



Errors & Omissions Insurance: A Cost-Effective Approach to Protecting Your Business

It's a good news, bad news situation. The bad news: Lawsuits, once a measure of last resort, are now commonplace in settling disputes. The actuarial consulting firm Tillinghast estimates that the U. S. civil liability system cost \$246 billion in 2003. The good news? You can protect yourself, and your business and reputation, by investing in professional liability coverage, also known as Errors and Omissions (E&O) insurance.

E&O insurance is supplementary liability insurance that enhances any business owner's policy by safeguarding against catastrophic loss in the event of a lawsuit due to a negligent act, error or omission by the professional. In addition to claims of error, omission, or negligence, it can also protect against slander, libel and breach of contract.

Who needs E&O coverage?

It is appropriate coverage for anyone who gives advice, makes educated recommendations, designs solutions, or represents the needs of others. Service professionals, such as accountants, computer consultants, software developers, planners, architects, real estate agents, contractors, etc., are prime candidates for carrying E&O insurance.

Specialized forms of E&O coverage are also available to professions such as appraisers, real estate agents, insurance agents, home inspectors and notaries. Policies are designed to cover the large legal defense costs that are incurred trying to prove liability or innocence. They also ultimately cover the final judgment if the business owner does not win the lawsuit.

E&O policy overview

E&O coverage kicks in where your Commercial General Liability policy does not provide coverage, such as for service errors, contract performance disputes or any other professional liability issues. These policies also include defense costs, which can be quite substantial even if liability is not found. Policies typically do not provide coverage for non-financial losses or for intentional or dishonest acts.

This document is not intended to be exhaustive nor should any discussion or opinions be construed as legal advice. Readers should contact legal counsel or an insurance professional for appropriate advice.

E&O policies generally have both a claim limit and an annual limit, which is based on the insured's exposure. The claim limit is the maximum amount that will be paid for any single event, and the annual limit is the maximum that will be paid in any one year. Typical limits range from \$250,000/\$500,000 to \$2,000,000/\$4,000,000 and differ depending on the type of business.

To be eligible for this specialized insurance, candidates normally have to have proof of licensure in their "covered class of business."

Count on the experts

There are many different forms of professional liability insurance and multiple factors to consider when purchasing E&O coverage for your business. Because there isn't a standard policy, an experienced agent who understands your company and can knowledgeably design a policy to meet your needs is invaluable. Call us today at 248-643-4800 to learn how E&O insurance can be utilized as part of your total risk management program.

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