

Analyse your business to buy effective REAPI cover

11 risk management techniques to deploy in your business to gain the best value from your Real Estate Agent Professional Indemnity by Matthew J. Denehy



Professional Indemnity Insurance has become more prevalent over the last 10 years as litigation has been widened to capture more professions. Even some professionals that have not purchased PI Insurance before that now find themselves having to buy cover to satisfy contracts.

Some Real Estate Agents will remember the sub \$1,000 premiums that were on offer pre 2001 and the very low, sometimes non-existent excesses that were being charged.

When HIH did its back flip there was a significant, probably more than 50% of professionals scrambling for cover.

This demonstrated the necessity of PI insurance for Real Estate Agents as there were a lot of businesses caught in the middle of having cover and then not having cover.

Issues like a light fitting that fell from a ceiling and injured a young boy and the family not wanting to move back into the house again in fear of more

light fittings falling.

After the mother, father and son all lodged their claims in court the agent was left defending a \$2.1 mil claim.

Certainly something most small businesses need protection for as the bottom line can not handle a loss that large.

The protection that it has given has moved from more of a litigation defense mechanism to a consumer protection device which enables businesses to more effectively continue to grow without the heavy pressures of paying for a mistake that staff make.

It is obvious that a sole trader has ultimate control over their business, should they start to employ some admin staff to assist them run the business they still have their finger on the pulse.

It is when the business starts to get larger and staff is employed to run or manage certain aspects of the business, like sales or property management that the issue of errors occurs.

Certainly when the business becomes a large employer with multiple staff in these areas it now calls for more

control, more procedures and more supervision.

When buying Real Estate Agents Professional Indemnity (REAPI) you should understand what the insurer is looking for to establish if you can do anything different to buy a better policy or obtain a better price.

Here are a few LOOK OUTS that you should be aware of which are quite simple to engage within your business:

- 1 Do you have independent contractors working within your business?**
Are they included in your policy? Unless you tell someone they won't normally be covered
- 2 Are you a member of the REI or similar professional organisation?**
Insurer's love to see that Agents get regular up to date professional information
- 3 Do you have too many Sales and not enough Admin staff?**
The insurer will look to see that you can complete the business you start and not create issues from a lack of administration
- 4 What Qualifications and experience do your principals have?**
New to operating a business or an industry stalwart

“
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”

**List more! Sell more!
Be more efficient! It's in...**

sold.

5 Do you undertake Business Broking / Sales activities?
There are some insurers who will not provide cover for this, even if you tell them, which leaves you exposed.

“ Make sure if you change insurers that your new policy will accept your past activities ”

6 Have you stopped an income activity in the last few years?
Make sure if you change insurers that your new policy will accept your past activities. Make sure your new insurer knows about your past activities

As you can see, some simple risk management techniques that can be employed in your business to ensure you remain a good risk to insure.

This list is by no ways exhaustive as there is always more that you can do so you.

if they wish to continue issuing insurance policies. This has forced the quality insurers to register in Australia rather than continue to trade from their overseas positions.

Companies like DUAL Australia who used to underwrite on behalf of Arch (Europe) now underwrite on behalf of Lumley General Insurance, a Wesfarmers company.

Likewise, W.R. Berkley (Europe) has set up their Australia Company W.R. Berkley Insurance Australia.

Both companies have enormous assets and equity and are simply forced to now register with APRA.

7 Do you property manage Shopping Centres?
There is a higher risk of being dragged into “slip & fall claims” by the shopping centre insurer.

REAPI (Real Estate Agents Professional Indemnity) provides protection against a civil liability where a financial loss has been imposed upon a third party.

Due to the nature of the Real Estate business the policies were widened to include protection against “bodily Injury” and “property damage”.

It is essential that you check where your insurer is registered to make sure your policy will stack up when you need it to.

8 Do you undertake regular education programs?
Continual Professional Development is important for every industry

Prior to the Tort Law reforms a few years ago there were plenty of situations where ridiculous claims were being made and Real Estate Agents were being dragged into the action and having to defend themselves.

“ Ensure you speak to a broker who is a specialist in handling REAPI ”

Ensure that you speak to a broker who is a specialist in handling REAPI (Real estate Agents Professional Indemnity) as it’s all about the policy conditions when a claim happens not about the price that you paid for the policy.

9 Do you use a complaints and repairs register?
This is your defense mechanism against someone alleging you were informed of an issue. You can prove use of a chronological reference for your defense.

As much as Tort Law reform has cleaned up a lot of these frivolous claims there are still claims happening in the industry but suffice to say, not as much as 5 years ago.

You don’t want to be the most disappointed person with an insurance policy, so make sure its right. ●

10 Do you manage properties that your business partner, family or employees hold an interest in?
Most PI policies have a “Conflict of Interest” exclusion

This has had an obvious impact upon the premiums that the insurers are charging as well as other factors like increased competition.

11 Ensure your Insurer is registered with APRA?
Is your insurer registered in Australia, if not you will need to move your business as these overseas insurers will not be able to issue renewal contracts after 1/7/08.

The Federal Government recently introduced a law that makes every insurer be registered with APRA (Australian Prudential Regulation Authority) from the 1st July 2008

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