CYBER INSURANCE

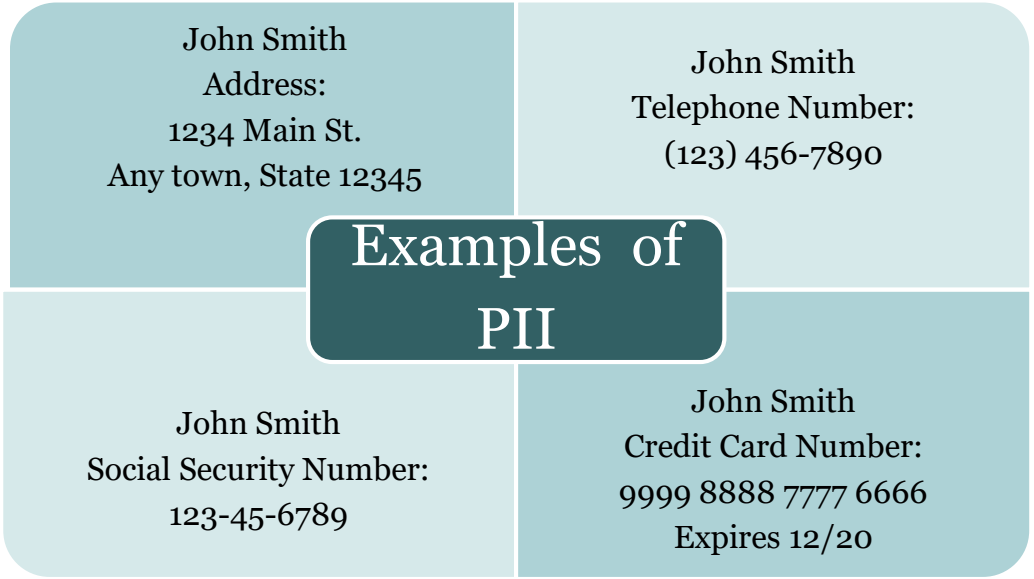
Luxury or necessary protection?

Bartling Insurance Group
CUSTOMIZED SOLUTIONS FOR YOUR INSURANCE

What is a data breach?

A breach is defined as an event in which an individual's name plus personal information such as an address, phone number and/or financial record such as a social security number or credit card number is potentially put at risk—either in electronic or paper format.

Also known as **"PII" or Personally Identifiable Information or "PHI" Personal or protected health information** is a record of a patient's treatment and medical history that includes personally identifiable information.



Bartling Insurance Group
CUSTOMIZED SOLUTIONS FOR YOUR INSURANCE

HACKED!

Number of records breached:

- U.S. Government = 21.5 million
- Anthem = 80 million
- Target = 110 million
- Sony Playstation = 102 million

And still 60% of ALL data breaches are at the small business level

Small business = <500 employees or <$10M revenue

Is a Data Breach expensive?

	Expenses Related to Target Data Breach	**Insurance Payout	Cost to Target
2013	$191,000,000	$46,000,000	$145,000,000
2014	$61,000,000	$44,000,000	$17,000,000
Total	**$252,000,000**	**$90,000,000**	$162,000,000

**Target Corp. only had $100 million in “network-security” insurance.
Target will pay out-of-pocket for the balance of $162M

Cost of Data Breach

*The average cost is $201 for each stolen record:

Example 1:

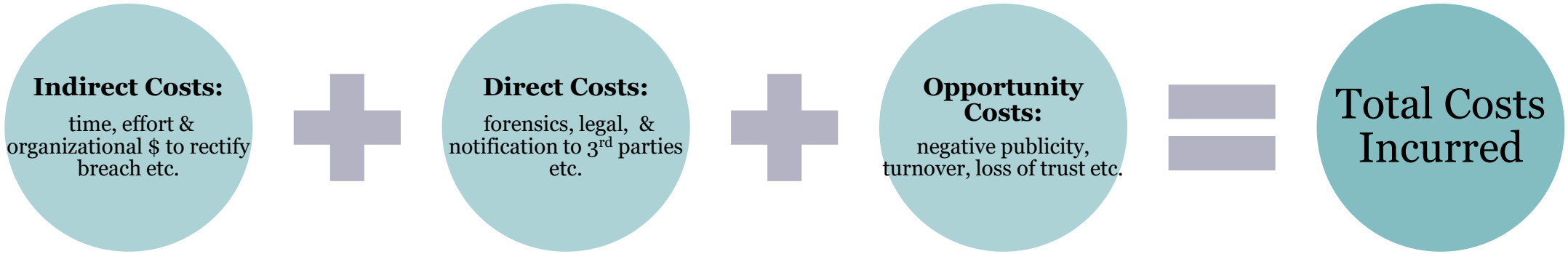
A laptop with employee personal information stolen out of a parked car

