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## **INSURING DATA SECURITY AND PRIVACY EXPOSURES**

# Chief Executive.net



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# Insuring Data Security & Privacy Exposures

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# Topics of Discussion



- Review of Security & Privacy Exposures
  - General / Industry-Specific Exposures
  - Cross-Border Issues
  - Risk Assessment Tools
  - Benchmarking
- Financial Impact of a Security & Privacy Event
  - Claim Examples
  - Intangible Costs
- Overview of Insurance Coverages
  - Evolution of Insurance Coverages
  - Types of Coverage Available
  - Key Coverage Elements
  - Value-Added Services
- Question & Answer Session

# Review of Security & Privacy Exposures

Robert Parisi



# What are the Risks?



- Privacy, computer and network security are not just Internet issues.
- Any entity that transacts business using:
  - a computer network; or
  - confidential information is at risk.
- 3000 B.C.
  - Chinese merchants disperse shipments so as to minimize the risk of total loss.

*“Essentially, data loss is no longer a question of what if? The only question is when?”*

# What are the Risks?

## Part II



- Legal liability to others for computer security breaches
- Legal liability to others for privacy breaches
- Regulatory actions and scrutiny
- Loss or damage to data / information
- Loss of revenue due to a computer attack
- Extra expense to recover / respond to a computer attack
- Loss or damage to reputation
- Cyber-extortion
- Cyber-terrorism

# Threat Environment



- Social Media/Networking
- Internal:
  - Rogue employees
  - Careless staff
- External:
  - Organized crime:
    - Foreign
    - Domestic
  - Hackers
- Technology:
  - Hackers, viruses, etc.
  - Structural vulnerability
- Old school:
  - Laptop theft
  - Dumpster diving
  - Phishing
- Regulatory



# Risk Management

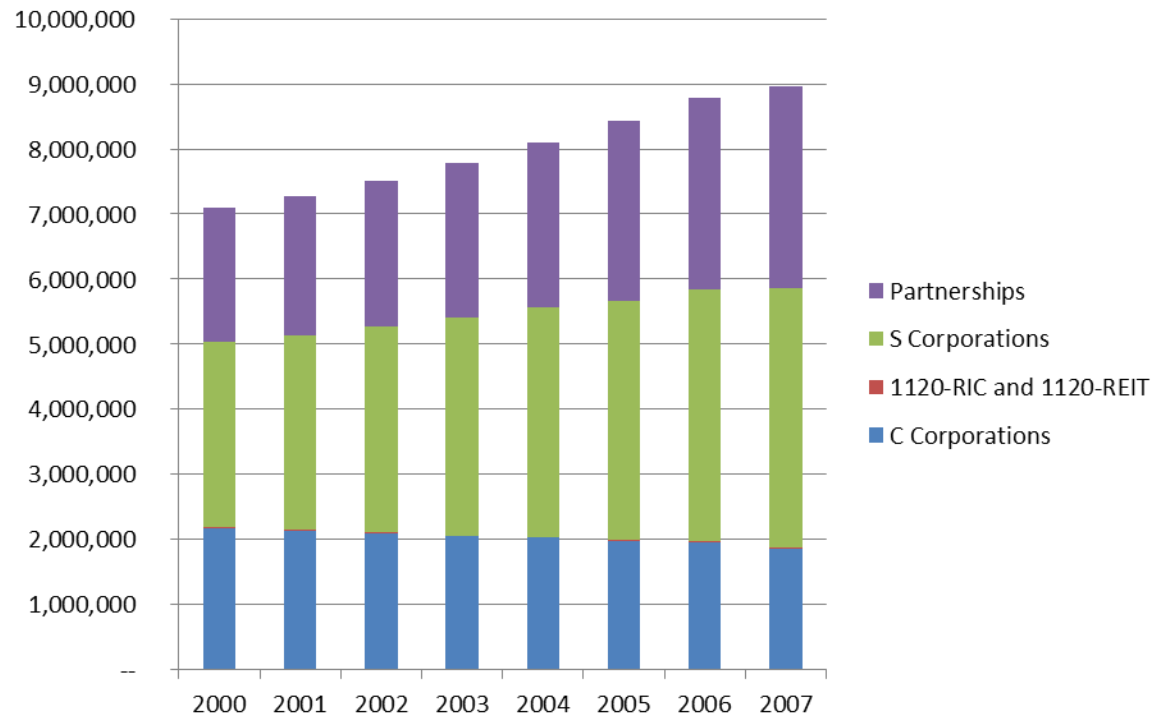


- Placement of coverage is the last step in the process
- Insurance is never a valid alternative to good risk management
- Similarly, relying upon technology as some mythical “silver bullet” that will defend against all risks is to turn a blind eye to major risks facing every commercial entity
- Any approach to privacy and cyber risks should combine elements of:
  - **Assessment;**
  - Remediation;
  - Prevention;
  - Education; and
  - **Risk transfer**

