Aon Risk Solutions
Financial Services Group

Cyber Security Breaches

Don’t wait until “if” turns into “when”

February 2018

Empower Results®

In today's digitally connected business world, cyber and technology risks are no longer considered emerging exposures. The financial security risks and reputational damage associated with the technology revolution have made it crucial for organizations to establish a data privacy and cyber risk management strategy.

Cyber-attacks, in the best-case scenario, highlight the weaknesses of an organization's IT infrastructure and predict future vulnerabilities. In the worst-case scenario, a cyber-attack will shut down all operations, displace stolen data into dangerous hands, and inflict financial losses on both an organization and its clients.

Every organization should consider the impact of cyber exposures by asking itself the following questions:

- Beyond traditional IT solutions, how are we protecting ourselves from cyber risk?
- Are we able to identify and quantify the damages arising from a cyber-attack?

Security budgets today address only a portion of the cyber vulnerabilities organizations face, and often leave gaps in their ability to confront a data breach. A dedicated cyber insurance policy can assist in transferring risk, offering your organization a degree of comfort when operating in today's ever evolving digital era.

Case Study – Aon Client Claim Example

Time of loss: April 2016

Insured: Post-secondary education institution

Location: Ontario, Canada

Description of event: The insured lost an unencrypted laptop with 644 records containing sensitive student information. The costs outlined below were incurred and paid out by their cyber insurance policy.

Insurance pay-out details

Scope of work	Cost
Initial legal counsel	$4,381.89
Insurer preferred legal counsel	$44,430.42
Credit monitoring services	$74,749.50
Cyber forensic services	$50,897.46
1.800 Helpline services	$32,609.54
Notice via email	$1,586.27
Notice via printing/mailing	$1,022.64
Total	**$209,677.72**

Other claims examples

- Malware infects a company's servers and an email containing a virus attachment is sent out to the network's contact list. The virus, when opened by recipients, destroys a number of their operating systems.
- An employee loses a laptop containing sensitive HR data, including employee SIN and financial account information.
- A hacker accesses a company's third-party ecommerce service provider's database and compromises payment card information.
- The privacy commissioner opens an investigation against a company after hundreds of customers complain to the commissioner about their confidential information being handled improperly.

Why are Standard Insurance Policies Not Enough?

While existing insurance forms can provide a limited amount of cyber coverage, they are not intended to manage, cover and respond to data breaches. Typical forms respond as follows:

Commercial general liability (CGL)

Covers third-party losses for bodily injury and tangible property damage that arise out of the insured's premises, operations or products, but generally contains a cyber or data exclusion which precludes the policy from responding in the event of an unauthorized disclosure of personal identifiable information (PII) or confidential third party information. Moreover, it provides no first-party coverage to the insured for mitigating losses from the breach while satisfying legal requirements (i.e. notification of affected individuals).

Professional services liability or errors and omissions (E&O)

Covers third-party losses resulting from errors, omissions or negligent actions committed in the course of providing professional services, as defined in the policy. This professional services coverage typically does not extend to claims arising from privacy and cyber related breaches. However, some professions have a professional obligation to clients that involve safeguarding clients' personal or confidential information (i.e. lawyers). In these narrow circumstances, the policy could respond to third-party claims alleging that the insured failed to uphold their professional obligation to keep information confidential as a result of a data breach. Finally, as with CGL insurance, no first-party coverage is provided to the insured.

Directors' and officers' liability (D&O)

Covers corporations and their executives where they are faced with third-party management liability claims. The bodily injury/property damage exclusion (BIPD) contained in most D&O policies can be problematic where it precludes coverage for claims arising out of an "invasion of privacy"; this is often a key allegation in cyber breach related litigation. A public company may have coverage where a cyber breach results in a shareholder lawsuit; however, no coverage would likely be available in situations where the company is sued by individuals seeking damages because they were affected by a breach. In addition, most policies do not provide coverage for first-party costs to address the fallout from a data breach.

Property

Covers the insured for tangible property loss or bodily injury triggered by a physical peril, such as a fire or flood. Data does not qualify as tangible property in most policies, and the majority of forms contain a data or cyber exclusion that precludes coverage altogether for cyber or privacy breach losses. In addition, the first-party coverage available under the policy will not cover many of the expenses incurred to deal with a cyber breach, nor will it cover costs associated with third-party litigation.

Commercial crime

Covers employers for the theft of money, security, and other tangible property by its own employees. As in a property policy, data typically does not qualify as tangible property. Further, crime policies require the insured to suffer a direct loss as a precondition to coverage – the theft of third-party personal or confidential information is not a direct loss to the insured. The policy will also not respond to cover third-party claims.

How Aon Can Help

Bespoke cyber broking services

Aon has placed cyber liability insurance policies with organizations spanning a variety of industries. Whether your company generates revenue of $1 million or $1 billion, we can recommend a risk transfer solution to fit your unique needs and budget. Contact one of our experienced brokers to conduct a detailed risk analysis and help you identify your organization's level of cyber exposure.

Aon Cyber Link

Aon's latest development, the Aon Cyber Link solution, offers a privacy breach response management and information security insurance designed to assist small to mid-sized organizations at every stage of a data breach. Aon Cyber Link responds to suspected or actual data breach incidents to ensure that resulting issues are resolved in a timely manner in compliance with the law.

Coverage highlights

- Initial breach investigation and consulting services
- Legal services
- Computer forensics
- Notification and call centre services
- Breach resolution and mitigation
- Public relations and crisis management expenses

Key benefits

- Easy eight question application process.
- Competitive pricing in the Canadian marketplace and no minimum premium requirement.
- No retroactive date, providing full coverage for past events such as dormant viruses that may give rise to future claims.
- First class breach response services that allow you to outsource your cyber incident response plan.
- Coverage extends to electronic and non- electronic information as well as unauthorized access of your information while in the care of third-party vendors.
- Coverage for remediation costs to contain a breach (i.e. legal advice, voluntary notifications, credit, identity theft monitoring, etc.) are provided in addition to the overall aggregate policy limit.

We're Here to Empower Results

Don’t wait until if turns into when for your organization to confront the threat of a data breach. Contact a member of Aon’s cyber team to learn more!

Brian Rosenbaum
t +1.416.868.2411
brian.rosenbaum@aon.ca

Ady Sharma
t +1.416.263.7876
ady.sharma@aon.ca

Cassandra Long
t + 1.416.868.4125
cassandra.long@aon.ca

Jennifer Drake
t + 1.416.868.2432
jennifer.drake@aon.ca

Jessica Foster
t + 1.416.868.5651
jessica.foster@aon.ca

About Aon

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

Empower Results®