

**NORMAN-
SPENCER**

Creating Long-Term Profitability & Success

Reducing the Risk of Legal Liability



Insurance Solutions for Real Estate Professionals



Risk. It's part of our life.

Without taking calculated risks, we reduce our chances of success. We need to take risks in order to grow, develop and achieve our goals. Every time we get behind the wheel of a car, invite someone into our home, offer advice, make a recommendation or ask for information. The list goes on. **Risk is everywhere.**

As a Real Estate Brokerage, you and your agents face unique risks and challenges every day. In fact, the day you decided to become a real estate agent, you entered a world of risk that most people will never deal with.

Thankfully, there are ways to manage that risk and one of the primary mechanisms for managing risk is insurance. The goal of insurance is to transfer portions of risk from one party to another in exchange for a premium, thereby minimizing the threat of loss and maximizing potential gains.

Managing risk through insurance is one of the best ways to increase your chances of success and grow a more profitable and sustainable business. Here are 3 different Insurance Solutions you should have as a Real Estate Brokerage to help reduce your risk of loss.

Insurance Solutions for Real Estate Professionals



1. General Liability

General Liability policies are designed to provide coverage in the event your business is found responsible for causing harm to a person or property. These policies help cover your costs for defense and damages in these circumstances. Common General Liability claims include:

- Medical Expenses
- Property Damage
- Bodily injury
- Personal/advertising injury

General Liability is a base coverage that any business owner should have. Whether you're a real estate brokerage or a retail store. As the name might suggest, this is general liability coverage for businesses.

2. Errors & Omissions (E&O)

As a real estate brokerage, you act in a professional capacity on behalf of others. Therefore, Real Estate E&O coverage is designed to protect you and your agents from the professional liability risks you face every day. Common E&O claims against real estate agents and brokers include:

- Misrepresentation
- Negligence
- Failure to disclose
- Breach of duty/breach of contract
- Discrimination

Comprehensive E&O programs will offset the financial impact that allegations like these can have on your business. High-quality programs also offer additional risk management tools and resources to help reduce the possibility of E&O claims from arising in the first place.

Insurance Solutions for Real Estate Professionals



3. Cyber Protection

Cyber policies address the emerging coverage gaps in traditional coverages like General Liability and Errors & Omissions resulting from an increased reliance on technology and the use of data in day-to-day operations. In addition to liability coverage for cyber related losses, many programs also provide cyber risk management solutions for data and network risks. These solutions include access to response teams that focus on solving a broad range of cyber risks such as network outage, data loss/theft or even cyber extortion demands. Important coverages to be included are:

- Breach Liability – These coverages offer 3rd party liability protection.
 - Privacy Liability
 - Website Media Liability
 - Regulatory Proceedings
 - Payment Card Industry
- Breach Rectification – These coverages address costs that you incur to respond to a breach.
 - Data Breach Team
 - Business Interruption
 - Digital Asset Loss
- Digital Crime – These coverages offer protection against various cybercrime losses.
 - Cyber Extortion
 - Electronic Funds Transfer
 - Deceptive Transfer
 - Telephone Toll Fraud

The question is no longer if you'll be impacted by a cyber related incident. It's when you are impacted, what will you do?

Real Estate agents and brokers are prime targets for cyber criminals because of the large monetary values and financial data that is transmitted in the process of buying and selling real estate.

6 Characteristics of Your Brokerage That Could Result In a Higher Premium



As a business, there's no doubt you want the best E&O coverage available for the best price.

Unlike other types of insurance, E&O insurance underwriters look at a wide variety of factors in determining your premium. Some are more concrete than others. For example, the brokerages Gross Commission Income is a fairly concrete figure. Your internal procedures, practices, and management of your operation, on the other hand, is less concrete.

This is why many E&O application ask questions that start with, "What % of your firm's..." They are trying to get a sense of how you manage your operation to determine what credits they can and can't apply.

Read on for the 6 characteristics about your brokerage that could be resulting in higher premiums.

6 Characteristics of Your Brokerage That Could Result In a Higher Premium



1. You have more part-time or inactive agents than you do full-time agents.

This one may seem counter intuitive but if you think about it, it makes sense. If your brokerage is housing a large number of agents that do just a couple deals a year, the probability that one of them will make a mistake is greater because they're not as practiced as their full-time counterparts. Because full-time agents work transactions more frequently, they are more familiar with current legislation, regulations and contracts which decreases the likelihood of a mistake.

