Overview

- Recent Trends and Loss Exposures
- Risk Management Strategies & Solutions
  - Pre-Loss Strategies (Prevention)
  - Post-Loss Strategies (Recovery)
- Overview of Cyber Insurance
- How to Best Secure Cyber Insurance Coverage
Trends and Loss Exposures

Challenge to manage risks posed by the globalization of emerging risks from hackers, privacy laws, litigation, and regulatory requirements, etc.

51% of CEO’s said their company experiences cyber attacks hourly or daily
Trends and Loss Exposures

- Future Lawsuits from Data Breaches are Imminent
- Derivative Shareholder Actions
- Increase in Federal and State Statutes and Regulations
- Plaintiff Lawyers are Starting to Attack Like Tobacco and Asbestos
Increasing claim activity for PII and PHI

Personal assets of D&O’s are exposed

Data security has evolved beyond IT department and become the ultimate responsibility of the executive suite and board of directors
Risk Management Strategies & Solutions
Pre-Loss Strategies (Prevention)

- Learn Exposures and Threats – Dynamic Changing Environment
- Take Action to Put Yourself in a Defensible Position
- Develop Internal Policies and Procedures Including a Cyber Incident Response Plan
- Legal Review and Contractual Risk Management
Pre-Loss Strategies (Prevention)

- IT, Financial, Legal & Risk Management Teams must work together to develop a loss prevention strategy.

- IT generally takes on a 1st Party approach to cyber exposures; they typically do not consider the 3rd Party Liability impact that can result from the breach.
Pre-Loss Strategies (Prevention)

Security and Privacy Assessment
- Internal
- External

Legal Compliance
- Federal and State
- International
- PCI and Other Standards
Pre-Loss Strategies (Prevention)

- Contractual Risk Transfer
  - Customer Contracts
  - Develop Insurance and Risk Management Requirements for Outsourced Services

- Manage Portable Devices – Laptops, iPhone, Flash Drives

- Prioritize Data for Encryption and Use

- Social Networking
Establish Plan of Action to Respond to Cyber Incident

- Act Quickly
- Access Legal and Security Professionals
- Communication Policy Including Notification and Crisis Management
- Assess Additional Potential Consequences – Reputation, Stock Price, Customer Base
- Business Continuity
- Contain to Nuisance Instead of Catastrophic Event
Cyber Insurance

What defines a cyber insurance policy?
How is it different from other policies?
How does it interact with other coverages including D&O, E&O, General Liability, etc?
Is there potential for a claim to trigger multiple coverage lines?
Cyber Insurance – Popular Misconceptions

Privacy? Pah! Why bother if you’ve done nothing wrong?

Joe Bloggs on Prozac
Joe Bloggs' discreet wage deal
Joe Bloggs' misspent youth
Identity theft increasing

Blog very personal surgery

Our intrepid reporter has found that Joe Bloggs has done a sort of stuff that no-one knew about and
However, he was careless while surfing the web, not using a firewall. Next minute, while doing online banking a hacker got

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Cyber Insurance – Popular Misconceptions

- “I don’t have any exposure”
- Reliance upon IT security
- “All cyber policies are basically the same”
- “It’s already covered” - D&O, E&O, Business Income, General Liability, Umbrella, Internet Liability or Crime Policies
- Coverage limitations/gaps of cyber policies
How To Select a Cyber Policy

- All policies are different – new entrants all at different levels of coverage
- Understand interaction with other insurance policies
- Develop an exposure analysis including 1st and 3rd Party
- Prioritize coverage features and map quotes against priorities
How To Select a Cyber Policy – Beware of Common Limitations

- Limited to electronic information and no coverage for hard copies or offsite information
- First party coverages – crisis management, notification expenses, business interruption, etc.
- Lack of cyber extortion coverage
- Limit coverage to only encrypted information
- Exclude social networking exposures
Positioning Insurance Carriers for Lower Cost of Risk

- Develop a Risk Profile
- Use exposure based risk assessment – not assessment of specific policy coverages
- Demonstrate a commitment to risk management
- Manage contractual liability exposures
- Involve IT in the process
- Obtain market leverage
Summary

- Implement loss prevention strategies to mitigate, eliminate or transfer cyber risk
- Quickly execute plan to respond to a cyber incident
- Incorporate cyber insurance into your plan
- Navigate cyber insurance landscape and prioritize exposures and desired coverages
- Work with a knowledgeable insurance consultant to maximize coverage tailored to your unique risk
Questions

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