



# Common E&O Mistakes

**B**uying inadequate E&O insurance could cost you a fortune if a claim is not covered under the policy. While a trusted insurance agent who specializes in real estate E&O is your best resource for selecting proper coverage, there are some common mistakes you should know to avoid.

## ALL E&O POLICIES ARE DIFFERENT

Be sure to compare the coverage as well as the price. For example, not all policies cover commercial property sales, property management, sales of agent owned property, or mold and fungi. Also, look to expand coverage to include legal expenses and damages for discrimination. Coverage for Open House and Lock Box claims should include both bodily injury and property damage.



### DID YOU KNOW?

**E&O insurance is a “claims-made” policy**, which means you need to have coverage continuously from the day the alleged error occurred until the time of a claim. Look for your retroactive, or prior acts, date on your policy – that tells you how far back an error will be covered. If you let your policy lapse for any reason, you lose that date and all the coverage that went with it!

\*\*\* *It's OK to change carriers, just make sure you keep your coverage continuously in force.*

## ANSWER APPLICATION QUESTIONS CAREFULLY

It is important to note that if you make a mistake on your application regarding the professional services you offer, the revenue you make, or your knowledge of circumstances that could become potential claims, you could be denied coverage at the time of a claim. Mary Fairow, Senior Vice President of RealCare says, “Far too often we see REALTORS®

take the application process too casually only to regret it when a claim is denied.” Additionally she notes, “Many of your answers on the applications may allow us to give premium credits. So taking the application process seriously is invaluable.”

## ANYONE CAN BE SUED

Regardless of how good an agent you are, you can be sued, and the cost of legal representation alone could drive some agencies into bankruptcy. Even if you’ve done nothing wrong, you still have to answer to a lawsuit and you want professionals experienced in your industry by your side.

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## REAL ESTATE E&O INSURANCE IS A VERY SPECIALIZED TYPE OF COVERAGE

You want to work with an insurance advisor that specializes in your industry, someone who will understand the important questions to ask, the coverages you need, know the insurance companies that provide the best coverage at an affordable price and be able to guide you through quote comparison. Fairow says “we often find real estate agencies that have been assisted by well-intentioned insurance agents who are generalists. They often fail to understand the nuances of Real Estate E&O coverage leaving their clients unprotected in key areas.” Choose a company like RealCare that specializes in real estate E&O insurance. FloridaRealtors® reviewed many insurance providers before selecting RealCare as its E&O Rewards Partner, as did the California Association of REALTORS®. This is because RealCare has a history of providing excellent service to REALTORS® so associations know they can trust that members’ interests are always the first priority.

*By Thomas Henry, JD, President  
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