

La Playa Science & Technology

Insurance with Intelligence[®]

The Smart CFO's Guide to Cyber Insurance

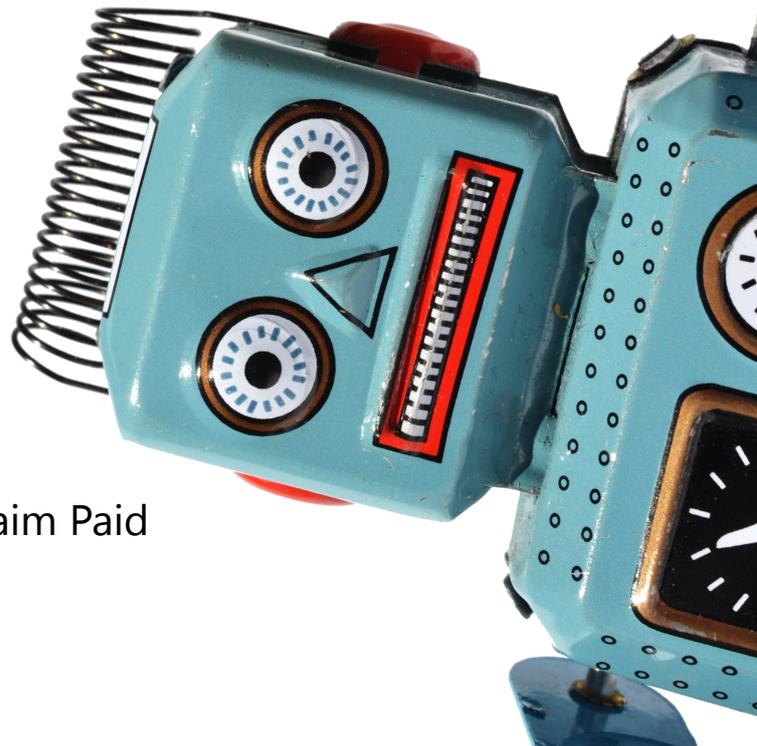
A Masterclass from La Playa

Enough with the horrific statistics about data breaches and cyber risks; most responsible FDs are alive to the fact that a cyber attack is a “when” not an “if”, and that Cyber Insurance is now essential for the financial safety of any organisation.

In this white paper, we outline smart ways to get the best out of your Cyber Insurance, including better ways to structure it and to keep the costs down.

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La Playa Science & Technology: Insurance with Intelligence[®]

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LA PLAYA

● BACKGROUND

The **majority** of small businesses have had their digital defences breached in the past year. It's vital to protect your intellectual property, business information and customer data against online theft and exploitation. Technology, data, and infrastructure are the oxygen of modern businesses. From a start-up hoping to make waves in media, to the laboratory business that's developing next-gen medical devices – all organisations must embrace technology to thrive. But with new technology comes new risk, which requires cyber insurance.

The invisible threat of cyber-crime, combined with the potential for tech infrastructure failure, and the ever-evolving regulatory landscape, represents a new minefield for modern business.

Unless your organisation carries specialist cyber insurance coverage against such perils, you won't be protected against the unusual risks that arise in cyberspace.

And with the cyber legal landscape changing, increased liabilities, costs and fines make the need for financial protection incontrovertible:

- ▶ General Data Protection Regulation (**GDPR**), in force May 2018: **tougher data security rules** and a new **data breach notification** framework
- ▶ Network and Information Security Directive (**NIS**), in force May 2018: new requirements in **risk management of systems** and **incident notification**
- ▶ **Insurance Act** 2015 places on you a new **duty of fair presentation** of risk

What if:

- ▶ Your network or 'cloud' were **hacked** – and the data regulator insists you notify customers of the breach?
- ▶ A **malware attack** interrupts your operations, leaving a hole in your revenues?
- ▶ You incur cost in reconstituting valuable data that's been **stolen**?
- ▶ The data regulator **fines** you following a breach?
- ▶ Your technology gets hacked and draws an **incorrect** conclusion with knock-on effects?

In the wake of numerous high-profile cyber-crime cases, including network and data breaches, businesses globally are shoring themselves up against a range of new global tech and cyber risks.



A New Board-Level Duty of Care

Given the high threat of loss, cyber security has become a "duty of care" that boards must address. Your board will be acutely aware that their necks are on the line in a Cyber Liability suit (even for a *perceived* lack of diligence), so making sure you buy the right insurance will help them sleep at night.

"Ensuring the adequacy of a company's cyber security measures needs to be part of a board of director's risk oversight responsibilities," said SEC Commissioner Luis Aguilar in his speech, *Sharpening the Focus*, presented at the 2014 *Cyber Risks and the Boardroom* conference.

Financial decision makers globally are grappling with the rapidly evolving and increasingly "must-have" Cyber Insurance – you are not alone!

As experts in customised insurance for tech and digital businesses, La Playa is the ideal partner to design a watertight, tailored cyber insurance solution for your cyber risks.

