



## Seven Figures

*A rogue's gallery of severe E&O claims*

By Caryn Mahoney

No agency wants to commit an error or omission that results in a huge E&O claim. Likewise, no E&O carrier wants to receive an E&O claim that results in a large payout.

But these claims happen, and many of the worst ones—those in excess of \$1

million—come from the same lines of business and involve similar types of errors

Leading the way in 2006-2018, commercial general liability claims comprised about 23% of E&O claims with payments in excess of \$1 million and about 30% of claims with payments in excess of \$2 million. Here are a few examples:

- \$5 million in losses on a claim alleging the agent missed an exclusion in the underlying policy placed for the manager of a large construction project at a power station. An explosion killed six workers and injured 55 more, in addition to causing property damage to 33 nearby homes.
- \$2 million on a claim alleging the agent failed to place a policy that included coverage for faulty workmanship for the developer of a condo project.

Commercial property claims made up about 17% of \$1-million E&O claims. Since commercial property policies on high-value real estate involve high limits, an alleged error or omission can cost millions of dollars:

- A settlement of more than \$3 million for the agent's alleged failure to place wind coverage for a large apartment complex.
- A settlement of \$2 million, on top of \$700,000 in defense costs, when a claim proceeded to trial against an agent for alleged failure to place blanket coverage for a sportswear manufacturer.

Placement of auto and trucking policies resulted in about 14% of the larger E&O claim payments:

- More than \$1 million in losses and defense costs for a claim alleging the

agency assumed responsibility for hiring the plaintiff's drivers when it undertook the task of obtaining driving records.

- A settlement of \$2.5 million for injuries to the insured's employee when the agency allegedly failed to place non-owned auto coverage for a high-end vacation rental company. The employee suffered double leg amputations in an accident that occurred while driving her personal vehicle for work-related purposes.

Are coverages not listed above inherently E&O-safe? Hardly. Any line of business can vie for the dubious honor of making it onto this list. Head to [IAMagazine.com/current-issue](http://IAMagazine.com/current-issue) this month for data on other coverage lines, as well as additional claims examples.

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