E&O

Accountants

Q&A

TOP 5 REASONS YOUR FIRM NEEDS COVERAGE

- More clients require the professionals they hire to carry errors and omissions (E&O) insurance. You may risk losing the opportunity for a new project without it
- No accounting firm is too small to need coverage. No matter the number of employees, even just one, the risk of potential lawsuits are real.
- Clients do not hesitate to take legal action if they feel the professional services performed failed to meet their expectations.
- Defense costs, even in frivolous cases, can be costly
- A quality professional liability insurance program can be both cost-effective and help protect your business and financial security.

Who is covered under an accountants' professional liability insurance policy?

The definition of who is insured under a professional liability policy typically includes current, former and future: principals, partners, officers, members and employees of the firm and the "Named Insured" (the firm itself). The definition may also include contract or temporary employees working under the supervision of an insured.

What isn't covered under my accountants' professional liability policy?

You should pay special attention to the exclusion section of your policy which identifies the activities or risks that are not covered. Some examples of common exclusions are: criminal, dishonest, or fraudulent acts committed by an insured. Another common exclusion eliminates coverage in the event an insured had knowledge of a claim prior to the effective policy date. Make a practice (prior to your expiration date) of surveying all staff regarding any known circumstances that are or could potentially become the basis of a claim, and report these matters before your current policy expires.

How is my premium determined?

Many factors influence the premium charge for your professional liability policy. Insurance companies evaluate their loss experience to determine practice areas that impact the frequency and severity of losses. Your firm's loss history and the length of time you have continuously purchased insurance will affect your premium. And of course, the limit of liability and deductible options you select will be also be a factor.

What is a prior acts date?

The prior acts date, also referred to as the retroactive date, represents the date after which services you provide are covered by your professional liability insurance policy. The prior acts date typically is the effective date of the first claims made policy you purchase and will continue to be shown on subsequent continuously renewed policies. This option will result in a higher premium when compared to a policy with expenses paid within the limit of liability.

These scenarios are not intended to be interpreted as coverage positions. Coverage for any given claim is based upon its facts and the specific terms and conditions of the policy.

What is first dollar defense?

First dollar defense is a deductible feature that converts the deductible to only apply in the event damages are paid to resolve a claim against your firm. The company pays all expenses and fees in handling the claim. This feature will result in a surcharge to your premium.

What is "extended reporting period" coverage?

Extended reporting, also referred to as tail coverage, provides for the reporting of claims following the termination of your last professional liability policy. This coverage is especially important when your firm ceases to exist, and allows you to have continued coverage for the services you provided prior to closing your practice. Options are typically for 1-6 years.