"Open, friendly, and supportive" - client feedback



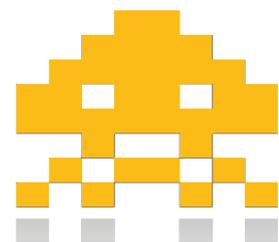
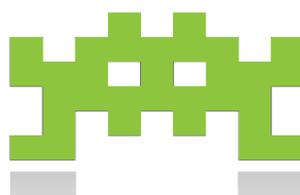
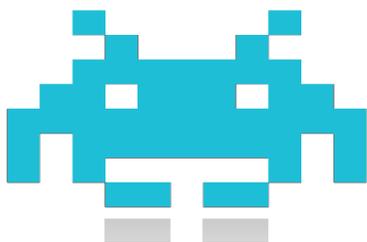
● WHAT DOES CYBER INSURANCE COVER?

Cyber Insurance cover can include protection against costs, expenses and liability arising from:

- ▶ **Breach of Privacy or Confidentiality** – critical defence against your liability for violation of privacy rights or breach of confidential information
- ▶ **Data Breach Costs** – with the new General Data Protection Regulation, this is critical. The cost of meeting notification requirements after a data breach, and the fines of up to €20m or 4% of turnover, could be crippling. Cyber Insurance can cover reimbursement of your costs incurred in dealing with a regulatory investigation, including post-breach costs such as legal, PR & crisis management expenses, customer notifications, credit monitoring and identity theft monitoring costs, and network forensics
- ▶ **Regulatory Fines or Contractual Damages** – to reimburse sums you're legally obliged to pay as a direct result of a breach of privacy law or contractual obligation, including PCI-DSS penalties
- ▶ **Cyber Liability** – your liability for customer/user financial loss or denial of access
- ▶ **Business Interruption** – for your own lost revenue as a result of viruses, network failure or damage, hacking or cyber-crime causing 'down-time'
- ▶ **Data Extortion** – protection against the threat of extortion as the result of ransomware, theft of data, or damage to your computer network
- ▶ **Problems with an outsourcer** - we'll help build protection wherever you face loss or liability, and wherever it arises in your supply chain – including cloud providers and overseas data processors
- ▶ Costs of **restoring or recreating data**
- ▶ **Costs of minimising reputational damage – hiring a PR firm**

Reputational Damage

It's not just the direct financial impact we need to be concerned about. The reputational impact of data breaches can be very severe. An Economist Intelligence Unit study conducted among consumers in 24 countries found that 18% of respondents had been a victim of a data breach. Of those individuals, 38 percent said they no longer did business with the organization "because of the data breach." A larger number, 46 percent, said they "advised friends and family to be careful of sharing data with the organization."



Damage limitation

In the event of a data breach, reputational and financial impact can be minimized by a considered response. Understanding the cause and extent of the breach is a critical step in any breach response. Some companies have made a knee-jerk reaction without fully understanding the breach, resulting in them misinforming their customers or the public.

Click [here](#) for a free quote



● How it all fits together

Structuring your Cyber Insurance to get your claim paid

You may be thinking that the Cyber element of your package policy will cover most bases. Or that, if push comes to shove, your Directors & Officers cover will pick up the pieces of a cyber disaster. Think again! Some new D&O policies could help you out – but old wordings that don't specifically cover Cyber are unlikely to hear your cries.

No two Cyber policies are alike – there's currently no standardisation in the insurance industry. So don't think that if you see "Cyber" in your policy, it will automatically cover everything we've talked about – it may only cover parts of it.

There are elements of Cyber cover in some other classes of insurance, with some significant overlaps, but you need to have your eyes wide open as to what they actually cover. Cyber Risk can intersect with many other risk areas in your business:



Talk to an expert now — [01223 200650](tel:01223200650)

● CONTROLLING THE COST OF CYBER INSURANCE: 6 SMART STEPS

If you can demonstrate a proactive approach to managing your Cyber Risk, many insurers will reward you with lower rates. Measures such as these below are good indicators to an underwriter of a well-managed risk. Here are six ways to **demonstrate good risk management**:

1. **Assess the risk:** start by assessing your security and the “what ifs” for your organisation – and document them. La Playa has partnered with Threat Informer to run a quick and easy analysis of your cyber risk – see below.
2. **Security controls:** maintain, regularly update and stress-test them.
3. **Ensure continuity:** demonstrate you have **external back up** systems in place, and test them regularly.
4. **Managing reputational fallout:** build a post-incident PR plan to mitigate damage to your brand and demonstrate to the insurer that you’ve thought it through and quantified the rectification costs.
5. **Educate and train** all staff to reduce human error. Useful links:
<https://www.gov.uk/government/collections/cyber-security-training-for-business>
<https://www.cyberaware.gov.uk/>
6. **Incident response plan:** create and share it, and make sure you have the right professional help at the ready. We and your insurer can help with templates for Business Continuity Planning. It’s important to demonstrate you have a programme for regular review of BCP plans: again, we can advise on this.



THREAT INFORMER

FREE Report:

How and Where is Your Organisation Exposed to Cyber Risk?



