

INDIANA RURAL HEALTH ASSOCIATION JUNE 18, 2019

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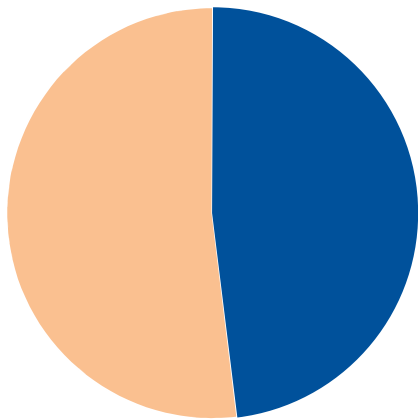
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Statistics

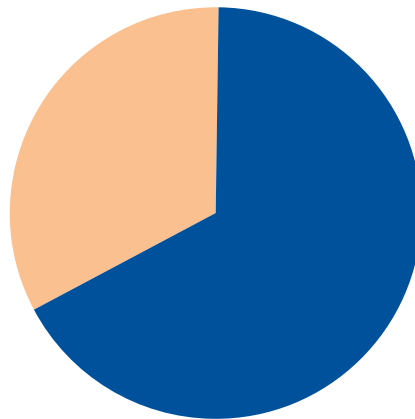
Verizon 2019 data breach investigations report

