



Media Notes

Diagnose Your Technology Business' Exposure and Ensure its Financial Health

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We all get sick sometimes. Even the healthiest among us. It might start as a tickle at the back of the throat but in the morning it feels like a blistering sandstorm. Thankfully, that's why we have doctors, and antibiotics, and health insurance. Imagine, however, if we ignored our symptoms; if we tried to treat ourselves until the problem got so severe we had to be hospitalized. Unfortunately, that's how too many technology companies, particularly smaller entities, conduct their business: ignoring the little risks until they become big concerns that threaten their survival. Then, when they finally decide to address their problems, many will discover that their insurance does not provide the coverage they expect, leading to serious complications and, in severe cases, their ultimate demise.

With a specifically tailored cyber liability policy, however, your technology business can protect itself from unforeseen loss. Think about it: Are you insured for every claim arising from alleged negligent performance of service, one of the most common claims brought against tech companies? You may think these risks are already covered by your company's commercial general liability policy. Most GL insurers, however, exclude pure financial or business loss, damage to or corruption of computer data, intellectual property infringement and media risks such as copyright and trademark infringement, misappropriation or unauthorized use claims, claims for invasion of privacy such as unauthorized access to personal or financial information, and "personal injury" risks arising from chat rooms, bulletin boards, etc., sponsored by the insured. If your business has a website or does any business on the Internet, it is exposed to these types of potential losses. Without insurance to specifically address such exposures, your company has a gaping hole in coverage.

You may believe your company already has other safeguards in place to protect its assets. Many experts preach the use of indemnity provisions and other limitations of liability in all contracts. This is good advice; however, an indemnity clause is only as sound as the party that signed it. If the indemnifying party has financial problems and also does not carry insurance, the benefit of these provisions can be limited.

Courts generally consider the Internet to be a broadcast medium. That means if your company has a web site, it faces the same potential liabilities as a magazine or newspaper. These risks include: defamation; misuse of confidential information; and infringement of copyright, trademark, and other intellectual property. In addition, hackers can cause havoc with your system, as well as liability to third parties. The news is filled with the most recent breaches of information at large companies around the country. If your own network or server is compromised, you may face the nightmare of dealing with dozens of negligence claims from unhappy customers.

Now think about how difficult it could be to establish your innocence once a claim has been brought. The cost of litigation can be huge, especially in fields as complex as intellectual property. In larger markets, the hourly rates charged by experienced law firms are significant. Other costs include the lost time of your employees involved in defending against the lawsuit, and the potential negative publicity.

For all these reasons, technology businesses should carry cyber liability insurance. You didn't quit the 9 to 5 to realize your dream of running your own company only to see it fail because you did not account for the risks of litigation. Just like your individual health coverage, think of cyber liability insurance as the smart choice to keep your business healthy and thriving, and to protect it against nasty viruses.

Media/Professional Insurance

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