

Louisiana Real Estate Commission Group Errors and Omissions Program
Underwritten by Continental Casualty Company and administered by Rice Insurance Services Company, LLC (RISC)
January 1, 2012 - January 1, 2013

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

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

RISC provides servicing, including administrative duties, claims handling, certificate of coverage issuance, marketing mailings, and customer service, for the Louisiana account. RISC's management team specializes in handling group programs for states that require real estate E&O insurance and provides the group coverage in 11 of the 13 states that currently have mandatory programs.

This program is designed exclusively to provide professional liability insurance for Louisiana real estate licensees. Even the most careful professional may be the victim of a frivolous lawsuit or make an honest mistake. Under this program, the carrier has the responsibility of defending, as well as paying a covered 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 involving a written demand for money or services seeking damages and alleging a negligent act, error, or omission in the performance or failure to perform professional services.
- Claims involving service of a lawsuit or institution of arbitration or mediation proceedings against the insured seeking damages and alleging a negligent act, error, or omission in the performance or failure to perform professional services.
- To be covered, a claim must have been unknown and unforeseen at the inception of the policy period.
- To be covered, a claim must involve professional services provided after the policy's retroactive date.

2. What kinds of claims are not covered? All insured licensees are urged to read the entire policy and examine the section entitled "Exclusions."

3. Who is covered?

- Individuals who hold an active license issued by the LREC and who pay the required premium.
- Heirs, executors, administrators, or assigns of the insured licensee in the event of the licensee's death, incapacity, insolvency, or bankruptcy but only to the extent the licensee would have been covered under the 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 licensee.
- Any real estate firm that the insured licensee represents but only for the firm's vicarious liability for a negligent act, error, or omission arising out of the licensee's professional services.

4. How do I obtain coverage? Send your premium payment, made payable to the Louisiana Real Estate Commission, along with your real estate license application or renewal to the following address: Louisiana Real Estate Commission, P.O. Box 14785, Baton Rouge, LA 70898-4785. Principal brokers should make sure all their firms' licensees mail their premium checks to the LREC prior to the deadline of December 31, 2011 to ensure a January 1, 2012 inception date to maintain continuous coverage. Note that a late fee applies for license renewals after January 1. Late renewals submitted to LREC after January 31st must include a premium payment of \$184 and a Reinstatement Request Form (available online at www.risceo.com). To obtain endorsements for additional coverage or higher limits, send a separate check made payable to RISC along with the supplementary enrollment form to the following address: Rice Insurance Services Company, LLC, P.O. Box 6709, Louisville, KY 40206-0709.

5. How much is the premium? The fully earned annual premium, including all taxes, is \$184. Payment must be included with your real estate license application or renewal to the LREC. After the group policy's inception date, the premium will be prorated by month of enrollment. Additional coverages are available by endorsement to the policy for an additional premium. Please note payment for all additional coverages must be sent to RISC (not the LREC). See items 8, 15, and 17 for information regarding additional coverages.

6. What if I don't pay my premium on time?

- Louisiana law requires all active real estate licensees to carry and maintain E&O insurance. If you do not pay your premium timely, the LREC may inactivate your license.
- Additionally, you may lose prior acts coverage, a valuable feature of the policy. See item 12 for more information regarding prior acts coverage. If you fail to purchase coverage timely, call RISC immediately to see if you qualify for reinstatement back to January 1, 2012, which may avoid a gap in coverage and loss of your previously-established retroactive date. However, curing a gap in coverage will not remedy noncompliance with mandatory insurance requirements. Always pay your premium on time to protect yourself from uncovered claims and to avoid a gap in coverage and penalties.

7. What are the limits of liability?

- The per claim limit of liability is \$100,000, which is the most the carrier will pay for all damages arising out of the same or related negligent acts, errors, or omissions per insured licensee.
- The aggregate limit of liability is \$300,000, which is the most the carrier will pay for all damages combined during the individual policy period per insured licensee.
- Claim expenses are in addition to, and not within, the limits of liability.
- The limits of liability apply separately to each insured licensee.

8. Are higher limits available?

- Individual licensees may purchase an endorsement that increases their individual limits of liability to \$250,000 per claim and \$750,000 in the aggregate. Individual licensees whose real estate activity is at least 75% residential sales and who have had no claims in the past 5 years may purchase this endorsement for an additional premium of \$100. Individual licensees whose real estate activity is less than 75% residential sales or who have had a claim in the past 5 years may purchase this endorsement for an additional \$150. Payment for higher limits must be made directly to RISC (not the LREC).
- Higher limits are also available on an underwritten basis for real estate firms domiciled in Louisiana. The firm's principal broker or officer must complete an excess application form to be considered for excess coverage. All of the firm's licensees must be insured under the group policy for the firm to qualify for excess coverage. This program is written by Continental Casualty Company and is not guarantee-issue; however, most Louisiana firms qualify for excess coverage. Please call RISC's toll-free number if you have any questions.

