

INSURANCE CLAIM FILE

Claim Number: CLM-2024-004891
Claim Type: Professional Liability (E&O)
Claimant: Vertex Technologies Inc. (Third Party)
Policy: PLI-5567823 (DataCore Consulting Group)

PROFESSIONAL LIABILITY CLAIM REPORT

Insured: DataCore Consulting Group LLC
Policy Number: PLI-5567823
Coverage: Professional Liability (E&O;) - \$2,000,000 per claim / \$4,000,000 aggregate
Deductible: \$25,000
Claimant: Vertex Technologies Inc.
Date of Alleged Error: January - April 2024
Date Claim Made: August 15, 2024

CLAIM DESCRIPTION

Vertex Technologies Inc. has filed a claim against DataCore Consulting Group alleging professional negligence in the implementation of an enterprise resource planning (ERP) system. DataCore was engaged in October 2023 to implement SAP S/4HANA for Vertex's manufacturing operations under a fixed-fee contract valued at \$1.2 million.

Vertex alleges that DataCore's implementation team failed to properly configure the inventory management module, resulting in systematic errors in stock calculations that went undetected for several months. The alleged errors caused Vertex to over-order raw materials and under-ship finished products to customers, resulting in financial losses and damaged customer relationships.

DataCore maintains that the configuration was performed according to specifications provided by Vertex and that subsequent issues arose from Vertex's failure to properly train end users and execute recommended testing protocols.

TIMELINE

October 15, 2023: DataCore and Vertex execute Master Services Agreement and SOW #1 for SAP implementation. Contract value: \$1,200,000.

November 2023 - January 2024: Discovery and design phase completed.

February 1, 2024: Configuration phase begins.

March 15, 2024: User Acceptance Testing (UAT) begins. Multiple defects logged.

March 28, 2024: UAT sign-off obtained from Vertex project manager (email from Tom Henderson).

April 1, 2024: System goes live.

April 15, 2024: First reports of inventory discrepancies from warehouse staff.

May 2024: DataCore provides 40 hours of remediation support (billed separately: \$24,000).
June 8, 2024: Vertex hires third-party consultant (Deloitte) to audit implementation.
July 20, 2024: Deloitte report identifies configuration errors in inventory valuation logic.
August 1, 2024: Vertex sends formal demand letter to DataCore claiming \$2.8 million in damages.
August 5, 2024: DataCore notifies insurer of potential claim.
August 15, 2024: Formal lawsuit filed: Vertex Technologies Inc. v. DataCore Consulting Group, Case #2024-CV-08834, Superior Court of California, Santa Clara County.
August 18, 2024: Claim acknowledged by carrier. Adjuster Thomas Wright assigned (Adj. ID: PL-7734).
August 22, 2024: Defense counsel assigned: Morrison & Associates LLP (Partner: Rachel Morrison).
September 5, 2024: Answer filed. Affirmative defenses include comparative fault and failure to mitigate.
September 20, 2024: Initial Case Management Conference scheduled for October 15, 2024.
October 1, 2024: Document preservation notices issued. Discovery begins.

DAMAGES CLAIMED BY VERTEX

Direct Financial Losses:

- Excess inventory carrying costs: \$340,000
- Emergency expedited shipping to customers: \$185,000
- Customer credits and refunds: \$420,000
- Lost sales (customer defections): \$890,000 (estimated)

Subtotal Direct Losses: \$1,835,000

Remediation Costs:

- Deloitte audit: \$175,000
- System reconfiguration (third-party): \$380,000
- Additional staff overtime: \$95,000
- Business interruption (estimated): \$315,000

Subtotal Remediation: \$965,000

TOTAL DAMAGES CLAIMED: \$2,800,000

COVERAGE ANALYSIS

Claim falls within policy period and coverage territory. Professional services as defined in the policy include IT consulting and system implementation. No coverage exclusions appear to apply. Deductible: \$25,000 (applies to both damages and defense costs).

DEFENSE POSITION

Key defense arguments:

1. UAT was conducted and signed off by Vertex personnel, indicating acceptance.
2. Configuration followed Vertex-provided specifications (documented in SOW).
3. Vertex failed to perform recommended parallel processing during go-live period.
4. Vertex's internal IT staff made unauthorized configuration changes post-implementation.
5. Damages are speculative and not adequately documented.

Supporting evidence includes: signed UAT approval, project documentation, email correspondence, change management logs showing 47 unauthorized changes by Vertex staff between April 5-30, 2024.

RESERVE INFORMATION

Initial Reserve (August 2024): \$1,500,000

Current Reserve (October 2024): \$1,200,000 (reduced based on defense position strength)

Defense Cost Reserve: \$350,000

Total Incurred Reserve: \$1,550,000

Defense costs to date: \$78,450 (Morrison & Associates invoices through September 2024)

SETTLEMENT POSTURE

Early mediation may be pursued after initial discovery. Preliminary settlement authority requested: \$600,000 (plus defense costs). Recommendation based on litigation risk assessment and cost of continued defense.

CLAIM STATUS: OPEN - IN LITIGATION

Next Event: Case Management Conference - October 15, 2024