



Knowledge Workshop

# Cyber Insurance – a closer look

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Inspiring Leading Companies

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## Agenda

- I. Do you buy Cyber Insurance?
- II. How does a Breach Occur
- III. How does a Policy respond?
- IV. What does Cyber Insurance look like?
- V. Silent Cyber
- VI. Cybersecurity Trends
- VII. Questions

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## Does your business buy Cyber Insurance?



Do you know what you are insured for?



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## How does a Cyber Breach occur



What do we know?

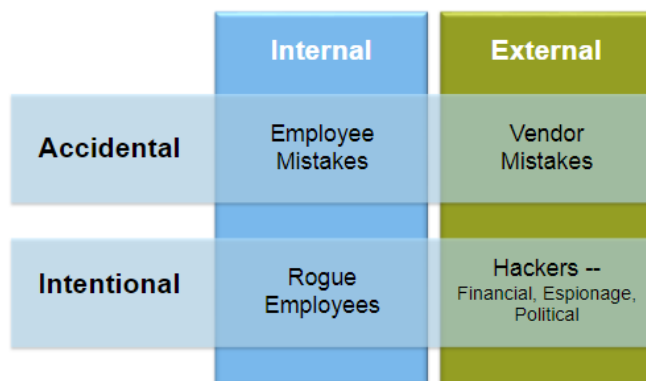
- Phishing/Spear Phishing
- Vulnerabilities
- Third party error
- Supply chain attack



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## How does a Cyber Breach occur

In a nutshell...



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## What does Cyber Insurance look like?

### Policy structure

The policy is structured into two segments:

- First Party Insuring Agreements; and
- Third Party Insuring Agreements.

These sections generally follow the timeline of a cyber incident:

- The initial attack and the costs involved in managing and investigating the incident (almost mitigating further exposure);
- Any interruption to the business and the costs involved in getting the business back on its feet; and
- The resultant third party claims by customers, employees or regulators.

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## What does Cyber Insurance look like?



### Does your policy provide adequate protection

There are many Cyber policies that only provide Third Party Cover or limit access or assistance to an Incident Response Manager.

#### Key Gaps

- Cash flow protection
- Access to experts who will manage the incident for you
- ICOW – How quickly get back on your feet
- Regulatory exposures



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## What does Cyber Insurance look like?



### Policy structure

#### Incident Response

- Triggered by a 'Cyber Incident' or a 'Business Interruption Incident'
- These are malicious or unauthorised access or hacking of a network that disrupts, harms, impedes access to or corrupts the operation this network
- Arise from human error, a programming error or a failure of the network's security controls
- Include ransomware events and Distributed Denial Of Service attacks (DDOS).



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## What does Cyber Insurance look like?



### Policy structure

#### What are First Party Costs?

- Costs for the management and coordination of the response
  - IT Forensics firms – to investigate the incident and work with a managed service provider to limit the impact of the event;
  - Legal firms – to evaluate regulatory and legal risk, as well as provide advice around consumer notification provisions;
  - Public Relation firms – to manage the messaging that follows an event; and
  - Credit monitoring firms – for credit monitoring, identity theft monitoring, social media monitoring, credit freezing and fraud alert services.

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## What does Cyber Insurance look like?



### Policy structure

#### Business Interruption and Data & System Recovery

Both triggered by a 'Business Interruption Incident'

Think of a property claim. What does the BI section cover and how does this relate to Cyber? What do you think will be covered?

BI – covers loss of net profit and continuing operating and payroll expenses.

Data & System Recovery - covers the increased cost of working and costs to recover data, repair or restore software, identify and remove malware, and to recover business operations.

can also extend to update/upgrade, replace or improve the damaged or compromised software or applications within the network. Subject to costs being less than or equal to the costs to repair or restore the same software or applications.

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## What does Cyber Insurance look like?



### Policy structure

#### Cyber Extortion

- Triggered by a 'Cyber Extortion Event'
  - a threat made against an organisation to release confidential information or personally identifiable information for the purpose of demanding money or cryptocurrency.
  - extends to include the threat of a failure of your network security, the introduction of malware to your network, the restriction of access to your network, and the alteration, corruption, destruction, misappropriation, manipulation of, or damage to, data within your network.
  - includes the expenses associated with hiring a third party crisis consultant to handle the negotiation and payment of an extortion demand.
  - any demand an insured agrees to pay to end the extortion event has the potential to be reimbursed by the insurer, subject to it being legally permissible for the insurer to do so.

