



Established & Emerging Cyber Coverages, Gaps, Underwriting of Midsized Risks

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1. Cyber insurance
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3. Coverage “gaps”
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Coverage responds to a **security failure** of your computer system or **loss of confidential data** in your care, custody or control



Crisis & Security Breach expenses

Day 1 response:

- Forensics investigation
- Breach coach
- Legal consultation
- Public relations
- Regulatory compliance, including notification and post-event monitoring
- Call center services



1st party costs

- Business Interruption – lost income due to a cyber incident
- Data Recovery – costs to replace, repair, restore or recover data assets
- Extortion Threats – monetary demands to avoid network disruption, disclosure of data or damage to data



3rd party liability

- Claims stemming from disclosure of or failure to protect:
 - Personally Identifiable Information (PII)
 - Payment Card Information (PCI)
 - Private Health Information (PHI)
 - Corporate Confidential Information (CCI)
- Regulatory or PCI fines and penalties
- Media-related claims alleging personal/ advertising injury



- Dependent or contingent business interruption – cyber incident on third party networks
- System failure of your computer system (business interruption)
- System failure of third party networks (business interruption)
- System restoration - costs to replace or repair a computer system
- Bodily injury/ property damage – stemming from a cyber incident
- Affirmative coverage triggers – cryptocurrency, cyberterrorism, ransomware
- Social engineering/ Deceptive Funds Transfer



- Commercial General Liability
 - Property Damage
 - Loss of Use of Property
 - Personal Injury for Privacy Violations
 - Tangible Property

- Fidelity/ Crime
 - Wire Transfer Fraud
 - Computer Crime
 - Physical Crime

- Directors' & Officers' Liability
 - Breach of Fiduciary Duty
 - Corporate Mismanagement

- Contractual Requirements



Federal regulation

- Health Insurance Portability and Accountability Act (HIPAA)
- Health Information Technology for Economic and Clinical Health Act (HITECH)
- Federal Trade Commission Act (FTCA)
- Fair Accurate Credit Transactions Act (FACTA)
- Gramm-Leach Bliley Act (GLB)



Statutory requirements

- 48 U.S. State, D.C., Guam, Puerto Rico and the Virgin Islands have mandated Security Breach Notification Laws
- No current similar laws in Alabama and South Dakota



International

- European Union - General Data Protection Regulation (GDPR)
- Australia – The Privacy Act; Australian Privacy Principles
- Canada – Personal Information Protection and Electronic Documents Act (PIPEDA)

- Payment card industry data security standard (PCI DSS)
- NIST cybersecurity framework
- ISO 27001/ 27002
- Auditing standards:
 - SAS 70 - standard for data center users to assure their data center is secure and operating under proper control systems
 - SSAE 16 - standard for reporting on controls at service organizations (including data centers) in the U.S.; Requires written assertion from management on the design and operating efficacy of the controls being reviewed
 - SOC 2/ 3 - standard benchmarks to compare data center audit reports using the same set of criteria
- IASME – UK standard for SME's to achieve accreditation similar to ISO 27001, but less complex

Challenges in the SME cyber market



- Application consistency
- Coverage Variation
- Cybersecurity Posture
- Reliance on 3rd Party Providers
- Lack of Cybersecurity Experts
- Systemic Risk/ Aggregation
- “Silent” Cyber Exposures
- Adequate Pricing
- Limited Historical Data

- The Betterley Report: Cyber/ Privacy Insurance Market Survey – 2017
- International Risk Management Institute- www.irmi.com



Questions?

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