



Who we are

Lumley Insurance offers years of specialist expertise and reliable standards of service and performance to its clients – a century's worth of experience, in fact. If you're concerned about liability, go no further than Lumley. You can be confident that the most experienced insurer in the industry is protecting your company. We have a proven track record in providing coverage to the technology industry. We take a flexible, yet comprehensive, approach to assist technology companies, being well aware that specific requirements may vary from company to company. Additional cover items can be provided as appropriate. Nothing is foolproof, so let us help you plan for the unexpected. We will develop a risk programme to suit your needs, so that you're better protected if technology failure disadvantages your customers.

The focus on customers and solutions is the hallmark of the Lumley approach.

Liability products recommended for technology companies

In addition to the Technology Liability Programme, Lumley recommends that technology companies also include the following products in their insurance programmes:

Statutory Liability Insurance

This policy provides the professional with protection from any prosecution that could lead to a fine. This includes cover for the fine, as well as the defence costs and expenses. Certain statutes are excluded, including any deliberate breaches of the law.

Employers Liability Insurance

This policy provides protection for the professional against claims brought by employees for personal injury. This covers claims for compensation where the ACC legislation does not apply, or claims for exemplary damages where it does.

Directors & Officers Liability Insurance

This policy provides personal liability protection for directors, officers and senior executives of a company. This policy offers protection if there were errors and omissions in corporate governance.

Employment Practices Liability Insurance

This policy provides protection for the technology company against claims brought by employees for breaches of the Employment Relations Act 2000.

This brochure is descriptive only. The precise coverage afforded is subject to the terms and conditions of the policies as issued. Claims examples are based on actual cases, composites of actual cases or hypothetical situations. Whether or not or to what extent a particular loss is covered depends on the facts and circumstances of the loss and the terms, conditions, and endorsements of the policy as issued.

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Technology Liability Insurance

Lumley 



Protecting
Technology Companies

How Lumley can help your company if the unthinkable happens

There has been an explosion in litigation involving the performance of computer systems. In a recent US lawsuit evidence was introduced to demonstrate that approximately 40% of all computer systems fail. Another staggering statistic is the size of the damages, in some cases rising to seven, eight or even nine figures.

Computer system failure represents an area of potential exposure for technology companies, especially those involved in the development and supply of IT products.

The Lumley Technology Liability Policy can help you cover the immediate financial consequences of technology failure. This cover is particularly relevant in the area of computer failures. The policy covers items such as the legal expenses incurred in defending claims brought against you that may damage your reputation in the market.

The policy also provides an organisation with a method of managing common technology risks.

avoid a meltdown

Some risks that your business could face

Computer software or system performance problems are a real risk area for the technology industry. The associated litigation costs, together with the damages awards and the cost of your management and employee downtime, can have a huge impact on your organisation's reputation and on its bottom line. Potentially expensive litigation can be triggered by:

- Unrealistic expectations on the user's part
- Customer expectations not being met by the tech firm
- Failing to meet the needs of a particular user

Other risk factors include:

- Computer system performance problems
- Faulty installation of software leads to downtime problems
- Inadequate scope definition leads to differences in the expectations of both customers and suppliers
- Claims against software designers due to faulty products
- Defects in the system's requirements definition
- Hardware issues – in either the CPU, memory or various peripheral devices
- Crashes due to viruses or data overload
- Incorrect application software for the specific programming required by the customer to perform a particular job
- Operator error
- Downtime caused by the need to retrieve lost data
- Negligence in product design
- Breach of contract
- System design faults

The exposure

Technology companies operate in an environment where the only constant is change. Change is exciting, especially when it's your company that seems to be at the cutting edge, but it is accompanied by risks. These risks need to be carefully managed.

Issues that technology companies must constantly consider include:

- New markets
- New mediums of distribution
- Intense competition
- Exploiting intellectual capital
- New products that reduce traditional lead times

Rapid technological change is increasing the liability exposures of technology companies. This is particularly true for technology companies that use the internet to advertise and distribute their products and services. These companies face intellectual property and defamation exposures on a global scale. And all technology companies – from those developing mass-marketed software games through to website developers and internet service providers – will be affected.

These challenging dynamics have an impact on both the legal and operational dynamics of the industry. These changes mean that technology companies must transfer some of the risk to a dedicated insurance organisation, one that will continue to develop their knowledge of the industry.

