

# Cyber Insurance Perspectives

Steve Robinson | July 24, 2019



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# Agenda

**July 24, 2019**

- I. Our journey thus far
- II. Current state of the cyber insurance market
- III. SPELL JIF cyber insurance
- IV. What we are seeing in Edu and Public Sector
- V. Our shared roles



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# Our Journey Thus Far

From infancy to current-day



# Early Days

- Original intent: fill gaps from CGL policy
- Build a service platform that provides financial and operational relief from a growing, real threat
  
- Original “Cyber” policies:
  - Data breach vs privacy
  - Common exclusions/limitations
    - Software inadequacy
    - Definitions of private information very limiting
    - Intentional act exclusions
    - Unencrypted portable media exclusions
    - Computer system definitions limited
    - Business Interruption – cyber attack only, insured’s system only



# Evolution of Process & Coverage

- Early adopters:
  - Healthcare
  - Financial
  - Retail
- Cyber: A maturing product, refined by claims
- The more highly regulated industries experienced the claims, experienced more underwriting scrutiny
- The Public Sector is the new “Retail” ...

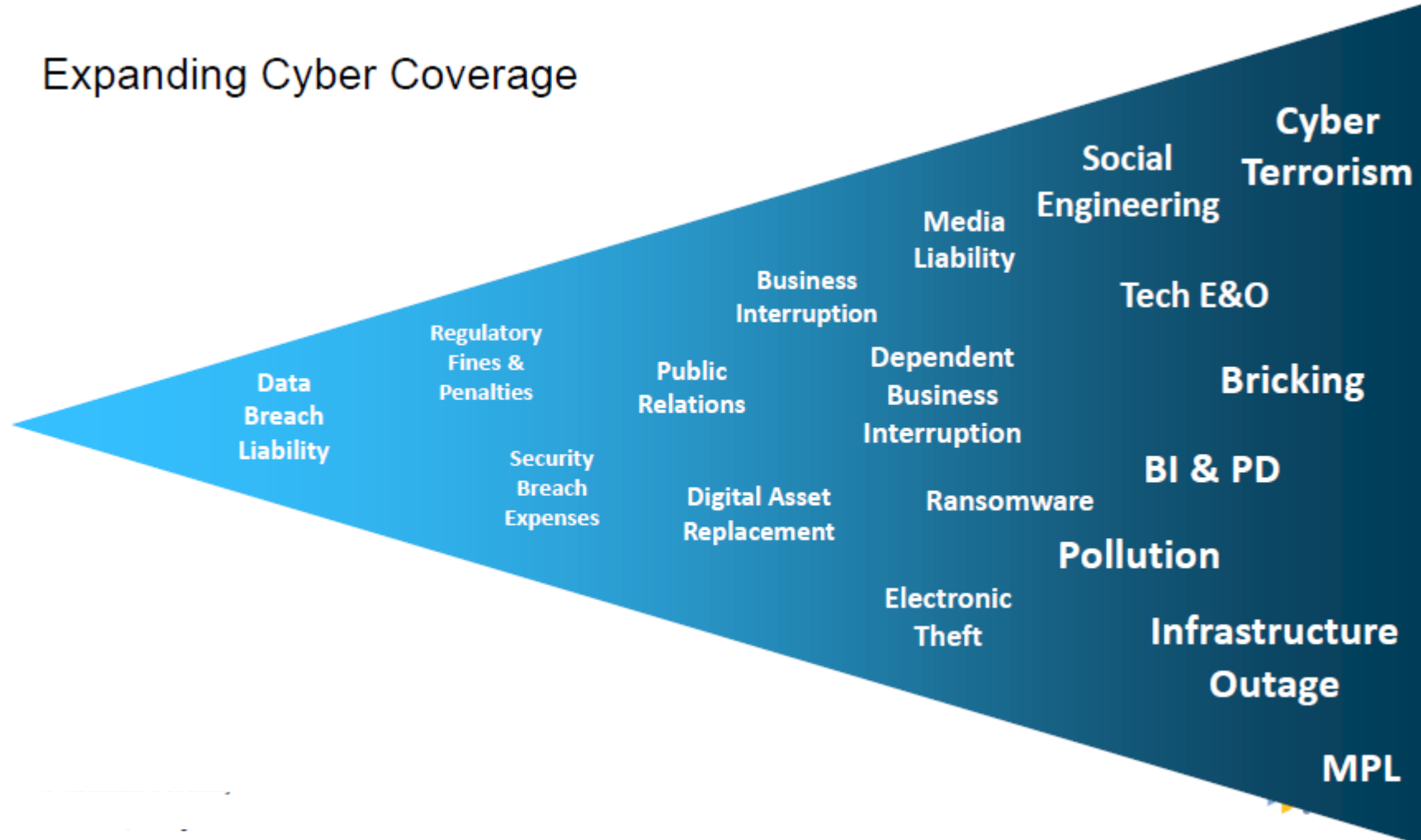


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# As Threats Have Evolved, Cyber Risk Insurance Has Expanded

Expanding Cyber Coverage





# Evolution of Process & Coverage

## What else has changed?

- Threat vectors have expanded beyond commoditization of PII
- Extortion is on the rise with increasing reliance on technology
  - The move from random, indiscriminate targets to highly targeted attacks
- Why is this particularly important to the Public Sector/Education?
  - When they know what you have, combined with the public influence on response, they know they have a target worth pursuing



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# Current State of the Cyber Insurance Market



# 2019 Q2 Update

## State of the Cyber Insurance Market



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### ▲ Capacity

Market capacity is at an all-time high with over 150 unique markets actively writing cyber insurance domestically and abroad (UK & Bermuda). Theoretical capacity is now over \$500M in total limit.

### ▲ Coverage

Coverage continues to evolve and remains highly specialized. Variability amongst policy forms is significant and requires heavy endorsing and/or manuscripting – especially for forms that have not been updated since 2017 or 18. Overall, coverage terms and conditions are broadening to the benefit of policyholders and may now include extensions for Crime and Property/GL. Significant evolution of business interruption related coverage parts continues.

