

The following examples demonstrate how a professional liability claim can damage a small business or nonprofit organization.

CLAIM	SCENARIO
Professional Negligence	A small business consultant provides advice and recommendations to a client regarding their marketing strategy. However, due to an oversight, the consultant fails to identify a crucial market trend, resulting in the client's marketing campaign being ineffective. The client incurs a financial loss of \$50,000 in wasted advertising expenses. The client files an Errors and Omissions claim against the consultant, and the insurance policy covers the claim, resulting in a recovery of \$5,000 after a deductible.
Misrepresentation	A small back-office support company is responsible for managing payroll for a client's employees. Due to an administrative error, the support company inadvertently misrepresents an employee's salary, leading to incorrect tax withholdings and penalties for the client. The client incurs a financial loss of \$30,000 in fines and penalties. The client files an Errors and Omissions claim against the back-office support company, and the insurance policy covers the claim, resulting in a recovery of \$2,500 after the deductible.
Mistaken Valuation	A small auction house is hired to auction off a valuable art collection. During the valuation process, an expert at the auction house mistakenly undervalues one of the artworks. As a result, the artwork is sold for significantly less than its true market value, causing the client to suffer a financial loss of \$100,000. The client files an Errors and Omissions claim against the auction house, and the insurance policy covers the claim, resulting in a recovery of \$80,000 after a \$10,000 deductible.
Design Flaw	A small build/design construction company is hired to construct a commercial building project for \$500,000. During the design phase, the company overlooks a critical structural requirement, resulting in a design flaw that compromises the building's integrity. As a result, the building fails to meet local building codes, requiring extensive modifications and repairs, resulting in a financial loss of \$200,000. The client files an Errors and Omissions claim against the construction company, and the insurance policy covers the claim, resulting in a recovery of \$180,000 after a deductible.