

A RISK MANAGEMENT NEWSLETTER FOR REAL ESTATE PROFESSIONALS  
FROM TRAVELERS BOND & FINANCIAL PRODUCTS

We are pleased to introduce the first issue of *REAL Risks*. This bi-annual newsletter is designed to inform real estate professionals like you of the potential risks that impact your business and suggest ways to prevent them. *REAL Risks* includes timely, insightful articles collected from our experienced Claim Executives - people who work with claims related to your profession every day. We hope this newsletter will help you recognize the exposures that could affect you, both professionally and personally, so you can more confidently provide appropriate services to your customers.



**TRAVELERS' EXPERIENCE IN THE REAL ESTATE INDUSTRY**

Travelers is the first domestic insurance company to provide Real Estate Errors and Omissions insurance coverage to the real estate industry. In fact, in 2006 we celebrated 50 years of serving the real estate market without interruption!

Today, we serve the real estate industry by providing errors and omissions protection for real estate agents and brokers through our product, *Travelers 1st Choice<sup>SM</sup> for Real Estate Professionals*. And, we are a recognized leader in this class of business.

Our team of dedicated errors and omissions Claim Executives, managed by Cindy Schultz, handles an average case load of 350 new claims each year. Their dedication, expertise, and professionalism greatly contribute to our success. You will have the opportunity to familiarize yourself with the Claim Executives as they will be writing the articles for this newsletter.

Our underwriting group, directed by Karen Chambers, is based in Saint Paul and specializes in underwriting errors and omissions insurance for real estate firms. Our underwriters handle about 1,000 submissions per month. Their high service standards are a source of constant praise from our independent insurance agents and brokers across the country.

We've come a long way since 1956, but a few things haven't changed: The pride we take in providing real estate professionals with broad insurance protection and industry-leading service. We were first in 1956, and we're still the "1st Choice" today!

We look forward to your comments about our newsletter. If you have ideas for topics, please send an email to Cindy Schultz at [Cschultz@travelers.com](mailto:Cschultz@travelers.com).



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## PRE-CLAIM ASSISTANCE—KNOWING WHEN TO CONTACT TRAVELERS

BY JOSEPH BILELLA, TRAVELERS CLAIM EXECUTIVE

When it comes to your business, you strive to provide excellence in every real estate transaction. Despite your best efforts, you may be faced with a claim or lawsuit at some point. Unfortunately, we live in a litigious society where many people keep their attorneys on “speed dial”. At Travelers, we want to make sure that you are properly protected. The first step in this process is knowing when to contact us.

It is important to report any incident that may or may not develop into a claim. Delayed reporting affects claim costs and may compromise your coverage. Our countrywide claim presence enables us to better understand your jurisdiction’s legal climate, industry exposures and effectively manage claims and related expenses. Our claim executives provide proactive loss mitigation strategies. The importance of reporting any potential claim in a timely fashion is critical to preserving testimony and records.

Prompt contact and fact gathering is also important for proper evaluation of the potential exposure of the case. We may be able to assist you behind the scenes in preventing a problem from escalating into a claim or lawsuit. All too often, unwary real estate professionals appear for their depositions in litigation between buyers and sellers, only to find themselves added as defendants after they have given sworn testimony without the benefit of their own legal counsel.

Here are some examples of situations in which we can provide assistance:

- Lawsuits, including small claims court actions;
- Subpoena of your records;
- Notice of deposition of you or your agents;
- Notice of disciplinary proceeding or complaints to local realty boards;
- Threatening letters and/or verbal communications from clients and/or their attorneys, with or without demands for monetary relief;
- Arbitration and/or mediation demands;
- Any disputes that you are aware of between the buyer and seller;
- A situation in which you are aware of an error that you made even though no claim or threat has been made; and
- Requests for information and/or a copy of your file.

