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Errors and omissions examples

Errors and omissions (E&O) insurance, also known as professional liability insurance, is designed to protect professionals from lawsuits claiming mistakes in their services. This policy can cover claims related to negligence, errors or omissions, misrepresentation, and violation of good faith and fair dealing. Common examples include accountant mistakes, interior designer errors, real estate agent oversights, marketing consultant blunders, and tax preparer miscalculations. E&O insurance can help pay for legal costs in both claims and lawsuits, but it doesn't cover slips or falls, property damage, reputational harm, work-related injuries or illnesses, or data breaches. To get coverage for these types of claims, additional business insurance policies are needed. The E&O claims process may seem complex, but it can be navigated by following the right steps: report the claim to your insurance provider promptly, ask for help finding a lawyer specializing in E&O claims, work with your lawyer and insurance company to agree on a settlement amount, and consider going to trial if necessary. Your business protection is our top priority. We offer insurance policies that cover errors and omissions claims, helping you recover from losses caused by human error or system failures. Our experienced team has been serving businesses like yours for over 200 years. To get started, request a free quote today and learn more about how we can safeguard your professional reputation. We've seen firsthand the devastating effects of E&O claims on professionals. For instance, a financial advisor who failed to diversify a client's portfolio faced significant losses, highlighting the importance of having the right insurance coverage in place. Similarly, a software engineer who neglected to include a critical security patch in a new release led to a costly data breach and E&O claim. Professional negligence can also give rise to errors and omissions claims, as seen in the case of a doctor leaving a surgical instrument inside a patient. These claims often involve a breach of duty of care, resulting in substantial financial losses for individuals or businesses. Proper documentation is key in preventing E&O claims, as demonstrated by a recent case study where a lack of clear records led to a lengthy and costly dispute. Our insurance policies can help you mitigate risks and protect your business from the severe consequences of E&O claims, including reputational damage and financial ruin. Don't wait until it's too late - get in touch with us today to learn more about how our insurance coverage can safeguard your professional reputation and business. When dealing with common claims issues, it is crucial to understand the top five most frequent claims that arise. Claimants often argue that their injuries are more severe than they appear, as seen in a 35-year-old man who initially suffered a minor back injury but later developed chronic pain. Emotional distress claims are also common and can be legitimate concerns, such as a woman who experienced anxiety and depression after witnessing a traumatic event. Some claimants may try to exaggerate their losses, like a business owner who claimed \$100,000 in lost profits due to minor property damage. Medical expenses can also be a significant burden, as illustrated by the example of a family who accumulated \$50,000 in medical bills after a car accident. Finally, claimants may dispute the settlement amount, arguing it is too low, such as a couple who felt their \$20,000 settlement was insufficient for their injuries. Professional liability insurance, often used interchangeably with errors and omissions insurance, protects professionals from claims of negligence or errors in their work. This type of coverage can include extra features like reputation, repair costs, travel costs, and subpoena coverage. Contractors and professionals should carefully review the entire policy to ensure it includes the services they need. E&O insurance and professional liability insurance are typically used interchangeably and are also sometimes called professional indemnity insurance. In the construction industry, these terms are often used to refer to the same type of coverage, and the terms are used interchangeably. General liability insurance provides broad coverage for injury and property damage caused by a business, whereas errors and omissions insurance is specific to errors in providing professional services. Policy coverage is a critical aspect of insurance, and agents must get it right to avoid errors and omissions claims. Failure to advise adequate coverage can lead to clients facing unexpected expenses. Incorrect explanation of coverage can also lead to issues, so agents should ensure clients fully understand what they are paying for. To prevent this scenario, agents should ask clients if they have any questions and record emails and calls between them (with the client's consent) to establish that the agent accurately represented the coverage. Agents must be cautious of various pitfalls that can lead to mistakes and breaches of fiduciary duty. One common issue is incorrect information on certificates of insurance, which can result in reduced or invalid coverage. To minimize errors, it's essential to limit the number of agents working with each client. Additionally, agents should develop expertise in every product or service they recommend and provide thorough explanations to ensure clients understand what is covered. Agents must also maintain honesty and integrity, avoiding misrepresentation and distorting the truth about a product or service. Recording emails and calls between the agent and client can help establish accuracy and fairness. A breach of fiduciary duty can have serious consequences for financial advisors and insurance agents. As a fiduciary, it's essential to act in clients' best interests, considering their planned retirement age, risk tolerance, and financial goals before making any recommendations. This includes conducting thorough research and analysis on investment risks and returns. Accurately representing what protection a given coverage level affords a client is also crucial to avoid breaches of fiduciary duty. Insurance agents must ensure clients fully understand what they're paying for and take steps to prevent errors, such as working with only one agent per client and maintaining clear communication. To reduce the likelihood of administrative errors on certificates of insurance, it's crucial to limit agents working with a single client. This can prevent mistakes that may lead to reduced or canceled coverage, resulting in professional liability lawsuits. Common errors include incorrect information, missing details, and failure to update client info. To avoid these issues, agents must double-check their information with clients and ensure accuracy and completeness. The consequences of administrative errors can be costly for clients and may result in voided policies when a claim is filed. Insurance agents should also review the information they provide to potential insurers and set up systems to prevent mistakes. E&O insurance provides legal assistance and fees in case of lawsuits, giving agents peace of mind to focus on client needs. The