Cyber Liability Insurance

What Is Cyber Liability Insurance?

Cyber or Privacy Liability insurance provides coverage for the costs associated with the unauthorized access, misuse, loss, or theft of data including personal identifiable information, sensitive health information, proprietary data and financial information stored in an electronic or physical format.

Why Does My Client Need A Cyber Liability Policy?

These costs and expenses have increased exponentially and a cyber policy will not only help protect your client's balance sheet but also provide access to resources, vendors and breach coaches at pre-negotiated rates.

What is the Current State of the Cyber Market?

The rise in ransomware attacks (severity + frequency) have lead to an increase in underwriting scrutiny and increases in premiums/retentions across the board. Carriers are taking a closer look at each individual account's cyber hygeniene much more closely. On accounts with poor controls, co-insurance and/or ransomware sublimits are being required. Excess coverage has become increasingly more expensive and requires a higher percentage of the primary than ever.

What Does A Cyber Liability Policy Cover?

This policy covers the defense costs associated with responding to data breaches, ransomware attacks, network outages and other privacy/network security related incidents at either the insured or vendor level. **This typically includes but is not limited to coverage for the following:**

Third Party Coverages

- Network Security & Privacy Claims
- Regulatory Investigations, Fines and Penalties
- Media Liaiblity Claims
- Payment Card (PCI-DSS) Assessment Expenses
- Breach Management Expenses

First-Party Coverages

- Business Interruption/ Contingent BI
- Ransomware/Cyber Extortion
- Digital Asset Retrieval/ Systems Restoration
- Court Attendance Costs
- Social Engineering/ Cyber Crime
- Reputational Loss Coverage
- Breach Response and Remediation Expenses
- Systems Failure/ Contingent Systems Failure

Other Enhancements or Sublimits of coverage that can be included:

- Biometric Data
- Cryptojacking
- Invoice Manipulation
- Voluntary Notification
- Contingent Bodily Injury
- Criminal Reward Expenses
- Preventative Shutdown
- Bricking/Hardware Replacement

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Claim Scenarios

Ransomware

A school district discovered that it was the victim of a ransomware attack when its servers became unresponsive. In addition to encrypting the network, the threat actors also exfiltrated student data and demanded a ransom to prevent the publication of student records on a dark web "shaming site." Further investigation revealed that backups had been corrupted. The decryption key was ultimately obtained through payment of a $200,000 ransom.

Stolen Identities

A business was hacked by someone who stole the social security numbers and bank account details of its employees and customers. The information was sold to a website which uses the information to create false identities. The defense and damages resulting from the lawsuits exceeded $900,000.

Lost Data

An employee's company laptop was inadvertently left on a train. The laptop contained files of private financial information of their customers. The company had to pay to notify their customers that their private financial information was no longer secure. Their customers sued the company for damages resulting from their failure to protect their private financial information. The notification costs and settlement totaled $350,000.

Rogue Employee

A problematic employee found out he was about to be terminated and in response, stole personal account details the business held on its clients, and published them online. When the clients found out about this, they sued for invasion of privacy and demanded remediation. Total settlement and defense costs exceeded $600,000.

Customer Privacy

An employee at an engineering firm found a way through his company's network security defenses and gained access to a customer's trade secret. The employee sold the trade secret to a competitor. The customer sued the engineering firm for the failure to protect the trade secret and was awarded for damages. The customer received over $500,000.

Physical Files

Confidential paper files containing names and checking account information of an organization's donors were found in a dumpster in an organization's parking lot. The press gained access to the documents and published an article in the local newspaper. The organization needed to notify all affected donors and pay for advertising in the local newspaper. The notification and advertising costs added up to around $50,000.

Network Security

An employee inadvertently downloaded a destructive computer virus onto the company's network, resulting in widespread data loss and transmission of the virus to a client's computer network. The client sued the company, contending they should have prevented transmission of the virus. Damages of $750,000 were sought for the lost data and economic loss caused by the network security breach.

These are only claims examples: minor changes from actual suits have been made to protect the confidentiality of all clients.

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