

6/30/2016

## RE: Five Reasons Every Design Firm Needs Cyber & Data Breach Coverage

Insurance Co. & Associates (ICA) has helped our firms manage and insure risk for over 50 years. Cyber & Data breach is an emerging risk which has been difficult to grasp. Many understand cyber risks associated with the prevalence of technology in the work place; but how much and how adequately insured these risks are has become an increasing topic of conversation. ICA is undertaking a rather large initiative; *help all our firms understand the cyber risks they face, and provide each of them an option to supplement their risk management efforts with a Cyber & Data Breach policy.*

The enclosed document and supplement information provided to you by your service team is your toolkit to Cyber & Data Breach insurance, which follows the Five Reasons every design firm needs to consider coverage.

1. **Design Firms have Cyber Exposures.** Designers may not face the same cyber hazards as financial institutions or retailers, but the risks from a 'cloud' vendor shutdown or a BIM Model breach can shut a firm down for days, weeks, or for good. ICA has a **Newsletter** available outlining the cyber exposures faced by Design Firms.
2. **Coverage Supplements Professional Liability (PL):** Many PL policies will cover data breaches as a result of a design firm's negligent performance of professional services. Unfortunately, coverage in the event of these claims are subject to your PL deductible, and the eventual losses can cause premium issues on an expensive insurance policy. ICA has included an **Executive Comparison** outlining how a Cyber & Data Breach policy can supplement a firm's PL policy by segregating exposures.
3. **Coverage is Cost Effective:** In comparison to the other insurance coverages a design firm purchases annually, Cyber & Data Breach coverage is among the least expensive. ICA has enclosed a **Coverage Proposal & Summary** with pricing for your firm to consider.
4. **Coverage is Comprehensive:** Public perception of coverage applies only to credit monitoring for individuals. In fact, Breach Notification and Credit Monitoring costs are one of six coverage components, many of which aren't covered elsewhere. We've enclosed a **Coverage Proposal & Summary** for your review and have a **Claims Example** supplement also available. Curious to know what happens in the event of a claim? ICA's **Breach Process** and **Breach Experts** Supplement explain what happens and the team to assist at each step in the process.
5. **Coverage is easy to purchase:** In the past, many were deterred to apply for coverage due to long application forms with confusing questions. ICA's three question application is pre-filled and your annual premium has already been quoted (subject to final approval). Ready **To Bind Coverage**? Sign the last three sheets of this document: *Bind Request, Application, and Disclosure Statement*, send back to us, and your ICA Account Manager will confirm your coverage is bound.

Regards,

Jane Doe Smith, ARM, CIC  
Executive Account Manager

# Cyber & Data Breach Executive Comparison

*The Following is intended to be a brief overview of how a Professional Liability Policy and standalone Cyber & Data Breach Insurance Policy would apply to claims. The overview is not intended to be comprehensive or guarantee coverage in any form. Actual coverage in the event of claims is subject to the terms and condition of the policy forms. Please consult with your Insurance Co. & Associates Account Manager with additional questions.*

Coverage	Typical Professional Liability Policy	Cyber & Data Breach (See Next Page)
<b>First Party Coverage:</b> <i>Damages and expenses incurred by Firm &amp; Employees</i>	No Coverage Applies	Coverage applies
<b>Third Party Coverage:</b> <i>Damages incurred by anyone other than Firm (e.g. Clients, Vendors)</i>	Coverage applies	Coverage applies
<b>Limit of Insurance</b>	Subject to Professional Liability Limit	Separate Aggregate Applies to Each Insuring Agreement <i>Higher Limits Available</i>
<b>Other Insurance Provision</b>	Policy Intends to be Excess of other valid and collectable insurance	Policy intends to be Primary coverage
<b>Deductible Each Claim</b>	Subject to Professional Liability Deductible	\$5,000
<b>Annual Premium</b>	Included in Professional Liability	\$3,350.00 INCLUDES BASE PREMIUM + \$100 CFC POLICY FEE + 3.2% SL TAXES & FEES + \$150 CRC FILING FEE

# Cyber & Data Breach Coverage Summary

Cyber & Data Breach Coverage	
Cyber & Data Breach Coverage	Cyber & Data Breach
<b>Cyber &amp; Privacy Insuring Agreement</b>	<b>\$1,000,000 Annual Aggregate</b>
System Damage - <i>1st Party Rectification</i>	Included
Network Security Liability - <i>Damage to Systems</i>	Included
Privacy Liability - <i>Jeopardized Information</i>	Included
Regulatory Actions and Investigation	Included
System Business Interruption	\$125,000 Day / \$1,000,000 Agg / 12 Mo. Max
Consequential Reputational Harm	\$125,000 Day / \$1,000,000 Agg / 12 Mo. Max
<b>Notification Costs Insuring Agreement</b>	<b>\$250,000 Annual Aggregate</b>
First Party / Firm Notification Costs	Included
Third Party / Your Clients Notification Costs	Included
<b>Cyber Crime Insuring Agreement</b>	<b>\$250,000 Annual Aggregate</b>
Computer Crime	Included
Identity Theft	Included
Cyber Threats & Extortion	Included
Telephone Hacking & Phishing Scams	\$50,000 Each Loss
<b>Multimedia &amp; Advertising Insuring Agreement</b>	<b>\$1,000,000 Annual Aggregate</b>
Court Attendance Costs	\$2,000 Day / \$100,000 Aggregate
Crisis Communication Costs	\$100,000 Aggregate
<b>Deductible Each Claim</b>	<b>\$5,000</b>
<b>Annual Premium</b>	<b>\$3,350</b> INCLUDES BASE PREMIUM + \$100 CFC POLICY FEE + 3.2% SL TAXES & FEES + \$150 CRC FILING FEE

# Cyber & Data Breach – Policy Provisions & Subjectivities

## Policy Provisions

1. No retro date (full prior acts for unknown data breaches)
2. Separate coverage towers for all main insuring clauses (no overall policy aggregate)
3. Pay on behalf of wording, including first party expenses
4. Coverage for data held in electronic or paper format
5. Coverage for breaches of both personally identifiable information and any corporate confidential information
6. Breaches of insured's data held by a third party providing services on behalf of the insured will trigger coverage
7. Full limit for contractual damages (which would include PCI fines/penalties and other contractual damages)
8. Coverage for breaches caused by rogue employees
9. No encryption warranty in policy or encryption exclusion
10. No failure to upgrade software exclusion

## Binding Subjectivities

1. Firm will have to sign an application stating the following:
  - o Firm has anti-virus software installed and enabled on all desktops, laptops and servers (including database servers) and it is updated on a regular basis.
  - o Firm has firewalls installed on all external gateways.
  - o Firm regularly backs-up (at least weekly) all critical data and stores the same offsite or in a fire-proof safe or their outsourced service provider meets this requirement.
  - o Firm is not aware of any circumstances, complaints, claims, loss or penalties/fines levied against them in the last five years in relation to the risks the application relates to or they are not aware of any circumstance or complaints against them in relation to data protection or security or any actual security violations or security breaches either currently or in the past five years.
2. Firm must sign a California Surplus Lines Disclosure Statement (ICA to Provide)