

# IOWA REAL ESTATE ERRORS & OMISSIONS INSURANCE RISC

Rice Insurance Services Company, LLC

Administrators of the Group Program Under Agreement with the Iowa Real Estate Commission

January 1, 2012 – January 1, 2013

## AN OVERVIEW OF RISC'S GROUP REAL ESTATE ERRORS AND OMISSIONS PROGRAM

All active Iowa real estate brokers, firms and salespersons are required to carry errors and omissions insurance as a condition of licensure. The Iowa Real Estate Commission has contracted with Rice Insurance Services Company, LLC (RISC) to administer the group Errors & Omissions (E&O) insurance program for Iowa licensees. Continental Casualty Company, one of the CNA insurance companies, is the insurance carrier for the E&O PROGRAM. The CNA insurance group is one of the largest writers of commercial property and casualty insurance in the United States and is rated "A (Excellent)" by A.M. Best.

RISC provides all servicing (claims handling, policy issuance, marketing mailings, customer service, etc) of the Iowa account. The management team of RISC specializes in handling group programs for states with mandatory real estate E&O insurance requirements and has been servicing the Iowa group program since 1995. RISC is located at 4211 Nourbourne Boulevard, Louisville, Kentucky 40207-4048.

This program is designed exclusively to provide professional liability insurance for Iowa Real Estate Licensees. Even the most careful professional cannot always prevent the filing of a frivolous lawsuit nor can he/she preclude making an honest mistake. Under this program, the insurance carrier has the responsibility of defending, as well as paying a settlement or judgment on covered claims, up to the limits of liability.

The following is intended to address the most frequently asked questions about the group E&O insurance program.

### 1. What kinds of Claims are covered?

- Claims for which a written demand for money or services is first made against the insured during the policy period and reported in writing during the policy period.
- Claims which were unknown and unforeseen at the inception of the policy period.
- Claims arising from a negligent act, error or omission relating to the rendering of or failure to render Professional Services as a real estate salesperson or broker.

**2. What kinds of Claims are not covered?** All policyholders are urged to read the entire policy and examine the portion of the policy entitled "Exclusions" for a listing of excluded Claims.

### 3. Who is covered?

- Individuals who hold an active license issued by the Iowa Real Estate Commission and who pay the required premium.
- Heirs, executors, administrators, or assigns of the Insured Licensee in the event of such Insured Licensee's death, incapacity or bankruptcy but only to the extent the Insured Licensee would have been covered under this policy.
- Unlicensed employees of and under the direct supervision of the Insured Licensee, while acting in the course and scope of their employment in rendering Professional Services on behalf of the Insured Licensee.
- Any Real Estate Firm that the Insured Licensee represents; however, coverage only applies to said Real Estate Firm for its vicarious liability for a negligent act, error or omission arising out of Professional Services by the Insured Licensee.

### 4. What is the limit of liability?

- The most the insurance carrier will pay for all Damages arising out of the same or related negligent acts, errors or omissions is \$100,000 per Insured Licensee. NOTE: Claim Expenses are in addition to, and not within, the Limits of Liability.
- The Limits of Liability apply separately to each Insured Licensee.
- The Annual Aggregate Limit is \$100,000. This means the most the insurance carrier will pay for each insured Licensee for all Damages combined during the Individual Policy Period is \$100,000.

### 5. Are higher limits available?

Limits of \$250,000 per Claim per Insured Licensee with \$500,000 Annual Aggregate are available to individual licensees. Licensees whose real estate activity is at least 75% residential sales and who have had no claims in the past five years may pay an additional premium of \$65 per year to increase limits to \$250,000. Licensees whose real estate activity is less than 75% residential sales and/or who have had claims in the past five years may pay an additional premium of \$85 per year to increase limits to \$500,000.

Higher limits are also available on an underwritten basis for real estate firms domiciled in Iowa. The principal broker or officer of the firm must complete an excess application form in order to be considered for this excess coverage. All Licensees associated with the firm must be insured under the group policy. This program is written by Continental Casualty Company and is not guarantee-issue; however, most Iowa firms qualify for excess coverage. Please call (800) 637-7319 ext 3 if you have any questions.

**6. How much is the premium?** The fully earned annual premium, including all taxes, is **\$153**. Payment must be included with the policy enrollment form. After the inception date of the group policy, the premium will be prorated by month of enrollment. Additional coverages are available by endorsement to the policy for an additional premium. Please see Sections 14-18 of this brochure for additional coverages.

**7. How do I obtain coverage?** Return an enrollment form, along with your premium payment made payable to RISC. The principal broker should make certain that all premium check(s) and enrollment form(s) are mailed to RISC prior to the deadline for those Licensees joining at the January 1 group policy period inception date. You may also enroll online at [www.risceo.com](http://www.risceo.com).

**8. What is the deductible?** There is no deductible for Damages or Claim Expenses.

**9. Where does coverage apply?** Resident Iowa Licensees are covered for errors and omissions committed anywhere in the world. However, if the Claim results in or from a lawsuit, the lawsuit must be brought within the United States, its territories or possessions. Non-resident Iowa Licensees are covered for Iowa transactions only. However, a non-resident insured Licensee shall be treated as a resident of Iowa if his/her Principal Real Estate License is affiliated with a real estate office located in Iowa and the non-resident resides within fifty (50) miles of the Iowa state line.

**10. What is the "coverage period"?** This insurance policy is written on a Claims Made and Reported basis. It applies only to those Claims first made against the Insured and reported to the Company during the Individual Policy Period or any applicable Extended Reporting Period and the

negligent act, error or omission must have taken place on or after the Retroactive Date. The Retroactive Date is the date when the first real estate E&O coverage was effective insuring the Insured Licensee on a Claims Made basis and since which time the Insured Licensee has been continuously insured.

