

INSURANCE RISK ASSESSMENT REPORT

Summit Digital Solutions, Inc.

Prepared: January 9, 2024

Reference: INS-2024-001

1. EXECUTIVE SUMMARY

This Insurance Risk Assessment Report evaluates the current insurance coverage, risk exposure, and recommendations for Summit Digital Solutions, Inc. ("Company"), a Delaware corporation providing enterprise digital transformation services. The assessment covers the period from January 1, 2023, through December 31, 2023, with forward-looking analysis for 2024.

2. CURRENT INSURANCE PORTFOLIO

2.1 Commercial General Liability

- Carrier: TechGuard Insurance Group
- Policy Number: CGL-2023-789456
- Coverage Limit: \$10,000,000 aggregate
- Deductible: \$25,000 per occurrence
- Key Coverages: Bodily injury, property damage, personal injury, advertising injury
- Annual Premium: \$175,000

2.2 Professional Liability/E&O

- Carrier: Digital Risk Specialty Insurance
- Policy Number: PLI-2023-456123
- Coverage Limit: \$15,000,000 aggregate
- Deductible: \$100,000 per claim
- Key Coverages: Technology E&O, professional services
- Annual Premium: \$425,000

2.3 Cyber Liability

- Carrier: CyberShield Insurance Co.
- Policy Number: CYB-2023-159753
- Coverage Limit: \$20,000,000 aggregate

- Deductible: \$250,000 per incident
- Key Coverages: Data breach, cyber extortion, business interruption
- Annual Premium: \$650,000

3. RISK EXPOSURE ANALYSIS

3.1 Primary Risk Categories

Technology Implementation Risks

- AI/ML system failures
- IoT integration errors
- Data migration incidents
- System downtime liability

Professional Services Risks

- Consulting errors
- Project delivery delays
- Performance guarantee breaches
- Implementation failures

Cyber Security Risks

- Client data breaches
- Ransomware attacks
- Third-party system vulnerabilities
- Cloud security incidents

3.2 Industry-Specific Exposures

- Enterprise client concentration risk
- Intellectual property disputes
- Regulatory compliance exposure
- Cross-border data transfer liability

4. GAP ANALYSIS

4.1 Coverage Gaps Identified

Limited coverage for AI decision-making errors

Insufficient limits for multi-client system failures

International coverage limitations

Emerging technology risk exclusions

4.2 Policy Enhancement Recommendations

Increase cyber liability limits to \$30,000,000

Add specific AI/ML endorsement

Expand international coverage

Include contingent business interruption coverage

5. RISK MITIGATION RECOMMENDATIONS

5.1 Operational Controls

Implement enhanced QA protocols for AI systems

Strengthen client contract indemnification provisions

Develop comprehensive incident response procedures

Establish technology failure contingency plans

5.2 Insurance Program Adjustments

Restructure policy tower with increased limits

Add specialized technology endorsements

Negotiate broader coverage terms

Implement claims reporting improvements

6. COST ANALYSIS

6.1 Current Annual Premium Summary

- Total Premium: \$1,250,000
- Risk Management Fees: \$75,000
- Claims Administration: \$25,000
- Total Insurance Cost: \$1,350,000

6.2 Projected Costs (2024)

- Estimated Premium Increase: 15-20%
- Additional Coverage Costs: \$300,000
- Risk Management Investment: \$150,000
- Projected Total: \$1,800,000

7. CLAIMS HISTORY

7.1 Three-Year Loss Summary

- 2023: 2 claims, \$175,000 total incurred
- 2022: 1 claim, \$250,000 total incurred
- 2021: No claims

7.2 Loss Trend Analysis

- Loss Ratio: 15.8%
- Frequency Trend: Increasing
- Severity Trend: Stable

8. CONCLUSIONS AND RECOMMENDATIONS

Based on our comprehensive analysis, we recommend:

Immediate implementation of coverage enhancements

Quarterly risk assessment reviews

Enhanced risk management protocols

Structured insurance program review process

9. CERTIFICATION

This report has been prepared by:

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Date: January 9, 2024

10. DISCLAIMERS

This report is confidential and prepared exclusively for Summit Digital Solutions, Inc. The analysis and recommendations contained herein are based on information provided by the Company and industry standards as of the report date. No warranty or guarantee is made regarding the completeness or accuracy of this assessment. Insurance coverage recommendations should be reviewed with qualified insurance professionals and legal counsel before implementation.