

NEBRASKA REAL ESTATE COMMISSION'S GROUP ERRORS & OMISSIONS INSURANCE PROGRAM
Administered by Rice Insurance Services Company, LLC and Issued by Continental Casualty Company
January 1, 2015 - January 1, 2016

The Nebraska Real Estate Commission (NREC) has contracted with Rice Insurance Services Company, LLC (RISC) to administer the state group errors and omissions (E&O) insurance program. This program is designed exclusively to provide professional liability insurance for Nebraska real estate licensees. RISC provides all servicing, including claims handling, policy issuance, mailings, and customer service, for the program. Continental Casualty Company, a CNA insurance company, is the insurance carrier for the program. Frequently asked questions about the group program are addressed below.

1. Why do I need E&O insurance?

- State law requires all real estate licensees to maintain E&O insurance. Real estate firms are not required to carry E&O insurance, but may choose to do so. Real estate firms that are registered with the Nebraska Secretary of State are eligible to purchase coverage through the group program.
- E&O insurance protects insured licensees and the public from financial harm resulting from covered claims. Even the most careful professional may be the victim of a frivolous lawsuit or make an honest mistake. Under the group policy, the carrier is responsible for defending covered claims, as well as paying a settlement or judgment of covered damages, up to the applicable limits of liability.

2. Why should I choose RISC as my insurance provider? RISC's management team specializes in handling group programs for states with real estate E&O insurance requirements. Continental Casualty Company, a CNA insurance company, is the insurance carrier for the E&O Program. The CNA insurance group is one of the largest writers of commercial property and casualty insurance in the United States and is rated "A (Excellent)" by A.M. Best.

3. 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 (including personal injury) relating to professional services.
- Claims in which the insured is served with a lawsuit or institution of arbitration or mediation proceedings seeking damages and alleging a negligent act, error, or omission (including personal injury) relating to professional services.
- The claim must have been unknown and unforeseen at the inception of the individual policy period.
- The claim must first arise and be reported in writing, in accordance with the policy provisions, within the individual policy period or any applicable extended reporting period.

4. What kinds of claims are not covered? All insured licensees are urged to read the entire policy (available on our website, www.risceo.com, or by calling us and requesting one), including the portion entitled "Exclusions."

5. Who is covered?

- Individuals who hold an active license issued by the NREC and who pay the required premium.
- Heirs, executors, administrators, or assigns of the insured licensee in the event of the licensee's death, incapacity, insolvency, or bankruptcy but only to the extent the licensee would have been covered under the policy.
- Unlicensed employees who are under the insured licensee's supervision and control and who are assisting the licensee in the performance of the licensee's professional services.
- Any real estate firm or real estate franchisor that the insured licensee represents, but only for its vicarious liability for negligent acts, errors, or omissions (including personal injury) arising out of the licensee's professional services.

6. What are the limits of liability under the basic group policy?

- The per claim limit of \$100,000 is the most the insurance carrier will pay per insured licensee for all damages arising out of the same or related negligent acts, error, or omissions.
- The aggregate limit of \$300,000 is the most the insurance carrier will pay per insured licensee for all damages combined under the policy.
- The limits of liability apply separately to each insured licensee.
- Claim expenses are in addition to the limits of liability, so payment of claim expenses does not reduce the amount available to pay damages for covered claims.

7. How much is the premium? The fully earned annual premium, including all taxes, is \$140. After January, the premium will be prorated by month of enrollment. Additional coverages are available for an additional premium by endorsement. See items 14, 22, and 23 for optional endorsements. All premiums are fully earned on the inception date, and no refunds are permitted after that time.

8. How do I obtain coverage? You may enroll online at www.risceo.com with a Visa or MasterCard and download your certificate of coverage immediately. 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. Designated brokers should make certain their firms' licensees enroll prior to the deadline to ensure a January 1 inception date.

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

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

- The NREC may inactivate your license and assess fines and penalties.
- You may lose prior acts coverage, a valuable feature of the policy. See item 13 for more information regarding prior acts coverage. If you fail to purchase coverage timely, call RISC immediately to see if you qualify to backdate your coverage to January 1, 2015, 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.

11. Where does coverage apply?

- If you are domiciled in Nebraska, the policy applies to errors and omissions committed anywhere in the world, provided you are duly licensed in the jurisdiction where the professional services are performed and the services would require a real estate license if provided in Nebraska.
- If you are not domiciled in Nebraska, the policy only applies to professional services performed in Nebraska. However, you will be treated as domiciled in Nebraska if your principal real estate license is affiliated with a real estate office located in Nebraska and you reside within 50 miles of the Nebraska state line.
- If the claim results in or from a lawsuit, the lawsuit must be brought within the United States or its territories or possessions.

12. 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 continuously has maintained, real estate E&O coverage, with no gaps.

13. Do I have coverage for prior acts? The policy applies to negligent acts, errors, and omissions that occurred after the insured licensee's retroactive date. The retroactive date is the date the insured licensee first obtained, and since which has continuously maintained, real estate E&O insurance, 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, even if you had a policy in place when the services were performed and again when the claim arises. 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 to backdate the inception of your coverage to January 1, 2015, which may avoid a gap and loss of your retroactive date. Curing a gap in coverage will not remedy noncompliance with mandatory insurance requirements, so the NREC may still impose penalties and fines.

