



**CYBER LIABILITY:**  
**TRENDS AND DEVELOPMENTS: WHERE WE**  
**ARE AND WHERE WE ARE GOING**

# Where We Are

- 2014 was the year of the data breach
- 47 States, the District of Columbia, Guam, Puerto Rico and the Virgin Islands have enacted legislation requiring private or government entities to notify individuals of security breaches of personally identifiable information
- Brian Krebs reports daily on hacking
- The hackers are getting better at a faster rate than we are getting at detecting the hackers
- Many small and medium businesses at risk because of uncertainty over their security and cyber-attack threats

# 2014 Cyber Insurance – A Look Back

- Cyber Products
- Underwriting
- Sales
- Claims

# Cyber/Data Privacy Products

## First Party Coverage

- Breach Response
  - Forensics
  - Notification
  - Legal representation
- Crisis Management
- Reconstitution of electronic records
- Property coverage
  - Computer systems
  - Machinery
  - Business interruption
  - Lost profits

## Third Party Coverage

- Response to regulatory investigation
- Defending against lawsuits

### Market issues

- Varying products by company
- Varying policy language vary by company

# Underwriting Cyber

- What were the major underwriting concerns regarding cyber threats in 2014?
- Have they changed?
- How are those concerns being addressed in the underwriting process?
- Where was the underwriting data coming from?

# Who Was Buying Cyber

- Big Companies v. Small to Midsize Companies
- Was it industry specific?
- What were the driving forces for the purchasing decisions?
- What products were sold?
- How much is dependent on the agent/broker?
- Stand Alone Policies v. Endorsements
- Is any of this changing?

# What Did the Claims Look Like

## Employees

- Negligence
  - Lost laptop, USB or smartpone
  - Phishing victim
  - Allowing access to passwords
- Personal Profit
  - Espionage
  - Corporate earnings/M&A activity
- Revenge

## Third-Parties

- Personal Profit
- Hacktivists
- Foreign States
- Bad Actors

# Looking Forward – Current Trends

- Products
  - Growth of cyber towers
  - Expansion of coverage afforded
    - First Party
    - Third Party

In what way will the coverage expand?

Are there any risks that have become uninsurable?



- Underwriting
  - Choosing risks
  - Pricing
  - Overlapping coverage and its impact on placement
  - Position in the tower
  - Willingness to manuscript policies

- Industries at Risk
  - Retail
  - Healthcare
  - Educational institutions
  - Manufacturing
- Cloud providers

# Where are we going

- Severity of data breaches
- Dawn of cyber-attacks that result in physical damage to property and persons
- Increasing regulation on state and federal levels
- “Other Insurance”
- Competition in the marketplace
- Uniform cyber policies
- Articulation of damages for the loss of PII and PHI
  - Statutory
  - *Clapper* decision

# Questions

- Will a Federal Notification Statute be enacted?
- Will uniform policy language and definitions be developed?
- What direction are we heading?