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# ERRORS & OMISSIONS

## RISK MANAGEMENT ALERT

### Cyber Risk Coverage Considerations

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Cyber Risk Coverage is not standardized from carrier to carrier. It could be the types of risks covered, the applicable exclusions to coverage, how limits or sublimits are applied, whether there is technical support provided with the coverage, or how the policy pays out on covered claims. The differences may be nuanced, but the impact may be significant. Understanding your agency's vulnerabilities is the first step in determining the appropriate coverage. Does your agency handle customers' Personally Identifiable Information (PII)? Does your agency use or process payment cards? Once you understand your agency's exposures, you should then seek out coverage that will respond to your agency's needs. Below are several topics to contemplate when considering Cyber Risk Coverage for your agency:

#### **What's covered?**

Most Cyber Risk policies provide some coverage for loss of PII. Does the policy you are considering provide first- and third-party loss of PII? Additionally, ransomware attacks are on the rise in the U.S., and it is not only large companies that are the target. Does the policy you are contemplating provide coverage for ransomware when your computer is encrypted and your data held hostage? Is there Payment Card Industries Fines and Penalties Coverage? Does the policy you are considering offer options for Online Banking Theft and Social Engineering, also preferred methods for hackers to attack?

#### **What are the limits?**

Is your add-on cyber subject to the limits of the E&O policy, or does it have a separate limit? Some carriers may offer a \$1 million policy limit, but how is that limit eroded? Often coverages will have sublimits, so be aware of which limits apply to which type of loss.

#### **Am I indemnified or merely reimbursed?**

How does your policy pay out? Many Cyber Risk policies only pay out after the damage has been done and you have put the pieces back together again. These reimbursement policies provide little in the way of support, and it may be difficult to know what expenditures are covered and which are not. Consider policy language such as "we will pay up to [incident limit] subject to the [aggregate limit] for "reasonable and necessary" expenses incurred by you as result of any [covered event]." Note reasonable and necessary are not defined terms. Compare that language to "We will pay for all 'loss' resulting from a 'privacy breach' to which this insurance applies... 'Loss' means any amount which an insured becomes legally obligated to pay as compensatory damages arising out of any 'claim' to which this insurance applies and shall include judgments and settlements." The former will require you to submit your receipts and justify the expenditure.

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### Will I have technical support?

Some carriers leave the policyholder to figure out the technical aspects of addressing their computer system and sorting through notification requirements for your customers who had their information compromised. Others will provide the policyholder with technical support through a reputable third-party vendor. You are in the business of insurance, not the business of IT security. Make sure that when you make a decision on the Cyber Risk Coverage you consider the amount of support you can expect.

While not an exhaustive list, these are items you will want to be informed on when considering Cyber Risk Coverage. Finally, be wary of “included” Cyber Risk policies. While they may be a nice enhancement to the E&O, they are not likely as robust as a standalone policy. If you have any questions, reach out to your underwriter to discuss Utica National's Cybersurance program to determine if it is the right fit for your agency.

### CYBER POLICY QUICK CHECK

#### What is covered?

- Does the policy you are considering provide first-and third-party loss of PII?
- Does the policy you are contemplating provide coverage for ransomware when your computer is encrypted and your data held hostage?
- Does the policy you are considering offer options for online banking theft and social engineering?

#### What are the limits?

- Is the Cyber a separate limit of liability or would it erode your E&O coverage limit?

#### Are you indemnified or merely reimbursed?

- Many Cyber Risk policies only pay out after the damage has been done and you have paid out money to put the pieces back together again. These reimbursement policies provide little in the way of support, and it may be difficult to know what expenditures are covered and which are not.

#### Will I have technical support?

- Does the carrier have third party-experts set up to help you with addressing your compromised computer system or sorting through notification requirements (which vary by state) for your customers who had their information impacted?

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