



Does your Real Estate E&O Policy protect you in REO and short sales?

Real Estate Owned (REO) properties are often homes that have gone through foreclosure, been taken back by the bank, and usually sold “As Is” to the next buyer. Many homeowners or business owners are quite distressed at the time of foreclosure and do not have the financial ability to physically maintain the property. And some sellers owe the bank more money than the amount the home can sell for. When selling the property to a new owner, the bank, lender, or other owner of the property may not be required to provide a disclosure statement, leaving buyers to fend for themselves in discovering defects of the property or other damages left by the previous owners.

XL Insurance, the underwriting company for *Pearl’s E&O Insurance Program*, provides you a policy covering real estate services performed for others in foreclosure and short sales while serving as an agent, broker, leasing or referral agent, consultant or counselor, property manager, auctioneer, appraiser, and short-term escrow agent. The claims typically arising out of these circumstances include the alleged failure to disclose and misrepresentation of a property defect. In fact, a recent study by XL Insurance revealed two of the leading causes for E&O claims are:

- **Failure to Disclose Information.** Situations where the agent failed to disclose certain information about the property, such as previous problems with flooding or water damage and future development of the surrounding area. (48% of all claims)
- **Misrepresentation.** Scenarios where the agent misrepresented certain aspects of the property such as taxes, schools in the district, well water pressure or quality, zoning, and property boundaries. (29% of all claims)

REO property sales present certain risks to real estate professionals, so be sure to provide all critical information known about the property in writing to the buyer. Should you receive a claim following a foreclosure or short sale, please immediately report it to XL Insurance at the address shown on your insurance policy. Remember: It is important to report all claims (or potential claims) as soon as you are aware of them to help ensure you’ll be covered.

Pearl Insurance is a nationally known broker, marketer, and administrator that specializes in the design and administration of quality insurance plans for associations, affinity groups, unions, and large firms. In addition to providing real estate professionals with quality products and services for 30 years, their partnership with the XL Insurance companies (through Indian Harbor Insurance Company and Greenwich Insurance Company) solidifies their strength, allowing them to offer association members an A rated (by A.M. Best) E&O program. For more information about Pearl’s sponsored E&O programs, please call a Pearl E&O Specialist at 1.800.289.8170 or visit www.pearlinsurance.com/eo.

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