**11. What happens if a Claim is not made until after this policy expires?**

This is a Claims Made and Reported policy. The Claim must be made and reported to the Company during the individual Policy Period or any applicable Extended Reporting Period. An Automatic Extended Reporting period is provided in the event the Insured Licensee's license is retired, placed on inactive status or allowed to expire. This allows the policy to apply to Claims first made and reported up to 90 days after the effective date of the cancellation or non-renewal so long as the negligent act, error or omission is committed subsequent to the Retroactive Date and prior to the effective date of cancellation or non-renewal.

**Optional Extended Reporting Period Coverage, commonly known as "Tail Coverage"** may be purchased to cause the policy to apply to Claims first made and reported up to three (3) years after the effective date of the cancellation or non-renewal so long as the negligent act, error or omission is committed subsequent to the Retroactive Date and prior to the effective date of cancellation or non-renewal. Tail Coverage can only be purchased within 90 days after the Licensee's policy has terminated. Tail Coverage is important because so many professional liability Claims are not made until months after the subject transaction occurs, and some may even be made years after the transaction.

**12. How are Claims handled?** A Claim must be reported in writing to the Company as soon as possible after the Claim is first made but in no event more than 90 days after the insured became aware of such Claim. The Claim must be made and reported during the policy period or during an Extended Reporting Period in order to qualify for coverage. A Claim is a written demand for money or services received by the insured or service of lawsuit or institution of arbitration or mediation proceedings naming the Insured, seeking Damages and alleging a negligent act, error or omission in the performance of Professional Services. It is essential; to protect the Insured's interests and to assure that coverage conditions are not violated, that Claims be properly reported. Immediate action is required by the real estate licensee and/or broker.

To report a Claim, call our Claims Examiner at our administrative office at (800) 637-7319 ext 2 for a Notice of Claim form or download one on our website [www.risceo.com](http://www.risceo.com). Complete and submit the Notice of Claim form and other pertinent documents. Cooperate fully with the appointed defense attorney(s) and your own company management. RISC will be happy to answer questions regarding the coverage and the Claim, provided the Claim has been submitted in writing to our office.

**13. Is rental, leasing & property management covered?** Rental, leasing and property management of real estate are activities that require a real estate license in Iowa and are therefore included under the definition of Professional Services.

**14. Is appraisal activity covered?** No. The definition of Professional Services does not include appraisal services. An endorsement is available to include services performed by an Insured Licensee as a licensed real estate appraiser under the definition of Professional Services for an additional premium (fully earned and inclusive of taxes) of \$200 per year.

**15. Are Environmental claims covered?** Policy provisions include coverage for NO ADDITIONAL CHARGE for payment up to \$2,500 per claim/\$5,000 annual aggregate for Damages and Claims Expenses for Environmental claims (failure to detect, report or assess the effects of or advise of the existence of pollutants, fungi or microbes). An optional endorsement is also available for purchase to increase the amount available to \$10,000 per claim/\$10,000 annual aggregate for Environmental Claims for \$15.

**16. Are Fair Housing claims covered?** Policy provisions include coverage for NO ADDITIONAL CHARGE for payment up to \$2,500 per claim/\$5,000 annual aggregate for Damages and Claims Expenses for Fair Housing claims (alleged violation of Title VII of the Civil Rights Act of 1968 or the Fair Housing Amendments Act of 1988). An optional endorsement is also available for purchase to increase the amount available to \$10,000 per claim/\$10,000 annual aggregate for Fair Housing Claims for \$15.

**17. Is coverage available for the sale of my primary residence?** An optional endorsement is available for \$6 to provide coverage for the sale of the licensee's primary residence up to policy limits under certain conditions. See sample endorsement on website for terms & conditions.

**18. Are other coverages available?** You may purchase additional coverages as separate endorsements to the policy.

A. A Limited Claim Expenses Coverage **Regulatory Complaints Endorsement** will provide defense of any complaint to a real estate regulatory board or commission as long as the complaint arises from a negligent act, error or omission in the rendering of Professional Services that would otherwise be covered by the policy. Continental Casualty Company will pay Claim Expenses up to a maximum of \$2,500 in defense of such complaint. The amount payable under this endorsement shall not exceed \$5,000 in the Aggregate.

B. If you have a real estate license in another state that has mandatory requirements for insurance, you may purchase a **Conformity Endorsement** to make your Iowa policy conform to the requirements of that state.

The premium (fully earned and inclusive of taxes) for the endorsements listed above is \$15 per endorsement, per year. Please indicate your selection of endorsements on your enrollment form and send the enrollment form with your check made payable to **RISC**.

**19. How does one secure answers to questions about the program that are not answered in the brochure?** Read the sample policy. A sample policy is available on our website [www.risceo.com](http://www.risceo.com). Please retain a copy of the policy for your records. Insured Licensees will receive a Certificate of Coverage after payment of the premium due. If you have any questions, you may call our administrative office at (800) 637-7319 ext 1.

**NOTICE:** Those Licensees who **do not renew** their policies timely will have as an effective date for E&O coverage, the **actual date** the **E&O premium** is received. Further, said Licensees will **lose** any previously established Retroactive Date (prior acts coverage). The new Retroactive Date will be the date RISC received and accepts the premium. However, this procedure does not impact the licensee's failure to comply with the mandatory insurance guidelines established by the Commission and you may still be subject to penalties and fines. **Always pay your premium on time to avoid a break in coverage, protect yourself from uncovered claims and avoid penalties and fines.**

If you currently have coverage **other** than with the state group program, and you have received notice of a Claim, you should report that Claim immediately to your current carrier so as to not jeopardize any potential coverage.

**Rice Insurance Services Company, LLC**

**Administrative Office**

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