

**QUESTIONS AND ANSWERS**

**Insurance Policy Period from January 1, 2016 through January 1, 2017**

**ANSWERS TO QUESTIONS MOST FREQUENTLY ASKED ABOUT THE  
NATIONAL ASSOCIATION OF REALTORS®  
PROFESSIONAL LIABILITY INSURANCE  
PROGRAM FOR ASSOCIATIONS OF REALTORS®**

**PLEASE NOTE:** ALL COVERAGE PROVIDED UNDER THE TERMS OF THE ASSOCIATION PROFESSIONAL LIABILITY POLICY IN THE EVENT OF A LOSS IS SUBJECT TO THE EXPRESS TERMS OF THE MASTER POLICY ISSUED TO NAR BY ACE AMERICAN INSURANCE COMPANY, INCLUDING ALL TERMS, CONDITIONS, EXCLUSIONS AND ENDORSEMENTS. THE DISCUSSION OF COVERAGE HEREIN IS PROVIDED BY NAR AND AON AND IS INTENDED AS A SUMMARY ONLY. IT DOES NOT INCLUDE ALL PROVISIONS OF THE POLICY. IF THERE IS A CONFLICT BETWEEN POLICY LANGUAGE AND ANY INFORMATION PROVIDED IN THE FOLLOWING QUESTIONS AND ANSWERS, THE POLICY LANGUAGE SHALL CONTROL. PLEASE REFER TO THE MASTER POLICY KEPT ON FILE WITH NAR FOR COMPLETE DETAILS OF COVERAGE.

## **I. NAR Professional Liability Insurance Program Basics**

### **1.1 Q: What is new for 2016?**

**A:** Coverage for “Computer Attacks” has been expanded to include Acts of Cyberterrorism. What this means is your Association is now protected against computer-based terrorist activities aimed at disabling vital computer systems.

The requirements for an association’s bylaw compliance, a prerequisite for coverage, will compel all associations to have adopted all mandatory policy changes effective January 1<sup>st</sup> within 60 days, or by March 1, 2016, unless the policy itself provides a different effective date.

Associations dissolved through a merger or consolidation of assets will continue to receive coverage for acts taking place prior to dissolution.

Clarification was added to the policy that members who have law licenses and association in-house counsel are not barred from serving on hearing panels, acting as mediators, or as an ombudsperson.

Additional language was added to the Policy clarifying that challenges to the validity of the REALTOR® trademarks are covered through the Program.

The EXCESS DEADLINE IS APRIL 1, 2016. Please note that this deadline will not be extended.

### **1.2 Q: What is NAR’s objective in providing this insurance policy?**

**A:** The objective is to provide NAR and its constituent associations with coverage against losses and/or claims expenses arising out of claims challenging the procedures or operations of the NATIONAL ASSOCIATION OF REALTORS® and Associations of REALTORS® when functioning as real estate trade associations, including the provision of multiple listing services.

## **II. Types of Coverage Available**

**2.1 Q: What types of insurance does the NATIONAL ASSOCIATION OF REALTORS® provide under its insurance program?**

**A:** Professional Liability (Errors & Omissions and Directors & Officers) Insurance.

**2.2 Q: What kinds of claims are covered under the Professional Liability Insurance Policy?**

**A: Insuring Clause IA** provides coverage for wrongful acts (which includes computer attack, privacy peril, , sexual harassment liability, discrimination liability), personal injury or publisher's liability (which includes trademark infringement), employment practices (claims arising from hiring, firing, compensation, employee privileges or other terms of employment, with a \$500,000 sublimit), and for all claims resulting from providing membership services and the carrying on of other activities usual to a real estate trade association. Insuring Clause IA should be consulted for specific coverage questions. For example, certain claims arising out of the providing of professional services to members (**e.g.** professional standards enforcement, arbitration, new membership processing, multiple listing services, operating a real estate school or association store, "Computer Attacks" resulting directly from the rendering of services as an Association) are covered, as are claims for libel or slander, all of which are subject to the terms and conditions of the policy and the applicable deductibles and limits of liability.