# Market Size and Potential

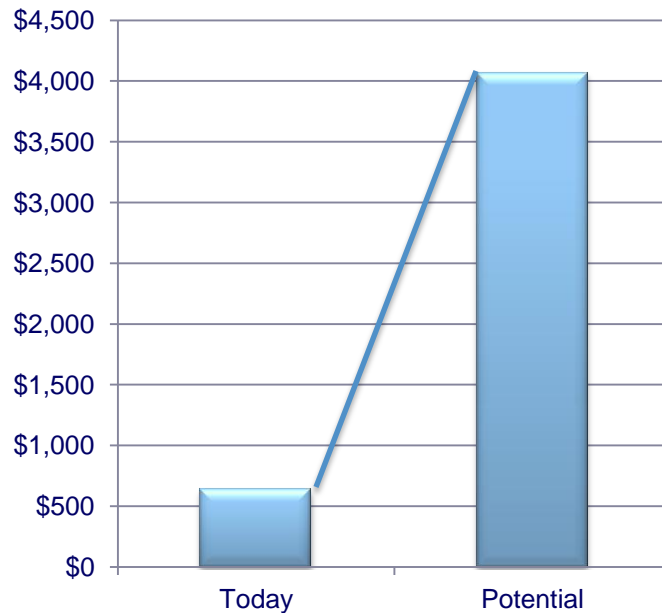


## US Companies (excl. Sole Proprietorships)



Source: IRS

# Market Size and Potential



## Assumptions:

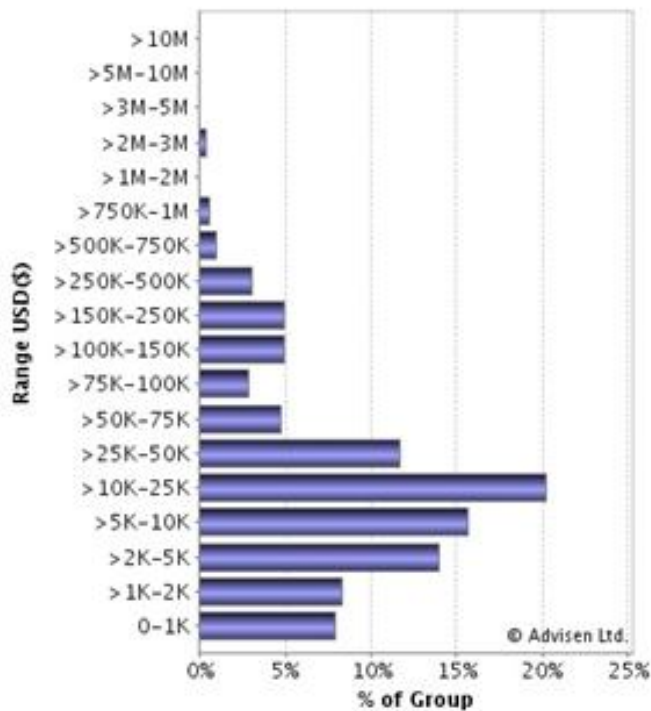
- Today's rates
- No sales to companies under \$5M revenue
- 90% of companies over \$50M revenue buy coverage

