



Contractors Errors & Omissions

Frequently Asked Questions

What Is Contractors Errors & Omissions (Contractors E&O)?

Contractors E&O coverage protects small business contractors, and service providers, from claims brought by a third-party alleging losses involving property damage defined as:

- **A Contractors Work** – work or operations performed by a contractor, on the contractor's behalf, and materials, parts or equipment furnished in connection with work or operations
- **A Contractors Product** – any goods or products, other than real property, manufactured, sold, handled, distributed or disposed of by the contractor, or any person or organization whose business the contractor has acquired; as well as containers (other than vehicles), materials, parts or equipment furnished in connection with such goods or products
- **Impaired Property** – Tangible property, other than a contractor's "product" or "work", that cannot be used or is less useful because it incorporates "your product" or "your work" that is found to be defective, deficient, inadequate or dangerous but only if such "impaired property" can be restored to use by the repair, replacement, adjustment or removal of "your product" or "your work"

Who Needs This Coverage?

This coverage is needed by many small business contractors and service providers in today's litigious society and where customer expectations often exceed normal reasonableness.

Although this coverage is not required for contractors or service providers, contractors who want to protect and grow their business will find it a necessity. Without Contractors E&O, you run a risk of misfortune and bankruptcy.

Who Is Eligible for This Coverage?

Roughly 40 classes of contractors and service providers are eligible including but not limited to artisan and specialty contractors as well as installers such as: electricians, fence installers, floor and carpet installers, HVAC installers/ service, landscapers, masons/brick layers, painters and plumbers.

Please note that contractors and service providers must have been performing contractor services for greater than or equal to five years to be eligible for coverage.

Why Do Contractors Need This Coverage?

Small contractors and service providers need Contractors E&O coverage because:

- Standard general liability policies typically exclude these exposures as defined by "Your Work", "Your Product" and related "Impaired Property" representing coverage gaps for them
- Small business owners often lack emergency funds for defense costs and any settlement involved
- Small business owners often don't have in-house legal staff to help them defend themselves in case of a client dispute

What Coverages Are Included?

This coverage, which is provided on a claims-made and reported basis (in most states), includes:

- Indemnity coverage
- Defense costs (within the limit)
- Automatic extended reporting period (ERP)
- Supplemental extended reporting period (ERP): available

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What Coverages Are Featured?

- Claims-made and reported
- Duty to defend (within the limit)
- Coverage is limited to “contractor services” specified on the declarations

Are There Any Optional Coverages for The Insured?

Yes. Optional extended reporting period can be purchased.

What Value Added Services Are Provided to My Insured?

- Claims are managed by claim specialists
- Defense is provided by law firms experienced in these types of claims

What Limits and Deductible Options Are Available?

Under Contractors E&O coverage, there is a per-job limit and an annual aggregate limit with a per job deductible.

- The Limit range is \$10,000- \$100,000 (with a minimum Claim Limit of \$2,500)

How Is Coverage Added for My Clients?

Coverage is available as an enhancement via an endorsement to the BOP policy.

How Do I Get A Quote for My Clients?

Contact your representative for more information or a quote.

Can Coverage Be Added In-Term?

Yes, for terms of 6 months or more.

How Are Claims Handled?

Once the insured contacts their agent, or Frederick Mutual Insurance Company directly, Frederick Mutual then partners with Hartford Steam Boiler, our reinsurance partner, who manages and adjusts all Contractors E&O claims on Frederick Mutual’s behalf. Claims are reported as they normally are to the agent or directly to us.

Scenario to Help You Understand This Valuable Coverage.

Below is a claim scenario to help you better understand the need for **Contractors Errors & Omissions (Contractors E&O)** coverage. Now contractors have access to coverage and premiums that help to fill the gaps in general liability policies and programs.

Help protect your clients from these real exposures.

Scenario

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 Paid Loss: \$25,500

Where Can I Find Additional Information Regarding This Coverage?

For more information on Contractors E&O coverage please contact your underwriter today or visit our website. Your clients count on you to keep them protected from today’s risks and challenges. You can depend on us to keep them up to date with contemporary coverages and services that keep you a step ahead of the competition.