

What Is Errors and Omissions Insurance?

Errors & Omissions Insurance is a policy that covers legal expenses when a third party claims they lost money because the insured's professional negligence or failure to perform a professional service.

Is Errors & Omissions Insurance the same as Professional Liability or Malpractice Insurance?

Errors and Omissions, Professional Liability, and Malpractice Insurance are often used interchangeably. However, different industries prefer different names for the coverage. For example, when describing this coverage for a doctor or lawyer, the preferred term is "Malpractice Insurance."

Who needs E&O Insurance?

Any professional who offers a service for a fee could be sued for incomplete, inferior, or inadequate work, which is why they should carry E&O Insurance. Traditionally, a professional is defined as a person who possesses specialized skills or knowledge, such as doctors, lawyers, and engineers. However, plenty of other service providers are at risk of being sued for negligence - from wedding planners and photographers to real estate agents. As a rule, if your client provides guidance based on their expertise, consider advising them to carry adequate E and O coverage.

What does E and O Insurance cover?

E&O Insurance covers the costs associated with defending your client's business against a disgruntled customer's professional negligence claim. Costs such as attorney fees, court costs, and witness fees may be included, plus any judgments, settlements, or damages (up to the policy limit).

What does an Errors and Omissions Insurance policy exclude?

First and foremost, Errors and Omissions Insurance policies will not cover fraudulent or illegal activity, nor will it compensate for intentional acts of negligence. Additionally, E&O only responds to economic losses. For claims of physical harm or property damage, your client will need General Liability Insurance. Finally, E&O may not include Cyber Liability Insurance, which accounts for economic losses stemming from data breaches.

Does my client's General Liability Insurance cover their professional liability?

No, it doesn't. Though both coverages protect your client in civil lawsuits, they respond to different claims. General Liability claims involve mostly tangible injuries, such as bodily harm, death, and property damage. E&O is only concerned with negligence that causes third parties financial losses.

What is a "claims-made" policy?

A "claims-made" policy only provides coverage if both the alleged incident and the actual claim happen when the policy is active. Most Errors and Omissions policies are written on a claims-made form.

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.

Will an Errors & Omissions policy cover meritless lawsuits?

An unsatisfied customer doesn't need to prove that your client was at fault when they file a negligence suit. Still, your client will still need to mount a defense. That's why E&O Insurance kicks in even when a negligence suit is meritless, unfounded, or frivolous.

How much does E and O Insurance cost?

The cost of E & O varies from carrier to carrier. The services your client offers and their customer base may also affect their premium. You can find appropriate coverage for your client by comparing rates using Insurance Noodle's quoting software and universal online application.

How Does Errors & Omissions Insurance Protect My Business?

Anytime lawyers get involved in a dispute, it's expensive. Even if you can resolve the issue relatively quickly, you're still looking at a few thousand dollars in costs – and if it drags on for months, those costs add up quickly. E and O Insurance covers the expenses generated by a lawsuit, which include...

- Lawyer's fees. Lawyers generally charge by the hour, and a lawsuit involves a lot of their time.
- Court costs. Filing documents with the court or using a court reporter at a deposition entails a fee.
- Administrative costs. Lawsuits involve each side trading documents and lawyers examining them. That means shipping, processing, software, and photocopy charges.
- Settlements. Most lawsuits settle out of court to save both parties money, but you'll still have to pay the plaintiff.
- Judgments. If you go to trial and lose, you must pay a court judgment or risk a judgment lien being placed on your business assets.

Are All E&O Policies the Same?

Each Errors & Omissions policy differs based on the company's needs, priorities, and risk profile.

- Different policies may or may not cover certain risks, such as cyber liability, intellectual property claims, or regulatory infractions.
- The liability limits might differ.
- You can choose higher or lower deductibles.
- Some policies might exclude certain coverages, such as punitive damages.

When shopping for E and O Insurance, it's important to get quotes from multiple insurance providers and discuss with an insurance agent how they might differ.

Is E and O Insurance Time-Sensitive?

Yes. Unlike other kinds of insurance, E & O coverage operates on a "[claims-made](#)" basis. If a dispute arises from work you performed before you obtained your E and O policy, you won't be able to access your benefits. That's why the best to keep one E&O Insurance policy throughout the life of your business.

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