



E&O Insurance

*By Sue Saunders, Esq.
Nevada Association of REALTORS® Legal Counsel*

Brokers and agents alike need the protection of Errors & Omission Insurance but how do you choose a good company? Here are some questions and pointers from NAR and NVAR to help you sort the good from the not-so-good.

Is the insurance company licensed to sell insurance in Nevada?

Insurance companies are regulated by the Nevada Department of Business and Industry, Insurance Division. You can go on their website <http://www.nvinsurancealert.com/search/index.php> and search whether a particular company is licensed with the state of Nevada. You should never deal with a company that is not registered with the state.

A message from the Insurance Division states:

Even if the insurance company claims to be exempt from state regulation or is utilizing a licensed Third Party Administrator have your proposed plan reviewed by the Division of Insurance to determine if the company is really exempt.

Companies that are licensed by the state are required to provide annual statements, which allow the Insurance Division to assess a company's continued ability to pay claims, and to take corrective action in advance of potentially devastating problems.

Confirm that the company's E & O insurance is a Nevada authorized product. Even if the company is licensed by the state, not all their insurance policy types may have been authorized to be sold in Nevada.

Is the company financially stable?

Ask about the company's net worth or national rating such as Standard and Poor or A.M. Best Company. There may be a reason their rates are the lowest if they don't provide any client support.

How long has the company sold real estate E & O insurance?

Some companies, even established ones, will offer different insurance products when the market is hot only to jump out of the market as times get tighter. This leaves you unprotected and the company may even not renew existing policies. Ask how long the company has sold E & O insurance to real estate brokers and agents.



Ask for references and then call them.

We often hear this but how many times do we actually pick up the phone and call an asked for reference? With this issue it is well worth the time to get real world feedback. For example, ask another broker how the insurance company handles its claims. Are they interested in hearing about possible problems or do they only want to hear from you if you're sued? Do they provide risk reduction information or classes? Do they have a local insurance agent? When you call to ask a question, do they timely respond to you?

Ask if the company offers prior acts coverage.

The statute of limitations for written contracts in Nevada is six years (NRS 11.190 (1)(b)). That means a client can come back to you on a transaction many years old (Nevada law only requires you to keep your files for 5 years (NAC 645.650). Smart brokers keep theirs for seven.) Make sure the company provides you (agents and brokers) with prior acts coverage.

Keep all your papers and READ THE POLICY.

Often times what is excluded is more important than what is covered. Knowing what your insurance doesn't cover allows you to adjust your real estate practice and beef up your risk reduction education to minimize potential losses.

9.10

Statements made by the NVAR Information Line attorneys on the telephone, in e-mails, or in legal e-news articles are for informational purposes only. NVAR's staff attorneys provide general legal information, not legal representation or advice regarding your real estate related questions. No attorney-client relationship is created by your use of the Legal Information Line and any information you receive. You should not act upon this information without seeking independent legal counsel. Information given over the Legal Information Line or in these articles is for your benefit only. Do not practice law! Inform your clients they must seek their own legal advice.