



# Professional Liability

Do you or your business provide professional services or advice to other businesses or individuals? Could your counsel or service lead to losses by your client for which you could be held responsible? If so, you should consider purchasing professional liability insurance, also known as errors and omissions insurance (E&O).

Claims not covered by general liability insurance that are covered by professional liability insurance include negligence, errors, failure to render services, misrepresentation, violation of good faith and fair dealing, and inaccurate advice.

## What is Professional Liability?

Professional liability insurance, more commonly known as errors and omissions (E&O insurance), is a special type of coverage that protects your company against claims that a professional service you provided caused your client to suffer financial harm due to mistakes on your part (errors) or because you failed to perform some service (omissions).

Professional liability insurance will generally pay the cost of legal defense against claims and payment of judgments against you, up to the limit of the policy. In general, coverage does not extend to non financial losses or losses caused by intentional or dishonest acts. Other fees, such as licensing board penalties, may also be included. Policies will generally have a deductible ranging from \$1,000 to \$25,000. The amount of professional liability insurance you will need and how much it will cost depends upon the size of your business and the level of risk it poses.

## Why do I need Professional Liability?

Lawsuits—both legitimate and frivolous—are common today. Adding professional liability insurance to your business insurance portfolio can help protect you from the time consuming and expensive proposition of mounting a defense if a client takes you to court.

## Professions that commonly purchase professional liability:

- Medical providers
- Attorneys and legal service providers
- Consultants
- Realtors
- Accountants and Financial services professionals
- General contractors

## Claims-made vs. Occurrence

There are two types of professional liability policies: claims-made and occurrence. Most professional liability insurance policies are “claims-made,” meaning that the policy must be in effect both when the event took place and when a lawsuit is filed for a claim to be paid. If, however, you change careers or retire, you may want to purchase an “occurrence” policy that will cover any claim for an event that took place during the period of coverage—even if the suit is filed after the policy lapses.