Using the latest AI-based insuretech, La Playa has partnered with ThreatInformer to offer a tailored analysis of your organisation’s cyber risk. By interrogating your online presence, we can deliver:

- A clear, **graphic picture** of your cyber risk
- **Intelligent metrics** to understand that risk
- Insights to **shape your insurance** to fit your specific risk areas

Try it out for free! Get the **right cover** where you need it – and not where you don’t.

“The service we get from La Playa is faultless”
- client feedback



How you structure your insurance depends on the nature of your work and the weighting of risks within the business. Some policies overlap – but equally you could find yourself with a gap, so it's important to take expert advice from a broker who really understand your business.



Here are some smart fixes to ensure you have the protection you need without paying for expensive duplications:

▶ **“Flexible loss” cover**

Ask for “flexible loss” cover in your Cyber Business Interruption Insurance. The old way was to insure specific types of loss, such as “loss of revenue” or “increased costs of working”; now you can have a single sum insured across all risks. This creates fewer silos for risk, and greater overall protection – as well as better pricing.

▶ **Include Crime Insurance**

As well as Cyber Risks Insurance you need to incorporate Crime to give financial protection for theft of money and fraud, including phishing scams, electronic wire transfer fraud, telephone hacking and social engineering.

▶ **Retro-active policy wording**

Data breaches can take months to surface – a US study found that the average was [206 days](#) to detect a breach. So you need to ensure your policy provides full retro-active coverage.

“The service we get from La Playa is faultless”
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● Five ways to avoid a data breach

While data breaches are on the rise, the majority of incidents are fully preventable. Here are five key ways to avoid being caught out:

1 Encrypt your devices

- ▶ Over 73% of the breaches insured by Beazley (one of our insurer partners) involving portable devices could have been prevented if the devices were encrypted.
- ▶ Encryption is a safe harbour under virtually every breach notification law.

2 Automate patch management

- ▶ Breaches due to malware or hacking are rising alarmingly.
- ▶ Staying on top of the latest available software patches and moving to automated patch management can protect against a breach.

3 Enforce password complexity

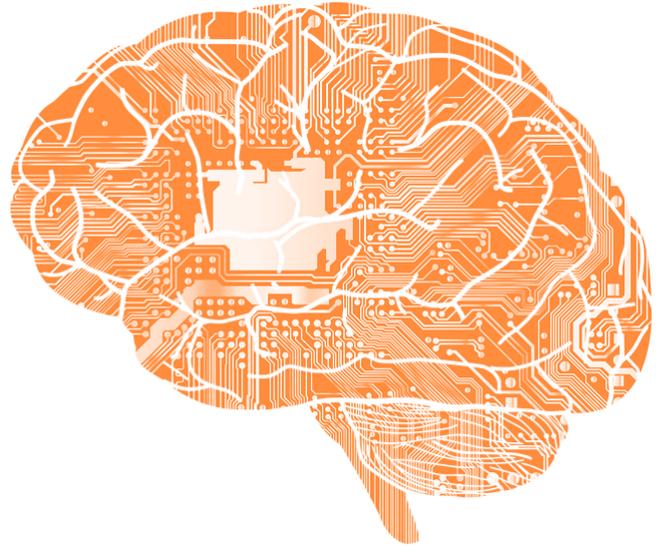
- ▶ Breaches insured by Beazley due to hacking or malware cost 4.5 times more than the next largest loss category (which was “unintended disclosure”).
- ▶ Malware can now systematically cycle through all permutations of potential passwords.
- ▶ Don’t use “bad” passwords that are easy to crack... dictionary words are capable of being deduced with an algorithm.

4 Be alert to phishing

- ▶ Beazley has seen a dramatic increase in breaches attributable to someone inside the company, either an employee or contractor.
- ▶ Most breaches occur because of human error. Training is a critical step in breach preparedness. It is important to train employees to spot the indicators of a phishing email.

5 Double check before hitting send

- ▶ 31% of the breaches insured by Beazley were due to unintended disclosure.
- ▶ It may be simple, but double-checking the contents of a file, email address or mailing details can really save you – especially when sending data to outside vendors.



Any questions? Click [here](#) to get in touch



● Conclusion

One size doesn't fit all in Cyber Insurance – despite the ubiquitous nature of the risks. Where you buy extra protection, and where you can afford to trim back will depend on the shape, size and nature of your business. This is why it's so important to work with a specialist insurance broker like La Playa, who can analyse your business plan, identify your risk areas, advise you on risk management, and structure a portfolio of insurance to protect your business as it grows and changes.

We hope this white paper has given you insights into:

- ✓ The range of covers within Cyber Insurance
- ✓ How your Cyber Risks may overlap within your business
- ✓ How better to protect yourself from a data breach
- ✓ Some smart fixes to get your claim paid (think when, not if!)
- ✓ The importance of seeking specialist advice to structure your insurance
- ✓ The way we work at La Playa

[Click here to get in touch](#)

If you'd like more information or to talk through your cyber risks and insurance, please contact:



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Based in London, Cambridge and New York, we understand the risks and pressures you face - and we speak your language. We'll support you with great advice - helping you make good decisions for your business. Expanding into the US? We can help there too. Get in touch today to find out how we can protect your business.

**People like you like us.
Passionate. Discerning. Independent.**

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