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## **Professional Services Exclusion Bars False Claims Act Lawsuit**

A District Court in California found that the professional services exclusion precluded coverage for a lawsuit alleging violation of the False Claims Act.

*HotChalk, Inc. v. Scottsdale Insurance Company*  
(United States District Court, Northern District of California, November 15, 2016)  
Case No. C16-3883 CW  
2016 WL 6818760  
--- F.Supp.3d --- (2016)

HotChalk provides services to universities to create or expand their online degree programs, including recruiting students. In 2014, former employees of HotChalk filed a qui tam complaint against the company and its clients, alleging violations of the False Claims Act stemming from HotChalk's incentive based compensation structure for its employees. HotChalk was insured by Scottsdale under a business and management indemnity policy. It tendered the suit to Scottsdale, which refused to defend and indemnify on the grounds that the claim arose out of the company's rendering of professional services, which is excluded from coverage under the policy. HotChalk therefore filed suit against Scottsdale for breach of contract and bad faith. In granting Scottsdale's motion for a judgment on the pleadings, the Court found that because the alleged violation of the False Claims Act stemmed from its practice of compensating employees based on their success in selling its services, such practice necessarily involved the rendering of professional services, which was specifically excluded under the policy.

To view the opinion, click [HERE](#).

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