

Technology Professional Liability: Errors and Omissions Coverage



Every business has unique risks that can seriously harm its operations if not properly addressed. As a business utilizing technology to produce and deliver products or services, it's important to recognize and take precautions against risks that your commercial general liability (CGL) coverage doesn't include. Technology professional liability coverage, also referred to as tech errors and omissions (E&O), is essential for companies using technology because it addresses a lack of protection in CGL policies, which typically do not cover claims of third-party financial harm.

Who Needs Tech E&O Coverage?

Most companies today utilize technology in some part of providing a service or product and need to take the necessary precautions. To ensure your company is covering all bases, you should conduct a full risk management assessment.

What Does Tech E&O Cover?

Tech E&O manages risks resulting from providing a product or service to a third party that are not covered by a CGL policy. Specifically, tech E&O protects your business in the event that a third party suffers a financial loss due to your product or service not performing as it was intended or expected, including the event of an error or omission committed by your company. These policies also cover defense costs in the event of litigation. Tech E&O coverage would apply in the following situations:

- A mistake was made and an error in the code of a website or program your company produced isn't found before it is implemented. A third party depends on this product or service to operate its business and its operations are stalled due to the error, causing them a financial loss.
- A part your company produces is installed in a piece of equipment. After a short amount of time, the component simply stops working, causing the equipment to fail to work, but otherwise not damaging anything or hurting anyone. The third party that relies on this equipment for its business has to stop operations and suffers a financial loss.
- One of your employees recommends that a client adjust its network. The client follows the advice and its network crashes as a result, causing a time and financial loss for its operations.

In all of these cases, CGL coverage would not cover a claim or any costs of litigation because of the presence of an error and the lack of resulting physical damage to the third party's property. It should be noted that tech E&O policies usually exclude product recall, but some will accept damages for loss of use of a failed product. They also generally exclude non-financial losses and intentional or dishonest acts. Call us today at 1-512-355-7697 to learn more about protecting yourself with a comprehensive professional liability policy.