



Insurance Awareness and Contract Timelines (4 Hours)

COURSE ORIENTATION

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Executive Director*

Instructor Background:

Roy L. Ponthier, Ph.D., Ed.D., CDEI, DREI

- Dr. Ponthier is a licensed Louisiana real estate broker, certified real estate and appraisal instructor, and Director of Executive Training Centers, LLC, an educational services company which offers in-class training in real estate, mortgage finance and appraisal, as well as online training through ProEducate, the company's web-based education division which offers real estate and mortgage finance related courses throughout the United States.
- Dr. Ponthier holds a B.S. degree from Southeastern Louisiana College. His graduate training was taken at Tulane University (M.S. and Ph.D.) and the University of New Orleans (M.Ed. and Ed.D.). He holds the Certified Distance Education Instructor (CDEI) certification awarded by the International Distance Education Certification Center (IDECC), as well as the Distinguished Real Estate Instructor (DREI) designation awarded by the Real Estate Educators Association in recognition of exceptional effectiveness in the classroom. Dr. Ponthier has served on the faculty of three Universities, currently teaches classes for The Real Estate Law Society of Loyola University Law School and has chaired college divisions of Computer Science, as well as Education. Since 1988 he has taught real estate related subjects to more than 73,000 students. He is a member of five academic honor societies, as well as MENSA, and author of more than two dozen internationally published scientific papers. He was Director of The Center for Computer Education, Inc., which trained teachers in computer science, and was president of Worldwide Information Network, Inc., a provider of Internet and television marketing in real estate. He has owned two mortgage companies, as well as a business brokerage company and a residential and commercial real estate company.
- Since early 2009, Dr. Ponthier has served on a work group for the Nationwide Mortgage Licensing System & Registry (NMLS&R) to help develop the functional specifications for mortgage pre-licensing and continuing education programs taught in the U.S. He is a member of the Real Estate Educator's Association, The South Central Educators Group, and the Louisiana Mortgage Bankers Association, for which he is Chair of the education committee. Dr. Ponthier's achievements have been documented in Who's Who (Oxford Edition), American Men and Women of Science, and the International Who's Who in Education.
- Dr. Ponthier has contracted with Loyola University of New Orleans, College of Law, to be the exclusive provider of online Continuing Legal Education (CLE) for the University.

Course Description:

This is a 4 hour course that will discuss the need for flood and homeowner insurance, as well as review the benefits of having Errors and Omissions Insurance coverage. It will also review the new changes made to the Louisiana Residential Agreement to Buy or Sell. This course will provide the knowledge to: recognize the need for purchasing flood insurance coverage; understand the many laws revolving around flood insurance; list the different flood zones and what they mean with regards to insurance rates; know why errors and omissions coverage is necessary; determine what is covered and not covered by errors and omissions insurance and how one can reduce risk; know why homeowners insurance is important; know what the different types of homeowners insurance policies are and what they cover; be familiar with the new updates to the purchase agreement.

Required Course Material:

This course is entirely self-contained and does not require additional study materials.

REQUIRED HARDWARE and SOFTWARE:

- All course content is available online. To access, a student will need access to the Internet via a cable modem, ISDN, DSL, or T-1 connection. The only software needed is an Internet browser such as Google Chrome, Firefox, Safari, etc.
- Any additional software, such as Adobe Reader, needed to access PDF files, is available in the course for immediate and free download.

Completion Expectations:

Prerequisites:

- There are no educational prerequisites for this course; however, students are expected to have high school level reading and mathematics ability.

Upon registering:

- Students must complete the course lessons/modules and the final exam before the course expiration date.
 - Course completion will include completion of all group discussions and case studies, if applicable.
 - Each lesson will have a quiz at the end that must be passed in order to continue to the next lesson.
 - The quiz will consist of multiple-choice format questions requiring a minimum passing score of 70%
 - Quiz questions will be displayed one at a time.
 - Upon submission of the student's response (answer) to each presented quiz question, the system will display the correct/incorrect answer.
 - The final exam questions are also presented in multiple-choice format requiring a passing score of 75% or higher.
 - If a passing score is not achieved on any quiz or the final exam, the exam will reset and student will be presented with a different set of randomly selected questions. Student will be allowed to retake until a passing score has been achieved, or until the course expires, whichever occurs first.
 - The username and password will be deactivated after the course expiration date has passed.

