

RISC Rice Insurance Services Company, LLC

4211 Norbourne Blvd.
Louisville, KY 40207
www.risceo.com

Phone: 502-897-1876
Toll-Free: 800-637-7319
Fax: 502-897-7174

RISC Continues to Offer KREC Group E&O Insurance Program to Kentucky Licensees in 2011 Premium of only \$107 per Licensee includes 5 Free Endorsements! Easy Enrollment When You Renew Your License Online

Dear Kentucky Principal Broker,

Rice Insurance Services Company, LLC (RISC) is pleased to renew the Kentucky Real Estate Commission's (the "KREC's") Group Real Estate Errors and Omissions Insurance Program. The 2011 premium is \$107 per licensee (plus applicable taxes and surcharge). The group program provides the required limits of \$100,000 per claim and \$1,000,000 in the aggregate per licensee, with no deductible. Even the most careful professional cannot always prevent the filing of a frivolous lawsuit or avoid making an honest mistake. Under the group program, the insurance carrier has the responsibility of defending covered claims, as well as paying covered damages for settlements or judgments, up to the limits of liability.

As a principal broker, you are responsible for ensuring that each of your firm's licensees has appropriate coverage. Please review the 2011 Group Policy Features (on back) for information regarding the group program and additional coverages available. **ACTIVE** licensees (brokers and salespersons) are required to carry E&O insurance and must obtain insurance coverage before their license is activated or renewed. Licensees may purchase independent coverage, as long as it meets the minimum requirements established by the KREC and satisfies the standards set forth in the Kentucky Real Estate License Law. **INACTIVE** licensees are not required to have E&O insurance. However, licensees with expiring policies who are retiring, placing their licenses inactive, or allowing their licenses to expire may want to purchase an Optional Extended Reporting Period Endorsement to insure claims made after the expiration of their policies.

Continental Casualty Company, a CNA insurance company, is the insurance carrier for the program. CNA is rated "A (Excellent)" by A.M. Best. The group program is designed exclusively to provide E&O insurance for Kentucky real estate licensees. RISC, which is located in Louisville, Kentucky, will provide the servicing (claims handling, policy issuance, marketing mailings, etc.) for the program. RISC's Kentucky-based management team specializes in handling programs in states with mandatory real estate E&O insurance requirements. RISC is the provider of group real estate E&O insurance programs in twelve of the thirteen states that currently require E&O coverage for real estate licensees. The biggest advantage to our program is our experienced claims handling and claims management philosophy. The program's success depends on effective claims management.

The group policy is a **claims made** policy. Failure to report claims timely may violate the conditions of the policy and jeopardize coverage. **This policy does not provide coverage for claims first made before the beginning or after the end of your individual policy period, unless an extended reporting period applies.** Nor does it provide coverage if, prior to the inception date of the policy, you had reason 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 claim or potential claim, report it to your current E&O carrier immediately or risk not having coverage for the claim. You may call our Claims Department at (800) 637-7319, ext. 2, for instructions for reporting a claim. A copy of the Notice of Claim Form is located on our website www.risceo.com.

It is **easy to enroll** in the group program provided by RISC when you renew your real estate license online with the KREC. During the online license renewal process, you will have the option of selecting "Yes" or "No" to the question "Do you wish to use Commission Group E&O Insurance?" You may select the "Yes" Button to enroll in the group program and continue your license renewal process. We will send you a copy of your Certificate of Coverage after we receive a list of enrolled licensees from the KREC.

Any questions about our program should be directed to RISC. You may visit our website at www.risceo.com, call us at 800-637-7319 ext. 1, or write to us at P.O. Box 6709, Louisville, Kentucky 40206-0709. We look forward to hearing from Kentucky licensees and working with each and every one of you.

Sincerely,



Cindy Rice Grissom
CEO, Rice Insurance Services Company, LLC

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 terms, coverages, amounts, conditions, and exclusions. This program is only available in Kentucky. ©2011

2011 Group Policy Features

The group program provides the required limits of \$100,000 per claim and up to \$1,000,000 in the aggregate, per licensee, with no deductible. This program is designed exclusively to provide E&O insurance for Kentucky real estate licensees. Please refer to our website, www.risceo.com, for information regarding the program and coverages available.