**Insuring Clause IB** provides coverage in eight areas for attorneys' fees and costs **only** (not liability) of the association. The eight areas are:

- (1) lock box claims, if the lock box security requirements are followed;
- (2) antitrust and restraint of trade;
- (3) claims relating to trademark and copyright infringement of a multiple listing service system;
- (4) claims relating to trademark and copyright infringement of the REALTOR® trademark;
- (5) claims arising out of the NAR Dispute Resolution System or the Counselors of Real Estate Dispute Resolution System when an association functions as the mediation/arbitration service provider rather than referring cases to a third party mediation/arbitration provider;
- (6) breach of contract claims;
- (7) Association Endorsement of Products or Affinity Programs; and
- (8) Operation of Legal Hotline.

**Insuring Clause IC.** "Information Asset Coverage" provides coverage for losses involving electronic data and information assets. This includes a failure of an association's network security resulting in data corruption, damage or destruction, and the expenses the association incurs to recover or recreate the data.

**Basic Crime Coverage.** This protects all associations and MLSs from employee theft. This basic coverage provides \$10,000 per claim (\$3,000 deductible applies to all claims). Additional Crime Coverage is available for purchase through the Program (see gold application).

**Limited MLS Patent Coverage.** coverage is for patent claims stemming from disputes involving products or processes purchased or licensed from a third party who has provided the MLS a hold harmless and indemnity agreement. There is a \$100,000 deductible for these claims.

**2.3 Q: Is there coverage provided for civil rights violation claims?**

**A: Yes.** Coverage is provided for civil rights violation claims including, judgments, settlements and defense costs of the association up to the applicable limit.

**2.4 Q: Is there any coverage for lawsuits brought against an association arising out of the association's operation of a lock box system?**

**A: Yes.** Coverage is available for defense costs of the association, but not key holders, up to the applicable limit. This coverage is only available to associations that have implemented and are adhering to the lock box security requirements promulgated by NAR for association operated lock box systems. Please note that if an association chooses to sell lock boxes to its members, it could affect lock box coverage, depending on the association's continuing role in administering the system and its ability to comply with the Lock Box Security Requirements found in the *Handbook for Multiple Listing Policy*.

**2.5 Q: Is any coverage provided for employer/employee claims?**

**A: Yes.** Coverage is available for damages and attorneys' fees and costs, in connection with claims against the association and its directors, officers or staff arising from hiring, firing, compensation, employee privileges or other terms of employment, up to the applicable limit, **if** the association has adopted and follows the Employer/Employee Guidelines promulgated by NAR. In the event a lawsuit is brought against an association, which alleges both discrimination and wrongful termination, only one limit will apply. Note also that these claims have a \$500,000 sublimit.

**2.6 Q: Is there coverage for "Computer Attacks"?**

**A: Yes.** Coverage for a "Computer Attack" resulting directly from the rendering of services as an association is covered. **For example,** a member downloads /receives material from a local association. The material interacts with the member's computer system creating vulnerability in the security of the member's computer system that did not exist previously. This vulnerability is exploited by a hacker who damages the member's system and steals valuable information. **Additionally, "Computer Attack" provides coverage in the event of an attack to the member's own computer system, which due to a security failure of the association's system, results in the misappropriation and/or disclosure of private information, the transmission of a virus, or a denial of services.** A "Computer Attack" means "unauthorized access," "unauthorized use," transmission of a "malicious code" or "denial of service attack" which: (1) alters, copies, misappropriates, corrupts, destroys, disrupts, deletes, damages or prevents, restricts or hinders access to a "computer system;" (2) results in the disclosure of confidential information stored on an Insured's computer system; (3) or results in identity theft, whether any of the foregoing is intentional or unintentional, malicious or accidental, fraudulent or innocent, specifically targeted at an association or generally distributed, and regardless of whether the perpetrator is motivated for profit. "Computer Attack" also means an **Act of Cyber-Terrorism** which is an act, including force or violence, or the threat thereof expressly directed against the **Insured's Computer System** by an individual or group(s) of individuals, whether acting alone, on behalf of or in connection with any organization(s) or government(s), to cause unauthorized access to, unauthorized use of, or a targeted denial of service attack or transmission of unauthorized, corrupting or harmful software code to the **Insured's Computer System** for the purpose of furthering social, ideological, religious, economic or political objectives, intimidating or coercing a government or the civilian population thereof, or disrupting any segment of the economy.

