



Technology E&O Claims Scenarios

Today's technology providers face a wide variety of errors and omissions (E&O) exposures. Complex integration projects, rapid technological innovation, tight timelines, and increasingly sophisticated and demanding customers mean the threat of E&O lawsuits has never been greater. The following claim examples illustrate how these exposures can manifest into potential technology E&O claims.

Technology Product – Failure to Build to Specifications

A multi-national corporation sold technology products and related services to a corporate customer. Approximately 500,000 of these units had a design defect causing interference with another company's technology products. The corporation faced costs associated with indemnifying their customer for resulting regulatory investigations and potential damages in third party lawsuits in excess of \$50 million.

Technology Product – Errors in Manufacturing

The insured was accused of errors in the manufacturing and assembly of approximately 40,000 defective technology units. All of the units ultimately had to be scrapped and replaced by the insured's customer using another manufacturer. The insured's customer sought damages for the costs of having to replace the defective units and sought damages in excess of \$10 million.

Failure to Deliver – Functional Enterprise Management Platform

The insured was hired to develop an enterprise management platform for their customer, a public utility. The customer alleged problems with the roll-out of the platform and its functionality. The insured was ultimately unable to cure the problems with the software's functionality. The claimant terminated the agreement and commenced a lawsuit alleging damages in excess of \$5 million associated with the costs of having to switch IT providers.

Failure to Deliver – Functional Software Platform

A provider of enterprise resource planning software was accused of misrepresenting its ability to, and ultimately failing to, deliver a functional, fully-integrated system, which the customer claimed affected its ability to manage nearly all aspects of its business. The customer sought damages in excess of \$3.5 million to replace the deficient software and for expenses for customization, employee training, and employee time.



Failure to Deliver – Functioning Payroll System

The insured was alleged to have breached its contract and violated the covenant of good faith and fair dealing in its failure to properly design, develop and implement software to support a large government entity's payroll system. The government entity had to retain a new contractor to complete the job and alleged damages in excess of \$150 million.

Inability to Install Merchandising Solution for Retailer

A provider of IT services contracted with a retailer to customize software used in a new merchandising solution replacing legacy systems and processes. The insured could not complete the software installation successfully due to complications with project management and the inability to get the software to function properly. The retailer replaced the insured with another vendor and claimed \$50 million in damages, including \$40 million in remediation costs.

Our adjusters average 12+ years of experience and see a new technology claim every business day, giving us the experience and expertise needed to understand your business.

For more information, contact your E&O Underwriter.

The scenarios described herein are offered only as examples. Coverage depends on the actual facts of each case and the terms, conditions and exclusions of each individual policy. Anyone interested in the above product(s) should request a copy of the policy itself for a description of the scope and limitations of coverage.

American International Group, Inc. (AIG) is a leading global insurance organization. Founded in 1919, today AIG member companies provide a wide range of property casualty insurance, life insurance, retirement products, and other financial services to customers in more than 80 countries and jurisdictions. These diverse offerings include products and services that help businesses and individuals protect their assets, manage risks and provide for retirement security. AIG common stock is listed on the New York Stock Exchange and the Tokyo Stock Exchange. Additional information about AIG can be found at www.aig.com | YouTube: www.youtube.com/aig | Twitter: [@AIGinsurance](https://twitter.com/AIGinsurance) www.twitter.com/AIGinsurance | LinkedIn: www.linkedin.com/company/aig. These references with additional information about AIG have been provided as a convenience, and the information contained on such websites is not incorporated by reference into this material. AIG is the marketing name for the worldwide property-casualty, life and retirement, and general insurance operations of American International Group, Inc. For additional information, please visit our website at www.aig.com. All products and services are written or provided by subsidiaries or affiliates of American International Group, Inc. Products or services may not be available in all countries, and coverage is subject to actual policy language. Non-insurance products and services may be provided by independent third parties. Certain property-casualty coverages may be provided by a surplus lines insurer. Surplus lines insurers do not generally participate in state guaranty funds, and insureds are therefore not protected by such funds.