

# Insurance Coverages for IT Professionals

**1st & 3rd Party Cyber Liability and Errors & Omissions Insurance** - This is probably the most important coverage for an IT professional to carry. This is tech equivalent of Medical Malpractice Insurance and protects against claims arising from your professional services. Not all policies offer the same coverages, so it is important to make sure you have the following coverages.

**Client Data Loss** - Believe it or not, many carriers have an absolute exclusion in their policy form for the replacement, reproduction & restoration of client data lost or damaged during a security breach or other error or omission.

**Contingent Bodily Injury and Property Damage** - Many E&O policies contain an exclusion such as the following: Excludes claims "based upon, arising out of, attributable to, or directly or indirectly resulting from Bodily Injury or Property Damage". Bodily Injury almost always includes "emotional distress and/or mental anguish". Compare this to the TechMal policy, which does not exclude emotional distress claims arising out of a privacy breach. If there is a disclosure of medical records of thousands of patients, chances are a class action lawsuit will be filed alleging emotional distress of the affected patients and this could lead to damages in excess of \$100K+.

**Rogue Employee** - Disgruntled current or ex-employees can do serious damage that is costly and time-consuming to undo. The TechMal policy provides coverage to repair or restore company data, or company client data, destroyed or damaged by an employee.

**Network Security Liability** - Since you are in charge of protecting the networks of your clients, you need coverage for damages to a third party as a result of a breach in security. Covered networks under the TechMal policy include networks operated or controlled by you on your own behalf or on behalf of your client.

**Privacy Liability** - Covers the theft, loss or unauthorized disclosure of individual PII or confidential corporate information that is in your care, custody or control.

**Media Liability** - As social media continues to grow, more and more business insurance policies are excluding coverage for libel, slander and defamation. This coverage will not only plug that gap but will allow your organization to protect itself from accusations of invasion of privacy, plagiarism, misappropriation, infringement of copyright, trademark, title, service mark or domain name.

**Privacy Notification Costs** - According to the 2016 NetDiligence Cyber Claims Study, the median number of records exposed in this report was 1,339 and the median cost per-record was \$39.82. This is a \$53,000+ claim. You need coverage to notify the affected individuals as well as the potential expenses arising from credit monitoring.

**Public Relations & Crisis Management Expense** - If a breach does occur and your company makes the newspaper or network news, you better believe your competition will use this against you to try and take your clients. You need coverage for the costs associated to hire a public relations firm to avert or mitigate material damage against your reputation.

**Legal and Forensic Expense** - Provides coverage for the cost of retaining an attorney to advise you of your obligations under data breach notification laws in the event of a network security breach impacting PII, as well as the cost of hiring a computer security expert to determine the existence, cause and extent of the breach.

**Network Security and Privacy Liability (Regulatory)** - This coverage is for claims expenses and penalties if a governmental agency or regulatory body brings an enforcement action against you for a violation of a law protecting the confidentiality and security of PII.

**Cyber Extortion** - Many experts see this as "the next big thing" to threaten organizations with financial trouble, loss of data, and even going out of business. This coverage is needed for situations where you must make a payment to eliminate credible threats to breach security in order to corrupt, damage, or destroy your computer system.

**Costs for Damage to Data or Programs** - TechMal policy provides coverage for the cost of restoring or replacing data, regardless of whether it is your or your client's, as a result of a security breach on your network or your cloud service provider's network.

**Network Failure Income Loss and Extra Expenses** - If your business is unable to operate due to a cyber breach of your network or the network of your cloud service provider, the TechMal policy provides business interruption coverage.

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**Business Insurance** - A Business Owners Policy, or BOP, is an insurance package that bundles together several types of commercial insurance into a single policy. Some coverages in a BOP include:

**Commercial General Liability (CGL)** provides protection against claims arising from bodily injury, property damage, or medical payments as a result of your business operations.

**Property Coverage** provides protection for the property your business owns. Whether it is furniture, inventory, a building or fixtures, you need to protect your assets against physical loss.

**Electronic Data Processing Coverage** provides protection for your computer equipment, data systems, information storage media and expenses or income loss. Some insurers include these perils in the basic form, while others make them only available by endorsement for an additional premium

**Personal Property of Others** provides coverage for the personal property of your customers while temporarily in your care, custody and control.

**Hired Auto and Non Owned Automobile Liability** provides coverage for bodily injury and property damage caused by a vehicle you hire (including rented or borrowed vehicles) or caused by non-owned vehicles (vehicles owned by others, including vehicles owned by your employees).

**Business Income Billable Hours Option** provides an alternative valuation for short-term losses, reimbursing you for your lost time, even if clients are rescheduled.

