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# Understanding Cyber Liability & Data Breach Coverage

April 30 & May 1, 2019

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# Agenda

- Introduction
- Gallagher's Role
- What is Cyber Risk?
- Latest Cyber Incident Trends
- Insurance to Respond to Cyber Incidents
- How to get a proposal through BRIM?

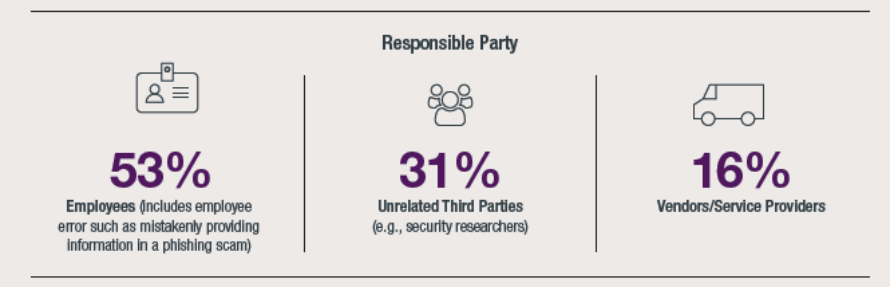
# Gallagher's Role with BRIM

- Insurance design & placement
  - Offer cyber coverage to state agencies, public benefit corporations and authorities through the BRIM contract
  - Provide program structure options
  - Negotiate with insurance carriers
  - Implement the most advantageous program
- Design broad coverage language
  - Reduces your out-of-pocket costs should a claim arise
  - Clear language to avoid coverage disputes
- Claims preparation & response
- Risk mitigation

# What is Cyber Risk?

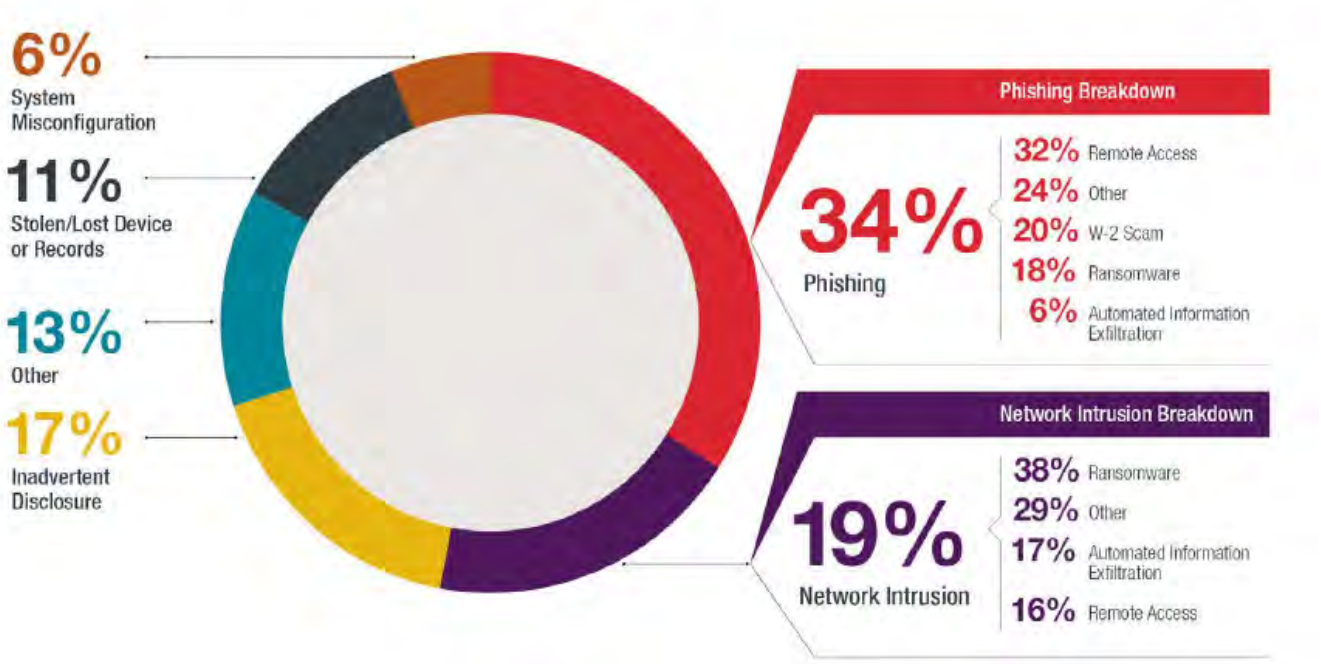
- "Risk of financial loss, disruption or damage to the reputation of an organization from some sort of failure of its information technology systems"
  ~Institute of Risk Management

