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September 1, 2012

RE: E&O Insurance Changes for Commission Group Policy (Rice Insurance Services Co.)

Dear Broker,

We are sending this letter to you because you are an active status Idaho designated broker, and we would appreciate your sharing the following information with your associates.

1. Effective October 1, 2012, the Commission's group E&O policy will include the Leasing and Property Management Endorsement for all licensees who purchase the Rice E&O insurance. This means you no longer need to purchase the Endorsement separately; it is automatically included. A copy of the Endorsement is printed on the reverse of this letter. According to Cindy Rice Grissom:

[M]any licensees do not realize that they are performing property management services (rather than licensed professional services) when they agree to oversee the physical maintenance of property that they have listed. If a licensee is performing additional duties, such as hiring third parties like cleaning staff, landscaping and lawn maintenance workers, or repair workers to maintain and repair the property, then those activities would be outside of the standard policy's definition of professional services. Because property maintenance is outside of professional services, there is unlikely to be coverage for matters stemming from maintaining or failing to maintain property, even if the insured is listing the property. In our experience, this is especially true with REO property listings, relocation listings, out-of-state seller, and any time a licensee assumes duties related to oversight of the physical maintenance. Without the leasing and property management endorsement, the policy would not apply to the types of activities discussed above.

Commissioners voted to include the extra coverage (at an additional cost of \$10 per year over the new \$198 base premium) because it reduces risk of an uncovered E&O claim for a value price.

2. The deadline for renewal of the Rice E&O insurance is **September 30 at 11:59:59 p.m. MDT**. There is no longer a grace period to renew by 5:00 p.m. on October 1. The policy period ends at 12:01 a.m. on October 1, and **all renewals must be received by Rice and the premiums paid by the end of the day on September 30** to avoid a civil penalty fine. This renewal deadline will be strictly enforced – no exceptions. Please let us know if you have any questions.

Sincerely,

Andy Enrico, Chair