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Changing roles of RE professionals - Making sure your Error and Omissions insurance keeps up

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The massive shifts in the housing market and in the larger economy have sent real estate professionals scrambling for ways to respond and maintain income revenue. For many, this response has included offering additional services, including Broker Price Opinions (BPOs), consulting services, mortgage restructuring, appraisal reviews and more. Many real estate agents are involved in foreclosures and short sales, and appraisers are faced with the task of appraising foreclosed homes in depressed markets. It is important for any business to evolve and adapt to changing market conditions for continued success, but it is equally important to make sure that all the necessary pieces are in place before proceeding. This should include obtaining the expertise in any new areas of practice, having proper licensing or certifications and in having Errors and Omissions insurance that covers all the areas of your practice.

Most real estate professionals are covered in some way by Errors and Omissions insurance. Until recently, one could make a reasonable assumption that the coverage in place was sufficient for the usual and traditional tasks performed by the person or firm. (Of course, you should always refer to your policy, and consult an insurance or legal professional, to make sure that this is true for your business). With the expansion of professional services now being performed by many agents and appraisers, it is critical that they review their Errors and Omissions insurance policies in more detail and/or consult an insurance or legal professional.

The first place to look in assessing coverage is in the policy's Definition of Professional Services. The Definition will list the areas of practice you are covered for, including services incidental to serving your clients or profession (for example some policies may cover Notary services performed on behalf of your firm or your services as an expert witness). If you are engaged in a professional activity not listed in the Definition, you may not be covered for that activity. The next step in assessing your coverage is to review the Exclusions section of your policy. Here you will find specific activities and events that will not be covered. A third important area would be to understand the definition of who is covered by the policy, most often found under the definition of Who Is An Insured. For example, it is important to know if a policy covers sub-contractors or not. While there is more information to be aware of in an insurance policy, a good understanding of these three pieces is critical to obtaining proper coverage for the services you provide.

Insurance companies have underwriting "appetites" that affect if and how coverage might be offered, as well as the cost of the policy. A company might have specific tolerances and limits regarding revenue from foreclosure sales, agent-owned property or consulting services. Sometimes, an area of practice may result in a declination of coverage by a specific insurer. Providing full and complete information on any insurance application is crucial to ensuring that you will obtain the correct coverage for what you do, even if it might result in a higher premium. The lack of full disclosure to

save a few dollars on insurance premiums can have very negative consequences if someone brings suit against you in an area where you have no coverage.

By knowing the limits of your expertise and your coverage, and consulting with an insurance professional with expertise in covering real estate professionals, you can be better assured that the proper protection will be there should a claim be made against you.

John Torvi is the director of marketing and sales at the Herbert H. Landy Insurance Agency, Inc., Needham, Mass.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540