

Cyber Risks and Insurance

According to the Association of Insurance and Risk Managers in Industry and Commerce (AIRMIC), Cyber Liability represents one of the top two currently emerging risks.

Indeed, Robert Hannigan, GCHQ Director, has commented that 'determined attackers can get in and they can cause damage. Can the business or public service keep going?'

What can you do...

Cyber Liability insurers play a key role in supporting industry and commerce to both improve resilience to cyber-attacks and to help recovery should the worst happen. You can reduce the risks to/ impact on your business by:-

1. Checking the suitability of Firewalls and updating Malware protection
2. Briefing and training your staff on cyber security best practice
3. Introduce and regularly review Password management procedures
4. Consider the use of data encryption (especially on portable equipment and devices)
5. Consider the advice and controls established in the HM Government's Cyber Essentials Scheme – https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/317481/Cyber_Essentials_Requirements.pdf

AND

6. Arrange a Cyber Liability insurance policy!

Cyber risk now represents so much more than simply the theft of data. Companies are exposed to potentially massive cyber-related business interruption risks, reputational damage, physical damage, telephone hacking and extortion. Although hacks and data breaches of major companies such as Talk Talk and Sony make the headlines, the size and variety of businesses at SME level make them a natural target for cybercrime and fraud, especially as such organisations often hold customer data with lower levels of protection than major corporations.

Some facts...

- According to a PWC survey conducted in 2016, there was a 38% increase in information security incidents for businesses of all sizes compared to the previous year ¹
- The average cost of a cyber-breach for a small business is estimated at £115,000 and £1.15 million for a large organisation with these average costs having doubled since 2013 ²
- The Federation of Small Businesses (FSB) has noted that 66% of SMEs do not consider their business to be vulnerable to cyber threats
- Some 81% of large businesses and 60% of small businesses in the UK suffered a cyber-security breach in 2014/15 ²
- Cyber related losses are now the largest recorded offence in the UK, overtaking physical crime. Data is now more valuable than physical assets ³
- SMEs are currently exposed to an enormous extortion risk and are being affected by cyber ransom demands. Criminals are typically using a phishing attack and malware to hold a company's data and IT systems to ransom
- 28% of the worst security breaches were caused partly by senior management giving insufficient priority on security ⁴

¹ <http://www.pwc.com/gssis>

² AIRMIC – The Global Risks Report 2015

³ Crime Survey of England and Wales, ONS March 2015

⁴ Information Security Breaches Survey, HM Government 2015

What you should consider when purchasing Cyber Insurance....

- Cyber Business Interruption** – in the event that a cyber-attack interrupts your business operations, insurers will cover your loss of income during the period of the interruption. Remember, if you utilise/rely on an Outsourced Service Provider(s) you will need to extend your cover to include an attack on them.
- Privacy Breach Costs** – the costs arising from dealing with the security breach including 24/7 support from cyber specialists (provided under the policy), notifying customers, the costs of public relations advice, IT forensic costs, legal fees and/or the costs of responding to regulatory bodies. The protection will also cover claims of infringement of privacy and associated legal costs in the event of a breach. This aspect of cover is especially relevant for businesses that handle or store any personal information for their customers.
- Cyber Extortion** – protects your business from ransomware and other malicious attempts to seize control of, and withhold access to, your operational or personal data until a fee is paid. The cover will typically reimburse the ransom amount demanded and consultant's fees to oversee the negotiation and transfer of funds to solve the ransom.
- Digital Asset Replacement Expenses/ 'Hacker Damage'** – cover for damage inflicted by a hacker on your digital assets, including loss, corruption or alteration of data as well as misuse of computer programmes and systems.
- Media Liability** – indemnity in the event that your digital media presence (including website and social media) leads to a party bringing a claim against you for libel, slander, defamation or the infringement of intellectual property rights.
- Telephone Hacking** – covers charges that result from the unauthorised access and use of your telephone system.

Crime v Cyber Insurance – Cyber insurance protects a business in the event of loss of data plus other costs as detailed above. However, cyber insurance DOES NOT tend to reimburse your business for a financial loss due to theft or fraud (such as a hacker stealing money from a bank account). Such losses would be more appropriately covered under a Crime policy.

Claims examples...

Business Type	Retailer	Accountant	Manufacturer	Technology
Business Turnover	£3M	£1.5M	£3.2M	£1.8M
Cause and Type of Loss	Third party payment provider suffered a breach affecting 5,000 of the insured's customer records	Employees opened an infected word document which downloaded Crypto Locker Malware on to the insured's network preventing users from accessing their data. The network was down for circa 32 hours	Over a bank holiday weekend the insured's system was hacked. The hacker made a series of calls to a premium rate number	The insured's email system was hacked, the attacker obtained the administration rights and locked out administrators from the system. 4,000 personal identifiable information records were stolen
Response Costs	£9,633	£15,633	£23,974	£9,520
Legal, Notification, PR/ Communication, ID Monitoring, PCI Costs	£41,735	£23,729		£33,831
Network Interruption		£8,943		
Indemnity Paid			£20,000	
Total Costs (to date)	£51,368	£48,305	£43,974	£43,351

Protect the unexpected

- Business risks
- Professional and management liabilities
- Property, construction and business interruption specialists
- Commercial motor
- Engineering sector specialists
- Credit and guarantee

