

E&O Insurance for Contractors



As a contractor, you work hard to create a quality product and satisfy customer expectations while building a profitable business. However, no matter how careful you and your employees are during the course of business, mistakes do happen. In today's business environment, small disputes with customers over projects can quickly escalate into costly legal disputes.

Almost every contractor carries some form of general liability coverage. While these policies provide much-needed protection for bodily injury and property damage claims that occur as the result of a contractor's work, they typically don't account for all forms of negligence.

That's where errors and omissions (E&O) insurance designed for contractors comes into play. This Coverage Insights provides a brief overview of E&O insurance and outlines why it is a critical component to a contractor's overall risk management program.

Why E&O?

Simply put, general liability policies aren't adequate to protect against E&O claims, necessitating additional coverage. In fact, most general liability policies exclude claims related your work, your products and impaired property, creating significant insurance gaps.

Making E&O insurance even more crucial, contractors are particularly vulnerable to claims of negligence following unintentional damage to an insured party, impairment of property, damage to products or similar incidents that can occur without warning during a

project. Even simple complaints have the potential to escalate into costly legal disputes.

What's more, courts often rule against contractors in claims related to errors and omissions and, without the proper protection, general contractors would have to cover the damages out of pocket.

E&O policies can help contractors close gaps in their insurance coverages, providing coverage for claims related to the following:

- Failing to complete projects according to specifications
- Negligence in providing professional services
- Poor, incorrect or incomplete work
- Errors and oversights

Strong E&O policies can protect you and your business following a claim, helping you cover expenses related to court costs, lawyer fees and settlements. It should be noted that E&O insurance may not extend to your subcontractors, and you should encourage them to secure their own policies.

Sample Claim

To further understand the benefits of E&O insurance consider the following example. A window and doors contractor was hired by a developer to install all of the windows on a new apartment complex. While most of the work was completed to specification, the contractor

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incorrectly measured some of the windows. Accordingly, the windows in many of the units did not lock properly. The windows in these units had to be removed and reinstalled.

With E&O coverage, the contractor would not have to pay for those expenses out of pocket. What's more, had the client sued the contractor over this work, the contractor's E&O insurance would have covered awarded damages and defense costs within the limit of the policy.

Securing the Policy That's Right for You

As a contractor, there are a variety of insurance products to consider. To ensure you are accounting for all of your unique risks—and to secure a policy that is tailored to meet your specific business needs—it's important to work with a qualified insurance broker.

Contact KRG Insurance Brokers today to learn more.