



An Insurance Overview

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An Insurance Overview

Cyber security as required by law

Many professionals including lawyers, doctors, restaurnnteers, accountants and more have some obligations with regard to protecting client information. This includes doctors and lawyers who are under the HIPAA¹ Security Rule is a national standards for the security of electronic protected health information. A minority of states²—including Massachusetts, California, Connecticut, Rhode Island, Oregon, Maryland, and Nevada—have also enacted laws requiring businesses to maintain data security standards to protect state residents’ personal information from being compromised. During the past decade, Congress³ has enacted a number of laws governing data security in certain specific contexts, including:

- the Fair Credit Reporting Act (“FCRA”), which imposes requirements for the collection, disclosure, and disposal of data collected by consumer reporting agencies;
- the Children’s Online Privacy Protection Act (“COPPA”), which requires covered website operators to maintain reasonable procedures to protect the personal information of children;
- the Health Insurance Portability and Accountability Act (“HIPAA”), which requires health care providers to maintain security standards for protected health information;
- the Health Information Technology for Economic and Clinical Health (HITECH) Act, which strengthens penalties for HIPAA violations and extends HIPAA violation liability to “business associates” to whom protected health information is disclosed (e.g., third-party administrators, accounting firms providing services to health care providers);

Risk mitigation measures required by insurers

Several companies rely on Cyber Insurance to minimise their risk as company. While cyber insurance helps offer an extra layer of defence in a company’s robust cyber security program, it is **not a substitute** for managing the company’s cyber risk⁴.

¹ Source: <http://www.hhs.gov/ocr/privacy/>

² Source: <http://www.lexology.com/library/detail.aspx?g=cc5c9a56-7a60-46ab-9cf4-f36cada0cafa>

³ Source: <http://www.lexology.com/library/detail.aspx?g=cc5c9a56-7a60-46ab-9cf4-f36cada0cafa>

⁴ Source: http://databreachinsurancequote.com/wp-content/uploads/2015/01/CDRM_Bloomberg-BNA_World-Data-Protection-Report.pdf

Companies hence require to take steps in-order to reduce exposure. This is why most insurers do **not** provide a **one cost fits all**. Instead⁵ what they review current safeguards and then quote a price. Some of the requirements insurers pose are:

- **Back up** your data at least once a week and store it in an offsite location
- **Antivirus** and **firewalls** in place and that are regularly updated
- **Enforce policies** concerning when internal and external communication should be encrypted
- Personally identifiable information (PII) or personal health information (PHI) stored on laptop computers and portable media (flash drives, back-up tapes) **protected by encryption**
- Have a **privacy policy**
- **Types of Sensitive Information** Held on servers: Social Security Numbers, Credit Card Information, Personal Health Information (PHI), Bank Account Information, Employee Information and Third Party Corporate Data

Security measures that reduce cyber-insurance premium for companies

Underwriters within insurance companies look at the following⁶ to **calculate premiums** for Cyber Liability Insurance i.e. companies can **reduce their premiums** by implementing these protocols, which is an **opportunity for internet security companies**:

- Set standards and processes for proper data management
- Encrypt or use other protective measures to safeguard personal information
- Decide what type of personal data to maintain, how to store and for how long
- Require a strong password to protect all PC's and mobile devices that access company system
- Protect each individual PC with automatic updates of operating system and applications from centrally updated and monitored anti-virus, anti-spyware and anti-spam software

5 **Source:** <http://databreachinsurancequote.com/cyber-insurance/cyber-insurance-data-breach-insurance-premiums/>

6 **Source:** <http://pbpinsurance.com/index.php/01/main/data-breaches-and-cyber-liability>

