



• We put the *Experience and Options* in E&O programs •
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ALASKA REAL ESTATE COMMISSION'S (AREC's) GROUP ERRORS AND OMISSIONS (E&O) PROGRAM

Administered by Rice Insurance Services Company, LLC (RISC) and Issued by Continental Casualty Company (Continental)

Alaska law allows the AREC to contract for a group E&O policy as an option for real estate licensees to obtain E&O insurance. RISC has been group program provider since the initial group policy went into effect on January 1, 2018. After another successful year, we are looking forward to continuing to serve Alaska licensees with the January 1, 2020 to January 1, 2021 group program. While this program is fairly new to Alaska, RISC has been providing group policies for the vast majority of states with similar programs for more than a decade. RISC's management team has worked with these programs even longer – longer than any other group in the business. The insurance carrier is Continental Casualty Company, a CNA insurance company (rated "A" by A.M. Best).

Why have real estate E&O insurance?

- J It's required by state law – All actively licensed Alaska real estate licensees must carry E&O insurance. We hope you choose the group program, which has been specially tailored for Alaska licensees. You may also obtain insurance from other providers, as long as coverage meets state requirements and proof of insurance is provided to the AREC in accordance with state law.
- J It benefits licensees – Many real estate licensees face a claim at some point in their careers. Some are frivolous but may still lead to thousands of dollars of defense costs, which would be paid by the insurance carrier if covered under an E&O policy. Others are the result of a licensee's honest mistake. If E&O coverage is available, then the insurance carrier would pay covered damages to the claimant on the insured's behalf.
- J It benefits the public – The public relies on licensees for guidance through real estate transactions, including the purchase and sale of homes, which may be their largest investment. If an insured licensee has liability for an honest mistake that leads to a claim, damages may be covered under an E&O policy.

ALASKA GROUP REAL ESTATE E&O POLICY

OPTION A. Residential Sales Coverage + Expanded Definition of Professional Endorsement – \$642. • **OR** • **OPTION B.** Residential Sales Coverage Only – \$450.
DAMAGE DEDUCTIBLE – \$2,500 per Claim. • **CLAIM EXPENSE DEDUCTIBLE** – None.

LIMITS OF LIABILITY PER INSURED LICENSEE – \$100,000 per Claim (Damages) / \$300,000 Aggregate w/ No Limit on Claim Expenses.

DISCRIMINATION CLAIM SUBLIMITS OF LIABILITY – \$5,000 per Discrimination Claim (Damages & Claim Expenses, Combined) / \$10,000 Aggregate.

ENVIRONMENTAL CLAIM SUBLIMITS OF LIABILITY – \$5,000 per Environmental Claim (Damages & Claim Expenses, Combined) / \$10,000 Aggregate.

ESCROW CLAIM SUBLIMITS OF LIABILITY – \$5,000 per Escrow Claim (Damages & Claim Expenses, Combined) / \$10,000 Aggregate.

REGULATORY COMPLAINT COVERAGE – \$2,500 per Complaint to a Real Estate Regulatory Board or Commission (Claim Expenses) / \$5,000 Aggregate.

SUBPOENA COVERAGE – \$2,500 per Subpoena & Aggregate (Attorneys' Fees).

OPTIONAL ENDORSEMENTS

LIMITED COVERAGE LOCKBOX CLAIM ENDORSEMENT (\$20) – \$5,000 per Lock Box Claim (Damages & Claim Expenses, Combined) / \$10,000 Aggregate.

RESIDENTIAL PERSONAL INTEREST ENDORSEMENT (\$50) – Adds insurance for claims relating to the sale or listing for sale of residential property, as defined in the endorsement, owned by the insured licensee, insured licensee's spouse or domestic partner, or an entity owned or controlled by the licensee or licensee's spouse or domestic partner, under certain conditions.

CONFORMITY ENDORSEMENT (\$20) – Conforms your insurance under the Alaska group policy to meet E&O requirements in another state with mandatory insurance requirements where you have an active real estate license. You must be domiciled in Alaska and purchase the expanded services coverage option to qualify for this endorsement.

VISIT WWW.RISCEO.COM TO ENROLL ONLINE OR DOWNLOAD AN ENROLLMENT FORM.

Coverage Options

To help keep costs down for licensees who have not had a claim and only do residential sales, as defined in the policy, we offer a policy option that only insures professional services for residential sales. The options impact the coverage provided, not just the premium, so it's important to consider the differences:

- J **OPTION A.** Residential Sales Coverage + Expanded Definition of Professional Services Endorsement – Includes the basic policy coverage (residential sales only) and an expanded definition of professional services endorsement, which adds insurance for professional services that require a real estate license in addition to residential sales.
- J **OPTION B.** Residential Sales Coverage Only – Basic policy coverage is limited to claims involving the licensee's professional services in connection with residential sales, as defined in the policy.