14. What happens if a claim is not made until after the policy expires?

- This is a claims made and reported policy. It only applies to claims made and reported to the Company during the individual policy period or any applicable extended reporting period (ERP).

- An automatic ERP applies if the insured licensee's license is retired, inactivated, or allowed to expire. The automatic ERP 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 nonrenewal.
- An Optional ERP Endorsement, commonly known as "tail coverage," may be purchased within 90 days after the policy's end date. ERP Endorsements are available to cause the policy to apply to claims first made and reported 3 or 5 years after the policy's end date, provided the act, error, or omission was committed after the retroactive date and prior to the effective date of cancellation or nonrenewal. Tail Coverage is important because many claims are not made until years after the subject transaction occurs.

15. 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 designated broker.
- To report a claim, send RISC the following: A completed notice of claim form (available at http://www.risceo.com/NOTICE_OF_CLAIM_FORM.pdf or by calling us at (800) 637-7319, ext. 2 to request one), a copy of the claim, and copies of any other pertinent documents. Cooperate fully with any appointed defense attorney and your own company's management. RISC will be happy to answer questions regarding coverage for any claim that has been submitted in writing.

16. What if I currently have notice of a claim or a potential claim? Immediately report the claim or potential claim to your current carrier or risk jeopardizing any potential coverage for the claim.

17. Is appraisal activity covered? The policy applies to the insured licensee's activities as a licensed real estate appraiser, provided the insured is properly licensed to perform the appraisal activity.

18. Are rental, leasing, and property management covered? The policy applies to the insured licensee's rental and leasing activities, as well as the activities listed under the policy's definition of property management.

19. Is there coverage for fair housing discrimination claims? The policy provides sublimits of liability of \$25,000, per claim and in the aggregate, for damages and claim expenses for covered fair housing discrimination claims.

20. Is there coverage for lock box claims? The policy provides sublimits of liability of \$25,000, per claim and in the aggregate, for damages for covered lock box claims. There is no limit on the amount of claim expenses the carrier will pay in connection with a covered lock box claim.

21. What if I have an ownership interest in the property?

- The policy does not exclude coverage for claims involving properties in which the insured has an ownership or financial interest of 25% or less.
- The policy applies to claims involving the sale or listing of the insured licensee's primary residence, provided it is not a for sale by owner sale or listing.
- The policy applies to claims involving the sale or listing of residential property owned by an insured, under certain conditions detailed in the policy.

22. Are other coverages available? In addition to the optional endorsements discussed in items 14 and 23, individual (not firm) licensees may purchase the optional endorsements below when enrolling in the group program. The additional premium (fully earned and inclusive of taxes) for each endorsement is \$15.00. Endorsements become effective the later of January 1 or the date we receive the endorsement premium. No refunds are permitted after the endorsement's effective date.

- **Limited Claim Expenses Coverage Regulatory Complaints Endorsement** provides \$2,500 for claim expenses to defend a covered complaint to a real estate regulatory board or commission, up to \$5,000 in the aggregate.
- **Limited Claim Expenses Coverage Environmental Endorsement** provides limits of liability of \$5,000 per claim for damages and claim expenses for covered environmental claims, up to \$10,000 in the aggregate.
- **Conformity Endorsement** conforms the licensee's coverage through the Nebraska group policy to comply with the requirements of another state with a group program that requires real estate E&O insurance where the licensee has an active real estate license. To be eligible for a conformity endorsement, the licensee must be domiciled in Nebraska. Real estate firms that are insured through the group policy and domiciled in Nebraska may also purchase this endorsement to conform the firm's coverage to comply with other states, which require firm license coverage and have a group policy, where the firm has an active real estate license.

23. Are increased limits of liability available?

- Individual (not firm) licensees may purchase an endorsement to increase their limits of liability to \$250,000 per claim, up to \$750,000 in the aggregate or to \$500,000 per claim, up to \$1,000,000 in the aggregate. Licensees may purchase increased 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 \$76 or the \$500,000/\$1,000,000 option for \$133. 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 \$114 or the \$500,000/\$1,000,000 option for \$181.
- We also offer excess policies to real estate firms domiciled in Nebraska on an underwritten basis. The firm's designated broker or principal officer must complete an application to be considered for excess coverage. All licensees at a firm must be enrolled in the state group program for the firm to be eligible for to purchase an excess policy through RISC. This program is written by Continental Casualty Company and is not guaranteed-issue; however, most Nebraska firms qualify.

24. What if I have additional questions about the group program? Read the sample policy (available on our website, www.risceo.com, or by calling us and requesting one). We are also happy to address any of your questions or concerns. Feel free to email us at info@risceo.com; call us at 1-800-637-7319; or write to us at 4211 Norbourne Boulevard, Louisville, Kentucky 40207.

RISC Rice Insurance Services Company, LLC
P.O. Box 6709, Louisville, KY 40206-0709

Phone: (502) 897-1876 Toll-free: (800) 637-7319 Fax: (502) 897-7174 Website: www.risceo.com
Enrollment and Payment Information: **Ext. 1** Claims Department: **Ext. 2** Excess Coverage for Firms: **Ext. 3**

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