



Our **professions** **policy** in action

Today's businesses are constantly evolving and at CFC, we understand that your insurance needs to keep up. Our comprehensive wordings are designed to simplify coverage for even the most complex exposures, providing protection against traditional and emerging risks, in a single modular package.

Here we'll explore how our professions policy comes to life through the example of a multi-disciplinary company (offering mechanical, electrical engineering and project management services) with revenues of \$3 million who were hired to work on an office build project.



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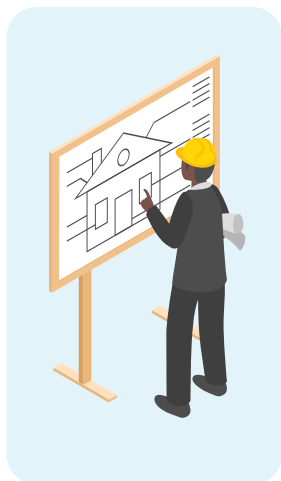
Breach of contract

The insured signed a contract with its client, setting out the terms of the insured's roles and responsibilities on a project. This included a statement that the project would be completed to a high standard and within a specific timeframe.

Multiple meetings and recorded discussions indicated that budgets and timeframes were going to plan, with the aim to coincide with the customer's new product launch which made deadlines particularly tight.

Partway through the project, a key team leader of the insured's project team was taken ill and replaced with someone new. This caused some delays while they got up to speed, threatening the anticipated delivery date for the project. The client became frustrated with the change in leadership and alleged that the insured's services were sub-standard and could delay the project, breaching the contractual agreement.

The policy provides cover for unintentional breach of contract with a client for the provision of business activities. We will pay sums that the insured legally becomes obliged to pay as a result of a claim made against them, including liability for the claimants' costs and expenses.



Civil liability

The total construction value of the project was \$2 million, with the design element provided by the insured equating to \$500,000.

A contractor found the insured's preliminary designs were partly non-functional and non-compliant with building codes. Using these designs would have breached regulations, potentially leading to costly demolition or rectification. The client contracted another company to complete the designs and put the insured on notice that their designs were deficient, seeking costs for the defective drawings, including hiring the new company and getting the new designs approved to avoid delays and overruns.

The policy not only offers full civil liability coverage, but it also provides protection to the insured for financial loss they have caused their client. This can be due to any act, error or omission giving rise to civil liability, unless specifically excluded. This broad coverage encompasses far more than just a negligent act.



Subcontractor vicarious liability

Due to the breadth of the project and responsibilities set out in the contract, the insured utilized sub-contractors for the HVAC element of the project including engineering calculations and design. After completion of the project, issues arose with air circulation in the building and upon investigation it is found that the sub-contractor's system design was deficient.

The policy protects the insured for any act, error or omission of work undertaken by the sub-contractors engaged by the insured in the provision of their business activities.

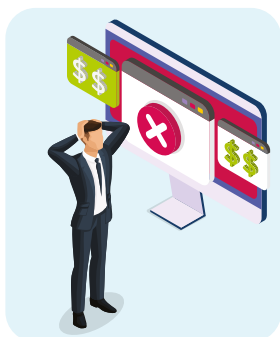
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Intellectual property

The insured hired new staff and one of the new employees contributed some innovative ideas for the company that were successfully implemented by the insured. Shortly after announcing the innovation on their website, the insured received correspondence from the new employee's former employer, accusing the insured of passing off the idea as their own and misappropriating a trade secret, claiming the innovation closely resembled work the employee had been working on in their previous company.

The policy covers all defence costs and specialist costs to investigate and defend an intellectual property rights infringement, including legal costs, damages, settlements and counterclaims.



Payment of withheld fees

Following completion of a project, the insured raised an invoice for its services. When chasing for payment of the invoice, the client raised concerns over the quality of the work performed, indicating they would pursue a claim for negligence and poor performance. The insured and the client agreed that the insured would discount the invoice if the client agreed not to take further action against the insured.

We provide cover for payment of withheld fees in instances where a client has brought or threatened to bring a claim that would be covered under the policy, if the claim is for an amount higher than your withheld fees when you attempt to recover the fees from them.

