



# Insurance Requirements in Technology Contracts

January 2026

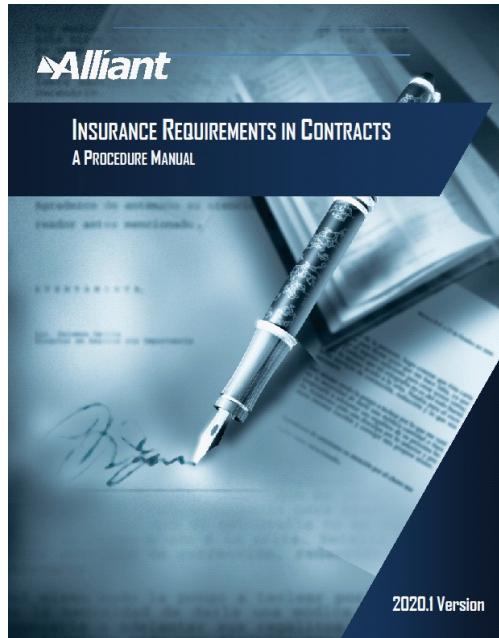


## Caveat

Consult with Legal/Risk Management before changing contract language.

Terms and  
Conditions  
may Apply

# IRIC Manual History



- › Stems from work by public entity risk managers and consultants since the 1970's
- › Relied upon by hundreds of public entities
- › Regular updates responding to new issues
- › Version 2026 soon to be published and customized for CSU community
- › Versions available at the CSURMA.org and Alliant.com websites



# How to Locate and Navigate the IRIIC Manual

# How to Locate the IRIC Manual?



# Navigating the IRIC Manual



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Links to Pages



Love Those  
FAQ's!

Ctrl + Click to  
follow link

*For your convenience, all subjects below are Hyperlinks.*

**IRIC VERSION 2024.1**

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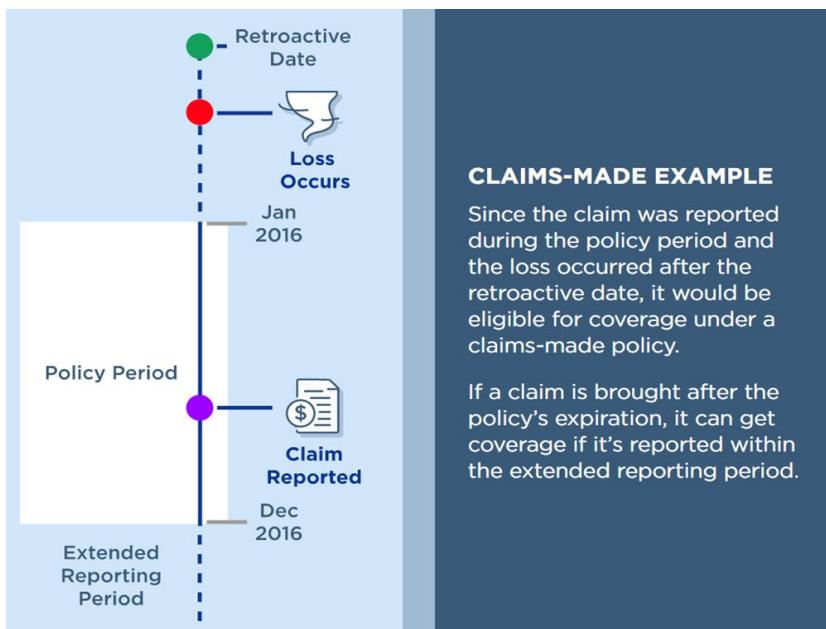
*Insurance Requirements in Contracts*      *2024.1 Version*

