



**Kentucky Real Estate Commission's (KREC's)
Group Real Estate Errors and Omissions (E&O) Insurance Program**
Administered by Rice Insurance Services Company, LLC (RISC)
and Issued by Continental Casualty Company

502.897.1876/1.800.637.7319
PO Box 6709, Louisville, KY 40206
4211 Norbourne Blvd, Louisville, KY 40207
www.risceo.com

Notice – ACTIVE Kentucky real estate licensees must carry E&O insurance as a condition of licensing. Prospective licensees must obtain insurance before license activation. If you are currently insured in the KREC's 2019/2020 group plan, your coverage expires April 1, 2020. Licensees may purchase coverage outside of the group program if it complies with Kentucky law. Failure to maintain E&O insurance violates state law and may result in loss of prior acts coverage. **INACTIVE** licensees are not required to have E&O insurance. Contact RISC with any questions about the group program.

Protection from the Most Experienced Provider in the Business – Rice Insurance Services Company, LLC (RISC) is pleased to continue to provide the KREC's group E&O insurance program, designed exclusively to provide E&O insurance to Kentucky licensees. RISC, located in Louisville, Kentucky, specializes in handling programs in states with mandatory real estate E&O insurance requirements. RISC manages all aspects (claims handling, policy issuance, mailings, etc.) for the program. Continental Casualty Company, a CNA insurance company, rated "A (Excellent)" by A.M. Best, is the insurance carrier.

What Is and Is Not Covered – We urge all licensees to review a sample policy, including the Exclusions section. Sample copies of the policy and optional endorsements are available on our website, www.risceo.com, or by calling us at (800) 637-7319 or (502) 897-1876, ext. 1. The group program provides the required limits of liability of \$100,000 per claim, up to a \$1,000,000 aggregate, per licensee, with no deductible. The cost to enroll is \$106, plus applicable taxes and surcharge, per licensee.

Firm Excess Policies Available – In addition to the optional increased limits endorsements available to individual licensees, we offer firm excess policies with limits of \$500,000 and \$1,000,000. Our excess program offers these key features at no additional cost: (1) Environmental Hazards Coverage up to a sublimit of \$100,000 for covered claims alleging failure to advise of the existence of pollutants, asbestos, radon, or lead and (2) Discrimination Coverage up to a sublimit of \$100,000 for covered discrimination claims. The excess program also offers these optional coverages for an additional premium: (1) Residential Ownership Coverage up to a sublimit of \$250,000 for covered claims related to the sale of residential properties owned or partially owned by the firm's licensees and (2) Enhanced Lockbox Coverage up to a sublimit of \$50,000 for covered lockbox claims. All the firm's licensees must participate in the group program for the firm to qualify for an excess policy. Contact us for an application or additional information.

This is a Claims-Made-and-Reported Policy – There is no coverage for claims first made before the beginning or after the end of your individual policy period. If you have any knowledge of a claim; potential claim; or any act, error, omission, fact, or situation that may give rise to a claim against you or your company, it must be immediately reported in writing to your insurance carrier before your current policy period expires. Failure to do so may jeopardize any coverage that would have otherwise been available. Any claim under the group policy must be reported to us in writing during the individual policy period in which it is first made against the insured. For further instructions and a notice of claim form, visit our website, www.risceo.com, then select the "Resources" tab and click "Forms" or call us toll-free at 1-800-637-7319, ext. 2.

Prior Acts and Importance of Timely Renewal – Your "retroactive date" determines whether your insurance applies to claims involving services performed before the new policy's effective date. The retroactive date is the date from which you have continuously maintained uninterrupted E&O insurance with no breaks between policy periods. Even a one-day gap will result in loss of coverage for ALL professional services performed before the new policy's effective date, even if you had E&O insurance when the services were provided and again when the claim arises. If you fail to enroll timely, call RISC immediately to see if you qualify to backdate your individual policy period to April 1, 2020. This procedure will not remedy noncompliance with mandatory insurance laws, which will result in penalties and fines.

If You are Not Renewing – There is no coverage for claims that arise after the end of your individual policy period unless an extending reporting period (ERP) is in place. Claims often arise years after the subject transaction occurred. If you are not renewing coverage for any reason, (e.g. inactivating / retiring your license or switching to a firm policy), you should consider purchasing an ERP endorsement. We offer optional 1, 2, 3, and 5 year ERP endorsements to extend the policy's reporting date to apply to claims that are first made and reported within that period. **5-YEAR ERP ENDORSEMENT OPTION IS NEW FOR 2020.** The premium for a 1, 2, 3, or 5 year ERP endorsement is 100%, 150%, 200%, or 300%, respectively, of expiring premium, including any applicable endorsement premium, taxes, and surcharge. An ERP endorsement may only be purchased any time during or up to 90 days after the end of your individual policy period.