By the numbers

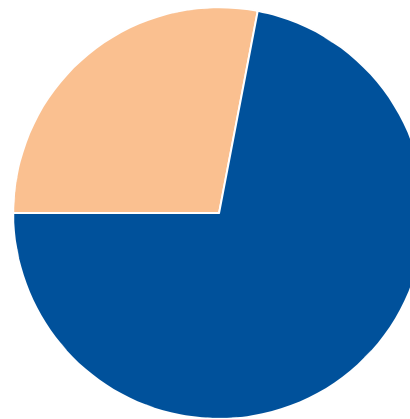
52% Hacking



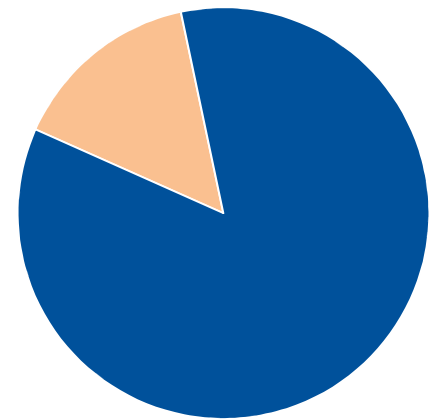
33% Social attacks



28% Malware



15% Misuse by authorized users



2,013 confirmed data breaches

41,686 reported security incidents

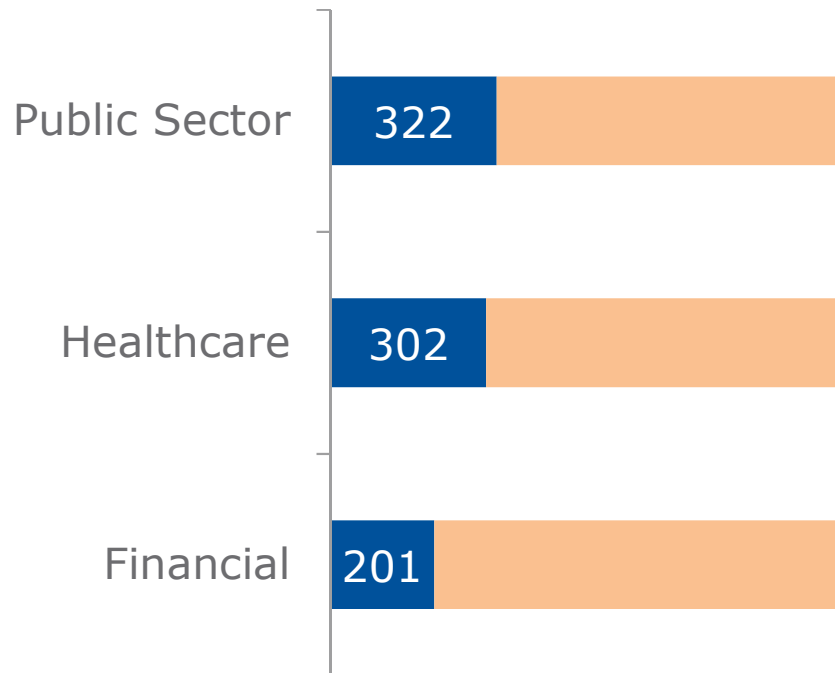
86 countries represented

***Errors were casual events in 21% of breaches**

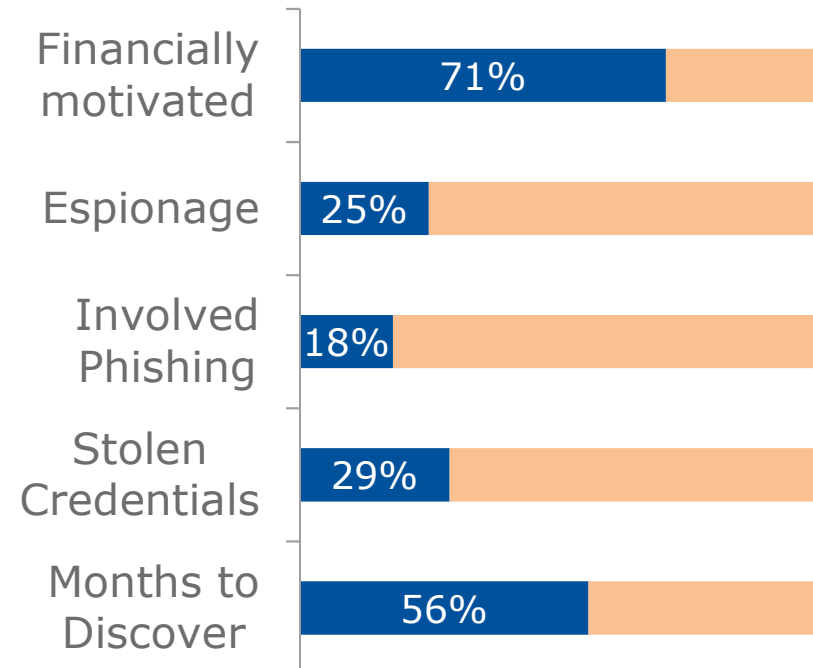
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Confirmed data breaches by industry

2,013 confirmed breaches – top 3 industry classes



Commonalities among breaches



***43% of breaches involved small business victims**

NetDiligence 2018 claims study

Key findings

Data type	Cause of loss	Business sectors
<ul style="list-style-type: none">▪ PII - 28%▪ PHI - 15.4%▪ PCI - 14.6%▪ Critical Files - 16.5%	<ul style="list-style-type: none">▪ Hackers - 21% (avg. cost: \$1.05M; median: \$114k)▪ Ransomware- 15% (\$229k; \$53k)▪ Malware/Virus - 11% (\$1.2M; \$93k)▪ Lost/Stolen device - 9% (\$195k; \$41k)▪ Staff mistakes (6%) and rogue employees (5%)	<ul style="list-style-type: none">▪ Professional services - 19% (avg. costs \$168k; median: \$43k)▪ Healthcare- 17% (\$555k; \$68k)▪ Financial Services - 12% (\$854k; \$50k)▪ Retail - 12% (\$1.2M; \$94k)

Additional Findings:

- 1.2M was average number of records
- \$2M was average costs for Business Interruption
- \$308 was average cost per records (90% of events – eliminating 5% outliers)
- Crisis Services averaged \$307k
- Legal Defense averaged \$106k
- Legal Settlement averaged \$224k
- 85% of claims were from smaller organizations (< \$2 billion in revenues)

Grander scheme of things

A security event can have severely negative impact on your reputation & it could:

- Adversely impact your debt covenants
- Impair cash flow as funds are redirected to respond to the costs associated with the security event
- Affect stock price
- Redirect the focus of key employees from their daily jobs (the estimated “people-hour” cost for a breach is \$30 per record breached)
- Cause an exodus of customers
- Create vulnerabilities that competitors can exploit

Network Security & Privacy Insurance

What is Cyber Liability Insurance?