*Please be advised that these are only some examples and are not intended to be a complete list of all situations of when you should contact us. It is important that brokers are aware of these examples and that agency staff be told of the need to report potential claims or problems.*

Too often, a policyholder has felt they could resolve a claim or suit themselves without the case being reported to our company. In some situations, settlement was not achieved and the delayed report compromised coverage and our investigation. A failure to report potential claims may result in uncovered losses. Key witnesses may no longer be available to aid in defending the case, as critical testimony may be lost.



Following is a sobering example of an unfortunate outcome for a policyholder who failed to report an incident:

A policyholder provided management services for a rental property. Tenants were injured while on the property, treated at a hospital and released. The policyholder felt that the injured tenants were not going to submit a claim because they appeared to recover from the injuries. No notice was provided to the insurance company when the incident was known, as no claim against the agency was made or anticipated. At renewal time, the coverage was switched to a new E&O carrier, and again no notice of the incident was provided on the application for the new policy. Then, a claim was made against the agent and broker after the policy with the new insurance company took effect. Both insurance companies denied coverage. The previous insurance company denied coverage as its policy had expired and the claim was not made in a timely fashion. The new insurance company denied coverage due to the "Known Wrongful acts" clause in the policy. This clause, common in professional liability policies, states there is no coverage for any wrongful acts that were known prior to the inception date of that policy. By wrongfully assuming nothing would come of a known incident, the agent and broker were left without the protection that would have been available had a timely notice been provided to the first insurance company.

When it comes to claim reporting, it's a good idea to follow the credo "Better to be safe than sorry".

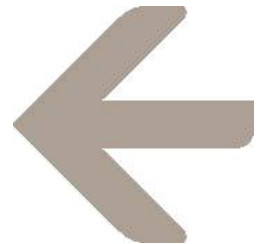
**Please report claims to:**

Via Mail: Travelers Bond & Financial Products, 385 Washington Street,  
Mail Code NB08F, St. Paul, MN 55102

Via Email: [Pro.E&O.Claim.Reporting@Travelers.com](mailto:Pro.E&O.Claim.Reporting@Travelers.com)

Via Fax: 888.460.6622

Contact: Kelly Woodford @ 651.310.8178



**YOU HAVE RECEIVED A CLAIM . . . NOW WHAT?**

**BY TANYA CLEMON, TRAVELERS CLAIM EXECUTIVE**

Maybe you have been fortunate enough to not have been through the claim process. However, sooner or later you may be faced with a claim. What you do upon receipt of a claim can significantly impact the final outcome. Since our mutual goal is to obtain the best possible end result, we cannot stress strongly enough the importance of immediately notifying Travelers of the claim and obtaining direction from the assigned Claim Executive before taking further action.

In addition, the following list should give you some general guidance on what things you should do and should not do when you have a claim:

**DO**

- Report the claim to your insurance agent as soon as possible. Provide your insurance agent with a brief description of the claim. Provide your agent with the name of a designated contact person and how to contact them.
- Advise the broker/agent in your office involved in the transaction that notice of a claim has been received.
- Discuss the claim with only the Claim Executive and/or defense counsel hired by the insurance company.



- Maintain your file in a secure place. The protection of the company's file and the agent's file is extremely important. This includes emails, diaries, calendars, file notes, etc. Do not allow the files to be reviewed by adverse counsel. A file can "make" or "break" a claim.
- Cooperate with us in the investigation of the claim.

**DO NOT**

- Write a synopsis of the matter unless requested by the Claim Executive or defense counsel.
- Admit fault.
- Hire an attorney prior to reporting the claim to your insurance carrier. The expenses associated with defense counsel hired by you prior to reporting the claim may not be covered by the insurance policy.
- Accept financial responsibility for a claim. You may jeopardize your coverage by assuming financial responsibilities.

The above guidelines, although not all-inclusive, are important to remember when you have a claim. Remember, we are here to assist you when you have a claim. The best claim resolution can only be attained through a team effort and we look forward to assisting you through this process. Please call us if you have any questions or concerns.

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