charlesworth consulting

CYBERSECURITY AND CYBER LIABILITY INSURANCE: EVOLVING RISKS IN AN EVOLVING MARKET

PETER SIMONSEN

ROADMAP

1. Scare you



2. Educate you



3. Insure you



charlesworth consulting

TERMS

- **Cyberattack**

  Any attempt to expose, alter, disable, destroy, steal or gain unauthorized access to or make unauthorized use of a computer or computer network.

- **Hack**

  An intentional attack perpetrated by a malicious actor to gain unauthorized access to a protected system.

- **Data breach**

  An intentional or unintentional release of secure, private, or confidential information into an untrusted environment.

charlesworth consulting

LAWS

- **State privacy laws**
- **State data security law**
- **Federal:**
  - HIPAA
  - PCI

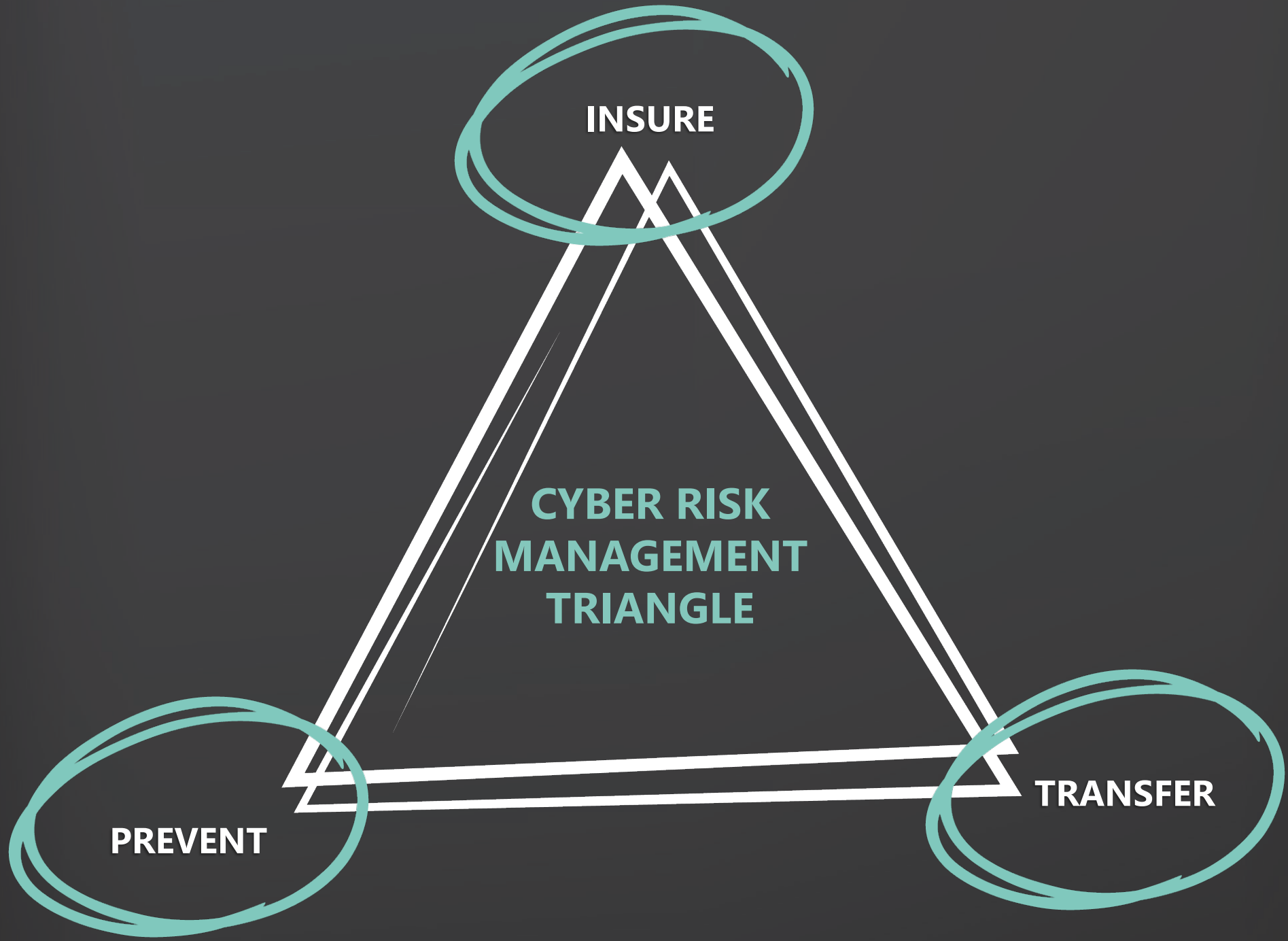


charlesworth consulting

STATISTICS

- 68% of public entities purchase cyber insurance
- 4.1 billion records exposed in data breaches in the first 6 months of 2019
- Global cyber insurance market: $7.36 billion
- Average breach cost per record: $150+

charlesworth consulting



charlesworth consulting

CYBER RISK MANAGEMENT

- **Prevent**
  - Communicate within organization about risks
  - Prioritize cyber security
  - Promote IT department
  - Educate employees
  - Protect city data



charlesworth consulting

CYBER RISK MANAGEMENT

- **Transfer**

  Review vendor contracts

  Understand where and how City data is stored

  Develop cyber insurance requirements for IT contracts

  Consult with professionals on contractual risk transfer

  Negotiate strong indemnification language without limitations of liability



charlesworth consulting

CYBER RISK MANAGEMENT

- **Insure**

  Purchase cyber insurance coverage

  Read your policy

  Understand coverages and limits

  Use resources included in your policy

  Incorporate cyber insurance into your cybersecurity breach response plan

charlesworth consulting

CYBER INSURANCE

1. Cyber insurance is an insurance product
2. It is a way to transfer your risk of loss to a third party
3. Cyber insurance is a hybrid policy – It covers you for first-party and third-party losses



charlesworth consulting

CYBER INSURANCE MARKET

1. Cyber insurance market is immature