- May also be referred to as Network Security and Privacy Liability, Data Breach Coverage or Internet Liability.
- Covers liability for failure to prevent computer attacks and/or failure to safeguard personally identifiable and protected health information (PII and PHI)
- Extends to cover failure to protect corporate confidential information
- Could include website or full media coverage if not included under any other insurance policy



Privacy Breach vs. Security Breach

Privacy Breach:

The theft, loss or unauthorized disclosure of personally identifiable non-public information (PII) or third party corporate confidential information that is in the care, custody or control of the organization or an agent or independent contractor that is handling, processing, sorting or transferring such information on behalf of the Organization.

Security Breach:

The inability of a third party, who is authorized to do so, to gain access to an organization's systems or services;

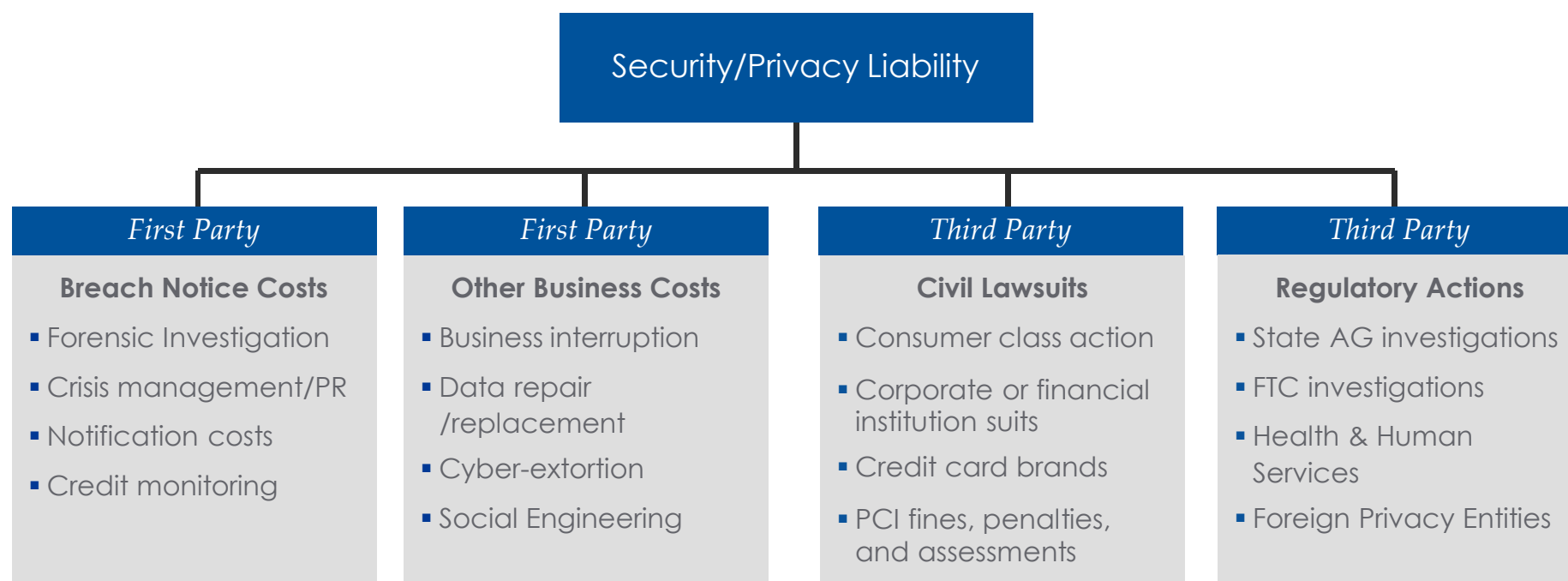
The failure to prevent unauthorized access to an organization's computer systems that results in deletion, corruption or theft of data;

A denial of service attack against an organization's internet sites or computer systems; or

The failure to prevent transmission of malicious code from an organization's systems to a third party computers and/or systems.



