



Problem...
what problem?



Really?

ARE YOU KIDDING?

Are You Insured For That?

If your customer initiates a lawsuit against you alleging intangible property losses, failure of your product to perform, or failure to properly perform a service, are you adequately protected? Chances are you have a gap in your liability insurance program that would leave you vulnerable.

In today's business world, companies providing products or services to third parties need protection beyond their general liability (GL) policies. Among other perils, standard GL policies respond to claims or lawsuits made by third parties for bodily or physical injury to, or loss of use of, tangible property. However, due to the impaired property exclusion, GL policies do not provide protection for claims when the insured's product fails to perform without physical damage accompanying that failure. In addition, GL policies do not respond to claims for injury to intangible property, such as damage to data. Companies need Errors & Omissions (E&O) insurance to ensure their assets are adequately protected.

What is Errors & Omissions insurance?

Errors & Omissions liability insurance provides essential protection to help you protect your assets when standard GL insurance does not. Chubb's E&O policy picks up where the GL contract leaves off and can protect you against claims for financial injury that allege your product failed or you failed to perform services.

Errors & Omissions insurance applies not only to your obligation to pay damages, but also to the costs incurred to defend you.

Why do you need Errors & Omissions insurance?

Despite your best effort and hard work, a dissatisfied customer may sue you, alleging mistakes were made. Sometimes the mistakes aren't even made by you but by a subcontractor you hire. These errors can result in serious financial loss to your client or other third parties.

General Liability policies apply to damages for bodily injury, property damage, advertising injury and personal injury. Without Errors & Omissions insurance, other financial losses suffered by one of your customers can be detrimental to your company's bottom line.

There are a number of other reasons you need E&O protection:

- As you strive to meet your clients' varied needs, additional services such as maintenance, installation, design and delivery are often provided, thereby increasing your exposure to Errors & Omissions losses.
- While well-written contracts can help protect you against lawsuits, even clear and concise contracts are subject to legal attack.
- More and more contracts require Errors & Omissions protection.
- An Errors & Omissions lawsuit must be defended against, even if the suit is unfounded and groundless.
- As it can be difficult to determine which component part causes a product failure, all part providers in the supply and distribution chain may be sued.
- If you do not have Errors & Omissions insurance, your Directors and Officers may be liable for failure to obtain proper insurance.

Who is at risk?

Companies that should purchase Errors & Omissions insurance include those that:

- Manufacture, assemble or install to customer specifications
- Provide design work
- Select raw material for others
- Provide services, advice or instruction to others for a fee
- Subcontract work
- Print, package or deliver materials for clients

OK, I'm insured for that... right?

Not Built to Specifications

TOOL AND DIE SHOP

A tool and die shop created a mold to be used to make an engine part. However, the mold was not built to specifications. As a result, the tool and die shop's client could not manufacture the engine part by its deadline and sued the tool and die shop for lost revenue and expenses.

INDEMNITY: \$750,000 EXPENSES: \$65,000

Incorrect Labeling by Subcontractor

CLOTHING MANUFACTURER

A name-brand clothing manufacturer subcontracted the manufacturing of a new line of children's clothing to a facility in Central America. The clothing line was sold to retail stores on the West Coast. After receiving numerous customer complaints about clothes shrinking after being washed, it was determined that an incorrect care label was sewn into the clothes. Two of the retail stores sued the clothing manufacturer for lost revenue and expenses.

INDEMNITY: \$500,000 EXPENSES: \$35,000

Not Properly Calibrated

INSTRUMENT MANUFACTURER

A manufacturer of microscopes sold an optical microscope to a metallurgical company for a special job it had to perform for a client. The microscope was not calibrated correctly, causing the metallurgical company to give incorrect data to its client. Due to the incorrect data, the metallurgical company's client used an alloy that did not have the fatigue resistance its product needed, and ultimately, the product did not work properly. The metallurgical company's client sued both the metallurgical company and the microscope manufacturer for lost revenue and expenses.

INDEMNITY: \$1,350,000 EXPENSES: \$75,000

OK, I'm insured for that... right?

Printing Error

PLASTICS COMPANY

A plastics company was contracted to manufacture, print and mail phone cards. After the cards were sent out, it was determined that a critical number was printed incorrectly. The phone card company sued the plastics company for lost revenue and expenses.

INDEMNITY: \$675,000 EXPENSES: \$35,000

Incorrect Raw Material

JEWELRY MANUFACTURER

A jewelry company manufactured hypoallergenic earrings using surgical steel wires and posts. It also made costume jewelry containing nickel. A shipment of the gold-metal-plated nickel earrings were mislabeled as hypoallergenic and sold to a children's retail store chain. After receiving many complaints from customers, the retail store sent the earrings for testing and found the mistake. The retail store then sued the jewelry company for lost revenue and expenses.

INDEMNITY: \$155,000 EXPENSES: \$15,000

Faulty Packaging

PRINTING COMPANY

A printing company printed and packaged hair accessories for a customer. The adhesive used to seal the packages failed, causing the product to fall out of its packaging when displayed. The printing company was sued by its customer for lost revenue and expenses.

INDEMNITY: \$255,000 EXPENSES: \$55,000

...with Chubb, it's not a problem

General liability policies may have some holes
that our Errors & Omissions policy
can help fill

A custom-built
and installed product
does not perform
to contract specifications.
Your customer sues
for lost profits.

A design error
causes your
customer's product to
function improperly,
resulting in
lost revenue.

An installation
mistake results in
loss of income for
your customer.

A subcontractor's
error causes
your client
economic injury.

A manufacturing
error results in
loss of revenue
for your client.

Improper use of
raw materials causes
the failure of a product,
resulting in loss of your
customer's earnings.

Why should you buy Chubb's Commercial Errors & Omissions insurance?

Chubb's E&O insurance product works in concert with our commercial general liability policy to provide an integrated insurance solution. The product supports Chubb's traditional commercial appetite and focuses on companies that design, develop and manufacture products, as well as those that provide services to others.

Take a look at some of our product features:

- **Protection includes claims for financial injury**, including loss of use of others' tangible or intangible property, such as data and other electronically stored information.
- **Protection includes claims resulting from wrongful acts by or on behalf of the insured.**
- **Broad definition of "your product,"** including goods or products you manufacture, sell, handle or distribute. Protection is not specific to a particular industry segment.
- **Broad definition of "your service,"** which provides protection for services beyond your usual scope of activities. "Your service" is defined to include activities such as related consulting, staffing, training and other support services.
- **Expenses incurred by the insured at our request and pre- and post-judgment interest are supplementary payments,** which preserves your limit of insurance for damages and claim adjustment expenses.

- Our **notice of circumstances condition** allows you to preserve insurance for adverse circumstances that have not yet resulted in a claim against you.
- **Coverage can extend anywhere in the world**, including suits brought outside the United States.
- **Extended reporting period for a three-year time period**, allowing you the option to preserve insurance in the event your policy is cancelled, nonrenewed or otherwise discontinued.
- **Significant limits available in one policy form.**

For printers, an occurrence form and printing correction expenses protection are available.

Take Action Now

At Chubb, our underwriters, risk engineers and claims professionals have the knowledge base, along with years of experience, to support your many insurance requirements. To learn more about how Chubb can assist you with your Errors & Omissions needs, contact your Chubb agent or broker today.



Chubb Group of Insurance Companies
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Chubb refers to the insurers of the Chubb Group of Insurance Companies. Not all insurers do business in all jurisdictions.
This literature is descriptive only. Actual coverage is subject to the language of the policies as issued.

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