

Playing it Safe

Tackling the risks of Gaming



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We may all remember the days of Pac Man, Space Invaders and Asteroids and consider that period the pinnacle of the gaming rage. Fast forward twenty years and combine this same fascination with the internet, and we now have a \$10 billion gaming industry whose growth is outpacing that of both movies and music. With the boom of the new gaming craze comes a set of perils and risks that the insurance industry struggles to meet.

Critical risk management issues for gaming companies run the gamut from traditional computer software Errors and Omission Liability to more challenging issues, such as loss of personal information and intellectual property infringement. We have outlined some of the key risks that gaming companies face and how insurers in the market are reacting to those risks.

Errors & Omissions (E&O) Liability

Gaming companies are diverse in the type of games they offer; from software development for pre-packaged games to Massively Multiplayer Online Role-playing Games (MMORPG) where thousands of players interact simultaneously over the internet. Technology Errors and Omissions Liability (E&O) protects a gaming company from third party suits that arise out of the failure of their product, including security breaches. For example, a hacker is able to get through the firewall and release the personal information of all of the online players. This dissemination of personal and credit card information over the internet is a very real risk for these companies who are potentially exposing millions of players to loss of personal information.

Intellectual Property

As this industry continues to grow, companies are increasingly concerned about their intellectual property being used by competitors. Insurance carriers are seeing a marked increase in claims alleging infringement of intellectual property from companies trying to protect their most valuable asset.

Service Interruption

Online gaming sites need to be accessible all day and every day by their subscribers; it's a true 24/7 world inside online gaming. Any service disruption such as damage to servers or software can be detrimental to these companies. Back-up servers and contingency plans should be part of the solution to these risks. Additionally, the business interruption section of insurance policies should be specifically designed to pick up some of these potential losses.

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Bodily Injury

In addition to the business risks associated with computer gaming there have been numerous claims of bodily injury arising out of online games. Photosensitive seizures have been linked to the long hours spent staring at the lights and patterns of the games. Insurance carriers are addressing this by requiring "Photosensitive Seizure Warnings" to be placed on the packaging or websites of these companies. Addiction wording is also a new requirement. These warnings stem from scenarios such as the 2006 death of a Korean man who played Stargate for 50 hours with no breaks, for food or for sleep.

There have also been numerous claims of incidents where gamers were allegedly mirroring the violent acts depicted in games. A 20-year-old Alabama man shot and killed three police officers in what he claims was a reenactment of a popular video game. Scenarios such as this are causing insurance carriers to take a careful look at the content of what they are insuring.

Insurer Solutions

The insurance marketplace for these risks is not well developed. All of the risks described above and others, including Directors' & Officers' Liability, have limited and sometimes flawed insurance answers in the marketplace

WGA has assisted online gaming companies to design insurance programs specific to their online and product exposures. As claims and insurance solutions continue to unfold, be sure not to gamble with your own online gaming success. For more information about the risks of online gaming, contact your Account Executive at William Gallagher Associates or connect to us at info@WGAins.com.