



SOUTHPOINT

Southpoint Insurance Technology White Paper:

Intellectual Property Theft, General Liability, Errors and Omissions, and Technology

Protecting Against Intellectual Property Theft

For technology and life science firms, particularly those who use subcontractors or have high employee turnover, theft of intellectual property – patents, trademarks and copyrights – is a real threat.*

It's a big enough problem to spark governmental action. Noting that intellectual property (IP) theft costs U.S. businesses an estimated \$250 billion per year, the U.S. Commerce Secretary recently unveiled a new federal government outreach program to educate businesses on how to recognize, protect and enforce their IP rights. To learn more about your IP rights and how to enforce them, visit the United States Patent and Trademark Office Web site (www.uspto.gov) and enter "IP rights" in the search window located in the upper right hand corner of the home page.

What Can You Do?

Use these standard precautions along with sound contract management techniques to guard your intellectual property:

Precaution #1: Identify your most valuable information assets – and guard them carefully. Some technology and life science companies take too narrow a view of what constitutes intellectual property and leave valuable information without safeguards. Recent studies show that many businesses remain unprepared and uninformed about how to protect their intellectual property, such as programs, databases and source code.

Once you know what your valuables are, be careful about who you tell – and how many people have access to them. A good policy is to disclose only what's absolutely necessary to get a job done.

Precaution #2: Register your valuables. When you produce an original work of authorship, your work is automatically and immediately under copyright. You only need to register that work with the U.S. Library

of Congress Copyright Office to defend your rights regarding that work. However, you may wish to consider registering a select number of your most precious information assets (computer programs, databases, or online works) as "literary works" with the U.S. Library of Congress Copyright Office. For simple instructions on how to do this, go to: <http://www.copyright.gov/register/literary.html>.

Precaution #3: Use a copyright notice. Tell all viewers of your work that it's protected if it is copyrightable. Use a copyright notice, such as ©, or the word "Copyright" and the year the work was first published. If you have a Web site, you may also want to consider posting a copyright notice on every page. Indicate who should be contacted to get approval to use any of your information. For more details on how to correctly use copyright, go to: <http://www.copyright.gov>.

Precaution #4: Protect your company's rights. Make sure you have a full understanding of the acquisition of rights, licenses, releases and consents applicable to content or services contained in your work, created or provided by your company or by third parties (including work done for your company by third parties). Obtain legal review of content and services prior to dissemination.

To avoid infringing on another party's rights, ensure that you have permission for use of others' intellectual property that is trademarked or servicemarked. Get legal review from a Foreign Jurisdiction perspective if applicable.

Precaution #5: Consider IP insurance. IP insurance policies are now available through a limited number of specialty carriers. Costs for this coverage may vary widely. IP insurance policies provide "first party" coverage that protects your firm if you find it necessary to sue an individual or firm for stealing your intellectual property.

What is Social Engineering?

Social Engineering is a form of non-technical “hacking.” It is employed to gain important information through human interaction and involves tricking people to circumvent a normal security procedure. A social engineer may gain unauthorized access to a computer network by befriending an authorized individual and then manufacturing a bogus emergency or urgent problem that requires access to the system. By appealing to the authorized employee’s natural helpfulness and/or weaknesses, the social engineer gains the information needed to enter the system. Social engineers depend on the fact that most people don’t know the value of the information they have and, therefore, are not careful in protecting it. They search dumpsters, memorize access codes through “shoulder surfing” (looking over someone’s shoulder as they work) and successfully guessing passwords.

Protecting against social engineering requires educating your employees about the value of your information and making sure they protect it. Inform your employees about possible scams and cons used by social engineers.

It should be noted that “third party” coverage is different from the coverage described above. Third party coverage protects you and your firm if you are sued for infringing on intellectual property rights of others. Coverage for some types of IP infringement may be available through your General Liability policy. It’s important for you to review your company’s exposures and coverage with your insurance advisor so that you understand what is covered – and what isn’t.

As a professional, you need to protect your information assets as securely as possible by using these techniques. In addition, diligent contract management can help guard your company’s valuable intellectual property from misuse and theft.

Contract Protection

Effective contract management with subcontractors, employees and clients can also help protect your company against IP theft.

Although contracts will differ based on the circumstances of each situation, you should always make sure you fully understand any agreement before signing on the dotted line. The contract should clearly communicate each party’s expectations to avoid misunderstandings down the road. Legal review of any contract is an advisable practice. Ensuring that all contract paperwork is in order is just as important to successfully managing your business and company assets as closing the deal.

Employee Contracts

Most IP thefts are committed by individuals you know and trust – your employees, temps, subcontractors, consultants and janitors. In fact, experts agree that the people who work for you pose the greatest threats.

The explosion of multiple electronic channels of communication in recent years – e-mail, instant messaging, Web mail, blogs, chat rooms and handhelds – present an increasing threat to IP security, according to a recent survey of financial services firm employees by Orchestria. More than 75 percent of the employees surveyed felt that it would be easy to send proprietary information outside of the company.

In some cases, they can steal confidential information from you during their term of employment and then use it at competing firms when they go to work for them. In other cases, employees or former employees may unwittingly divulge confidential information. Unscrupulous individuals may employ social engineering to cleverly manipulate your employees into giving away information that will help them to gain unauthorized access to your system and the information that resides there.