Territory – Licensees domiciled in Kentucky are insured for errors and omissions committed anywhere they hold an active real estate license, provided the services would require a real estate license if performed in Kentucky. Licensees domiciled outside of Kentucky are insured for Kentucky transactions only. However, out-of-state licensees will be treated as domiciled in Kentucky if their principal real estate license is affiliated with a real estate office located in Kentucky and they reside within 50 miles of the Kentucky state line. If a claim results in or from a lawsuit, the lawsuit must be brought within the U.S., its territories or possessions, Puerto Rico, or Canada.

Effective Date – Coverage will be effective the later of April 1, 2020 or the day we receive your *completed application* and premium. Contact us in writing if you are not currently insured through the group program and would like to request an effective date different than the later of April 1, 2020 or the day we receive your *completed application* and premium.

Premium / Deductible – Licensee understands that all premiums are fully earned at policy inception and no refunds are permitted after that date. If your payment is returned for nonsufficient funds, you are responsible for payment of any resulting bank fees or penalties. The deductible will be due in accordance with the policy. Licensee agrees to reimburse the Company for any and all costs and expenses it incurs by employing a collection agency to collect any overdue deductible. Licensee has reviewed and understands the information contained herein. Licensee declares that the above statements are true and that Licensee has not suppressed or misstated any material facts. Licensee 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. Licensee 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-and-reported basis. Licensee understands and agrees that the completion of this application does not bind the Company to issue a policy.

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, a CNA insurance company. The information included on both pages of this document 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. © 2020



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APRIL 1, 2020 – APRIL 1, 2021 GROUP POLICY PERIOD

NOTICE – Kentucky law requires active real estate licensees to maintain real estate E&O insurance as a condition of licensing. **You will not be able to renew your real estate license until you obtain basic coverage through the group program or purchase other insurance that meets state requirements. Therefore, you must obtain insurance prior to the license renewal deadline of March 31, 2020.** The KREC charges a \$10 E&O processing fee during license activation or renewal, regardless of where insurance is purchased.

**EASY ONLINE ENROLLMENT WITH A VISA OR MASTERCARD ON RISC'S WEBSITE,
<https://enroll2.risceo.com/policies/kydirect>**

| Basic Policy | Premium |
|--|--------------|
| Group Policy Period – April 1, 2020 to April 1, 2021 Limits of Liability – \$100,000 per claim / \$1,000,000 aggregate No Deductible Automatically Includes at No Additional Cost: <ul style="list-style-type: none"> • Primary Residence Claim Coverage – Up to policy limits for covered claims relating to the sale or listing of your primary residence under certain conditions. • ENHANCED SUBLIMITS FOR 2020 <ul style="list-style-type: none"> ○ Environmental Claim Sublimits – \$10,000 per environmental claim / \$20,000 aggregate (damages, no limit on defense costs). ○ Discrimination / Fair Housing Claim Sublimits – \$25,000 per discrimination / fair housing claim / \$25,000 aggregate (damages, no limit on defense costs). ○ Escrow Claim Sublimits – \$5,000 per escrow claim / \$10,000 aggregate (damages, no limit on defense costs). ○ Lock Box Claim Sublimits – \$5,000 per lock box claim / \$10,000 aggregate (damages, no limit on defense costs). • Regulatory Complaints Coverage – Up to \$2,500 per regulatory complaint (defense costs only) / \$5,000 aggregate. • Subpoena Coverage INCLUDED AT NO EXTRA COST FOR 2020 – \$2,500 per subpoena / \$2,500 aggregate (attorneys' fees). • Supplemental Coverage Security Breach Notification NEW FOR 2020 – Reimbursement to the real estate firm, regardless of number of licensees involved, up to a maximum \$5,000 for costs incurred to provide required notification to clients of a security breach when information may have been disclosed or used in an unauthorized manner. This is not coverage for personal identity theft risk, which is not a professional liability risk and is usually offered to individuals by personal insurance policy providers and credit card companies. • Real Estate Firm, Real Estate Team NEW FOR 2020, and Real Estate Franchisor that you represent included in the policy's definition of an insured for the entity's vicarious liability for negligent acts, errors, and omissions in your professional services. Franchise Endorsements are also available to add a franchise group with which you are affiliated to the definition of real estate firm to comply with specially-tailored language required by many franchise groups. • Spouse or Domestic Partner of the licensee is included in the policy's definition of an insured under certain conditions. | \$106 |

