

A good Errors and Omissions Insurance (E&O) program is vital to the success of many businesses in today's economic climate. Not only can it protect the insured company's bottom line and prevent it from suffering a potentially ruinous financial loss, it can also help attract new clients who, in some fields, require that their outside vendors carry adequate E&O coverage. In these cases, the existence of a comprehensive E&O program can be the difference between getting a new client and watching one slip away. Thus, by helping your commercial clients acquire an effective E&O program, you may actually assist them in growing their bottom line and not merely protecting it.

E&O insurance, even more than most other commercial lines of coverage, is highly customizable. One-size-fits-all and off-the-shelf solutions don't work well in the world of E&O.

However, as with other types of commercial insurance, there are some critical factors that must be considered when making a purchase. Here's a handy chart that you can use as a general reference when placing E&O coverage:

ISSUE	CONSIDERATIONS
Underwriting Rating Basis	Carriers use revenue generated by each professional service as a key factor in setting premiums. It's critical to submit accurate financials, especially since carriers often reserve the right to audit insureds' books mid-term.
Insuring Agreement	E&O is usually written on a "Named Peril" basis, meaning that services to be covered must be specifically identified and included in the policy. Accurately describing each service to be covered is essential. Also, be sure to update the carrier if new services are offered by your client during the policy period, otherwise they may not be covered.
Insured's Level of Expertise	One of the broker's key duties is to make sure that the insured's experience and expertise is highlighted for the underwriter. Including information such as professional designations, awards, scholarly materials written, will help your client's cause
Compliance Emphasis	Emphasize for the underwriter any compliance measures that your client may have in place, including any compliance personnel/officers, regularly-scheduled audits or safety inspections, etc. This alone could save your client premium dollars.
Definition of Insured	Does your client hire independent contractors to perform some of its services? If so, you should ensure that your client is covered for liability arising from the acts of those independent contractors. Whether or not to have those independent contractors named as "Additional Insureds" under your client's policy is another consideration, dependent upon a number of factors, including business and financial considerations. Some independent contractors won't take an assignment unless they're named as additional insureds. Some companies, in order to protect their limits, insist that any independent contractors they use have their own coverage. There's also the question of whether additional insureds get their own independent coverage or are only covered when named as a co-defendant with the main insured. These are issues that you should discuss thoroughly with your client.

(continued on next page)

To learn more about how AmWINS can help you place E&O coverage for your clients, reach out to your local AmWINS broker or marketing@amwins.com.

If you do not have a contact at AmWINS to help with your financial services risks, [click here for a list of brokers on our website](#).

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CLIENT ADVISORY

Key Considerations for Placing E&O Insurance

Sample Contract	The insured's sample client contract should be skillfully drafted and provide as much protection for the insured in a potential E&O situation as possible. Often times carriers will review and critique such contracts for free, especially in the Architects' & Engineers' E&O field, since stronger protections for the insureds result in better loss history. We advise that you take advantage of this service if offered.
Claims Expertise	You don't want your client's claims handled by people unfamiliar with your client's profession. It's perfectly acceptable to inquire as to the claims analysts' expertise and experience in your client's field. You may even want to interview the claims person on the phone or in person before binding a deal.
Financial Strength Rating	The insured may have clients who insist that the insured's E&O carrier have a minimum financial strength rating. This is particularly true in the financial institutions world. Given that some E&O claims can drag out for many years, it's important to know that your carrier will be around to write the check if need be.
Treatment of Fee Disputes	A common claim scenario in E&O insurance involves a client of the insured who doesn't want to pay their full bill so they allege that the work was done in a sub-par or negligent manner. Thus, what began as a fee dispute morphs into an E&O claim. It's important to know exactly how an E&O policy classifies a fee dispute; if it totally excludes coverage for any matter involving disagreements over fees, you'll need to address that.
Premium Reduction	E&O insurance, especially for certain classes of business, can be expensive. If your client needs to reduce costs, consider creative options such as higher deductibles, co-insurance and defense-only policies.

While space limitations prevent us from exploring all of the various factors that should be taken into account in the placing of E&O insurance, we've touched upon some of the more noteworthy. The structuring of a good E&O program is generally regarded as one of the more difficult endeavors within professional lines insurance broking and shouldn't be taken lightly. To tap into market-leading expertise and experience with respect to E&O products, feel free to call your AmWINS broker, who always stands ready to assist you.

This article was prepared exclusively for AmWINS Group, Inc. by Larry Goanos, CEO of Andros Risk Services, an independent insurance consulting firm.