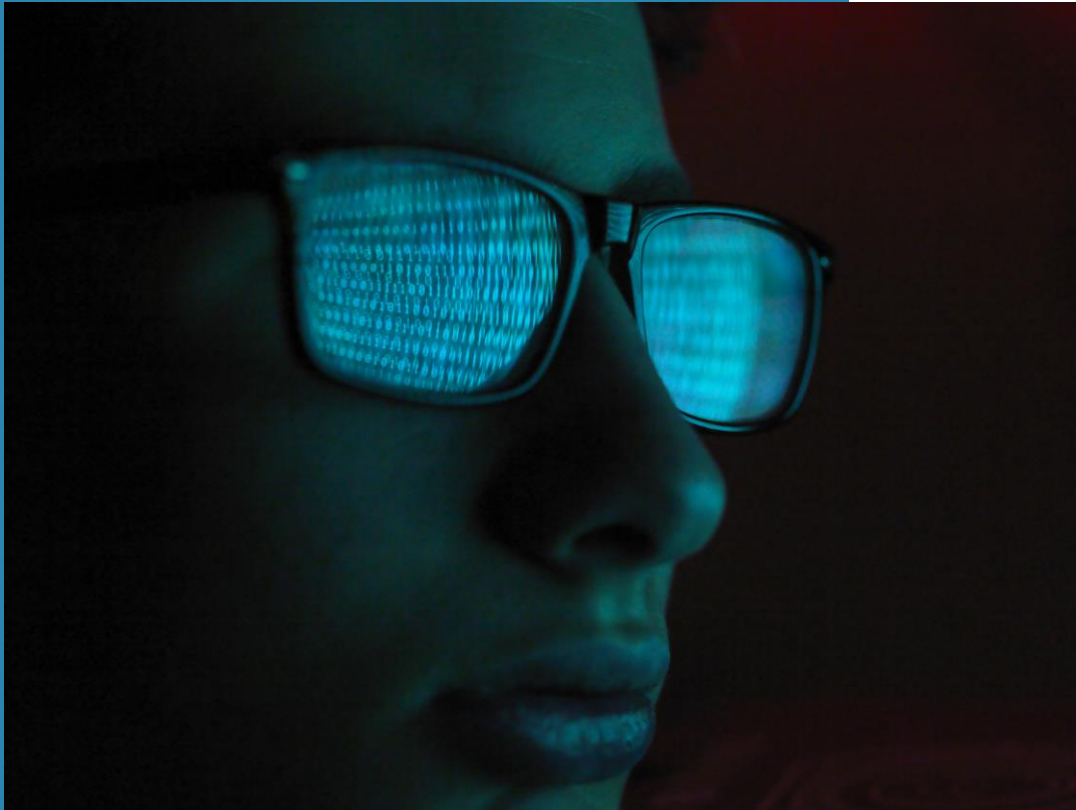




Cybersecurity Insurance

The Role Insurance Companies Play in
Mitigating Risk in 2022



It's Not If, It's When!

- As technology becomes more complex and sophisticated, so do the threats that businesses face.
- Business Insurance is a natural ally.
- Benefit of the third-party viewpoint.
- Insurance company has a vested interest in your cybersecurity.

It Began With Shipping Insurance



Lloyds Of London

- In the late 1680s, Edward Lloyd opened a coffee house, which became the meeting place for parties in the shipping industry wishing to insure cargoes and ships, including those willing to underwrite such ventures.
- Lloyd's is a corporate body governed by the Lloyd's Act 1871.
- An insurance market that acts as an intermediary between clients, brokers, underwriters, insurance companies, and reinsurers.
- 76 syndicates managed by 50 managing agencies that operate and specialize in specific types of risk and decide who to insure.
- The syndicates operate and specialize in specific types of risk and decide who to insure.
- Syndicates spread out the risk of different clients.
- Today, Lloyds charts the course of global insurance needs including cybersecurity insurance.



Cybersecurity Insurance Builds on Traditional Business Insurance

Cyber liability insurance is an insurance plan that helps cover financial losses due to cyberattacks or other tech-related risks, as well as privacy investigations or lawsuits following an attack. It is often part of a comprehensive protection plan that includes:

- General liability insurance - cover claims caused by property damage or bodily injury.
- Commercial property insurance, - covers business' owned or rented physical location and equipment; 1st party and third party.
- Employment practices liability insurance - covers employee claims of harassment, discrimination or wrongful termination.
- Professional liability insurance - covers claims of mistakes or omissions in your professional business services.

What Does Cybersecurity Insurance Cover?

Baseline Coverage May Include:

First Party

- Breach Response
- Crisis Management
- Cyber Extortion
- Business Interruption
- Digital Asset Restoration (Lost Data)
- Cybercrime

Third Party

- Regulatory Defense Expenses/Fines
- Multimedia Content Liability



Coverage Options:

- Loss of Value due to theft of intellectual property
- Betterment

Cyber Insurance Does Not Cover:

- Potential future lost profits
- Business property (i.e. stolen laptops, servers)

Where To Start?

Do we have a cyber insurance policy?

Don't assume that an existing property damage or business continuity policy will cover an incident.

Who owns the task of mitigating cyber risk with insurance? CIO? CISO? Risk Manager?

Determine who job is to select and buy cybersecurity insurance.

