

Errors and Omissions Insurance

How can I obtain comprehensive E&O coverage at an affordable price?

- Start shopping, or begin the renewal process, early! You should begin 90 days before the renewal date so that you and your insurance broker have time to complete applications thoroughly and compare different insurance offerings.
- Work with a reputable insurance broker who is knowledgeable about real estate E&O insurance and who has access to various options in the market. Make sure the insurance broker has a good understanding of your business operations and can place you with insurance that is the right fit for your office size and needs.
- Ask your insurance broker questions about terms in the policy that will affect the breadth and quality of coverage, such as: limits, deductibles, and exclusions (e.g., mold, bodily injury, etc.); types of “Professional Services” that are covered (e.g., is property management covered?); coverage for agent-owned properties; coverage for disciplinary proceedings; lock box/open house coverage; extended reporting “tail” period; and choice of counsel.
- Insurance carriers will consider your loss run history when quoting a premium. To reduce claims, you should implement good risk management practices and engage in continuing education. Carefully document all transaction files. Brokers/office managers should check files to make sure documentation is correct and to make sure that salespersons are following proper procedures.
- Take a proactive approach and attempt to resolve disputes early. Consult with an experienced real estate defense attorney for advice and help, when appropriate.

What is meant by an insurance carrier being "admitted" or "non-admitted" in California?

Carriers with "admitted" status must file their rates and policy form with the California Department of Insurance for approval and are part of the California Insurance Guarantee Association (“CIGA”) which provides certain policyholder protections if the carrier becomes insolvent. “Non-admitted” carriers do not go through the same filing process and therefore can often provide more flexibility in insurance offerings. The overall financial strength of the carrier may be more important than being “admitted” or “non-admitted,” so you should investigate the financial rating of the carrier by a service such as A.M. Best (www.ambest.com).

What should I do if I receive a claim (e.g., receive a summons and complaint)?

Tender the claim to the carrier promptly. This is important because your policy requires notification by a certain time, and your attorney needs time to prepare the correct response.

Where can I get more information?

The “Real Estate Broker's and Agent's Guide to Errors and Omissions Insurance” may be accessed at: <https://on.car.org/errors-and-omissions-insurance>. Information about C.A.R.'s E & O Program with RealCare is found at: <https://www.car.org/members/benefits/insurance>.