Accountants Professional Liability

An accountant or accounting firm performs services that are based upon a high level of expertise. Their clients, typically, are very dependent upon the advice they receive. Therefore, when something goes wrong and a client believes it is due to bad advice, chances are high that they may sue, claiming harm from an accounting-related act.

Since a standard, general liability policy excludes any loss involving professional services, accounting professionals need to seek protection from a type of errors and omissions coverage called Accountants Professional Liability Insurance. Accountants Professional Liability forms usually respond to losses involving alleged negligence in auditing and preparing financial statements, providing faulty tax advice or providing poor financial reporting and/or record-handling advice.

Accountants Professional Liability Policies are not standardized, so it is critical to review the coverage in any given insurer's form when handling such coverage for a client. Generally, such policies have the following in common:

- coverage is on a claims-made basis – meaning that coverage depends upon when a possible loss is recognized and reported rather than when it actually occurred;
- it is subject to a specific deductible – though some policies may have separate coverages with separate, applicable deductibles
- coverage is available for prior acts and predecessor firms – this coverage may be critical for professionals who have left firms that are no longer in operation (due to mergers/buyouts, etc).

Coverage applies to the accountant or firm named in the policy as well as others who met a policy's "insured" definition such as partners, directors, officers, employees, stockholders and heirs. Coverage applies worldwide, provided that a claim is made (or first made) in the United States, its territories or possessions, or Canada.

The programs offered by various insurers are generally not available to firms engaged in S.E.C. (Securities Exchange Commission) activities, in real estate or other investment activities (including providing services to investment bankers). Neither is such coverage available for individuals or firms that do a substantial amount of work for financial institutions. Chances for coverage are also very low for an individual or firm that has a record of having been subject to disciplinary action or reprimand.

Of course, to acquire proper coverage, an astute accounting professional should be certain to get help from an insurance professional.