How to Choose:

- J Licensees who fall within any of the following **must** purchase **OPTION A.** Residential Sales Coverage + Expanded Definition of Professional Services Endorsement: (a) have had a Paid Claim* in the past 5 years, (b) have ever done any activity other than Residential Sales** (as defined in the policy), or (c) plan to do any activity other than Residential Sales** (as defined in the policy) during the individual policy period.
- J Licensees who do not fall within the above but would like the expanded services coverage **may** also pay the higher premium for that coverage.

***Paid Claim** – Whether or not reported to your insurer, a written demand (even if by email) for money or services received by you or a real estate firm or service of a lawsuit or institution of arbitration or mediation proceedings against you or a real estate firm that seeks damages and alleges a negligent act, error, or omission in your professional services as a real estate licensee, in which payment was made for damages (compensatory award or settlement) or defense costs by you, a real estate firm, or on your or a real estate firm's behalf. Complaints to or disputes before a real estate regulatory board or commission are not claims.

****Residential Sales** – Sales or listings for sale of real property whose primary purpose is to provide 1 or 2 single-family dwellings in one building. Residential Sales do not include commercial sales; commercial listings; or renting, leasing, managing, or appraising any type of property.

Licensees who do Mostly Residential Sales or Have Not Done Other Activity for a Long Time:

- J Should still purchase **OPTION A.** Residential Sales Coverage + Expanded Definition of Professional Services Endorsement. As a claims-made-and-reported policy, the policy that applies to a claim is the one in effect when the claim is first made, not the one in effect when the transaction occurred.
- J Claims are often made years after the transaction. For example, in his 10 years as a real estate licensee, Sam Sells has only handled one commercial sale, which closed in 2015. If he chooses **OPTION B.** Residential Sales Coverage Only for the January 1, 2020 to January 1, 2021 policy period, and a claim involving the 2015 commercial sale is made against Sam on June 1, 2020, it would not be covered, because the insurance in effect when the claim is made only applies to claims involving residential sales. Coverage for any claim would be determined based on all of the policy's terms, conditions, and exclusions.

ANSWERS TO FREQUENTLY ASKED QUESTIONS ON BACK. VISIT WWW.RISCEO.COM FOR ONLINE ENROLLMENT, SAMPLE POLICY AND ENDORSEMENT FORMS, RISK REDUCTION MATERIAL, AND ADDITIONAL INFORMATION. FEEL FREE TO CALL US AT 1-800-637-7319, EXT. 1 (OFFICE HOURS 8:30 AM – 5:00 PM EASTERN TIME). WE ARE ALWAYS HAPPY TO HELP!

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 Alaska. © 2019

FREQUENTLY ASKED QUESTIONS

Policy Information

What is the policy period? The group policy period runs on an annual basis from January 1 to January 1. Active Alaska licensees may purchase insurance at any time within the group policy period (it is important to maintain continuous coverage and prevent gaps between policy periods). Each licensee's insurance expires concurrently with the group policy's January 1 expiration date.

When must a claim be made for the group program to apply?

- J As a claims-made-and-reported policy, the group policy applies to claims that are both first made against the insured and first reported to RISC during the individual policy period or any applicable extended reporting period (ERP, commonly known as "tail coverage"). It does not apply to claims made before the beginning of the individual policy period. Nor does it apply to claims made after the end of the individual policy period, unless an ERP is in place.
- J Automatic ERP – For licensees who do not renew coverage through the group policy because their license is retired, inactivated, or allowed to expire, the policy provides a 90-day ERP.
- J Optional ERP Endorsement – Licensees who do not renew coverage through the group policy for any reason may purchase a 1, 2, 3, or 5 year ERP endorsement for 100%, 150%, 200%, or 300%, respectively, of the expiring premium, including any endorsement premium. Optional ERP endorsements can only be purchased within 90 days after the licensee's policy ends.

Does the group policy insure professional services performed before the policy's effective date? For a claim to be covered under the group policy, the professional services must have occurred after the insured licensee's retroactive date. The retroactive date is the date from which the licensee has maintained continuous, uninterrupted real estate E&O insurance on a claims-made basis. If there is even a one-day gap in coverage between the date of the professional services and the claim, the policy will not apply, even if insurance was in effect at the time of professional services and again when the claim is made.

