

Errors and Omissions Coverage: The Foundation for a Well-Built Insurance Program

By Joyce Tsigris

Perhaps your firm's architects work in the design stages of construction. Or maybe your business specializes in overseeing quality assurance during construction. Then again, it's possible that your company does a little of both.

After completing work on a building, you discover that the owner is convinced that there are structural irregularities in his roof. You disagree, but he is threatening a lawsuit.

If he sues, will you be covered?

That depends...

In my work, I'm often called upon to evaluate whether a consultant's business insurance covers such a situation. However, when reviewing the policy I usually find that the consultant has a general business liability policy that doesn't provide coverage for errors and omissions claims.

The fact of the matter is, as a consultant, the structural integrity of your insurance company is every bit as important as the structural integrity of the buildings you design. In the absence of errors and omissions coverage, you will be legally obligated to pay because of a wrongful act committed by you or any person for whom you are responsible.

Errors and omissions coverage is a separately underwritten and issued policy and is an essential part of a well built insurance program constructed by an insurance broker specializing in designing programs that provide comprehensive coverage for consultants.

When meeting consultants whose business policies fall short of their needs, I often ask them why they would hire a general practitioner to provide insurance coverage when they expect their own clients to hire a specialist? Much like the construction industry, there are insurance brokers who are specialists and there are those who are generalists. Those specialists who work with consultants will know how to build a program that meets their unique business coverage needs. They don't just price quote insurance, they look at the big picture, serving as project manager of your business insurance program.

Whether home-based or located in a commercial building, consultants should have a comprehensive business insurance program that provides errors and omissions coverage plus a wide range of additional coverage, including:

- **General Liability:** protects your firm against bodily injury and property damage that you negligently cause to another person or business.
- **Business Property:** protects your firm in the event of fire or theft.
- **Business Income Protection:** is essentially a disability policy on your business that protects you against financial loss—including profits—should your business be inter-

rupted by a covered property loss (if properly written, this coverage will pay for moving you to a new location while your office is being repaired).

- **Business Auto:** should include owned, hired, and non-owned coverage.
- **Workers' Compensation:** for employees and "independent contractors" who aren't really independent.

Although all these coverages are essential to protecting your consulting business in the event of most unforeseen circumstances, there may be unusual situations your business is involved in that require special coverage. So, before finalizing a comprehensive business insurance program for my clients, I engage in a "what if" discussion with them. What I want to discover is whether all potential risks are properly covered, both now and in the future. For instance, I'll ask my clients if they may ever take a job out of the state or the country. Such a development could require special coverage.

When choosing a broker to provide insurance for your firm, it's best to work with specialists who do more than simply quote prices and issue insurance policies. A broker who wants to protect every aspect of your business and personal life will identify your risks first and then suggest the appropriate insurance programs and processes to remedy those risks. And a good broker will help educate you about the risks in your business operations by suggesting that you attend workshops on such important subjects as OSHA compliance, employment practices liability, claims management and asset protection.

Choosing a broker is a milestone decision in the life of your business. It is a decision that will help you build and keep the rewards of your lifelong efforts.



About The Author

Joyce Tsigris, an insurance broker with Milestone Risk Management & Insurance Services, is a member of RCI. She has more than 15 years of experience in the

construction industry. A member of Women in Construction, Ms. Tsigris has just put the finishing touches on the exclusive RCI Advantage insurance program available only to RCI members through Milestone Risk Management & Insurance Services.