What Can a Cyber Policy Cover?



Incident, Breach, Claim



Incident

Suspected or reasonably suspected compromising of security and/or data



Breach

Actual compromising of personally identifiable non-public information (PII) or third party corporate confidential information as advised by an outside privacy attorney



Claim

When a third party asserts liability against an organization for the failure to protect personally identifiable information or third party corporate confidential information or the failure to protect computer systems from a computer attack

Network security and privacy GAP analysis

	Property	General liability	Crime	K&R	E&O	Network security & privacy
1st party privacy/network risks						
Physical damage to data only		X		X		✓
Virus/hacker damage to data only		X	X	X		✓
Denial of service (DOS) attack		X	X	X		✓
Business interruption loss from security event		X	X	X	X	✓
Extortion or threat	X	X	X	✓	X	✓
Employee sabotage of data only	X	X		X		✓
Impostor fraud	X	X		X	X	
3rd party privacy/network risks						
Theft/disclosure of private information	X		X	X		✓
Confidential corporate information breach	X		X	X		✓
Technology E&O	X	X	X	X	✓	X
Media liability (electronic content)	X		X	X		✓
Privacy breach expense and notification	X	X	X	X		✓
Damage to 3 rd party's data only	X	X	X	X		✓
Regulatory privacy defense / fines	X	X	X	X		✓
Virus/malicious code transmission	X	X	X	X		✓

X - No Coverage

- Possible Coverage

✓ - Coverage

Key Coverage Grants

- Social Engineering - making sure policies work together
- Invoice Manipulation (aka Customer Accounts Coverage)
- Ransomware/Cyber Extortion
 - Coverage for forensic investigative costs
- Business Interruption
 - Coverage for forensic accountants to determine loss
 - “Bricking” coverage
 - Definition of “material interruption” and length of period of restoration
 - Normal operating expenses
- Contingent Business Interruption/ Systems Failure
 - Definition of “Outside Provider”

Emerging Exposures/ Hot Topics

- IoT – Internet of Things
 - Business Interruption and System Failure
- Cross pollination: Property vs. cyber market
 - Property policy / cyber policy for business interruption – gaps and overlaps (potential overlap other lines, K&R, EPL)
- New Regulations
 - EU global data privacy regulation (GDPR)
 - California Consumer Privacy Act of 2019
 - Additional State Breach Notification & Privacy Laws
- Cryptocurrency and cryptojacking (bitcoin mining)

Limits Adequacy Considerations



Assessing Network Security and Privacy Risk

- Collection, storage or transmittal of any personal, financial or health data
- Using an outsourced third-party service provider for any part of computer network operations (e.g., “Cloud” services)
- Recent risk assessment
- Partnering with businesses where data or systems are shared
- Tested incident response plan
- Posted Privacy Policy and its alignment with internal data management practices
- Management and board updates on cyber risks and exposures
- IT/data management programs and governance
- Changing regulatory environment regarding protection of confidential information
- Conducting business internationally



Managing the Risks



Baseline Recommendations

1. Increase awareness
2. Conduct risk assessments
3. Implement basic security measures
4. Improve detection capabilities
5. Prepare to respond when incidents occur
6. Address and be realistic about business continuity
7. Continue to address vendor risks
8. Mitigate financial impact
9. Trust but verify
10. MFA (Multi-factor authentication) and access controls
11. Digital risk committee
12. Secure your cloud resources
13. Adapt your detection methods and defense
14. Prepare for increased ransom demands



Source: 2019 BakerHostetler Data Security Incident Response Report

USI Insurance Services

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THANK YOU!