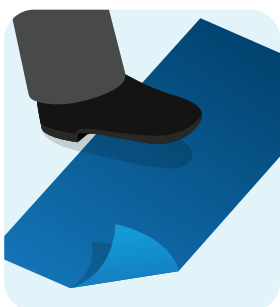


Reputation and brand protection

Word spread about issues the insured experienced on a project where they were in dispute with the former client. A local newspaper picked up the story and published an article specifically naming them in relation to the claim.

One of the insured's existing clients read the article and became concerned about the insured's professionalism and contemplated terminating the insured's contract. Prospective clients were considering opting to go with competitors as they didn't feel confident in the company's abilities. The insured was anxious about the article, having been trading for 20 years without issue, and were worried for the future of their business.

We provide cover for the retention of a public relations expert to mitigate damage or protect your brand as a result of any media report that names or publicizes an act or event that is the subject of a claim which would be covered by the policy.



Commercial general liability

The insured invited their client to their offices for a business meeting. On entering the office, an employee of the client slips on a loose mat in the insured's entrance, hitting their head and hurting their back. Due to their injuries, they bring a lawsuit against the insured.

The policy agrees to pay on behalf all sums which the company and its employees become legally obliged to pay as a result of any claim arising out of bodily injury or property damage in the course of business activities including at the premises.

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System damage and business interruption

The Insured used CAD software to produce engineering designs for clients. It stored their client's files digitally, including designs on its computer system.

Hackers managed to identify a vulnerability in the insured's operating system which allowed ransomware to spread through the shared drives, encrypting the data files and making them inaccessible. When the business attempted to restore its data, it was discovered their cloud backup had been failing since 2014, meaning that every document, design specification, drawing or print for their projects was unrecoverable. As these documents are essential to the insured's business, the only remaining option was to re-create the data from scratch which involved the use of engineers working under the guidance of the company itself.

The total cost of the engineers working overtime to rebuild the lost data would have totalled at least \$270,000. Unlike many other cyber policies, we provide cover for contract staff, consultancy and overtime costs for rebuilding lost data, as well as covering the cost to recover or restore data from back-ups.



Cybercrime

The insured regularly worked with suppliers and sub-contractors to carry out their projects and send invoices electronically. One of the insured's employees clicked on a suspicious link in a phishing email. This allowed a threat actor to gain access to the employee's emails, including their standard template for invoicing, email footers, their contacts list and to see their incoming and outgoing emails.

The threat actor set up an auto-forward on the client's email address, misdirecting proper correspondence into the client's deleted items folder. This enabled the threat actor to pose as the insured's client and send out emails on the insured's templates to their contacts advising of a change of bank details and asking clients to pay invoices to a new bank account. As these emails are being sent as part of a legitimate earlier email chain and appear to be coming from the insured's account, the clients did not have any suspicions over the emails. One of the insured's clients processes one of these 'false' invoices, sending payment to the threat actor instead of the insured.

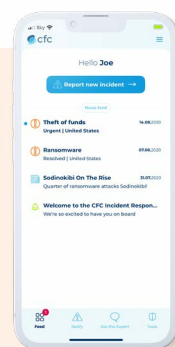
The insured only becomes aware of the fraudulent activity when it chases a client for unpaid invoices and the client produces evidence showing they 'paid' the insured. Cybercrime is one of the most frequent and severe types of cyber claims, and our policy covers funds transfer fraud which is frequently seen in the professional service space.

Proactive protection

With the threat of cybercrime impacting professional service lines more frequently, it's crucial to have the right cover in place.

Every CFC policyholder has access to the CFC Response app, providing vulnerability scanning, threat monitoring and real-time security prevention to help prevent cyber attacks before they happen.

Get in touch at professions@cfc.com to find out more.



These examples are intended for illustrative purposes only. Each claim submitted to CFC by an insured is based on the terms and conditions of the coverage provided to that particular insured and the facts and circumstances relating to a particular claim. Coverage is subject to underwriting and the terms, conditions, and limits of the issued policy.

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