IDAHO REAL ESTATE ERRORS & OMISSIONS INSURANCE

RISC
Rice Insurance Services Company, LLC
Under agreement with the
Idaho Real Estate Commission
October 1, 2005 – October 1, 2006

AN OVERVIEW OF RISC'S GROUP REAL ESTATE ERRORS AND OMISSIONS PROGRAM:

All active Idaho real estate brokers, salespersons and firms are required to carry errors and omissions insurance as a condition of licensure. The Idaho Real Estate Commission has contracted with Rice Insurance Services Company, LLC (RISC) to administer the group Errors & Omissions (E&O) insurance program for Idaho 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 all servicing (claims handling, policy issuance, marketing mailings, customer service, etc) of the Idaho account. The management team of RISC specializes in handling group programs for states with mandatory real estate E&O insurance requirements. RISC is located at 4211 Norbourne Boulevard, Louisville, Kentucky 40207-4048.

This program is designed exclusively to provide professional liability insurance for Idaho 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 which were unknown and unforeseen at the inception of the policy period.
   B. Claims arising from a negligent act, error or omission in the performance or failure to perform Professional Services as a real estate salesperson or broker; and
   C. 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.

2. **What kinds of Claims are not covered?**
   All policyholders 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 Idaho 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. **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.

5. **Are higher limits available?**
   Higher limits are available on an underwritten basis for real estate firms domiciled in Idaho. The qualifying 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 Idaho firms qualify for excess coverage. Please call our toll-free number if you have any questions.

6. **How much is the premium?**
   The fully-earned annual premium, including all taxes, is $148. Payment must be included with the enrollment form. 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 see Sections 13-15 of this brochure for additional coverages. Note that since all premiums are fully earned at the inception date, no refunds are permitted after the effective date.

7. **How do I obtain coverage?**
   Return an enrollment form, along with your premium payment made payable to RISC. The qualifying broker should make certain that all premium check(s) and enrollment form(s) are mailed to RISC prior to the stated deadline for those Licensees joining at the October 1 group policy period inception date.

8. **What is the deductible?**
   There is $1,000 deductible for Damages and no deductible for Claim Expenses.

9. **Where does coverage apply?**
   Resident Idaho 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 Idaho Licensees are covered for Idaho transactions only. However, a non-resident insured Licensee shall be treated as a resident of Idaho if his/her principal real estate license is affiliated with a real estate office located in Idaho and the non-resident resides within fifty (50) miles of the Idaho 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 ninety (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 ninety (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 ninety (90) days after the insured became aware of such Claim. The Claim must be made and reported during the policy period or during an Extended Reporting Period in order to qualify for coverage. A Claim is 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, visit our website www.risceo.com or call our Claims Examiner at our administrative office at (800) 637-7319 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.

14. **Is rental, leasing & property management covered?** The policy coverage applies to Professional Services performed by the Licensee as a real estate broker or salesperson as defined in the Idaho Real Estate License Law and for which the Licensee is required to have a real estate license. The policy excludes the Insured's activities as a property manager which do not require a real estate license. An endorsement is available to remove this exclusion and include Leasing and Property Management Services performed by the Licensee in the Professional Services definition for an additional premium (fully earned and inclusive of taxes) of $100.

15. **Are other coverages available?** A licensee may purchase additional coverages as separate Endorsements to the policy. Any Endorsement to the policy will become effective the date our administrative office receives the Endorsement premium. The premium (fully earned and inclusive of taxes) for the endorsements listed below is $15.00 per endorsement, per year. Please indicate your selection of endorsements on your enrollment form and send the enrollment form with your check made payable to RISC.

    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 or 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. A Limited Claim Expenses Coverage **Environmental Endorsement** 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 pollution. Continental Casualty Company will pay Claim Expenses up to a maximum of $2,500 in defense of such Claim or lawsuit.

C. A Limited Claim Expenses Coverage **Fair Housing Act Endorsement** will provide defense of any Claim or lawsuit alleging the Insured Licensee violated Title VIII of the Civil Rights Act of 1968 or the Fair Housing Amendments Act of 1988. Continental Casualty Company will pay Claim Expenses up to a maximum of $2,500 in defense of such Claim or lawsuit.

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

D. **Conformity Endorsement.** 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 Idaho policy conform to the requirements of that state.

16. **What if I have multiple licenses?** Individuals with multiple licenses are only required to pay one premium. Please list all license numbers for each individual on the enrollment form.

17. **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 being sent to each qualifying broker and is available on our website. 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 visit our website www.risceo.com or call our administrative office at (800) 637-7319.

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 RISC received 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.

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