School Policies:

Registration:

- The student is responsible for verification of qualifications for licensing, before registering for a course of study.
- Registrants with any form of criminal history, including misdemeanor or felony convictions, or who are currently on parole, must contact the relevant licensing agency before registering for any pre-licensing or pre-certification course.
- An e-mail account is essential to participate in the online program.
- Any attempt to take the course under an assumed identity, or to accept assistance from others in completing any portion of the course, may result in rejection of a license application, revocation of an existing license, fines, or other penalty provided by law governing the relevant state regulatory agency to whom the student submitted documentation.

Course Participation:

- Students are asked to please be certain that their address book is updated to include acceptance of e-mails from StudentServices@ProEducate.com and Instructor@ProEducate.com
- Instructors may not, in any venue, answer questions of a personal, professional, business, or legal nature, and students should not interpret any information received from instructors, or course content, as being legal or professional advice.
- The instructional staff will respond to questions by e-mail as quickly as possible. In general, questions received by noon on any business day are responded to by 5 pm the following business day. Students who abuse the e-mail opportunity may be dropped from the course, solely at the discretion of the school, without penalty to the school beyond refund of tuition.

School Contact Information:

- **By Phone:** For questions regarding **administrative** issues, the administrative offices may be contacted by phone at (504) 454-9866 or (800) 966-9866, weekdays between 8 a.m. and 5 p.m. central time.
- **By E-mail:** Ask technical or course content questions 24 hours a day by e-mailing the school office at the addresses listed below. A response will typically be received by close of business on the next business day.
 - **StudentServices@ProEducate.com** for questions or comments about registration, technical assistance, administrative issues, or purchases from the online store.
 - **Instructor@ProEducate.com** for questions regarding course content.
- **In Person:** We are in the office to assist you with administrative questions Monday - Friday 8:00 a.m. to 5:00 p.m. central time. We are located at 4200 S. I-10 Service Rd. W., Suite 134, Metairie, Louisiana 70001 (Boy Scouts of America Building).

Additional Information Regarding the Online Course:

- During the allotted class time, students will have access to the course 24 hours a day and may login and work on the assignments at their convenience.
- Instructors are constantly monitoring the student's progress throughout the course.
- During the course, if the students have questions about the course content, they may click on the "e-mail instructor" button and send a question to the instructor.
 - E-mails received by 3 PM on any business day will be responded to on the next business day.
 - Students are asked to please be very specific about the location of the content they are questioning (lesson #, topic, etc.)
 - Instructors are permitted to respond only to questions specifically related to the course content.
 - Questions regarding personal situations, unrelated to the specific course material or of a legal nature, may not be responded to.
- The course also makes a detailed glossary available to the students. Students may click on the glossary to study the definition of terms with which they are not familiar.
- The "Course Resource" section of the course makes forms and documents available to assist students in their studies.
- Upon completion of the course material, each student will be required to respond to a course evaluation in addition to a multiple choice final examination.

Learning Objectives, Modules (Lessons), Assignments, and Outline:

Module/Overview	Learning Objectives <i>Upon Completion of Module, each student will be able to:</i>	Module Time in Minutes
Flood Insurance <i>In this lesson, we will be reviewing the subject of flood insurance in the real estate industry. We will discuss the need for flood insurance, the laws regarding flood insurance coverage requirements, as well as how to determine whether a property is located in a flood zone and whether that property requires flood insurance. Lastly, we will review how to access the Federal Emergency Management Agency's flood maps and navigate through them.</i>	<ul style="list-style-type: none">• Recognize the need for purchasing flood insurance coverage• Understand the many laws revolving around flood insurance• List the different flood zones and what they mean with regards to insurance rates	40:12