- Implement a secure email system
- Limit employee use of the internet and email to company purposes and eliminate all connections to personal sites
- Obtain secure website capability – firewall that includes anti-virus, anti-spyware, and anti-spam services along with content filtering and intrusion prevention, detection and real-time reporting
- Know the procedures for working with third party vendors – banks, shredding services, hardware disposal, or outsourced efficiencies such as credit card processing
- Have a backup system that regularly retrieves data from the company server and stores it off site
- Involve employees in creating a cyber security focused culture and periodically review procedures to evaluate and update practices
- Develop a crisis response plan
 - What to do in the event of a data breach
 - What to do in the event of a disaster that affects data storage
 - Train all employees and periodically review procedures to evaluate and update practices

Companies offering cyber-security services can help small-medium businesses⁷ to reduce their cyber insurance premiums. Some companies even have advanced risk assessment services⁸ for Insurance Industry to help their clients understand risk.⁹

Cyber liability insurance coverage

Within the industry the term **cyber liability insurance cover** is often used to describe a range of covers - in very much the same way that the word cyber is used to describe a broad range of information security related tools, processes and services. Generally, most cyber liability insurance cover:

⁷ Source: <https://www.fireeye.com/solutions/small-and-midsize-business.html>

⁸ Source: <http://www.lockton.com/newsroom/post/fireeye-announces-advanced-risk-assessment-services-for-insurance-industry>

⁹ Source: <http://community.spiceworks.com/topic/444856-has-anyone-used-fireeye-malware-protection-system>

- **Data breach/privacy crisis management cover.** For example, expenses related to the management of an incident, the investigation, the remediation, data subject notification, call management, credit checking for data subjects, legal costs, court attendance and regulatory fines.
- **Multimedia/Media liability cover.** Third-party damages covered can include specific defacement of website and intellectual property rights infringement.
- **Extortion liability cover.** Typically, losses due to a threat of extortion, professional fees related to dealing with the extortion.
- **Network security liability.** Third-party damages as a result of denial of access, costs related to data on third-party suppliers and costs related to the theft of data on third-party systems.

Examples of Cyber Insurance Costs

Cyber insurance policy premiums are *not one size fits all*, as premiums are factored on a company's industry, services, data risks and exposures, computer and network security, privacy policies and procedures and annual gross revenue. The cheapest premium (cost to company) of a policy, for a doctor's office with \$700,000 in revenue was \$700¹⁰. The costs increase according to the company's size and activity. For instance, for a small startup doing clinical data research, which is considered high-risk, with a revenue of \$20,000, the premium can be up to almost 25% of the revenue, \$4,900, while for e-commerce companies or healthcare providers, the costs rise to tens of thousands of dollars.

Typical cyber insurance costs¹¹ for various industries are:

¹⁰ **Source:** <http://www.castlerockagency.com/cyber-liability-insurance.html>

¹¹ **Source:** <http://databreachinsurancequote.com/cyber-insurance/cyber-insurance-data-breach-insurance-premiums/>

Fiber Optics Communications Provider

Revenue: \$35 million
Limit: \$10 million
Premium: \$47,000

Pharmacy Benefits Management Company

Revenue: \$4 billion
Limit: \$5 million
Premium: \$84,000

Industry: Healthcare, Social Worker

Revenue: \$120,000
Limit: \$1 million
Premium: \$859

Industry: Financial

Revenue: \$100 million
Limit: \$1 million
Premium: \$37,000

Industry: E-commerce

Revenue: \$50 million
Limit: \$1 million
Premium: \$37,000

Industry: E-commerce

Revenue: \$50 million
Limit: \$1 million
Premium: \$37,000

Industry: Manufacturing

Revenue: \$100 million
Limit: \$10 million
Premium: \$50,000

Healthcare SaaS Provider (startup)

