

Technologies & Multimedia – Errors & Omissions



General liability and errors & omissions:
complementary coverage for
technology-based companies.

Although the General Liability coverage is essential and underwritten most often, it is not the only one. Most companies will require an Errors & Omissions policy or another specialised product to supplement the general liability coverage. Here is an overview of how these distinct coverages protect companies against risk.

The General Liability coverage essentially defends and indemnifies a company faced with claims made by a third party alleging property damage or bodily injury.

Generally, in order for such coverage to apply, the following elements must have occurred:

- Property damage (i.e. deterioration or destruction of physical property) or bodily injury:
 - Occurred during the policy term;
 - Caused by a loss/event (negligence of Insured);
 - For which the Insured is legally responsible for paying compensatory damages.

Such a policy does not cover claims arising out of an error or omission to provide professional services. Professional E&O policies are designed to respond to this type of claim. Furthermore, general liability wordings are now standardized by introducing an increasingly popular exclusion pertaining to professional services; they also do not cover claims for pure financial losses, but do cover claims for loss of use of physical property.

Today's reality is much different than what it was only five years ago. One of the most significant changes is that individuals are more prompt in looking for a wrongdoer and in filing a lawsuit. Since the damages awarded are increasingly high, professionals must from now on take steps to protect themselves personally as well as their company in case of negligent acts. E&O insurance is the type of coverage recommended against such allegations or threats, whether or not they are justified.

This coverage takes into account potential risks associated with a particular profession, situation or activity, and covers the defence of the Insured (individuals and companies) against allegations of negligence or fault thereby protecting the assets of the Insured.

Supplemental to the general liability, the E&O policy covers financial losses of third parties and losses due to the rendering or failure to render professional services. Related risks include:

- Breach of intellectual property, which includes copyrights, trademarks, services marks, packaging and trade secrets;
- Breach of security system or unauthorized access to system;
- Delays in the execution of a contract or agreement, due to a wrongful act of the Insured;
- Lawsuits and counter-lawsuits arising from a dispute regarding the rendering of professional services.

We hope this information helps in understanding the complementary nature of both coverages.

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