Understanding the Business Risk

Presenter:

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Disclaimer

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Identify the Exposure

- Hackers
- Rogue Employees
- Independent Contractors
- Human Error
- Social Media
- Mobile Devices
- Cloud Computing
- A Changing Regulatory Environment
INSURANCE POLICIES COVERING LOSS.

- Take Inventory of Insurance Policies
- Match the coverage to the type of exposure: e.g., 1st Party, 3rd Party, Hybrid of the two, etc.
COVERAGE UNDER CGL?

- IP Exposure
- Data Loss
- Business Interruption
- Third Party Losses
- Privacy
WHEN CONVENTIONAL IS NOT ENOUGH.

Consider Cyber Policies, but beware!
The Marketplace View Is That Current Cyber Options Offer Insurance For:

- Privacy Injury Liability
- Privacy Regulatory Proceedings and PCI Fines
- Network and Content Liability
- Crisis Management Fund
- Network Loss or Damage
- Business Interruption
- Electronic Theft
- Network Extortion
<table>
<thead>
<tr>
<th>Exposure Category</th>
<th>Description</th>
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<tbody>
<tr>
<td>Network Security Liability</td>
<td>Promises liability coverage if an Insured's Computer System fails to prevent a Security Breach or a Privacy Breach</td>
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<tr>
<td>Privacy Liability</td>
<td>Promises liability coverage if an Insured fails to protect electronic or non-electronic information in their care custody and control</td>
</tr>
<tr>
<td>Media Liability</td>
<td>Promises coverage for Intellectual Property and Personal Injury perils the result from an error or omission in content (coverage for Patent and Trade Secrets are generally not provided)</td>
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<tr>
<td>Regulatory Liability</td>
<td>Promises coverage for lawsuits or investigations by Federal, State, or Foreign regulators relating to Privacy Laws</td>
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| Breach Response / Crisis Management            | **Notification / Legal Expense**  
Promises to pay 1st Party expenses to comply with Privacy Law notification requirements; In many instances goodwill notification; Legal Advisory |
|                                              | **Credit Monitoring Expense**  
Promises to pay 1st Party expenses to provide up to 12 months credit monitoring                                                                                                                                 |
|                                              | **Forensic Investigations**  
Promises to pay 1st Party expenses to investigate a system intrusion into an Insured Computer System                                                                                                                                 |
|                                              | **Public Relations**  
Promises to pay 1st Party expenses to hire a Public Relations firm                                                                                                                                 |
| Data Recovery                                 | Promises to pay 1st party expenses to recover data damaged on an Insured Computer System as a result of a Failure of Security                  |
| Business Interruption                         | Promises to pay 1st party expenses for lost income from an interruption to an Insured Computer System as a result of a Failure of Security    |
| Cyber Extortion                               | Promises payments to a party threatening to attack an Insured's Computer System in order to avert a cyber attack                              |
| Technology Services/Products & Professional   | Brokers Indicate that Technology Products & Services and Miscellaneous E&O can be added to a policy when applicable                           |
| Errors & Omission Liability                   |                                                                                                                                              |
RISK MANAGEMENT CONSIDERATIONS

- Viruses: Coverage or Exclusion
- Virus Defined in a Manner that Might Affect Hacker Coverage if it’s an exclusion?
- Watch definitions like a hawk: “Confidential” Information vs. Trade Secrets vs. “Customer Information”
- Coverage for Regulatory Matters (e.g., FTC)
- “Modules approach”; different definitions for different sections?
Cyber Policy Considerations

- Conditions and exclusions involving data security efforts / protective measures of policyholder;
- Coverage for Network Computers Only?
- What about Laptops?
- Insured Property / Locations / Premises;
- Where are Servers / Computers Housed?
- D&O type claim exclusions
TIME SENSITIVE PROVISIONS.

- Fear of Reporting Claims?
- Timely Notice
- Proofs of Loss
- Suit Limitation Clauses
Litigation Issues When Fighting For Coverage Of Cyber Claims

- Not Much Precedent
- What Exists is Not Uniform
- Policy language is often not uniform
- Careful What Gets Disclosed During Discovery:
  - E.g., Sensitive Data, Customer Information, Network Security Blueprints
QUESTIONS?

Have a question that we did not get to address during Joshua Gold’s Presentation on Cyber Security Insurance & Risk Management Issues?

Please send your question to:

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-or-

Call Josh at: (212) 278-1886
Thank You

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