Optional Endorsements Available

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|--|--|---|---|--------------|---|---|--------------|--|
| Appraisal – Adds appraisal services to insured professional services. Appraisers <i>must</i> purchase this endorsement to be insured for appraisal activity. Eligibility Requirements: (1) an active real estate license and (2) an active appraisal license. | \$200 | | | | | | | |
| Appraisal Trainee – Changes the definition of insured to include specific appraiser trainees listed in the endorsement. Eligibility requirements: (1) an active real estate license; (2) an active appraisal license; and (3) also purchase an appraisal endorsement (above). <i>You must attach a list of appraiser trainees you would like listed in the endorsement. A separate premium applies to each appraisal trainee listed.</i> | \$200 per appraisal trainee | | | | | | | |
| Conformity – Conforms coverage under the KY policy to meet the requirements of other mandatory states (AK, CO, IA, ID, LA, MS, ND, NE, NM, RI, SD, TN* , and WY) where you have an active real estate license. This is not available to some licensees due to TN regulations. Contact RISC if you have questions. Eligibility Requirement: You must be domiciled in KY or treated as domiciled in KY under the policy's terms. | \$15 | | | | | | | |
| Residential Personal Interest – Adds sublimits \$100,000 per residential personal interest claim / \$1,000,000 aggregate (damages, no limit on defense costs) for the sale or listing for sale of residential property in which you, your spouse, or an entity owned by you or your spouse have an ownership interest under certain conditions. | \$50 | | | | | | | |
| Developed / Constructed by Spouse – Adds insurance for the sale or listing for sale of residential property constructed or developed by the licensee's spouse under certain conditions. | \$250 | | | | | | | |
| Increased Limits – You may purchase ONLY ONE of the following. | | | | | | | | |
| <table border="1"> <tr> <td rowspan="2" style="width: 15%;">\$250,000 per Claim / \$1,000,000 Aggregate</td> <td style="width: 5%; text-align: center;">A</td> <td style="width: 60%;">75% or more¹ of your real estate activity income is earned from Residential Sales² and you have had no claims³ in the past 5 years.</td> <td align="center" style="width: 20%;">\$60</td> </tr> <tr> <td style="text-align: center;">B</td> <td>Less than 75%¹ of your real estate activity income is earned from Residential Sales² or you have had 1 or more claims³ in the past 5 years.</td> <td align="center">\$90</td> </tr> </table> | \$250,000 per Claim / \$1,000,000 Aggregate | A | 75% or more ¹ of your real estate activity income is earned from Residential Sales ² and you have had no claims ³ in the past 5 years. | \$60 | B | Less than 75% ¹ of your real estate activity income is earned from Residential Sales ² or you have had 1 or more claims ³ in the past 5 years. | \$90 | |
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| \$500,000 per Claim / \$1,000,000 Aggregate | | A | 75% or more ¹ of your real estate activity income is earned from Residential Sales ² and you have had no claims ³ in the past 5 years. | \$110 | | | | |
| | B | Less than 75% ¹ of your real estate activity income is earned from Residential Sales ² or you have had 1 or more claims ³ in the past 5 years. | \$165 | | | | | |

¹To determine the percentage of your real estate activity income derived from Residential Sales, divide your income derived from Residential Sales by the amount of your total real estate activity income.

²Residential Sales means sales of properties zoned for and occupied exclusively as residences for 4 families or less. Residential Sales also includes: (1) sales of vacant land, provided the land is zoned for residential use and is not a development project of 4 or more residences and (2) sales of farm property that will be a buyer's principal residence and where a buyer will derive no more than 25% of total income from farming. Commercial sales and renting, leasing, managing, or appraising residential or commercial property are not Residential Sales.

³If you are a principal broker, a claim made against you, your firm for your acts, or your firm for the firm's acts is considered a claim against you for purposes of calculating the endorsement premium. If you are not a principal broker, a claim made against you or your firm for your acts is considered a claim against you for purposes of calculating the endorsement premium.

Do not use this form to enroll in the group policy. Enroll online at <https://enroll2.risceo.com/policies/kydirect> with Visa or MasterCard. For more information, visit our website, www.risceo.com, or contact us at 1-800-637-7319.

| How Total Premium is Calculated | Basic Policy Premium | \$ 106 |
|---------------------------------|---|-----------------|
| | + Any Optional Endorsement Premium | \$ _____ |
| | SUBTOTAL | \$ _____ |
| | + Municipal Tax* (Subtotal x Tax Rate _____%) | \$ _____ |
| | + KY Surcharge (Subtotal x 1.8%) | \$ _____ |
| | TOTAL DUE | \$ _____ |

*This is **NOT** the 6% State Sales Tax. You may verify the tax rate for the city and county where your firm's OFFICE is located with your principal broker. We will verify the proper tax rate for your firm's address with special software in accordance with KY law. Contact RISC with any questions.