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## What does Cyber Insurance look like?



### Policy structure

#### Privacy and Network Security Liability

- triggered by 'Privacy and Network Security Claims'
  - demands, civil proceedings, an arbitration processing, or a regulatory proceeding against an organisation and insured persons resulting from a 'Privacy and Network Security Wrongful Act'.
  - 'Privacy and Network Security Wrongful Act' is either an error, misstatement, misleading statement, act, failure to act, neglect, or breach of duty that results in
    - A failure of a company's network security that leads to a cyber incident;
    - The failure of an organisation or insured persons to handle, manage, store, destroy or otherwise control personal data or non-public, private third party corporate information that you are legally responsible for; or
    - An unintentional violation of your privacy policy that results in the violation of a Privacy Regulation, including but not limited to the unintentional wrongful use or collection of personal data by an organisation or insured persons.

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## What does Cyber Insurance look like?



### Policy structure

#### Privacy and Network Security Liability cont...

- provides coverage for 'Damages' and 'Privacy and Network Security Claims Expenses'
  - 'Damages' are compensatory costs, awards, interest and settlements which an insured or insured persons become legally liable to pay resulting from a wrongful act.
  - 'Privacy and Network Security Claims Expenses' generally relate to defence costs and expenses relating to the investigation and defence of a claim

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## What does Cyber Insurance look like?



### Policy structure

#### Extensions

- Consumer Redress Fund
  - cover for money an insured or insured persons are obligated to deposit in a fund as equity for the payment of consumer claims due to an adverse judgment or settlement of a regulatory proceeding.
- Payment Card Loss
  - Cover for monetary assessments, fines, penalties, chargebacks, reimbursements, and fraud recoveries that an insured or insured persons become legally obligated to pay as a result of a wrongful act due to non-compliance with the Payment Card Industry Data Security Standard (PCI DSS).
- Regulatory Fines
  - Cover for fines or penalties imposed by a government or regulatory body as a result of a breach or violation of privacy regulations.

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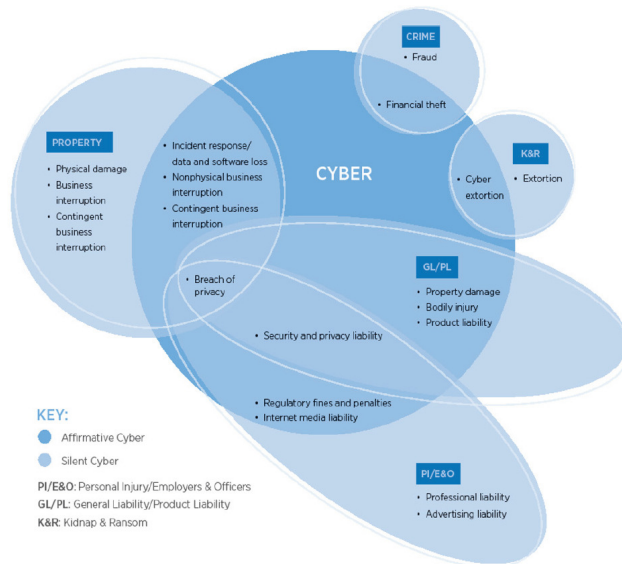
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## Silent Cyber

### Why we need this when...

*"Is covered under another policy"*



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## Cybersecurity Trends

### Regulatory Environment

#### Mandatory Notifiable Data Breach Scheme

The scheme was enacted on 22 February 2018 through the establishment of the Privacy Amendment (Notifiable Data Breaches) Act 2017.

#### Australia's Cyber Security Strategy 2020:

- Businesses should take responsibility for enhancing their cyber security, just as they are responsible for the safety and quality of their products / services
- The threat environment is worsening
- Growth of Cyber Crime is outstripping countermeasures
- Human behaviour is almost always part of the problem
- Small business are particularly vulnerable as SMEs often lack the resources or expertise to defend themselves and can be a large impact on regional communities.

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## Key Takeaways



- Think about the impact on your business – could this be an extinction event?
- Talk to your broker – Do they know how a Cyber policy protects you?
- Look at your own control environment

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## Questions?



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