insurance companies keep a secret history of your home?

I recently did an inspection where I discovered some suspicious water damage and recommended that my Clients ask the Sellers for the history and circumstances of the damage. As it turns out the Sellers had had a leak in the water heater 2 years ago and turned in a claim for over \$5,000.00 for repairs and the Seller did not disclose the insurance claim on the Transfer Disclosure Statement as required by California Real Estate Law. In addition, the repairs were never fully repaired and the insurance money was apparently diverted to installing tile floors and other interior improvements rather than repairing the water damage as was intended. Now the Sellers have the home in escrow, anticipating a very large proceeds check and now discover that their buyers cannot obtain any property insurance on their property. Even if the buyers do find an insurance carrier who will insure the home it will be at a substantially increased rate.

What most people do not realize is that the insurance companies keep track of insurance claims on their insured properties and this information is apparently shared between the large companies. I even had a Client who one time just called their insurance agent and asked about a leak in their roof and they had a rate increase on the next payment cycle. There seems to be two ways the insurance companies keep track of any claims; the first is to keep track of the claims on any one particular property and the other is they keep track of any claims on the individual. Before anyone turns in a claim on any damage they should first consider how it may affect their future ability to obtain insurance coverage. And in the case of a person who is considering selling their home they should be very careful because it could affect their home's marketability and final sales price. Many people turn in frivolous claims which result in higher prices for the rest of us.

The Transfer Disclosure Statement or TDS as it is known by the Realtors is a very powerful document which requires the Sellers to disclose all the know issues with their home to the potential Buyer. There is a section of the TDS specifically asking about any insurance claims in the past 5 YEARS! If the Seller fails to disclose any past insurance claims and it becomes a problem for the new buyer, then the Seller can be held responsible for any damages caused by this non-disclosure. It is very important that everyone involved with the purchase transaction be very aware of the importance of the TDS, if the Seller does not disclose what they know about the home then they can be held responsible for any damages caused by the non-disclosure.

In this case my Clients were concerned that the Sellers misrepresented the condition of the home. If they did not disclose the insurance claim then what else did they not disclose? They backed out of the purchase contract even before I could deliver my inspection report the next day. If I had not been hired to inspect the home this may well have turned into a legal nightmare. I always recommend that you obtain a home inspection on any home you are considering. And when you hire a Home Inspector be sure to get the most qualified inspector you can find. Always start with an Inspector Member of the California Real Estate Inspection Association (CREIA) to be sure you find an inspector who has passed an **substantial** entrance exam, has completed at least **30 hours** of continuing education each year, follows the **CREIA ethics guidelines**, and

most importantly, follows the **CREIA Standards of Practice** which is accepted by the State of California as the minimum requirements for a Home Inspection. CREIA is the foremost inspection association in our State. If you have questions or comments I can be reached at HomeInspect2020@aol.com.