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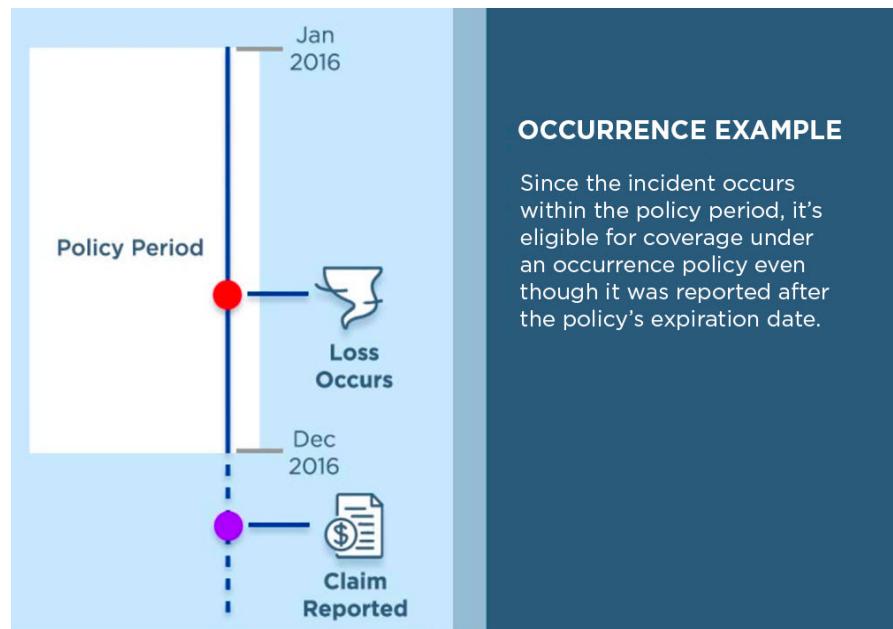
# Insurance Requirements

# What is Claims Made Coverage?

Claims Made – “trigger” of coverage is when claim is reported. Loss is covered if occurred after retro date and reported within policy or extended reporting period.



Occurrence – “trigger of coverage is when loss occurs, regardless of when reported (can be years later).



# Insurance Requirements for Most Contracts



## Insurer Ratings – Will they be there to pay the claim?

Best's Rating		Standard and Poor's	
A++, A+	Superior	AAA	Extremely Strong
A, A-	Excellent	AA +/-	Very Strong
B++, B+	Very Good	A +/-	Strong
B, B-	Good	BBB +/-	Adequate
C++, C+	Fair	BB +/-	Less Vulnerable
C, C-	Marginal	B +/-	More Vulnerable
D	Below Minimum Standards	CCC +/-	Currently Vulnerable
E	Under State Supervision	CC +/-	Currently Highly Vulnerable
F	In Liquidation	R	Under Regulatory Supervision

+/‐ Indicates the relative position within the class.

# Insurance Requirements for Most Contracts



## Basic Insurance Types

- Commercial General Liability
- Business Auto Liability

For services involving use of motor vehicles, including loading and/or unloading of large items

- Workers' Compensation

Not required if the contractor provides written verification that it has no employees

Require contractor to sign your waiver

# Technology Risks

# Insurance Requirements for Most Contracts



## Cyber Insurance Types

- Professional Liability (Errors and Omissions)

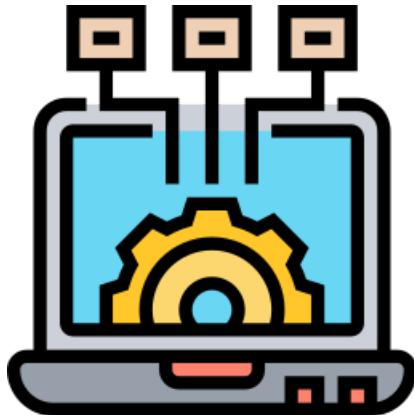
If contractor is providing professional services regulated by the state, such as provided by an architect, engineer, doctor, CPA, lawyer, etc.

Notably, Technology Errors and Omissions!

- Cyber Liability (Technology Risks)

# Technology Risks

The changing landscape



IRIC Manual Chapter 4 discusses essential terms:

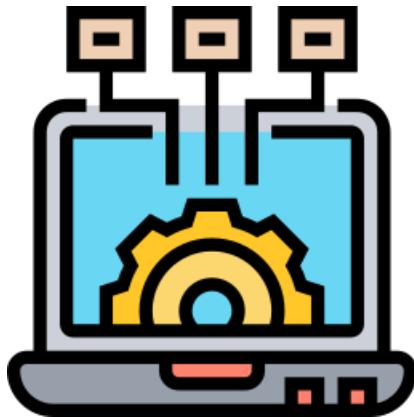
- Essential Privacy and Security Terms
- Confidentiality
- Data Protection Provisions
- Notification of Information Security Incident
- Incident-Related Costs
- Compliance with Data Security Laws (numerous)

New: PRC's new DSL and Personal Information Protection Law (PIPL) joins EU's GDPR and US laws

- Access to Systems privileges, data storage & data destruction
- Audit rights
- Warranties and Remedies

