



Westchester®

## Miscellaneous Professional Liability Insurance for Business Process Administrators

In outsourcing business process functions to administrative firms such as yours, your clients are shifting more than just expenses off of their balance sheets – they are also sharing certain legal liabilities. Your clients expect your company to meet your service obligations and comply with applicable regulations. If those expectations are not met, allegations may be brought against your company for perceived errors made in the course of performing professional services or the failure to maintain your client's compliance with any applicable legal requirements. Any organization or person who believes they were negatively impacted by these errors or failure, including your client's employees and other third parties, may seek to recover losses through litigation.

Even if no one in your company is at fault, defense and settlement costs can quickly add up. Fortunately, Westchester offers Miscellaneous Professional Liability (MPL) insurance to a variety of service providers, including business process administrators. Westchester's MPL coverage can be tailored to the specific set of services your company provides, including:

- Human resource administration
- Bookkeeping
- Customer service center management
- Product and order fulfillment
- Document management

### Claims Scenarios

A client sued a bookkeeper alleging the bookkeeper was negligent in reviewing and reconciling monthly bank statements and, accordingly, failed to detect the fraudulent behavior of a dishonest employee. The client sued for the value of the theft in excess of the funds recovered through the client's fidelity insurance and from the dishonest employee.

A client company sued a bookkeeper after a misunderstanding about the scope of services the bookkeeper was engaged to perform. The misunderstanding caused the client to miss tax filing deadlines and incur penalties. The client demanded reimbursement for the penalties and additional expenses associated with the late filings.

A distributor hired a call center to prescreen potential sales leads with introductory calls and provide aggregated lead counts by geographic region. Initial reports contained errors in the aggregate data, overstating leads in some regions and understating leads in others. The call center eventually discovered and corrected the errors, but the distributor alleged that the errors increased its internal costs, forcing it to adjust inventory and sales staff levels. The distributor demanded reimbursement from the call center for the additional expenses.

An appliance manufacturer recalled a component in a series of appliances. The manufacturer hired a call center to handle incoming calls from consumers and schedule service appointments to replace the faulty part. After the manufacturer changed the notification process, the call center received a much higher volume of calls than anticipated. The manufacturer alleged that the call center did not meet its customer service standards and, as a result, the manufacturer's reputation was damaged. The manufacturer demanded compensation from the call center for expenses incurred in launching a public relations campaign.

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## Coverage Features

The following MPL insurance features are available to business process administrators:

- Broad definition of Wrongful Act, including Personal Injury and a customized definition of Professional Services
- Fines and penalties assessed against a client as a result of your company's Wrongful Acts are compensatory damages
- Defense Costs are fully covered if a Claim includes at least one covered allegation and Insured
- No fact pertaining to, or knowledge possessed by, any Insured Person will be imputed to any other Insured Person to determine if coverage is available

## The Westchester Advantage

Westchester has earned its leadership position in professional liability insurance as a result of our:

- **Financial stability:** Westchester receives consistently high ratings for financial strength from A.M. Best, Moody's and Standard & Poor's, the leading independent analysts for the insurance industry.
- **Reputation for paying claims and superior service:** Our reputation for expert, fair claims handling is renowned in the industry.
- **Broad coverage:** Our MPL insurance products offer some of the broadest coverage available in the marketplace. We provide this coverage on a mono-line policy form or as part of a suite of specialty liability.

## In the News: Allegations against Business Process Administrators

- A class-action lawsuit was brought against a retailer alleging it miscalculated the amount of sales tax on returned items, in essence under-refunding customers for their returns. The retailer in turn sued the administrator it had paid to manage the refund system for breach of contract.
- Thousands of landowners brought suit against an energy company, alleging it had miscalculated royalties due and improperly withheld management fees from royalties. The energy company then terminated its royalty payments administrator and sued it to collect its losses.

## Contact Us

For more information please visit us at:

<https://www.westchester.com/en/contact-us/product-line/financial-lines.html>

The claim scenarios described here are hypothetical and are offered solely to illustrate the types of situations that may result in claims. These scenarios are not based on actual claims and should not be compared to an actual claim. The precise coverage afforded by any insurer is subject to the terms and conditions of the policies as issued. Whether or to what extent a particular loss is covered depends on the facts and circumstances of the loss, the terms and conditions of the policy as issued and applicable law.

Insurance provided by Westchester Fire Insurance Company and its U.S. based Chubb underwriting company affiliates. Chubb is the marketing name used to refer to subsidiaries of Chubb Limited providing insurance and related services. For a list of these subsidiaries, please visit our website [www.chubb.com](http://www.chubb.com). Product highlights are summaries only. Please see the actual policy for terms and conditions. Products may not be available in all locations, and remain subject to Chubb's underwriting criteria. Surplus lines insurance is sold only through licensed surplus lines producers.

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