**2.7 Q: Is there coverage for pre-suit government investigations or other proceedings?**

**A: Yes.** Defense coverage for an antitrust claim commencing with receipt of a Civil Investigative Demand ("CID") is included. This includes any official investigation undertaken by a governmental agency through requests for documents or information received by an association in writing on the agency's letterhead. In addition, the policy covers the defense of civil investigative demands and agency investigations (EEOC claims, fair housing agencies, etc.). The policy does not provide coverage for investigations of unpaid taxes by the IRS or a state agency.

**2.8 Q: Is there coverage when the plaintiff seeks injunctive relief?**

**A: Yes.** Actions brought against the association, which seek preliminary injunctions, temporary restraining orders, or declaratory judgments are covered.

**2.9 Q: What sort of coverage is available if the association adopts NAR's Homesellers/Homebuyer Dispute Resolution System ("DRS")?**

**A:** Endorsement of the DRS program is considered a covered activity under the policy. Coverage is provided under Insuring Clause IA when an association endorses the NAR DRS program and refers cases to a third party mediation/arbitration provider. If the association functions as the mediation/arbitration service provider, defense costs coverage only is provided under Insuring Clause IB.

**2.10 Q: Is the association covered if a lawsuit is brought by a member against whom the association filed a complaint with the real estate commission?**

**A: Yes.** Coverage is available to an association if it is sued by a member as a result of the association's filing of a complaint against that member with the state's real estate commission.

**2.11 Q: Is there coverage for discrimination liability claims arising under the Americans with Disabilities Act ("ADA")?**

**A: Yes.** Coverage is available under Insuring Clause IA.

**2.12 Q: Is there coverage for MLS listing data posted on either realtor.com or the association's own website?**

**A:** Coverage is available for associations and their MLSs that display data on the REALTOR.com website via agreement with RealSelect. Likewise, associations are covered under the insurance program for placing MLS data on their individual association website, provided the association has sole control over the data posted there. If the association allows members to post their own listings on the Internet via the association's website, the insurance company requires submission of the agreement between the participants adding information and the association. If appropriate disclaimers and safeguards exist to protect the association, coverage will be granted. Please note that if, under the terms of any contract involving Internet information, the association assumes the indemnification or defense of another party involved in posting data, the insurance company will provide coverage to the association, but not to any party under an indemnification or defense provision in a contract.

**2.13 Q: Is there coverage for the association's activities on social media sites, such as the association creating a Facebook page or opening a Twitter account?**

**A: Yes.** An association's activities on a social media sites fall within the Policy's "Publisher's Liability" definition. As defined in the Policy, coverage is provided to the association for "utterances in the course of...activities conducted by or on behalf of the Association", and covers claims such as defamation, trademark or copyright infringement, and/or invasion of privacy. Therefore, the association and its designated representatives would have coverage for postings made on the association's social media sites. However, individual members who are not representing the association would be outside of the Policy's coverage provisions.

**2.14 Q: Does the coverage extend to associations that endorse the REALTOR Benefits® Program or to certification/designation programs endorsed by NAR?**

**A: Yes.** Coverage is provided to those associations that endorse the REALTOR Benefits® Program. The coverage also applies to certification or designation programs that are endorsed by NAR.

**2.15 Q: Does the association have coverage for coverage for operating a real estate school or an association store?**

**A: Yes.** Both entities are listed in the policy's definition of "Association", and so they are afforded the same coverage the association receives through the Program.