The survey points out that most breaches of IP policy are due to a misunderstanding of company policy, rather than malicious acts. This fact highlights the need for businesses to make sure they have a clear policy on employee disclosure of IP and to ensure that electronic communications are monitored and controlled effectively.

So how can a business grow and add staff, yet protect itself at the same time? Asking employees to sign an employment contract with your firm is a good place to start. Employment contracts should include both non-disclosure clauses – which prohibit employees from releasing confidential or proprietary information and non-compete clauses – which limit employees’ ability to work for a competitor or set up a competing business. It is also important to implement a control system,

including signed agreements, for your company's employees, new hires and subcontractors that ensures that these parties do not share, divulge, disseminate or use a previous employer's or client's trade secrets or other intellectual property in their work for you.

When employees resign from your firm, conduct exit interviews to remind them of the terms they agreed to when they started. In the event of a lawsuit, thorough pre- and post-employment steps can prove you took precautions to safeguard sensitive information.

Contracts with Subcontractors

To protect your interests when outsourcing work to subcontractors, ask each contractor to sign an agreement at the start of a project. Spell out your expectations for confidentiality, ownership of code, program or notes they produce so there's no confusion.

Here are some other tips on how to effectively manage these contracts to guard against the virtually invisible threat of IP theft:

- **Have an attorney review and prepare all legal contracts.** He or she can make sure you have the protection you need.
- **Make sure all parties, as well as their roles and responsibilities are identified in your contract.** Don't make assumptions or rely on a conversation or e-mail for details. As a general rule, if it's not included in the contract, it's not part of the deal.
- **Be specific about the scope of the project, deliverables, when they're due, and for how long your particular contract is in effect.** Don't allow "scope creep" to occur. If a client makes changes that require additional work, write up another contract for the extra project including the revised expectations, time frames and costs.
- **Make sure the contract is enforceable in your state.** Don't assume that because you put something in your contract, it will hold up in court. For example, not all states treat the enforceability of an indemnification provision the same.
- **Spell out venue, choice of law and jurisdiction, particularly if the subcontractor you're working with is located out of the country.** Specify a choice of law that is favorable to you, or, at the very least, one that you and your subcontractor can both agree upon. Don't assume that U.S. laws will govern your contract if you do business with foreign subcontractors.

Client Contracts

Thorough contract management also requires vigilance when signing contracts with new clients.

No matter how excited you may be about winning a bid, don't throw common sense out the window. It's important to understand the terms of the contract: what you're being asked to do, how fast you'll be expected to complete it, the payment terms, the implications for breaching the contract, and whether there are any stipulations that you carry specified types of insurance coverage or limits.

A growing trend is the practice of shifting liability to another party if something - anything - goes wrong. Make sure that the contract doesn't saddle your company with all liability. Legal review is an essential and worthwhile expense.

The following clauses should raise a red flag if they appear in a contract you're asked to sign.

This Clause in Your Contract ...	Could Mean That You Agree to ...
Right to Sue Waiver	Give up the right to sue if something goes wrong with a project.
Consequential Damages	Accept responsibility for losses that may not be the direct result of your software, code or service.
Penalty Provision	Be responsible for pre-determined penalties and costs above and beyond the direct damages if a problem arises.
Indemnity clause	Accept the burden of responsibility for a loss - even though it may not be entirely your fault.

What if you really want to accept a project, but don't like the terms of the deal? You should always try to negotiate the terms that are most problematic. In some cases, you may be better off turning down a project than accepting the terms of the contract.

If so, do a cost-benefit analysis which itemizes all the pros and cons to ultimately decide if the project is right for your firm. Can you truly afford the financial risks associated with fulfilling the contract? Sometimes, the right choice may be to say “no” to the job.

Protecting your business against intellectual property theft is essential in today’s business environment. It’s important that you know how to recognize, protect and enforce your IP rights.

Trademarks, Copyrights, Patents – What’s the Difference?

A trademark is a word, name, phrase, symbol or design – or any combination of these – that identifies and distinguishes a specific product from others. For trademark information, go to www.uspto.gov/main/trademarks.htm.

A copyright protects an original artistic, literary, dramatic or musical work presented as a book, photograph, movie or other tangible medium. For copyright information, go to www.copyright.gov.

A patent protects an invention, which includes a process or a machine. Receiving a patent for an invention means that others are excluded from making, using or selling the invention. For patent information, go to www.uspto.gov/main/patents.htm.

For More Information

For more information on how to manage risks for your business, contact your local Hartford agent, or visit www.thehartford.com.

Best Practices for Your Business

About The Hartford’s Technology Practice Group

For more than 25 years, The Hartford has insured technology and life science businesses of all sizes. Our products are flexible enough to grow with a business – from a startup or sole proprietorship to a large, publicly traded company. We also offer services that can help businesses lower their losses, like our series of Technology Best Practices.

* This Best Practices focuses primarily on copyright. For additional information on patents and trademarks, please consult your attorney or legal advisor.