# Technology Risks

The changing landscape

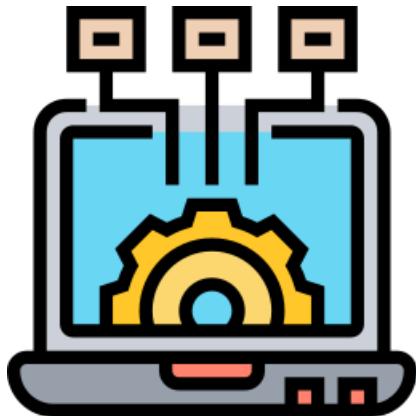


## Nature of Cyber Risks

- “Cyber” has become insurance industry shorthand for a variety of information technology risks, including but not limited to:
  - Hardware
  - Software
  - IT Consulting
  - Cloud Services
  - Data Processing
- Rapidly Changing Market – no set ISO forms

# Technology Risks

The changing landscape



## Professional Liability – AKA Technology E&O

Professional Liability covers liability for errors and omissions

- Require for consultants
- Can be used by software vendors to cover cyber risks
- There is no additional insured status

Vendor's professional capabilities are underwritten, and the contracting public entity is the third-party beneficiary of the coverage

- Claims-Made Coverage

# Cyber Liability vs. Tech E&O

Cyber Liability	Technology Errors & Omissions (Tech E&O)
Designed to <b>protect users</b> of data and technological products &/or services. Coverage mainly relates to <b>Information; privacy, security, governance liability, and related risks</b> .	Intended to <b>protect the merchant who sells</b> technological products &/or services.
Offers a <b>blend of 3rd party liability and 1st party costs and expenses</b> . Designed to help entities deal with financial impact of <b>network related issues from network outages</b> (business interruption) to the potential costs involved with <b>liability, data breaches, and expenses</b> .	Covers <b>negligence, errors, and omissions in delivering technology-related products and/or services</b> that result in failing to meet contractual obligations. Protects against <b>losses related to the provision of technological products or services</b> that are <b>caused by digitally corrupted media content and network security breaches</b> .
Some examples of entities who need Cyber: * entities with <b>high revenue and significant assets</b> * entities with a <b>large citizen or consumer base</b> * entities who <b>access &amp;/or keep critical data online or on computers</b>	Some examples of companies who need Tech E&O: * <b>data storage companies</b> * <b>web developers</b> * <b>computer &amp; computer peripheral equipment manufacturers</b>

# Cyber Liability vs. Tech E&O

Cyber Liability may provide coverage for:	Tech E&O may provide coverage for:
Regulatory fines and penalties resulting from non-compliance with data protection laws or regulations.	Costs related to regulatory fines or penalties resulting from technology-related errors or omissions.
Legal expenses associated with defending against lawsuits alleging negligence or failure to protect sensitive data.	Legal expenses associated with defending against claims of professional negligence or errors in technology services or products.
Business interruption losses resulting from cyber attacks or system disruptions.	Costs of business interruption due to technology failures or errors.
Data restoration and recovery costs to restore lost or corrupted data.	Loss of client data or failure to protect sensitive information. There could be overlap here with traditional cyber liability.
Data breaches resulting in the unauthorized access, theft, or disclosure of sensitive information such as personally identifiable information (PII), financial data, or intellectual property.	Cyber attacks resulting in data breaches or system disruptions for clients.
Cyber liability coverage may also include coverage for third party claims arising from cyber incidents, such as lawsuits from clients or business partners affected by a data breach.	Software or system failures leading to financial losses for clients.
Crisis management and public relations expenses to manage the fallout from a data breach and maintain the organization's reputation.	Intellectual property infringement claims arising from technology services or products.
Extortion and ransomware payments in the event of a cyber extortion incident.	Breach of contract related to technology services or products.
Notification costs, including expenses related to notifying affected individuals, regulatory authorities, and providing credit monitoring services.	Errors or omissions in software code or development that cause client dissatisfaction or financial harm.
Cyber fraud losses, including funds transfer fraud and social engineering scams.	Failure to deliver promised services or products on time or as specified.