### **III. Deductible/Coverage Limits**

**3.1 Q: What are the deductibles and limits of liability?**

A: Following are the deductibles and limits of liability:

<b><u>Deductible for Insuring Clauses IA, IB and IC</u></b> <b><u>Crime Coverage</u></b>	<b><u>Limit of Liability</u></b>	
	<b>Insuring Clauses IA &amp; IC</b>	<b>Insuring Clause IB</b>
\$20,000 per claim (NAR/Affiliates)	\$1,000,000/claim	\$1,000,000/claim
\$8,000 Associations/MLSs with more than 10,000 members/subscribers	(\$500,000 sublimit for Employment Practices Claims)	(defense cost only)
\$5,000 Associations/MLSs with 3,001 to 10,000 members/subscribers	\$10,000,000 annual aggregate for all claims	
\$3,000 Associations/MLSs with 3,000 or less members/subscribers	<b>Crime Coverage</b> \$10,000 per claim/\$250,000 annual aggregate limit \$3,000 Crime Deductible (all associations/MLSs)	
	<b>Limited MLS Patent Coverage</b> \$100,000 per claim deductible	
Combined aggregate deductible for any one claim \$100,000		

Association deductibles are calculated based on the membership counts provided in NRDS as of March 31<sup>st</sup> each year. MLS counts are based on participant/subscriber numbers provided to NAR at the end of each year.

**INCREASED LIMITS UNDER INSURING CLAUSES IA, IB and IC ARE EXPLAINED IN SECTION VII. THE INCREASED LIMITS UNDER INSURING CLAUSE IA, IB, IC, and CRIME COVERAGE ARE SUBJECT TO THE \$10,000,000 ANNUAL AGGREGATE, AS ARE THE CRIME COVERAGE CLAIMS. IT IS POSSIBLE THAT THE ANNUAL AGGREGATE OF \$10,000,000 FOR ALL CLAIMS COULD BE ERODED OR EVEN USED UP DURING A POLICY YEAR, IN WHICH CASE THERE WOULD BE NO INSURANCE AVAILABLE FOR OTHER ASSOCIATIONS DURING THE REMAINDER OF THAT POLICY YEAR IF THE INCREASED LIMIT IS SUBJECT TO THE AGGREGATE.**

**3.2 Q: If an association feels it needs more than the specified limit per claim, is it possible to increase its limits of coverage?**

A: **Yes.** Each association has an opportunity to increase its per claim insurance limit under Insuring Clauses IA, IB, IC, and Crime Coverage. (See the enclosed applications, explained in more detail under Section VII.)

**3.3 Q: Does the Master Policy contain a geographic limit?**

A: Coverage extends to claims made throughout the world, except for the Limited MLS Patent Coverage.

### **IV. Individuals/Entities Covered by the Policy**

**4.1 Q: Is there coverage for directors and officers? For association staff?**

A: **Yes.** Coverage is provided for directors and officers, volunteers, temporary employees, and staff of associations, if acting within their scope of authority on behalf of the association. See the definition of “Employee” under Section II.L. of the Policy for further clarification on the extent of the coverage.

**4.2 Q: Are regional multiple listing services covered under the policy?**

**A: Yes.** Coverage is provided to multiple listing services that are jointly owned and operated by two (2) or more associations or serve as the primary MLS for more than one association. This means that MLSs are insured, and that coverage does not flow through the shareholder association. When a claim is filed against a regional MLS, the governing documents of such regional MLS must be in compliance with NAR policy as a pre-condition to coverage for the MLS. The compliance status of the shareholder associations will not impact the MLS' coverage, and neither will the compliance status of a regional MLS affect the coverage for a shareholder association. The MLS must be 100% owned by one or more REALTOR® associations.

**4.3 Q: Is there coverage for state or regional entities functioning in a multi-association management/service capacity?**

**A: Yes.** Coverage is provided to state or regional entities that undertake management/service activities for a number of local associations as long as the entity's governing documents comply with the National Association's policies and procedures.

**4.4 Q: Are members of a Professional Standards Committee who are named as defendants in a lawsuit based on actions taken by the Professional Standards Committee covered?**

**A: Yes.** Coverage under the policy extends to those who serve in the capacity of committee chairpersons or committee members, officers, directors and employees of the association if acting within their scope of authority on behalf of the association.

Coverage is provided to association staff members who respond to questions and/or act as "on-site" consultants for local associations on a variety of association-related issues usual to a real estate trade association; most frequently, professional standards policies and procedures.