Lesson Quiz		5:00
Real Estate Errors & Omissions Insurance <i>In this lesson, we will review real estate Errors and Omissions Insurance. We will discuss the benefits of having Errors and Omissions coverage, different coverage options, the Louisiana Real Estate Licensing Law, the 2016 Louisiana Group Program, types of claims-made policies, claims that are covered versus those that are not, and tips on how to reduce risk.</i>	<ul style="list-style-type: none"> • Know why errors and omissions coverage is necessary • Understand that license law requires errors and omissions insurance • Determine what is covered and not covered by errors and omissions insurance and how one can reduce risk. 	48:06
Lesson Quiz		5:00
The Mystery of Homeowners Insurance Revealed! <i>In this lesson, we will be reviewing the subject of homeowners insurance. We will discuss the need for homeowners insurance, the different types of homeowners insurance, the intricacies of each type of policy, what is covered and what is not covered by these policies, and the hurricane deductible, which is typical of insurance policies in Louisiana.</i>	<ul style="list-style-type: none"> • Know why homeowners insurance is important • Know what the different types of homeowners insurance policies are and what they cover • Know what perils are typically not covered by homeowners insurance 	38:10
Lesson Quiz		5:00
Purchase Agreement Updates/Timelines <i>In this lesson, we will review the new changes made to the Louisiana Residential Agreement to Buy or Sell, of which are effective as of January 1, 2017. We will also discuss the proper timelines for certain sections of the Agreement that are necessary during the home buying process.</i>	<ul style="list-style-type: none"> • Be familiar with the new updates to the purchase agreement • Know what sections of the purchase agreement need a negotiated deadline for completion • Understand what occurs to the purchase agreement if a deadline is not met 	26:45
Lesson Quiz		5:00
Final Exam	Measures student's competency.	20:00
End-of-Course Survey	Measures course presentation, materials, content and instructor competency.	5:00
Total Minutes		204:13

Insurance Awareness Course Outline

- **Module 1: Flood Insurance**
 - **Overview**
 - **Lesson Objectives**
 - **Who Needs Flood Insurance**
 - Flood insurance is necessary in addition to homeowner's insurance
 - Homeowner's Insurance
 - Known as hazard insurance in the real estate industry
 - Most common form of insurance for property owners
 - Does not cover damage due to floods
 - Flood Zones
 - High-Risk: Insurance is mandatory
 - Moderate-Risk or Low-Risk
 - Insurance is not mandatory
 - Lender may still require flood insurance for financing

- Flood insurance is not required for cash (not financed) sales, but insurance is always recommended
 - Homeowner to pay out-of-pocket for severe damage due to flooding caused by things such as
 - Homeowner can still purchase flood insurance even if it is not required
- Flood Insurance Coverage

- **Federal Flood Insurance Laws**
 - National Flood Insurance Act of 1968: Administered by the Federal Emergency Management Agency (FEMA) under the Department of Homeland Security
 - Flood Disaster Protection Act of 1973: Amended the National Flood Insurance Act of 1968, in an effort to prevent any future devastation similar to that which occurred due to Hurricane Agnes in 1972
 - Coastal Barrier Resources Act of 1982 (CBRA): Purpose of the Act was to prevent the encouragement of development in parts of the US coast
 - National Flood Insurance Reform Act of 1994: Was passed to strengthen the National Flood Insurance Program, provide tools to make the program more effective in achieving its goals, and reduce the risk of flood damage to properties and federal expenditures for uninsured properties that are damaged due to floods
 - Flood Insurance Reform Act of 2004: Was passed as another amendment to the National Flood Insurance Act of 1968 in an effort to decrease the property losses on properties that had sustained repeated flood losses in the past and had received insurance claim payments more than once
 - The Biggert-Waters Flood Insurance Reform Act of 2012: Was passed by Congress in order to make changes to the National Flood Insurance Program, making it more financially and structurally sound by making insurance rates reflect true flood risk
 - Homeowner Flood Insurance Affordability Act of 2014: Repealed and modified the Biggert-Waters Flood Insurance Reform Act of 2012. The new act lowered the rate increases on certain policies and prevented some future rate increases
 - Pending Renewal in 2017: It is important to note that the next review and renewal period of the National Flood Insurance Program will be in 2017

