



# NETWORK SECURITY AND PRIVACY (CYBER) LIABILITY INSURANCE THE INSURANCE MARKET PERSPECTIVE

The Cyber Exchange (Waterloo, ON)  
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# COVERAGE OVERVIEW

# 01



# CYBER: WHY SHOULD I CARE?

- We can't prevent everything
- More than just privacy
- Changing regulatory environment
- Costs can be significant



# CYBER COVERAGE: HOW CAN IT HELP ME?

## Three Main Benefits:

- Breach Response Team
- Risk Mitigation Services
- Balance Sheet Protection

## First Party Coverage

Breach Response

Business Interruption

Digital Asset Restoration

Cyber Extortion



## Third Party Coverage

Security & Privacy Liability

Regulatory Proceedings

PCI Fines & Penalties

Media Liability



# CYBER COVERAGE: COMMON LIMITATIONS

Exposure	What are we talking about?	Comments
<b>Wrongful Collection</b>	Liability for information that was unlawfully or wrongfully collected	Not all cyber policies provide coverage
<b>Social Engineering</b>	Theft of funds as a result of an instruction from a fraudulent third party	Some cyber policies provide limited coverage. Can be addressed by a crime policy.
<b>Intellectual Property</b>	Loss or diminished value of intellectual property as a result of its theft or unauthorized release	Policies generally respond for third party IP; first party IP is not generally not covered
<b>Reputational Damage</b>	Reduction in value of your brand	Generally not covered



## CRIME (FIDELITY) COVERAGE:

- Core coverage is employee theft of money and other tangible property from the Insured entity
- Modern policies include expansive coverages for fraud caused by third parties
- “Computer and Funds Transfer” insuring agreements have been designed to respond to “cyber” style frauds committed by third parties through the malicious use of computers.



## DIRECTOR'S & OFFICER'S (D&O) COVERAGE:

- Management E&O coverage = D&O
- Supervisory exposure at the Board level
  - Insured Person coverage for neglect and/or breach of fiduciary duty
  - Likely no affirmative Entity/Company coverage for “Cyber”
  - For public Companies, no coverage for cyber but coverage would apply for a Securities Class Action resulting from a cyber incident
  - Possibly some limited coverage for Fines & Penalties
  - No 1<sup>st</sup> party costs coverage
- Board's defense: *Business Judgement Rule*





# GAP ANALYSIS

# 02



# COVERAGE HEAT MAP

Cyber Exposure	Crime	D&O	General Liability	Property	Cyber
<b>First Party Coverages</b>					
Breach Response Costs	Red	Red	Red	Red	Green
Digital Asset Restoration	Yellow	Red	Red	Yellow	Green
Business Income Loss and Extra Expense	Red	Red	Red	Yellow	Green
Dependent Business Income Loss and Extra Expense	Red	Red	Red	Yellow	Green
Cyber Extortion Expenses	Red	Red	Red	Red	Green
Theft of funds	Green	Red	Red	Red	Yellow
<b>Third Party Coverages</b>					
Defense and Indemnity	Red	Yellow	Yellow	Red	Green
Regulatory Fines	Red	Yellow	Red	Red	Green
Securities Class Action and/or Derivative Claim	Red	Green	Red	Red	Yellow

**\*Note:** This slide is for illustrative purposes only. Please refer to the wordings of the policies within your insurance program to determine what type of coverage may or may not be included.



# CASE STUDY

# 03



# CASE STUDY – ABC BEVERAGE COMPANY

## **Company Description:**

ABC Beverage Company manufactures popular beverages. They sell to stores and to end consumers through their online store. They have 200 employees, 30 large corporate customers and 100,000 retail consumers that purchase through their website. They are highly automated and generally operate at capacity each day. Senior leaders are able to monitor the floor manufacturing remotely through web enabled cameras. Engineers are able to remotely monitor the automated manufacturing line and make adjustments if they feel the need. ABC is currently looking for a larger facility so they can keep up with demand.



