



A Specialty Program from Stuckey and Company



# Claims Scenarios 1

You may not think that you have exposure, however please read below to find out more about false, groundless and serious claims that can affect hundreds of thousands of people.

## Professional Claim

A software company sells and installs a computerized fare system for a transportation authority. It also has the responsibility to regularly maintain and support the system. An overnight software upgrade results in erratic behavior of the fare system, including failure of the fare system equipment to operate. This failure results in fare system outages throughout the majority of stations that comprise the authority's network. As a result of the system failure, many stations have allowed passengers transportation without proof of paying the fare. The transit authority services thousands of passengers each day, and the event causes harm to the transit authority's reputation. The transit authority sues the software company for negligence in the performance of services, specifying damages that include:

- Lost revenues
- Extra expenses associated with the need to pay for additional staff to manage the crisis, including overtime pay to personnel
- Lost revenues associated with reputational damages caused by the event

**Claims Defense: \$25,000 + Indemnity paid: Settled for \$300,000 = total claim: \$325,000**

## Network Operations Claim

### Scenario #1:

An employee's company laptop is stolen from his home. The laptop contains private financial information of company customers. The customers sue for damages resulting from the failure to protect their private financial information.

### Scenario #2:

An employee inadvertently downloads a destructive computer virus that spreads to other files housed on your computer network. Your client downloads information from your web site, allowing the virus to spread to the client's computer system and resulting in widespread loss of data and a computer network shutdown. Your client sues you, contending you should have prevented transmission of the virus. The client seeks damages for the lost data and economic loss caused by the network shutdown.

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# Claims Scenarios 2

## Electronic Media Claim

A web site development company provides creative and maintenance services for their customers' Internet, Intranet, and Extranet activities. In the process of creating a customer's web site, the company develops a new corporate logo for the web site. A third party later alleges that this corporate logo infringes upon their own trademark and misleads consumers, creating market confusion. A suit is filed by this third party for infringement of trademark.

**Claim Expenses: \$50,000 + Indemnity Paid: \$175,000; total claim = \$225,000**

## Defense Cost Claim

The insured is a search engine optimization company which published an article on their web site that the claimant felt was slanderous and false, and so sued the insured for libel, slander and defamation. The insured has a Technology, Media & Professional Liability policy, and the coverage was triggered under three separate insurance policies. Carrier paid for a portion of all defense costs in the matter. Carrier worked closely with the other insurance carriers and defense counsel to help obtain an early dismissal on the claim.

## Innocent Insured Claim

A former city government network administrator allegedly locked access to the city's network by resetting administrative passwords to its switches and routers. The employee refused to disclose passwords. Administrative control of the network was lost. Employee was found guilty of network tampering resulting in damages of more than \$200,000.

## Corrupted Data

A communications company sues for lost revenue and expensed to recover billing files for wireless customers that were deleted by their software vendor who was updating the system.

**Indemnity Paid: \$750,000 + Defense Costs Paid: \$150,000; total claim = \$1,800,000**

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# Claims Scenarios 3

## Software Fails To Maintain Employee Hours

A company provides timekeeping hardware and software to its customer. The software doesn't function correctly. It fails to maintain employee hours worked and correctly apply the hourly and overtime rate of pay. The failure results in over/underpaying employees and the need to replace the timekeeping clocks. The customer sues the provider of the hardware and software.

**Indemnity Paid: \$440,000**

## Missed Deadlines Cause A Breach Of Contract

A firm out sources to an information technology and management services company for the replacement of hardware, software, and infrastructure as well as telecommunications and related services in order to upgrade its ability to serve customers and address any problems. The information technology and management services firm fails to meet deadlines due to a high turnover of staff and a breakdown of project management.

**Indemnity Paid: \$2,000,000 + Expense Paid: \$500,000; total paid = \$2,500,000**

## Jury Awards Compensatory Damages

When a software solutions provider fails to live up to performance commitments made via a contract for a new software system, a local jury awards the plaintiff compensatory damages.

**Indemnity Paid: \$2,400,000 + Defense Costs Paid: \$350,000; total paid = \$2,750,000**

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