

South Dakota Real Estate Errors and Omissions Program

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

NOTICE

Each real estate licensee who is actively licensed in South Dakota shall, as a condition of licensing, carry and maintain errors and omissions insurance to cover all licensed activities. 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 South Dakota 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 South Dakota Codified Law 36-21A-122). If you currently have coverage with the Commission's group policy, your coverage will expire on January 1, 2010. If coverage under the policy is not timely renewed or the licensee has not obtained the required coverage from another qualified insurance provider, the Commission will place the license on inactive status on the date of termination of insurance coverage.

Enrollment Form for Errors and Omissions Insurance

In order to maintain a superior program for the South Dakota Real Estate Commission's official group program, Rice Insurance Services Company, LLC (RISC) has an agreement with Continental Casualty Company, one of the CNA insurance companies, to provide its policy for the South Dakota 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 ensure a quality program for South Dakota licensees. If you wish to participate in the group program, the one-year premium payment of \$165 per Licensee for the group program is now due. The group program provides the required limits of \$100,000/\$500,000 per Licensee with a \$1,000 deductible for Damages and a \$500 deductible for Claim Expenses. **ACTIVE** licensees (salespersons, broker associates, brokers, property managers, residential rental agents and auctioneers) are **REQUIRED** to carry E&O insurance. A firm is not 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 on inactive status may want to purchase an Optional Extended Reporting Period Endorsement (see below). Before activation of license, a licensee is required to obtain insurance coverage. Please contact your broker to verify that your company participates in the group plan before sending in your premium. **The premium is fully earned and the policy does not permit refunds after the policy's inception date.**

Optional Coverages Available: Conformity Endorsement, Appraisal Endorsement, Property Management Endorsement, Limited Claim Expenses Coverage Environmental Endorsement, Limited Claim Expenses Coverage Fair Housing Endorsement and Limited Claim Expenses Coverage Real Estate Regulatory Complaints Endorsement. To obtain optional endorsement(s), please indicate your selection(s) on the enrollment form (on back) and enclose the appropriate fee. **Note: all payments for coverage must be mailed to and made payable to the South Dakota Real Estate Commission.**

Optional Extended Reporting Period (ERP) Endorsement is available for licensees who are currently insured with the Commission's group policy who have placed their license on inactive status or otherwise have not renewed their coverage. If a licensee retires, places his/her license on inactive status or allows his/her license to expire, the current policy (expiring 1/1/2010) provides that the licensee will be insured for Claims made and reported within 90 days of the expiration date provided the act, 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, upon payment of premium within 90 days after the Licensee's policy has terminated, to purchase an ERP endorsement to extend the reporting period for up to three years. An ERP endorsement is important because many professional liability claims are not made until months after the underlying transaction occurred. The fee to obtain an ERP endorsement from January 1, 2010—January 1, 2011, is \$140 (plus any applicable endorsement premium), a two-year endorsement is \$210 (plus any applicable endorsement premium) and a three-year endorsement is \$280 (plus any applicable endorsement premium). Please contact RISC at (800) 637-7319 (ext. 3) if you would like to obtain this endorsement.

Higher Limits for Firms Available on an Underwritten Basis

We also offer a program with CNA for excess coverage above the South Dakota Group Program for firms that desire policy limits higher than those provided by the individual coverage. Excess coverage provides the firm with policy limits above the individual licensees' \$100,000 limits and is available to firms on an underwritten basis. The excess program coverage will meet most franchise requirements for higher limits and additional insured language.

The excess program offers three (3) options with different policy limits:

\$250,000 per Claim / \$250,000 annual aggregate
\$500,000 per Claim / \$500,000 annual aggregate
\$1,000,000 per Claim / \$1,000,000 annual aggregate

As the excess policy is issued to the firm, all licensees affiliated with the firm must be covered by the excess program. In addition, all of the firm's licensees are required to purchase and maintain coverage pursuant to the underlying E&O group program offered by RISC. The premium for the excess coverage will be in addition to the underlying insurance premium charged by RISC. The excess policy will not apply until all applicable limits of the individual licensees underlying insurance have been exhausted.

Rates for the firm excess program will be provided following submission of an excess application and underwriting approval. If you have an interest in excess coverage for your firm, please contact our offices at (800) 637-7319 (ext. 3).

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. 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. 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 immediately to your current carrier or risk not having coverage for the Claim.

Timely Renewal. South Dakota requires that all active real estate licensees carry and maintain errors and omissions 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.**

| | |
|---------------------|--|
| For Office Use Only | |
| Date Received | |
| Amount Received | |
| Receipt Number | |

SOUTH DAKOTA: 2010 LICENSEE ENROLLMENT FORM

Please Return This Enrollment Form With Your Payment Directly to the SDREC.