- Number of Records = 4,300
- Cost per Record = $201
- Total Costs = $864,300

Example 2:

A Manufacturing Company network containing names and credit card number's of customers breached

- Number of Records = 52,000
- Cost per Record = $201
- Total Costs = $10,452,000



Bartling Insurance Group
CUSTOMIZED SOLUTIONS FOR YOUR INSURANCE

* Ponemon Institute 2013 study

Small Business at Risk:

According to the “2014 Cost of Data Breach Study” performed by IBM:

The results show that a probability of a material data breach
involving a minimum of 10,000 records
is more than 22 percent.

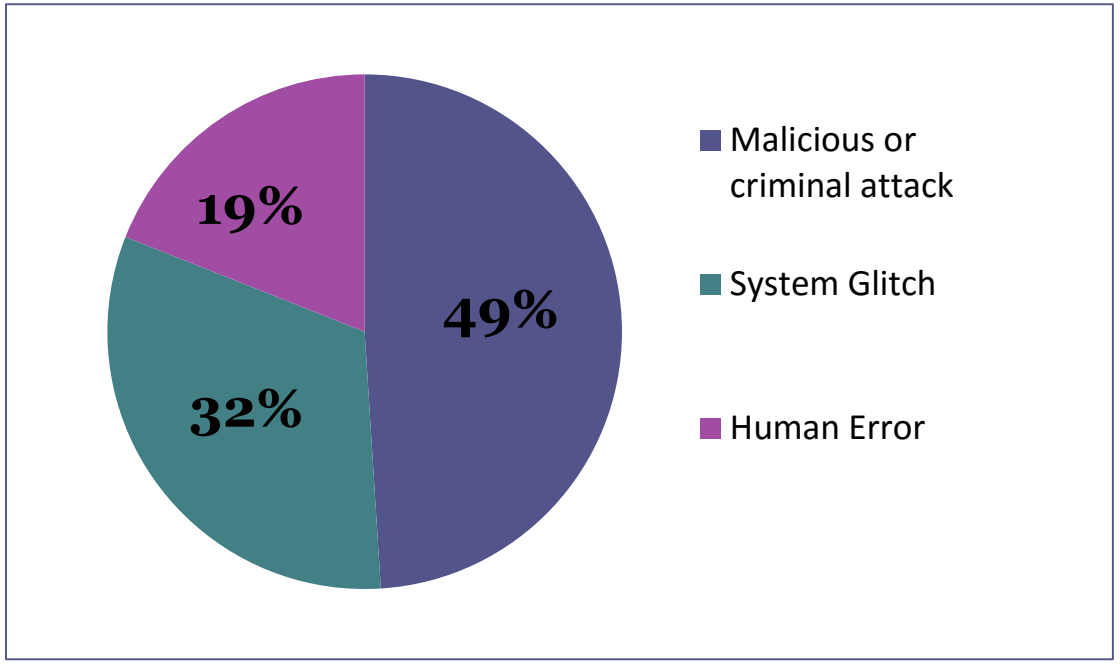
It happened to them. It could happen to you.

