****

#6 Errors & Omissions and Fidelity Coverage  
Maintain appropriate professional liability insurance and fidelity coverage.

|  |  |  |
| --- | --- | --- |
| Purpose Appropriate levels of professional liability (errors and omissions insurance) ensure that attorneys have the financial capacity to stand behind their professional services. In addition, lenders may require a law firm to maintain fidelity bond and surety bond policies with prescribed minimum amounts of coverage. | | |
| What You Should KnowMalpractice insurance provides coverage for the attorney in the event of negligence in performing their professional duties.Fidelity Policy may be desirable. Consider:  1. Protection against theft from operating or trust accounts by either law firm employees and/or other attorneys. 2. Protection against computer fraud including hacking.   Ensure that coverage does not lapse. This could cause you to lose retroactive coverage!  Make the coverages part of a comprehensive lender presentation package.  An expanded coverage Escrow Security Fidelity Bond (ESB) may include provisions for crime insurance including:   * Loss caused directly by a third-party hacker who fraudulently enters data or changes data elements and authorizes wire transfers from a trust account. * Loss caused by the theft or embezzlement of lenders’ funds by employees. * Loss caused as a result of the closing attorney’s liability to Chicago Title under a closing protection letter or a title policy as a result of the theft of settlement funds by an employee, partner, sole proprietor, shareholder, member or director. * Loss caused by the dishonest or fraudulent acts of employees, including embezzlement, larceny, payroll and accounts payable/receivable fraud, and theft of incoming checks. |  | Issues to Consider and Discuss  * How do you track your insurance expiration dates and who is responsible for that? * What does your E&O or professional liability (malpractice) policy define as a claim? * Are your independent contractors also insured? * Have you verified your title insurer and state requirements? * What are your coverage dates? What about for potential claims prior to your current policy? * Do you have enough coverage? Do you need to increase you coverage? * Do your title insurance underwriters have a copy of your current policy? * Any agency offering a truly comprehensive package will not only provide protection from a number of potentially business killing threats, but will provide an opportunity for the insured to also market these coverages to current and potential customers. * Does your policy cover owners and corporate officers? * Do you have protection from computer fraud, including third party account hacking? |
|  |
|  |