



# Contractor's Errors and Omissions

Quick Reference Guide: *Internal Use Only*



## Desktop Access:

<https://www.brainshark.com/hsb/vu?pi=zHCzADWZ1zpJeoZ0>

## What is Contractor's Error and Omissions?

In today's competitive and litigious environment, small contractors face many potential hazards. Customers have high expectations and are quick to allege negligence. Small business service contractors and providers like painters, plumbers, electricians and carpet installers can easily face liability claims.

Contractors Errors & Omissions (E&O) coverage allows contractors to obtain affordable quality coverage that protects them against claims of negligent acts and errors or omissions resulting in property damage work issues and customer accusations.

## Why do businesses need this coverage?

- Typical General Liability policies typically exclude property damage arising out of "Your Work," Your Product" and related "Impaired Property"
- Many customers require businesses to carry E&O insurance. Without this coverage, contractors may lose business to competitors that have E&O policies
- Some small businesses lack in-house risk management and legal teams to independently manage these exposures
- Customers have higher expectations than ever before and are quick to allege negligence, errors or omissions when a contractor's service performance falls short of their expectations
- Some cases are frivolous; however, these cases still require defense. Simply defending a claim can be a financial hardship for contractors that do not have coverage

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**What coverages are included?**

<b>Insuring Agreement:</b>	Losses resulting from a claim made against the insured allegedly caused by the insured's wrongful act in rendering or failure to render contractor services to others <ul style="list-style-type: none"><li>○ Coverage for property damage to insured's work</li><li>○ Coverage for property damage to insured's product</li><li>○ Coverage for impaired property arising out of a defect, deficiency, inadequacy, or dangerous condition in the insured's product or work</li></ul>
<b>Duty to Defend:</b>	Right and duty to defend and appoint an attorney to defend any claim or suit brought against any insured for a allegedly wrongful act arising from the rendering or failure to render contractor services or third party violation to which this insurance applies, even if the claim or suit is groundless or fraudulent
<b>Supplemental Reporting Period:</b>	Provides the insured the option to purchase an extended reporting period following cancellation or non-renewal to give notice of claims occurring within the coverage period
<b>Automatic Extended Reporting Period:</b>	Provides the insured with protection for a period of thirty days after the effective date of cancellation or non renewal, at no additional premium, to give notice of claims occurring within the coverage period
<b>Worldwide Coverage:</b>	Covers wrongful acts that occur anywhere in the world, as long as claims are made in the U.S., its territories and possessions, Puerto Rico and Canada
<b>Broad Eligibility</b>	Over 40 Classes of Artisan Contractors

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## Claims Examples

*Paid Loss after Deductible total may include multiple coverages*

### HVAC Contractor

HVAC contractors installed a new unit on the roof of a commercial building, but failed to properly complete the foundation support. The unit then broke through the roof, destroyed the unit, and resulted in significant damage to the building and personal property. The building and contents had to be repaired, and a new HVAC unit had to be installed. *\*Building and contents loss – Covered under general liability*

**Total Contractor E&O loss: \$25,000**

### HVAC Contractor

An HVAC contractor failed to install ductwork for a heating system parallel to (and above the level of) the ceiling joists. This installation method prevented the homeowner from installing a drop ceiling to cover the ductwork due to limited headroom (and further prevented their ability to finish a basement family room). As a result, the HVAC system needed to be removed and reinstalled in a parallel manner. *\*Covers the cost of material and labor to reinstall the unit correctly*

**Total Contractor E&O loss: \$10,000**

### Tile Installer

A tile installer incorrectly measured the height of the sub-flooring before beginning a new flooring job. As a result, all interior doors no longer cleared the newly installed tile floor. The sub-flooring and the tile work must be removed and reinstalled at the correct height.

**Total Contractor E&O loss: \$10,000**

### Fence Erection

A fence installer misread the site plan while installing a fence. As a result, the fence was installed significantly over the property line. The fence must be removed and reinstalled along the correct property line.

**Total Contractor E&O loss: \$35,000**

### Lawn Care Services

A lawn care specialist applied the wrong chemical to the lawns at a corporate office park. All the turf subsequently died, and needed to be removed and replaced with new sod.

**Total Contractor E&O loss: \$17,000**

### Appliance Installer

An appliance installer incorrectly wired a new 220-volt receptacle which caused a new commercial quality oven to malfunction. The oven was damaged and a new unit had to be installed.

**Total Contractor E&O loss: \$6,750**

### Electrician

An electrician improperly wired the receptacle for a newly installed pool filter. The error in the wiring caused the pool filter to be destroyed. The wiring was removed and redone to proper specifications. *\*Pool filter replacement – Covered under general liability*

**Total Contractor E&O loss: \$1,500**

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