### ■ Losses

After an exponential hike in breaches between 2013-15, loss activity has stabilized and the market has softened for most industries. While frequency of breaches has increased, severity has been reduced as hackers and other bad actors target smaller organizations with sensitive confidential information or look to cause business interruption. Ransomware continues to be an ongoing issue. Financial demands have escalated from more targeted attacks.

### ■ Retentions

Retentions have remained stable in 2019 and have the potential to be reduced slightly through effective negotiation and marketing of loss free accounts. Average retentions in the middle market space are between \$5k and \$200k with larger organizations seeing retentions of \$1M+.

### ▼ Pricing

Market capacity/competition and stabilized losses have led to a very favorable rate environment for our clients in most industries. There are exceptions, particularly in the higher regulated industries (ie: Public Entity, Legal, Title Agents). Decreases on desirable risk classes without losses are achievable.



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# Sector Focus:

Education & Public Sector



# Public Sector

## Convergence of Valuable Data & Limited Controls

- What makes you unique?
  - Data rich environment
  - Volume of data
  - Increased reliance upon technology
  - Disparate systems
  - Inconsistency in controls, employee training
  - Limited InfoSec budgets, accountability/”ownership”
  - Extortion threats on the rise
  - Digital espionage



# Public Sector

## How Do Insurer's View You?

Highly commoditized info +

Lots of it +

Underfunded and undereducated custodians

Big risk / more popular target / higher loss ratios =

- Higher premiums
- Lower capacity
- Greater underwriting restrictions



# Public Sector

## 2019 Verizon Data Breach Investigations Report

- Public Administration – disproportionately large share of security events
  - 56% of all security events analyzed struck public organizations
  - 16% of all publically disclosed data breaches
  - Digital espionage – predominant motive for large entities, in smaller entities – financial incentive
  - 70% external actors / 30% internal (privilege misuse/error)
  - Much slower timeframe for discovery than private sector



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# 30,000 Foot View SPELL JIF Cyber Insurance



