

Insurance Terms to Remember When Buying a Home

C.L.U.E. Report

A Comprehensive Loss Underwriting Exchange (C.L.U.E.) report is a [claims](#) history report generated by LexisNexis, 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 five 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 that represents the likelihood a borrower may default; it is based on credit history and is used to determine the 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](#) listing all past and present debts and the timeliness of their repayment; documents an individual's credit history.

Flood Insurance

A homeowners 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 protecting homeowners against losses from a flood. The lender will require flood insurance before approving a loan if a home is in a flood plain. *You should discuss with your insurance agent whether flood insurance is appropriate for your property.*

Home Warranty

A contract covering the mechanical breakdown of specific major systems, components, or appliances in 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, the range, the 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.

Homeowners Insurance

Homeowners insurance covers damage to your property, loss of personal belongings, and provides some personal liability protection. Additional coverages such as a 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.

For more information or to file a complaint, visit our website or contact:

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Market Value

A real estate term describing 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 homeowners insurance policy. The anticipated cost to rebuild the home should form the basis of the amount of coverage purchased.

Mortgage Insurance Premium

A monthly payment covering the cost of mortgage insurance is usually included as part of the mortgage payment paid by a borrower.

Mortgage Life Insurance

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

Private Mortgage Insurance

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

Title Insurance

An insurance policy protects the buyer or lender from monetary loss or damage due to errors in the [title](#), as described in the policy arising from situations existing 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

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

For complete information on buying homeowners insurance, see the Office of the Commissioner of Insurance (OCI) publications [Buying a Home and Your Insurance Needs](#) (oci.wi.gov/HomeBuying) and [Consumer's Guide to Homeowners Insurance](#) (oci.wi.gov/HomeGuide).