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## **Scenario #1:**

An employee in the finance department receives an email from what appears to be a trusted vendor saying there had been a problem with a payment. The email looks official and tells the employee that the payment needs to be made manually and immediately to avoid contract cancellation. The employee sends the vendor \$46,000.



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## **Scenario #2:**

ABC employees come into work at 8:00am and find that all of their computer screens are frozen. They also find that they are unable to get the automated bottling and packaging system to work. ABC needs to deliver a large order by 4:00pm. If they miss the deadline their client will cancel the order for that week and ABC will lose out on the sale.



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## **Scenario #3:**

A number of customers that have purchased beverages online complain about having to deal with fraudulent charges on their credit cards. ABC suspects that their online shopping cart may have been compromised.



# TIPS & TAKEAWAYS

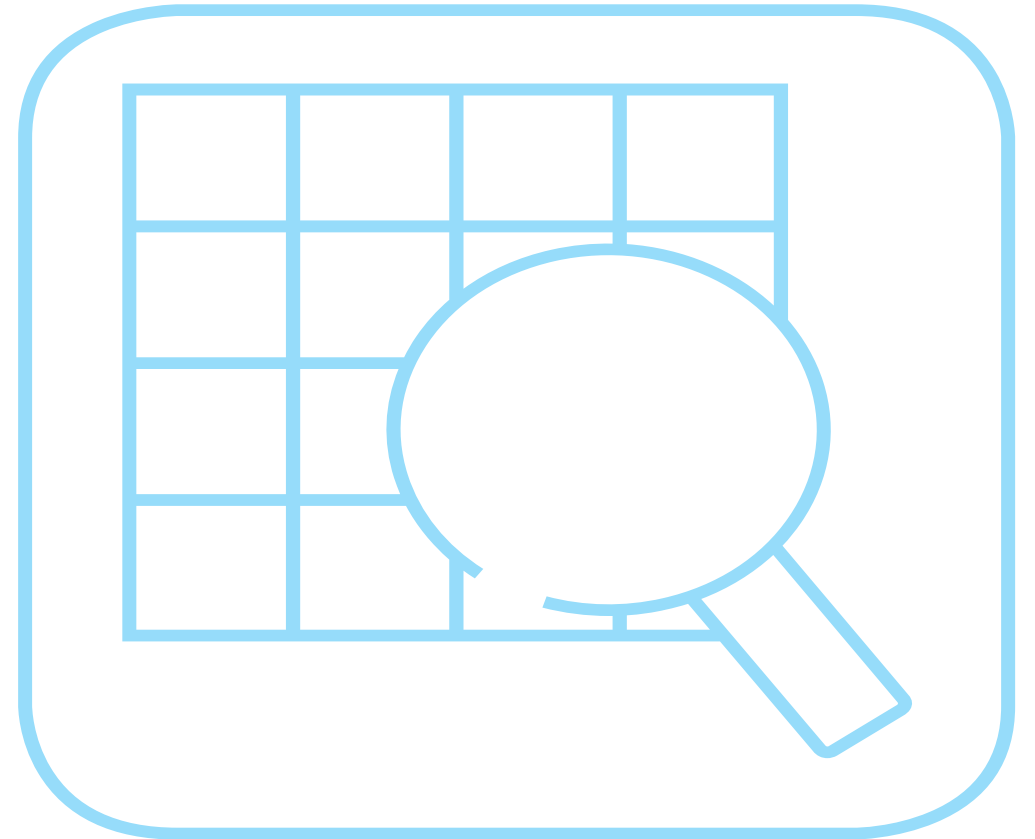
# 04



# KNOW YOUR EXPOSURE

What are you protecting?

How might a security or privacy breach affect your organization?



# MINDFUL OF THE JARGON

It is not uncommon for different terms to refer to the same concept.

Seeking clarity and normalizing terms can be helpful when comparing different cyber insurance offerings.





# MIND THE GAP



Know the intent of your many different policies and identify the key cyber exposures that might be insured or not covered under each specific line of coverage.



# USE YOUR RESOURCES

Use all available resources to help your firm identify and manage your security and privacy exposures.




# THE CYBER EXCHANGE

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