

GET A C.L.U.E.

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Both sellers and buyers of residential properties should be aware of the importance of disclosure of any and all material facts and latent defects about the home that might be of importance to the buyer when considering a purchase. Especially anything that could adversely affect the value or be a health or safety concern.

Though the Maryland Association of REALTORS® standard form, the **Residential Contract of Sale** provides an opportunity to select and incorporate a number of standard forms as addenda, it does not include anything about something known as a C.L.U.E. report. This opportunity is found in paragraph 18 (as of October 2016):

18. ADDENDA/DISCLOSURES: *The Addenda checked below, which are hereby attached, are made a part of this Contract:*

- Affiliated Business Disclosure Notice*
- MD Non-Resident Seller Transfer Withholding Tax*
- As Is*
- Notice to Buyer and Seller – MD Residential Real Property Disclosure/Disclaimer Act*
- Cash Appraisal Contingency*
- Condominium Resale Notice*
- Notice & Disclosure of Deferred Water & Sewer Charges*
- Conservation Easement*
- On-Site Sewage Disposal System Inspection*
- Disclosure of Licensee Status*
- Property Inspections*
- Disclosure of Leased Items Addendum*

- Property Subject to Ground Rent*
 - Federal Lead-Based Paint and Lead-Based Hazards*
 - Purchase Price Escalation Disclosure of Information*
 - Sale, Financing, Settlement or Lease of Other Real Estate*
 - First-Time Maryland Home Buyer Transfer & Recordation Tax*
 - Seller Contribution*
 - Seller's Purchase of Another Property*
 - Homeowners Association Notice*
 - Short Sale*
 - Kickout*
 - Third Party Approval*
 - Local City/County Certifications/Registrations*
 - Water Quality*
 - Local City/County Notices/Disclosure*
 - Maryland Lead Poisoning Prevention Program Disclosure*
 - Other Addenda/Special Conditions:*
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A specific request / demand (with a deadline for delivery) may be made on the blank lines provided at the end of this paragraph for the seller to provide a copy of the current C.L.U.E. report for the subject property.

Don't have a clue what a clue report is? Well, clue is not a "word" in this case, it is an acronym: C.L.U.E. which stands for **C**omprehensive **L**oss **U**nderwriting **E**xchange. This organization is basically a data bank now administered by a company called LexisNexis® which collects and disseminates insurance claim histories for residential properties and vehicles. This information obviously originates from most insurance companies who can then share and have access to the entire database.

Some money lenders and title companies also participate in this network and may have access to up to seven years claims history on the property of interest. And, homeowners have access to the information – but only for property they own – once per year for free – or more frequently for a small fee. Buyers cannot get the report themselves (they could have their insurance company obtain it – and possibly share it with them).

It is important to understand that even though the federal Fair Credit Reporting Act controls this product, a C.L.U.E. Report only contains insurance policy and claims information (date of loss, type of loss, amount paid, etc.) about consumers' property (homes and vehicles) – it does not contain information such as credit, criminal or legal action data or history about the property owner(s) themselves.

Not only is it important for the prospective buyer to be informed about what the insurance claims history has been, the buyer's homeowners insurance company is going to be checking it as well. If there is a problem history – that new insurance company may decide to decline coverage or charge a higher premium than normal.

Of course, there may be a claims history because of the homeowners' dog biting the neighbor on several occasions – as an example. That shouldn't be of any concern – assuming that the dog does not convey 😊. But, if the claims history shows, for example, problems related to water damage or some other history of repeated property related defect(s) – especially when there is more than one claim for the same problem – then further investigation / inspection may be warranted. Other possible issues that might show up could include mold remediation, roof repairs, backed up septic / sewer issues, electrical issues, fires, etc. Maybe it's a significant enough reason to keep looking for another home.

The majority of home and vehicle insurance companies contribute claims history information to a database known as the Comprehensive Loss Underwriting Exchange, or C.L.U.E. Underwriters use the information in a CLUE report to rate insurance policies.

C.L.U.E. (Comprehensive Loss Underwriting Exchange) reports provide: dates of claims, insurance companies involved, the type of policy, whether loss was related to a named catastrophe (hurricane, etc.), location of the loss (on or off property), the amount paid, and cause of the loss.

Sellers of homes should consider obtaining their own C.L.U.E. report when they list their property for sale. It's free and easy, just access the LexisNexis website and make the request:

https://personalreports.lexisnexis.com/fact_act_property_claim

That way it will already be available for disclosure. If there is a claims history (and it's correct) sellers will be prepared for any questions it may raise. And, if the report contains information that is not correct, then there is time to get the information corrected prior to false, damaging information being reported.

DISCLAIMER

John P. Hale is a licensed real estate agent in Maryland and Pennsylvania. He is affiliated with Coldwell Banker Residential Brokerage in Westminster, Maryland. John has been licensed since 2000 and also practiced in Tucson, Arizona for many years. Mr. Hale holds the following designations and certifications awarded by the National Association of REALTORS® (NAR) and other authorized institutions: ABR-Accredited Buyers Representative, AHWD-At Home With Diversity, CNE-Certified Negotiation Expert, CRMS-Certified Risk Management Specialist, CRS-Certified Residential Specialist, CTA-Certified Tourism Ambassador, e-PRO-Online Real Estate Practice, GRI-Graduate of Realtor Institute, MRE-Master of Real Estate, MREP-Mortgage Real Estate Professional, and MRP-Military Relocation Professional.

Please note that this article was written by John to provide objective information and to also reflect his opinion of good practice at the time of its' writing for the general benefit of those considering sale or purchase of real estate. It is not intended as definitive legal advice and you should not act upon it as such without seeking independent legal and financial counsel. Frequent changes in the law and standards of practice may cause this information to become outdated and no longer applicable or incorrect.