Source: IRS

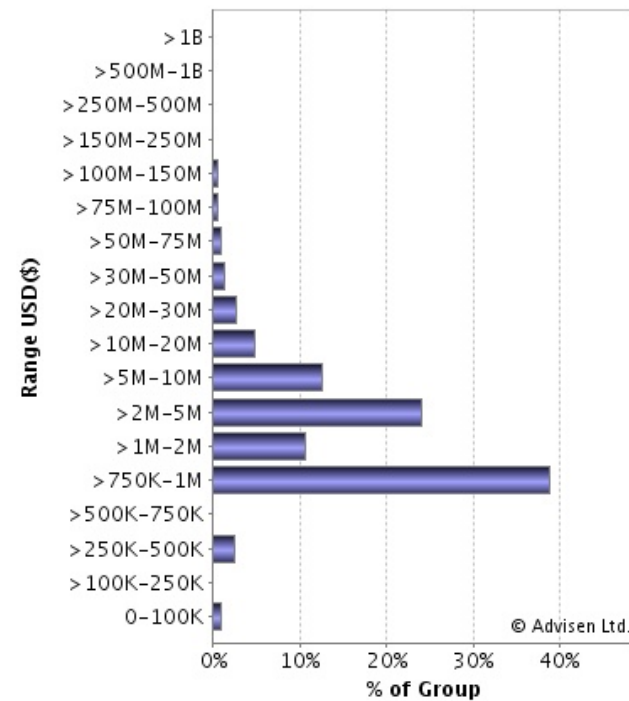
# Program Premiums and Limits



## Premium Distribution



## Limit Distribution

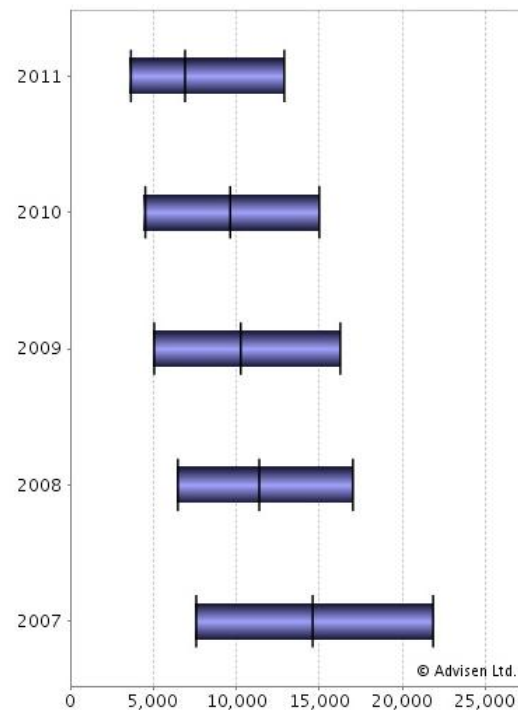


Source: Advisen Market Insight™

# Program Premiums and Limits

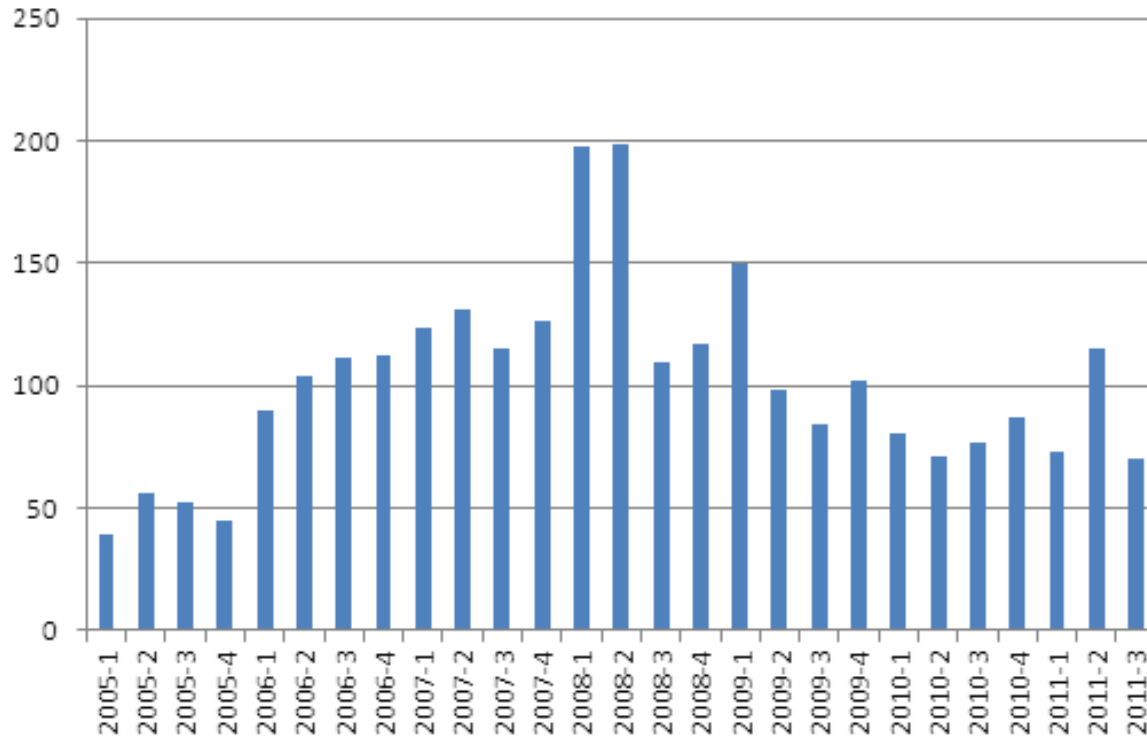


## Rate per Million



Source: Advisen Market Insight™

# Data Breach Events



Source: Advisen MSCAd.