# Overview of Cyber Risk Insurance

## 30,000 foot view

- Insurance coverage designed to protect a business from:
  - Liability associated with:
    -  Unauthorized release of confidential information
    -  Violation of a person's rights to privacy
    -  Personal injury in an electronic/social media environment
    -  Intellectual property infringement
    -  Violations of state or federal privacy laws
  - Out-of-pocket expenses incurred to make the above problems go away

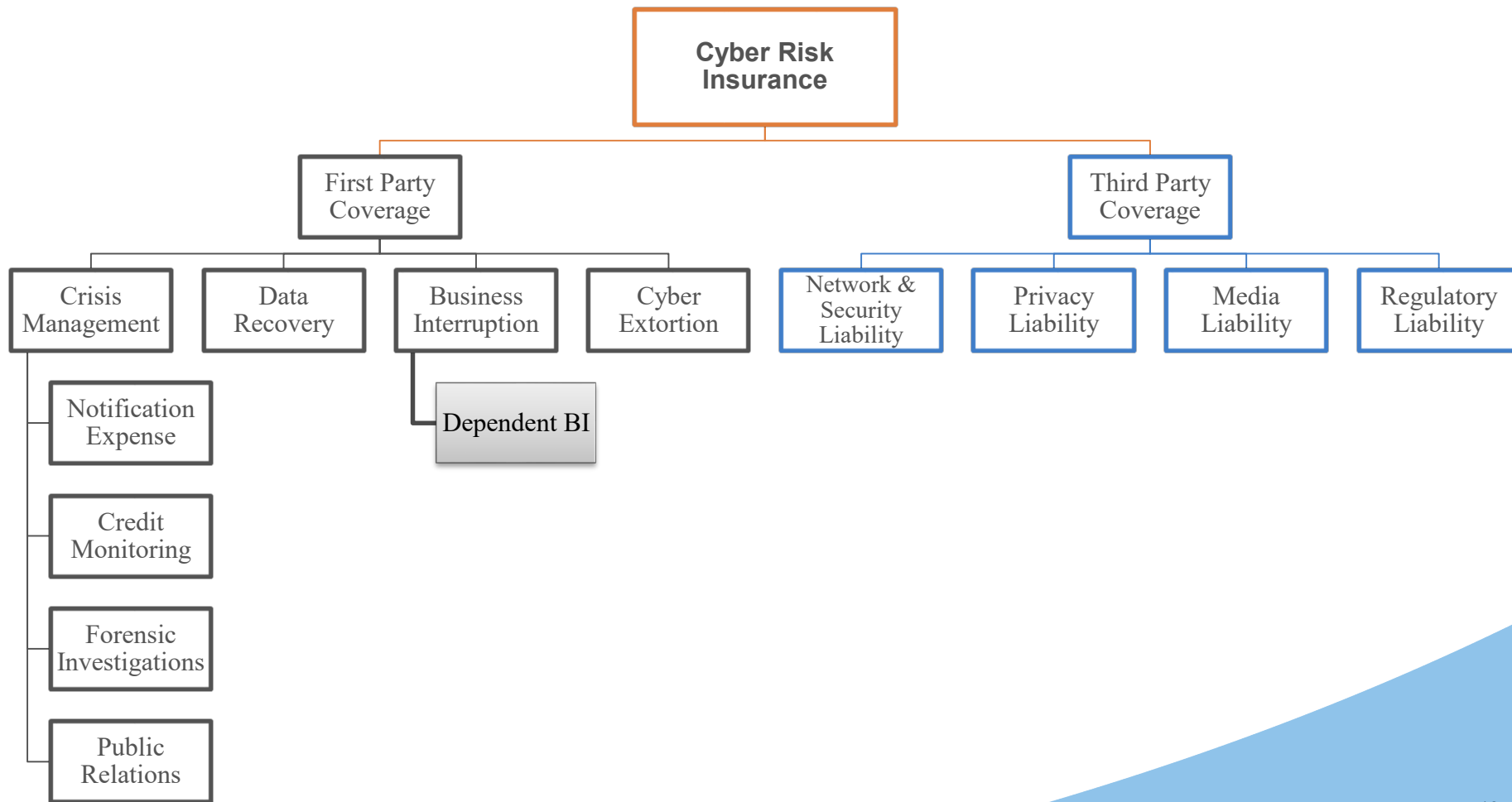
# Cyber Coverage Explained

## 30,000 Foot View



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# Cyber Insurance Coverage Overview