The Best Practice provided in these materials is intended to be general and advisory in nature. It shall not be considered legal advice. The Hartford does not warrant that the implementation of any view or recommendation contained herein will: (i) result in the elimination of any unsafe conditions at your business locations or with respect to your business operations; or (ii) will be an appropriate legal or business practice. The Hartford assumes no responsibility for the control or correction of hazards or legal compliance with respect to your practices, and the views and recommendations contained herein shall not constitute or undertaking, on your behalf or for the benefits of others, to determine or warrant that your business premises, locations or operations are safe or healthful, or are in compliance with any law, rule or regulation. Readers seeking to resolve specific safety, legal or business issues or concerns related to the information provided in these materials should consult their safety consultant, attorney or business advisors. All information and representations herein are as of January 2010.



Buying General Liability and Errors & Omissions Insurance – What You Need to Know

Risk managers and business owners of technology companies are often confused or misinformed about the differences between General Liability (GL) and Errors & Omissions (E&O) insurance. This misunderstanding could prove costly in the event of a claim. In this *Best Practice*, we provide an overview of these two types of insurance, explain the differences, and point out why both types of protection are critically important for technology businesses.

General Liability – A Primer

The two primary coverages in a GL policy are for claims of **bodily injury** and **property damage** arising from your products, services and operations. To illustrate this, here are two common scenarios for GL claims:

- A visitor to your office trips over an exposed wire and breaks a leg – bodily injury claim on your premises/operations
- Your product short circuits and causes fire damage to a building – products liability claim

Although technology businesses need GL protection, GL does not cover every type of liability exposure.

What GL Doesn't Cover

Take a look at the following exposures that are not covered in a GL policy:

- **Intangible Property** – Coverage for property damage normally does not extend to intangible property, such as computer data. So, if your business is found responsible to a third party for the loss or corruption of their data, your GL policy would not cover it.
- **Economic Harm** – GL does not cover claims that allege economic harm to a third party arising from your products or services. Let's say your company's product promises to route calls more efficiently, but instead allegedly drops calls, resulting in lost customers or lost sales for your client. Because this scenario does not involve bodily injury or property damage, your GL policy would not provide coverage.

We encourage you to develop a basic understanding of the differences between GL and E&O policies, and to discuss your coverage needs with an insurance professional who has experience working with technology companies.

- **Impaired Property** – There is an exclusion in most GL policies for loss of use of tangible property that is rendered useless or less useful simply because it contains your product. In other words, if the only thing wrong with another product is that your defective product is part of it, this does not constitute property damage and is not covered.
- **Product Recall** – Another important exclusion is coverage for the costs associated with recalling defective products from the market. This coverage can be added through endorsement or by purchasing a separate product recall policy.
- **Professional Services** – If your GL policy contains a professional liability exclusion – and almost all do – you may have no coverage for bodily injury or property damage arising from your technology products (software, programming, etc.) or services (data processing, communication services, etc.). These exclusions create a gap in coverage between the GL and E&O policies because E&O policies typically exclude all bodily injury and property damage.

As an insurance buyer, you might argue that your technology products or services are much more likely to cause economic damages than actual bodily injury or property damage to a third party. And you may be right. However, that is even less reason to accept this gap in coverage. In other words, if there isn't much exposure, it should be easy to cover.

Many insurers do not understand the technology industry and its exposures.

That's why it's important to choose an insurance company that knows the risks your business faces and offers the coverage you need.

- **Personal and Advertising Injury** - This coverage is lesser known, but it's very important protection for technology companies. It may vary from one insurance company to another, but generally it can:
 - Address allegations such as false arrest, malicious prosecution and wrongful eviction
 - Protect firms from suits alleging other personal injuries such as libel, slander, defamation and invasion of privacy
 - Provide some limited coverage for intellectual property infringements, primarily arising from a firm's advertising activities

In addition, the type of business you're in makes a difference. There is another exclusion that **eliminates most personal and advertising injury coverage** (except for false arrest, malicious prosecution and wrongful eviction) **for traditional media companies.**

This is due to the presumption that these firms need - and should be purchasing - full media liability protection. As the technology industry has evolved and become more closely aligned with specific types of media, this exclusion has been extended to:

- Web site designers
- Search engines
- Internet service providers

Insurers may further extend this exclusion to other technology companies and operations by endorsement, so **it is critical that you determine the actual extent of coverage that your insurance company provides.**

Technology E&O (Professional Liability) - A Primer

Technology E&O coverage should be a core part of an insurance program for most technology companies, but it is often overlooked or purchased only when required by contract.

Although it has been available for more than 25 years, technology E&O coverage is not well understood. There

is no standard insurance form, so coverage comparisons are difficult. That's why it's extremely important for you to work with an agent and an insurance carrier that has the necessary experience to evaluate your exposures and align coverage accordingly.

What E&O Covers

Typically, E&O policies are designed to cover:

- Liability associated with pure economic loss arising from a third party's use of a technology company's goods, products or services
- Damages to a third party arising from loss, damage or corruption of intangible property, such as data, and loss of use of tangible property that is not physically injured arising from your defective product or work

What E&O Doesn't Cover

There is generally no coverage on an E&O policy for bodily injury, property damage, or personal and advertising injury. These exposures are assumed to be addressed by the GL policy. However, in situations where professional services coverage is excluded from, or limited on, the GL policy, you may be able to purchase contingent bodily injury or property damage coverage by endorsement or through a specialty insurance market. However, this is not the optimal solution, since the E&O coverage:

- Is written on a claims-made basis
- Is subject to a deductible or retention
- Has defense costs reducing the limits of liability
- Only applies to covered damages arising from your technology products or services, while a GL policy normally covers damages arising from all products, services and operations

Ideally, E&O coverage will dovetail with the GL policy, closing coverage gaps that would otherwise exist.