2. You're agents are not getting a signed Sellers Disclosure from your clients.

In most states, sellers (and agents) are required by law to disclose any material facts that affect the value of the property to potential buyers. As result, many local real estate associations have created standardized Sellers Disclosure forms to aid sellers and their agents in disclosing the relevant information regarding the condition of the

property. If you're in one of these states and do not have a signed Sellers Disclosure form in file, it could come back to haunt you in the form of an expensive lawsuit. Having a signed Sellers Disclosure in your transaction file helps reduce the risk of claims and keeps your E&O premiums affordable.

3. You're agents are not offering a Home Warranty Program to your clients.

Home Warranties are service agreements that cover costs to repair or replace many major home systems such as electrical, plumbing, HVAC, and appliances. Contrary to the opinion of some, they are not just a gimmick for sellers to get buyers to bite on their property. Most E&O claims arise from buyers who are confronted with the unknown after moving in. By offering a layer of financial protection to new homeowners, Home Warranties can also offer a certain layer of protection to sellers and their agents as well. Pro Tip: at only \$300-\$500, a Home Warranty can make for a great closing gift for new home owners and secure you a valuable lead in the future.

6 Characteristics of Your Brokerage That Could Result In a Higher Premium



4. You or your agents don't hold any Industry Designations

Not only do Professional Designations help boost your income and your client base, they also help keep your E&O premiums low. Acquiring and maintaining professional designations communicates your commitment to your craft and demonstrates expertise beyond the standard licensing requirements. Some of the more prominent designations to look into are: GRI, CRB, CCIM, CIPS, BPOR, e-PRO® and SFR®.

5. You and your agents aren't actively attending association meetings, seminars or webinars

Actively attending association events (physically or digitally) creates opportunities to engage in educational environments. In addition to your required continuing educations, these opportunities open the door for training on risk

reduction, current events, compliance and more allowing the underwriters of your E&O to give you additional practice credits which reduce your premium. To learn more about opportunities in your area, contact your local association of REALTORS for more info.

6. Your insurance agent writes more homeowners, auto, and commercial property policies than they do E&O policies.

E&O Insurance is a specific form of Professional Liability that many insurance agents don't deal with enough to have the depth of knowledge and proficiency needed to get the best terms. The truth is, many main street agents write their professional liability through a wholesale insurance broker in the background. In working with us, we go directly to the underwriters and present the best picture of your brokerage to them to get you the best terms and pricing available.

Although these characteristics are not the only thing the underwriters look at in determining your premium, these can have an impact on how the underwriter views the risk before them.

By taking steps to improve your firm's internal procedures and practices, you not only have the potential to secure better terms on your E&O; you're reducing your firm's risk of loss.

The Norman-Spencer Real Estate Team

OUR MISSION

To guide real estate professionals in protecting their business from the risks they face every day. By providing high quality and cost effective business insurance and risk management solutions for the real estate industry, we help you maintain a focus on what really matters.

OUR GOAL

To help real estate professionals understand their unique risks and provide tailored business insurance and risk management solutions to their industry.

HOW WE STAND OUT

We Care. But it's not that we care that sets us apart.

Why we Care is what sets us apart from many other Insurance organizations. We care about **our industry** because it provides protection to people and their businesses and gives people peace of mind knowing that they will be made whole if they suffer a loss. We care about **our clients** because they **trust us** with their most important assets, their business and we take that responsibility seriously. We want to keep that trust forever. We care about **our communities** because we have chosen to live our lives there and want to make it the best it can be so others will want to live there too. We care about **one another** because it is not only the right thing to do but we respect and admire the uniqueness in each one of us and that we can all make a difference. We care about **ourselves** because we know others count on us to be there for them when they need us.

STILL HAVE QUESTIONS?

Our team would love the opportunity to work with you to make sure your brokerage is getting the coverages you need so that your business is protected from the risks you face every day. Feel free to reach out before your next renewal. We're here to serve you.

CONTACT US

Anthony Burgos
800.753.3557 ext. 6582
anthonyburgos@norman-spencer.com

Michelle Sherwood
800.753.3557 ext. 6575
michellesherwood@norman-spencer.com

The material contained herein has been provided by, and is a marketing advertisement of, Norman-Spencer Agency, Inc., is for informational purposes only, and intended to provide recipients with a guide to available products. The information contained herein is not fully comprehensive, nor does it consider specific objectives, circumstances or needs of individual recipients. This is not intended to replace or substitute for any professional advice. Discounts, promotions, coverages, and benefits referenced herein may not be available in all States, are subject to specific insurance product underwriting guidelines and policy terms and conditions, and maybe discontinued, changed, or amended by Norman-Spencer Agency at any time.