Revenue: \$1.5 million
Limit: \$5 million
Premium: \$30,420

Pharmacy Benefits Management Company

Revenue: \$4 billion
Limit: \$5 million
Premium: \$84,000

Industry: Healthcare

Revenue: \$25 million
Limit: \$1 million
Premium: \$12,900

Industry: Education

Revenue: \$25 million
Limit: \$1 million
Premium: \$6,000

Industry: Retail

Revenue: \$50 million
Limit: \$1 million
Premium: \$26,000

Restaurant

Revenue: \$50 million
Limit: \$1 million
Premium: \$10,000

Restaurant

Revenue: \$50 million
Limit: \$1 million
Premium: \$10,000

Healthcare IT Provider

Revenue: \$1.2 million
Limit: \$5 million
Premium: \$15,900

Electronic Health Records (EHR) Provider

Revenue: \$5 million
Limit: \$1 million
Premium: \$8010

Data Hosting Provider (startup)

Revenue: \$200K
Limit: \$1 million
Premium: \$2750

Clinical Data Analysis Research Software (startup)

Revenue: \$20,000
Limit: \$2 million
Premium: \$4900

Psychologist's Office

Revenue: \$1 million
Limit: \$1 million
Premium: \$1600

Online Retailer

Revenue: \$500,000
Limit: \$1 million
Premium: \$1100

Doctor's Office

Revenue: \$1.7 million
Limit: \$1 million
Premium: \$1800

Fast Food

Revenue: \$15 million
Limit: \$1 million
Premium: \$9000

Data Storage Center

Revenue: \$15 million
Limit: \$20 million
Premium: \$120,000

Healthcare IT Consultant

Revenue: \$150k
Limit: \$1 million
Premium: \$3298

e-Waste Company

Revenue: \$1.5 million
Limit: \$2 million
Premium: \$3564

Doctor's Office

Revenue: \$700,000
Limit: \$500,000
Premium: \$649

Professional Consulting Services

Revenue: \$400,000
Limit: \$1 million
Premium: \$1200

SaaS Provider

Revenue: \$3 million
Limit: \$2 million
Premium: \$6000

Hospital

Revenue: \$170 million
Limit: \$5 million
Premium: \$42,000

Insurance Company	URL	Name of Cover	What's Covered	Products	Notes	Source
Travelers	https://www.travelers.com/business-insurance/cyber-security/whats-at-stake.aspx	Cyber Insurance	<p>Liability insuring agreements cover costs associated with the liability of a claim or suit related to a breach and include:</p> <ul style="list-style-type: none"> • Network and information security liability • Communications and media liability • Regulatory defense expenses, including fines and penalties coverage <p>-----</p> <p>First-party insuring agreements cover such things as the material costs of a breach, including forensic analysis, fees to determine the nature and extent of the breach as well as notification costs that are legally mandated in 47 states and include:</p> <ul style="list-style-type: none"> • Crisis management event expense • Security breach remediation and notification expense • Computer program and electronic data restoration expenses • Computer fraud • Funds transfer fraud • E-commerce extortion • Business interruption and additional expenses 	<ul style="list-style-type: none"> *CyberRisk - One System Hack Can Shut Down a Business - One Policy Can Protect It *CyberFirst* - Bespoke (custom) cyber insurance. *CyberFirst Essentials - Custom product for Small Businesses 		<ul style="list-style-type: none"> *https://www.travelers.com/business-insurance/management-professional-liability/documents/59784.pdf *https://www.travelers.com/business-insurance/cyber-security/management-professional-liability/cyber-risk.aspx *https://www.travelers.com/business-insurance/cyber-security/technology/cyber-first.aspx *https://www.travelers.com/business-insurance/cyber-security/public-sector/cyber-first.aspx *https://www.travelers.com/business-insurance/cyber-security/small-business/cyber-first-essentials.aspx