Coverage is provided to paid mediators/arbitrators for providing services for professional standards on behalf of the covered National, state and local Associations.

**4.5 Q: Is the operation of a legal hotline covered?**

**A: Yes.** This can be found in Section I.B.7 and defense-cost only coverage. This coverage is limited to consulting services provided by attorneys to members and, for state association attorneys, to local REALTOR® associations. The coverage does not apply to an attorney-client relationship, although the exclusion does not apply to in-house legal services provided to the attorney's employer.

**4.6 Q: Is a charitable foundation operated by the association provided coverage through the NAR insurance program?**

**A: Yes.** So long as the foundation is incorporated or a charitable trust and would qualify as an exempt organization under section 501(c)(3) of the Internal Revenue Code, there is coverage for the foundation, as set forth in section II.R of the policy.

**4.7 Q: Are ombudspersons and paid mediators/arbitrators covered through the NAR insurance program?**

**A: Yes, so long as the individual is acting within the coverage limits described in the policy.** The policy defines an ombudsperson as an individual designated by an association to be available for consultation about the association's ethics hearing, arbitration, and/or the DRS processes. Only association staff or members may serve as an ombudsperson, arbitrators, or mediators; an attorney serving in this role will not be eligible for coverage (this limitation does not apply to members who have law licenses or the in-house counsel for an association). The policy excludes from coverage any claim that alleges or arises out of any action committed by paid mediators, arbitrators, or ombudsperson that does not involve an association's ethics hearing, arbitration, or the DRS processes.

**4.8 Q: Are “data warehouses” that are used to aggregate MLS listings from two or more MLSs covered under the policy, provided that the “data warehouse” is wholly owned by one or more insured(s)?**

**A: Yes.** The Program provides coverage to such entities even if they are separately incorporated, so long as they are wholly owned by an entity or entities who are insured through the Program. Note that if a “data warehouse” begins providing MLS or association services covered by NAR policies, the services must comply with NAR policy in order to receive insurance coverage through the Program.

**4.9 Q: My association wants to collaborate with another REALTOR® association in the creation of a political action committee. Would our association receive coverage for this activity?**

**A: Yes.** The Program provides coverage when two or more REALTOR® associations create an “Alliance” to jointly operate a political committee, a Foundation (as described in the policy), and/or an educational endeavor. The entity will need to be wholly owned/controlled by the REALTOR® associations in order to be eligible for coverage.

**4.10 Q: If an association is dissolved as a result of a merger or consolidation of assets with another association, is the dissolved association still covered?**

**A: Yes.** Coverage will still apply to the dissolved association, but only for covered activities prior to and up to the date of merger.

**4.11 Q: If a new entity is formed as a result of an association merger or consolidation of assets, is the new entity covered under the policy?**

**A: Yes.** Coverage would extend to the newly formed entity, subject to the terms and conditions of the policy.

## **V. Exclusions**

**5.1 Q: What are some of the exclusions?**

**A:** A careful reading of the exclusions is necessary to understand what is not covered. Among other things, there are exclusions for fraudulent or dishonest acts, bodily injury and property damage, claims under the Employee Retirement Income Security Act of 1974 (ERISA), fiduciary liability coverage for an association-run retirement program, suits brought by one Insured against another Insured, patent infringement, and misappropriation of trade secrets.

**5.2 Q: Does the insurance provided to committee chairpersons and committee members extend to their own real estate brokerage activities?**

**A: No.** Coverage is not available under the policy for a member's brokerage activities or real estate firm operations.

**5.3 Q: Does the policy provide coverage for events hosted by associations or multiple listing services or coverage for buildings and their contents?**

**A: No.** In order to obtain those types of coverages, the association would need to secure a special event policy along with property and general liability policies.

**5.4 Q: If an association is found to have violated antitrust laws and is required to pay damages, will this insurance cover the damages?**

**A: No.** There is no coverage under the policy for **damages** arising out of antitrust claims. Coverage is only for amounts incurred in connection with the defense of such claims, and then only up to the stated limits. Claim expenses are limited to costs incurred by the attorney or law firm appointed by the insurance company to defend the claim and other amounts, which have been authorized or approved in advance by the insurance company.