A recent survey by Chubb Group of Insurance Companies found that

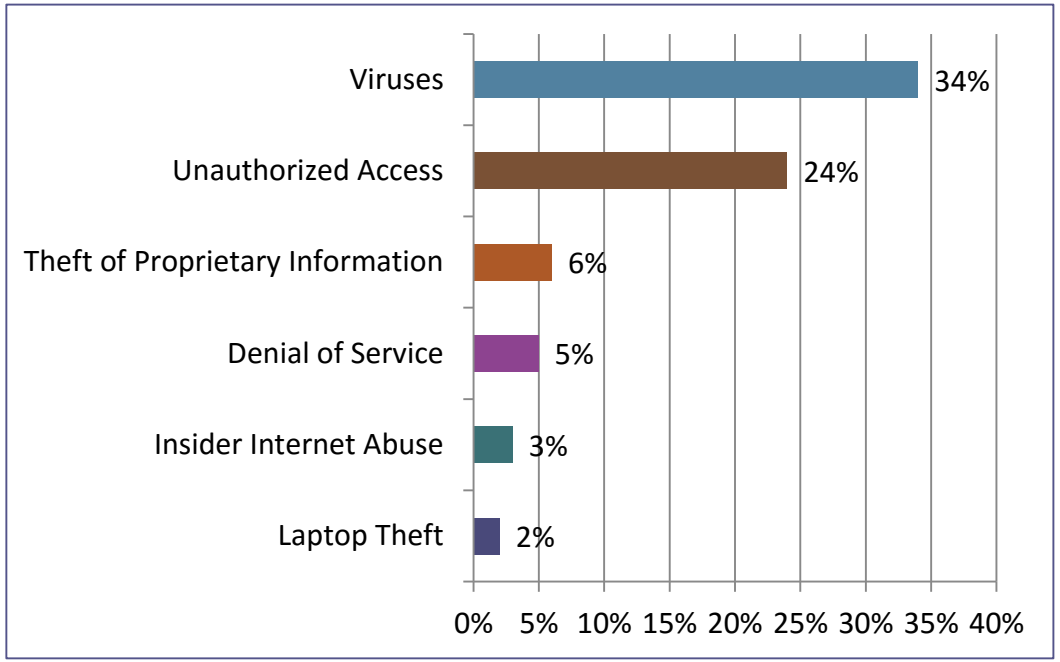
- 65 percent of public companies forego cyber insurance – even though they identify cyber risk as their number one concern.
- 25 percent surveyed are expecting a cyber breach in the coming year.
- 71 percent have cyber breach response plans in place.
- Over 72 percent of all data breaches occurred in Small/Medium-sized businesses.
- The average cost of a breach? Over five million dollars,
- Roughly 60% of small businesses go out of business within six months after an attack.

Types of Cyber Attacks

Root cause of data breaches 2015



Attacks contributing to largest losses



Reasons to purchase Cyber Insurance

- **Business Interruption:** If your computer systems are crippled, so too is your business.
- **Notification Costs**: Both legal and ethical obligations to inform your customers and the public that their information is at risk
- **Credit Protection:** If a breach occurs, your company will be financially liable for the credit monitoring services for your customers (required by law)
- **Forensic Costs:** You must investigate to determine how much damage was done. Specialists are expensive and vetting one is time-consuming
- **Cyber Extortion**: When a hacker holds your information hostage, you may have to pay to get it back, and maybe pay again
- **Crisis Management:** Fees for public relations to reestablish your business' name as a credible and reliable institution
- **E&O Policy or GL exclusion:** E&O Policies only cover errors in the course of professional services. You won't get credit monitoring services coverage or notification expense coverage from an E&O policy

