

CHAPTER 19  
REQUIREMENTS FOR MANDATORY ERRORS AND OMISSIONS INSURANCE

[Prior to 9/4/02, see 193E—Ch 6]

**193E—19.1(543B) Insurance definitions.**

*“Aggregate limit”* is a provision in an insurance contract limiting the maximum liability of an insurer for a series of losses in a given time period such as the policy term.

*“Claims-made”* means policies written under a claims-made basis will cover claims made (reported or filed) during the year the policy is in force for incidents which occur that year or during any previous period the policyholder was insured under the claims-made contract. This form of coverage is in contrast to the occurrence policy which covers today’s incident regardless of when a claim is filed even if it is one or more years later.

*“Extended reporting period”* is a designated period of time after a claims-made policy has expired during which a claim may be made and coverage triggered as if the claim had been made during the policy period.

*“Licensee”* is any active individual broker, broker associate, or salesperson; any partnership; or any corporation.

*“Per claim limit”* means the maximum limit payable, per licensee, for damages arising out of the same error, omission, or wrongful act.

*“Prior acts coverage”* applies to policies on a claims-made versus occurrence basis. Prior acts coverage responds to claims which are made during a current policy period, but the act or acts causing the claim or injuries for which the claim is made occurred prior to the inception of the current policy period.

*“Proof of coverage”* means a copy of the actual policy of insurance, a certificate of insurance or a binder of insurance.

*“Retroactive date”* is a provision found in many claims-made policies. The policy will not cover claims for injuries or damages that occurred prior to the retroactive date even if the claim is first made during the policy period.

*“Umbrella type coverage”* means a policy that provides insurance coverage for the broker or firm and all licensees assigned.

**193E—19.2(543B) Insurance requirement—general.** The group coverage insurance policy selected by the commission must be approved by the Iowa insurance division. As a condition of licensure under Iowa Code chapter 543B, all active real estate licensees shall submit evidence of compliance with the mandatory errors and omissions insurance requirement when required.

**19.2(1)** Who shall submit plan of coverage. The following persons must submit proof of insurance when required or when requested:

- a. Any active individual broker, broker associate, or salesperson.
- b. Any active partnership.
- c. Any active corporation.

**19.2(2)** Inactive status. Individuals whose licenses are on inactive status as defined in Iowa Code section 543B.5(12) are not required to carry errors and omissions insurance.

**19.2(3)** Territory. All resident Iowa licensees shall be covered for activities contemplated under Iowa Code chapter 543B both in and out of the state of Iowa. Nonresident licensees participating under the state plan shall not be covered both in and out of the state of Iowa unless the state plan selected by the commission will cover participating nonresidents when involved in real estate activities in the nonresident state.

**19.2(4)** Insurance form. Licensees may obtain errors and omissions coverage through the insurance carrier selected by the commission to provide the group policy coverage. The following are minimum requirements of the group policy to be issued to the Iowa real estate commission including, as named insureds, all licensees who have paid the required premium:

a. All activities contemplated under Iowa Code chapter 543B must be included as covered activities;

b. A per claim limit shall be not less than \$100,000;

c. An annual aggregate limit shall be not less than \$100,000;

d. Limits are to apply per licensee, per claim;

e. Defense costs are to be payable in addition to damages;

f. The contract of insurance shall pay, on behalf of the insured person(s), liabilities owed.

**19.2(5)** Contract period. The contract between the insurance carrier or program manager and the commission may be written for a one- to three-year period with the option to renew or renegotiate each year thereafter. The commission reserves the right to terminate the contract after written notice to the carrier at least 120 days prior to the end of any policy term and place the contract out for bid.

a. Policy periods shall be not less than 12-month policy terms.

b. The policy shall provide full and complete prior acts coverage.

(1) If the licensee purchased full prior acts coverage on or after July 1, 1991, that licensee shall continue to be guaranteed full prior acts coverage if insurance carriers are changed in the future.

(2) The retroactive date of the master policy shall never be later than July 1, 1991, for those that can provide proof of continuous coverage to that date.

(3) The retroactive date for each licensee shall be individually determined by the inception date of coverage and proof of continuous coverage to that date.

(4) The retroactive date for any new licensee who first obtains a license after July 1, 1991, shall be individually determined by the effective date of the license, the inception date of coverage, and proof of continuous coverage to that date.

