

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” ...

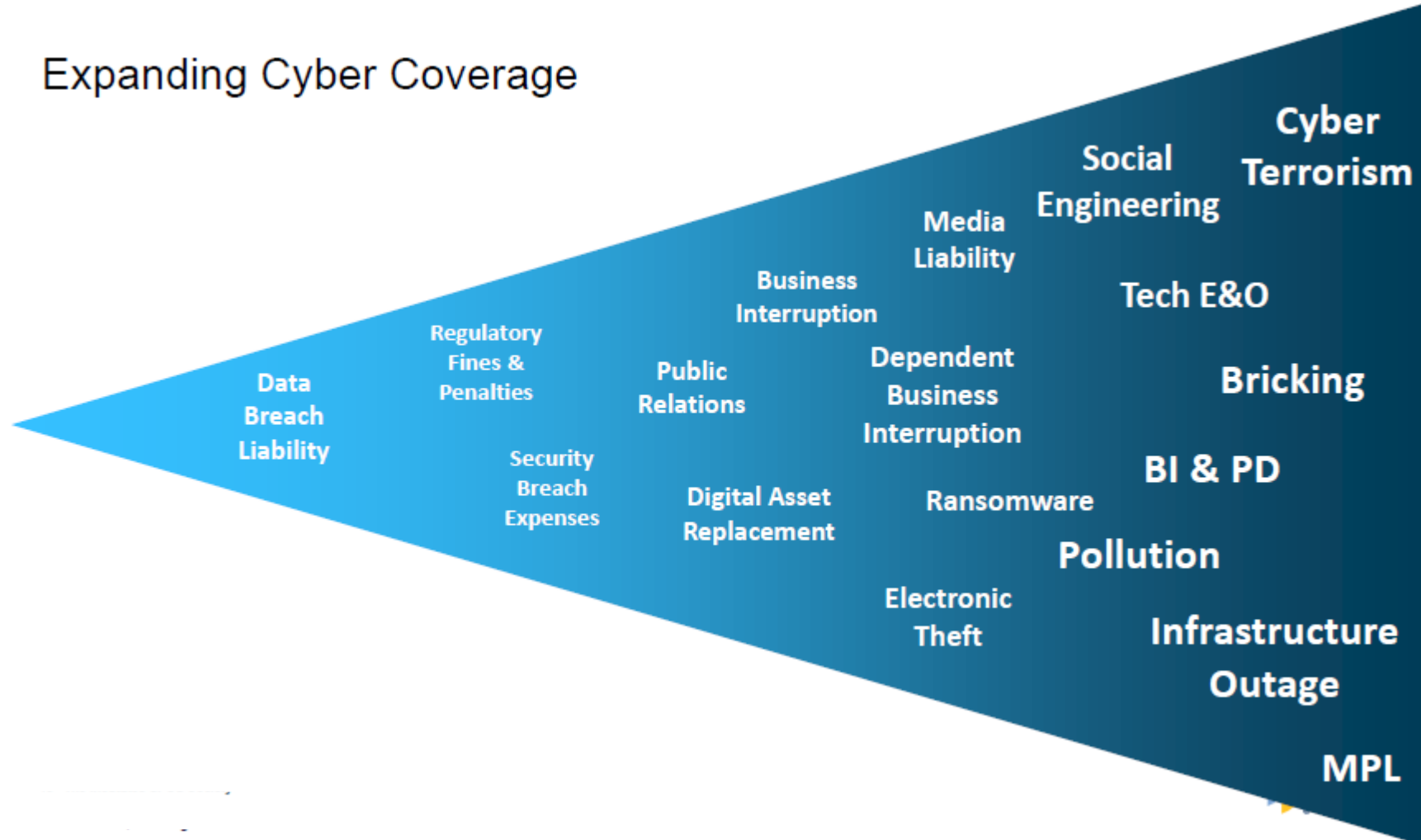


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As Threats Have Evolved, Cyber Risk Insurance Has Expanded

