



Frequently Asked Questions about Professional Liability Insurance

1. What is Professional Liability Insurance?

Professional Liability Insurance, also known as Errors & Omissions Insurance or E&O, insures a person or company against claims made by third parties (clients, patients, customers) alleging negligence in the rendering of, or failure to render, professional services.

2. Why do I need it?

At any time and in any given situation, a dissatisfied client or other party could bring a complaint against you. When people sue, they usually name everyone they perceive as having had anything to do with the situation – you, your business, those with whom you share office space, or others involved in a mutual project. Regardless of who was negligent, it can take years for litigation to be dismissed. While you may be exonerated from liability, your attorney's fees can be staggering. Professional Liability Insurance helps relieve you from the financial burden of defending yourself in a malpractice lawsuit. If you are providing a professional service or rendering a professional opinion, this coverage is highly recommended. In fact, many professions require you to have Professional Liability coverage before allowing you to practice. It is critical that professionals recognize their exposures to financial losses, and adopt effective ways to deal with them.

3. What exactly does Professional Liability cover?

Generally, Professional Liability policies provide coverage for actual or alleged errors, omissions, breach of duty, misleading statements, and similar claims resulting from the negligent performance or non-performance of professional services. Most policies also cover both the defense costs and settlements or judgments; this can be one of the greatest benefits of having the coverage, as the cost of your defense is paid for by your insurer, who will hire an expert legal team to defend you.

4. What is and why should I carry Commercial General Liability Insurance?

Commercial General Liability Insurance provides coverage for legal liability arising out of your negligence for third party bodily injury and property damage. It is a prudent business practice and often a contractual requirement to carry this coverage. For example, a client comes to your place of business and trips on an extension cord that you failed to properly secure. They suffer a broken arm and break their laptop while trying to break their fall. Such a situation would be covered under a Commercial General Liability policy.





5. I have home insurance that includes liability coverage. I do not need Professional Liability or Commercial General Liability Insurance for my business too...or do I?

While it is true that your home insurance includes liability coverage, it is limited to cover acts arising out of your personal activities only. In other words, the personal liability insurance provided as part of your home insurance package is intended to only cover your activities as an individual. Your home insurance policy will exclude coverage for any loss or damage arising from any commercial or business activities, and any losses related to your profession or occupation.

The only exception to this would be if your home insurance has been endorsed to include liability for a specific home-based business. A word of caution when it comes to adding liability for your business to your home insurance...you will want to ensure that the liability will extend to cover your business activities off-premises, otherwise the coverage is restricted to the premises of your home only. Professional Liability coverage, however, is excluded from home-based business endorsements. It is important to discuss these issues with your home insurance broker.

For those operating a home-based business, you should be aware that home insurance usually provides low limits of coverage on any business, books, tools, computers and other business-related property. The minimal coverage that may apply will only be while such property is actually in your home; once the property leaves the premises (for example, a laptop computer or field gear), coverage no longer applies.

For more information about the Professional Liability insurance program that has been arranged for you, please visit www.hubprofessional.com. If you have questions about this or any other insurance matter, you may also contact:

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