Target
Professional & Management Liability

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CLAIM EXAMPLES

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Examples of Accountants Errors & Omissions Claims

These claim scenarios illustrate why Professional Liability Insurance is so important for accounting firms:

Scenario A: Malpractice Claim for Negligence and Fraud

Malpractice claim for negligence (failure to meet the standard of care), and Fraud arising after the dissolution of the insured's law firm client.

The plaintiff alleged that one partner of the law firm, with the assistance of the insured, accounting firm, withdrew millions of dollars from the law firm in order to pay personal expenses. Damages were alleged to be in excess of $4M and the insured faced exposure outside their accounting firm's $2M policy limits.

A $1.1M resolution was finally reached. **The Hartford** secured a significant and meaningful contribution from fraudster client in the amount of $600,000 and contributed $500,000 toward the settlement. Defense expenses incurred: $190,000.

Scenario B: Errors on Client's Tax Returns

The Insured firm prepared the claimant's 2011 and 2012 personal tax returns. The Insured subsequently discovered an error on the returns: passive activity income should not have been netted against the claimant's wife's losses. After the Insured filed amended returns, the IRS assessed penalties and interest of $11,253. The Insured's policy covered the claimant's penalties and interest, and **The Hartford** was able to resolve the claim without the need to appoint defense counsel.

Scenario C: Calculation Error

The insured accounting firm was retained by an insurance company to do accounting work for a business interruption claim the company was handling for its insured business owner. The insured miscalculated the amount of business interruption insurance that the business owner was entitled to, and the insurance company overpaid the business owner by $350,000. Hartford retained defense counsel, and settled the claim pre-suit for $150,000.

Claims examples are for descriptive purposes only. Please refer to the actual policy for exact coverage descriptions, terms and limits; exclusions and deductibles may apply. It is impossible to state in the abstract whether a policy would provide coverage in any given situation.