
# What To Do When An Errors & Omissions (E&O) Claim Happens

**Understand Potential Claims vs. Claims**

- Potential Claim: An act, error, or omission that could lead to a claim but no demand has been made.
- Claim: A demand for compensation or assertion of responsibility for damages, made formally or informally.

**Notify Your Insurer**

- Immediately inform your E&O insurer of any Potential Claim or Claim to avoid coverage issues.
- Early notification allows the insurer to investigate, appoint legal counsel, and take steps to resolve the issue.

**Collect Information and Documentation**

- Gather and preserve documents such as contracts, inspection reports, correspondence, and notes.
- Ensure interviews/statements from involved personnel are obtained quickly to preserve their recollections.

**Identify Other Responsible Parties**

- Work with your insurer or legal counsel to identify other parties who may share responsibility and notify them.
- Ensure these parties also report the matter to their insurers.

**Avoid Certain Actions:**

- Do not discuss the details of the claim or admit fault without consulting your insurer and legal counsel.
- Do not agree to any payments or settlements without proper documentation and insurer consent.

**Understand Legal Processes**

- Lawsuit: Formal court proceeding where damages or grievances are addressed, often requiring legal representation and involving a detailed discovery process.
- Arbitration: Alternative dispute resolution agreed upon by contract, typically faster and less formal but with limited discovery and no appeal options.
- Mediation: Informal process involving a mediator to help reach a settlement; not binding and generally less costly.

**General Tips**

- Understand your obligations and processes in handling claims to prevent worsening the situation.
- Most claims settle without going to trial or full arbitration hearings.

- ***By following these steps, you can better manage E&O claims and potentially mitigate the impact on your business.***

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