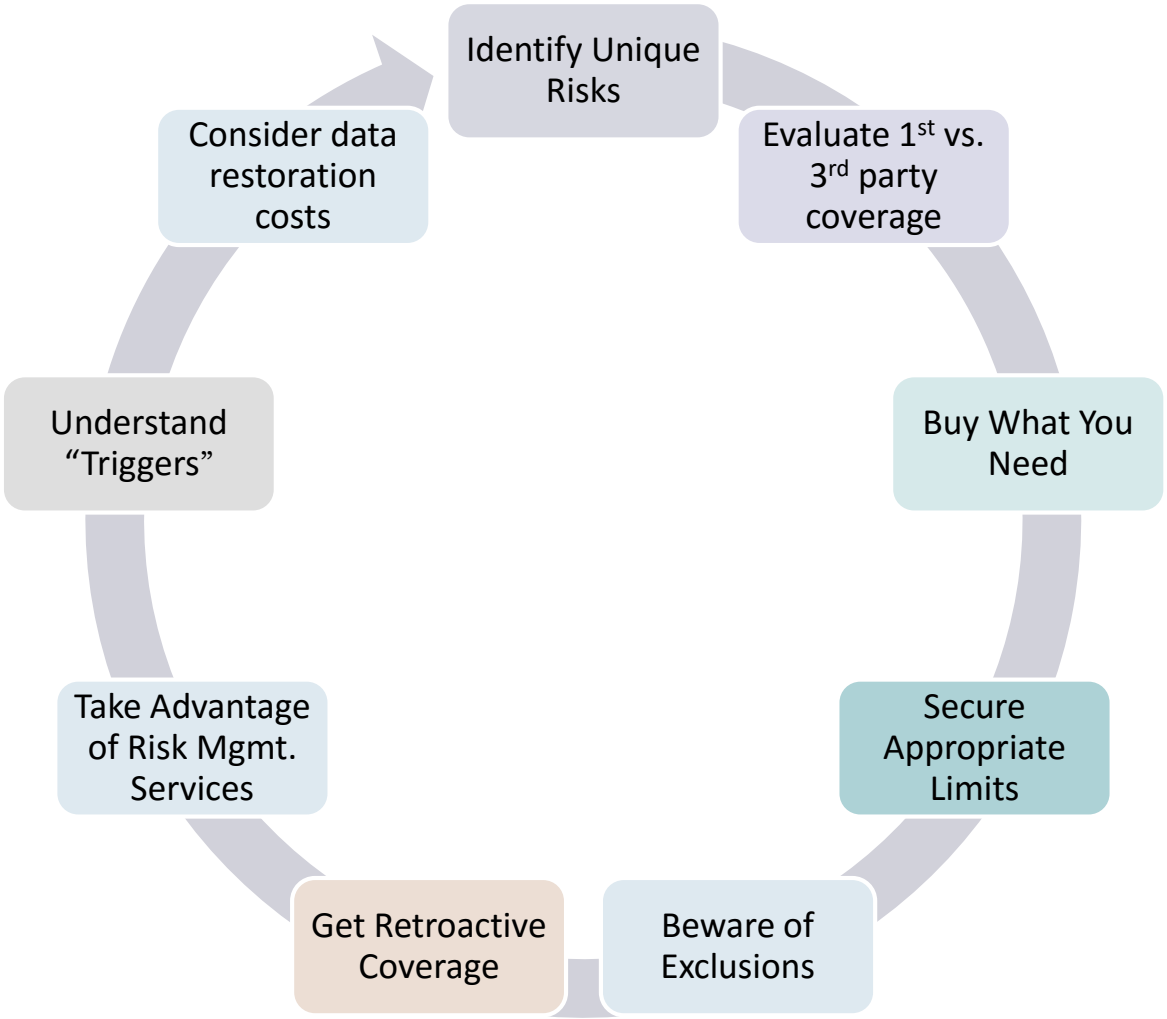
Federal Laws

- Consumer notification of potential loss is required in 47 states, Puerto Rico and D.C.
- Personally Identifiable Information (PII) and Protected Health Information (PHI) is currently governed by federal and state laws:
  - The Family Educational Rights Privacy Act (FERPA)
  - HIPPA
  - Children's Online Privacy Protection Act
  - Gramm Leach Bliley Act (GLBA)
  - Fair Credit Reporting Act
  - Sarbanes-Oxley (SOX)
  - Federal Privacy Act
  - HITECH Act
  - Red Flags Rule
  - President Obama's Cybersecurity Executive Order
  - California Civil Code Section **1798.25-1798.29 & 1798.80**

1st Party Risk vs. 3rd Party Risk

Coverage's Available:	
FIRST PARTY COVERAGE	**THIRD PARTY COVERAGE**
Direct loss incurred by our insured because of "injury" to electronic data or systems resulting from acts of others:	Liability for financial losses or costs sustained by others resulting from internet or other electronic activities:
•Costs of fixing the problem •Expenses to protect customers (including notification and credit monitoring costs) •Other expenses to mitigate loss (including PR and publicity costs) •Theft of data & intangible property •Loss of future income •Cyber extortion	•Defense Costs •Damages resulting from customer suits and suits from others for personal/content injury, intellectual property claims, professional services, and injury from a security or privacy breach, or Regulatory fines/penalties

