

# What Is Miscellaneous Professional Liability Insurance?

## And Why Your Company May Need It

CHUBB®



Does your company:

- Provide service to others for a fee?
- Sign service contracts requiring it to carry professional liability insurance?
- Have clients that incorporate your services into the products or services they provide to others?
- Hire and oversee subcontractors to perform certain services for your clients on your behalf?
- Sign service agreements with clients requiring confidentiality of proprietary business information?

If you answered yes to any of these questions, your company may face significant professional liability exposure.

### **What is Miscellaneous Professional Liability?**

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Miscellaneous Professional Liability results from errors or omissions in the performance of professional services. Companies that perform professional services for others can make mistakes—overlook a critical piece of information, misstate a fact, be misunderstood, forget an essential step, etc.—and be subject to allegations such as:

- Errors or omissions in providing a service
- Failure to provide a service in a timely fashion or at all
- Misrepresenting the service to be performed

It doesn't help that professional service firms today offer their services in a business climate that features:

- A lawsuit-conscious public fueled by media publicity, a belief that everyone deserves to be compensated and the idea that there is always a “deep pocket” with the ability to pay
- A continuing escalation of court settlements into the millions of dollars
- Punitive damages that in some states can be doubled or tripled

## **Do You Need Miscellaneous Professional Liability Insurance?**

Consider the impact. According to a 2019 Chubb study of MPL claims data from 2009-2015, the average total loss for an MPL claim reported to Chubb was \$227,000, with an average payment amount of \$164,000 for loss paid by Chubb in excess of the Insured's self-insured retention. Most companies can't absorb that kind of loss without feeling dramatic, possibly devastating, effects. Yet such costs are only part of the financial pain—it's difficult to place a value on the distraction, lost time, and damaged reputation that may result from a professional liability lawsuit.

A professional liability lawsuit can be triggered by almost anyone who is impacted by the professional service. For example, the recommendations a human resources consultant makes to an organization can affect thousands of people. Service providers should consider the types of businesses and individuals that may rely on their services and the degree to which those parties could be impacted by a real or perceived error. The broader the exposure, the greater the need for insurance protection.

Another important thing to remember is that your company doesn't have to do anything wrong to be sued. In fact, a large proportion of lawsuits are meritless. Even so, such lawsuits must be defended, and that can be costly. Professional liability insurance provides coverage for these legal defense costs.

Service providers are often contractually required to carry E&O liability insurance. Yet, according to a Chubb study, nearly half of the firms that are required to purchase this insurance don't actually do so, perhaps under the mistaken belief that they already have coverage. These companies may be exposing themselves to greater liability, not to mention a possible breach of contract claim. You don't want your company to fall into this potentially costly position.

## **What Types of Companies Purchase Miscellaneous Professional Liability Insurance?**

Chubb offers Miscellaneous Professional Liability insurance to more than 60 types of service providers, as well as to hundreds of unique service firms. Among the most common classes of service providers are:

- Consultants
- Outsourced business process administrators (e.g., payroll processors, benefit plan administrators)
- Travel agents and other event planners
- Property managers
- Applied arts professionals (e.g., interior designers, graphic designers)

If you are unsure whether your company should purchase Miscellaneous Professional Liability insurance, consider whether your company's decision not to purchase this insurance would put your company at a competitive disadvantage, especially if your prospective customer requires its service providers to carry E&O liability insurance.

## **The Chubb Advantage**

Chubb has earned its leadership position in professional liability insurance as a result of our:

- **Financial stability:** Chubb receives consistently high ratings for financial strength from A.M. Best, Moody's and Standard & Poor's, the leading independent analysts for the insurance industry.

- **Reputation for paying claims and superior service:** Our reputation for expert, fair claims handling is renowned in the industry.
- **Broad coverage:** Our Miscellaneous Professional Liability insurance products offer some of the broadest coverage available in the marketplace. We provide this coverage on a monoline policy form or as part of a suite of specialty liability coverages.
- **Flexible appetite:** We combine a standardized approach to common classes of professional service providers with a flexible, customized approach to unique service firms that fall outside of these classes.

## **To Learn More**

For more information on MPL Insurance, please contact your insurance agent, or visit [www.chubb.com/us/professionalliability](http://www.chubb.com/us/professionalliability).

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