



## PROFESSIONAL LIABILITY QUICK GUIDE

### Why Buy Professional Liability Insurance?

Even the most diligent professionals can be found liable for damages that they had no part in causing. This is especially true for small business professionals. Doctors, lawyers, and accountants are not the only people whose profession makes them vulnerable to costly lawsuits. You leave a lot to chance when you forgo professional liability insurance: your livelihood, professional integrity, reputation, and more.

Professional Liability, sometimes called Errors and Omissions (E&O) or Malpractice Insurance, provides coverage against claims of negligence or mistakes that cause financial harm to another person or company. It covers the obligation to pay damages for covered claims and the cost to defend against them.

### Did You Know?

- 43% of business owners have either been involved in or threatened with a lawsuit regarding a real or perceived professional mistake<sup>1</sup>
- A professional liability lawsuit can cost you somewhere between \$3,000 to \$150,000 in defense costs alone<sup>2</sup>
- On average, a judgement in a contract dispute will cost your business \$91,000<sup>3</sup>

### How Can You Prevent Professional Liability Incidents?

1. Keep detailed project and client files, including email and voicemails, and documentation of face-to-face meetings
2. Negotiate and agree upon project expectations, including timelines, compensation and delivery of goods and services with a client well before the work is underway. Put everything in writing in a signed contract
3. Stay within your area of expertise and double check your work for accuracy
4. Partner with Sentinel to ensure comprehensive E&O coverage

### How Is Sentinel Dedicated To Safeguarding Your Success?



When it comes to professional liability there is no one size fits all approach. Each circumstance requires careful analysis of the individual risk exposure and the carrier's proposal for coverages.

<sup>1</sup>Us Chamber Institute For Legal Reform

<sup>2</sup>Small Business Administration

<sup>3</sup>Court Statistics Project



## Professional Liability Claims Scenarios:

Most professional liability lawsuits arise from the professional's failure to perform services, whether real or alleged. Claims vary widely across professions and industries. There are a variety of mistakes that prompt professional claims. A consultant provides advice that results in lost revenue. A contractor fails to complete a job on time, resulting in a client being unable to open their business and losing revenue. A lawyer fails to file a complaint within the statute of limitations, resulting in both legal expenses and loss of a potential award had the case gone to trial. A designer unintentionally uses a copyrighted image without permission. Below are a few real-life examples experienced:

### Scenario 1

A commercial office building was marketed and sold on the belief that it was up-to-code relative to the Americans with Disabilities Act (ADA). The leasing manager and real estate agent were later sued by the new owner when it was discovered that the ADA report submitted by the building manager was outdated and that \$3.5 million in upgrades would be required to properly upfit the building. The lawsuit was eventually settled for \$3 million.

### Scenario 2

A contractor was successfully sued for failing to detect the faulty masonry work of a subcontractor. The subcontractor was found to have used hollow concrete block for a portion of the construction rather than reinforced block as the building plans specified. The contractor was ordered to pay \$1.5 million for the cost of the rebuild, lost wages, and failing to meet the terms of the contract.

## Sentinel's Professional Liability Resource:



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With over 20 years of industry experience, Cass leverages her extensive knowledge providing technical support to our clients in addition to program design and implementation of new coverages. She is driven in developing complex risk solutions for a vast variety of risk exposures while demonstrating a "client-first" approach.

### CONTACT US TO LEARN MORE

Questions on your Professional Liability coverage, rates, claims, or more?  
Call or email our team today!