Factors affecting Premiums



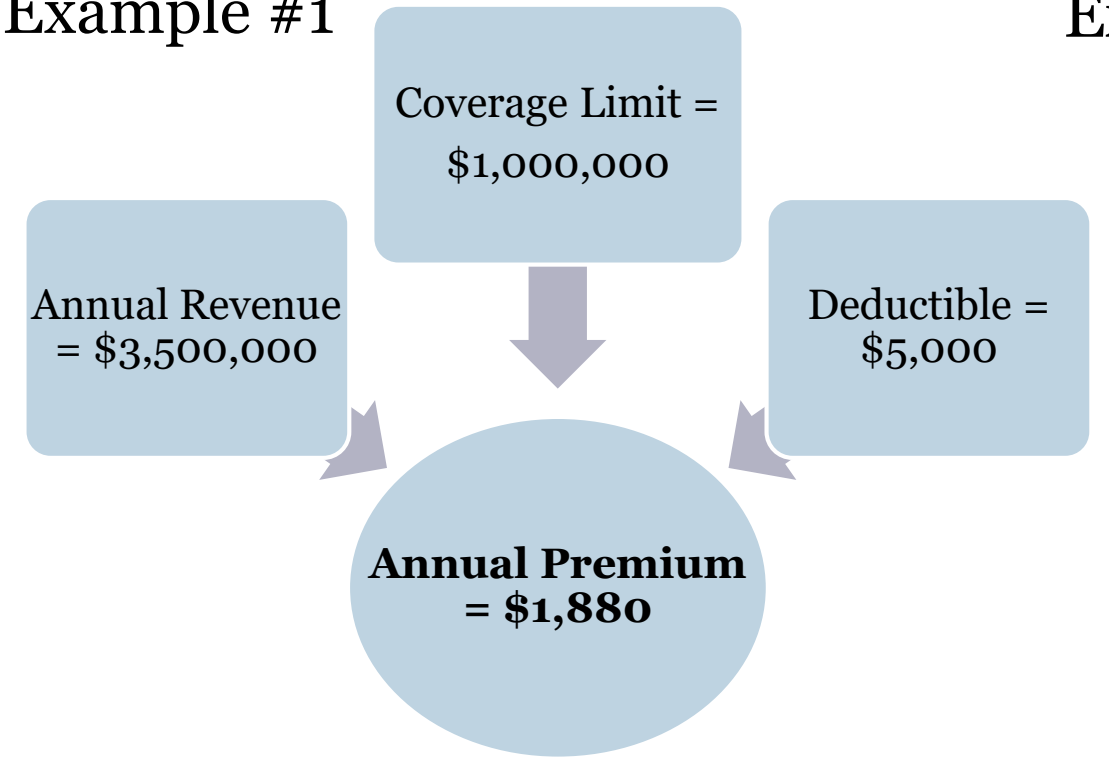
Bartling Insurance Group
CUSTOMIZED SOLUTIONS FOR YOUR INSURANCE

Typical Cyber Liability Coverage:

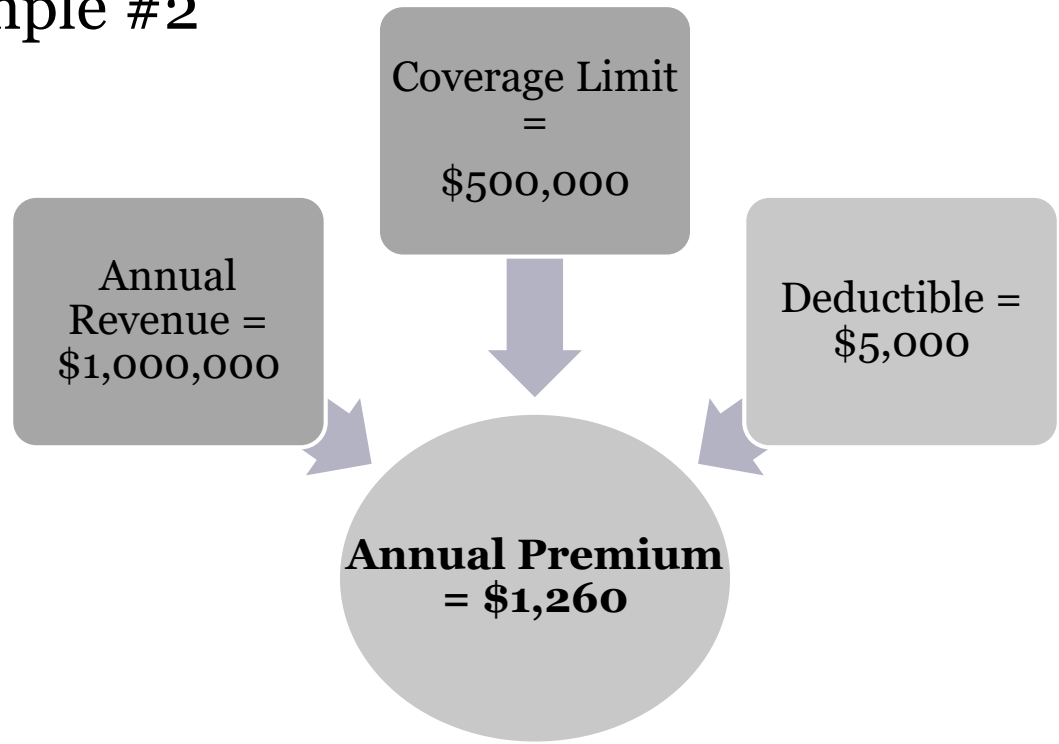
- Denial of Service (inability to access systems or website)
- Unauthorized access to, use of, or tampering with data
- Disclosure of confidential data (invasion of privacy)
- Loss of data or digital assets (malicious or accidental)
- Introduction of malicious code or viruses
- Cyber extortion or terrorism threats
- Personal media injury (defamation, libel, or slander) from electronic context
- Regulatory action, notification, or defense expenses
- Crisis management and public relations expenses
- Data or system restoration
- Business interruption expenses

Coverage is affordable

Example #1



Example #2



This is only an example of a quote and not an offer of coverage, and that no coverage is provided until the customer enters into a contract with the insurance company. The price of a policy will change based on client unique circumstances and coverage needs.

Bartling Insurance Group
CUSTOMIZED SOLUTIONS FOR YOUR INSURANCE

Reduce your Risk

- Tighten your security system – Create a Security Policy and Procedure Manual.
- Protect outbound data - always encrypt data stored on portable devices (laptops, tablets, smart phones etc.)
- Implement inventory control and anti-theft devices.
- Ensure your data storage system has appropriate safeguards (patches and fixes up-to-date) and conduct periodic vulnerability scans – including all 3rd party vendors being used.
- Keep your anti-virus, firewall, browser and operating system up to date.
- Stay up to date on state & federal breach notification laws.
- Do not allow employees to transfer sensitive information to/from their home computer.
- Raise Awareness and establish tight Password and Protection controls.
- **SECURE CYBER INSURANCE COVERAGE from** Bartling Insurance Group
  CUSTOMIZED SOLUTIONS FOR YOUR INSURANCE

Tools & Reference Materials

- Calculate your risk: https://www.databreachcalculator.com
- Loss scenarios: http://www.databreaches.net/?cat=18
- Security Policy: http://www.instantsecuritypolicy.com
- Ponemon Institute Data Breach Study: http://www.ponemon.org/blog/ponemon-institute-releases-2014-cost-of-data-breach-global-analysis
- IBM Data Breach Study: http://www-03.ibm.com/security/data-breach/
- Cyber Security in California: https://oag.ca.gov/cybersecurity
- PCI Data Security Standards: https//www/pcisecuritystandards.org/
- FCC guide to Cyber Planning: https://www.fcc.gov/cyberplanner
- Bartling Insurance Group: http://biginsure.com