

What Insurers Look For

When looking at a home, insurance companies consider the age and condition of the house, including the electrical system, plumbing, heating, wood burning appliances, oil tanks and structural components. They will also want to know if the home is to be owner occupied, rented or left vacant. Insurance companies also look at the individual applying for insurance. Individuals with a number of previous claims, a history of payment problems, policies that have been cancelled, declined or lapsed, a poor credit rating or convictions for insurance fraud are

Clause 8 of OREA's Agreement of Purchase and Sale sets out the time limits for the buyer's solicitor to perform searches relating to the property including determining whether the building may be insured against risk of fire. The buyer is allowed until the earlier of thirty days past the requisition date as noted on the offer or five days prior to completion. In effect, this makes the offer conditional upon the buyer obtaining fire insurance on the property.

However, rather than rely on the pre-printed wording of clause 8 when dealing with a property that may be difficult to insure, that issue should be addressed with a condition specifically developed for use in those circumstances.

A home inspection could uncover potential insurance issues whether you are a buyer or a seller. Sellers, armed with a pre-listing inspection report outlining potential problems with their home, could take care of any necessary repairs in order to make their property insurable before it goes on the market. In addition, a home inspection report, provided by either the seller or the buyer, and given to an insurance company, may make it easier to obtain insurance.

Insurance should be arranged as soon as the offer to purchase is accepted to allow enough time for the insurance company to review an application for insurance. It's not a good idea to wait until closer to the closing date. If the company refuses to write the insurance, the buyer would not have time to arrange insurance elsewhere and the closing of the transaction could be in jeopardy.

The best place for the buyer to start when obtaining insurance is to ask the insurance representative who insures their current home, apartment or automobile. That representative already has insurance information about the buyer. Many companies offer a discount if they insure both auto and property. Buyers should work with their insurance broker to find an insurer that covers the type of property they are considering purchasing. Some insurance companies will underwrite only homes in certain geographic areas; others may not insure homes with underground oil tanks or homes that are over 50 years old.

In cases where the buyer cannot obtain insurance in the regular market, there are substandard and specialty markets available, however, they do not deal directly with the public. An insurance representative may be able to arrange insurance for the buyer, but premiums are usually higher and coverage may be less.

Source: Ontario Real Estate Association