

# Expertise to meet technology's evolving challenges.



We can show you more.®



TECHNOLOGY

## When your carrier keeps up with industry trends your business is better protected from risk

Today's technology companies push the pace of innovation, constantly reinventing themselves to overcome new challenges and simultaneously exposing themselves to new levels of risk. At CNA, our insurance experts are poised to adapt, combining the latest market insight with technology expertise to develop coverages for your business today, and tomorrow.

### The Cost of Exposure

The following claim scenarios illustrate how individual risks can lead to a total business loss, and highlight the importance of relying on a carrier like CNA.

### Technology

#### Breach of Contract/Failed Software

A software developer received a demand letter from a State Agency demanding repayment of significant amounts in fees after the case management software platform it designed suffered critical outages and numerous "bugs" that allegedly delayed the payment of benefits on at least two occasions. After negotiating with law enforcement officials, the developer agreed to pay hundreds of thousands of dollars in exchange for a release of the claims.

#### Failure to Perform

A software provider that sold and customized editing software to a periodical publisher received a demand from its customers alleging numerous delays in production associated with functionality issues that resulted in the customer reverting back to its legacy software. The software company believed that the editing software was functional, as a similar publisher had used it for several years. After principal-to-principal discussions between the parties, the developer agreed to pay millions in damages to its customer.

### Network Security & Privacy

#### Healthcare/Business Associate — Stolen medical information

An employee of a third party administrator under contract with a government agency left computer tapes in his vehicle containing nonpublic personal information of millions of citizens. The vehicle was stolen triggering the administrator's duty to notify the affected parties. While there was no evidence demonstrating that the perpetrator of the theft ever attempted to use the information, the notice costs and call center operations totaled millions of dollars. The company was also served with numerous class action lawsuits, which remain active.

#### Online Video Games — Hack

An online entertainment company had its user database hacked through a trojan. The database contained millions of encrypted email accounts, usernames and passwords. While the encryption technology prevented a much greater notice obligation, the company nevertheless incurred hundreds of thousands of dollars in forensic investigation and notice costs. A privacy class action was filed, and the court refused to grant the company's motion to dismiss resulting in additional attorneys' fees to defend that action.

### **Payment Processor — Hack**

A payment processor fell victim to a sophisticated and coordinated “brute force” attack allowing access to credit card information for millions of transactions transmitted through older POS terminals that did not have modern security features. Using known credit card protocols, the hackers were able to determine the complete information for tens of thousands of these cards and made millions of dollars worth of unauthorized purchases before the cards involved in the hack were identified and disabled. The processor was compelled to pay for the losses, and an additional undisclosed sum to financial institutions associated with canceling and replacing the cards.

### **Technology Consulting Outsourcing**

A technology company hired a subcontractor to perform payment design features for the webpage of one of its customers. The technology company, with its customer's permission, provided the subcontractor with a portable electronic file containing a database holding customer account information. The subcontractor consulted with foreign entities concerning specific technical issues related to the web design and, as part of that consultation, provided unauthorized individuals with access to the customer's database. None of the information was used in any illegal manner. The software containing the database was equipped with an electronic homing beacon alerting the customer that third parties had compromised its file. An investigation ensued after which it was determined that the technology company's customer was required to notify its customers of the data breach. The technology company was then served with a multi-million dollar demand for costs associated with the notice and investigation. The subcontractor did not have private funds or insurance covering the loss and the technology company paid the full amount of its customer's costs related to the breach.

### **Media**

#### **Defamation — Radio**

A radio station was sued for defamation by an amateur athletic coach after a guest of the station referred to him as abusive and a bully. The trial court initially granted the station's motion to dismiss, which was affirmed on appeal. However, a subsequent ruling reversed the dismissal and remanded the case back to the trial court for further proceedings. The radio station incurred hundreds of thousands of dollars in defense costs through the appeals process and is now faced with the renewed legal action.

#### **Defamation Against a Publisher**

A famous public figure alleged defamation against a publishing company after it published a depiction of the individual as a “millionaire” as opposed to a “billionaire”. The individual claimed that as a result of the books’ defamatory statement he suffered loss of business opportunities. After extensive discovery, the court granted the publisher's motion for summary judgment for failure of the individual to prove “malice” (as the developer was a public figure). The publisher, however, spent millions of dollars in defense costs.

#### **Unfair Trade Practices Act**

A company that partnered with merchants to provide discount merchant services and products through online advertisements was the subject of a class action alleging it violated a federal law related to the advertising. The company resolved the dispute before undertaking substantive discovery for agreeing to provide millions in credit to consumers, administration costs for the class and significant plaintiffs' attorney's fees. The Insured also paid over hundreds of thousands in defense costs.

When you're looking for a carrier with technology expertise that helps insure a changing world ... **we can show you more.<sup>®</sup>**

**For more information on how CNA can help protect your technology business from these, and other potentially devastating risks, contact your local branch today or visit [www.cna.com/technology](http://www.cna.com/technology).**