**5.5 Q: Does Exclusion K mean that if an association endorses or promotes any professional liability, medical or life insurance program for its members that there is no insurance for claims arising because of the endorsement?**

**A: Yes.** However, recognizing that many associations endorse insurance programs, including HMOs, the exclusion will not be applicable when there is compliance with the criteria listed below. In the event a claim is filed involving the endorsement, the insurance company will ask for verification that the program met the criteria established below at the time of the allegation in the claim before extending coverage.

1. The sponsored program must be fully insured as opposed to being self-funded in whole or in part by the endorsing association.
2. The insurer must: (a) be rated in the Best's Guide at "A" or better; and (b) provide the endorsing association with a written indemnification agreement, agreeing to indemnify and hold the sponsoring association harmless from and against any and all loss, cost or expense, including but not limited to liability and reasonable attorney fees incurred as a result of claims based upon or resulting from association endorsements of such sponsored program. If the plan is a managed care organization, it must carry a positive evaluation from Dun & Bradstreet.
3. The members who participate in the sponsored program: (a) do so voluntarily; and (b) are advised that the Board of Association has no control over coverage or premium.
4. The terms and conditions of the association endorsements must be set forth in a written agreement to which the Insurer is bound as a party, which agreement has a term of five (5) years or less, and a ninety (90) day or less cancellation provision.

**If these criteria are satisfied, coverage for the program will be provided, subject to the terms and conditions of the insurance policy and the circumstances surrounding the claim.**

## **VI. Program Eligibility Requirements for Associations**

**6.1 Q: Does the policy automatically cover all associations?**

**A: No.** Coverage is extended only to those associations whose governing documents and operations have been found by the Member Policy Department of NAR to conform to the Constitution and Bylaws of NAR and the policies adopted, and amended from time to time, by the Board of Directors of NAR.

Documents to be reviewed and approved by the Member Policy Department policy include:

- Association Bylaws
- MLS Rules and Regulations
- MLS Bylaws (if the MLS is a separate corporation)
- Confirmation that the association has adopted NAR's *Code of Ethics and Arbitration Manual* and that association counsel has certified that it is consistent with state law. If state association counsel has certified that NAR's *Code of Ethics and Arbitration Manual* is consistent with state law, or if the association has adopted NAR's *Code of Ethics and Arbitration Manual* as revised by the state association to conform with state law, written notification of this fact will suffice. If the association adopts procedures contrary to NAR's *Code of Ethics and Arbitration Manual*, these differences must be identified and the association must indicate which (if any) of these differences are mandated by state law.

**As a condition for any coverage under this insurance program, the Member Policy Department must review any rules, regulations or policies of the association that affect determination of Association membership or that impact NAR's Constitution, Bylaws, Code of Ethics, Standards of Practice or policies as adopted by the Board of Directors. The above documents must all be in compliance for there to be any coverage under the Professional Liability Insurance Program.**

**Compliance with NAR policy:** Mandatory policy changes effective January 1 must be in place by March 1 in order for the association to be considered in compliance for insurance coverage purposes. An exception to this rule is granted if an association's annual meeting is in November or December. In that case, mandatory changes must be adopted at that meeting. Please see the enclosed orange insert ("*Help! The association has been sued or someone has threatened to sue. What should I do?*") for more information.

**In addition, further affirmative steps must be taken by an association before coverage is available for Employment Practices Liability under Insuring Clause IA, and for Lock Box coverage under Insuring Clause IB:**

Y Associations must implement and adhere to the lock box security requirements promulgated by NAR for association-operated lock box systems in order to have claims expense coverage for lock box claims.

Y Associations must adopt and follow NAR's Employer/Employee Guidelines in order to have coverage for employer/employee lawsuits. It is not necessary for an association to send its employment handbook to NAR for examination. In the event a claim is filed, the insurance company may request verification that the guidelines were followed when disciplining or terminating an employee.

Failure of the association to take the necessary steps to invoke coverage in the above two sections (lock box and employer/employee claims) will not jeopardize other coverage under the policy.

