

# 2011/2012 Kentucky Real Estate Commission Group Errors and Omissions Program

Administered by Rice Insurance Services Company, LLC and Underwritten by Continental Casualty Company

Please See Policy Forms and Program Information on our Website: [www.risceo.com](http://www.risceo.com)

## NOTICE

Each real estate Licensee who is actively licensed in Kentucky shall, as a condition of licensing, carry and maintain errors and omissions insurance to cover all activities under their real estate license. Each Licensee has the option of obtaining errors and omissions insurance independently, so long as the coverage complies with the minimum requirements established by the Kentucky Real Estate Commission (the Commission) and the Licensee obtains a "Certificate of Coverage" signed by an authorized agent or employee of the insurance carrier (which shall be filed with the Commission in compliance with KRS 324.395(6)). Upon application for issuance or renewal of an active license, you must purchase insurance pursuant to the Commission Group Program or certify that you are in compliance with the insurance requirements of this chapter. If you currently have coverage under the Commission's group policy, your coverage will expire April 1, 2011. If the Commission has not timely received proof that the Licensee has obtained the required coverage, it will place the license on inactive status.

**Enrollment for Errors and Omissions Insurance:** Rice Insurance Services Company, LLC (RISC) has an agreement with the Commission to provide its policy for Kentucky Licensees. RISC's experience and excellent claims service (specializing in real estate E&O) combined with CNA's strong financial performance and ratings (rated "A" by A.M. Best) will provide a quality program for Kentucky Licensees. If you wish to enroll in the group program, the premium payment is \$107 per Licensee plus applicable tax and surcharge. Licensees purchasing coverage after April 1, 2011 may pay a prorated premium. Late insurance payments may cause a break in coverage and/or noncompliance with the mandatory insurance requirement.

The group program provides the required limits of \$100,000/ \$1,000,000 per Licensee with no deductible for Damages and no deductible for Claim Expenses. **ACTIVE** Licensees (brokers and salespersons) are **REQUIRED** to carry E&O insurance. **INACTIVE** Licensees are not required to have E&O insurance. However, Licensees with expiring policies who are placing their licenses inactive may want to purchase an Optional Extended Reporting Period Endorsement (see below). Before activation or renewal of license, a Licensee is required to obtain insurance coverage.

**Exclusions:** All policyholders are urged to read the entire policy and examine the portion of the policy entitled "Exclusions" for a listing of excluded claims. A copy is available on our website, [www.risceo.com](http://www.risceo.com), or you may call our administrative office at (800) 637-7319, ext 1.

**OPTIONAL COVERAGES AVAILABLE:** Your 2011/2012 Kentucky group policy will provide the following endorsements at no additional expense to the Licensee: Environmental Endorsement, Fair Housing Endorsement, Primary Residence Coverage Endorsement, Limited Claim Expense Coverage Real Estate Regulatory Complaints Endorsement, and Limited Claim Expense Coverage Earnest Money Dispute Endorsement. Please see Endorsement Enrollment Form for sub-limits, which may apply to the free endorsements. There is also no additional charge for the Conformity Endorsement to other mandatory states (except Tennessee), which accept the Kentucky policy and conformity endorsement to satisfy their mandatory requirement. Please contact us for specific information about 2-year coverage requirements in Tennessee (if you qualify for the TN conformity endorsement there is a charge of \$15 per year plus applicable tax and surcharge). A Franchise Endorsement is available if you are affiliated with a franchise group, which requires a special endorsement. The Endorsement Enrollment Form lists optional coverages. To obtain optional endorsement(s), please indicate your selection(s) on the Endorsement Enrollment Form (on the back) and enclose the appropriate fee. **Note all payments for optional endorsements must be mailed and made payable to RISC.** Please refer to the brochure on our website [www.risceo.com](http://www.risceo.com) for information regarding the program and endorsements available.

**Higher Limits Available:** Limits of \$250,000 per Claim per / \$1,000,000 Annual Aggregate Limit and limits of \$500,000 per claim / \$1,000,000 Annual Aggregate Limit, are available to individual Licensees. Licensees whose real estate activity is at least 75% residential sales and who have no claims in the past five years may pay an additional premium of \$60 to increase limits to \$250,000 and \$110 to increase limits to \$500,000. 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 \$90 to increase limits to \$250,000 and \$165 to increase limits to \$500,000.

