

Managing Risk

Your Pre-Inspection Agreement: Exclusions

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Note: The Managing Risk column with InspectorPro Insurance provides home inspectors with tips to protect their businesses against insurance claims and examines best practices for crafting effective pre-inspection agreements.

Exclusions are items of risk specifically not covered by a contract to avoid excessive liability. In pre-inspection agreements, exclusions limit or eliminate your responsibility to inspect for certain defects or examine certain systems and components.

By outlining the conditions and circumstances your inspection does not cover within your agreement, you can better serve your clients and manage your risk. Steven Rinehart of Rinehart Real Estate Inspection Service (<https://www.realestateinspection.net>) makes sure that the exclusions that may or have come up in client interactions have a prominent place in his pre-inspection agreement.

"I've tried to answer the most common questions before they get asked in my contracts," Rinehart said. By addressing the exclusions that most often spark questions in his pre-inspection agreement, Rinehart improves and enhances his communication with customers.

THERE ARE SEVERAL TYPES OF EXCLUSIONS, INCLUDING THE FOLLOWING:

- items you never inspect
- items you usually inspect but you may exclude due to extenuating circumstances
- items you only inspect if the client adds the optional service for a fee

ITEMS YOU NEVER INSPECT

Since they are limited, non-invasive surveys of homes and their systems and components, home inspections aren't technically exhaustive. There are some things you just cannot or will not find because discovering such defects reaches beyond your inspection capacity.

Due to the state of Texas' additional licensing requirements for ancillary services such as termite inspections, Rinehart underscores his inability to report on certain issues in his contract.

"I don't do wood-destroying insects. I don't do septic tanks. I don't do hazardous materials, like asbestos. So, it's very clear in the contract that those [services] are not part of the inspection, and those [services] are not things that I can even offer," Rinehart said.

The following excerpt from a pre-inspection agreement used by Fritz Kelly of Kelly Home Inspection in Arizona (<http://www.kellyhomeinspection.com/>) highlights how you might list items you never inspect within your contract:

THE FOLLOWING ITEMS ARE NOT INCLUDED IN AN INSPECTION:

- Window air conditioners
- Portable appliances
- Freezers
- Landscaping/fences
- Solar heating systems
- Septic systems
- Sprinkler systems
- Private wells
- Water softeners/filters
- Alarms or intercoms
- Humidifiers
- Landscape lighting
- Swimming pools
- Built-in hot tubs

Portable appliances such as washers, dryers, and refrigerators are not part of the real estate transaction and are not inspected.

Such items that you never inspect need to be excluded from your pre-inspection agreement so that clients have appropriate expectations. For Emerson Treffer of Pro Home Inspection Services, Inc. (www.prohomeinspectionss.com) in South Carolina, such communication is essential so that clients have the opportunity to hire specialists for additional examinations or testing if they so desire.

"I want [my clients] to understand where my liability starts and where it ends, and I want them to know that I'm a generalist, not a specialist," Treffer said. "[For example, if they have stucco concerns,] they need to hire an outside expert who's trained to look at the drainage behind the EIFS."

ITEMS YOU USUALLY INSPECT

Sometimes, items you'd typically inspect are not accessible or are otherwise off-limits. In these instances, it's important to underscore your inability to inspect—both by-case in the report and in a blanket statement in the agreement.

SEE AN EXAMPLE, AGAIN FROM KELLY, OF HOW TO ADDRESS SUCH EXCLUSIONS IN YOUR CONTRACT:

Ensuring that the utilities are turned on for the inspection is the responsibility of the Agent or Seller and extra charges will apply for return trips to the property....

Wet crawl spaces or those with very low head room are not entered but are examined from the access hatch. Attics are entered if an access opening is readily accessible. The inspector will not enter any area which he considers dangerous.

Electrical or mechanical systems that have been shut down are not inspected. In addition, if these systems do not respond to the normal controls, then the system cannot be activated or operated. The inspector does not examine any systems whose utilities are off.

By explaining what systems and components you may not inspect due to extenuating circumstances, you prepare clients for the possibility of a re-inspection or an incomplete inspection. In so doing, you may be able to alleviate some of the disappointment clients may feel if you are unable to examine certain items.

Better yet, your contract may remind your clients of their duties to, say, ensure the electrical systems are on, so that you can perform your inspection without unnecessary delays or impediments.

ITEMS YOU INSPECT FOR A FEE

Many home inspectors offer add-ons to their standard home inspections. Under such circumstances, it's important to recognize which services are optional rather than automatically included.

See another example from Kelly:

THE FOLLOWING ITEMS ARE NOT INCLUDED IN AN INSPECTION UNLESS SPECIFIED (EXTRA CHARGES APPLY):

- *Portable hot tubs*
- *Outbuildings*
- *Guest houses*

By listing what services are available for a fee in your contract, you can limit your liability. If a client attempts to argue that you included, say, radon testing in every inspection, you can point to your agreement, in which they opted not to pay for the additional service.

Listing services that require additional payments also increases your likelihood of an up-sell. Thus, your inspection agreement can help increase your profitability.

In addition to underscoring that some inspection items are optional, you may decide to include additional agreements for additional services. Such agreements don't replace your standard pre-inspection agreement. Instead, they serve to add more terms specific to the extra service.

MAKE YOUR PRE-INSPECTION AGREEMENT A PRIORITY.

Contract exclusions benefit both you and your clients. On the one hand, they help you limit your liability and mitigate risk. On the other, they aid your clients' understanding of the inspection services you're providing.

"A lot of times, we come across clients who either haven't had a home inspection in 10 to 20 years or it's their first time," said Nick Calero of CR Pro Home Inspections in Florida (www.crproinspections.com). "By us letting the client know our responsibilities, that really allows us to gauge them, number one, and number two, put them in the right state of mind."

Knowing your responsibilities will help clients have realistic expectations, which can make them less litigious and more satisfied by your services. Be sure to include a comprehensive list of all three types of exclusions within your pre-inspection agreement.

Make your pre-inspection agreement a priority by getting it signed before every inspection. And read the Managing Risk column throughout this year to get additional tips on how your contract can protect your home inspection business.