

ACME General E&O Covers and Conditions

A type of liability coverage designed to protect traditional professionals (e.g., accountants, attorneys) and quasi-professionals (e.g., real estate brokers, consultants) against liability incurred as a result of errors and omissions in performing their professional services. Although there are a few exceptions (e.g., physicians, architects, and engineers), most professional liability policies only cover economic or financial losses suffered by third parties, as opposed to bodily injury (BI) and property damage (PD) claims. This is because the latter two types of loss are typically covered under commercial general liability (CGL) policies. The vast majority of professional liability policies are written with claims-made coverage triggers. In addition, professional liability policies contain what are known as "shrinking limits," meaning that unlike CGL policies (where defense costs are paid in addition to policy limits), the insurer's payment of defense costs reduces available policy limits. Accordingly, when attempting to determine appropriate policy limits, insureds must consider the fact that because defense costs are often a high proportion of any claim settlement or judgment, they must usually purchase additional limits. The most common exclusions in professional liability policy forms are for BI, PD, and intentional/dishonest acts.

What does E&O Cover:

1. Judgments
2. Attorney fees
3. Court costs
4. Settlements

What is not covered:

1. Bodily injury or property damage
2. Fraud
3. Malicious damage
4. Employment matters

