

Data Breaches & Cyber Insurance

Dennis Nedry



Common Cyber Exposures

- First Party or Third Party
- Almost all businesses use technology to conduct or transact business
 - Retail/ Wholesale
 - Financial Institutions
 - Medical/ Healthcare
 - Offices
 - Etc.
 - Etc.
 - Etc.



Common Cyber Exposures

- Value of cyber assets may be greater than the value of other physical business property.
 - Data including intellectual property
 - Traditional insurance policies (CGL, CPP, BOP, Crime) are not designed to cover cyber-related exposures
- Businesses who have computer systems, email, websites, e-advertising, online sales, webinars, social media, etc.

Examples of Third Party Losses

- Unintended Disclosure of Information
 - Accidentally sent emails (IE – wrong recipient)
 - Theft of laptops, smart phones, tablets, flash drives, etc. which contain personal or confidential information of others
 - Theft of confidential corporate information – tax docs, legal docs, blueprints/plans/designs, trade secrets
- Disclosure of incorrect or damaging information, or info which could result in a privacy violation
- Copyright infringement, intellectual property rights
- Libelous/Slandorous publications
- Virus transmittal, malware, ransomware
- Hackers
- DoS Attacks

Ooops, your important files are encrypted.

If you see this text, then your files are no longer accessible, because they have been encrypted. Perhaps you are busy looking for a way to recover your files, but don't waste your time. Nobody can recover your files without our decryption service.

We guarantee that you can recover all your files safely and easily. All you need to do is submit the payment and purchase the decryption key.

Please follow the instructions:

1. Send \$300 worth of Bitcoin to following address:

1Mz7153HMuxXTuR2R1t78mGSdzaAtNbBWx

2. Send your Bitcoin wallet ID and personal installation key to e-mail wowsmith123456@posteo.net. Your personal installation key:

8UeiNr-ngRtrs-NFx836-CyWuqF-umKmF3-dsWL7g-PLtmUm-ggEoWa-ubECnf-NAEyfT

If you already purchased your key, please enter it below.

Key:

—

Data Breaches

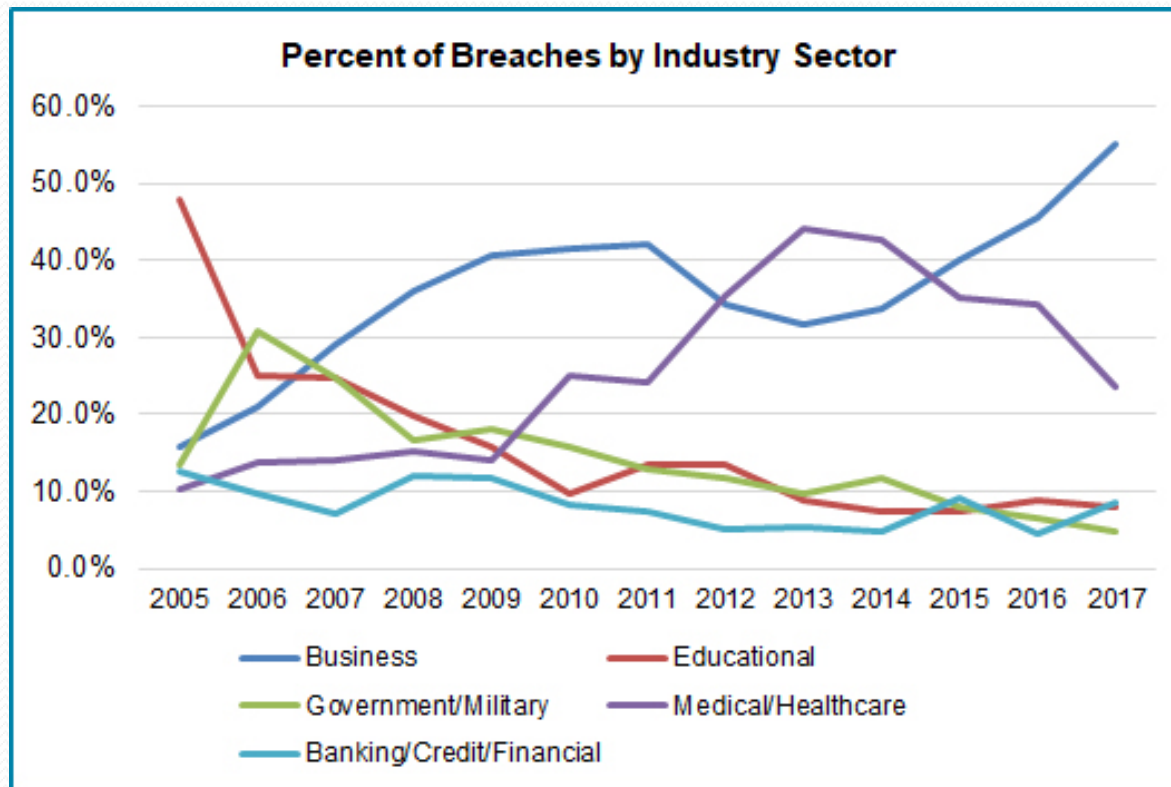
- Some hackers just want to breach a system for gratification, a challenge, or just to prove they can
 - No big deal here – or is it?
- Potential costs to the one who's been breached:
 - Liability
 - Cost of intellectual property
 - Theft of money / securities through computer fraud
 - Costs to investigate extent and to notify affected parties as required by regulation
 - Loss of income due to a DoS attack
 - Costs to rebuild / reprogram

