

# Insurance Coverage Against Cyberattacks: An Update on Emerging Trends, Developments, and Strategies

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# **“Cyber Insurance”: Coverage, Trends, Developments and Strategies**

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# Agenda

- The Risks
- Coverage
  - What is Cyber Insurance and What Does it Cover?
- Trends
  - Claims
  - Underwriting
- Developments
- Strategies
  - Ensuring Insurability

# Types of risk “Cyber Insurance” may cover



- Cyber attacks
  - Ransomware
- Business email compromise
- Denial of service
- Privacy (unintentional violations)
  - Biometric Privacy (BIPA, etc.)
  - Data breach
  - Website tracking
  - Inadequate or absent privacy notices

To get the right coverages, the broker needs to know about your business and needs



# Nature of the risk- Cyber



Source: Pixabay

- Reported Internet crimes going down (-5% in 2022) while losses going up (+49%) (IC3)
- Increase in nation state sponsored attacks
- Critical infrastructure increasingly targeted, water and electric facilities in US
- Cryptocurrency and tech industry may be affecting lower rate of attacks- different focus
  - Shift (small) from \$ to geopolitical advantage

# Nature of the risk- Privacy



Source: Pixabay

- Many claims and losses entering the market are long tail privacy liability claims including:
  - Unlawful or unauthorized collection claims
  - Violations of privacy due to cookies or web tracking or web (or actual) surveillance
- The intersectionality of professional and privacy liability claims continue to put pressure on insurers and policyholders
- Technology liability claims
- Professional liability claims
- Claims for bodily injury and/or property damage arising out of a cyber event



# What does commercial cyber insurance typically cover?



Source: Pixabay

- Defense and liability costs.
- Negotiation with cyber attackers.
- Ransom payments.
- Business interruption and lost income.
- Regulatory fines from state and federal agencies.
- Notification expenses to affected individuals.
- Credit monitoring services for affected individuals.
- Public relations expenses.
- Data restoration.
- IT forensics.

# Other coverages available

System failure ✓

Contingent business interruption and system failure ✓

Voluntary notification ✓

Betterment ✓

OT/ICS/SCADA coverage ✓

Property damage and spoilage ✓

Failure to supply/inability to serve (utilities and highly regulated consumer facing industries) ✓



# What does business cyber insurance typically not cover?



Loss of value due to theft of intellectual property.



Improvement to technology systems after a cyber event.

- Unless betterment is included or unplanned obsolescence language is embedded.



Potential future profits.



Bodily injury and/or property damage.

- Unless coverage is added back in.



Regulatory fines and penalties **where prohibited by law**

- Most favorable venue and choice of law provisions are KEY here



Intentional acts or unlawful collection

- With varying control group limiters



Indirect or consequential loss.



Theft of Money or Securities (including crypto)