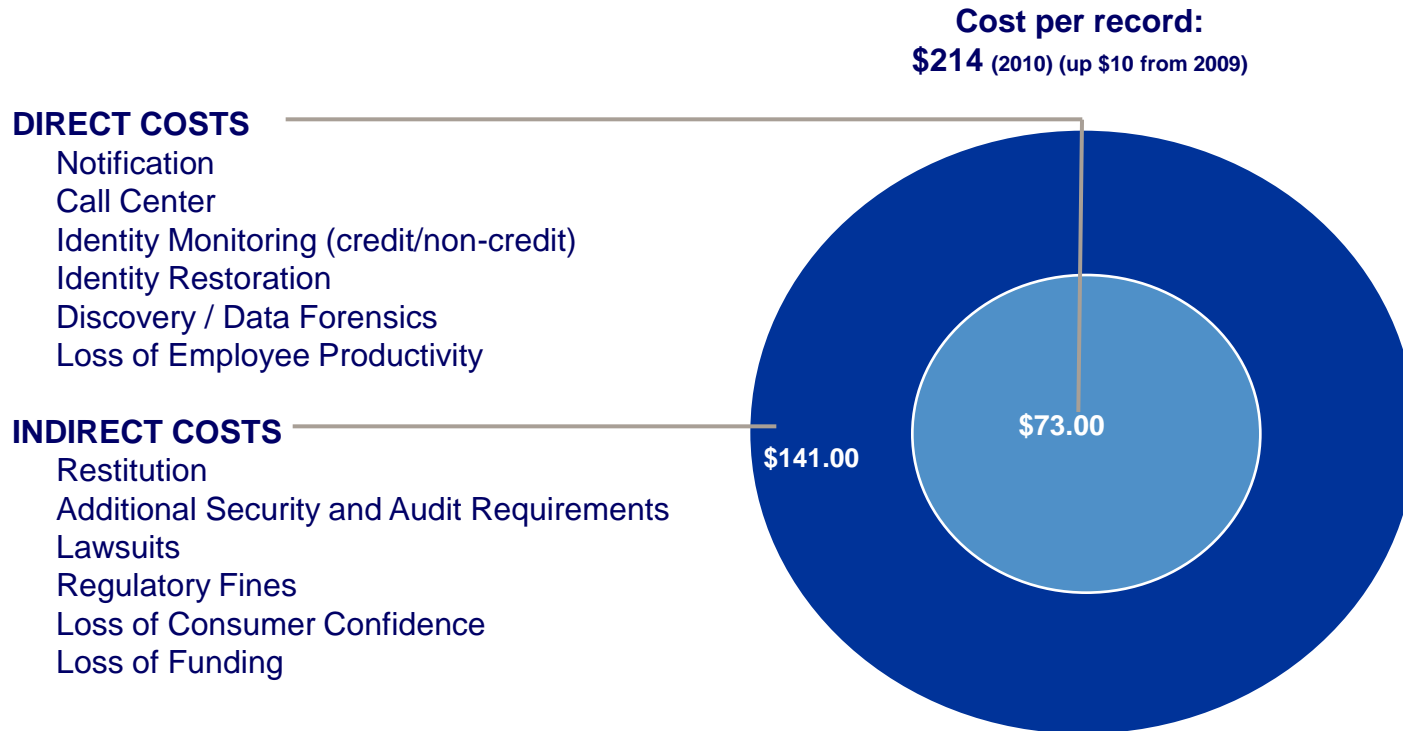
Includes System security breaches, other lost and stolen data, phishing, etc.

