

COVERAGE INSIGHTS



Technology plays a critical role in driving innovation as businesses across sectors rely on software platforms, cloud services and digital infrastructure for mission-critical operations. However, as digital solutions assume greater importance in routine business functions, the risks associated with delivering technology products and services increase. Just one software glitch, failed technology product integration, or unmet contractual obligation can result in litigation, regulatory fines and reputational damage. Fortunately, tech errors and omissions (E&O) insurance can provide coverage for claims arising from mistakes, oversights or failures made by technology providers, allowing tech businesses to manage liability exposure, safeguard financial stability and maintain client trust.

Tech E&O insurance, also known as professional liability insurance, is a specialized form of coverage that protects technology companies against financial losses when a client or customer alleges that a product or service caused harm. Incident types include software bugs, service outages, data mishandling and inaccurate advice. If a client files a lawsuit alleging negligence, mistakes or oversight, tech E&O insurance can help cover defense costs, settlements, judgments and in some cases, provide reputational support.

A wide range of companies—from startups to large enterprises—that develop or deliver digital products and services could benefit from tech E&O insurance. Professionals such as software developers, IT consultants, SaaS providers, managed service providers, data scientists and web developers are particularly at risk of legal action if the solutions or insights they provide deliver unintended results. Furthermore, having tech E&O insurance may be a prerequisite for bidding on contracts or complying with regulations in certain sectors, such as healthcare and finance.

Tech E&O insurance protects companies from a wide range of third-party claims tied to the performance and delivery of technology products and services. These risks can arise from software defects that disrupt client operations, missed deadlines that delay business outcomes or data breaches that expose sensitive information. In addition, companies may face legal action over contractual disputes or misrepresentation if a product fails to meet promised capabilities. Whether the issue stems from technical failure or unmet expectations, tech E&O insurance can help organizations mitigate the financial and reputational fallout.

Consider these real-world examples:

- **Design flaw or implementation error**—A company is accused of errors in the design and deployment of a technology system, resulting in widespread operational failures for a client. The client sues them for replacement costs and lost revenue. Tech E&O insurance may help cover legal defense, settlement payments and reputational support.
- **Missed delivery**—A company delivers a custom enterprise software platform to a client, but the project fails to meet the agreed-upon specifications. The client files a lawsuit for breach of contract, citing lost revenue and operational disruption. Tech E&O coverage may help cover legal expenses and potential damages.

- **Misrepresentation**—A software provider markets its platform as capable of handling high-volume transactions. The system later crashes during peak usage, disrupting client operations. The client alleges misrepresentation and sues for business interruption losses. Tech E&O insurance may help cover the legal defense costs, settlements and judgments arising from the alleged interruption.
- **Breach of contract**—A tech firm agrees to deliver a cloud-based payroll system to a government entity, but the system fails to meet performance benchmarks. The client terminates the contract and files a lawsuit citing breach of good faith, seeking damages for switching vendors and operational delays. Tech E&O insurance may help cover legal defense, damages tied to the contract dispute and reputational support.
- **Data breach claim**—An IT consultant configures a client's network but fails to implement adequate security protocols, leading to a cyber breach that exposes sensitive customer data. If the client pursues a negligence claim, tech E&O insurance may provide coverage for defense costs and, depending on the policy, may cover breach notification expenses. However, coverage for regulatory fines may not be included and depends on specific policy terms or endorsements.

Common exclusions include intentional misconduct, criminal acts, and certain cyber incidents (which are typically covered under standalone cyber insurance policies unless bundled with tech E&O). Since coverage can vary between providers, organizations must carefully review the terms and conditions to ensure the policy aligns with their operational risks, client obligations, and regulatory environment. This includes understanding coverage limits, exclusions, and any endorsements that may be necessary to address specific exposures.

It's also critical to implement strong internal controls to minimize the likelihood of professional mistakes or oversights. Specifically, organizations should create accurate, customized service-level agreements with clients to define expectations and reduce ambiguity, and establish robust testing protocols and developer code reviews to catch software glitches proactively. Maintaining detailed documentation of client communications and project milestones can further strengthen risk management and support favorable outcomes in the event of a claim.

Innovative tech products introduce novel risks that traditional property and casualty insurance may not cover. Even standalone cyber policies generally won't protect against professional mistakes tied to technology services. Tech E&O insurance fills this coverage void, helping tech companies navigate the complex financial risks associated with delivering digital products and services.

Contact Camargo Insurance today to learn more about the value of tech E&O insurance.

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