

CYBER RISK ENHANCEMENT ENDORSEMENT

COVERAGE SUMMARY & FAQs



Hello,

Cyber security breaches are now a painful reality for virtually every type of organization and at every level of those organizations and, unfortunately, they are on the rise. Every organization with a website and/or who keeps electronic data has a significant cyber risk exposure.

Public entities face exposure to loss arising from a data breach in terms of the costs to remediate the claim, the consequential loss to the public served, and damage to the entity's reputation. Those exposures are not broadly addressed by a typical General Liability policy in the market today. With the growing complexity of the field of data security and resulting claims, the directors of Community Insurance Corporation sought out a program enhancement to provide the needed coverage to their policyholders.

The Board of Directors of Community Insurance Corporation is pleased to provide a Cyber Enhancement Endorsement that will be added to each policy issued by Community Insurance Corporation in 2014. *Furthermore, there is no additional premium charge for this coverage enhancement.*

Over the next several months, we will be making available risk management information for our policyholders addressing the issue of cyber risk and offering training throughout the coming year.

This document explains the coverage being offered as well as a number of Frequently Asked Questions (FAQs) related to the enhancement. Should you have any further questions, please feel free to contact your agent or Community Insurance Corporation.

Sincerely,

Community Insurance Corporation

CIC - CYBER RISK ENHANCEMENT ENDORSEMENT

COVERAGE SUMMARY

WEBSITE PUBLISHING LIABILITY

Applies to liability arising out of claims for “wrongful acts” associated with the content posted to a policyholder’s web site. A wrongful act is defined to include actual or alleged errors, misstatements or misleading statements that result in an infringement of another’s copyright, trademark, trade dress, service mark, defamation, or violation of a person’s right to privacy.

SECURITY BREACH LIABILITY

Covers both the loss and defense expenses as a result of a claim for a “wrongful act” or a series of “interrelated wrongful acts.” Security breach means the acquisition of personal information held within your computer system or a nonelectronic format while in your care, custody or control or by authorized third party, by a person who is not authorized to have such information or who is authorized but whose access results in the unauthorized disclosure of such information.

PUBLIC RELATIONS EXPENSE

Coverage is provided for any “loss” due to “negative publicity” resulting directly from a security breach. The expenses are used to cover the fees and costs of a public relations firm to protect and restore your reputation in response to negative publicity.

SECURITY BREACH EXPENSE

Applies to any incurred expenses or “loss” sustained as a result of a security breach, including investigation of whether a security breach has even occurred. Covered expenses also include the notification of affected parties, overtime salaries for employees, post-event credit monitoring for up to one year, and consulting expenses for post-event correction and remediation of conditions that led to the security breach.

REGULATORY DEFENSE EXPENSES

Covers “fines and penalties” and “defense expenses” for regulatory proceedings as a result of a claim made against you resulting from a security breach.

REPLACEMENT & RESTORATION OF DATA

Coverage is provided to restore your electronic data or computer system and programs directly resulting from a virus or other malicious electronic attack designed to delete or incapacitate your computer systems.

COMPUTER & FUNDS TRANSFER FRAUD

This coverage provides payment of a loss resulting directly from a fraudulent entry or change in your electronic data or computer programs that causes unauthorized payment, transfer, debit, or delivery of money.

FAQs

Why offer Cyber Risk Coverage to our insureds?

CIC's Cyber Risk Enhancement Endorsement is a value-added coverage, but there are many reasons CIC offers the endorsement, including:

- » Every organization with a website and/or who keeps electronic data has a cyber risk exposure.
- » Data Breach incidents are on the rise.
- » A typical General Liability policy in the marketplace today, is not intended nor addresses coverage for cyber risks.
- » Insureds face exposure to loss arising from a data breach in terms of the costs to remediate the claim, the consequential loss to the public served, and the damage to the insured's reputation.
- » Data Breach Notification laws have been passed in our state mandating notification to all affected customers of a data breach. This process can create an extensive loss.

Why do you need Cyber Risk coverage?

- » Many entities do not have the tools or procedures in place to detect identity fraud, including an incident response plan, vendor management procedures, or data encryption for personally identifiable information, according to a national survey.¹
- » The average per record cost of a data breach is \$214 per customer record.²
- » Most victims do not even know their data was compromised. 86.7% of breaches are discovered by a third party.⁴
- » There are Regulatory Requirements that apply to most organizations. Data Breach Notification Laws are now in effect in our state and require notification of victims in the event of a data breach. The compliance costs to notify customers as well as risk of incurring fines/penalties can drive your entity's costs if unprotected.

How much does Cyber Risk Coverage cost?

The average industry costs for this coverage range from \$10,000 to \$35,000 in premium for \$1 million of coverage.³ The Board of Directors of Community Insurance Corporation is pleased to provide this coverage enhancement at no additional cost to our insureds.

What Insuring Agreements are provided?

CIC crafted a customized endorsement to include coverage relevant to our policyholders. The following Insuring Agreements are included in the coverage:

- » Web Site Publishing Liability
- » Security Breach Liability
- » Public Relations Expense
- » Regulatory Defense, Fine and Penalty Expense
- » Replacement or Restoration of Electronic Data
- » Computer and Funds Transfer Fraud

Is there a deductible?

Yes. Your CIC Liability policy deductible will apply to this coverage, subject to a \$1,000 minimum.

¹ "2011 Data Breach Investigations Reports," Verizon Business RISK Team, 2011

² "Fourth Annual Cost of a Data Breach," Ponemon Institute Study, February 2009

³ Chubb Survey of Data Breach Coverage Policyholders, 2012

⁴ "2009 Data Breach Investigations Report," Verizon Business RISK Team, 2009.