- **Understanding Flood Maps**
 - Flood Insurance Rate Maps (FIRMs) are useful to understand owner's risks depending on the subject property's location
 - FEMA establishes the flood maps to determine how areas are classified as high, moderate, or low flood risk areas
 - Areas classified as high risk: known as Special Flood Hazard Areas (SFHAs) and listed on the flood maps as areas or zones with the letters A and V
 - Areas classified as moderate-to-low risk: known as Non-Special Flood Hazard Areas (NSFHAs) and listed on the flood maps as areas or zones with the letters X, B, and C
 - Areas or zones where risk has not been determined are marked as Zone D
 - Chance of flooding differs depending on the flood zone
 - Uses for flood maps include:
 - To determine what areas are high, moderate, and low in flood risk
 - To help lenders determine flood insurance requirements for mortgage loans
 - To assist FEMA in determining what a property owner should pay for flood insurance
 - To help communities set minimum building requirements for coastal areas and floodplains
 - Updates to the Flood Insurance Rate Maps: FEMA constantly monitors and updates flood maps nationwide as they gather new and accurate information

- Where to find flood maps and how to read them
 - Visit the FEMA's Flood Service Center's website at: <http://msc.fema.gov/portal>
 - Should also be available for review at your local Community Map Repository site

- **Module 2: Real Estate Errors & Omissions Insurance**

- Benefits of E&O Insurance
 - Avoidance
 - Reduction
 - Transference
 - Retention
- Coverage Options
 - Covers liability in the event that a professional unintentionally omitted something or made a mistake during their performance in a professional activity
 - Does not cover if a professional intentionally left something out or was negligent in their professional activities and duties
 - All real estate licensees are required to purchase errors and omissions insurance
- 2016 Louisiana Group Program
 - Rice Insurance Services Company, LLC ("RISC") holds the Louisiana Errors and Omissions Insurance Program.
 - Premium- \$190 (\$183 premium + \$7 transaction fee) for \$100,000 per claim/\$300,000 aggregate limits
 - Deductible- \$1,000 per claim for damages
 - No deductible for defense of covered claim
 - Allows up to 25% ownership/financial interest by licensee
 - Primary residence coverage under certain conditions
 - Prior acts coverage, provided the subject professional services were performed on or after the licensee's retroactive date
 - \$25,000 supplementary payment for damages and expense for claims arising out of Fair Housing Discrimination-subject to \$1,000 deductible
 - \$5,000 per claim/\$10,000 aggregate sublimit for damages for environmental claims (defense costs do not reduce available environmental sublimits)
 - \$5,000 per claim/\$10,000 aggregate sublimit for property damage or loss of use of property resulting from property damage claims arising out of Lock Box Liability (defense costs do not reduce available lock box sublimits)
 - \$2,500 aggregate limit for attorney's fees to respond to a covered subpoena in a lawsuit relating to a transaction where the insured performed professional services.
- Claims Made and Reported Policies
 - Most popularly used type of policy
 - Requires the claim to be made during the policy term and that it be reported during the policy term as well
 - Policies commence coverage when an actual claim is made rather than when an error or omission has occurred
- Types of Claims that May be Covered
 - The payment of claims that were made due to error, omission, or negligence, which occurred while performing duties as a real estate agent
 - The payment of claims that are made during the policy period
- Types of Claims that May Not be Covered
 - Claims due to a criminal or dishonest act conducted by the policy holder
 - Claims due to property that is polluted

- Claims due to violent aggression caused by the policy holder to the claimant
 - Claims claiming the policy holder damaged the claimant's property
 - Claims Handling: How Does Coverage Work?
 - Pay an annual premium every year
 - Deductible
 - Common Claims
 - Ethics
 - Antitrust
 - Earnest/Escrow Money Disputes
 - Technology Problems
 - Third-Party liability
 - Fraud
 - Employment
 - RESPA violations
 - Agency
 - Disclosures
 - Risk Reduction
 - Documentation
 - Education
 - Disclosure
 - Disclaimers
 - Specifies the rights or obligations that parties in a recognized relationship can enforce and exercise
 - Should be included on all advertisements, mail outs, and websites
- **Module 3: Real Estate Errors & Omissions Insurance**
 - Working Knowledge of Homeowners Insurance is Important
 - Around 25% percent of total claim costs are fire related
 - Hail, wind, and plumbing issues are the most expensive types of claims
 - Tornadoes and thunderstorms account for \$9.6 billion in losses
 - Homeowners insurance is mandatory if a person purchases a home via financing
 - Good advice to give your clients is to pick the best policy that offers the most coverage at the best price
 - The more information you can provide your clients, the better you will be doing your job as a real estate agent
 - Types of Homeowners Insurance
 - Homeowners 1 (HO-1), Basic Form: Policy covers damage to personal property such as furniture, carpeting, and personal belongings from the following:
 - fire or lightning
 - windstorm or hail
 - vandalism or malicious mischief
 - theft
 - damage from vehicles or aircraft
 - explosion
 - riot or civil commotion
 - glass breakage
 - smoke
 - volcanic eruption
 - personal liability
 - The HO-1 policy covers both the property as well as the personal property within the property
 - Homeowners 2 (HO-2), Broad Form: Include the 11 listed under the Basic Form as well as others including:
 - falling objects
 - weight of ice, snow, or sleet, and rupture or bursting of hot water systems

