

# Real Estate Services / Real Estate Developers E&O

“Real Estate Developer” is a broad-based term used by many of your Insureds and Prospects, but clarifying their coverage needs in order of importance can be difficult and inefficient. It is critical to narrow down and clarify the services a Client is offering, to whom the Client is offering those services, and how the Client has structured their operations in order to place the right Insurance Policy for a Client.



## CRITICAL ISSUES

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### What Services is your Client providing?

- Property Management Services
- Real Estate Sales and Leasing
- Property Developer
- Construction Manager or GC
- Real Estate Fund Manager or Fundless Sponsor Activity
- Any Combination of the Above

## PROHIBITED CLASSES

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1. Tenants, prospect or existing
2. Other real estate professionals
3. Investors (entity org chart with ownership critical)

For 1) and 2) above: The typical E&O policy written for firms providing services as a Property manager, Real Estate Broker, Third Party Real Estate Consultant, Appraiser, Inspector, Title or Escrow Agent will cover the Insured for claims alleging negligence in providing those services. Coverage needs and claim scenarios will needed is a more traditional placement, with coverage negotiated based on the particulars of an account.

For 3) above, firms acting as a Developer, GP of an LP, Manager of an LLC, Fund Manager, or any fundraising /investment administration, coverage must address both the traditional E&O exposure as well as allegations of negligence from outside investors related to the Insured's services as a Developer or Asset manager of those Investments. Typical policy language would cover the Insured's activities in raising capital, managing assets, advisory services to investors or investment entities and outside directorship activities.

## CLAIM EXAMPLES

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LPs asserted that a GP of a real estate investment fund induced them to sell their partnership interest below-market rates without disclosing that the investment properties that had much greater value. The GP then realized a large gain on the subsequent sale of the properties in which the LPs could no longer participate.

LLC member asserted that a Manager of a single asset property LLC investment, who was also the property manager of the investment properties, failed to advise them of lucrative sale opportunities for investment properties and continued to hold the properties to generate additional management fees for the Manager of the LLC.



 BROKERAGE

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