Additional coverages or benefits: The 2011 Kentucky group policy automatically includes the following endorsements at no additional cost. You do not need to request the first 5 endorsements listed below.

1) Primary Residence Endorsement provides coverage up to policy limits for the sale of the licensee's primary residence under certain conditions.

2) Environmental Endorsement provides coverage for defense costs AND damages up to \$5,000 per claim and \$10,000 in the aggregate for covered environmental claims.

3) Fair Housing Act Endorsement provides coverage for defense costs AND damages up to \$10,000 per claim and \$10,000 in the aggregate for covered fair housing claims.

4) Earnest Money Disputes Endorsement provides coverage for defense costs up to \$2,500 per claim and \$5,000 in the aggregate for covered claims alleging, arising from, or related to the failure to pay, collect, or return escrow monies or earnest money deposits under certain conditions.

5) Limited Claims Expenses Coverage Regulatory Complaints Endorsement provides coverage for defense costs up to \$2,500 per complaint and \$5,000 in the aggregate for 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.

A **Franchise Endorsement** is also available at no additional charge if you are affiliated with a franchise group. The Franchise Endorsement adds a franchise group with which the licensee is affiliated to the definition of real estate firm, since franchise groups require specifically tailored language. Please contact us if you need a franchise endorsement.

Optional Endorsements: The following optional endorsements are available: (1) **Conformity Endorsement**, which conforms your Kentucky policy to the insurance requirements of other mandatory states where you are licensed. There is no additional charge for conformity endorsements, except for Tennessee, due to its two-year insurance requirement; (2) **Higher Limits Endorsements**, which are available to individual licensees to increase the policy per claim limit of liability to \$250,000 or \$500,000; and (3) **Appraisal Endorsement**, which is available to real estate licensees who are also licensed appraisers. Note that optional endorsements cannot be purchased online when you renew your license and enroll in the 2011 group plan. To purchase optional endorsements, please send a completed **Supplemental Enrollment Form** with your check made payable to RISC. The Supplemental Enrollment Form is available on our website and a copy is enclosed in this mailing. Optional endorsements will become effective on the date RISC receives the Supplemental Enrollment Form and applicable premium.

Optional Extended Reporting Period (ERP) Endorsement: Licensees who are currently covered under the KREC's 2010/2011 group policy and have placed their license on inactive status or otherwise not renewed their coverage may purchase an ERP Endorsement. If a licensee retires, inactivates his or her license, or allows his or her license to expire, the policy provides that claims made and reported within 90 days of the expiration date of the policy will be considered for coverage, provided the error or omission that is the basis for the claim 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 termination of the policy. An ERP Endorsement is important because many E&O 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. If you, or any affiliated licensees, would like to purchase this coverage, please contact us at (800) 637-7319, ext. 1, or visit our website at www.risceo.com.

Exclusions: You are urged to read the entire policy and examine the portion of the policy entitled "Exclusions" for a listing of excluded claims. A copy of the policy and additional information is available on our website, www.risceo.com, or you may call our office at (800) 637-7319 or (502) 897-1876 (ext 1).

Higher Limits Available: In addition to the optional endorsements available to individual licensees, we offer firm "excess" policies with limits of liability of \$500,000 and \$1,000,000. Our excess program offers these key new coverages at no additional cost: (1) **Environmental Hazards Claims Coverage** up to a sublimit of \$100,000 for claims alleging failure to advise of the existence of pollutants, asbestos, radon, or lead; and (2) **Discrimination Claims Coverage** up to a sublimit of \$100,000 for claims alleging discrimination in the performance or failure to perform professional services. Additionally, the excess program offers these new optional coverages for an additional premium: (1) **Residential Ownership Coverage** up to a sublimit of \$250,000 for claims related to the sale of residential properties owned or partially owned by licensees of the firm; and (2) **Enhanced Lockbox Coverage** up to a sublimit of \$50,000 for lockbox claims. 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.