

E&O Insurance

Errors and Omissions Insurance. Ever heard of it?

Not having it could cost you dearly...

E&O insurance, as it's called, essentially protects the business professional from lawsuits arising from real or perceived misconduct resulting from the normal conduct of business. It goes beyond the kind of insurance most people are used to because it covers aspects of a business that impact others when interacting with the public or a client. E&O insurance is also known as professional liability insurance, and the reason liability ought to be of such concern to the business owner is related to the very nature of conducting business in and of itself.

Unlike private individuals and their families, businesses are specifically set up to interact with the public as a matter of routine. You normally don't provide a good or a service to a small circle of friends. You set up a business in order to meet a demand that exists out there in the public. That involves interacting with the public and performing exchanges with them in ways that may be even hard for you to perceive. The extent to which a business or a professional can have an impact on the public can almost literally be unimaginable. This is why things like e & o insurance are necessary.

Say you're a lawyer. You provide legal counsel to a client. That client then turns around and uses that counsel as a basis to form a contract with a third party. That third party and its contract provide services to the public. Someone from that public believes themselves to be hurt or damaged as a result of that service. Well, it's possible that the claim can be traced all the way back to the original counsel provided to the client. It may seem improbable. But just think how many frivolous lawsuits are in existence. Errors real and perceived can end up costing you.

This is a component of liability insurance that many business owner and professionals might not come to fully appreciate until it's too late. It's not only errors or mistakes that professionals conduct in the normal practice of business. A plumber might install a wrong kind of pipe. A doctor might prescribe the wrong type of medication — which gets malpractice liability involved for the professional as well. An IT professional might install the wrong type of software for a computer system. This stuff happens, and errors and omissions appraisers will usually deal with these kinds of issues as a matter of routine.

Where some of the unforeseen difficulty lies with the conduct of a professional is the possibility of errors or omissions that are simply perceived as such by individuals affected by what you do. In other words, it's not only the real mistakes that you make as a professional that can come back to bite you, it's the mistakes people think you make that can cost you dearly, too — especially if you don't have e & o insurance.

E&O Insurance Continued...

You might ask, well how does that work? Think about it. If somebody just thinks your professional conduct cost them harm or injury, you'll need to hire lawyers yourself, which can mean considerable legal fees in and of themselves. There's also the possibility that you'll lose a case because a jury doesn't like you, even though you didn't technically do anything wrong. Just being in the right, or thinking you're being in the right isn't enough. You need a jury to think so, too, and that can sometimes be like rolling the dice at an all-night casino game.

There is also the possibility that, even though damages were the result of an error incorrectly perceived as such by another party, that they're deemed as damages nonetheless. In other words, damages from perceived errors are still damages, and somebody might be seen as having been responsible. That somebody might be you. Unless you have e & o insurance that covers such possibilities, the last people who will want to be your friends in a crisis are those pesky errors and omissions appraisers. They won't necessarily care about what's right, they'll care about what they have to cover.