Note: This is not a guarantee of coverage – see actual policy for terms, conditions, exclusions

## Coverage Notes

Per Claim  
Limit

Per Claim  
Retention

<b><u>Security &amp; Privacy Liability</u></b>		\$2,000,000 Per Claim	\$10,000
<p>Covers allegations of privacy injury as a result of unauthorized release or misuse of personally identifiable information by you or a 3<sup>rd</sup> party and actual or alleged violation of a privacy law. Covers liability associated with your errors that cause a network breach or prevents a 3<sup>rd</sup> party who is authorized to do so from gaining access to a computer system.</p>	<ul style="list-style-type: none"> <li>• Includes privacy breach by outsourced providers</li> <li>• Transmission of virus</li> <li>• Transmission of malicious code</li> <li>• Denial of Service</li> </ul>	<p>\$15,000,000 Aggregate</p>	
<p><b><u>Media Communications Liability</u></b></p> <p>Covers liability associated with allegations of personal injury (ie: libel, slander, defamation) in media communications.</p>	<ul style="list-style-type: none"> <li>• Extends coverage to the County's social media activities</li> </ul>	<p>\$2,000,000 Per Claim</p> <p>\$15,000,000 Aggregate</p>	<p>\$10,000</p>
<p><b><u>Privacy Regulatory Defense, Awards and Fines</u></b></p> <p>Costs for an organization defending itself against regulatory actions and resulting fines and penalties following a breach of privacy regulations.</p>	<ul style="list-style-type: none"> <li>• Costs of defense</li> <li>• Fines and penalties</li> </ul>	<p>\$2,000,000 Per Claim</p> <p>\$15,000,000 Aggregate</p>	<p>\$10,000</p>
<p><b><u>Security &amp; Privacy Incident Response Services</u></b></p> <p>Costs to notify customers/citizens of a data breach, costs to hire IT forensics experts, public relations consultants, implement credit monitoring and identity restoration services resulting from your obligation to comply with a privacy law. Voluntary notification is permitted with underwriter approval.</p>	<ul style="list-style-type: none"> <li>• Legal assistance</li> <li>• IT forensics expenses</li> <li>• Citizen/patient notification</li> <li>• Credit monitoring services</li> <li>• PR expenses</li> <li>• Advertising expenses</li> </ul>	<p>\$2,000,000 Per Claim</p> <p>\$15,000,000 Aggregate</p>	<p>\$10,000</p>
<p><b><u>Cyber Extortion Damages</u></b></p> <p>Monies paid for purposes of ending an extortion threat to avoid corruption or damage to your computer system or website.</p>	<ul style="list-style-type: none"> <li>• Extortion monies</li> <li>• Additional expenditure</li> </ul>	<p>\$2,000,000 Per Claim</p> <p>\$15,000,000 Aggregate</p>	<p>\$10,000</p>
<p><b><u>Business Interruption and Data Recovery</u></b></p> <p>Loss of business income and reimbursement of extra expenses incurred as a result of a security breach. Directly causing a total or partial interruption or deterioration in your business operations.</p> <p>Insured's System Failure = \$1M; 3<sup>rd</sup> Party Computer Service Provider System Failure = \$1M; Contingent Business Partner Security Failure = \$250K; Contingent Business Partner System Failure = \$250K</p>	<ul style="list-style-type: none"> <li>• Data restoration included</li> <li>• 10-hour waiting period</li> </ul>	<p>\$2,000,000 Per Claim</p> <p>\$15,000,000 Aggregate</p>	<p>\$10,000</p>
<p><b><u>PCI-DSS Assessment</u></b></p> <p>Coverage for Payment Card Industry fines or penalties assessed by the Payment Card Industry (PCI) Security Standards Counsel as a result of a breach of cardholder data found to be in violation of the Payment Card Industry Data Security Standard (PCI-DSS).</p>	<ul style="list-style-type: none"> <li>• Credit card association includes Visa, MasterCard, AmEx, Discover and JCB</li> </ul>	<p>\$1,000,000 Per Claim</p> <p>\$15,000,000 Aggregate</p>	<p>\$10,000</p>