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

▲ 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

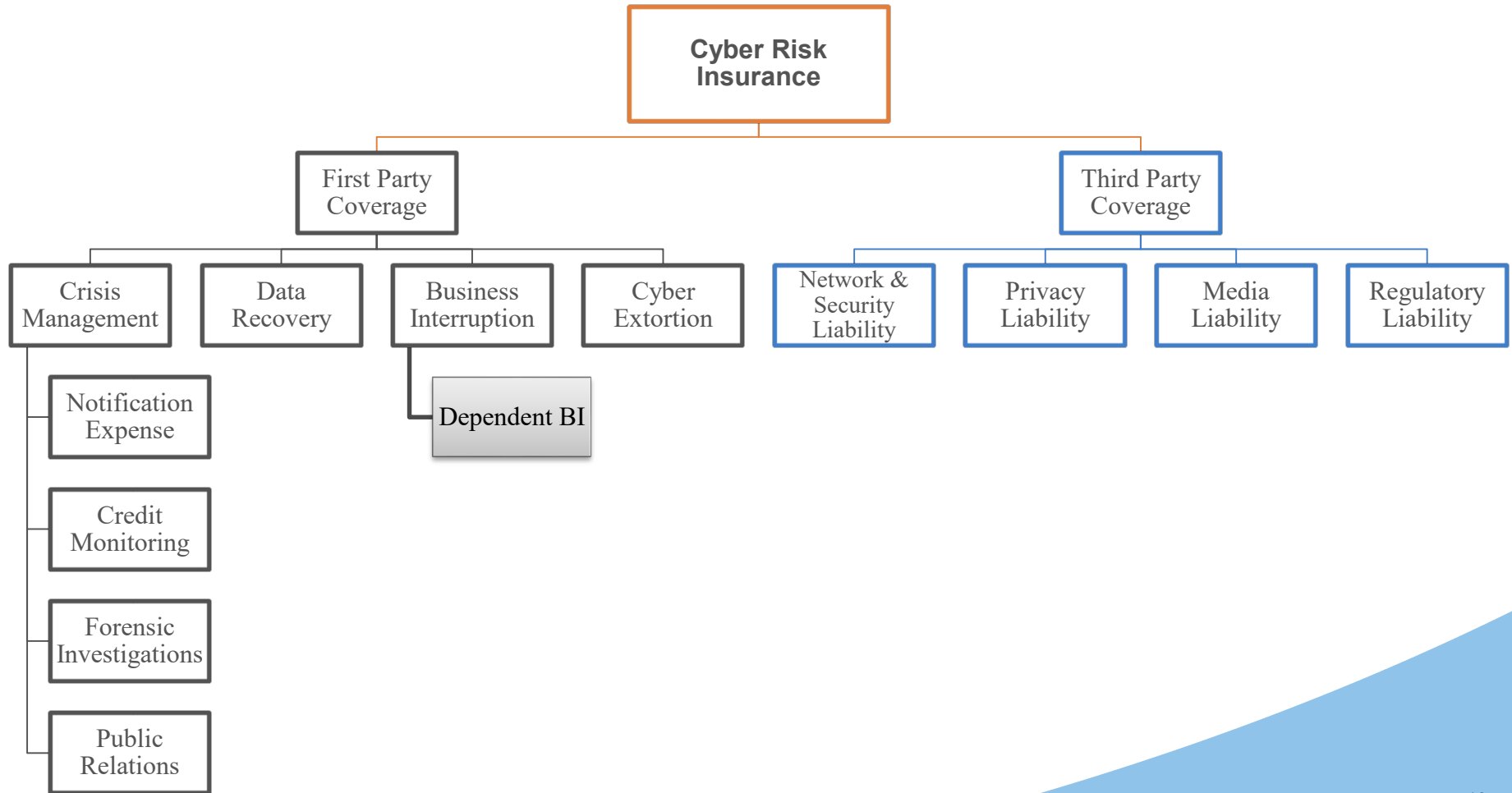
Cyber Coverage Explained

30,000 Foot View



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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



School Pool for Excess Liability Limits
Joint Insurance Fund

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- 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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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
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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



Suspected Data Breach Incident

Member immediately completes online claim reporting form www.spelljif.com



Coordination of Breach Response Begins with Counsel



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 3rd 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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