How Technology E&O Coverage Differs from GL

Technology E&O coverage differs from GL coverage in a number of important ways:

- **Claims - A GL policy** can apply to a claim that is brought many years, sometimes decades, after the policy expires. This can be done as long as the injury is alleged to have **occurred during the policy period.** **An E&O policy,** however, is typically sold on a claims-made basis. This means that coverage applies only for claims that are made during the policy term for wrongful acts that were committed on or after the

policy's retroactive date and before the policy's expiration. A retroactive date is:

- Sometimes referred to as the “prior acts” date on a claims-made policy
 - Typically the date the claims-made coverage was originally put in place
 - Utilized to allow a claims-made policy to cover a claim during the policy period for a wrongful act that was **committed prior to the policy period**
- **Deductible/retention** – *An E&O policy* typically has a deductible or retention. *A GL policy* typically does not. Deductibles or retentions are a fixed amount that your company is responsible for, such as \$10,000 per claim, before the insurer pays for losses or claims expenses.
 - **Defense costs** – *With an E&O policy*, defense costs reduce the limit of liability available for a claim. This includes legal and other expenses that the insurer incurs to defend your company against a claim, whether or not a judgment is made against you. Defense costs can be a significant portion of the costs for an E&O claim, so it's important to select an appropriate E&O limit of liability for your company. *With a GL policy*, defense costs normally do not reduce the limit of liability available for a claim; they typically are provided in addition to the liability limit – until the limit has been exhausted by payment of a claim.

Additional Professional Liability Exposures

Professional liability exposures for technology companies extend beyond the realm of simple economic loss from failure of goods, products or services to perform as intended. For example:

- Software developers and programmers also have exposures to intellectual property claims, such as copyright or trademark infringement.
- Many technology products are designed to secure information, which may give rise to allegations of invasion of privacy.
- Your own Web site activities may give rise to additional liability exposures.

While these additional exposures are not typically covered by technology E&O policies, often they can be added by endorsement. Be sure to evaluate your business' specific E&O exposures and to purchase coverage that is consistent with your needs.

Good Reasons to Buy Both Coverages from the Same Company

Purchasing GL and E&O coverage from the same insurance carrier helps ensure that there are no unintended gaps in coverage between the GL and E&O forms. It also eliminates the issue of coverage disputes between carriers if a claim triggers both policies.

Summary

At The Hartford, we recognize that insurance is not your day-to-day business. That's why we encourage you to develop a basic understanding of the differences between GL and E&O policies, and to discuss your coverage needs with an insurance professional who has experience working with technology companies.

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WHAT DOES

360
of protection

LOOK LIKE?