2. Cyber insurance market is less regulated than other sectors
3. Cyber insurance market is expanding rapidly

charlesworth consulting

CYBER INSURANCE

How much is enough?

Factors:

1. Budget
2. # of employees
3. Operations
4. # of records
5. Location of City data
6. Effectiveness of other risk management techniques (Prevent and Transfer)

charlesworth consulting

CASE STUDY 1

1. # of records x notification expense per record = exposure
2. Disruption to operations in the event of a ransomware attack.



charlesworth consulting

CASE STUDY 2

1. Reputational harm
2. Public pressure to take remedial actions
3. Loss of work product
4. Media relations and providing public information



charlesworth consulting

ANATOMY OF A CYBER INSURANCE POLICY

- Binder
- Declarations
- Policy
- Endorsements

charlesworth consulting

CYBER INSURANCE POLICY ISSUES

- Sublimits, sublimits, sublimits
- Claims made coverage
- Warranties v. representations
- Binding requirements
- Reporting requirements

charlesworth consulting

COVERAGES

1st party

- LOBI
- Breach Response
- Hardware damage
- Cyber Ransom
- Forensics
- Cyber crime
- Fines and assessments



charlesworth consulting

COVERAGES

3rd party

- Privacy liability
- Tech E&O
- Media liability
- Privacy notification and breach remediation costs





charlesworth consulting

PROCUREMENT

1. Figure out what the need is
2. Run a competitive process
3. Understand the difference between broker services and carrier services

charlesworth consulting

TAKEAWAYS

1. Cyber threats against municipalities are increasing
2. There are many different kinds of cyber threats
3. Cyber liability insurance can offer some protection
4. Good contract management can also reduce your exposure
5. Understand where City data is located



charlesworth consulting

TAKEAWAYS CONT.

5. Cyber liability insurance is a la cart – each coverage is separate
6. Cyber coverage is changing rapidly, read the policies
7. Incident response and breach notification are important
8. Know what resources are available under your policy
9. Crime and cyber may eventually meld into one coverage
10. Costs will continue to rise



charlesworth consulting



charlesworth consulting