- freezing of or accidental discharge of water or steam from HVAC systems
- sudden and accidental tearing apart, cracking, burning or bulging; building collapse
- sudden and accidental damage from artificially generated electrical current
 - HO-2 policies also carry comprehensive personal liability insurance
- Homeowners 3 (HO-3), Special Form:
 - This type of policy is the most common, as it is the most frequently purchased for residential homes and is the minimum coverage required by mortgage lenders
 - Unlike HO-1 and HO-2, this policy covers the structure of the property (including structures such as a garage) caused by anything, except what is expressly excluded in the policy (such as floods, earthquakes, and hurricanes)
 - If something is not specifically excluded in the policy, the policy will provide coverage for it
 - For personal property, the policy will cover damage due to the named perils listed in Homeowners 2
 - This policy also provides comprehensive coverage for personal liability
- Homeowners 4 (HO-4), Tenants Broad Form: This type of policy is for renters/tenants and is a named perils policy
 - It specifically covers personal property (no coverage for dwelling) against the following perils:
 - fire or lightning
 - windstorm or hail
 - vandalism or malicious mischief
 - theft
 - damage from vehicles or aircraft
 - explosion
 - riot or civil commotion
 - glass breakage
 - smoke
 - volcanic eruption
 - falling objects
 - weight of ice, snow, or sleet
 - accidental discharge or overflow of water or stream
 - sudden and accidental tearing apart, cracking, burning or bulging
 - freezing
 - sudden and accidental damage from artificially generated electrical current
 - Usually, personal liability coverage is included in the policy, but not always
- Homeowners 5 (HO-5), Comprehensive Form: This policy provides the same coverage as Homeowners 3 policies and is also an open perils policy
 - All damage caused by the different perils are covered unless the policy specifically excludes them (such as floods and earthquakes)
 - If any peril is not specifically excluded, then it is covered by the policy
 - This is also the most expensive policy due to covering so many potential losses
- Homeowners 6 (HO-6), Special Condominium Form: This type of policy is a named perils policy and is specifically designed for owners of condominiums or cooperatives
 - For the purposes of insurance, condominiums or cooperatives consist of 2 things: the building and common areas, and property specific to each unit owner
 - The structure of the building itself is not covered by HO-6
 - This type of policy does cover semi-permanent structures
 - Coverage under this policy is similar to that of Homeowners 4 policies