Insurance On	http://www.insureon.com/products/cyber-liability-o/	Cyber Insurance	<p>*Legal and forensic services to determine whether a breach occurred and assist with regulatory compliance if a breach is verified. *Notification of affected customers and employees, including costs such as letter preparation and mailing. *Customer credit monitoring, as well as monitoring of fraud, public records, and other information as needed. *Crisis management and public relations to educate your customers about the breach and rebuild your company's reputation. *Good faith advertising. *Business interruption expenses such as costs for additional staff, rented or leased equipment, use of third-party services, and additional labor arising from a covered claim. *Cyber extortion reimbursement for perils including credible threats to introduce malicious code; pharm and phish customer systems; or corrupt, damage, or destroy your computer system.</p>	<ol style="list-style-type: none"> 1. First-Party Response Cyber Insurance: helps pay for immediate customer and business needs resulting from a data breach 2. Third-Party Defense And Liability Cyber Insurance: his type of policy covers costs associated with a lawsuit brought by a customer or partner for a data breach that your business's actions or negligence allowed 3. Data Breaches And The Need For Data Breach Insurance: 	<p>Based on marketing campaigns:</p> <ol style="list-style-type: none"> 1. Accountants, Tax Preparers, Bookkeepers, and Finance Professionals 2. Lawyers, Employment Agencies, Travel Agents, Truckers, and Other Specialty Services Companies 3. Photographers & Videographers 4. Small Manufacturers 5. Salons and Personal Care Services 	<ul style="list-style-type: none"> *http://www.insureon.com/products/cyber-liability/definition/ *http://photovideo.insureon.com/small-business-insurance/things-to-know/180 *http://manufacturers.insureon.com/small-business-insurance/cyber-liability/153 *http://personalcare.insureon.com/small-business-insurance/cyber-liability/252 *http://financial.insureon.com/small-business-insurance/cyber-liability/63 *http://specialty.insureon.com/small-business-insurance/cyber-liability/215
HSB Cyberone	http://www.munichre.com/HSB/products/commercial-lines-insurers/cyber-insurance/index.html	Cyber Insurance	<p>This cyber liability insurance helps pay for the costs associated with computer restoration and data recovery. And, the coverage also protects against third party liabilities a business might have as a result of a failure of system security. In the event of a computer attack, HSB CyberOne™ pays for:</p> <ul style="list-style-type: none"> Data Recovery from electronic sources Data Recreation from nonelectronic sources System Recovery Business Income Public Relations 	<ol style="list-style-type: none"> 1. HSB CyberOne™ coverage is a cyber risk insurance solution designed by Hartford Steam Boiler to help small businesses recover from damage to data and systems caused by a computer attack. 		<ul style="list-style-type: none"> http://www.munichre.com/HSB/products/commercial-lines-insurers/cyber-insurance/index.html
Hiscox	http://www.hiscoxbroker.com/shared-documents/hiscox_offers_protection_for_increased_security_risks_to_small_and_medium_sized_organizations.pdf	Cyber Insurance	<p>Details not clearly available on the website</p>			<ul style="list-style-type: none"> http://www.hiscox.com/small-business-insurance/blog/why-small-businesses-should-consider-cyber-liability-insurance/

