

COLORADO REAL COMMISSION'S GROUP REAL ESTATE ERRORS & OMISSIONS INSURANCE

RISC Rice Insurance Services Company, LLC

January 1, 2012 - January 1, 2013

All active Colorado real estate brokers are required to carry errors and omissions (E&O) insurance as a condition of licensure. The Colorado Real Estate Commission (CREC) has contracted with Rice Insurance Services Company, LLC (RISC) to administer the group E&O insurance program for Colorado licensees. Continental Casualty Company, a CNA insurance company, is the insurance carrier for the group 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.

This program is designed exclusively to provide professional liability insurance for Colorado licensees. RISC provides all servicing, including claims handling, policy issuance, marketing mailings, and customer service, for the group program. RISC's management team specializes in handling group programs in states that require real estate E&O insurance. Even the most careful professional may be victim of a frivolous lawsuit or make an honest mistake. Under the group policy, the carrier has the responsibility of defending covered claims, as well as paying a settlement or judgment of covered damages, up to the policy's 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 in which the insured receives a written demand for money or services seeking damages and alleging a negligent act, error, or omission in professional services (subject to the terms and conditions of the policy).
- Claims in which the insured is served with a lawsuit seeking damages and alleging a negligent act, error, or omission in professional services (subject to the terms and conditions of the policy).
- To be covered, the claim must first arise and be reported in writing to the Company during the policy period.
- To be covered, the claim must be unknown and unforeseen at the inception of the policy period.

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

3. Who is covered?

- Individuals who hold an active license issued by the CREC who pay the required premium.
- Heirs, executors, administrators, or assigns of the insured licensee in the event of such 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 the licensee's behalf.
- Any real estate firm the insured licensee represents, but only for its vicarious liability for a negligent act, error, or omission arising out of the licensee's professional services.

4. What are the limits of liability?

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

5. Are higher limits available?

- Individual licensees may purchase higher limits of \$250,000 per claim with a \$750,000 aggregate or \$500,000 per claim with a \$1,000,000 aggregate. Licensees may purchase higher limits when they enroll online or by mail and no separate application is required. Licensees whose real estate activity is at least 75% residential sales and who have had no claims in the past 5 years may purchase the \$250,000/\$750,000 option for an additional premium of \$170 or the \$500,000/\$1,000,000 option for \$279. Licensees whose real estate activity is less than 75% residential sales or who have had a claim in the past 5 years may purchase the \$250,000/\$750,000 option for \$203 or the \$500,000/\$1,000,000 option for \$321.
- We also offer firm "excess" policies with limits of \$500,000, \$1,000,000, or \$2,000,000. Rates for the firm excess program will be provided following submission of an excess application completed by the firm's principal broker or officer and underwriting approval by the carrier. If you are interested in excess coverage for your firm, please contact us toll-free at (800) 637-7319, ext. 3

6. How much is premium? The fully-earned premium, including all taxes, is \$243. Additional coverages are available by endorsement for an additional premium (see items 20-22 for additional coverages). You may pay when you enroll online or, if you enroll by mail, include payment with your enrollment form. After the inception date of the group policy, the premium will be prorated by the month of enrollment. Premiums are fully earned upon inception, and no refunds are permitted after that date.

7. How do I obtain coverage? You may enroll online at www.risceo.com and download your certificate of coverage immediately. There is a \$5 fee for online enrollment. You may also enroll by mail by sending us a completed enrollment form, along with your premium payment made payable to RISC, and we will send you a certificate of coverage once we process your enrollment. Employing brokers should make certain their firms' licensees enroll prior to the deadline to ensure a January 1 inception date.

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

- Colorado law requires all active real estate licensees to carry and maintain E&O insurance. If you do not pay your premium timely, the CREC may inactivate your license and assess fines and penalties.
- 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 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, penalties, and fines.

