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Claims Examples

Errors & Omissions

Graphic Artists

1. Promotional Flyer

The Insured was a graphic artist whose services were retained by a large chain of discount stores to design a promotional flyer for the Christmas season. The flyer was a major component of the advertisement campaign for the store's peak season.

The client reviewed and approved the camera-ready artwork with some minor revisions.

A phone number was erroneously replaced with a fax number. This telephone number was critical to the sale. The storeowner discovered the error only after printing was completed, but fortunately prior to distribution. The flyer was reprinted and distributed a few days later. The storeowner held the Insured graphic artist liable for his lost profit due to the delayed distribution. In a demand letter to the Insured, the storeowner claimed \$100,000 in damages. ENCON appointed an adjuster to investigate the matter. While it was difficult to clearly establish who was liable for the error, the storeowner could not be dissuaded of his view that he was entitled to substantial compensation. Eventually, mediation resulted in a fair settlement for both parties. The Insurers made an indemnity payment of \$25,000, which was subject to a \$5,000 deductible. The Insurers paid \$2,000 in adjusting fees.

2. Price Quotation

The Insured graphic artist was retained by a new landscape and garden shop to design a large outdoor sign. The graphic artist, as part of his contract, contacted a sign company and requested a price quotation in the amount of \$50,000 for an outdoor sign, which would increase the shop's visibility. When communicating his expense budget to the shop owner, the graphic artist erroneously indicated that the price of the sign would be \$5,000, excluding the design costs. The shop owner approved the budget and instructed the artist to continue with the contract. Upon receipt of an invoice for \$50,000 from the sign company, the shop owner refused to pay the full amount. He maintained that he had no obligation to do so since the amount on the invoice did not correspond to what he had agreed to pay. He maintained that he would never have approved the budget had he known the price of the sign was \$50,000, and not \$5,000.

The shop owner advised the Insured that he would pursue the matter if the difference in price was not assumed by the Insured. The Insured promptly advised ENCON of this matter. An adjuster was retained to conduct an investigation and to communicate with the Claimant's lawyer. A settlement was reached for \$20,000. The Insurers paid \$15,000 in indemnity and approximately \$4,000 in investigation costs. The Insured paid a \$5,000 deductible.

3. Typographical Error

Upon a client's request, a graphic artist designed elaborate labels to identify a new product that was about to be launched at an upcoming promotional event. The client reviewed the final product a few days before the promotional event and found a typographical error on the French version of the labels. The client insisted that all the labels be redone. The client also delayed the product launch for one week. The client sent a letter to the Insured graphic artist, claiming compensation for the inconvenience, including the costs to delay the launch of the product for several days. ENCON retained an adjuster and the investigation revealed that other circumstances had caused the delay and that the client was going to postpone the launch of his new product regardless of the typographical error. Although no indemnity payment was made, approximately \$3,000 was spent on investigation costs.

These Claims Examples are for illustrative purposes only. Please remember that only the insurance policy can give actual terms, coverage, amounts, conditions, and exclusions.