

WING TIPS

Eliminating Risk in a Digital World

As we all know technology is moving ever quicker and with the result that risk exposures are changing at a similar pace.

Technology is of course, a critical business tool but one which exposes organisations to many additional risks. Risks of litigation, fraud, reduced productivity, loss of sensitive data, damage to reputation and additional unnecessary costs.

Our over-reliance on computer networks has moved at a rapid pace. This reliance brings new and additional risks that we need to understand and manage. The new e-risks range from identity fraud, hacking attacks, computer viruses, denial-of-service attacks and theft of valuable information.

How does this affect companies investing in new technology?

Whilst professional indemnity (PI) claims against IT companies are on the increase, this problem has been hidden from the public's gaze due to most claims being settled out of court.

The two circumstances under which clients are most likely to pursue a claim are if a project does not meet operational specification or if it exceeds a time limit.

Law firms have seen a marked rise in the number of claims against IT companies in recent years and the vast majority of lawyers expect that trend to continue.

- √ About 40% to 50% of technology companies purchase professional indemnity insurance.
- √ Some companies purchase professional indemnity voluntarily because they perceive a significant exposure.
- √ Other companies purchase professional indemnity only because they have been forced to by one (or more) of their clients as a contractual requirement.
- √ Many technology companies erroneously feel that they have no professional indemnity exposure because they contractually exclude liability. But their contracts are subject to the Unfair Contracts Terms Act and are often overturned.
- √ Although there are not too many specialist insurers of professional indemnity insurance for technology companies, there are wide variations in cover. The most important questions you need to ask are:-

- what cover is provided under the insuring clause? - it needs to be considerably broader than just an 'act, error or omission' basis and include breach of contract
- is the limit of indemnity provided on an 'any one claim' or 'aggregate' basis?
- is there cover for intellectual property rights?
- is there cover for dishonesty and fidelity of employees and Directors?
- does it have any conditions precedent to a claim or warranties?
- will claims made in the US be covered?
- what about your offices in the US, if any?

Traditional insurance policies were never designed with these aspects in mind or to cover the businesses activities for these risks, but it is possible to buy protection from insurers specialising in cyber risks.

To find out more about digital risks insurance or to arrange a free business review please contact Robin Thomson on + 44 (0) 1908 606611 or email robert.brown@layton-blackham.co.uk