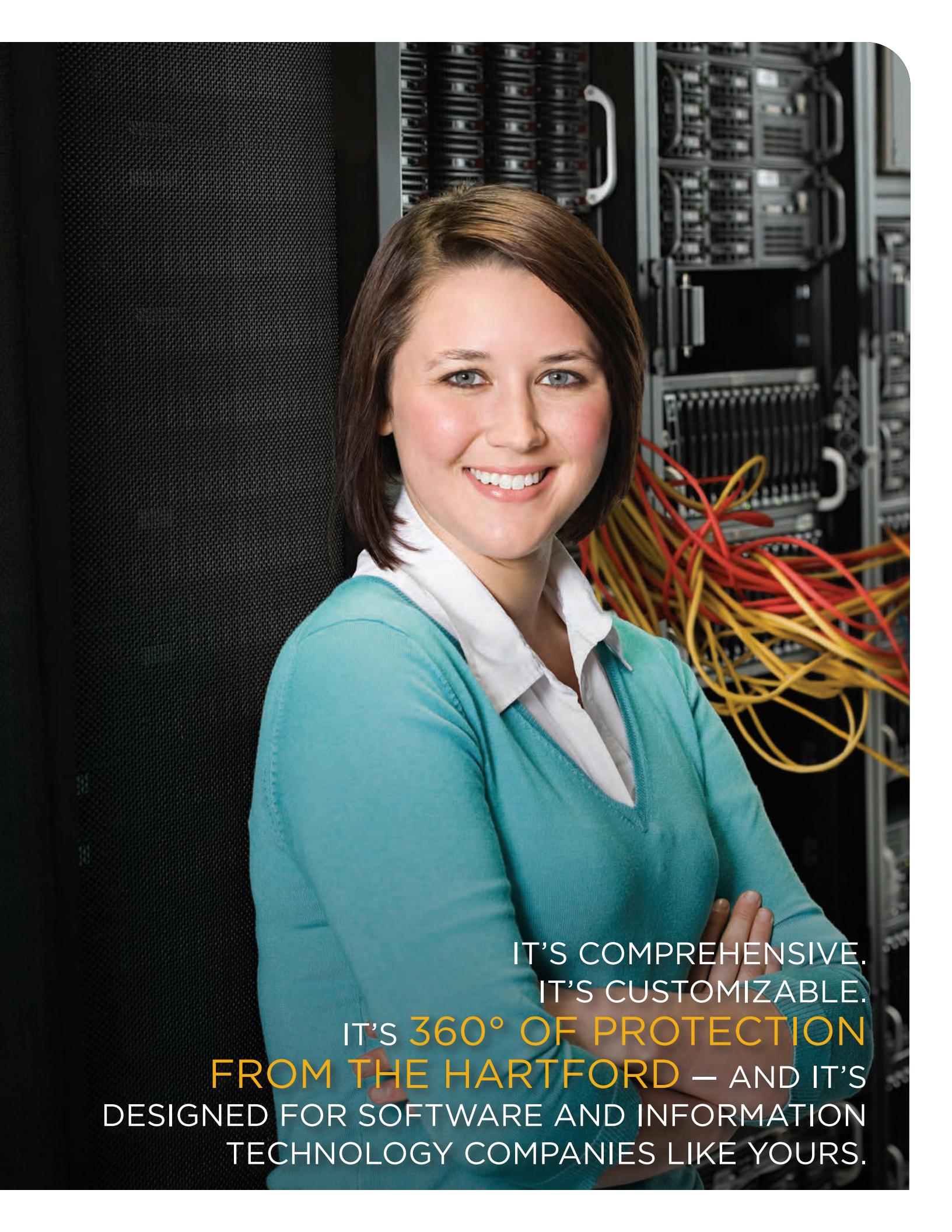


WORKERS' COMPENSATION • PROPERTY • GENERAL LIABILITY • PROFESSIONAL LIABILITY • AUTO • MANAGEMENT LIABILITY • DISABILITY

EXACTLY

WHAT **YOU** WANT IT TO.

Invisible to the human eye, natural gas is a powerful resource essential to the development of software and computer technologies. It's a critical component in the manufacture of many products, including computer systems – from the silicon chips that run them to the plastic and glass that encase them. The Hartford is another essential resource that may not always be in your line of vision, but is always working to provide the protection software and information technology companies need.



IT'S COMPREHENSIVE.
IT'S CUSTOMIZABLE.
IT'S 360° OF PROTECTION
FROM THE HARTFORD — AND IT'S
DESIGNED FOR SOFTWARE AND INFORMATION
TECHNOLOGY COMPANIES LIKE YOURS.

YOU'RE MANAGING RISK AT A SOFTWARE OR INFORMATION TECHNOLOGY COMPANY.

And that means you need to protect your company's long-term interests while addressing immediate challenges and identifying new opportunities. You need insurance and benefit solutions that are innovative, thorough and trusted.

The Hartford offers a vast array of solutions to fit your needs.

We've designed customizable products to meet the specific needs of software and information technology companies. The result? You get 360° of protection for your company from one provider.

You're moving at the speed of technology. So are we.

The Hartford has been protecting the interests of technology customers like you for more than 25 years. We understand what you do and we know that each change in the industry produces a corresponding need to change your company's level of protection. We continue to develop forward-thinking, innovative solutions for the industry. Here's just a sample of the coverages and services we offer:

- **Data Breach Coverage.** Provides coverage for expenses and legal liability if customer data is stolen or lost. It also provides access to services to help your company comply with regulatory requirements and address customer concerns.
- **Computer-Based Crimes or Cyber-Extortion Insurance.** Helps cover expenses incurred as a result of a computer-based extortion.
- **Electronic Data Liability Coverage.** Provides coverage for the loss of, loss of use of, damage to, corruption of, inability to access, or inability to properly manipulate electronic data that results from physical injury to tangible property with no sublimit.
- **FailSafe® Product Suite.** This suite offers flexible coverage that can be tailored to meet the professional liability needs of software and information technology companies. FailSafe provides protection against a broad array of exposures to loss including E&O, Security, Personal Injury, and Intellectual Property.
 - FailSafe MEGA® is designed exclusively for small technology companies and is available as a coverage part to our Spectrum® Business Owner's Policy. It offers E&O and Security coverage with low minimum premiums.
 - FailSafe GIGA® and FailSafe TERA®, designed for technology companies of all sizes, offer the ability to address third party liability for E&O, Security, Personal Injury, and Intellectual Property, as well



as provide First Party Data Privacy Expense protection to software or information technology companies.

- **Group Benefits.** A top provider of Group Life, Disability and Accident insurance, The Hartford has benefit solutions for software and information technology companies. Let us help you serve your employees with the protection they need with a cost-effective solution that is friendly to your bottom line.
- **Pay-As-You-Go Workers' Compensation.** We help you manage your cash flow and mitigate audit surprises by basing your premium payments on actual, not estimated, payroll — one pay-period at a time.

In addition to these coverages and services, The Hartford works with you as a true partner — providing access to a wide array of professionals, educational opportunities and on-site training.

And with offerings that include everything from property and casualty insurance to group benefits, you are assured a wide product selection and plenty of choice for your evolving needs.

One trusted company. Many comprehensive solutions.

