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## Status update on professional insurance for the real estate industry

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Several months ago I wrote regarding the current trends in professional insurance (errors & omissions insurance, professional liability insurance, etc.) for real estate professionals, including agents, brokers, appraisers and title agents. At that time, it was noted that the market for this insurance was "hardening," that is insurance premiums were increasing while underwriting of policies was becoming stricter. This was due primarily to significant increases in claims activities. More specifically, major swings in valuations of properties and increasing numbers of foreclosures brought increased scrutiny to many transactions that had taken place over the last several years. The results of those reviews showed poor loan practices, questionable appraisals, aggressive sales tactics and other less than ideal actions that led to the huge spike in claims. Also, as the market changed, many real estate professionals "branched out" into unfamiliar territory: some real estate agents became involved in evictions and the performance of BPO's; property managers became mortgage field workers or property preservationists; appraisers became desk reviewers and so on. While many professionals were capable of performing these newly expanded tasks, others were not and the venturing into unfamiliar territories led to more frequent insurance claims and tighter underwriting.

Claims frequency against real estate professionals shows less spiking than the last 2-3 years, though the numbers of newly reported claims remains consistently high. Consequently, the trends of higher premiums and narrow underwriting guidelines persist. Let's take a closer look at some specific professions.

**Real Estate Agents & Brokers:** Insurance underwriters are closely scrutinizing applicants involved in short sales, foreclosures or BPO's. While some carriers may outright exclude coverage for these areas of practice, more often the insurers are looking for a certain amount of experience or a maximum percentage of revenues in order to underwrite and provide coverage. Real estate sales firms continue to pay higher premiums and face tougher underwriting guidelines if they have exclusive relationships with developers or generate large percentages of their revenues from buying and selling their own properties.

As with all insurance policies, coverage can vary widely from company to company and policy to policy. Understanding what you are and are not covered for is critical to your continued practice. (On a positive note, underwriting in the Landy Agency's real estate E&O program has actually loosened some guidelines and expanded coverage in some of these areas, based on our national underwriting experience).

**Real Estate Appraisers:** No single group has been affected more than real estate appraisers in terms of new regulations and standards of practice and insurance claims. There is little sign that this situation is showing any significant improvement. However, insurance premiums have stabilized

somewhat despite high claim frequency. Tighter underwriting and coverage restrictions have been the norm rather than major increases in premiums. At the Landy Agency, we remain positive about this industry. Improved standards of practice in appraising as well as in the lending industry are diminishing the potential for future claims. Appraisals done on homes years ago that are now in foreclosure will remain troublesome for both the appraisers and those that insure them for the immediate future, however.

**Title Agents & Mortgage Professionals:** The market for title agents and the mortgage industry is perhaps the most difficult right now. Availability continues to become more restricted, with another large international carrier recently announcing that they will not write new business nor renew existing business for tile agents. Premiums have increased as well.

Much of this admittedly seems distressing, but should also be seen as a reaction to an industry undergoing its' own difficult transitions. Historically, insuring the real estate industry has been profitable and attractive to insurers and those that remain will continue to use sound underwriting judgment and proper pricing to make sure that these professionals and the consumers are adequately protected. Companies like the Landy Agency have the experience and strength to adequately provide affordable and quality insurance plans to real estate professionals nationally as well as the long term commitment to ride out the temporary problems that occur.

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