Both the Lock Box Security Requirements and the Employer/Employee Guidelines are available on REALTOR.org under the "Law and Policy" tab. In the section titled "Legal Resources", click on "Professional Liability Insurance" and scroll to the bottom of the page where you will find an attachment to the Lock Box Security Requirements (Part Two: Policies H. Lockbox/Key Repositories, of the Handbook on Multiple Listing Policy) and a link to the Employer/Employee Guidelines.

- Special reporting requirements exist for claims made under IC, Crime Coverage, and the Limited MLS Patent Coverage. Please see the Professional Liability Insurance page on realtor.org for more information on the extra steps needed to file a claim in one of these areas.

**6.2 Q: Where should governing documents be sent for review to ensure that they are in compliance?**

**A:** Associations should submit their bylaws, MLS rules and regulations and MLS bylaws to [member\\_policy@realtor.org](mailto:member_policy@realtor.org). Governing documents may also be sent to Member Policy, NATIONAL ASSOCIATION OF REALTORS®, 430 N. Michigan Ave., Chicago, IL 60611. You can contact Kevin Milligan at (312) 329-8410 or via email at [Kmilligan@realtors.org](mailto:Kmilligan@realtors.org) with additional questions regarding your compliance status.

## **VII. Cost of the Program**

**7.1 Q: What is the cost of this insurance coverage to an association?**

**A:** The annual premium **is paid by** NAR. There is an extra charge if an association elects to purchase excess insurance.

**7.2 Q: If an association purchases higher limits under Insuring Clauses IA/IC, IB, and Crime Coverage is that coverage within the overall limit of liability (\$10,000,000)?**

**A:** Excess coverage purchased under Insuring Clauses IA/IC IB, and Crime Coverage is subject to the \$10,000,000 aggregate.

**7.3 Q: Can my association receive additional coverage for employee theft?**

**A: Yes.** Associations can increase the “Crime Coverage” limits beyond the \$10,000 provided to all associations and MLSs. This coverage is available for those wanting higher limits in order to protect their associations from employee theft, such as embezzlement. *Please see the enclosed gold application if you are interested in this additional coverage option.*

**7.4 Q: How do I obtain excess coverage?**

**A:** Associations and MLS have two options for purchasing excess coverage. First, they can complete the paper applications included in this mailing and return those to Aon at the address provided. Second, associations and MLSs can purchase the excess coverage through the insurance page on realtor.org (<http://www.realtor.org/programs/professional-liability-insurance-program>). **You must have your NRDS ID available in order to complete the one-time registration process.** Once registered, you may select and apply for optional coverage and continue to access the completed applications for future reference. The IA/IC, IB and Crime excess coverage applications can be completed and paid for via credit card through this link. For more information about the electronic application and payment process, please consult the bright pink “Go Paperless! Complete your Excess Application and Payment Online” document found in this packet.

**7.5 Q: How does the excess coverage apply to a regional MLS?**

**A:** Regional MLSs need to purchase coverage separately. The regional MLS will not receive excess coverage purchased by shareholder associations. A “regional MLS” is a MLS that serves as the **primary** MLS for more than one association and is wholly owned by one or more REALTOR<sup>®</sup> association.

**7.6 Q: Can affiliate chapters purchase excess coverage?**

**A:** Yes, coverage for affiliate chapters interested in purchasing excess coverage will be underwritten on an individual basis. Interested affiliate chapters can complete the desired coverage application and submit to Gayle Andrews at Aon Risk Services via email at [Gayle.Andrews@aon.com](mailto:Gayle.Andrews@aon.com). The annual premium will be provided upon underwriting approval.

