

By: Delegate Fulton

Requested: August 6, 1996

Introduced and read first time: January 8, 1997

Assigned to: Economic Matters

Committee Report: Favorable with amendments

House action: Adopted

Read second time: February 18, 1997

CHAPTER ____

1 AN ACT concerning

2 Real Estate Brokers - Errors and Omissions Insurance - Disclosure

3 FOR the purpose of ~~requiring a real estate broker to provide certain information to an~~
4 ~~associate real estate broker or real estate salesperson at the time the real estate~~
5 ~~broker offers coverage under a policy providing errors and omissions insurance;~~
6 ~~requiring the associate real estate broker or real estate salesperson to sign a~~
7 ~~statement acknowledging receipt of certain information under certain~~
8 ~~circumstances; establishing liability, under certain circumstances, for failure of a~~
9 ~~real estate broker to comply with certain requirements; and generally relating to the~~
10 ~~disclosure of certain information by a real estate broker in connection with an offer~~
11 ~~of coverage under a policy providing errors and omission insurance requiring certain~~
12 ~~real estate brokers to make certain disclosures to certain associate real estate~~
13 ~~brokers and real estate salespersons about errors and omissions insurance under~~
14 ~~certain circumstances; and generally relating to the real estate brokers, associate~~
15 ~~real estate brokers, and real estate salespersons.~~

16 BY adding to

17 Article - Business Occupations and Professions

18 Section 17-529

19 Annotated Code of Maryland

20 (1995 Replacement Volume and 1996 Supplement)

21 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF

22 MARYLAND, That the Laws of Maryland read as follows:

2

1 **Article - Business Occupations and Professions**

2 17-529.

3 ~~(A) AT THE TIME A REAL ESTATE BROKER OFFERS AN ASSOCIATE REAL~~
4 ~~ESTATE BROKER OR REAL ESTATE SALESPERSON COVERAGE UNDER A POLICY~~
5 ~~PROVIDING ERRORS AND OMISSIONS INSURANCE, THE REAL ESTATE BROKER~~
6 ~~SHALL PROVIDE THE ASSOCIATE REAL ESTATE BROKER OR REAL ESTATE~~
7 ~~SALESPERSON WITH:~~

8 ~~(1) A COPY OF THE POLICY;~~

9 ~~(2) AN EXPLANATION OF THE EXTENT OF THE POLICY'S COVERAGE OF~~
10 ~~ERRORS AND OMISSIONS;~~

11 ~~(3) AN EXPLANATION OF THE CIRCUMSTANCES UNDER WHICH THE~~
12 ~~ASSOCIATE REAL ESTATE BROKER OR REAL ESTATE SALESPERSON WILL CEASE TO~~
13 ~~BE COVERED UNDER THE POLICY;~~

14 ~~(4) NOTIFICATION AS TO WHETHER THE REAL ESTATE BROKER IS~~
15 ~~SELF-INSURED OR WHETHER THE REAL ESTATE BROKER OBTAINED THE POLICY~~
16 ~~FROM A COMMERCIAL INSURER; AND~~

17 ~~(5) IF THE REAL ESTATE BROKER OBTAINED THE POLICY THROUGH A~~
18 ~~COMMERCIAL INSURER, THE NAME OF A CONTACT PERSON WITH THE COMMERCIAL~~
19 ~~INSURER.~~

20 ~~(B) AFTER THE REAL ESTATE BROKER HAS PRESENTED TO THE ASSOCIATE~~
21 ~~REAL ESTATE BROKER OR REAL ESTATE SALESPERSON THE INFORMATION~~
22 ~~DESCRIBED IN SUBSECTION (A) OF THIS SECTION, THE ASSOCIATE REAL ESTATE~~
23 ~~BROKER OR REAL ESTATE SALESPERSON SHALL SIGN A STATEMENT~~
24 ~~ACKNOWLEDGING THE RECEIPT OF THE INFORMATION.~~

25 ~~(C) IF AN ASSOCIATE REAL ESTATE BROKER OR REAL ESTATE SALESPERSON~~
26 ~~ACCEPTS A REAL ESTATE BROKER'S OFFER OF ERRORS AND OMISSIONS COVERAGE,~~
27 ~~A REAL ESTATE BROKER WHO FAILS TO COMPLY WITH THE PROVISIONS OF~~
28 ~~SUBSECTION (A) OF THIS SECTION IS LIABLE FOR:~~

29 ~~(1) ANY LAPSES IN THE COVERAGE OF THE ASSOCIATE REAL ESTATE~~
30 ~~BROKER OR REAL ESTATE SALESPERSON UNDER THE OFFERED ERRORS AND~~
31 ~~OMISSIONS COVERAGE; AND~~

32 ~~(2) ANY ECONOMIC LOSS INCURRED BY THE ASSOCIATE REAL ESTATE~~
33 ~~BROKER OR REAL ESTATE SALESPERSON AS A RESULT OF AN ACTION THAT WOULD~~
34 ~~HAVE BEEN COVERED UNDER THE OFFERED ERRORS AND OMISSIONS COVERAGE.~~

35 (A) THIS SECTION APPLIES TO A REAL ESTATE BROKER WHO PURCHASES
36 ERRORS AND OMISSIONS INSURANCE THAT PROVIDES COVERAGE TO THE
37 ASSOCIATE REAL ESTATE BROKERS AND THE REAL ESTATE SALESPERSONS WHO
38 ARE AFFILIATED WITH OR EMPLOYED BY THE REAL ESTATE BROKER.

39 (B) A REAL ESTATE BROKER SHALL PROVIDE IMMEDIATE NOTICE OF A
40 DISCONTINUANCE OF THE BROKER'S ERRORS AND OMISSIONS INSURANCE TO

3

1 THOSE ASSOCIATE REAL ESTATE BROKERS AND REAL ESTATE SALESPERSONS WHO
2 WERE COVERED UNDER THE BROKER'S POLICY.

3 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
4 October 1, 1997.