



Errors & Omissions

Loss Scenarios for Information and Network Technology Companies



The cost of litigation to information and network technology companies has risen dramatically in recent years as a result of product and service disputes. Why are we seeing this sudden influx of lawsuits?

- More and more customers are **willing to sue long established business partners** for performance failure problems. The result: an increase in business partner litigation.
 - **Dramatic increases in the average size and length of contracts** raises the plaintiff's chance that a performance failure "will be worth the fight" and result in a large jury award.
 - As market competition continues to increase, there is a greater chance that marketing and sales pressure will invite **over-promising of supplier capabilities**.
- With **companies putting more reliance on information technology solutions**, it is more likely that software solutions will be core business solutions. As a result, much more is at stake if the solution fails or doesn't perform as promised.
 - Today, **companies are crossing borders** to conduct business which brings a host of new exposures due to foreign laws and regulations.

Information and network technology companies need timely solutions that have evolved with their industry and the new exposures being presented. Chubb's information and network technology errors & omissions (E&O) insurance offers such solutions and can help protect your firm from the devastation of a lawsuit.

Take a look at these loss scenarios and then ask whether you have the proper insurance protection.

Corrupted data

A communications company sues for lost revenue and expenses to recover billing files for wireless customers that were deleted by their software vendor who was updating the system.

Indemnity Paid: \$750,000

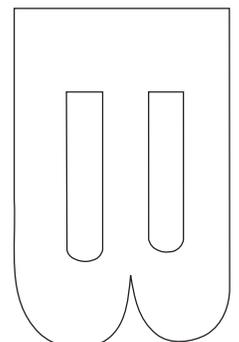
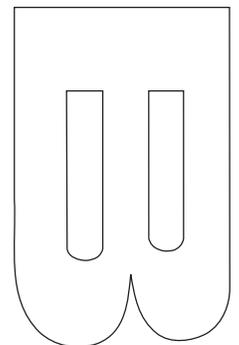
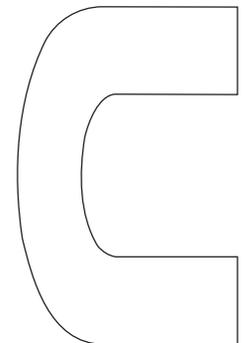
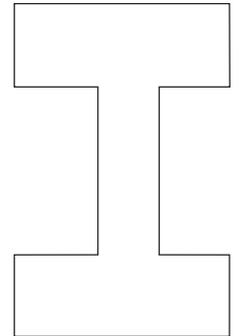
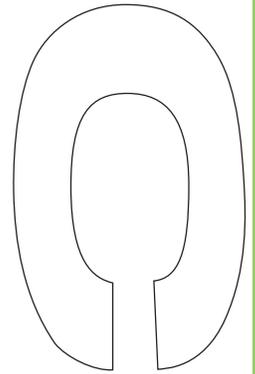
Defense Costs Paid: \$150,000

Software fails to maintain employee hours

A company provides timekeeping hardware and software to its customer. The software doesn't function correctly; it fails to maintain employee hours worked and correctly apply the hourly and overtime rate of pay. The failure results in over/underpaying employees and the need to replace the timekeeping clocks. The customer sues the provider of the hardware and software.

Indemnity Paid: \$440,000

(over)



Missed deadlines cause a breach of contract

A firm outsources to an information technology and management services company for the replacement of hardware, software and infrastructure as well as telecommunications and related services in order to upgrade its ability to serve customers and address any problems. The information technology and management services firm fails to meet deadlines due to a high turnover of staff and a breakdown of project management.

Indemnity Reserve: \$2,000,000

Expense Paid: \$500,000

Lawsuit in France

A software developer is sued in French courts for failing to deliver an operational version of a software system. The plaintiff alleges that the system sold and installed was not compatible with its mainframe systems, despite assurances to the contrary. The plaintiff sues for recovery of consequential damages.

Indemnity Paid: \$600,000

Breach of security

A telecommunications firm is sued by customers claiming they were sold a defective system with inadequate security protections. The customers claim the faulty system allowed individuals to access their phone system and, as a result, they incurred fraudulent overseas charges.

Indemnity Paid: \$345,000

Defending software that performed as promised

A software company was sued by a customer after he used the company's cost estimating software. The software itself was found to have functioned perfectly. The error was on the part of the user who later underbid a work project. The customer eventually dropped the case, but only after considerable legal expenses were incurred by the software company.

Indemnity Paid: \$0

Defense Costs Paid: \$175,000

Inability to deliver on marketing "promises"

A personal computer assembler is sued by a group of consumers in a class action suit. The suit alleges that the company's equipment did not live up to advertised specifications. Citing issues such as lack of speed and poor upgrade capability, the consumers demand full refunds.

Indemnity Paid: \$1,600,000

Jury award for compensatory damages

When a software solutions provider fails to live up to performance commitments made via a contract for a new software system, a local jury awards the plaintiff in excess of \$2 million in compensatory damages.

Indemnity Paid: \$2,400,000

Defense Costs Paid: \$350,000

Million dollar verdicts and costly legal fees can easily destroy a firm's bottom line...if it's not properly protected. Talk to your Chubb underwriter or your agent or broker about our information and network technology errors & omissions insurance. Get the protection you need now.

Chubb refers to the insurers of the Chubb Group of Insurance Companies: Federal Insurance Company, Great Northern Insurance Company, Northwestern Pacific Indemnity, Pacific Indemnity Company, Texas Pacific Indemnity Company, Vigilant Insurance Company, Chubb Indemnity Insurance Company, Chubb Insurance Company of New Jersey, Chubb National Insurance Company. Not all insurers do business in all jurisdictions.

This literature is descriptive only. Actual coverage is subject to the language of the policies as issued.

