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Affiliate Member Webinar

Cyber Liability Insurance: *What You Need to Know*

Presented by:

Tim Zeilman, VP & Global Product Owner - Cyber

Timothy_Zeilman@hsb.com

What is a Cyber Risk?



Cyber

a broad, ill-defined term

Merriam-Webster

of, relating to, or involving computers or computer networks (as the internet)

Cyber Risks

- new, computer-related risks to people and organizations.
- new manifestations of traditional risks.
- includes risks that extend beyond the “cyber” realm.

Cyber Insurance

similarly broad and ill-defined.

How Cyber Insurance is Offered



Packaged with Property of Liability Coverage

Streamlined Process

Lower Premiums

Lower Limits

Less Flexibility

Stand-Alone Transactional Market

Application and Individual Underwriting

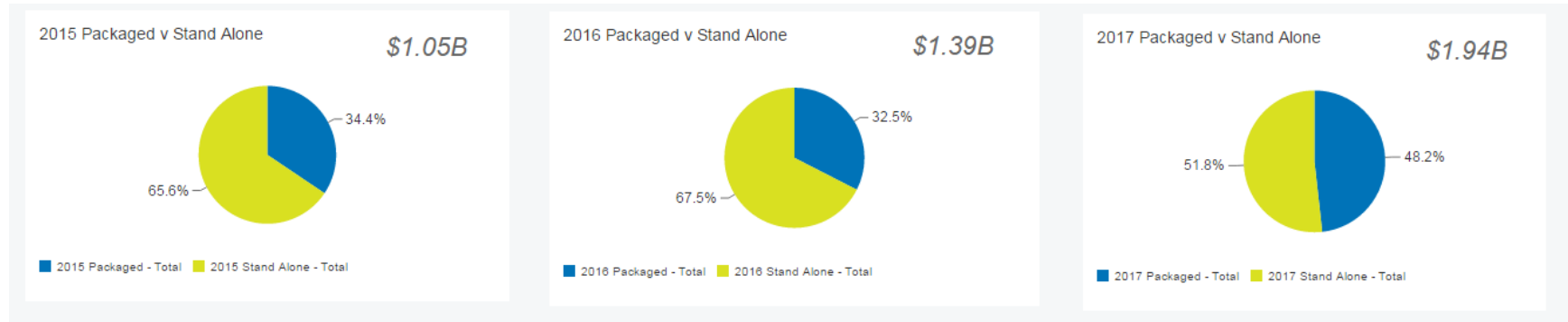
Higher Premiums

Higher Available Limits

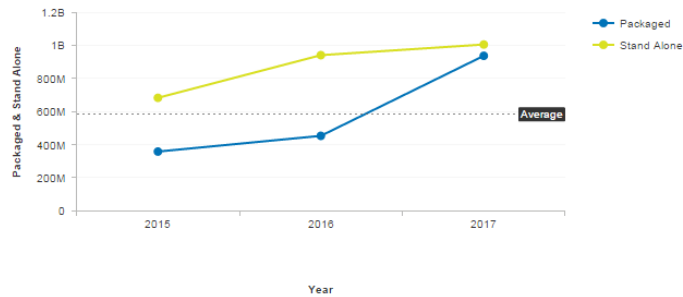
Greater Ability to Customize

The Cyber Insurance Marketplace

US Cyber market as a whole has almost doubled in size since carriers began submitting premium data to NAIC in 2015



Packaged and Stand Alone Growth by Year



- Substantial growth in packaged products in 2017 means the overall market split is close to 50/50 between Stand Alone and Packaged Cyber
- Of the \$550M increase in 2017 over 2016, only \$25.2M relates to new carriers filing premium with NAIC, \$525M represents growth in carriers that filed in 2016



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Cyber Insurance Coverages Today

First Party Coverages



- Data Breach
- Attack & Business Interruption
- Cyber Extortion
- Fraud / Social Engineering

Data Breach



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- Triggered by a breach of personal information
- Pays for:
 - Forensic IT Review
 - Legal Review
 - Notification Expenses
 - Services
 - Regulatory Fines and Penalties
 - PCI Fines and Penalties
 - Public Relations/Crisis Management



- Triggered by an attack on the insured's computer system
- Pays for:
 - Restoration of Data from Electronic Sources
 - Re-creation of Data from Non-Electronic Sources
 - Restoration of Systems and Software
 - Business Income and Extra Expense Loss
 - Public Relations/Crisis Management

Cyber Extortion



- Triggered by an extortion threat
- Pays for:
 - Consultation, Investigation and Negotiation Expenses
 - Payments Made in Response to Threat



Image: Getty/Thinkstock

- Triggered by deceptive attacks generally employed to divert payment to fraudulent destinations
- Reimburses for lost funds
- Also known as: Financial Fraud, Misdirected Payment Fraud
- Often paired with Computer Fraud coverage (which covers similar losses which result from hacking)

Cyber Insurance Coverages Today

Third Party Coverages



- Data Breach Liability
- Network Security Liability
- Electronic Media Liability





- Lawsuits and other formal disputes arising out of a breach of personal information
- Actions brought by:
 - Affected Individuals
 - Regulators
 - Banks and other parties