# Insurance Requirements for Most Contracts



## Additional Insured

- Required on General Liability
- Can't be had on Professional Liability such as Technology Error's and Omissions
- Can be found on Cyber Liability, but rare and will only be 3<sup>rd</sup> party liability

# Cyber Additional Insured

## DEFINITIONS

**Additional Insured** means any person or entity that the **Insured Organization** has agreed in writing to add as an **Additional Insured** under this Policy prior to the commission of any act for which such person or entity would be provided coverage under this Policy, but only to the extent the **Insured Organization** would have been liable and coverage would have been afforded under the terms and conditions of this Policy had such **Claim** been made against the **Insured Organization**.

# Insurance Requirements for Most Contracts



## Required Endorsements

- **Primary and Noncontributory – Other Insurance Condition** (confirms that the contractor's insurance is primary and will not seek contributions from you). Rare but can be found on Cyber
- **Waiver of Transfer of Rights of Recovery Against Others to Use (Waiver of Subrogation)**

Require on the contractor's Workers' Compensation and Property policies . Rare but can be found on Cyber

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# Primary & Non-Contributory

It is further noted and agreed that the following clause is added to the Policy:

## **AMEND OTHER INSURANCE - PRIMARY NON-CONTRIBUTORY FOR ADDITIONAL INSUREDS**

In consideration of the premium charged for the Policy, it is hereby understood and agreed that clause Other Insurance under General Conditions is deleted in its entirety and replaced with the following:

### **Other Insurance**

The insurance under this Policy will apply in excess of any other valid and collectible insurance available to any **Insured** unless such other insurance is written only as specific excess insurance over this Policy. Provided, however, this Policy will become primary and non-contributory insurance as respects any insurance maintained by an **Additional Insured** if primary insurance is required by a contract in place between the **Additional Insured** and the **Insured Organization**, but only with respect to a **Claim** or **Loss** arising solely from the **Insured Organization's** negligent acts, errors or omissions while performing services for, or on behalf of, an **Additional Insured**.

All other terms and conditions of this Policy remain unchanged.

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# Waiver of Subrogation

## Subrogation

If any payment is made under this Policy and there is available to the Underwriters any of the **Insured's** rights of recovery against any other party, then the Underwriters will maintain all such rights of recovery. The **Insured** will do whatever is reasonably necessary to secure such rights and will not do anything after an incident or event giving rise to a **Claim or Loss** to prejudice such rights. If the **Insured** has waived its right to subrogate against a third party through written agreement made before an incident or event giving rise to a **Claim or Loss** has occurred, then the Underwriters waive their rights to subrogation against such third party. Any recoveries will be applied first to subrogation expenses, second to **Loss** paid by the Underwriters, and lastly to the Retention. Any additional amounts recovered will be paid to the **Named Insured**.

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# Insurance Requirements for Most Contracts



## Alternative Risk Transfer Vehicles

### Declaration of self-insured retentions

- Contractor's Insurer must allow for third party satisfaction of SIR to trigger coverage

# Insurance Requirements for Most Contracts



## Reminder!

All older agreement forms and purchase order forms have positively got to be updated in very strong and clear language to show that:

- Required Limits are MINIMUMS
- Your entity is entitled to ANY insurance available to the contractor.
- You only get what you ask for, and if you don't specifically ask for it, you won't trigger the contractor's available insurance.

# Emerging Risks

Other Topics

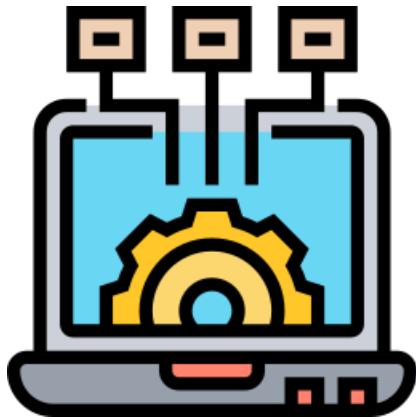


## Generative Artificial Intelligence

- Customer-facing chatbot giving wrong information
- AI discriminating in hiring
- Lawyer using ChatGPT to write briefs
  - Medmal, Fiduciary, Director's & Officers
- Exclusions starting to appear and these are not Tech E&O exposures

# Technology Risks

The changing landscape



## Get What You Can!

Major technology services vendors are notoriously stingy with their contractual indemnity requirements

- Try to do your best for your organization.
- They won't agree to offer their full cyber liability or technology errors and omissions limits but ideally you get more than the value of the contract.
- Cyber liability Additional Insured will be 3<sup>rd</sup> party liability only
- \$1M? \$2M?



The More Rewarding  
Way to Manage Risk