importance of accurate documentation and risk assessment cannot be overstated when it comes to professional liability claims. In today's world, professionals across various industries must have errors and omissions (E&O) insurance to protect themselves from financial harm due to mistakes or negligence. Properly recording conversations, saving files within client records, and maintaining up-to-date policy information can provide an added layer of protection. You might think you're immune to mistakes, but even top players in the tech industry have been known to slip up. The case of Hertz vs Accenture in 2019 is a perfect illustration of this. In 2016, Hertz hired Accenture to revamp its website, but after missing multiple deadlines and shelling out \$32 million, the project was still incomplete. As a result, Hertz took Accenture to court under Florida's Deceptive and Unfair Trade Practices Act, which ultimately led to Accenture having to defend itself legally while also suffering damage to its reputation. If they hadn't had insurance, the cost of their legal defense alone could have been enough to put them out of business, even if they'd won the case. 2. Accounting pro's liability claims example Accountants handle incredibly sensitive financial and personal data, so even a small mistake can have a huge impact on their clients. That's why professional liability for accountants is crucial. In one scenario, an accountant prepared income tax returns and provided consulting services to a contractor over several years. However, the client was audited and found to owe around \$100,000 in back taxes due to not paying use tax on materials used in-state for out-of-state jobs. The contractor then sued his accountant, claiming he hadn't advised him about remitting the tax. The accountant argued he'd only been hired to prepare tax returns and offer limited consulting advice, while the client claimed they relied solely on the accountant for all tax-related advice. In the end, the matter was settled out of court for \$50,000. 3. Real estate pro's liability claims example Professional liability is just as vital for real estate agents as it is for other industries mentioned earlier. They handle private and personal data while helping clients make life-changing decisions, often involving huge sums of money. If anything goes wrong, the blame usually falls on the real estate agent. A case in Texas involved a relocater who was sued after a sale had already been completed. The buyer claimed that their son fell through the flooring in the den and sued not just the inspector but also the listing agent and broker, the seller, and their own realtor for allegedly failing to disclose the defective subflooring. Despite Texas law stating that agents have no duty to investigate independently, the court ruled that the listing agent hadn't made any misrepresentations to the buyer. The agent still needed legal protection to prove their innocence. 4. Consulting pro's liability claims example Professional liability can be a lifesaver for consultants in many unfortunate situations. A case example illustrates this. A couple's stock portfolio was managed by an investment adviser for several years, but against his advice, the husband liquidated some stocks and engaged in day trading, resulting in significant losses. After the husband passed away, the widow sued the advisor, claiming he negligently managed her portfolio and failed to advise on risks and diversification. Despite no wrongdoing being found, the case was settled out of court due to sympathy from the jury. Key takeaways include that mistakes happen and accusations are bound to be made in any industry. Professional liability insurance can provide a lifeline when needed most, offering financial coverage for malpractice or negligence claims. E&O insurance specifically provides protection against client losses resulting from negligent acts, mistakes, or oversights that harmed clients but did not cause bodily injury or property damage. E&O insurance is crucial to fill the gap left by commercial general liability policies, which do not cover this type of incident. Errors and omissions can occur in various situations, including inaccurate advice, poor planning, or design services. Examples include missed deadlines due to incomplete design services, resulting in financial losses for clients. By project delays.E&O Payout: \$300,000 for developer's losses and legal feesOcean Build and Design's E&O insurance policy helped cover both the developer's financial losses and the legal fees incurred in defending the firm against the claim. The covered payout allowed the design firm to continue operating without a significant financial burden, while maintaining its reputation in the industry.E&O Payout: \$100,000 for client's tax penalty and legal feesBig Apple Tax Associates' E&O insurance policy covered the payout of the claim, helping the firm avoid a potentially devastating financial burden and protecting it from an inadvertent mistake their work.E&O Payout: \$250,000 for client's lost revenue and legal feesThe E&O insurance policy covered the payout, reimbursing the client for lost revenue and the legal fees, without impacting Lone Star IT's operations and budget. The Importance of Errors and Omissions Insurance for Businesses Companies like Lincoln Legal and Mile High Tech have learned the value of errors and omissions (E&O) insurance. When mistakes happen, E&O coverage can be a lifeline. In one instance, an E&O payout of \$150,000 helped a firm recover from financial losses and legal fees after a mistake was made. The policy proved invaluable in preventing layoffs and budget cuts. Another example, Mile High Tech, faced significant consequences after developing a client's online retail platform without proper security measures. A data breach exposed customer credit card information, resulting in financial losses for the client's customers and damage to their reputation. E&O insurance paid \$600,000, covering both the client's losses and legal fees. Bulldog Appraisals' experience also highlights the importance of E&O coverage. An inaccurate appraisal led to a lender facing financial losses due to default on a mortgage loan, as well as reputational damage. The E&O insurance payout of \$400,000 covered both the lender's financial losses and legal fees. In these instances, E&O insurance proved critical in protecting businesses from unpredictable events. Investing in Errors and Omissions (E&O) coverage is essential for businesses operating in high-risk industries or providing services that involve a significant margin of error. The decision to purchase this policy ultimately depends on your ability to bear losses and your tolerance for risk. While including an E&O clause in contracts may provide some protection, it is not foolproof and should not be relied upon as the sole means of defense against claims of negligence. Conversely, general liability insurance only covers damages or injuries you cause to others, leaving your clients' financial losses unprotected. Therefore, it's crucial to consider E&O coverage, especially if you're in an industry with a high risk of mistakes or allegations of negligence. To determine the cost of this coverage, we invite you to schedule a meeting with our advisor or request a quote online.