Please complete the information below. PLEASE PRINT OR TYPE. Incomplete information may cause a delay in the issuance of your coverage. If you have any questions or would like additional information on optional coverages, please visit our website www.risceo.com or call us at (800) 637-7319 ext 1.

| | |
|-------------------------|------------------------------------|
| Name: _____ | License #: _____ |
| Company: _____ | Email: _____ |
| Address: _____ | Telephone #: () - (w) |
| | Telephone #: () - (h) |
| City, State, Zip: _____ | Fax #: () - _____ |
| | SS #: _____ (optional) |

| Payment Type | Unit Price | Amount Due |
|---|---|-----------------|
| Premium (Coverage expires 1/1/2011) | Refer to Prorated Premium Chart (on reverse side) | \$ _____ |
| OPTIONAL COVERAGES BELOW: Please note that endorsements cannot be prorated. | | |
| Conformity: Circle all other mandated states where you are licensed and need proof of E&O coverage. This extension does <u>not</u> apply if you are a non-resident of South Dakota. Please circle applicable state(s) below: CO ID IA KY LA MS ND NE NM RI WY <small>*TN conformity is no longer available to some licensees due to recent changes in TN regulations. Please contact RISC for details about obtaining coverage for a TN license.</small> | \$15 (Regardless of the number of states at the time of issuance) | |
| Appraisal Endorsement (only applies for active real estate licensees) | \$200 | |
| Property Management Endorsement | \$150 | |
| Limited Claim Expenses Coverage Environmental Endorsement | \$15 | |
| Limited Claim Expenses Coverage Fair Housing Endorsement | \$15 | |
| Limited Claim Expenses Coverage Real Estate Regulatory Complaints Endorsement | \$15 | |
| Total (add prorated premium + any optional coverages) | | \$ _____ |

We will send each Insured Licensee a Certificate of Coverage upon receipt of the payment data from the SDREC. It is your responsibility to provide verification to other commissions and entities. Note all premiums are fully earned at the inception date. After the effective date, no refunds are permitted.

Please submit your E&O premium to the South Dakota Real Estate Commission.
All premium payments must be mailed to the address below.

Please make your check or money order payable to: **South Dakota Real Estate Commission**
 Mail Payment to: **South Dakota Real Estate Commission**
221 W Capitol, Suite 101, Pierre, SD 57501

*****PLEASE SIGN BELOW*****

If you have any knowledge of any act, error, omission, fact, or situation that might give rise to a claim against you, it must be reported in writing immediately to your insurance carrier before your current policy period expires.

Applicant declares that the above statements and particulars are true and that Applicant has not suppressed or misstated any material facts, and Applicant agrees that this application shall be the basis of the contract with the Company and that coverage, if written, will be provided on a claims-made basis.

Applicant understands and agrees that the completion of this application does not bind the Company to issuance of a policy. Coverage will be effective no sooner than the day after the postmarked date of the *completed application* (if you have no current coverage) or the expiration date of your current coverage. Please indicate below if another coverage date is requested.

Applicant understands that all premiums are fully earned at policy inception. Applicant hereby agrees to reimburse the Company for any and all costs and expenses the Company may incur by employing a collection agency to collect any overdue deductible. The deductible will be billed to you at the time the expense is incurred by the Company.

Applicant understands that it is a crime to knowingly provide false, incomplete or misleading information to an insurance company for the purpose of defrauding the company. Penalties include imprisonment, fines and denial of insurance benefits.

SIGNATURE: _____ DATE: _____

Continental Casualty Company
Real Estate Errors and Omissions Insurance

Administered by Rice Insurance Services Company, LLC

SOUTH DAKOTA
Prorated Premium Chart
January 1, 2010 – January 1, 2011

| Effective Date of Coverage | Premium |
|----------------------------|---------|
| JANUARY 2010 | \$165 |
| FEBRUARY 2010 | \$151 |
| MARCH 2010 | \$138 |
| APRIL 2010 | \$124 |
| MAY 2010 | \$110 |
| JUNE 2010 | \$96 |
| JULY 2010 | \$83 |
| AUGUST 2010 | \$69 |
| SEPTEMBER 2010 | \$55 |
| OCTOBER 2010 | \$41 |
| NOVEMBER 2010 | \$28 |
| DECEMBER 2010 | \$14 |

| OPTIONAL COVERAGES BELOW: Please note that endorsements cannot be prorated | |
|--|--|
| Conformity: This extension does not apply if you are a non-resident of South Dakota. CO IA ID KY LA MS NE ND NM RI WY <small>*TN conformity is no longer available to some licensees due to recent changes in TN regulations. Please contact RISC for details about obtaining coverage for your TN license.</small> | \$15 (Regardless of the number of states at the time of issuance) |
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| Limited Claim Expenses Coverage Environmental Endorsement | \$15 |
| Limited Claim Expenses Coverage Fair Housing Endorsement | \$15 |
| Limited Claim Expenses Coverage Real Estate Regulatory Complaints Endorsement | \$15 |

All premiums are collected by the South Dakota Real Estate Commission:

**South Dakota Real Estate Commission
221 W Capitol, Suite 101
Pierre, SD 57501**

RISC, LLC

Toll-free: (800) 637-7319 Local: (502) 897-1876 Fax: (502) 897-7174 Website: www.risceo.com