



NAR To Focus On "CLUE" Homeowner's Insurance Issue This Week

by *Kenneth R. Harney*

The National Association of Realtors is expected to shine an intensive light this week on a national electronic database that vitally affects the cost--and even the availability--of homeowner's insurance for millions of Americans.

Known by its acronym "CLUE", the database is widely used by the insurance industry to evaluate risks, but is relatively little known and understood by homeowners. CLUE stands for Comprehensive Loss Underwriting Exchange, and is run by a private company based in Georgia, [Choice Point Inc.](#) The CLUE database contains information on home-related claims or damage reports supplied by insurance companies who write approximately 90 percent of all U.S. home policies.

The database contains over 40 million claims records on houses in all 50 states, and covers everything from water damage to broken gutters to fallen trees. Most homes in the system have their own separate dossier listing claims or reports of damage during the preceding five years.

When a homeowner applies for insurance on a property, the insurance company typically checks the CLUE database to see what, if any, claims or reports of damage are on file about the property. If the insurance company considers the CLUE file negative in any way, it may charge a substantially higher premium on the property, or might turn down the request for insurance coverage outright. In promoting the database to industry users, Choice Point says CLUE "helps insurers maximize premiums and minimize expenses."

The NAR, convening in Washington DC for its annual midyear legislative and regulatory conference beginning tomorrow, is expected to hear the report of a special, multi-regional task force studying CLUE and its impacts on home sellers, buyers and Realtors.

What sort of impacts have Realtors concerned? One of the most controversial involves so-called "zero-payout" loss notations on many homes' CLUE files. A zero-payout loss occurs when an insurance company learns--either through an agent or directly from an unsuspecting homeowner inquiring about coverage--that some sort of damage occurred at a property, but was either below the deductible or was simply paid for by the owner without filing a claim to the insurer.

NAR task force member Nick French of Santa Fe, N.M., recalls the example of a homeowner in Florida who telephoned his insurance company to ask whether the insurance policy extended to a fallen tree in his yard.

"The tree didn't hit the house," says French. "There was no claim filed." But the telephone inquiry turned up as a damage report on the CLUE file--a zero-payout loss notation that could be used to raise the cost of the homeowner's policy at the next renewal.

CLUE reports--readily accessible by insurance agents nationwide--can also stigmatize properties and make them more difficult to sell or reinsure. NAR task force member Nick D'Ambrosia of LaPlata, MD, says one home buyer in his area was rejected by six major insurers solely because the property he

purchased had two CLUE reports about minor accidental damage at the property--a leaky water heater for example.

Task force members say CLUE frequently is used by insurers to impose stiff premium increases on properties, even when no actual claims were filed by the owners.

"This is just unfair," says French, adding that even homeowners' CLUE reports at previous houses can affect their ability to get new coverage on a home they want to buy. French and other Realtors say houses with even the slightest hint of water damage in the CLUE report--whether a claim was ever paid out or not--can be rendered uninsurable, or insurable at exorbitant rates.

What to do about this issue? NAR will attempt to answer that question this week. Among the possibilities: greater education about CLUE for home sellers, buyers and realty agents. Plus possible legislative efforts at the state level to ensure that CLUE cannot be used by insurers to unreasonably discriminate against properties that have never produced a paid-out insurance loss.

(Note: Home owners and sellers can obtain the CLUE report on their own property at www.choicetrust.com for \$12.95. Realtors representing potential purchasers of a house can ask the sellers to disclose the CLUE report as a contingency item in the contract.)

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