# Financial Impact of a Security & Privacy Event

Peter Foster



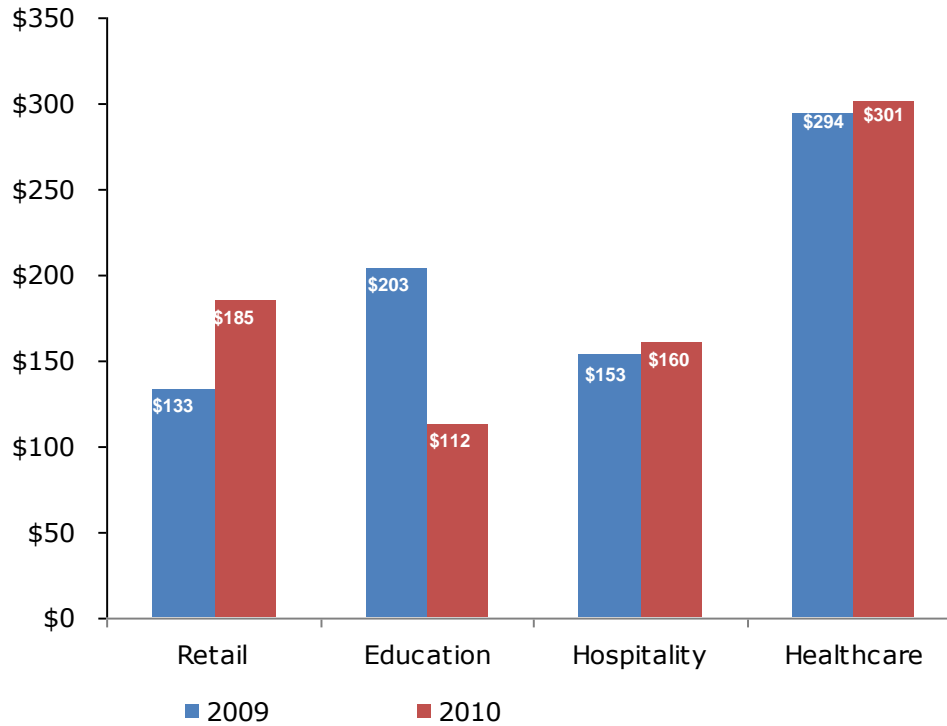
# Cost of a data breach



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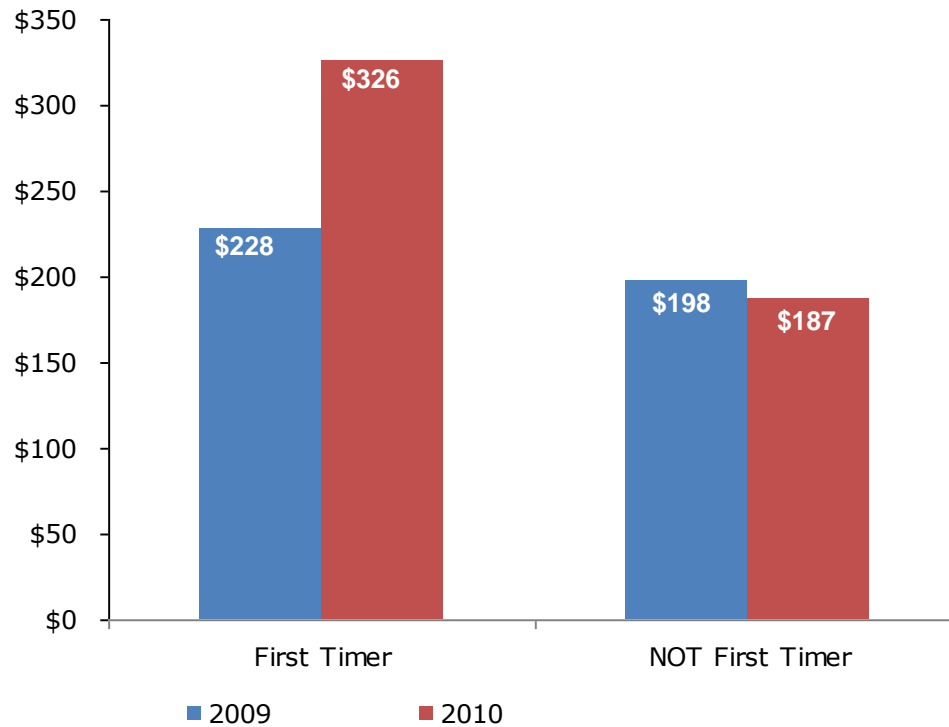


# Cost per record – By Industry



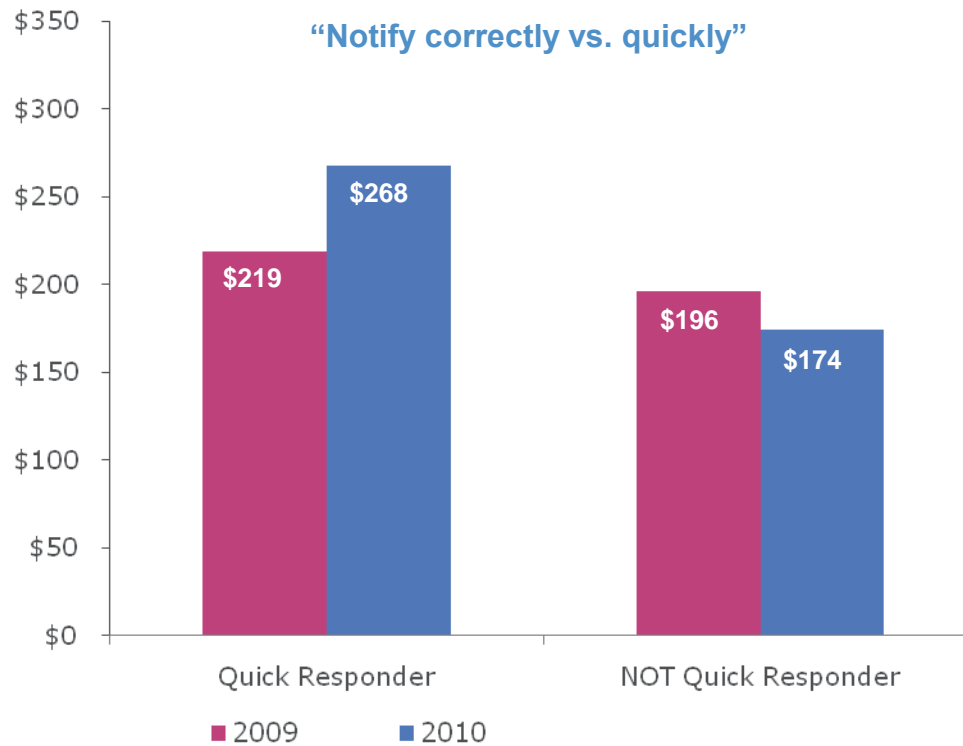
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# Cost per record – “1<sup>st</sup> Timers”



