

## What is Real Estate Agents E&O Insurance?

E&O insurance for real estate agents and brokers is a form of risk management. In the event a lawsuit is brought against you or your firm alleging negligence while providing or failing to provide professional services, E&O insurance can step in to help protect the brokerage from bearing the full expense of the lawsuit and to assist in its defense for covered professional services.

## Who Needs Real Estate Agents E&O?

Every real estate agent or broker faces E&O exposures and liability relating to the transactions they handle and the professional services they provide. This exposure comes not only from clients, but also from others connected to your real estate transactions, such as lenders, mortgage holders, property owners and prospective tenants who interact with your firm when you list and sell properties, lease space or manage properties. An E&O policy is an essential component of protecting your firm against these exposures.

## What does an E&O Policy Cover?

An E&O policy typically provides coverage for damages and defense expenses, including attorney's fees, for covered claims relating to an act, error or omission in a real estate agent or broker's professional services that are covered under the policy. It could be something an agent or broker did, or also failed to do in performing their professional service. E&O insurance can also be written to address claims relating to specialized services such as:

- Property Sales & Leasing
- Property Management
- Construction Management
- Asset Management
- Receivership Services
- Business Price Opinions
- Real Estate Auctioneering
- Business Brokerage

E&O policies can also be written to cover expenses associated with allegations of discrimination, breach of your computer system, responding to a subpoena for your records or disciplinary complaints.

## Aren't All E&O Policies Basically the Same?

Purchasing E&O insurance is not at all like purchasing other types of insurance. Instead of using standardized policy forms, E&O insurers write their own policies and endorsements "in house". This means coverages from insurer to insurer can vary widely and leave the real estate professional at risk if not properly structured by a qualified broker.

## Why Choose Axis Insurance Services, LLC?

Our firm has worked with hundreds of commercial real estate firms and our professionals specialize in commercial real estate professional liability. We can assist you in comparing your E&O options and making an informed decision on the right E&O policy for your firm. Our years of expertise in the industry allow us direct access to high-quality insurance carriers, extremely competitive rates and the ability to customize an E&O policy specifically for your agency. Call us today for a review of your current policy to ensure your E&O policy makes sense for your needs.

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Contact our experts today to find out how you can protect your business.

## Claim Scenarios – Real Estate:

### Zoning Error

A plastics manufacturing company engaged a real estate agent to locate a premises that would accommodate new equipment it was purchasing to expand its business. The real estate agent reviewed the company's expansion plans and intended use of the premises, located a facility and assured the company the premises would be suitable for their needs. After executing the lease, the manufacturing company proceeded to purchase \$975,000 worth of equipment. Several months later, the county planning and zoning department determined that the proposed use of the premises was prohibited by the zoning classification for the site. The company sued the real estate agent and was awarded \$1.2M in damages.

### Breach of Duty

A retired couple engaged a real estate agent to locate space that would be suitable for an ice-cream shop they intended to open. Since the couple had a limited advertising budget, they wanted a location that would generate significant walk-in traffic. Two months after opening the ice-cream shop, the county began a sewer line restoration project and closed off access to the street where the shop was located. When the shop failed, the couple sued the real estate agent for failing to advise them of the pending municipal project that closed their street. The couple was awarded \$672,000 in damages.

### Failure to Disclose

A real estate agent was engaged by the heirs of a large, upscale suburban home to list the home for sale. The competitively priced home sold quickly to a family with children who were relocating to the area. Several months after the closing, the buyers learned that the home was the site of a gruesome murder-suicide. The buyers sued the listing agent for failing to disclose the events that had taken place at the property. In the end, the listing agent won the case but only after many years of litigation. Although there was no judgement, the legal defense for this case cost thousands of dollars and was covered by the E&O policy.

### Security System

A commercial real estate agent inadvertently failed to re-engage a security alarm after showing a property. Subsequently, over \$500,000 worth of equipment was stolen or damaged from the unsecured building. The property owners' insurance company paid their claim and then sued the real estate agent to recover their damages. This matter is still pending.

### Breach of Duty

After receiving an inheritance, a teacher with a lifelong dream of opening a bed-&-breakfast engaged a real estate agent to find a suitable property. The agent found a property and, despite the fact that the buyer had no experience in the hospitality industry, the agent encouraged her to sink most of the inheritance into the property. When the B&B failed, the buyer sued the agent for failing to advise her to obtain the knowledge and experience needed to operate a B&B successfully. The court found the agent liable for breach of duty to the buyer and awarded \$800,000 in damages.

These are only claims examples: minor changes from actual suits have been made to protect the confidentiality of all clients.

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