In business since 1810, The Hartford has been keeping promises and delivering quality service for more than 200 years. We understand the complexities of the software and information technology world. It's an industry that is constantly changing and creating new risks and exposures. We are able to serve you while maintaining the highest standard of ethical business practice. We're proud to say that we've been named one of the World's Most Ethical Companies by Ethisphere™ Institute for five consecutive years.

We are prepared to help you take on the challenges you face. We can help you protect your property, your products and your people. It's our long-term experience that allows us to create coverage for software and information technology companies that is comprehensive, customizable and leading-edge. That's why we call it 360° of protection.

360 OF PROTECTION

Property and Casualty Insurance

Our property and casualty insurance helps protect software and information technology companies. In addition to standard plans, The Hartford can design a customized loss-sensitive insurance program that includes tailored coverages, risk-financing plans and risk-control services.

INSURANCE COVERAGE ¹	THE HARTFORD OFFERS
Property	<p>Property Choice® for software and information technology companies provides coverage for business personal property, buildings and business income common insurance exposures, as well as those that are unique to your industry, including: computer equipment, media and data, and electronic vandalism (damage to data from viruses and other malicious code).</p> <p>Includes \$100,000 in “green” coverage.</p>
General Liability (GL)	<p>General Liability Choice® provides broad liability coverage for bodily injury and property damage arising from software and information technology companies’ premises and operations. Includes coverage for:</p> <ul style="list-style-type: none">• Personal and advertising injury including libel, slander, defamation and product disparagement, including offenses that occur from your Web site, bulletin boards and chat rooms• Broad named insured, including contractual liability <p>Electronic Data Liability Coverage is provided for the loss of, loss of use of, damage to, corruption of, inability to access, or inability to properly manipulate electronic data that results from physical injury to tangible property with no sublimits.</p>
Professional Liability	<p>In the software and information technology industry, it is important to consider professional liability (E&O) coverage. But not all companies need the same level of protection. That’s why we developed our FailSafe® product suite, which features three increasingly robust coverage options. FailSafe can be tailored to your unique business needs. Your Hartford agent can help you choose the right FailSafe coverage from these options:</p> <ul style="list-style-type: none">• FailSafe MEGA®, designed exclusively for small technology companies and available as a coverage part to our Spectrum® Business Owner’s Policy, offers E&O and Security coverage• FailSafe GIGA® and FailSafe TERA®, designed for technology companies of all sizes, offer the ability to address third party liability for E&O, Security, Personal Injury, and Intellectual Property, as well as provide First Party Data Privacy Expense protection
Property and Liability for Smaller² Software and Information Technology Companies	<p>Spectrum® Business Owner’s Policy offers some of the broadest property and liability coverage available – including built-in, value-added coverages at no additional cost. You can broaden your coverage with flexible options that address unique industry needs and optional coverages available in cost-effective packages that allow an insurance program that is “just right” for you.</p>

1. Some coverages may not be available in all states.

2. Businesses with less than \$15 million in total sales or \$20 million in total insured property values.

Workers' Compensation

Comprehensive coverage

- **Broad form endorsements** to help protect against certain unknown and unanticipated exposures not typically covered by a standard policy¹
- **Basic option**, automatically included at no extra cost, includes employers' liability stopgap for monopolistic states and voluntary compensation
- **Extended option**, available for an additional charge, includes increased limits for employers' liability, foreign voluntary compensation and United States Longshore and Harborworkers' Compensation Act (USL&H)

Risk-management services

- **Team-Work[®] return-to-work program** helps get injured employees back on the job as soon as medically appropriate
- **Claim-fraud investigators** save customers of The Hartford thousands of dollars in unwarranted claims
- **@venture[®] risk-management information system**, available to eligible³ software and information technology companies, helps allocate risk-management resources where they can have the greatest impact

Payroll billing option

- Offered at no extra cost, **premium payments based on actual payroll**, timed to your organization's payroll schedule

Commercial Automobile

Coverage for accidents involving vehicles owned, leased or rented by software and information technology companies¹

Broad form endorsement includes coverage enhancements that may be especially valuable to software and information technology companies

- **Hired auto physical damage.** If you purchase physical damage and liability coverage for your owned autos, The Hartford automatically covers physical damage to any auto your company rents, loans or leases, up to \$100,000 per loss
- **Employees as additional insureds.** If your employees use their own autos to conduct business, they're covered for liability
- **Lease or loan gap.** As long as physical damage coverage is purchased, pays the difference between the outstanding lease or loan balance and actual cash value (ACV) if the auto is a total loss and the outstanding balance is greater than actual cash value

3. Generally accounts over \$250,000 in premium.

INSURANCE COVERAGE ¹

THE HARTFORD OFFERS

Commercial Umbrella

Up to **\$25 million policy limits**
Comprehensive catastrophic liability coverage

Cyber Liability & First Party Data Privacy Expense

The Hartford's FailSafe® suite offers variable **coverage solutions for the professional liability exposures** of most software and information technology companies, including the capability to address both third-party privacy liability and first-party expenses related to a data privacy breach.

Directors and Officers Liability (D&O)

Coverage for **everyday management and business decisions** made by the directors, officers and management of software and information technology companies.

