

# Tennessee Real Estate Errors & Omissions Insurance

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# Review of Tennessee group policy

- Claims made vs. occurrence insurance policies
- Automobile policy – occurrence
- Professional liability – claims made and reported

# Review of Tennessee group policy

- Individual coverage
- Your policy covers both you and the agency you represented at the time of the transaction.
- Your policy follows you where ever you work.
- Your policy covers you for professional acts anywhere in the world.

# Review of Tennessee Group Policy

## ● Deductibles

- \$1,000 Loss or Settlement

## ● Limits

- \$100,000 per occurrence
  - Claims expenses not included – no limit
- \$300,000 annual aggregate
- Optional \$250,000/\$750,000

# What kinds of Claims are covered?

- Claims with written demand for money or services first made and reported during the policy period.
- Claims which were unknown and unforeseen at the inception of the policy period.
- Claims arising from an error, omission or negligent act relating to the rendering of or failure to render Professional Services as a real estate salesperson or broker.

## Important exclusions

This insurance does not apply to any Claim alleging, arising from or related to:

fraudulent, dishonest, criminal or malicious acts committed by the Insured, at the Insured's direction or with the Insured's knowledge, or by anyone for whose acts the Insured is legally responsible;

## Important exclusions

- Bodily injury, sickness, disease, mental anguish, pain or suffering, emotional distress or death of any person.
- Physical injury to, destruction or loss of use of tangible property.

(These exclusions are why you need a CGL policy in addition to your professional liability policy)

# Big exclusion!!!

## Professional Services relating to property:

- (i) Developed or constructed by, or
- (ii) More than 10% owned by, or
- (iii) Purchased or attempted to be purchased by

an Insured or by the spouse of the Insured or by any entity, corporation, partnership, or trust in which the Insured or spouse of the Insured owns or controls more than 10% financial interest.

However, this exclusion does not apply to:

(a) any Claim arising from the sale of property acquired by the Insured pursuant to a guaranteed sale listing contract.

(b) transactions in which:

1. the property is listed by an Insured who is not the property owner, builder or developer, and
2. the property is advertised, marketed, and promoted by an Insured who is not the property owner, builder or developer, and
3. all Professional Services related to the transaction, including the sale or closing on the property, are conducted by an Insured who is not the property owner, builder or developer, and
4. The transaction would otherwise be covered by this policy.

## Still more exclusions

- Environmental – including mold
- Injury or damage expected or intended
- Disputes over commissions
- Fines, penalties

# Main reasons claims aren't covered

- Personal interest exclusion
- Prior acts
- Claim made after policy expired
- Personal injury
- Late reporting
- Acts which prejudice our ability to defend  
(admission of liability, default judgment, etc.)

# Most common types of claims

- Failure to disclose defects in property
- Misrepresentation of square footage, acreage, boundaries
- Mistake in advertisements or MLS
- Sewer/septic
- Title issues (restrictive covenants, easements, encroachments, etc.)

# Common claims

- Zoning
- Forged or altered contracts (use Power of Attorney)
- Selling wrong property
- Seller Financing
- Recommendation of other services
- Foreclosed properties

# Common Claims

- Document problems – not having the required documents or not putting it in writing
- Selling the same property to two purchasers
- Poorly worded contingencies
- Previous Property Disclosure Forms
- Failure to update Property Disclosure Forms
- Mortgage loan fraud

# Four tips to reduce risk

Cut your exposure by taking these simple, basic steps

1. Have sellers fill out the property disclosure form. It should be filled out and signed by the seller. It should have a space for the buyer to acknowledge receipt.
2. Always recommend home inspections. If the buyer declines, have them sign a form confirming their decision.
3. Recommend home warranty.
4. Always use current approved sales contract documents.