



“Technology makes it possible for people to gain control over everything, except over technology”
John Tudor

FINANCIAL RISKS

Cyber Risks

In today's world, conducting business via the internet has never been more accessible or easy to do, but the inherent risks from doing so are not as easy to understand. Organisations have become extremely reliant on computer networks and the internet regardless of industry, class, or size.

Increasing dependence on technology, outsourced providers and internet based services mean that the computer networks of these companies are under constant threat of IT security risks that include unauthorised access or use of computer networks, cyber extortion attacks, denial of service attacks, spread of virus or malicious code (malware) and data privacy breaches. Perpetrators of security breaches may well be inside employees or independent contractors who are not limited by geography.

Cyber risks create both legal and regulatory issues. Organisations have legal obligations arising from business, contractual relationships and regulatory supervision. These responsibilities can lead to civil and criminal claims as well as regulatory investigations, fines and penalties. Organisations that choose to ignore or do not effectively manage their cyber risks, can expose themselves to costly civil and criminal liability.

What Are Cyber Risks, Exactly?

Cyber risk is a popular buzz word used to express the risks associated with data/information assets, privacy policies, internet business, website content and much more. It is worth understanding what this term means to your organisation. For many organisations, security and privacy of data/information assets have proven the area demanding most attention.

Why Buy Cyber Risk Insurance?

Another misperception is that companies will be protected from cyber risks loss by the traditional insurances that most companies hold, such as public liability, property or crime policies. Traditional insurance policies do not provide protection for these emerging risks, which can have severe financial and reputational consequences on an organisation's bottom line.

Some examples of possible coverage gaps in your current insurance portfolio include:

General Liability Policies

- Limited coverage for Personal Injury. Many policies have been amended to provide coverage for “invasion of private occupancy” in lieu of the much broader allegation of “invasion of privacy”

Exclusions for financial loss

- Limited or no coverage for infringement of Intellectual Property Rights

Exclusions in Property Policies

- Coverage for business interruption/extra expense requires “direct” physical loss
- Limited coverage for data/information assets also know as “intangible assets”



Exclusions in Crime Policies

- No coverage for theft of data or information assets
- Intended to cover theft by employee with a profit motive (experience has shown that many attacks on technology are not financially motivated)
- Limited cover for defence where the crime affects third-parties and creates a liability

Cyber Risk policies were specifically developed by the insurance market place to address these gaps in cover.

What Does a Cyber Risk Policy Cover?

Generally, a cyber risk policy can contain the following insurance offerings:

Privacy Liability

Sums for which the insured is legally obligated to pay as damages and claims expenses as a result of a privacy breach or breach of privacy laws or regulations. Coverage is typically extended to cover claims by employees.

Security Liability

Sums which the insured is legally obligated to pay as damages and claims expenses arising out of computer attacks caused by failures of security

including theft of client information, identity theft, negligent transmission of computer viruses and denial of service liability. Broad coverage is provided to address insiders as perpetrators and provide coverage for “failure to warn” obligations created by privacy statutory laws.

Customer Notification Expenses & Crisis Management

Coverage for:

- Notification expenses to warn customers or those affected of security breaches as required by privacy protection statutory laws.
- Public relations services to protect brand/image related to a claim, penalty or sanction covered under the other insuring clauses

Privacy Regulatory Defence and Penalties

Defence of a regulatory action, complaint, investigation including indemnification for a penalty, civil fines, or sanction (where insurable under law) imposed by a regulatory body, as a direct result of a privacy breach or breach of privacy regulations as defined.

In today's insurance market, there are a large number of insurers offering a variety of cyber-related insurance products that can differ greatly in

coverage terms offered. Since the types of coverage offerings are diverse, it is important to evaluate each insurers policies to ensure that your organisations unique exposures are adequately addressed.

About JLT

JLT is an international group of Risk Specialists and Employee Benefits Consultants and one of the largest companies of its type in the world. We offer a distinctive choice to our clients and partners through our combination of independence, scale and specialism.

Our experienced Technology and Cyber Risks team specialise in advising organisations on Technology and Cyber Risk insurance products and provide access for our clients to the London insurance market. We have developed a range of Technology and Cyber Risks products providing third party liability, first loss property and business interruption coverage.

To find out more contact:

Dawn Simmons, Partner

Telephone: +44 (0) 20 7528 4832

E-mail: dawn_simmons@jltgroup.com

Or visit our website

www.jltgroup.com/it-risk-assessment

Jardine Lloyd Thompson Limited

6 Crutched Friars
London EC3N 2PH
Tel +44 (0)20 7528 4000
Fax +44 (0)20 7528 4500

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