**19.2(6)** Any licensee insured in the state selected program whose license becomes inactive will not be charged an additional premium if the license is reinstated during the policy period.

**19.2(7)** Any licenses issued at other than renewal and insured by the state selected program shall be subject to a pro-rata premium.

**193E—19.3(543B) Other coverage.** Licensees are not required to purchase insurance coverage through the group policy selected by the commission and may obtain errors and omissions coverage independently if the coverage contained in the policy complies with the following minimum requirements:

**19.3(1)** For active individual licensees, all provisions of Iowa Code section 543B.47 apply.

If the other coverage is an individual policy, it shall be each licensee's responsibility to provide proof of independently carried insurance coverage to the Iowa real estate commission when required.

**19.3(2)** For all active partnerships and corporations, otherwise known as firms, all provisions of Iowa Code section 543B.47 apply.

a. If the other coverage is an individual policy covering the firm, it shall be the designated broker's responsibility to provide proof of the firm's independently carried insurance coverage to the Iowa real estate commission when required.

b. If the other coverage is an umbrella type policy covering the firm and all licensees assigned that perform real estate activities, it shall be the responsibility of the designated broker of the firm to provide a list of licensees assigned to the firm that are covered under the firm's insurance policy to the Iowa real estate commission when required.

**19.3(3)** For sole-proprietor single license brokers, all provisions of Iowa Code section 543B.47 apply.

a. If the broker's other coverage is an individual policy, it shall be each licensee's responsibility to provide proof of the independently carried insurance coverage to the Iowa real estate commission when required, as provided in 19.3(1).

b. If the other coverage is an umbrella type policy covering the broker and all licensees assigned that perform real estate activities, it shall be the responsibility of the broker to provide a list of licensees assigned to the broker that are covered under the broker's insurance policy to the Iowa real estate commission when required.

**19.3(4)** For independently carried individual type coverage, the following minimum requirements shall apply:

*a.* All activities contemplated under Iowa Code chapter 543B must be included as covered activities.

*b.* A per claim limit shall be not less than \$100,000.

*c.* The maximum deductible for an individual policy for damages and defense, each licensee, and each claim shall not be more than the deductible of the commission group policy for the current policy term.

**19.3(5)** For firms and sole-proprietor brokerages with independently carried firm umbrella type coverage, the following minimum requirements shall apply:

*a.* All activities contemplated under Iowa Code chapter 543B must be included as covered activities.

*b.* A per claim limit shall be not less than \$100,000.

*c.* An aggregate limit shall be:

(1) Not less than \$250,000 for a broker or firm with 2 through 10 licensees;

(2) Not less than \$500,000 for a broker or firm with 11 through 40 licensees;

(3) Not less than \$1,000,000 for a broker or firm with 41 or more licensees.

*d.* There is no maximum deductible limit for firm umbrella type coverage policy.

*e.* If a firm size change or a sole-proprietor brokerage size change results in a higher aggregate minimum requirement, that firm or broker shall correct the deficiency within one year, or the next renewal term of the insurance policy, whichever comes first.

**19.3(6)** To comply with the provisions of the Iowa errors and omissions law, if other independently carried insurance is provided, as proof of errors and omissions coverage for individual or firm umbrella type coverage, the other insurance carrier shall agree to either a noncancelable policy, or provide a letter of commitment to notify the Iowa real estate commission 30 days prior to the intention to cancel the policy.

**19.3(7)** Whenever commission requirements, coverage, or limits change, the commission shall provide a reasonable transition period to allow the licensee or firm with other coverage the opportunity to change carriers or coverage to comply with all requirements and limits, providing the present policy was in effect and in compliance with all prior requirements. The licensee or firm shall correct the deficiency within one year, or not later than the next renewal term of the insurance policy, whichever comes first.

**19.3(8)** It shall be the responsibility of each individual licensee to notify the commission when changing insurance status, coverage, or provider when required or when requested.

**19.3(9)** It shall be the responsibility of the designated broker of the firm to notify the commission when changing insurance status, coverage, or provider when required or when requested.

**19.3(10)** Self-insurance does not comply with the provisions of the Iowa errors and omissions insurance law.

#### **193E—19.4(543B) Administrative requirements—general.**

**19.4(1)** It is the responsibility of the insurance carrier or program manager to obtain approval from the Iowa division of insurance for the group policy before inception of the program or policy period.