Derivative demand investigation costs coverage (\$250,000 sublimit)

\$500,000 Side A reinstated limit for claims against managers (other than original claim), at no additional premium

IPO coverage quote terms

Claim definition includes criminal and alternative dispute resolution proceedings

Security-holder-related exceptions to the professional services and intellectual property exclusions

Up to \$1 million for defense expenses as an exception to the antitrust exclusion

Employment Practices Liability (EPL)

Comprehensive coverage for **employment-related wrongful acts**, including wrongful terminations, retaliation, discrimination, sexual harassment, and other workplace torts.

Audits by the Office of Federal Contract Compliance Programs

No fraud/conduct exclusion

Definition of "Third Party" includes customer, vendor, service provider or other business invitee (if coverage elected)

Fiduciary Liability

Coverage for claims that arise from the administration and oversight of **pensions and other employee benefit plans** provided to employees and retirees of software and information technology companies

Extended definition of claim (including investigations by the Department of Labor or the Pension Benefit Guaranty Corporation)

ERISA and HIPAA-related coverage

IRS voluntary settlement program coverage (\$100,000 sublimit)

International

The Hartford offers a suite of international **coverages for risks who sell and service outside of the U.S. with limited physical presence overseas**. Additional expanded coverages are available through collaboration between The Hartford and The ACE® Group. Together, we provide competitive international insurance programs, including property, liability, employer responsibility, kidnap and extortion, claim services, and global support services.

INSURANCE COVERAGE ¹

THE HARTFORD OFFERS

Crime

Coverage to protect software and information technology companies against loss from:

- **Employee theft and other related exposures** such as computer fraud and forgery
- **Theft, disappearance and destruction**, as well as robbery and safe burglary, **inside the premises**
- **Theft, disappearance and destruction**, as well as actual or attempted robbery, **outside the premises**

Kidnap and Ransom

For protection of software and information technology company employees, **at home and while traveling to certain countries abroad**

Marine

The Hartford has a long history of providing innovative inland and ocean marine products and services to software and information technology companies to help meet **specialized property and cargo coverage needs**, including:

- Shipper's Interest
- Ocean Cargo ChoiceSM

Group Benefits

A top seller of Group Life, Disability and Accident insurance⁴, The Hartford has been meeting employer benefit needs for more than 60 years. Our tailored solutions and innovative services help reduce costly errors and administrative burdens, while increasing productivity. For example, The Hartford offers absence management tracking on every level from workers' compensation to family medical leave. Our Short-term Disability (STD) claim durations, on average, are 12 days shorter than the industry average.⁵ In today's economy, controlling costs while providing a benefits package that attracts and retains quality employees can be vital to an employer's bottom line.

INSURANCE COVERAGE

THE HARTFORD OFFERS

Group Life

Employer and employee (voluntary) paid options (see also Voluntary Benefits)

Available coverage up to a specified amount **without medical underwriting**⁶

Waiver of Premium option in the event of a total disability

Continuation of coverage when employment ends through a conversion and/or portability offering

Living benefit option as much as 80% up to \$500,000⁷

Value-added services such as travel assistance, identity theft services, estate guidance, and funeral planning

4. LIMRA's U.S. Group Disability and Life Sales Report Summary, full-year results for 2011: #1 in new AD&D sales, #4 in new combined fully insured Disability sales, and #5 in Group Life sales.

5. The Hartford's Group Benefits Claims department internal data as of 12/31/10 compared to most recent (2008) Integrated Benefits Institute's Short-term Disability industry duration benchmarks.

6. Assumes employee enrolls when first eligible to do so. Late enrollments and higher amounts of coverage require medical underwriting.

7. Receipt of accelerated benefits may be taxable. Seek assistance from a qualified tax advisor for more information.

INSURANCE COVERAGE

THE HARTFORD OFFERS

Accidental Death and Dismemberment (AD&D)

Group and Standalone AD&D Insurance

24-hour worldwide business and pleasure protection; available as part of the Group Life policy or as a Standalone policy

- Provides partial payments for accidental losses other than loss of life
- AD&D amount is based on the severity of the loss
- Rider 'packages' or customized options available

Group Disability - STD & LTD

Both Short-term Disability (STD) and Long-term Disability (LTD) include employer-paid and voluntary options, **return-to-work incentives** and **professional coordinators** as well as **rehabilitation programs**

STD plans include three work incentive options plus flexible features:

- **Weekly benefits up to 70%** of an employee's lost income
- **Waiting periods** for accident and sickness **of one to 30 days**
- Maximum **benefit durations of 13, 26 and 52 weeks**

LTD plans focus on productivity, financially encouraging employees who want to work

- **Comprehensive Disability definition** satisfies the Elimination Period with a loss of duties only, while **recurrent disability language** helps encourage return-to-work attempts
- **Return-to-work incentives** that increase overall replacement income
- **Rehabilitation assistance** with **family care credit**
- **Value-added features** like Ability Assist[®], which provides emotional, legal and financial counseling⁸

Integrated Benefits

Companies that offer The Hartford's Short- and Long-term Disability and Life plans benefit from:

- A **seamless transition** between STD and LTD and Life Premium Waiver, with the Basic and Supplemental Life Premium Waiver Elimination Period matching the LTD Elimination Period
- **Continuation of Basic and Supplemental Life coverage at group rates** while an employee is receiving LTD and earning 20% to 80% of pre-disability earnings