9. What is the deductible?

- The damage deductible is \$1,000 per claim. There is no deductible for claim expenses.
- The carrier's obligation to pay damages begins only after the insured has paid the deductible.
- If more than one member of the same real estate firm is named in a covered claim, only one damage deductible applies.

10. Where does coverage apply?

- If you are domiciled in Louisiana, then the policy applies to errors and omissions committed anywhere in the world.
- If you are not domiciled in Louisiana, then the policy only applies to errors and omissions committed in Louisiana. However, you will be treated as domiciled in Louisiana if your principal real estate license is affiliated with a real estate office located in Louisiana and you resides within fifty (50) miles of the Louisiana state line.
- If the claim results in or from a lawsuit, the lawsuit must be brought within the United States, its territories or possessions.

11. What is the coverage period? This is a claims made and reported policy. It applies only to claims first made and reported to the Company during the individual policy period or any applicable extended reporting period (see item 13). Further, the negligent act, error, or omission must have taken place on or after the retroactive date. The retroactive date is the date when the licensee first obtained real estate E&O coverage and since which has continuously maintained such coverage, with no gaps.

12. Do I have coverage for prior acts? Your policy applies to acts, errors, and omissions that occurred after the retroactive date of your policy. The retroactive date is the date you first obtained real estate E&O coverage and since which have continuously maintained such coverage, with no gaps. If you have a gap in coverage, you will lose coverage for any acts, errors, or omissions that occurred prior to and through the last day of the gap in coverage. Accordingly, it is important to pay your premium timely to prevent a gap in coverage. If you fail to purchase coverage timely, call RISC immediately to see if you qualify for reinstatement back to January 1, 2012, which may avoid a gap and loss of your retroactive date. Please note that curing a gap in coverage will not remedy noncompliance with mandatory insurance requirements.

13. 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 (ERP).
- An automatic ERP applies if the insured licensee's license is retired, placed on inactive status, or allowed to expire. The automatic ERP allows the policy to apply to claims first made and reported up to 90 days after the policy's termination date, provided the negligent act, error, or omission is committed after the retroactive date and prior to the effective date of cancellation or non-renewal.
- An Optional ERP Endorsement (ERP Endorsement), commonly known as "Tail Coverage," may be purchased within 90 days after the policy's expiration date. ERP Endorsements are available to cause the policy to apply to claims first made and reported 1, 2, or 3 years after the effective date of the cancellation or non-renewal, provided the negligent act, error, or omission is committed after the retroactive date and prior to the effective date of cancellation or non-renewal. Tail Coverage is important because many professional liability claims are not made until years after the subject transaction occurs.

14. How are claims handled?

- Claims 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 becomes aware of the claim. To protect the insured's interests and to assure compliance with coverage conditions, it is essential to properly report claims. Immediate action is required by the real estate licensee and/or broker.
- To report a claim, submit a completed Notice of Claim form with other pertinent documents. You can download a Notice of Claim form from our website, www.risceo.com, or call us at (800) 637-7319, ext. 2, and we will send you one. Cooperate fully with the appointed defense attorney and your own company's management. RISC will be happy to answer questions regarding the claim and coverage, provided the claim has been submitted in writing.

15. Is appraisal activity covered? The policy excludes the insured's activities as an appraiser, if the appraisal activity requires licensing or certification other than a real estate license. An endorsement is available to add services performed as a licensed real estate appraiser to the policy's definition of professional services for an additional premium (fully earned and inclusive of taxes) of \$200. After the inception date of the group policy, the endorsement premium will be prorated by the month of enrollment.

16. Are claims alleging fair housing discrimination covered? The Company will pay up to \$25,000 for damages and claim expenses for all covered claims alleging acts of fair housing discrimination.

17. Are other coverages available? In addition to the optional coverages discussed in items 8 and 15, individual licensees may purchase the following endorsements, each for an additional premium (fully earned and inclusive of taxes) of \$20. To purchase additional coverages, indicate your selections on the Supplementary Enrollment Form and send the completed form, along with payment (made payable to RISC) to RISC. Do not send payments for optional coverages or higher limits to the LREC with your basic premium sent with license renewal.

- Conformity Endorsement conforms the policy to the requirements of other states where you have an active real estate license that require licensees to maintain real estate E&O coverage.
- Limited Claim Expenses Coverage Regulatory Complaints Endorsement provides defense coverage of \$2,500 for a complaint to a real estate regulatory board or commission that arises from a negligent act, error, or omission in the rendering of professional services that would otherwise be covered by the policy, up to a maximum of \$5,000 for all such complaints in a policy period.
- Limited Claim Expenses Coverage Environmental Endorsements for each of the three environmental exclusions (pollution, fungi, and microbes) provide defense coverage of \$2,500 for a claim alleging failure to detect, report, assess the effects of, or advise of the existence of the environmental risk named in the endorsement, up to a maximum of \$5,000 for all such claims in a policy period.

18. What if I have additional questions? Read the [sample policy](#), which is available on our website at www.risceo.com. Please retain a copy of the policy for your records. If you have any questions, feel free to call us at (800) 637-7319, ext. 1.

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