

### Management Liability

Directors and Officers

Employment Practices

Fiduciary

### Professional Liability

Media

Miscellaneous

Network Security and Privacy Injury

### Technology and Telecommunications

### Crime

**Technology and telecommunications companies face an evolving array of risks arising out of their product and service offerings.**

- Software code can contain security vulnerabilities that allow hackers to penetrate customers' networks.
- Allegations of software copyright infringement are increasingly common.
- Defects in software, components and devices can cause insureds' customers to lose revenue or incur significant financial expenses.

#### CNA's technology appetite consists of:

- |                                  |   |                                     |
|----------------------------------|---|-------------------------------------|
| • Application Services Providers | • Email Services                          | • Telephone Carriers                |
| • Circuit Board Assemblers       | • Electronic Components/Semiconductors    | • Training Services                 |
| • Computer Programmers           | • Internet Service Providers              | • Video Conference Services         |
| • Computer/Network Integration   | • IT Consulting/Staff Augmentation        | • VOIP                              |
| • Computer Maintenance           | • Resellers of Computer Hardware/Software | • Website Developers                |
| • Computer Hardware              | • Software Developers                     | • Website Hosting Service Providers |
| • Cellular Companies             | • Telecommunications Consulting Firms     | • Wireless Communications           |
| • Data Centers                   | • Telecommunication Equipment             | ... we will consider many more      |

#### Coverage Highlights

- Broad definition of technology products, technology services, internet services and telecommunications services
- Definition of Claim includes (a) a written demand for monetary or non-monetary relief, (b) a written request to toll or waive a statute of limitations, and (c) a civil proceeding or any alternative dispute resolution proceeding, any administrative or regulatory proceeding or investigation.
- Definition of wrongful act includes personal/proprietary injury committed in the conduct of technology services or telecommunication services.
- Definition of Loss includes punitive and exemplary damages, and the multiplied portion of multiplied awards (where insurable by law that most favors coverage).
- Definition of Insured Person includes seasonal, temporary, leased or loaned employees and independent contractors.
- Software Code Infringement
- Failure to prevent unauthorized access arising out of technology products or technology services provided to others.
- Defense for claims involving allegations of fraud or intentional wrongdoing, including the misappropriation of trade secrets until final adjudication. Acts of an insured person will not be imputed to any other insured person.
- Third party loss of use of products or services, based on insured's recall
- Owned entity exclusion applies only if owned corporation is 50% or more owned (if privately held) or 10% or more owned (if publicly traded).
- Capped Defense Costs outside the Limit available by endorsement for qualified insureds.
- Additional insured language included when required by a contract.

**Broad coverage for Technology and Telecommunications Professional Liability is provided as one part of the Epack Extra<sup>SM</sup> policy. Epack Extra<sup>SM</sup> allows insureds to package multiple coverages on one policy form.**

Management and Professional Liability



### Coverage Scenarios

#### Software Developer

**The Facts:** A corporation sought services from a computer software developer to upgrade and overhaul its entire computer software system. Pursuant to the contract, the developer was to upgrade the corporation's system so that it could access information from third parties and enhance its sales abilities. Once implemented, the corporation claimed that the software was replete with bugs and defects. The corporation sought over \$25,000,000, seeking damages for lost business opportunities, time and expense to correct the software system.

**The Bottom Line:** Discovery, and more specifically, electronic discovery, proved to be costly in this case. As a result, \$700,000 was spent on the defense through trial. On the eve of trial, the case was settled for \$1 million.

#### Website Designer

**The Facts:** A website designer was retained by a client to create content and a design for its website. The design included photographs and imagery used as background for the site's web pages. Some of the imagery was taken from other websites on the internet, and, as a result, the owners of said imagery commenced suit against the web designer and client. The suit alleged infringement of intellectual property, and sought over \$1 million in actual and statutory damages.

**The Bottom Line:** As a result, the suit settled on the eve of trial for \$450,000. A total of \$200,000 was expended in defense of the suit.

#### Semiconductor Manufacturer

**The Facts:** A manufacturer was retained to construct and implement semi-conductors for radios sold by a corporation. Once the semi-conductors were implemented, the radios were sold to the public. Shortly after distribution, the corporation received word that the radios were failing. The failures were ultimately attributed to the performance of the semi-conductors prepared by the manufacturer. The corporation filed suit against the manufacturer seeking damages in excess of a million dollars.

**The Bottom Line:** Facing significant and protracted litigation, the matter was settled at mediation for \$250,000 after spending over \$50,000 in defense costs.

**To learn more about CNA's Management and Professional Liability offerings, contact your agent or broker.**