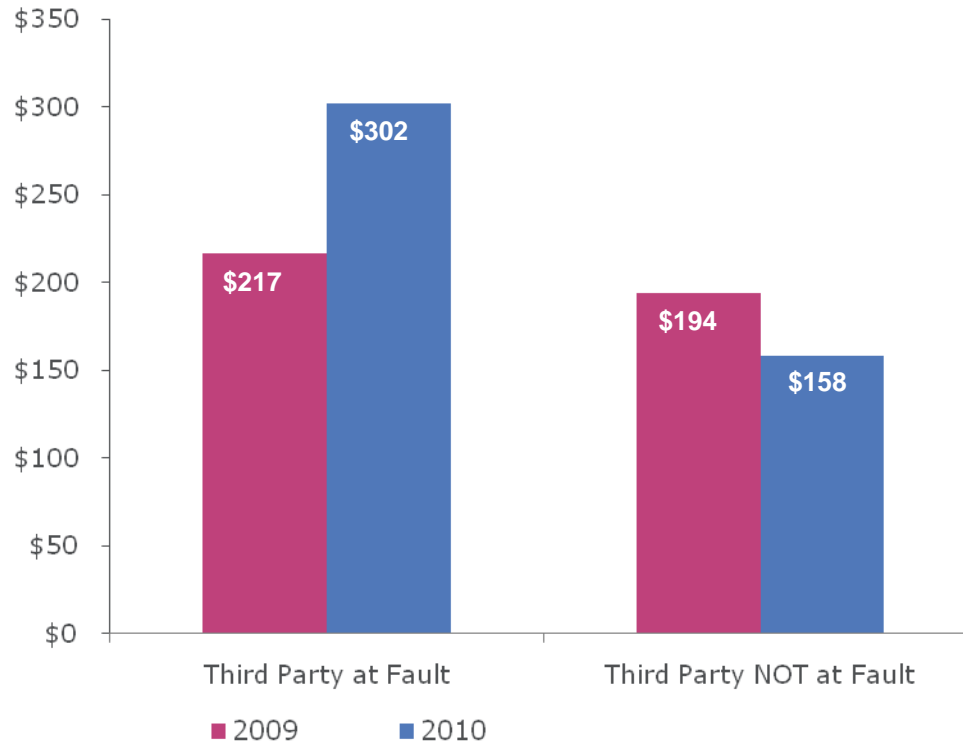
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# Cost per record – Quick Response



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# Cost per record – 3<sup>rd</sup> party related



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# Consequences of a Data Breach



- Class Action suits
- Costs to comply with notification to consumers/employees, credit monitoring costs, cost of restoring Data / Public Relations
  - Credit monitoring costs: \$20-200 per individual
- Legal costs:
  - Civil, regulatory and possibly criminal defense
  - Data Privacy counsel can cost better than \$700 per hour. A major data breach will cost millions in legal costs
- Business Interruption Costs

## Retailer Public Data:

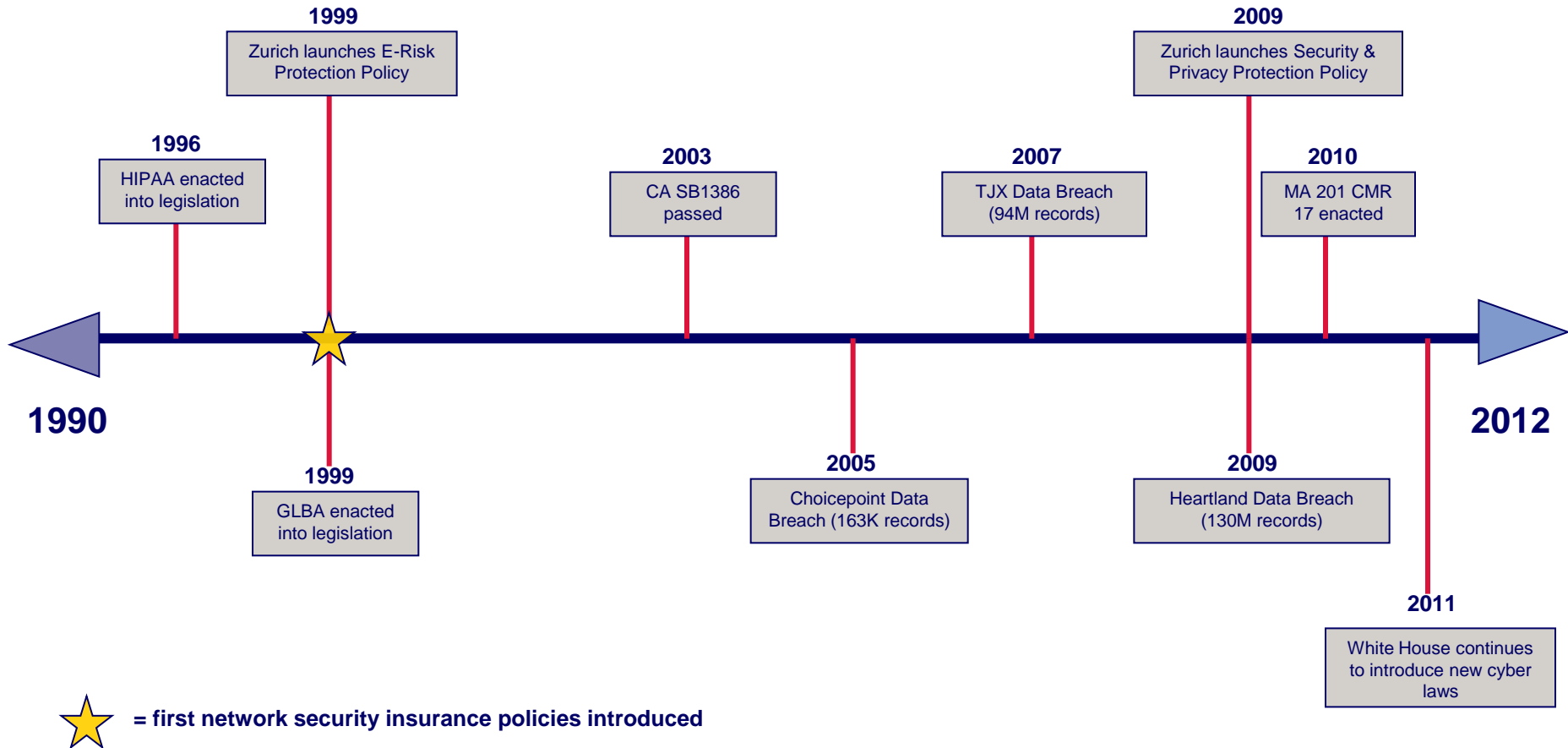
- \$170 million resolve all claims by banks, consumers and regulators which sued the retailer over their data breach
  - \$40.9M- Paid to Visa to fund replacement of Visa Cards
  - \$24M - Paid to MasterCard to fund replacement of MasterCards
  - As part of the consumer settlement, the retailer made available credit monitoring and identity theft insurance to affected customers at a cost of \$200 per individual.