Who is insured under the group policy? (1) The licensee who pays the required premium; (2) the insured licensee's unlicensed employees, as defined in the policy; (3) the insured licensee's heirs, executors, administrators, or assigns in the event of the licensee's death, incapacity, or bankruptcy but only to the extent coverage would be available to the licensee; (4) the insured licensee's spouse or domestic partner in certain situations; and (5) any real estate firm or real estate franchisor for its vicarious liability for covered claims involving the licensee's professional services.

Where does coverage apply? For insured licensees domiciled in Alaska, the group policy applies to professional services performed anywhere they have an active real estate license, provided the services would otherwise be covered under had they been performed in Alaska. For insureds not domiciled in Alaska, the group policy only applies to professional services performed in Alaska. To be covered, a claim must be brought within the USA, its territories or possessions.

Does the group policy provide coverage for claims involving the insured's own property?

- J No, there is an exclusion for claims involving professional services relating to property (1) purchased by the following, (2) attempted to be purchased by the following, or (3) in which the following had more than a 10% ownership interest: (a) the insured; (b) the insured's spouse or domestic partner; or (c) an entity, partnership, or trust in which the insured or insured's spouse or domestic partner owned or controlled more than 10% ownership or financial interest.
- J One of the most commonly reported claims is failure to disclose a hidden defect. There is more inherent risk exposure when the licensee had an ownership interest in the property, because of the licensee's increased knowledge of the property's history and the (real or perceived) financial motivation to downplay defects or needed repairs.
- J An optional residential personal interest coverage endorsement is available for an additional premium to add insurance for claims relating to the sale or listing for sale of residential property, as defined in the endorsement, owned by the insured licensee, insured licensee's spouse or domestic partner, or an entity owned or controlled by the licensee or licensee's spouse or domestic partner, under certain conditions.

Does the group policy provide coverage for claims involving property developed or constructed by the insured? No, there is an exclusion for claims involving professional services developed or constructed by the following: an insured; insured's spouse or domestic partner; or an entity, partnership, or trust in which an insured or insured's spouse or domestic partner owned or controlled more than 10% ownership or financial interest.

Claims

What is a claim under the group policy?

- J A written demand for money or services received by the insured or 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, as defined in the policy (note the definition of professional services is different under the residential coverage option and the expanded services coverage option). Some licensees think only lawsuits are claims. That is not necessarily the case. We often see emails meeting the definition of a claim.
- J Not all claims will be covered by the group policy. It's important to review the entire policy, including the exclusions, to understand the coverage provided.

What do I do if a claim is made against me?

- J Immediately provide written notice of the claim to your E&O provider. This is critical, because most E&O policies only apply to claims that are both first made against the insured and reported to the insurance company during the individual policy period. Additionally, most E&O policies require the insured to report a claim within a certain time period. Failure to provide timely notice of the claim could jeopardize any coverage that may otherwise be available.
- J Cooperate with the insurance company and any defense counsel retained on your behalf.
- J Don't admit liability, make a settlement offer, pay damages, or assume any duty or obligation for any claim without your insurer's consent or risk jeopardizing any coverage that may otherwise be available.

What happens after a claim is reported to RISC in writing? It is assigned to one of RISC's in-house adjusters, who will request any additional information needed and review the claim for coverage and send the insured a written coverage determination (either no coverage available, covered under the policy terms, or covered subject to reservations of rights for issues that may limit or preclude coverage). Our adjusters focus exclusively on real estate E&O claims. If a covered claim involves a lawsuit, the adjuster will retain local counsel to defend the insured. If a covered claim is not in litigation, the adjuster may work with the insured to respond to the claim without retaining local counsel. Regardless of whether local counsel is retained, the adjuster will continue to be involved with covered claims through final resolution.

RISC and Continental

What is the difference between the insurance program provider and the insurance carrier? RISC is the provider for the group insurance program. We are the point of contact for the AREC and licensees. We handle all aspects of the program, including mailings, enrollment and renewals, claims management, and answering any questions you may have. Continental is the insurance carrier. Its underwriters determine the appropriate premium and it issues the policy. Any damage or defense cost payments are made by Continental.

Do RISC and Continental have real estate E&O experience? Absolutely. The Rice family formed RISC in 2002 exclusively to administer state-mandated real estate E&O programs. The Rice family and their colleagues have been operating as a business unit specializing in these types of programs since 1989. The vast majority of states with mandatory real estate E&O group programs have selected RISC as their program provider. We have a wealth of knowledge and historical data that helps us identify trends impacting real estate licenses. Continental, a CNA company, is rated "A (Excellent)" by A. M. Best. CNA provides insurance protection to more than 1,000,000 businesses and professionals in the United States and internationally, including more real estate agents in the nation than any other insurance carrier. CNA has over 50 years experience writing professional liability coverage, including over 30 years in real estate E&O.