

INTELLECT

TECHNOLOGY & PROFESSIONAL SERVICES CLAIMS SCENARIOS



E&O

A software company designs custom software for use by companies to monitor traffic on their websites. Based on the information developed by the software, a client finds that assumptions the software company made about the age of their key market segments are incorrect. A media relations company is then hired to revamp their websites. Once the site is finished it is discovered that the data based on assumptions arising out of the software is incorrect. The client sues the software company for the expense and loss of income due to the downtime of their website.

A retailer contracted with an IT company to customize and install an e-commerce software system. The system worked successfully in the “test environment” but once implemented the system did not operate as promised. Orders placed using the system were lost, payments were not received and goods were not provided to the customer. The retailer did not realize there was a problem for 48 hours at which time they shut the system down. Retailer sues the IT Company for breach of contract, lost business and damage to its reputation.

INTELLECT PROPERTY INFRINGEMENT

A distributing database management software company was sued by a software developer claiming the distributor hired a number of its former employees who stole the source code and used it to develop a competing product. The software company sues for breach of copyright and breach of confidentiality as well as an injunction to prevent further sales.

NETWORK SECURITY & PRIVACY BREACH THIRD PARTY LIABILITY

A malware infects an IT company's servers. It accesses the network's contact list and sends emails to the companies' current and past customers. The virus destroys a number of the customer's operating systems. Customers sue for loss of profits and the expenses to restore their operating system.

Sovereign General has a dedicated in-house claims team, with extensive experience in adjusting IT losses.

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PRIVACY BREACH EXPENSE

An IT company executive leaves her laptop on the train when commuting home in the evening. The laptop is accessed by a third party who now has access to 100,000 customer records including their credit cards. Expenses are claimed for notifying the customers of the breach, and providing credit monitoring, a call center for impacted individuals, and a public relations firm is retained to restore customer confidence and/or mitigate negative publicity generated from the incident.

E-MEDIA

In promoting their new product, a software company claimed on their website that their new product had an important compatibility that it believed the competitors lacked. The competitor sued, contending that the software developer disparaged its products in its promotional material.

BUSINESS INTERRUPTION

A computer manufacture plant has to shut down after the it is discovered that a virus was loaded onto its network. Company seeks reimbursement for loss or profits and extra expense.

DIGITAL ASSETS

An employee opens an email from what appears to be a colleague in another office. In opening the email, the employee detonates a "logic bomb" which erases all of his client agreements and the proprietary software used in the course of their business. Company seeks reimbursement to restore the software and obtain the contracts.

CYBER EXTORTION

A programmer is dismissed from an IT company due to incompetence. The employee encrypts the entire database of the company and then demands \$1,000,000 in ransom to fix it. Company is reimbursed for the expenses incurred to validate the employees claim, negotiate the settlement and payment of ransom.

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The information in this document is presented by Sovereign General Insurance. These examples are intended to illustrate broadly some, but not all, of the kinds of exposures IT organization can face. How Sovereign General Insurance policies respond to any circumstances will depend on the particular facts. Refer to the policy wordings for the complete terms and conditions.