- Homeowners 8 (HO-8), Modified Coverage Form: This type of policy is designed for owner-occupied properties whose replacement costs are must higher than the market value of the property itself (generally tend to be older homes)
 - This type of policy will pay for replacement and repair costs, but they will only do so if they can replace certain materials to make the costs go down
 - The perils included in a Homeowners 8 policy are usually the same as those found in a Homeowners 1 policy
- Watch Out for Perils Excluded from Most Policies (In some cases, coverage may be purchased for items that are typically excluded)
 - Earthquakes and earth movements
 - Maintenance damage
 - Nuclear accident or war
 - Sewer backups or the inability of sump pumps to handle runoff water from downpours
 - Animals, birds, fish, automobiles, and business property (outside of the property)
 - Loss of food caused by loss of power for a long period of time
 - Most policies exclude coverage for tapes and disks unless an additional premium is paid (same is the case for boats)
- Hurricane Deductibles
 - Insurers around coastal areas offer homeowners insurance policies with percentage deductibles due to the costs correlated with hurricanes
 - The amount the policyholder must pay out of pocket is based on the property value
 - If a property is worth \$100,000 and the percentage deductible on the contract is 5%, the first \$5,000 must be paid by the policyholder
 - These types of deductibles usually range between 1% and 5%
 - Most of the homeowners coverage in Louisiana is underwritten by the Louisiana Citizens Property Insurance Corporation
 - There are three different deductibles for homeowners policies that relate to wind damage
 - Hurricane - activated when the National Hurricane Center reports that a tropical storm has reached hurricane strength
 - Named Storm - activated when the National Hurricane Center reports that a storm reached tropical strength
 - Windstorm and Hail - used when a property has damage from winds coming from hurricanes, tropical storms, tornadoes, or other types of storms
 - If a named storm has entered the Gulf of Mexico, insurance companies will restrict the purchase of hurricane coverage on their homeowners insurance policies (most companies will not even allow any updates to these types of policies)
- Some Good Advice for Your Clients
 - Have a good estimate of what the house is worth
 - Take an inventory of their belongings
 - Calculate approximate values on those belongings
 - Read the different policies available for them prior to committing
 - Check the details to ensure that the policy will provide the best coverage for what is owned
 - Shop around
 - Decide whether they want added coverage
 - Check what method is used to calculate value
 - It is their responsibility to find the proper homeowners insurance coverage and that it is their responsibility to keep up the policy and renew it every time the policy term expire

- **Module 4: Purchase Agreement Updates/Timelines**
 - Purchase Agreement Updates
 - In 2016, it was announced that certain sections of the residential agreement to buy or sell have been updated
 - Required for use by all licensees as of January 1, 2017.
 - Purchase Agreement Timelines
 - Financing
 - Pre-Approval Letter (written proof of loan application)
 - Financing Terms
 - Method of Financing
 - Appraisal
 - Denotes how many days after the receipt of the appraisal a copy must be provided to the sellers
 - Price Reduction Response
 - Written request must be provided for the sellers to go down on their sale price
 - Agreement also has a space allocated for the number of days that the seller has to respond to the written request of price reduction
 - If the seller does not want to go down on the sale price after receiving the request from the buyers, the buyers can void the purchase agreement
 - Inspection Period and Post Inspection Period
 - Inspection and Due Diligence Period
 - Inspections entail hiring professionals to inspect the condition of the property
 - The timeframe for inspection begins one calendar day after the purchase agreement is signed
 - An inspection and due diligence period will usually be given for 7 to 10 calendar days
 - After inspections have been completed, in other words, during the post inspection period, the buyer will have two options:
 - Terminate the purchase agreement, or
 - Write down the deficiencies reported in the inspection and the desired remedies to those to the seller
 - At this point, the seller will have 72 hours to respond
 - Merchantable Title/Curative Work
 - The seller is responsible to deliver a merchantable title.
 - If there is a defect in the title, the seller must resolve such defect and must take responsibility for any cost involved in doing so
 - In the event that curative work is necessary, the closing date for the Act of Sale will be extended as agreed by both buyer and seller
 - Final Walk Through
 - The buyer can re-inspect the property within 5 calendar days prior to the closing of the Act of Sale or 5 days prior to occupancy
 - The seller has the responsibility to provide access to the property for the final walk through and to provide utilities during the final walk through
 - Deadlines
 - All deadlines are final, unless there are modifications, changes or extensions made in writing and signed by all parties involved
 - Changes are usually attached in the form of addendums and must be signed by all parties in order to be legally binding or effective
 - The term “time is of the essence” is used to signify that deadlines exist and are final.

- Expiration of Offer
 - Determines the amount of time given for acceptance of the offer
 - Makes the purchase agreement binding and effective if accepted by the date stated

Course Final Examination

- Students will be administered a timed final examination consisting of multiple choice questions.
 - The final exam for this course consists of 40 multiple choice questions (time limit = 60 minutes)
- The countdown timer will be located in upper left-hand corner of the screen.
- In order to pass, you must score at least a 70% on the final exam.
- While you are taking this exam, you must answer at least one question each 5 minutes or the system will time you out and you will have to begin the exam again.
- Students who fail the examination may retake throughout the duration of their course.

End-of-Course Evaluation

Each student is required complete an evaluation of both the course and instructional services. This evaluation will take only a few moments to complete, but is required before a certificate of completion can be issued.
