

Three Places Your MSP Insurance Fails During a Claim

Most MSP owners assume their policies cover them. These 3 gaps say otherwise.

01 The Contract Trap

Your master service agreement (MSA) says you will indemnify the client for losses caused by your work. That sounds reasonable. But your E&O policy has a contractual liability exclusion that removes coverage for liabilities you assumed by contract. The indemnification clause in your MSA is a promise your insurance will not fund.

The result: When the client files a claim, your carrier denies it. You owe the full amount out of pocket. The indemnification promise you signed was unfunded from day one.

02 The Finger-Pointing Problem

Your client gets breached because of a misconfiguration on your side. You file a claim. Your cyber carrier says "that is a professional services error, not a cyber event." Your E&O carrier says "that is a cyber event, not a professional services error." Both deny the claim.

The result: Two policies, zero coverage. This happens when MSPs carry separate cyber and E&O policies from different carriers. Each one points to the other. Neither pays.

03 The Shared Limit Problem

You manage 50 clients through one RMM platform. The platform gets breached. All 50 clients are affected. Your carrier batches every claim as one "related incident" under a single aggregate limit. The first few claims exhaust it. The remaining clients get nothing.

The result: You are personally liable for every dollar above the aggregate. One breach, 50 claims, one limit. The math does not work in your favor.

These are not edge cases. They are structural gaps in how MSP insurance policies are commonly written. Most brokers don't catch them because they do not specialize in MSP risk.

What To Check

Pull out your current policy and check these 3 things.

- 1.** Does your E&O policy cover liabilities you assumed by contract, or does it exclude contractual indemnification? Look for the words "**contractual liability exclusion**" and check whether there is a carve-back for professional services agreements.

- 2.** Do you carry cyber and E&O from the same carrier on a combined policy form? If they are separate policies from different carriers, check whether each one excludes the other's territory. Look for "**professional services**" exclusions in the cyber policy and "**cyber event**" exclusions in the E&O policy.

- 3.** What is your **aggregate limit**, and how does your carrier define "related claims"? Multiply your number of clients by a reasonable per-client claim cost. If that number is higher than your aggregate, you have a gap.

About Breezy Risk Advisors

An engineer by training, I started in cybersecurity before spending two decades inside the insurance industry at carriers and MGAs. I understand the technology you deliver, so I can spot where policy language does not match what your team actually does. I am looking for the same exclusion triggers that a carrier's claims team might use to deny a payout.

Want to see how your specific policies stack up?

Book a 30-minute Risk Intelligence Review.

I will analyze your policies, flag the gaps that matter most for your business, and give you a clear picture of where you stand. Free, no obligation.

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