Who responsible for maintaining controls?

Determine who is responsible to process

Do we have the right amount of cyber insurance?

Quantify cybersecurity risk factors:

Annual Revenues

Customer Contract Requirements

Public Facing Exposure

What does our policy cover? What are the exclusions? Does it cover compliance penalties and fines?

Most include network security reimbursement or hiring counsel or a forensic vendor.

What about breach notification?
Ransomware payments?

Where To Start?

Does our insurance provider understand our industry and its risks?

Some traditional insurance brokers may not fully comprehend cybersecurity threats.

Confirm they are familiar with your industry compliance laws.

Is our policy flexible enough to adapt as our business grows?

It is important that the insurance policy can adapt to malicious actors' tactics.

Actively review the policy every time it's up for renewal.

Bottom Line

- The CEO owns the risk.
- CISO, CIO, etc... must make the CEO understand how much risk they would carry without adequate cyber insurance.
- The Board of Directors should also discuss its level of cyber risk tolerance.

Where to Find Cybersecurity Insurance?

Start with a Broker

- Brings Insurers, Reinsurers, and Insurance Buyers Together
- Industry Expertise
- Partnership with Third-Party Cybersecurity vendors

Top 10 Global Insurance Brokers By Revenues, 2020 (1)

(US\$ millions)

Rank	Company	Brokerage revenues	Country
1	Marsh & McLennan Cos. Inc. (2)	\$17,267	United States
2	Aon PLC	11,039	United Kingdom
3	Willis Towers Watson PLC	9,286	United Kingdom
4	Arthur J. Gallagher & Co.	6,070	United States
5	Hub International Ltd.	2,698	United States
6	Brown & Brown Inc.	2,606	United States
7	Truist Insurance Holdings Inc.	2,434	United States
8	Lockton Cos. LLC (3)	2,146	United States
9	Acrisure LLC	1,973	United States
10	USI Insurance Services LLC	1,949	United States

(1) Revenue generated by insurance brokerage and related services.

(2) Acquired PayneWest Insurance Inc. on April 21, 2021.

(3) Fiscal year ending April 30.

Source: Business Insurance (www.businessinsurance.com), July/August 2021.

The Process to Purchase Cybersecurity Insurance



Prepare to Answer the following:

- Company Annual Revenue
- Line of Business
- Applicable Compliance Laws and Regulations
- Value of Company Assets



Broker will:

- Assign you to their industry expert.
- Begin evaluation of organization's risk.
- Back and forth process.

Cybersecurity Risk Questionnaire

- What are the number of records (health, financial)?
 - Does the company use data encryption?
 - Do you monitor the network in real-time?
 - Is there a tested a business restoration and recovery process?
 - Is there a plan in place to limit disruption?
- What is the company access management policies?
 - Does the company use Multi-Factor Authentication?
 - How is data retention and disposal handled?
 - Are scans conducted by a third-party vendor?
 - Do you require indemnification and a hold harmless agreement?



Examples of Cybersecurity Business Insurance Policies



Online Digital Video Advertisement Content Creator

- 100 Million Annual Revenue
- 5 million Cyber Limit
- Premium = \$90,000/year up from \$75,000/year 2021

50 State Law Firm (Cloud-Based)

- 500 Million Annual Revenue
- 15 Million Cyber Limit – Recommended \$20 million (Tower Coverage: three \$5 million dollar coverages)
- Premium = \$500,000/year

Indoor Robotic Farming – Edible Vegetables

- 3 Million Revenue
- 2 Million Limit
- Premium = \$2000/year



Industry Insights

- Cybersecurity Insurance premiums have risen 200% over the last year.
- Traditional Insurance carriers are becoming risk-averse to cybersecurity plans forcing brokers to create plans directly with the Lloyds and other non-admitted insurers.
- Lloyd's of London sets the parameters for the cybersecurity insurance industry.
- Companies should expect to need around \$30,000 of coverage per million dollars in revenue. Minimum cyber insurance plans starts at a million-dollar limit coverage.



Conclusion

- Every organization needs some form of cybersecurity insurance, but each situation is unique.
- Cybersecurity insurance, like business insurance, must be specifically designed for the organization's risk.
- The Broker is your ally in addressing cybersecurity risk.
- Benefit from Broker and their partners cybersecurity expertise.

Final Thought

Insurance is a way to transfer some of your risk, but it's not a stand-alone measure. Nor is it a replacement for a security program. A policy may help you recover financial losses, but it won't help you bounce back from reputational damage and other negative impacts. A good cybersecurity insurance plan, though, can give you the resources to recovery from damages quicker to maintain business continuity and resilience.

References:

- <https://www.investopedia.com/terms/l/lloyds-london.asp>
- <https://www.lloyds.com/about-lloyds/history>
- <https://www.iii.org/publications/commercial-insurance/rankings>
- <https://www.pwc.com/us/en/tech-effect/cybersecurity/buying-cybersecurity-insurance.html>
- <https://www.travelers.com/cyber-insurance/coverages>
- <https://woodrufflawyer.com/cyber-liability/cyber-101-liability-insurance/>
- <https://resources.infosecinstitute.com/topic/considering-cyber-insurance-heres-what-you-need-to-know/>
- <https://www.coalitioninc.com/>