Insurance Company	Name of Cover	What's Covered	Products	Notes	Source
Cyber Edge	Cyber Insurance	CyberEdge includes the following coverages provided through PortfolioSelectSM or Specialty Risk Protector policy form: *Third-Party Loss Resulting From a Security or Data Breach *Direct First-Party Costs Resulting From a Breach *Lost Income & Operating Expense Resulting From a Security or Data Breach *Threats to Disclose Data or Attack a System to Extort Money *Online Defamation & Copyright Trademark Infringement		PortfolioSelectSM helps provide the peace of mind public and private companies, financial institutions, and non-profit entities need to successfully embrace	http://www.aig.com/Portfolio-Select_3171_531842.html
Philadelphia Insurance Companies	Cyber Insurance	First Party Protection *Loss of Digital Assets Coverage *Non-Physical Business Interruption and Extra Expense *Cyber Extortion *Cyber Terrorism *Security Event Costs *Third Party Protection *Network Security and Privacy Liability *Employee Privacy Liability *Electronic Media Liability		Customers include health and fitness, non-profit and social services, Private, Academic, Vocational, and Charter Schools, Religious Organizations and Veterinarian Practices	* https://www.phily.com/Files/CyberHandF31-922.pdf * https://www.phily.com/Files/Cyber%20NPS31-921.pdf * https://www.phily.com/Files/CyberSchools31-914.pdf * https://www.phily.com/Files/CyberReligiousOrg31-923.pdf * https://www.phily.com/Files/CyberLiabilityProfile-VeterinarianPractices31-924.pdf
Lockton	Cyber Insurance	Complete risk transfer solution that includes: *Technology Errors and Omissions *Media Liability *Intellectual Property Infringement *Data Protection *Cyber Liability			
Balsiger Insurance	Cyber Insurance	*Crisis management coverage: This covers the expenses related to informing clients and other affected parties of the breach. It also covers the expenses for any campaigns aimed at rebuilding the business' reputation. *Good faith advertising expenses coverage: These are advertising campaigns designed to publicly address the issue of the breach. *Legal and forensic services coverage: This relates to the forensic investigation involved in proving that there was indeed a breach. It also applies to the legal expenses for ensuring that the business is in compliance with all necessary regulations. *Monitoring services expenses coverage: This covers all related expenses for installing security alert systems utilized as breach and fraud preventative tools. *Notification expenses coverage: This covers all expenses associated with mailings and other means of informing clients and all affected parties of the breach. *Defense and liability expenses coverage: This is third party coverage for expenses			http://www.balsigerinsurance.com/data-breach-insurance-coverage-for-small-businesses/
The Armstrong Company	Cyber Insurance	The concept of Cyber Liability takes into account first- and third- party risks. The risk category includes data storage, business interruptions, fraud and theft, extortion, crisis management, copyrights, privacy issues, virus transmission, or any other serious trouble that may be passed from first to third parties via the Web.		Retailers/Hospitality Educational Institutions Financial Institutions Healthcare Public/Governmental Entities Law Firms	http://arminco.com/resource-center/helpful-articles/what-is-cyber-liability-insurance/
Hub International	Cyber Insurance	tailor cyber liability insurance to meet specific needs			http://www.hubinternational.com/business-insurance/cyber-liability/
Barney and Barney	Cyber Insurance	*Privacy liabilities—Covers unauthorized access or disclosure of both private-personal and business-confidential information *Media and content liabilities—Covers infringement of copyright and trademark, as well as personal injuries like libel and slander *Network-security liabilities—Covers damages caused to others if your systems are hijacked, penetrated, or infected *Regulatory action—Covers legal expenses incurred for defense against regulators;			

Insurance Company	Name of Cover	What's Covered	Products	Notes	Source
SafeGuard Insurance	Cyber Insurance	Cyber Liability & Data Breach Insurance policies can cover losses such as: *Copyright & Trademark Infringement *Unauthorized access *Customer notification expenses *3rd party liability claims *Introduction of viruses *And generally any activities involving business use of the Internet		Customers include Retailers (including online retail), Wholesalers, Banks & mortgage lenders, Law firms, Hospitals,	
PBP Insurance	Cyber Insurance	- Security breach: Addresses the company's liability for data breach and loss of confidential information - Replacement or restoration of electronic data: Cost of data entry, reprogramming, and computer consultation services associated with replacing or restoring electronic data or computer programs destroyed by virus, malicious code or denial-of-service attack - Web site publishing: Errors, mis-statements, or misleading statements that infringe on copy-right, trademark, trade dress, or service mark; defame a person or organization; or violate a person's right of privacy - Programming errors and omissions: Alleged contractual negligence or if the firm's computer system transmits a virus to a third party - Business income and extra expense: Loss of business income generated from website or online sales due to ceasing activities because of a virus or extortion threat - Extortion threats: A threat to introduce a virus, malicious code, or denial-of-service			http://pbpinsurance.com/index.php/01/main/data-breaches-and-cyber-liability

