

# LOUISIANA REAL ESTATE ERRORS & OMISSIONS INSURANCE

## RISC

### Rice Insurance Services Company, LLC

Under agreement with the Louisiana Real Estate Commission

January 1, 2010 - January 1, 2011

## 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 insurance as a condition of licensure. The Louisiana Real Estate Commission has contracted with Rice Insurance Services Company, LLC (RISC) to administer the group Errors & Omissions (E&O) insurance program for Louisiana licensees. Continental Casualty Company, one of the CNA insurance companies, is the insurance carrier for the E&O 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 (administrative duties include claims handling, certificate of coverage issuance, marketing mailings, customer service, etc.) of the Louisiana account. The management team of RISC specializes in handling group programs for states with mandatory real estate E&O insurance requirements and provides the group coverage in eleven of the thirteen states that currently have mandatory programs. RISC is located at 4211 Norbourne Boulevard, Louisville, Kentucky 40207-4048.

This program is designed exclusively to provide professional liability insurance for Louisiana Real Estate Licensees. Even the most careful professional cannot always prevent the filing of a frivolous lawsuit nor can he/she preclude making an honest mistake. Under this program, the insurance carrier has the responsibility of defending, as well as paying a 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?

- A. Claims for which a written demand for money or services is first made against the Insured during the policy period and reported in writing during the policy period.
- B. Claims which were unknown and unforeseen at the inception of the policy period.
- C. Claims arising from a negligent act, error or omission relating to the rendering of or failure to render Professional Services as a real estate licensee.

### 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" for a listing of excluded Claims.

### 3. Who is covered?

- A. Individuals who hold an active license issued by the Louisiana Real Estate Commission and who pay the required premium.
- B. Heirs, executors, administrators, or assigns of the Insured Licensee in the event of such Insured Licensee's death, incapacity, insolvency or bankruptcy but only to the extent the Insured Licensee would have been covered under this policy.
- C. 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 Insured Licensee.
- D. Any Real Estate Firm that the Insured Licensee represents; however, coverage only applies to said Real Estate Firm for its vicarious liability for a negligent act, error or omission arising out of Professional Services by the Insured Licensee.

### 4. How do I obtain coverage?

To enroll in the group program, 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. The principal broker should make certain that all premium checks are mailed to the Commission prior to the deadline of December 31, 2009 for those Licensees joining at the January 1, 2010 group policy period inception date in order to maintain continuous coverage. Note that a late fee applies for license renewals after January 1. Late renewals submitted to LREC after January 31<sup>st</sup> must include a premium payment of \$184 and a Reinstatement Request Form (available online at [www.risceo.com](http://www.risceo.com)). In order 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 Commission. After the inception date of the group policy, 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 Commission) and see Sections 13-15 of this brochure for information regarding additional coverages.

### 6. What is the limit of liability?

- A. The most the insurance carrier will pay for all Damages arising out of the same or related negligent acts, errors or omissions is \$100,000 per Insured Licensee. NOTE: Claim Expenses are in addition to, and not within, the Limits of Liability.
- B. The Limits of Liability apply separately to each Insured Licensee.
- C. The Annual Aggregate Limit is \$300,000. This means the most the insurance carrier will pay for each Insured Licensee for all Damages combined during the Individual Policy Period is \$300,000.

### 7. Are higher limits available?

Limits of \$250,000 per Claim per Insured Licensee with \$750,000 Annual Aggregate are available to individual licensees. Licensees whose real estate activity is at least 75% residential sales and who have had no claims in the past five years may pay an additional premium of \$100 to increase limits to \$250,000. Licensees whose real estate activity is less than 75% residential sales and/or who have had claims in the past five years may pay an additional \$150 to increase limits to \$250,000. Payment for higher limits must be made directly to RISC (not the Commission).

Higher limits are also available on an underwritten basis for real estate firms domiciled in Louisiana. The principal broker or officer of the firm must complete an excess application form in order to be considered for this excess coverage. All Licensees associated with the firm must be insured under the group policy. 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.

### 8. What is the deductible?

The deductible per Claim for Damages is \$1,000. There is no deductible for Claim Expenses. The insurance provider's obligation to pay Damages begins only after the Insured has paid the deductible. Even if more than one member of your firm is named in a covered Claim, only one deductible for Damages will apply.

### 9. Where does coverage apply?

Resident Louisiana Licensees are covered for errors and omissions committed anywhere in the world. However, if the Claim results in or from a lawsuit, the lawsuit must be brought within the United States, its territories or possessions. Non-resident Louisiana Licensees are covered for Louisiana transactions only. However, a non-resident Insured Licensee shall be treated as a resident of Louisiana if his/her principal real estate license is affiliated with a real estate office located in Louisiana and the non-resident resides within fifty (50) miles of the Louisiana state line.

### 10. What is the "coverage period?"

This insurance policy is written on a Claims Made and Reported basis. It applies only to those Claims first made against the Insured and reported to the Company during the Individual Policy Period or any applicable Extended Reporting Period and the negligent act, error or omission must have taken place on or after the Retroactive Date. The Retroactive Date is the date when the first real estate E&O coverage was effective insuring the Insured Licensee on a Claims Made basis and since which time the Insured Licensee has been continuously insured.

