

INSURANCE ISSUES AND REAL ESTATE

Since 911 there has been a general tightening of policies amongst insurance companies. They are now much more particular about which properties they will place insurance on.

Common points of concern are oil tanks, knob and tube wiring and galvanized plumbing.

Even if you are willing to accept these risks yourself, you will find homeowner insurance may well not be available to you and that at the last minute your mortgage company won't advance the money to complete your purchase.

If an oil tank is buried in the yard it must be removed. As it is being excavated, an environmental engineer needs to be there to observe the earth surrounding the tank and take soil test samples. The tests are necessary to establish whether or not any oil leaked out of the tank and caused environmental damage. If damage occurred there can be considerable expense in excavating and disposal of any affected soils.

The best idea for oil tanks in basements is to have them emptied and removed. If the tank is less than 20 or 25 years old it is possible it can be inspected and approved by the proper authorities. Tanks older than that are usually impossible to get insured.

Knob and tube wiring is a safety issue, it's a fire hazard and the home must be re-wired in such a way that the knob and tube wiring is no longer in use.

60 amp service is another problem I have seen that causes both insurance and mortgage companies to refuse their services. Upgrading the electrical system to a minimum 100 amp service is required.

Galvanized plumbing is so far, a less volatile issue but we are seeing an increase in insurance refusals on homes affected by this. At the very least, have the plumbing carefully inspected and replace any areas showing leakage or breakdown.

Your local insurance broker can sometimes find insurance companies who will insure higher risk properties. Ask them for advice.

When purchasing a property be sure your realtor has included a "subject to" in your purchase agreement about insurance being available to you. Then see your insurance broker promptly. Verify that you can get insurance on that particular property. Be sure not to wait until your possession date to check this out. Waiting until the last minute could be more than a little inconvenient if you suddenly discover your purchase cannot go through because your mortgage company won't advance funds as there is no homeowner insurance available.