9. What is the deductible? There is \$1,000 deductible for damages and no deductible for claim expenses.

10. Where does coverage apply?

- If you are domiciled in Colorado, the policy applies to errors and omissions committed anywhere in the world.
- If you are not domiciled in Colorado, the policy only applies to Colorado transactions. However, you will be treated as domiciled in Colorado if your principal real estate license is affiliated with a real estate office located in Colorado and you reside within 50 miles of the Colorado 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. Further, the subject act, error, or omission must have taken place on or after the retroactive date. The retroactive date is the date the insured licensee first obtained, and since which has continuously maintained, real estate E&O 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 when you first obtained real estate E&O coverage and since which time have continuously maintained 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.
 - An automatic extended reporting period applies if the insured licensee's license is retired, inactivated, or allowed to expire. The automatic extended reporting period allows the policy to apply to claims first made and reported up to 90 days after the policy's expiration date, so long as the act, error, or omission was committed after the retroactive date and prior to the effective date of cancellation or non-renewal.
 - An Optional Extended Reporting (ERP) Period 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 policy's expiration date, provided the act, error, or omission was committed after the retroactive date and prior to the effective date of cancellation or non-renewal. Tail Coverage is important because many 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 assure coverage conditions are not violated, 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, along with copies of the claim and other pertinent documents, to RISC. 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 coverage and the claim, provided the claim has been submitted in writing.
15. **What if I currently have notice of a claim or a potential claim?** You should report the claim or potential claim immediately to your current carrier or you may jeopardize any potential coverage for the claim.
16. **Is the sale or listing of a licensee's primary residence covered?** The policy provides coverage for the sale or listing of an insured licensee's primary residence, if the sale or listing is performed under the licensee's real estate license and supervised by the licensee's employing broker or firm.
17. **Are fair housing/discrimination claims covered?** For no additional premium, the policy automatically includes sublimits of \$30,000 per claim, \$30,000 in the aggregate (damages and claims expenses) for fair housing discrimination.
18. **Are earnest/escrow money claims covered?** For no additional premium, the policy automatically includes sublimits of \$10,000 per claim, \$25,000 in the aggregate (damages and claims expenses) for earnest/escrow money claims connected with professional services, provided that the requirements of Colorado license law governing client funds are satisfied and the funds are held separate from those of the insured.
19. **Are lock box claims covered?** For no additional premium, the policy automatically includes sublimits of \$100,000 per claim, \$300,000 in the aggregate (damages) for lock box property damage claims. Defense costs are in addition to the lock box claim sublimits of liability.
20. **Is appraisal activity covered?** The policy excludes coverage for activities as an appraiser, if such activity requires licensing or certification other than a real estate license. Insured licensees with active real estate and active appraiser licenses may purchase an endorsement, which adds 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 \$140.
21. **Are rental, leasing, and property management covered?** The policy applies to all activities requiring a real estate license (including renting or leasing real property) but not to rental, leasing, or property management activities that do not require a real estate license. Many licensees engage in property management activities that do not require a real estate license, such as oversight of physical maintenance of property and management of tenant relations. For only \$25 (fully earned and inclusive of taxes), licensees may purchase an endorsement to expand the professional services to which the policy applies to include specific services (listed in the endorsement) incidental to property management but that do not require a real estate license.
22. **Are other coverages available?** In addition to the optional coverage discussed in items 20 and 21, individual licensees may purchase the following endorsements when enrolling online or by mail. The premium (fully earned and inclusive of taxes) for each of the endorsements listed below is \$20. Endorsements become effective the later of the policy's effective date or the date we receive the endorsement premium.
 - Limited Claims Expenses Coverage Regulatory Complaints Endorsement provides coverage for defense costs of \$2,500 per complaint, up to \$5,000 in the aggregate, for complaints to a real estate regulatory board or commission if the complaint arises from a negligent act, error, or omission in the rendering of professional services that would otherwise be covered by the policy.
 - Limited Claims Expenses Coverage Environmental Endorsement provides coverage for defense costs of \$2,500 per claim, up to \$5,000 in the aggregate, for claims alleging the insured licensee's failure to detect, report, assess the effects of, or advise of the existence of pollutants, fungi, or microbes.
 - Conformity Endorsement conforms your Colorado policy to meet the requirements of another state that requires real estate E&O coverage where you have an active real estate license. You must be a resident of Colorado to be eligible for this endorsement.
23. **What if I have additional questions?** Read the sample policy, which is available on our website, www.risceo.com. If you have any questions, feel free to call us at (800) 637-7319, ext. 1.

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