Network Security Liability



- Suits alleging that the insured's failure to secure its own system allowed harm to befall third parties
- Insured's system used to transmit malware
- Insured's system used in a denial of service attack



Image Source: Getty/Thinkstock

- Suits arising from the insured's publication of information on a website
- Copyright or trademark Infringement
- Defamation
- Invasion of Privacy

Emerging Coverages



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- System Failure
- Reputational Harm
- Privacy Incident Liability



System Failure



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- Triggered by a disruption of a computer system's functionality that lasts beyond a set waiting period (typically 10 hours)
- Disruption cannot be the result of an intentional attack or a physical peril
- Pays for lost business income and extra expense

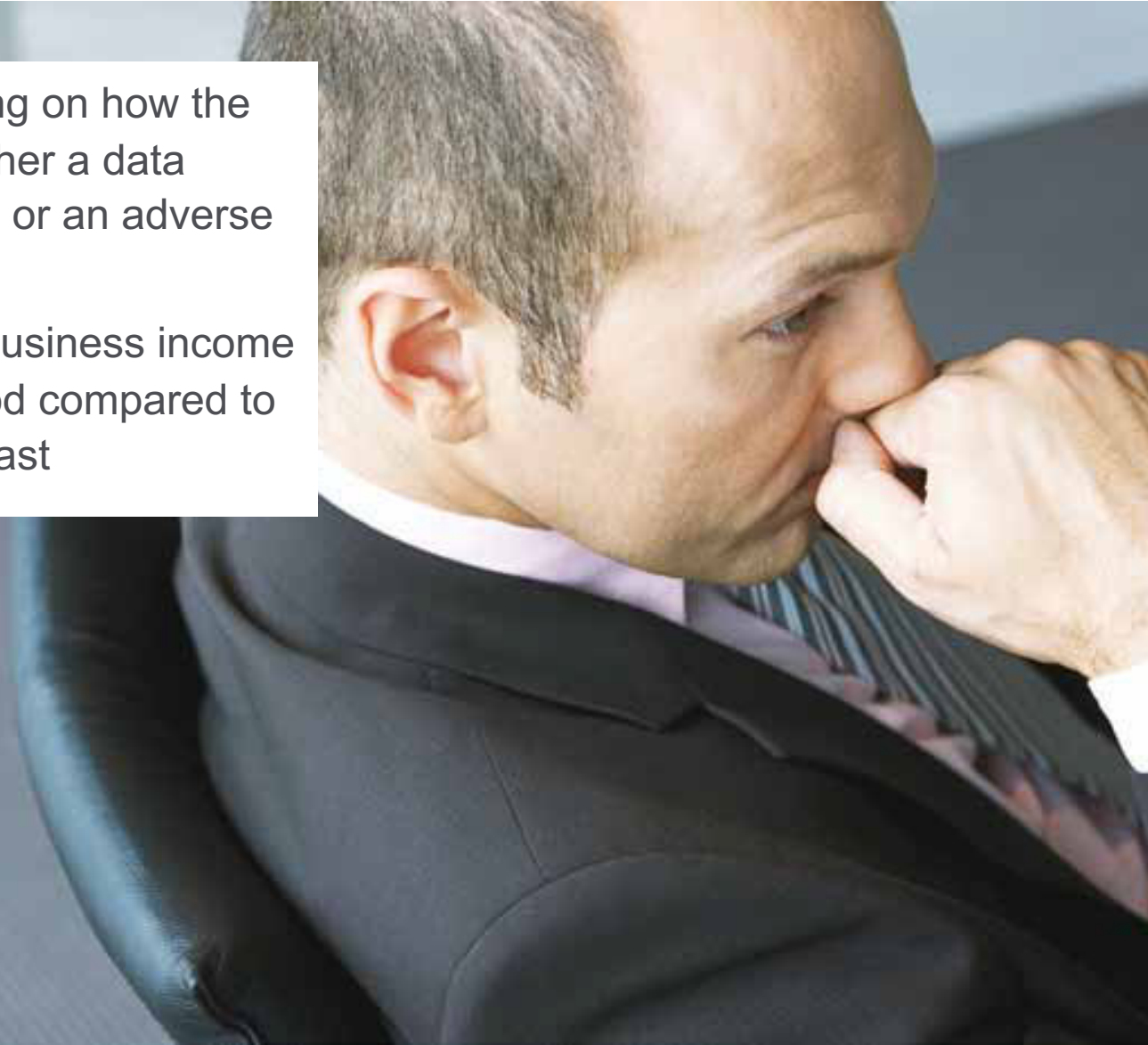
Reputational Harm



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- Triggered by (depending on how the coverage is written) either a data breach with notification or an adverse media event
- Pays for a shortfall in business income over a prescribed period compared to similar periods in the past





- Triggered by a suit alleging that the insured has collected or failed to delete, amend or correct personal information in an unauthorized or unlawful manner or that an insured has violated its own published privacy policy
- Pays for the costs of defense, settlement and judgement
- No actual breach of personal information (or even an allegation of such a breach) is required for coverage to be triggered.

Final questions?



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Thank you for your attention.

Tim Zeilman, VP & Global Product Owner - Cyber

Timothy_Zeilman@hsb.com



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