

Specialty Liability Coverage

American companies face billions of dollars in tort costs each year, but small businesses bear a majority of the costs resulting from lawsuits.¹ Accidents can happen no matter how well a business is run. The expenses involved in defending a lawsuit can prove to be devastating, whether or not the organization is found to be at fault.

Fortunately, there are various forms of liability insurance that may help offset unforeseen costs (up to the policy limits) that could consume your business's profits or ruin its longer-term prospects.

The liability coverage offered with a business owners policy helps protect against risks associated with property damage, bodily injury, and personal and advertising injury. However, different kinds of coverage may be warranted for businesses exposed to special risks that may not be included in a standard policy.

- **Professional liability insurance** (or errors and omissions coverage) could help with legal costs and damages related to wrongful practices by professional service providers such as doctors (medical malpractice insurance), lawyers, and various types of consultants. It is typically necessary to obtain coverage that is designed for risks that are specific to the company or industry.
- **Product liability insurance** could help protect against financial loss resulting from a defective product that causes injury or bodily harm. Companies that manufacture, distribute, or sell such a product could potentially be held responsible for its safety.
- **Internet liability insurance** could help protect firms that conduct business on the Web from risks related to computer hacking, spam, viruses, and other online perils. There typically are exclusions for fraud or intentional illegal conduct.
- **Directors and officers liability insurance** could help pay for legal defenses and any damages arising from claims directed against a company's leadership and employees for their statements, actions, or negligence.
- **Umbrella liability insurance** could help pay damages occurring from a catastrophic event that exhausts the limits of a primary liability policy.
- **Employee benefits liability endorsements** could help pay costs that result from negligence related to the administration of employee benefits, even if they are managed by an outside professional benefits administrator.
- **Employment practices liability endorsements** could help pay legal expenses and damages related to accusations of employer discrimination on the basis of gender, race, or other protected statuses.

As your business grows, you could encounter new risks, and you may want to expand coverage based on the size of your staff and/or the value of equipment and other assets. The appropriate liability coverage could help defray some of the legal costs that might otherwise stifle your business or harm your personal financial situation.

1) U.S. Chamber Institute for Legal Reform, 2012

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