Lumley has made a commitment to become such an industry partner – tailoring risk programmes with technology companies and their insurance brokers.

Your organisation can't afford to be without partnership support from Lumley. Make no mistake about it, technology companies get sued. Today's spiralling legal costs and increasing damages can threaten both your business and your personal assets. The cost of defending allegations can be prohibitive and the need for a structured liability programme is critical.

The Lumley Technology Liability Policy

Lumley offers technology companies a single Technology Liability product for insurance and risk management with global coverage.

The Lumley Technology Liability Policy provides cover for the following key areas of exposure:

Economic loss

The Errors & Omissions section of the policy has been designed to protect your organisation in the event of economic loss. This loss could be the result of an act, error or omission by your company in the provision of its technology products and services. This means your organisation is covered for human errors and the potential consequences of oversights.

The Errors & Omissions section of the policy includes intellectual property and defamation cover, has been designed to protect you from claims alleging unintentional breaches of intellectual property rights. It also covers claims for defamation arising from your business operations – including activities on the Internet.

Bodily injury and property damage

The Broadform Liability section of the policy has been designed to provide liability cover for bodily injury and property damage claims, particularly those arising from the provision of technology products and services.

How do you arrange a Lumley Technology Liability Policy?

The Lumley Technology Liability Policy can be arranged by contacting your insurance broker who will provide you with access to the online TechCertain proposal form system.

This system makes the process of obtaining liability insurance easier by providing you with a customised online proposal that is simple and time-efficient.

Risk Management – The Risk Review and Risk Engineering Process

Lumley is committed to providing liability risk management support to its technology clients. For its larger clients, Lumley will provide the TechCertain Risk Management Programme as part of its Technology Liability Programme. There are two phases to the programme:

1. **The Risk Identification Phase** – an online questionnaire-based process designed to identify areas of risk.
2. **The Risk Engineering Phase** – assists you with developing risk engineering tasks that will help your organisation reduce risk through business process improvement.

Claims Examples

The following claims examples highlight the critical need for technology companies to purchase a seamless liability programme with one insurer. These give you information to bear in mind when evaluating your risk exposure requirements:

Example 1: Industry sector – IT services/software developer Issue: Software product failed to perform as expected

An IT company had allegations levelled against it by one of its customers. The customer claimed the product supplied failed to perform, and that they received no service support to help them deal with the situation.

It was revealed that the customer's staff attempted to use the product on hardware for which the system software wasn't designed. The customer sued for a refund of the money already paid and for loss of income. The insurer helped their client to defend the allegations, demonstrating that they had fulfilled their part of the obligation and did not oversell their product. The claim was successfully defended, but at considerable cost.

Example 2: Industry sector – Telecommunications Issue: Design faults in products supplied

An IT industry company manufactured telecommunications switches. One of its customers, a telephone company, claimed that the switches did not function properly because of design faults. This problem was causing the purchasing telephone company to lose money. The telephone company sued and was awarded a multi-million-dollar verdict.

There are significant benefits for your organisation from improving business processes and increasing risk awareness through a structured risk management programme. These benefits include:

- Taking advantage of Lumley's experience in liability risk
- Improving your risk profile and insurability at renewal
- Detecting, managing and mitigating notifiable events
- Reducing the risk of claims and costs to your organisation
- Increasing the understanding of the kinds of risks that should not be taken by your organisation

For more information on the TechCertain Risk Management Programme, ask your broker or refer to: www.projectserv.com



Example 3: Industry sector – Hardware and software integrator Issue: Damages due to a faulty computer system

An insured company sold hardware and software to a customer. Three months after purchasing the computer system the customer claimed that the system didn't work. They wanted a refund. The dispute was not resolved immediately, and the claim escalated. Eventually the aggrieved party alleged consequential loss, which included loss of income, market share, payroll costs and other expenses. The claim was eventually settled for US\$600,000.

Example 4: Industry sector – System designer Issue: Faults in a computer operating system lead to data loss

An insured company was contracted to provide a replacement computer operating system for one of its customers and for their support staff team. The system was designed to flag data tapes that needed to be saved, stored or reused. Data was being recorded over previous data, resulting in the loss of important information. The insurer used a technology expert who arrived at a solution by bringing in a data recovery retrieval expert who worked around the clock to reconstruct and rebuild the files. The insurer made an indemnity payment to the claimant and paid the expenses for the retrieval expert.

