

## Do You Need E&O Protection?

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Are any of the key people in your business among those who would be considered a "professional" by our legal system and your clients?

If you give advice - of almost any nature - and advertise yourself as an expert, you will be most likely considered a professional under the law and held to higher standards of care. You can be sued for errors and omissions (E&O) when advice doesn't work as planned.

### Standards of care can be harsh ~

As an expert, you have a duty to clients - and sometimes to others - to do high quality work, act in a prudent manner, and not commit errors that cause harm. Professionals like accountants and lawyers have detailed standards of conduct as part of their state licensing. Even if your vocation or profession does not have published practices, the courts will penalize you if your quality is not up to par with others in your line of work.

### Potential liabilities are increasing ~

First, your General Liability to clients and third parties includes coverage for bodily injury and property damage claims. Knocking over the client's Ming vase and inadvertently tripping the executive assistant on the stairs are unfortunate examples.

Then, Errors and Omissions claims come from your liability for economic or financial losses that result from your erroneous advice. Remember that an omission - or a problem you knew about but did not explain - can result in as much damage as an error. Examples of economic losses might include:

- Your inappropriate marketing advice causes your client's new product to be late to market and not reach expected sales;
- Your project estimate is incomplete and inaccurate: your customer - a contractor - has costly delays in completing a major kitchen remodel;
- Your email for a client goes out to inappropriate parties or includes a confidential report, and your client gets sued for breach of confidentiality.

Recently a computer programmer was updating software for a large client. He read some code incorrectly and deleted financial data that the company had no way to retrieve. A suit was brought for \$5 million.

### Insurance protection is essential ~

B2B customers today are often insisting on proof of E&O coverage in addition to standard insurance policies. Even a "small" lawsuit can far exceed a firm's revenues and the personal assets of the owner.

Professionals, consultants and small businesses that offer advice must purchase professional liability, or E&O, coverage in today's litigious world. These specialized policies cover claims for economic loss from negligent advice or breach of duty. Perhaps more importantly, the insurance company will defend you and pay your legal fees. The average cost of defending an E&O claim was recently reported to be \$47,000, even when the defendant was found innocent.

When something goes wrong there is plenty of blame to go around. Don't get caught as the unprepared scapegoat: review your coverage, educate yourself about risks, and make sure you have adequate protection against devastating and expensive liability.