

## How to Protect Your Clients' Assets and Your Bottom Line



**Tom Carpentier**

President  
Stewart Insurance Services,  
a subsidiary of Stewart  
Title Company

[www.stewartsspecialtyinsurance.com](http://www.stewartsspecialtyinsurance.com)

As a real estate professional, your clients look to you for advice and recommendations on all aspects of the real estate transaction when buying a home. This includes questions regarding home insurance. After entering into a contract to buy a home and before the option period ends, your clients should contact an insurance agent to determine the availability and cost of insurance for the new home. There are many factors that insurance companies look at when determining premium costs for insurance for certain levels of coverage. It is imperative that your clients understand the insurance costs and coverage options for the home they are purchasing.

### Talk about Home Insurance

Your clients have chosen you as their trusted advisor. When it comes to home warranty insurance, make sure you carry on your advisor role by providing your clients with a reliable insurance agent that can provide the best possible coverage at the lowest possible price. The client should obtain three quotes from three different insurance companies. A reliable independent insurance agent can provide multiple quotes since they

typically work with more than one insurance company.

When selecting an insurance provider, your client should understand that the insurance industry is cyclical. While one area may be hit with hurricanes or tornadoes, another area may be disaster-free. Your client should take this into account as they collect quotes and select a nationwide provider. The rates can vary by company due to the previous claims exposure one company may have incurred. Finally, ensure a good experience for your client by recommending a reputable insurance agent—known not only for their insurance services, but also for their customer service. Your clients will appreciate this should they have any claims or issues down the road.

### Talk to Your Customers about Flood Insurance

Many homebuyers are not thinking about bundling flood insurance when they purchase their home. However, floods are the No. 1 natural disaster in the U.S. Make sure your clients are aware that most homeowners insurance does not cover flood damage, and offer them flood insurance. Flood insurance is inexpensive for the security it provides. Here are a couple of quick facts to discuss with your clients when it comes to flood insurance\*:

▶▶ **Floods and flash floods happen in all 50 states.**

▶▶ **Everyone lives in a flood zone — it's just a question of whether you live in a low-, moderate- or high-risk area.**

▶▶ **If you live in a Special Flood Hazard Area (SFHA) or high-risk**

**area and have a federally backed mortgage, your mortgage lender requires you to have flood insurance.**

▶▶ **Just an inch of water can cause costly damage to your property.**

▶▶ **Hurricanes, winter storms and snowmelt are common (but often overlooked) causes of flooding.**

▶▶ **New land development can increase flood risk, especially if the construction changes natural runoff paths.**

It takes 30 days after purchase for a policy to take effect, so it's important to buy insurance before the floodwaters start to rise. If your clients do not opt for flood insurance right away, contact them at a later date to remind them about obtaining flood coverage.

### Understand How Home Warranties Affect Your E&O Insurance

Many real estate professionals do not realize that home warranties and E&O insurance can equal deductible savings. One of the most important reasons for real estate professionals and brokers to encourage the purchase of a home warranty on a pre-owned home is to reduce their personal risk and liability; some may call it a risk-management tool. E&O insurance carriers acknowledge the benefits of a home warranty and frequently provide lower premiums for real estate companies with consistent and high warranty use. Some estimates indicate as high as 65 percent of problems that end up in litigation or as an E&O insurance claim involve items typically covered by a warranty. RE

\* Source: FEMA