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properly insured in the event a malpractice suit arises?

Taija Sparkman • Mar. 09, 2012



Does your firm carry errors and omissions or professional liability insurance? Are you properly insured in the event a malpractice suit arises? Chances are your firm carries some type of professional liability insurance, as many states, or state societies, require coverage. However, if your practice is currently uninsured, now's a good time to review and evaluate your professional insurance needs.

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“I can’t imagine not having insurance or why a firm would opt not to carry it,” she said. “It makes sense to have insurance. It gives you a safety net. Personally I want to know that I’m covered in case something happens.”

The firm, which offers accounting, taxation and business consulting services, has always carried insurance as long as Chapman can remember. Today, it is required by the state of Ohio because the firm has three CPAs. Ohio requires that any practice with two or more partners carry professional liability insurance. The amount of insurance required varies depending on the number of partners. However, she notes that the firm carried liability insurance when it was a sole proprietorship as well.

A practice may find that its insurance rates increase as a result of broadening the scope of its services to include more complicated areas, such as financial and estate planning and advice. This is due to the fact that these areas carry greater room for errors, putting professionals at a significant risk for malpractice claims. Potential liabilities that may arise during the course of business include:

- Accounting errors
- Data entry errors
- Failure to follow Generally Accepted Accounting Principles
- Failure to follow Generally Accepted Auditing Standards
- Improper or incorrect tax advice
- Failure to maintain appropriate documentation
- Failure to perform background search
- Failure to maintain appropriate safeguards
- Failure to complete appropriate forms
- Failure to perform appropriate peer review
- Failure to detect fraud
- Failure to meet deadlines

Carrying professional liability or E&O insurance will provide professionals with

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Chapman & Burris hasn't had to access their insurance and they have been able to resolve issues without needing to use the insurance, according to Chapman. However, she still believes that it's a great investment for firms even if they never use it.

"Liability insurance is a good marketing tool for firms," says Chapman-Burris. "When meeting with a potential client, you can say, 'We are going to provide the best possible service to you. And in the event that something does go wrong, we're covered up to this amount to protect you.' It gives the client confidence in you."

She also suggest clients ask professionals about their insurance coverage before they start working together. It's important for clients to know what type of protection their tax or accounting professional can offer.

There are many avenues available that provide professional liability and E&O insurance for firms. For example, the AICPA offers several insurance plans through AON which include options for professional liability, employment practices liability and specialty coverage for unique insurance needs. Professionals that are interested in acquiring or modifying their insurance coverage can consult with one of the insurance companies listed at the bottom of this article or check with their local state CPA association for a list of companies that serve their area.

E&O and Professional Liability Insurance Providers:

Camico (800) 652-1772 <https://www.camico.com/portal/server.pt>

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<http://michellandmitchell.com>

Landy (800) 336-5422 <http://www.landy.com/index.html>

Pearl Insurance (800) 447-4982 <http://www.pearlinsurance.com/products/apl/>

NAPLIA (866) 262-7542 <http://www.naplia.com/Accountants/index.shtml>

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