Some Notable Data Breaches



Data Breaches

- Number of Commercial Data Breaches in 2017:



1,579

Data Breaches

- Number of Commercial Data Breaches in 2018 so far:

932

- Number of Individuals' Records Exposed:

47,231,256

Remember Dennis Nedry?



Solutions

- Purchase a Dilophosaurus for protection against known cyber enemies.
 - As of 2018 – still extinct. Not presently a viable option.



Cyber Insurance

- Designed to protect against First and Third Party claims
- Most exclude E&O for programming, consulting, other tech.-related services
- Insurance Services Office (ISO) policy forms
- Privately developed policy forms
- Endorsements to existing commercial policies
- Coverage for individuals

Cyber Insurance

- First Party Policy Coverages:
 - Breach Expenses
 - Costs to notify affected parties
 - Costs for additional expenses (Ex: Hotel offers ID Theft Protection to customers who have been affected by a breach)
 - Business Income
 - Costs incurred / income lost due to having a business interruption
 - Contingent Business Interruption
 - Ex: Business has to shut down due to a breach in a key supplier's computer system

Cyber Insurance

- First Party Coverages cont'd:
 - Extortion, Ransom or Rewards Payment:
 - Ex: Hacker demands money in return for not releasing stolen customer credit card info
 - Ex: Outside person threatens to shut down a company's computer system if their demands are not met
 - Public Relations Expense:
 - Cost of retaining a PR firm to protect or restore your reputation due to negative publicity resulting from breach
 - Restoration of Electronic Data:
 - Costs to replace or restore data which has been destroyed or corrupted during a breach

Cyber Insurance

- Third Party Policy Coverages:
 - Content Liability (infringement of trademark, slogan, trade dress, libel & slander)
 - Warning: Social Media may not be covered
 - Privacy Liability (PII, financial info, protected health info, protected corporate info.)
 - Security Breach Liability (hackers, DoS attacks, virus/ ransomware)

Cyber Insurance

- Policy limits could be a \$ amount or a percentage of the total loss (coinsurance)
- Deductibles Apply
- May have a singular insuring agreement or multiples –
 - Example:

Insuring Agreement:

Data Breach Liability:

Extortion & Ransom:

Business Income:

Data Breach Expense:

Deductible:

Limit:

\$2M occ. / \$4M agg.

80%

\$ 500,000

\$1,000,000

\$ 5,000

Coverage For Individuals

- Private Carriers
 - LifeLock
 - Identity Force
 - Identity Guard
 - Credit Sesame
 - ID Watchdog
- Benefits:
 - Recovery assistance
 - Bank account protection
 - Credit monitoring
 - Computer security

\$19.63/mo.

Coverage For Individuals

- Identity Recovery Insurance:
 - Endorsed on to Homeowners Insurance policy
 - Average cost: \$20.00 per year
- Coverage For:
 - Unauthorized use of debit/credit card, bank account
 - Check forgery or alteration
 - Acceptance in good faith of counterfeit currency
 - Identity Theft Expenses
 - Refiling applications, legal fees, credit reports, lost wages, relative supervision, counseling, “any other reasonable costs incurred”
- Typical Benefit: \$25,000 annually, per person

Tips to Stay Protected

- Businesses and Individuals:
 - Safeguard data – Lock up physical files, restrict employee access to private info, conduct background checks
 - Keep only what you need – Don't retain sensitive info which is no longer needed
 - Update procedures – (Ex: Don't use SSN as employee IDs or client account numbers)
 - Change passwords regularly
 - Utilize antivirus software on computers (Norton, McAfee, etc.)

“With technology trust is a good thing, but control is a better one.”
— **Stephane Nappo**

