



The Cost of Cyber Liability in Canada The Cyber Exchange

Adam Briklyn – October 2, 2018



Cyber Liability – A Fiduciary Responsibility

Duty of Care, Diligence and Skill: Every director and officer of a corporation in exercising his or her powers and in discharging his or her duties shall:

✓ Exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances – <u>Business Judgment Rule</u>.



Cyber Liability – A Fiduciary Responsibility

"Class action certification is <u>NOW A REAL THREAT</u> to schools, medical organizations, professional firms, financial institutions, unions, private & public companies as multi-claimant defendants now recognize the value of privacy and the cause of action available to them in Canada"



"First Party (Your)" Breach Costs That Your Organization May Incur...

- □ IT forensics (investigation, capture & rebuild networks)
- Data identification, recovery & restoration
- Business interruption (loss of profits or expense reimbursement)
- Loss of intellectual property
- Legal fees
- Notification expenses
- Public relation costs
- □ Call centre expenses
- □ Identity theft monitoring
- □ Financial fraud monitoring
- Credit card monitoring

The Average Network & Privacy Breach Costs *from* Actual Cyber Insurance "*Paid Claims*" – 2017 NetDiligence Report



- \$843,993 in PCI Fines & Assessments (102 claims)
- ➢ \$80,463 in Public Relation Costs (214 claims)
- ➢ \$141,479 in Forensic Costs (276 claims)
- \$234,011 in Breach Notification Costs (138 claims)
- \$112,866 in Credit Monitoring Costs (118 claims)
- \$53,133 in Breach Coach Costs (341 claims)

The Average Network & Privacy Breach Costs *from* Actual Cyber Insurance "*Paid Claims*" – 2017 NetDiligence Report



- \$279,185 in Social Engineering / BEC Payments (27 claims)
- \$112,115 in Ransonware Extortion Payments (103 claims)
- \$864,964 in Intellectual Property / Trademark Infringement (7 claims)
- \$89,942 in Lost or Stolen Portable Devices (84 claims)



"Third Party (Client)" Breach Costs That Your Organization May Incur...

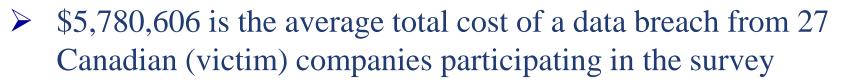
- Civil litigation from clients, partners, shareholders & stakeholders as individuals or as a class
- Regulatory investigations and proceedings from Provincial and Federal Commission(s), CRTC
- Contractual costs under Payment Card Industry (DSS)
- Host of US Agencies if in the USA, in part due to mandatory breach notification requirements, and now GDPR in the EU and Mandatory Breach Reporting in Canada

The Average Network & Privacy Breach Costs *from* Actual Cyber Insurance "*Paid Claims*" – 2017 NetDiligence Report



- \$120,606 in Legal Defence Costs (321 claims)
- \$254,851 in Legal Settlement Costs (371 claims)
- \$696,524 in Regulatory Defence Costs (68 claims)
- \$750,500 in Regulatory Settlement Costs (56 claims)
- ➢ \$44,634 in Regulatory Fines (18 claims)





- It took 191 days to identify the breach and 66 days to contain the breach (on average) across the 27 reported company claims in the survey
- ▶ \$1,964,377 in detection costs were incurred across the 27 claims
- \$2,111, 407 in business interruption losses across 27 claims





- Large Canadian companies are breached more often, but small to medium sized Canadian companies experience higher impacts from a breach on their business
- Security training for employees is deficient
- The response time to installing security updates and patches is slow and the priority for installations is inconsistent
- Response planning is low, lacks documentation and regular updating and testing
- ➢ 455 attacks reported by the 421 companies in the survey
- ▶ \$3,700,000 is the average cost of breach in Canada