

Guiding Principle No. 11: Obtain Cyber Security Insurance Coverage

5 Things Every Agent Should Know About Cyber Insurance

1 All organizations are exposed to cyber and privacy risk

- The collection or handling of Personally Identifiable Information (PII)—including Social Security numbers, Protected Health Information (PHI), bank account details or credit card information—places certain legal obligations on businesses. A breach of such information not only requires investigation and notification under a variety of state and federal laws, but can also trigger regulatory investigations and third party lawsuits.
- An organization's data and digital assets are often more valuable than tangible assets. Hackers and malicious insiders—through malware, cyber extortion, and data theft—can literally bring business to a halt and the costs to recover can be crippling.
- Companies with an online presence—whether a website or social media page—face exposures ranging from media or content liability to business interruption caused by a distributed denial of service (DDoS) attack on an e-commerce site.

2 Property and GL Policies do not provide adequate coverage

- Property policies do not contemplate intangible assets such as computer data.
- While some courts have found limited coverage under general liability policies for privacy breaches in certain situations, these policies do not cover the full range of first and third party costs, defense costs and damages that an organization could potentially face. Further, carriers are beginning to explicitly exclude cyber and privacy risk from these policies.
- Small sub-limits may be available from certain carriers, but it's important to evaluate the scope of this coverage and whether such limits will adequately cover the full costs of a cyber breach, business interruption event, or privacy-related lawsuit.

3 Dedicated cyber insurance can address both first and third party exposures

Typical coverage/Insuring agreements available in the market include:

- Security event/Breach response costs
 - Legal review
 - Computer forensic investigations
 - Customer notification, call center and credit monitoring
 - Public relations expenses
- Regulatory coverage
 - Regulatory defense, fines and penalties (where insurable by law)
- Digital asset/Data loss
 - First party costs incurred to restore or recreate data that has been lost, damaged or corrupted from malware or other cyber events
- Business interruption
 - Income loss and extra expenses arising out of a system outage caused by a denial of service attack, malware, cloud provider outage, etc.
- Cyber extortion
 - Covers ransomware and other data and system-related extortion threats
- Network security and privacy liability
 - Defense costs and damages arising from an actual or alleged security or privacy breach
- Electronic media liability
 - Covers claims related to website or social media content (defamation, libel, copyright infringement, etc.)

4 The cyber insurance market is rapidly growing

- Global cyber insurance market is expected grow to \$14 billion in premium by 2022¹
- Over 30% of entities still do not purchase cyber insurance²
- Widespread publicity of breaches and other cyber-related events continue to drive growth not only in the healthcare, retail, and financial services sectors—the traditional buyers of cyber insurance—but across a wide range of industries and classes.

5 Coverage can be customized

- Monoline coverage is available from a range of carriers
- High limits are available—up to \$10-\$15 million from admitted carriers on a primary basis and much higher through excess capacity
- Insuring agreements can typically be purchased on an “a la carte” basis to tailor a policy to each insured's needs
- Widespread availability of additional enhancements including PCI fines/penalties, social Engineering coverage, contingent business interruption, etc.

Claims Statistics

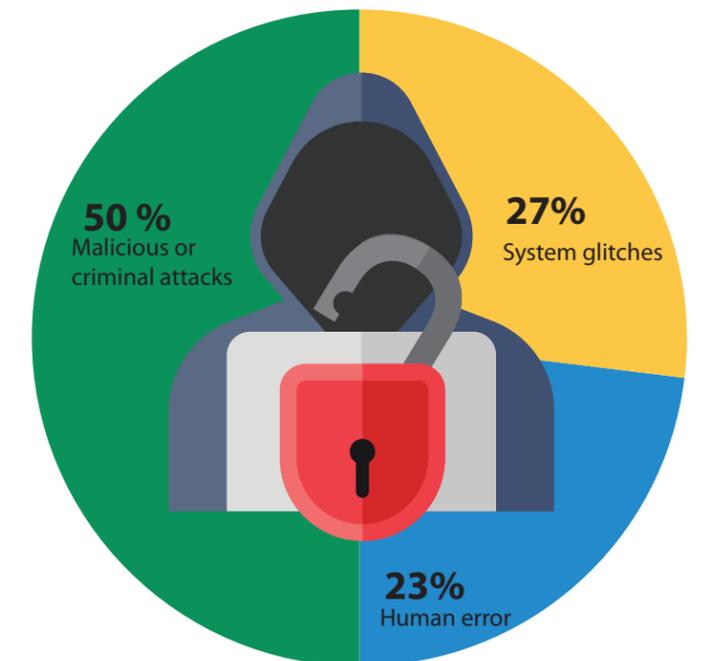
87%

of reported cyber claims were from entities under \$2 BILLION in revenue³



The average cost for each lost or stolen record is \$221⁴

Causes of data breaches⁵



Learn more at: nyia.org/guidingprinciples.



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www.thinkphly.com



¹Business Insurance, November 2016 issue: <http://www.businessinsurance.com/article/20161114/STORY/912310486/November-2016-Downloadable-Edition>

²Business Insurance, November 2016 issue: <http://www.businessinsurance.com/article/20161114/STORY/912310486/November-2016-Downloadable-Edition>

³NetDiligence 2016 Cyber Claims Study: https://eriskhub.com/files/articles/F03_NetDiligence_2016_Cyber_Claims_Study_ONLINE.pdf

⁴2016 Cost of Data Breach Study: United States, Ponemon Institute, June 2016

⁵2016 Cost of Data Breach Study: United States, Ponemon Institute, June 2016