**Denial of Service Attack Time Element** provides business income and extra expense due to the necessary suspension of electronic commerce computer operations due to a denial of service attack.

**Employment Practices Liability Insurance (EPLI)** - Due to an increase in claims for clients, as you continue to grow your organization, you will want to pay attention to EPLI. EPLI protects your organization when claims arise from allegation of wrongful employment practices. Employment-related disputes have become one of the fastest-growing sources of litigation in the United States. Wrongful employment practice includes any actual or alleged:

**discrimination, sexual harassment or wrongful termination**

**breach of employment agreement**

**violation of the Family Medical Leave Act**

**failure or refusal to create or enforce adequate workplace or employment policies and procedures**

**wrongful discipline, wrongful demotion, denial of training, deprivation of career opportunity, denial or**

**deprivation of seniority, or evaluation**

**employment-related wrongful infliction of emotional distress**

**Failure to employ or promote, or negligent hiring, supervision of others, training, or retention committed or allegedly committed by any insured**

**1st & 3rd Party Cyber Crime Insurance** - Because of the amount of money flowing in-and-out of your bank account, this coverage is becoming increasingly more important. Under The Electronic Funds Transfer Act and Regulation E, consumers receive heightened protection against unauthorized transfers from their bank accounts. These protections, however, *do not apply to business customers*.

<http://www.npr.org/sections/alltechconsidered/2015/09/15/440252972/when-cyber-fraud-hits-businesses-banks-may-not-offer-protection>

**Some insuring agreements you want to pay attention to and where we continue to see claims include:**

**Commercial Crime due to Computer and Funds Transfer Fraud** – Cyber-attacks are now more sophisticated than ever before. This coverage will reimburse your company for the loss of money due to the use of a computer to fraudulently transfer funds out of your possession.

**Commercial Crime due to Cyber Deception** – This occurs when a criminal enterprise disguises themselves as an employee, client or vendor and tricks someone at your organization into transferring funds to an account under their control. This could come from a phishing attack or social engineering email, text or instant message.

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**3rd Party Crime of Clients' Property** - Because of the unprecedented access your employees have when it comes to client information, this coverage will protect against a loss resulting from theft, fraud or dishonesty by an employee.

**Auto Insurance** - Protects you against financial loss if you have an accident. It is a contract between you and the insurance company. You agree to pay the premium and the insurance company agrees to pay your losses as defined in your policy. Auto insurance provides property, liability and medical coverage:

**Property coverage** pays for damage to or theft of your car.

**Liability coverage** pays for your legal responsibility to others for bodily injury or property damage.

**Medical coverage** pays for the cost of treating injuries, rehabilitation and sometimes lost wages and funeral expenses

**Directors & Officers (D&O) Insurance** - D&O provides financial protection for the directors and officers of your company in the event they are sued in conjunction with the performance of their duties as they relate to the company. Think of Directors and Officers Insurance as a management Errors and Omissions policy.

In recent years, directors and officers liability insurance has become a core component of corporate insurance. Directors & Officers can be held personally liable for the decisions they make as leaders of a private company. Being private does not mean that the decisions of your board are immune from public scrutiny. Shareholders, employees, customers, suppliers, competitors and even the government may bring an action against your private company and its board. A corporate shield and broad by-laws offer board members and employees some protection. Unfortunately, in many cases, it is not adequate. Typical lawsuits against directors and officers include allegations of:

**Mismanagement of operations or company assets**

**Self-dealing and conflicts of interest**

**Misrepresentation during the sale of company assets**

**Misrepresentation in a private placement**

**Prospectus Acts beyond authority granted in by-laws**

**Violation of certain state and federal laws**

**Breach of fiduciary duties**

**Umbrella Insurance** - An umbrella policy kicks in when you reach the limit on the underlying liability coverage.

**Workers Comp Insurance** - It assures that injured workers get medical care and compensation for a portion of the income they lose while they are unable to return to work and it usually protects employers from lawsuits by workers injured while working. Workers receive benefits regardless of who was at fault in the accident. If a worker is killed while working, workers comp (as it is often abbreviated) provides death benefits for the worker's dependents.

**Fiduciary Liability Insurance** - As a fiduciary, it is your job to select advisors and investments, minimize expenses and follow plan documents exactly. You have a duty to act solely in the interest of plan participants and beneficiaries - not the company. That is a lot of responsibility and it comes with potential liability that requires the right protection.

# Insurance Coverages for IT Professionals

We hope this guide was beneficial for you. Should you have more questions about your business coverage line, reach out to techrug, a trusted advisor and supplier of insurance for technology companies.



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