# Personal cyber insurance

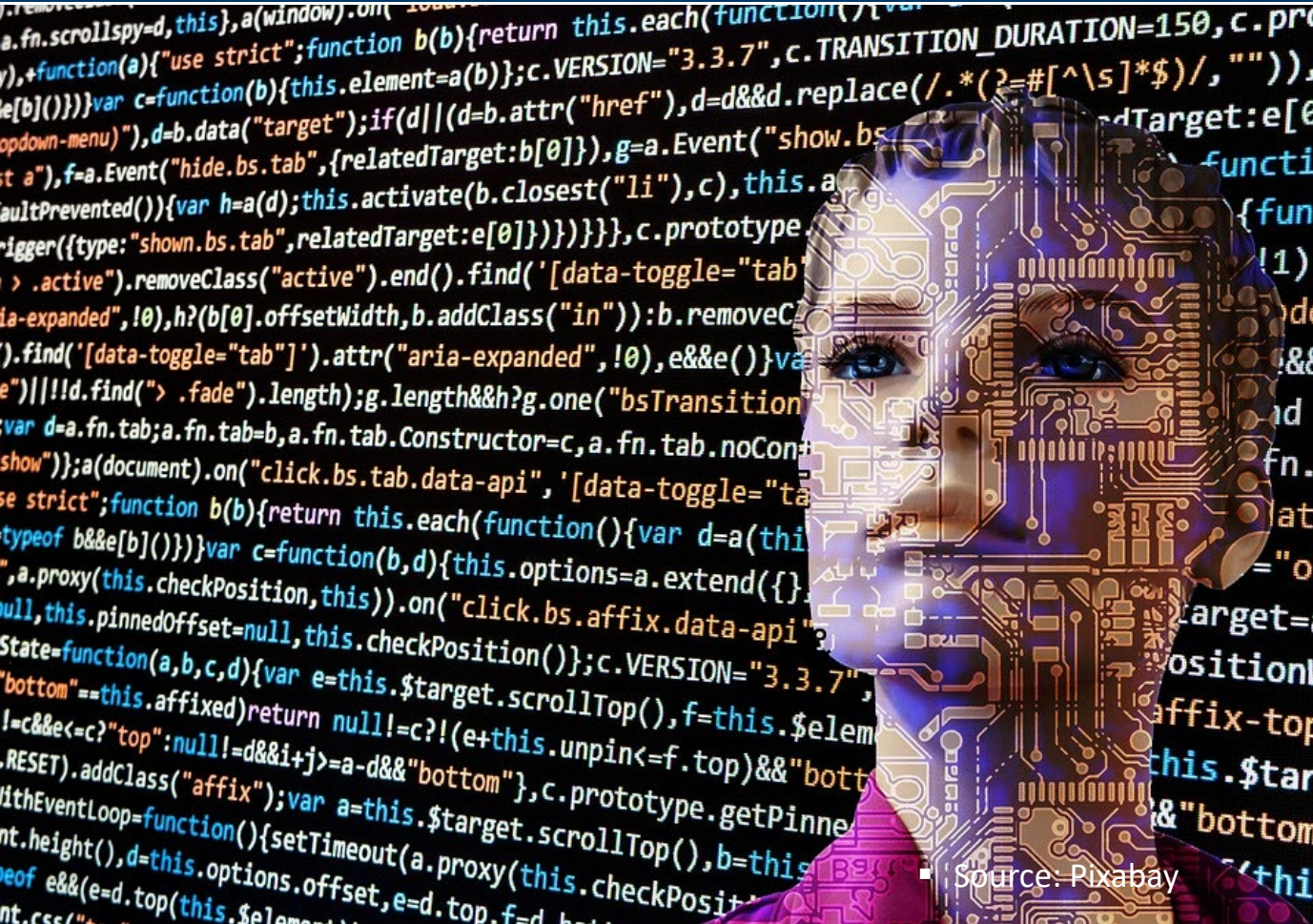


Source: Pixabay

- Market is VERY new.
- Coverage often offered related to:
  - Restoration of computer and removal of virus.
  - Cyberbullying.
  - Cyber extortion.
  - Fraud and credit file abuse (identity theft)
  - Home systems attack.



# Coverage trends



- Limits and deductible choices...
- Expanded privacy cover
  - Biometrics
- IoT/OT
- War and State Sponsored Attacks exclusions
- Is AI Cyber?
- Additional exclusions for
  - failure to patch
  - widespread event exclusions;
  - systemic risk (contingent business interruption)
  - unlawful/unsavory data practices exclusions

Source: Pixabay



# Risk and claims trends



- Ransomware frequency up, severity down
- Extortion without encryption
- Increased challenges due to WFH and/or BYOD.
- New state, federal and international privacy laws.
- Premiums leveling/softening.
- More proactive underwriters
- Use of tools such as “outside-in” and “inside-out” vulnerability scans.
- Artificial intelligence (AI) assisted attacks



# Prevention strategies

Multi-factor authentication.

Employee training.

Encryption of sensitive data and personally identifiable information both at rest and in transit (including email).

Implementation of a strong password control policy.

Regular penetration testing.

Keep software up to date and eliminate unsupported or “sunsetting software”.

Proactively back up data

- Cloud, on-site, air gapped
- Redundant
- Tested.

Form a breach response plan.

# Tips for securing the best coverages at the best price

## Do not ad lib on the application

- Have your IT, law department and risk management participate in the application process
- Don't sign an application without knowing what it says

## Telling your story to the marketplace: Proactive, Rehearsed, Aware, Humility, Pragmatism

- Don't ever tell an underwriter “we're not a target” or “we're totally untouchable” - instead help your underwriters understand how **WELL PREPARED** your organization is for when the **INEVITABLE** attack happens.
- Underwriters are no longer pricing risk based on how well they think you can keep attackers **OUT**; they are pricing risk based on how well you can **RECOVER**.

# Questions?



Source: Pixabay

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