**19.4(2)** It is the responsibility of the insurance carrier or program manager to handle administrative duties relative to operation of the program selected by the commission, including billing and premium collection, toll-free access for questions, and claim processing and general informational mailings.

**19.4(3)** It is the responsibility of the insurance carrier or program manager to send a billing notice to each licensee.

**19.4(4)** It is the responsibility of the insurance carrier or program manager to collect all premiums due and verify proper payment.

A schedule of licensees who have paid the proper premium and who have coverage in force shall be provided electronically to the commission at agreed time intervals.

**19.4(5)** It is the responsibility of the insurance carrier or program manager to issue individual certificates to each licensee and a master policy to the commission.

**19.4(6)** It is the responsibility of the insurance carrier or program manager to market its program and to develop and distribute informational brochures about the coverages provided, services available and requirements of Iowa Code section 543B.47.

*a.* The content of any brochures or other literature provided is the responsibility of the insurance carrier or program manager.

*b.* Advertising materials may be reviewed by the executive officer for the commission or appropriate staff person for content only and not for a legal determination of compliance with Iowa law or division of insurance requirements.

**19.4(7)** It is the responsibility of the insurance carrier or program manager to provide educational seminars in the state of Iowa at the request of the commission and subject to terms and conditions agreeable to each party involved.

**193E—19.5(543B) Commission responsibilities.** The commission shall provide the insurance carrier or program manager an electronic schedule of all active licensees approximately three months in advance of inception (or renewal), or as otherwise agreed upon, which the insurance carrier or program manager may use to issue billing notices.

**19.5(1)** The insurance carrier or program manager shall provide the commission with a schedule of insured licensees. The commission will be responsible for comparing this schedule against its own records to determine which licensees elected not to participate in the state program and those that have failed to furnish the commission with acceptable proof of insurance necessary for continued licensure.

**19.5(2)** It shall be the responsibility of the commission to review proof of other insurance received from licensees not participating in the state program and to confirm that the other insurance meets the minimum requirements of these rules.

**19.5(3)** The commission may require that an approved standard form be used to submit proof of other insurance coverage for review.

**193E—19.6(543B) Compliance.**

**19.6(1)** The commission shall require receipt of proof of errors and omissions insurance from new licensees before the license is issued.

**19.6(2)** The commission shall require receipt of proof of errors and omissions insurance from the applicant before reinstating an expired license.

**19.6(3)** The commission shall require receipt of proof of errors and omissions insurance before reactivating an inactive status license to active status if the license has been inactive for more than 20 days.

**19.6(4)** Applicants for license renewal shall attest and certify that they have current errors and omissions insurance in effect that meets Iowa insurance requirements.

*a.* The commission will verify by random audit or on a test basis the insurance compliance attested to by the licensee.

*b.* Licensees participating in the state group program may not be audited if commission records indicate the insurance carrier or program manager has submitted current proof of coverage.

*c.* Licensees with other insurance coverage may not be audited if commission records indicate the current proof of coverage has been submitted.

*d.* The commission may random audit by any factor as will provide a reasonable sampling given the volume, purpose and scope of audit.

*e.* The commission may random audit as the result of any complaint filed with the commission whether or not adequate insurance coverage was questioned in the complaint.

*f.* The commission may audit compliance with insurance coverage at any time the commission has reasonable cause to question a licensee's compliance.

**19.6(5)** A licensee is required to carry insurance on an uninterrupted basis and may not avoid discipline simply by acquiring insurance after receipt of an audit notice.

**19.6(6)** Failure of a licensee to carry adequate insurance coverage or to submit proof of insurance to the commission within 20 calendar days of the commission's request as required shall be prima facie evidence of a violation of Iowa Code sections 543B.15(5), 543B.47(1), and 543B.47(6) and is grounds for the denial of an application for licensure, the denial of an application to renew a license, or the suspension or revocation of a license.

**19.6(7)** Submitting false documentation of insurance coverage, or falsely claiming to have or attesting to having insurance coverage, shall be prima facie evidence of violation of Iowa Code sections 543B.29(1) and 543B.34(1).

**193E—19.7(543B) Records and retention.** It is the responsibility of the licensee to maintain records which support the validity of the insurance. Documentation shall be retained by the licensee for a period of three years after the license renewal date or the anniversary of the license renewal date.

These rules are intended to implement Iowa Code chapters 17A, 272C and 543B.

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