

## **Liability Insurance and the Technology Industry**

Because technology companies represent a relatively new industry that deals largely with intangible yet highly valuable data, some definitions of legal liability may still be evolving in this field. Technology firms must carefully read and fully understand their policy limits to ensure coverage of all potential risks inherent in their work.

Typically, professional liability insurance protects technology firms from litigation resulting from charges of professional negligence or failure to perform professional duties. Covered incidents may include errors and omissions that result in the loss of client data, software or system failure, claims of non-performance, or negligent overselling of services. For example, some client companies have won large settlements after technology subcontractors' actions resulted in the loss of irreplaceable data. Professional liability insurance would generally cover such settlements and legal defense, within policy limits.

Additionally, client contracts often require technology subcontractors working on-site to provide proof of general liability and professional liability insurance.