# Overview of Insurance Coverages

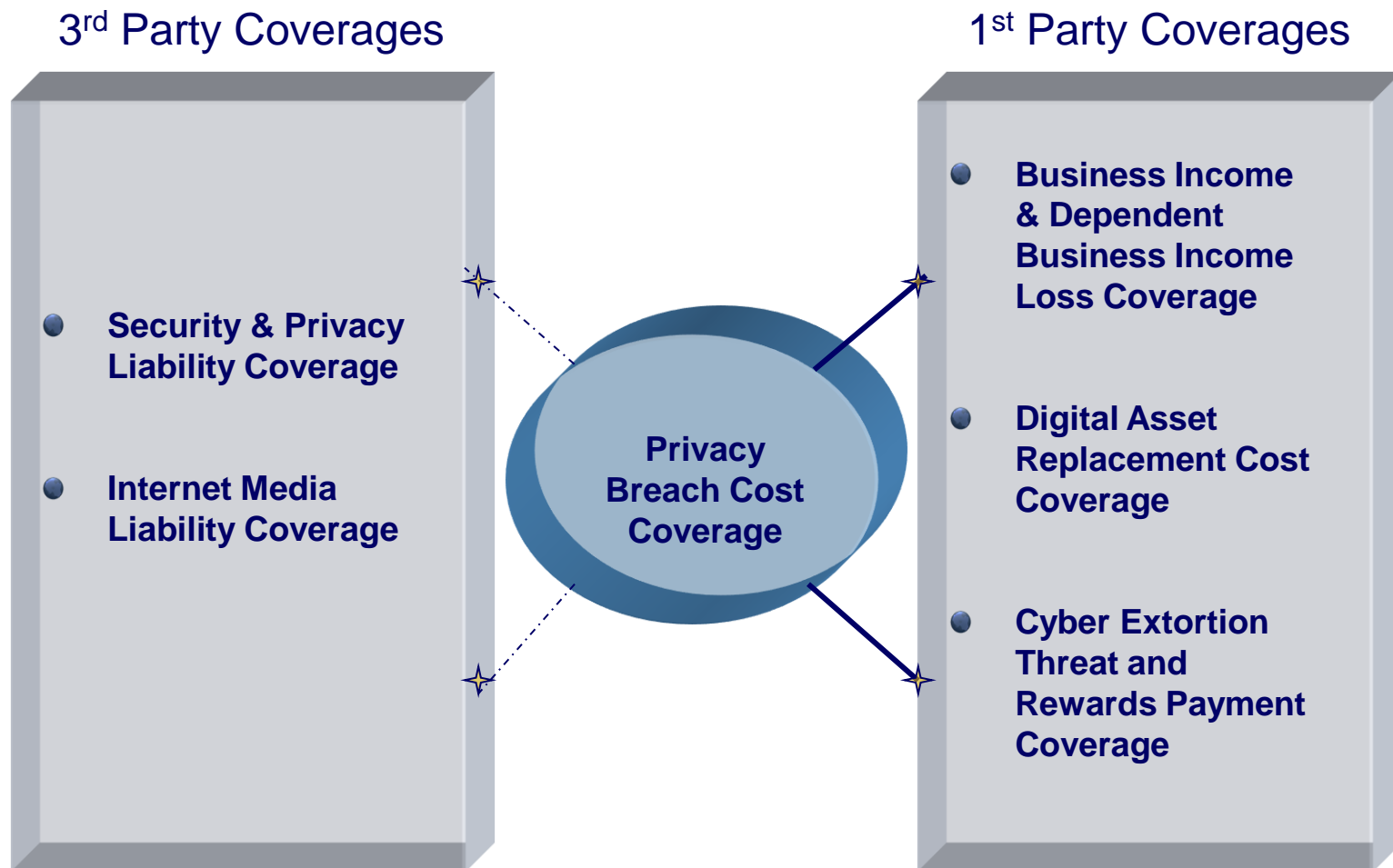
Lori Bailey



# Overview of Insurance Coverages: Evolution of Insurance



# Overview of Insurance Coverages: Security & Privacy Insurance Coverage





# Overview of Insurance Coverages: Notification Cost Coverage



## WHAT'S INCLUDED

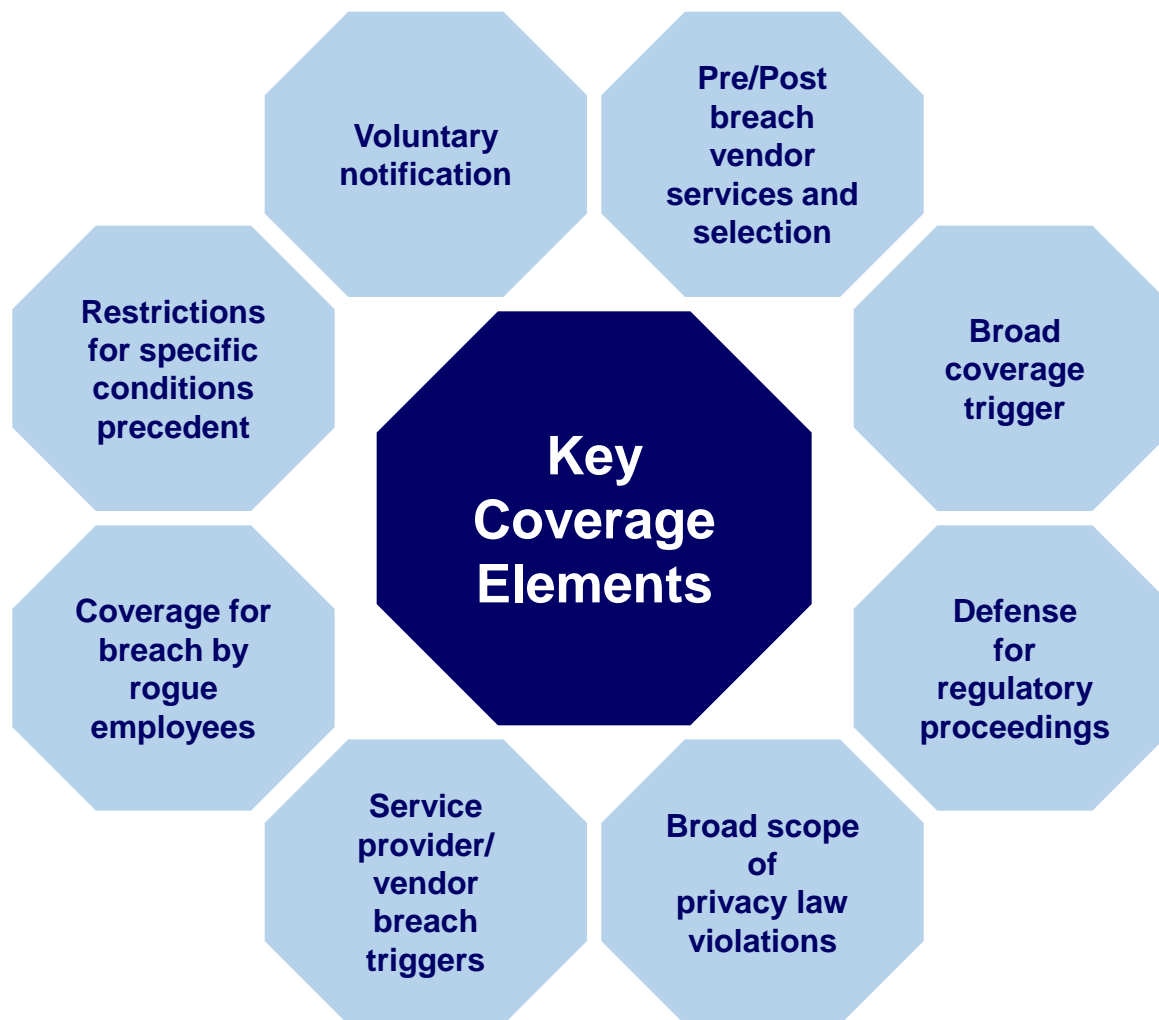
- Computer Forensic Analysis;
- Determination of Indemnification Obligations under Written Contract with a Service Provider;
- Determination and Notification of Affected Individuals or Regulatory Agencies;
- Compliance with Privacy Regulations;
- Planning, Implementation and Execution of a Public Relations Campaign;
- Credit Monitoring

## WHAT'S NOT INCLUDED

- Regular or Overtime Wages, Salaries or Fees
- Cost to Comply with Injunctive or Non-Monetary Relief;
- Taxes, Fines or Penalties



# Overview of Insurance Coverages: Key Coverage Elements



# Overview of Insurance Coverages: Vendor Services



- Pre / Post Breach Consulting Services
- Forensic Analysis
- Notification Services
- Call Center Services
- Credit/Identity Monitoring
- Fraud Consultation
- Risk Manager Tools
  - Incident Roadmap
  - News Center
  - Learning Center
- Identity Restoration Services



# Question & Answer Session



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