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CYBER LIABILITY INSURANCE

CYBER SECURITY, NETWORK & PRIVACY

In the ever-evolving technological landscape in which we live, our lives are dominated by technology. The development and widespread usage of the internet also means that more and more aspects of our daily, personal and business lives are moving online. We are all constantly producing and saving data, up-loading content, and sending and receiving email traffic. The creation of this digital world has brought about a by-product – Cyber Risk.

WHAT ARE THE RISKS?

FIRST PARTY NETWORK LOSS

I.T. networks are at the heart of all companies. Degradation or failure of these systems could halt day-to-day operations and cost companies a significant amount due to lost revenue. System interruption can result from computer attacks, operational and administrative errors and virus transmission. The Costs are:-

- Loss of business income
- Costs to restore the network
- Costs to replicate/replace lost data
- Increased cost of working

PRIVACY BREACH AND SECURITY LIABILITY

In the age of 'Big Data', companies collect and store data to help improve the customer experience, but a side-effect of this data acquisition is the creation and storage of attractive and valuable data, which can be of huge interest to financially motivated hackers. Data comes in two distinct categories – Commercial Sensitive Data and Personal Identifiable Information. The Costs are:-

- 3rd Party damages
- Regulatory fines and penalties
- PR costs
- Costs to notify affected individuals
- Forensics costs
- Legal fees

REPUTATION

A company's reputation is vital to attracting and maintaining clients. Mitigating cyber risks and being prepared to deal with cyber incidents is important to avoid any reputational harm. The Costs are:-

- Loss in sales revenue
- PR costs

TERRORISM

Over the years many aspects of life have gone online and terrorism attacks are no different. Cyber extortion is on the increase and companies are beginning to realise that their data can be extremely valuable to both themselves and to cyber criminals. The Costs are:-

- Extortion expenses
- PR costs
- Legal fees

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WHAT DOES CYBER INSURANCE COVER?

Insurance coverage has been developed to address the challenges faced by business' increased dependence on IT networks, third party IT and business processing providers. The cover has also been designed to address the risks that come with the abundance of digital assets and private data which companies collect and store. We work with our clients to help them understand their specific cyber risks. We then speak to the key cyber insurers to create tailor-made policies including cover for the identified risk exposures and filling in any gaps in current insurance policies. The standard Cyber policy covers the following:

FIRST PARTY NETWORK LOSS
Damage to Digital Assets: Costs to recollect recreate and reconstitute the digital assets of an insured which is damaged or lost, altered, corrupted, distorted or stolen and any other costs to prevent, minimise or mitigate any further damage.

Non-Physical Business Interruption and Increased Cost of Working: Income loss and interruption expenses incurred by the insured during the period of restoring the network directly as a result of the total or partial interruption, degradation in service or failure of the computer network.

PRIVACY AND SECURITY LIABILITY
Third Party and Employee Privacy liability: Damages and legal fees as a result of a privacy breach or breach of confidence.

Security Liability: Third party damages and legal fees as a result of unauthorised use, unauthorised access, transmission of a virus, denial of service attacks and other computer crime.

MEDIA LIABILITY
Multi-Media Liability: Damages and legal fees as a result of a wrongful act in the course of publishing content in electronic or print media, including online social media platforms.

PRIVACY REGULATION DEFENCE, AWARDS AND FINES
Privacy Regulatory Investigation and Defence: Expenses resulting from investigation, adjustment, defence and appeal of regulatory proceedings.

Privacy Regulatory Fines and Penalties: Where insurable by law.

Payment Card Industry Fines: Where PCI Data Security Standards are breached (please note that this cover is provided where relevant).

CRISIS MANAGEMENT AND REPUTATIONAL EXPENSES
Costs to employ specialist forensic experts and solicitors to investigate and respond to a privacy breach or system failure.

Costs to notify victims of privacy breaches and provide them with identity theft assistance and costs for PR related services to mitigate reputational harm.

CYBER EXTORTION
Costs to engage crisis management experts.

Costs to pay ransoms if this is deemed to be necessary.

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MISCONCEPTIONS

"As Companies begin to rely more heavily on sophisticated and intelligent technology solutions, they run into difficulty if and when that technology becomes unavailable for any reason."

"CYBER INSURANCE IS INSURANCE FOR COMPANIES WHO SELL PRODUCTS OVER THE INTERNET."
Cyber risks are faced not only by e-commerce companies and those undertaking transactions over the internet but also by those companies that collect and store personal and corporate sensitive data or are reliant on computer or telephone networks and data for their daily operations.

"WE DO NOT OPERATE IN TERRITORIES WITH PRIVACY LAWS MANDATING NOTIFICATION OF A DATA BREACH; THEREFORE WE DON'T NEED TO BUY CYBER INSURANCE"
Whilst it is true that you do not need to notify victims of a data breach in the absence of privacy laws mandating this requirement, it is however recommended by many privacy regulators to do so as part of best practise processes. In addition, this can avoid or mitigate any reputational harm. Furthermore, various territories worldwide have draft legislation that will soon be implemented enforcing companies to notify victims of data breaches.

"WE HAVE THE BEST I.T. SECURITY MONEY CAN BUY - WE WILL NEVER BE HACKED"
Whilst financially motivated hackers look for the "open doors", those hackers who are ideologically motivated are far more persistent in penetrating a computer network. In addition, computer networks are only able to complete the functions which they are programmed to do; it is us humans who are often the weakest link.

"CONFIDENTIAL INFORMATION ABOUT MY IT NETWORK IS REQUIRED TO GET A CYBER QUOTE"
Like you, the underwriters are concerned about the breach of any of your information. Keep in mind that a breach of your information could adversely affect them from a loss perspective. Therefore information required by the underwriters is generally limited to a simple proposal form, however in some cases a teleconference may be necessary to expand on complex cases.

CLAIMS EXAMPLES

NETWORK DOWNTIME – DENIAL OF SERVICE
A Distributed Denial of Service attack brought down an e-commerce platform for 48 hours. Covered Costs:-
- Loss of income
- Increased cost of working

NETWORK DOWNTIME – OUTSOURCERS' ERROR
An I.T. outsourcer failed to provide the backup network of a retailer, resulting in a failure of their online shopping website and payment network. Covered Costs:-
- Loss of income
- Increased cost of working

PERSONAL IDENTIFIABLE INFORMATION" DATA BREACH
An e-mail server and external hard drive containing personally identifiable customer information was stolen while in the custody of a 3rd Party outsourcer. Covered Costs:-
- Legal fees
- PR costs
- Forensics costs
- Costs to notify affected individual

PRIVACY REGULATORY INVESTIGATION
As a result of a privacy breach of their clients' credit card details, a company was investigated by the local privacy regulator and was fined for breaching data protection legislation. Covered Costs:-
- Legal fees
- Costs associated with the investigation
- Fines, where insurable by law

MEDIA LIABILITY
An employee posted a libellous statement about a competitor on their company Facebook page. Covered Costs:-
- 3rd Party damages
- Legal fees

CYBER EXTORTION
A hacker threatened to take down a company's network unless they pay them a ransom. Covered Costs:-
- Extortion ransom
- Extortion expenses