**7.7 Q: If my association purchases excess coverage, how would a merger or consolidation affect the excess purchase?**

**A.** When associations merge or consolidate their organizations, it may impact their insurance coverage. If your association is merging and one or more of the associations have purchased excess coverage, please notify Finley Maxson at NAR ([fmaxson@realtors.org](mailto:fmaxson@realtors.org)). Below are some examples of how a merger or a consolidation of assets could affect your excess insurance coverage:

A merges with B = A remains

- B is dissolved, but coverage continues under the Policy in the event of a covered claim for acts taking place prior to the merger. If B had purchased excess and wishes to transfer that premium to A for excess coverage, B will need to cancel its excess coverage and A will need to complete a new application for excess coverage, if A did not purchase excess initially. B could also cancel the excess and receive a pro-rated refund of the premium.
- If A purchased excess coverage, A’s existing excess limits would remain in place, but would not cover claims brought against B for acts that occurred prior to the merger. In addition, in the event the membership size changed as a result of the merger placed A in a new premium category, additional premium would be required.

A and B consolidate = C is created

- Both A and B are dissolved, but existing excess limits for each Association would remain in place for covered claims for acts taking place prior to the merger, unless the Associations choose to cancel their excess coverage, which would result in the return of prorated premium or have the prorated premium applied to C’s excess coverage purchase.
- C has the option to purchase excess upon completion of an application, but application must be completed 30 days prior to the effective date of the consolidation to continue the coverage uninterrupted.

## **VIII. Claim Filing Process**

### **8.1 Q: Who should be notified of a claim?**

**A:** As soon as you become aware of a problem, which may escalate into a claim or lawsuit, or are sued, immediately send written notice to ACE and a copy to NAR and AON RISK SERVICES. **Note: Failure by either you or your law firm to notify ACE immediately of a claim may jeopardize your coverage and result in the denial of coverage. The insurance policy states that “the Association, Directors, Officers and staff shall not assume any obligations, incur any costs, charges, or expenses or enter into any settlement without the Company’s written consent”. An Insured under this program should not incur any costs or settle any claims without obtaining written consent from the insurance company.**

ACE USA PROFESSIONAL RISK

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**PLEASE NOTE: THERE ARE ADDITIONAL STEPS TO TAKE IN THE EVENT OF A THREAT OR LITIGATION OF LAWSUIT THAT INVOLVES INSURING CLAUSE IC, “ASSOCIATION INFORMATION ASSET COVERAGE”, AND CRIME COVERAGE. SPECIFIC ACTIONS ARE REQUIRED AND EXPLAINED ON PAGE 22 OF THE POLICY FOR INSURING CLAUSE IC AND PAGE 8 OF THE CRIME SECTION. THERE ARE ALSO ADDITIONAL STEPS INVOLVED FOR REPORTING A LIMITED MLS PATENT COVERAGE CLAIM- PLEASE SEE THE PROFESSIONAL LIABILITY INSURANCE PROGRAM PAGE ON REALTOR.ORG FOR MORE INFORMATION.**

The Insured will maintain ultimate control over choice of counsel. If an Insured chooses to work with its own counsel who is not recommended by ACE, ACE will attempt to negotiate rates with such counsel that are equivalent to the rates ACE would normally pay attorneys for the defense of such claims in the applicable jurisdiction. For most cases, if rates are in excess of 40% above normal ACE attorney rates in that area, the Insured may be required to pay the difference and such amount will not be covered under the policy. For certain complex claims such as antitrust claims, if rates are in excess of 65% above normal ACE attorney rates in that area, the Insured may be required to pay the difference, and such amount will not be covered under the policy.

NAR may participate in the selection of legal counsel and must agree to settlement of claims, such agreement not to be unreasonably withheld. Please note that any attorney appointed by the insurance company to represent an association who is not an attorney that the insurance company normally hires to defend claims must carry his or her own professional liability insurance coverage and provide verification of such coverage in order to be appointed.

## **IX. Contact Information**

### **9.1 Q: Who should I contact if I have questions?**

**A:** Please contact Gayle Andrews at Aon Risk Solutions (312-381-7049; [Gayle.Andrews@aon.com](mailto:Gayle.Andrews@aon.com)); or John Carmody at Aon Risk Solutions (312-381-4540; [John.Carmody@aon.com](mailto:John.Carmody@aon.com)). If they are not available, please contact Amy Hamen at NAR (312-329-8394; [ahamen@realtors.org](mailto:ahamen@realtors.org)) or Finley Maxson at NAR (312-329-8381; [fmaxson@realtors.org](mailto:fmaxson@realtors.org)).