- In practice, risks are much broader than IT related failures
  - Human error, inadvertent release of data, phishing schemes




Source: BakerHostetler 2018 Data Security Incident Response Report

# Latest Cyber Incident Trends




Source: BakerHostetler 2018 Data Security Incident Response Report

# Latest Cyber Incident Trends

**Governmental regulations**

- General data protection regulation (EU privacy regulation)
- California CCPA
- NYS DFS cybersecurity requirements

**Ransomware events**

- Wrongfully denying access to a computer system until a payment is made

**W-2 phishing scam**

- Hackers send fake emails appearing to be from upper management, with the intent of gaining information from employees W-2s in the attempt of committing identity fraud

**Internet of things**

- The connection of all things to the internet (cell phones, computers, home security systems, heart monitors, household)

# Costs of a Breach

> Average total cost of a data breach:

$3.86 million

> Average cost per lost or stolen record:

$148

> Likelihood of a recurring material breach over the next two years:

27.9%

> Average total one-year cost increase:

6.4%

> One-year increase in per capita cost:

4.8%

> Average cost savings with an Incident Response team:

$14 per record

Source: IBM & Ponemon Institute 2018 Cost of Data Breach Study: Global Overview

# Insurance to Respond to Cyber Incidents

- Insurance aids in both pre- and post-incident response

**Pre-incident**

- Engagement of pre-vetted firms
- Coordination of resources prior to an event to allow for turnkey response

**Post-incident**

- Immediate engagement of pre-vetted firms, including breach counsel
- Experts to assist in complying with regulatory requirements
- Negotiated discounts via insurers for all service providers
- Insurance proceeds to offset the costs of incident response

# Cyber Insurance Coverages

| | | |
|---|---|---|
| Network Security Liability | Privacy Liability | Privacy Regulatory Proceeding |
| Breach Response Expense | Media Liability | Cyber Extortion |
| Business Interruption | Data Restoration | Professional Liability |

# Insurance Coverage Enhancements

- Forms are becoming more uniform in the insurance marketplace
- GDPR
- Sublimits are becoming less common
- “For” bodily injury wording
- System failure
- Dependent business interruption
- Hammer clause moving to 80/20
- Social engineering extension

# Cyber Risk Management Solutions

***The following Services May Be Offered With A Cyber Insurance Policy***

- Incident response planning (spells out the steps to take in the event of a breach — including Breach Coach)
- Best practices (polices, articles, white papers and webinars)
- Proprietary benchmarking/third-party benchmarking
- Quick audit — network assessments
- Cost of a breach calculator
- Coverage gap analysis
- Policy design and best-in-class terms
- Contract analysis
- Vendor management
- Insurance policy design and implementation

# Vendor Requirements in Contracts

- Types of contracts to require cyber insurance
  - Contracts where confidential, non-public information is shared
- Cyber insurance limits to require
  - Low risk - $1M
  - Moderate risk - $5M
  - High risk - $10M to $25M
- Critical coverages for vendors
  - Breach response/notification coverage
  - Network security/privacy liability

# How to Get a Proposal?

- Gallagher working with BRIM on Statewide Cyber Insurance Program
  - Leveraging economies of scale across the state
  - Developing broad policy wording for all agencies
  - Engaging service providers to support incident response

***For additional information or to obtain a proposal, please contact:***

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