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# Looking Ahead



# Continual Improvement

## Implications on SPELL JIF Cyber Insurance Program

- Continued employee education – the message needs to get to the front lines
- Investments in prevention
  - Policies/procedures
    - Data collection and retention
    - Funds transfer authorization
    - Password use
    - Remote access
    - User rights, logs
    - Data backups – segregation, testing
  - Network assessments/vulnerability testing
  - Network defense – multifactor authentication
- Investments in the culture like these will lead to:
  - Price stabilization
  - Access to evolving coverage grants enjoyed by SME business sector
  - Shorter timeframe on incident response = lower incident severity



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# Incident Reporting



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# Reporting & Incident Response

Timely reporting is critical

Begin at [www.spelljif.com](http://www.spelljif.com)



School Pool for Excess Liability Limits  
Joint Insurance Fund

- Home
- About Our JIFs
- What's New
- Budget & Operating Documents
- Become A Member
- Risk Management
- Safety
- Claims
- Meetings
- Underwriting & Forms
- Wellness
- Making Contact

Claim Forms

Crime Claim Loss Form

Cyber Liability Claims

Emergency Claim Reporting Procedures

Pollution Mold Information

Report A Workers' Comp Claim

Report All Other Claims

Urgent Care

Provides exceptional coverage, identifies and safety training for member school districts.

[Read More](#)



# Reporting & Incident Response

Timely reporting is critical



School Pool for Excess Liability Limits  
Joint Insurance Fund

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Risk Management ▾ Safety ▾ Claims ▾ M

## Cyber Liability Claims

### Types of Losses to be Reported:

- Information Security and Privacy Law Violations
- Data Breaches
- Website Media Content

### How to Report a Claim

In the event of an actual or suspected breach incident, click on the link below to submit your claim information:

[SPELL JIF Cyber Incident Report Claim Form](#)



# Reporting & Incident Response

## Timely reporting is critical



School Pool for Excess Liability Limits  
Joint Insurance Fund

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### Cyber Incident Report Form

Please complete the form below to report a Cyber Incident in your school district. Your SPELL JIF Policy Number is: 1000600296181 for the Policy Period: 07/01/18 to 07/01/19.

Name of Insured: \*

Address with City, State & Zip \*

Insured Contact Person: \*

Contact Person's Title: \*

Contact Person's Telephone Number: \*

Contact Person's Email \*

1. Please provide the facts and circumstances surrounding this potential or actual incident. Including scope

**This is an auto distribution form that once fully completed and submitted will alert Starr, SPELL JIF, Qual-Lynx and my office.**



# Reporting & Incident Response

## Timely reporting is critical



### Goals:

- Ensure compliance
- Mitigate potential damage:
  - Financial
  - Operational
  - Reputational







# Be prepared

## Information to have at the ready

- Facts surrounding the incident
  - Scope
  - Nature of disclosure
  - Relevant dates, people
- What type of info could have been compromised?
- Have you received any written info from a lawyer alleging wrongdoing?
- Do you have access to your systems/data or has a 3<sup>rd</sup> party denied you access to some/all?
- Have you retained the services of a law firm, cyber security expert or PR firm relating to a network security failure or privacy incident?
- Have your operations been disrupted or interrupted as a result? If so, for how long?



# Recent Claims Snapshot

## Public School Districts

Recent Paid Claims Samples
\$353,186
\$160,000
\$142,788
\$120,000
\$102,500
\$100,001
\$81,500
\$80,500
\$75,000

Most Common Causes
Ransomware
Social Engineering
Employee Error
BEC
DDOS



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# Thank you.

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