### 11. 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 is provided in the event the Insured Licensee's license is retired, placed on inactive status or allowed to expire. This allows the policy to apply to Claims first made and reported up to 90 days after the effective date of the cancellation or non-renewal so long as the negligent act, error or omission is committed subsequent to the Retroactive Date and prior to the effective date of cancellation or non-renewal.

Optional Extended Reporting Period Coverage, commonly known as "Tail Coverage" may be purchased to cause the policy to apply to Claims first made and reported up to three (3) years after the effective date of the cancellation or non-renewal so long as the negligent act, error or omission is committed subsequent to the Retroactive Date and prior to the effective date of cancellation or non-renewal. Tail Coverage can only be purchased within 90 days after the Licensee's policy has terminated. Tail Coverage is important because so many professional liability Claims are not made until months after the subject transaction occurs, and some may even be made years after the transaction.

### 12. How are Claims handled?

A Claim 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 such Claim. The Claim must be made and reported during the policy period or during an applicable Extended Reporting Period in order to qualify for coverage. A Claim is a written demand for money or services received by the Insured or service of lawsuit or institution of arbitration or mediation proceedings naming the Insured, seeking Damages and alleging a negligent act, error or omission in the performance of Professional Services. It is essential, to protect the Insured's interests and to assure that coverage conditions are not violated, that Claims be properly reported. Immediate action is required by the real estate licensee and/or broker.

To report a Claim, call our Claims Examiner at our administrative office at (800) 637-7319 (ext. 2) for a Notice of Claim form. Complete and submit the Notice of Claim form and other pertinent documents. Cooperate fully with the appointed defense attorney(s) and your own company management. RISC will be happy to answer questions regarding the coverage and the Claim, provided the Claim has been submitted in writing to our office.

### 13. Is appraisal activity covered?

The policy excludes the Insured's activities as an appraiser, if the appraisal activity performed requires licensing or certification other than a real estate license. An endorsement is available to include services performed by an Insured Licensee as a licensed real estate appraiser under the 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.

### 14. Are claims alleging Fair Housing Discrimination covered?

The Company will pay up to \$25,000 for Damages and Claim Expenses for all Claims alleging acts of Fair Housing Discrimination.

### 15. Are other coverages available?

You may purchase additional coverages as separate endorsements to the policy.

- A. A Limited Claim Expenses Coverage Regulatory Complaints Endorsement will provide defense of any complaint to a real estate regulatory board or commission as long as the complaint arises from a negligent act, error or omission in the rendering of Professional Services that would otherwise be covered by the policy. Continental Casualty Company will pay Claim Expenses up to a maximum of \$2,500 in defense of such complaint.
- B. There are Limited Claim Expenses Coverage Environmental Endorsements for each of the three environmental exclusions (pollution, fungi and microbes) which will provide defense of any Claim or lawsuit alleging the Insured Licensee's failure to detect, report, assess the effects of or advise of the existence of the environmental risk named in the endorsement. Continental Casualty Company will pay Claim Expenses up to a maximum of \$2,500 in defense of such Claim or lawsuit pursuant to each endorsement.

The amount payable under each of the endorsements listed under A and B shall not exceed \$5,000 in the Aggregate.

- C. If you have a real estate license in another state that has mandatory requirements for insurance, you may purchase a Conformity Endorsement to make your Louisiana policy conform to the requirements of that state.

The premium (fully earned and inclusive of taxes) for each of the endorsements listed under A, B and C above is \$20 per endorsement, per year. Please indicate your selection of endorsements on your supplementary enrollment form. Send the supplementary enrollment form with your check made payable to RISC. Do not send payments for optional coverages and higher limits to the Commission along with the basic premium sent with your license renewal.

**16. How does one secure answers to questions about the program that are not answered in the brochure? Read the sample policy.** A sample policy is available on our website at [www.risceo.com](http://www.risceo.com). Please retain a copy of the policy for your records. Insured Licensees will receive a Certificate of Coverage after payment of the premium due. If you have any questions, you may call our administrative office at (800) 637-7319 (ext. 1).

### NOTICE

Those Licensees who do not renew their policies timely will have as an effective date for E&O coverage, the actual date the E&O premium is received. Further, said Licensees will lose any previously established Retroactive Date (prior acts coverage). The new Retroactive Date will be the date the Louisiana Real Estate Commission receives and accepts the premium. If you currently have coverage other than with the state group program and you have received notice of a Claim, you should report that Claim immediately to your current carrier so as to not jeopardize any potential coverage.

**RISC Rice Insurance Services Company, LLC**  
**PO Box 6709, Louisville, KY 40206-0709**

**Phone: (502) 897-1876**

**Toll Free: (800) 637-7319**

**Fax: (502) 897-7174**

**Website: [www.risceo.com](http://www.risceo.com)**