

# Insurance Coverage for Privacy and Network Security Breaches



# Insurance As A Backstop

- Transfer of Risk Mechanism
- Contract of Indemnity (a.k.a. Insurance Policy)
- Parties to the Contract (Insurer & Policyholder/Insured)
- Sleep Insurance / Peace of Mind

# Cyber Liability / Privacy & Network Security Breach Insurance

- Privacy & network security exposures are not covered well by existing insurance such as property and liability policies; insurers are amending further to exclude coverage
- Insurers have now collected enough claims experience to evaluate the risk
- A standalone cyber liability insurance policy that addresses both first party and third party exposures has been created

# Coverage Components

## Third Party Liability Coverage (Base Product)

- Covers the insured's liability (legal expenses and damages) for injury as a result of a covered privacy and/or network security breach
- Examples:
  - Individual customers' credit card data is stolen from the insured's system by a hacker and suit ensues
  - Laptop containing confidential information of hundreds of clients of a financial advisor is stolen from his car
  - A disgruntled employee exceeds authorized access and customers cannot transact business with the insured on a timely fashion resulting in the customers suffering a financial loss

# Coverage Components (cont'd)

## Optional First Party Coverages:

### Privacy Notification Expense:

- Provides reasonable and necessary costs of notifying persons who may be directly affected by the potential or actual unauthorized access of a record and can include costs to cover resulting expenses, such as but not limited to:
  - ✓ Changing their account numbers, identity numbers and security codes
  - ✓ Providing them with credit monitoring or similar services to protect them against fraudulent use of their record for a stipulated period of time

# Coverage Components (cont'd)

## Optional First Party Coverages (cont'd):

### **Crisis Management:**

- Expenses incurred by the insured to obtain independent advice from outside counsel, forensic investigators, public relations consultants, or costs to conduct advertising or public relations activities

### **Business Interruption and Extra Expense:**

- Pays loss of revenue and additional expenses incurred by the insured during the period of recovery as a result of an actual impairment or denial of operations resulting from fraudulent access or transmission

# Coverage Components (cont'd)

## Optional First Party Coverages (cont'd):

### Data Restoration:

- Covers the costs to restore sensitive data which has been compromised, lost, etc. by a network security breach

### Ransomware/Cyber Extortion:

- Pays for reasonable and necessary expenses incurred as a result of a network extortion threat. This would include, for example, "ransom" payments to those thought to be behind the threat

# Coverage Components (cont'd)

## Optional First Party Coverages (cont'd):

### Privacy Regulation Defence and Penalties:

- Covers the costs of dealing with provincial and federal regulatory agencies (which oversee data breach laws and regulations), including:
  - (1) the costs of hiring attorneys to consult with regulators during investigations, and
  - (2) the payment of regulatory fines and penalties that are levied against the insured as a result of the breach



# Social Engineering Fraud Coverage

- Can be purchased as an extension of coverage on either a crime insurance policy or a cyber liability policy
- Typical maximum limit provided is \$250,000 for a business
- One of the most frequently reported claims in the insurance industry over the last 2 years

# IFB E&O Program

‘No Fee’ Plan

Limits Options - \$1M to \$5M

Simplified/Level Premiums across the country

All coverage limits automatically include:

- ✓ Coverage for Referrals
- ✓ Accidental Death & Dismemberment Insurance - \$100,000 Limit (work hours)

# IFB E&O Program - Extras

## Privacy & Network Security Liability

Paramount exposure

Increased reliance on technology to store business data & client personal information creates exposure

Cost of a breach: notification requirements / liability claims / damaged reputation



# IFB E&O Program - Extras

## PrivaSure

2 main areas of coverage

\$175 Flat Rate Premium

### NOTE:

- Coverage available for Corporations (cost based on individual risk)

### First Party Key Coverages

- \$100K Network Security Event Crisis Management Expense
- \$10K Ransomware Loss
- \$10K Business Interruption Loss
- \$10K Social Engineering Fraud
- Direct costs suffered by your business, including but not limited to notification/ public relations expenses

### Third Party Key Coverages

- \$100K Network Security & Privacy Liability
- \$100K Regulatory Action Coverage
- Costs incurred for damage to third parties, including but not limited to privacy breach violations, virus damage and theft of client information from your network

# IFB E&O Program - Extras

## E&O Insurance for Exempt Market Dealer Representatives



Eligibility: existing E&O insured & registered as an EMDR

Coverage for all EMD products as approved & regulated by NI 31-303, subject to policy terms/conditions

Sublimit \$250,000 per claim/\$250,000 aggregate per policy period

\$25,000 Deductible

\$600 Annual Premium

# IFB E&O Program - Extras

## E&O Insurance for Non Licensed Fee For Service Financial Planners



Eligibility: advisor must be a current CFP in good standing

Limit Options:

- ✓ \$1,000,000 per claim / \$2,000,000 aggregate and \$1,000 deductible = \$585 Annual Premium
- ✓ \$2,000,000 per claim / \$2,000,000 aggregate and \$1,000 deductible = \$985 Annual Premium
- ✓ Includes AD&D Insurance

# Questions

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