

Errors & Omissions Liability Insurance

What Is Errors And Omissions (E&O) Liability Insurance?

Errors and Omissions liability insurance offers protection for your business professionals from bearing the full cost of defending a lawsuit for either providing or failing to provide a professional service. This essential insurance coverage helps protect businesses and professionals against allegations of “negligence” in providing professional services.

Why Does My Client Need Errors And Omissions Liability Insurance?

In today's economy, businesses are at risk from many sources. E&O claims tend to happen more often in a down economy, when business professionals and their resources are stretched. If your client provides any type of professional service to others, they face errors and omissions exposure. Anyone in a professional service firm could make a mistake, overlook or misplace critical information, forget a crucial step, or be misinterpreted and be sued. Any client or other third party could be the source of an E&O claim.

What Does An E&O Insurance Policy Cover?

E&O policies provide comprehensive insurance for claims related to errors, omissions, negligence, inadequate work, inaccuracies, misrepresentation, or similar allegations stemming from the provision or failure to provide professional services. This type of policy covers damages, legal fees, and associated costs, offering robust protection for professionals. It can also be extended to include coverage for independent contractors, part-time employees, or even volunteers, ensuring comprehensive safeguarding for businesses

Evolution of Errors and Omissions Liability Insurance

Errors and Omissions insurance today looks far different than in its early days. Today there is no shortage of carriers willing to write errors and omissions liability. With that said, carriers will still have specific industry classes that are not favorable and specific guidelines that apply to those classes to those or they simply exclude them altogether. Years of specific data collection and claims data have led to the modern day typical E&O policy form. There are certainly more exclusions in today's E&O forms compared to when E&O first arrived. Cyber exclusions have become more prevalent.

Although exclusions have expanded over the years, so has the carrier's willingness to tailor policies to encompass all the services a firm provides. There has been a significant increase in the demand for higher limits from a contractual standpoint. This has created many more opportunities on an excess basis as the primary carriers look to limit their exposure by not offering the limit being mandated by the contract. This is not the case for every Insured but in many instances the limit being mandated, the industry class and other factors will determine if the primary carrier offers the contractual limit.

PLRisk has focused on E&O for nearly 20 years and our producers have combined experience that totals over 100 years in the industry. We are a trusted partner of many. Please reach out to us with any E&O questions or concerns.

Who Needs Errors And Omissions Insurance?

Professionals who provide services to clients for a fee are exposed to a variety of risks. E&O insurance is an essential risk management tool for mitigating these risks.

Here are some professions that need this important coverage:

- » Accounting Professionals
- » Commercial Real Estate Professionals
- » Lawyers/Legal Professionals
- » Allied Health/Medical Professionals
- » Consultants/TPAs
- » Technology Professionals
- » Architects & Engineers
- » Insurance Agents & Brokers
- » Title & Escrow Agents
- » Financial Institutions

PLRisk is your wholesale insurance resource for Professional and Management Liability. **We offer specialized solutions for the professional organizations you serve.**

Contact Us Today

Errors & Omissions Liability Insurance

Claim Scenarios



Financial institution

The bank acts as a depository for ACH transactions of a larger institution. An employee transposes numbers on two merchant accounts, causing ACH credits to be erroneously deposited into the wrong account. When the error is discovered, the funds have already been withdrawn by the business that received it and the entity refuses to return the overage. The customer that incurs the loss sues the bank.

A local community Investment Advisor meets with a client for the first time. After reviewing documents that the client submitted electronically in advance of the meeting the Advisor proposes a diversified portfolio for the client. One of the proposed investments in the portfolio is a registered fund that is managed by a third party. The fund turns out to be a fraudulent scheme and the Advisor is sued by the client. The suit alleges failure to perform due diligence on the fund manager.



Technology Professional

A software developer sold timekeeping software to a company. After removing all previous timekeeping clocks and installing software, the customer found out that it did not function properly. It failed to correctly apply the hourly and overtime rate of pay resulting in over and underpaid employees and the need to replace the original time clocks. The company sued the provider of the software for damages and expenses resulting in a \$550,000 settlement.



Insurance Broker

An insurance agent received a notice of claim and copies of a lawsuit filed against an insured client. The agent prepared a fax to the insurer and left it for an assistant to send out. The fax was put in the fax machine but did not actually go through, and the documents were put in a claim file and filed. The fax confirmation was never checked to ensure that the fax had gone through to the correct number. 10 days later the insured called requesting the status of the claim. The agent discovered that the claim had never been received by the insurer and faxed the original claim notice and lawsuit. However, the plaintiff had filed a motion for default in the meantime, and the default had been granted in the amount of \$1,250,000. The insurer immediately assigned counsel and filed a motion to overturn the default judgment. The motion was denied. This claim could have been prevented if the assistant had checked the fax confirmation thoroughly prior to filing the documents.



Allied Health/Medical Professionals

An insured received a claim involving a motor vehicle accident that occurred while an employee of their non-medical home health agency was transporting a patient to a medical appointment.

A Med Spa was sued by a former client claiming she suffered burns after receiving a laser hair removal treatment. The treatment of which the client complained was the last in a relatively long line of treatments and was performed on the same basis as the earlier treatments.



Architect

An architect designed a new church building and was also responsible for providing engineering services. There were numerous issues regarding the quality of the construction work—the foundation, in particular. The architect used its standard contract which stated that they would “ensure” contractor performance in accordance with plans and specifications. Additionally, the architect did not have a written contract with its structural engineer nor the geotech firm (which it agreed to retain as a subconsultant), only proposals. As a result, the architect was unable to engage its consultants in dispute resolution. To settle the claim, the carrier paid \$606,000 on behalf of the policyholder and \$70,000 in legal expenses.

These are only claims examples: minor changes from actual suits have been made to protect the confidentiality of all clients.