

May 11, 2016

Members,

Thank you so much for the opportunity to serve on the National Risk Management Committee. Some highlights from the meeting are listed below.

#### Restructuring of the Risk Management Committee

Members were reminded about the restructuring of the committee that is scheduled to take place in 2017. The committee discussion about the restructuring and expressed a need to reevaluate whether the decreased in the size of the committee was the best approach. A motion was made to recommend Leadership to consider expanding the committee to include two members from each state and territorial association, as well as ten at-large members.

#### RPAC Challenge

The committee was issued a challenge by NAR President Tom Salomone to achieve 100% participation in RPAC.

#### CFPB Update

Finley Maxson, NAR Senior Counsel provided a CFPB update: research from the first quarter of 2016 indicated that less than 2% of transactions experienced delays due to TRID and that not receiving closing disclosures is the biggest reported issue. Maxson also reported that the CFPB is working with TRID groups to improve the process and that the CFPB is engaging in rulemaking regarding the implementation of TRID later this year and NAR will participate.

#### ARELLO Report

Chairman J.T. Tsighis reported there were a number of issues reported at the 2016 ARELLO Midyear Meeting. Among the issues discussed were: 1) the North Carolina Dental case, including its developments in case law, how states have responded to the decision, and the important ramifications for state regulatory agencies, such as real estate boards, where market participants regulate other market participants; 2) "License Portability" – ARELLO is assembling a work group to further study this issue; 3) types of fair housing complaints and how regulators can work together with local fair housing agencies; 4) access to credit, which still remains a challenge in many parts of the country; 5) restrictive underwriting issues still persist; 6) the emergence of "less government groups" whose mission is to do away with a variety of licensing entities; 7) increased supervision challenges related to teams; 8) the appearance of new models such as "showing apps" and others that may be game changers for the industry; 9) the need to upgrade broker requirements and improvement of Instructor Development Workshop classes; and 10) a requirement to improve the content and quality of subject matter of continuing education.

#### Insurance Program Update/Cyber Insurance

Eric Myers, Vice President – Real Estate Program Manager at Victor O. Schinnerer & Company updated the committee regarding the claim trends emerging in the

E & O insurance program, which include civil rights/fair housing/testers, misrepresentation, wire fraud/cyber crime, property management issues, ADA claims for website accessibility, marijuana and disclosure, and FHA claims by municipalities against banks.

Matthew Kletzli, Senior Vice President – Head of Management Liability at Victor O. Schinnerer, presented to the committee on cyber crime and related insurance coverage issues. Kletzli reported the most common claim sources include hacker attacks, breaches of laptops and mobile devices, and lost documents. He highlighted common scenarios seen in cyber claims including cyber extortion, deceptive transfers and telephone toll fraud. He outlined the expenses associated with cyber claims, with the highest expense being crisis services. He reported the median cost of remediation is nearly \$30,000 for professional services related to cybercrimes. He also informed that although 75% of small businesses believe they are safe from hackers, 20% of all cyber attacks hit businesses with fewer than 250 employees and that 60% of small businesses shut down after a cyber attack.

Thanks again for the opportunity to serve on this committee.

Respectfully,



Cindy Harvey