

Buying a Home—Insurance Terms to Remember When Buying a Home

C.L.U.E. report: A C.L.U.E. (Comprehensive Loss Underwriting Exchange) report is a claims history report generated by ChoicePoint, a consumer-reporting agency. Insurance companies use consumer claims information when they are underwriting or rating an insurance policy. The report generally contains up to 5 years of personal property claims history. Before buying a home you should ask the current homeowner for a copy of the house's insurance loss history report.

Credit score: A number representing the possibility a borrower may default; it is based upon credit history and is used to determine ability to qualify for a mortgage loan.

Credit history: A history of an individual's debt payment, including bankruptcies, foreclosures and defaults. Lenders use this information to gauge a potential borrower's ability to repay a loan.

Credit report: A record that lists all past and present debts and the timeliness of their repayment; it documents an individual's credit history.

Flood insurance: Your homeowner's insurance policy will not cover losses from a flood. Flood insurance must be bought separately. A flood insurance policy is a special policy backed by the federal government that protects homeowners against losses from a flood. If a home is located in a flood plain, the lender will require flood insurance before approving a loan.

Home warranty: An insurance policy that covers the mechanical breakdown of individual pieces of a home. Coverage extends over a specific time period and does not cover the home's structure. Typically, the warranty will cover the electrical and plumbing systems, the furnace and range, roof, and other items, for one year from the date of closing. Home warranties have exclusions and limitations so it is important to read your policy carefully.

Homeowner's insurance: A package policy that combines more than one type of insurance coverage in a single policy. Homeowner's insurance covers damage to your property, loss of personal belongings, and provides some personal liability protection. Additional coverages such as sump-pump, sewer back-up, or scheduled personal property can also be added to the package for an additional premium.

Insurance: A contract to transfer risk from individuals to an insurance company. In exchange for a premium, the insurance company agrees to pay for losses covered under the terms of the policy.

Insurance bureau score: An insurance bureau score is a snapshot of a consumer's insurance risk picture at a particular point in time based on credit report information. Insurers will typically ask for a current score when they receive a new application for insurance so they have the most recent information available. Many companies will base the premium charged in part on an applicant's insurance score.

Market value: A real estate term that describes what the current value of your home would be if you were to sell it—including the land. This amount is generally not involved in determining what amounts to purchase under a homeowner's insurance policy. The anticipated cost to rebuild the home should form the basis for the amount of coverage purchased.

Mortgage life insurance: Mortgage life insurance pays off a mortgage if the homeowner dies or becomes disabled.

Mortgage insurance premium: A monthly payment that covers the cost of mortgage insurance usually included as part of the mortgage payment paid by a borrower.

Private mortgage insurance: Private mortgage insurance (PMI) is insurance that protects lenders from foreclosure losses on low down payment loans. As a result, PMI helps qualified borrowers with down payments of less than 20% of a purchase buy homes with minimal cash out-of-pocket, making homeownership attainable sooner than otherwise possible.

Title insurance: An insurance policy that protects the buyer or lender from monetary loss or damage due to errors in the title, as described in the policy that arise from situations that existed before the sale. If covered claims arise after the sale, the title insurance company defends the new owner/lender, or settles the claims.

Umbrella liability policy: An umbrella liability policy provides additional liability coverage after the limits of your underlying policies (auto/homeowner's) are reached. An umbrella liability policy also protects you (the insured) in many situations not covered by the usual liability policies.

For more information on buying homeowner's insurance, consult the Office of the Commissioner of Insurance's "[Buying a Home and Your Insurance Needs](#)" and the "[Consumer's Guide to Homeowner's Insurance](#)" available on OCI's Web site or by calling the numbers below.

OCI's Web Site

oci.wi.gov

Phone

(608) 266-3585 (Madison)

1-800-236-8517 (Outside Madison)

Deaf, hearing, or speech impaired callers may reach OCI through the WI TRS

State of Wisconsin

Office of the Commissioner of Insurance

P.O. Box 7873

Madison, Wisconsin 53707-7873