**New Enhanced Excess Program for Firms.** We offer a Kentucky firm "excess" policy with limits at levels of \$250,000, \$500,000, or \$1,000,000. In addition to traditional excess coverage, our new excess program offers these key new features at no additional cost: (1) automatic coverage for **Environmental Hazards Claims** up to a sub-limit of \$100,000 for claims against an insured seeking damages alleging failure to advise of the existence of pollutants, asbestos, radon or lead. (2) Automatic coverage for **Discrimination Claims** up to a sub-limit of \$100,000 for claims against an insured alleging discrimination in the performance or failure to perform professional services. In addition, the program offers these new optional coverages: **Residential Ownership Coverage** – For an additional premium, the firm may purchase an endorsement providing coverage for claims related to the sale of residential properties owned or partially owned by licensees of the firm. Coverage will be subject to a sub-limit of \$250,000. **Enhanced Lockbox Coverage** – For an additional premium, the firm may purchase an endorsement to provide coverage for lockbox claims. Coverage is subject to a sub-limit of \$50,000. The principal broker or officer of the firm must complete an excess application form in order to obtain a quote for firm excess coverage. All Licensees of the firm are required to participate in the group program to qualify for firm excess coverage. Please contact us for more information.

**Optional Extended Reporting Period (ERP) Endorsement** is available for Licensees who are currently insured with the Commission's 2011/2012 group policy through RISC and who have placed their license inactive or otherwise have not renewed their coverage. If a Licensee retires, places license inactive or allows license to expire, the policy provides that the Licensee will be insured for claims made and reported within 90 days of the expiration date provided the error or omission upon which the claim is based took place after the "retroactive date" and before the policy expired. In case of cancellation or non-renewal for any reason, the Insured has the option to purchase an ERP endorsement within 90 days after the Licensee's policy has terminated. An ERP Endorsement is important because many professional liability claims are not made until months after the underlying transaction occurred. Policyholders with coverage expiring April 1, 2011 may obtain an ERP endorsement for one year (\$107.00), two years (\$160.50) or three years (\$214.00) plus any applicable endorsement premium, taxes and surcharge. Please contact us at (800) 637-7319, ext. 1 if you would like to obtain this coverage or visit our website at [www.risceo.com](http://www.risceo.com).

**Claims Made Policy Form:** The policy is written on a claims made policy form. All claims must be reported timely or you may violate the conditions of the policy and jeopardize coverage. A copy of the Notice of Claim Form is located on our website [www.risceo.com](http://www.risceo.com). You may call our Claims Department at (800) 637-7319, ext. 2, for instructions for reporting a claim. This policy does not provide coverage for a claim first made against you before the beginning or after the end of your individual policy period (unless an extended reporting period applies). It also does not provide coverage if, prior to the inception date of the policy, you had a basis to believe that any negligent act, error or omission might reasonably be expected to be the basis of a claim against you. If you have notice of a potential claim, report it to your current carrier immediately or risk not having coverage for the claim.

**Timely Renewal.** Kentucky requires that all active real estate licensees carry and maintain E&O insurance. If you do not pay your premium timely, the Commission may place your license on inactive status. In addition, you may lose a valuable feature of the group program - **prior acts coverage** - if you do not renew your coverage promptly. Prior acts coverage is determined by your retroactive date. A claim involving your past acts may be considered for coverage so long as the error, omission or negligent act took place after your retroactive date. Your retroactive date is the date you first obtained errors and omission coverage and have maintained continuous coverage. It is very important that you maintain continuous coverage in order to preserve your retroactive date. Licensees who do not renew their coverage timely may lose any previously established retroactive date. Those licensees will have as an effective date the actual date RISC receives and accepts the premium. If you discover that you have missed timely renewal, call RISC immediately and see if you qualify for reinstatement of your coverage back to the inception of the policy period. This will avoid a break in coverage and loss of your retroactive date. 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.**

CNA is a service mark and trade name registered with the US Patent and Trademark Office. The program referenced herein is underwritten by Continental Casualty Company, one of the CNA insurance companies. This information is for illustrative purposes only and is not a contract. It is intended to provide a general overview of the products and services offered. Only the policy can provide the actual term, coverages, amounts conditions and exclusions. This program is only available in Kentucky. ©2011.