Business Travel Accident

Business Travel Accident benefit offers:

- **High coverage limits** available for all employees or specific groups up to 10 times salary
- **24-hour protection**, with benefits payable for losses that occur within 365 days of the accident
- Full range of coverage options plus **emergency travel assistance** and other services

Group Retiree Health

A **fully insured program** that works with Medicare to cover many of the deductibles, co-payments and out-of-pocket expenses that Medicare doesn't cover, like preventative care and at-home recovery services

Covers retirees, their spouses, widow(er)s and domestic partners who are age 65+ and entitled to Medicare

- A variety of **prescription drug options** to fit retirees' needs
- **Multiple billing payment and timing options**

8. Ability Assist[®] is offered through The Hartford by ComPsych[®]. ComPsych is not affiliated with The Hartford and is not a provider of insurance services.

INSURANCE COVERAGE

THE HARTFORD OFFERS

Voluntary Benefits

Disability income, life and AD&D insurance protection for employees with **shared or no cost to the employer**

Hartford **voluntary enrollment consultants** can customize enrollment to an employer's employee profile

Guaranteed-issue options and real-time decision notification with **on-line EOI**

On-site support available to give employees an overview of their insurance benefits in plain English or Spanish

Flexible **end-to-end enrollment services**, including 24/7 call center support, self-service reporting and eligibility and beneficiary data management

Consumer and broker education that outlines the value of voluntary solutions and integrates with our analytical capabilities to help optimize enrollment results

Dedicated and **local** account support

Services

Customer focus is one of The Hartford's key values. We listen to our customers so that we can deliver innovative solutions and extraordinary service.

SERVICES

THE HARTFORD OFFERS

Underwriting Service

Knowledgeable and dedicated, industry-experienced underwriters

Risk-Management Service

Broad range of consultative services and educational opportunities in the areas of loss prevention, wellness, leave management, absence management, and return-to-work

Claim Service

24/7 claim reporting

Specialized claim-handlers for specific coverages

Experienced claim and legal assistance can help achieve the best outcomes even in the most difficult claims

Networks for medical providers, pharmaceutical providers and medical case management

For More Information

Why not join the 82,000+ technology companies that have already chosen The Hartford to insure their business? To learn more about the many advantages that The Hartford's 360° of protection can offer your software or information technology company, please contact your local Hartford agent, benefits consultant or representative. You can also e-mail us at techpracticegroup@thehartford.com.

With The Hartford Behind You,
Achieve What's Ahead of You.®

www.thehartford.com/technology

This document outlines in general terms the coverages that may be afforded under a Hartford policy. All policies must be examined carefully to determine suitability for your needs and to identify any exclusions, limitations or any other terms and conditions that may specifically affect coverage. All claims for coverage are subject to claims adjusting. In the event of a conflict, the terms and conditions of the policy prevail. All Hartford coverages described in this document may be offered by one or more of the property and casualty insurance company subsidiaries of The Hartford Financial Services Group, Inc. Possession of these materials by a licensed insurance producer does not mean that such producer is an authorized agent of The Hartford. To ascertain whether a producer is a Hartford agent, please contact your state's Department of Insurance or The Hartford at 1-888-203-3823.

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All benefits are subject to the terms and conditions of the policy. Policies underwritten by the issuing companies listed above detail exclusions, limitations, reduction of benefits and terms under which the policies may be continued in force or discontinued. This guide explains the general purpose of the insurance described, but in no way changes or affects the policy as actually issued. In the event of a discrepancy between this brochure and the policy, the terms of the policy apply. Complete details are in the Certificate of Insurance issued to each insured individual and the Master Policy as issued to the policyholder. Benefits are subject to state availability.



Serving Businesses Of All Sizes

You've invested everything into growing your business, and Southpoint is here to help ensure you're insured from the unknown. Unexpected events such as natural disaster, employee injury, lawsuit, or death of a partner can devastate your business ruining years of hard work overnight.

Depending on your industry some types of insurance are required by law or business associations. These basic insurance requirements don't cover everything and is why you need coverage to protect all aspects of your business.

About Southpoint

For 40 years, professionalism, hard work, and commitment to our clients have fueled our growth. Since our start, we've been independent. This allows us to respond to our clients and their service needs without internal bureaucracy or external shareholder pressures. An unrelenting commitment to superior client service fosters continuous improvements in our products and services.

SouthPoint is among the top 25 privately owned, independent insurance brokers in Illinois. Southpoint delivers world class insurance services to companies of all sizes as well as to individual clients. Southpoint has grown to become one of the largest Professional Liability insurance brokerage firms in Illinois.

Our Resources

Southpoint's long-term relationships with underwriters around the world allow us to negotiate comprehensive coverage at the best price possible. We represent the top insurance companies in the country and will always place your coverage with the carrier that is most able to covers your needs.

Our Commitment

Southpoint's private ownership means that each of our associates has a single-minded focus on serving our clients. Our independence from Wall Street keeps us focused on your needs, not the demands of analysts or stock price. We will never place your coverage with an insurance company based upon our own financial benefit.

How Can We Help?

Questions about insurance and risk protection for your business?

Speak with a Southpoint Professional

708.478.3440

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