



# Managing and Insuring Risks in Network Privacy/Cyber Risk

Willis Healthcare Practice  
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# What is Network Security & Privacy Insurance?

§ Created to cover *gaps* in traditional insurance policies

§ Third party liability

- Network security and privacy
  - ü Disruption of computer services
  - ü Theft or disclosure of private or confidential information – on and off line
  - ü Damage to other's computer systems/data
- Media torts for on- and off-line content

§ First party loss

- Damage to Electronic Data
- Business interruption and extra expense
- Cyber extortion

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# Privacy Risks

- Privacy is the exposure driving the large upsurge in the purchase
  - Failing to protect personally identifiable information (PII) (**financial, personal, corporate** data in addition to **medical** information)
- Security Breach Notification laws in 35 states
  - Requires notice to those whose information has been or could become exposed
  - May require credit monitoring service
  - Drives class actions
- Credit card issuers are suing for cost to reissue cards
- HIPAA
- Sensitive personal information exposed since 2005 through security breaches
  - More than 100,000,000 people
- Privacy breaches causing millions in losses
- Available coverage has broadened in the past 12 months

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# Risks to Healthcare

- § Collect sensitive personal information (PII) beyond Medical data (financial, employee, identity)
- § Critically rely on your network to provide services to others
- § Outsource mission critical functions to third parties such as hosting, network management and information security, CRM, data storage, data processing, billing and collections
- § Disseminate information and media on-line
- § Exchange information with: providers, pharmacies, financial services, clinics, doctors, research partners
- § Hold confidential business information including trade secrets

# Healthcare Policy Gaps

## § Full coverage

- Broad Privacy Liability
  - ü Medical, Personal, Financial information
  - ü Off-Line (paper/spoken) breach, On-Line breach, Laptop breach, etc.
  - ü Notification costs, and other pre-claim expenses
- Network Security
  - ü Hackers, Virus, Employee Sabotage
  - ü Damage to 3<sup>rd</sup> party's data/networks

## § Partial Coverage

- Medical Privacy
- Website only coverage (BCS Ecommerce Policy)
- Employee hacker exclusion

## § No Coverage

- Exclusions – Personal Injury, Unauthorized Access

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# Network Security & Privacy Insurance

## § Who is buying?

- MCOs/Healthcare Insurers
- Hospitals, Clinics, LTC
- Vendors & Partners (IT Services, Collections/Billing, Doctors)

## § Markets

- Arch
- Darwin
- Ace, AIG, CNA, Beazley, Chubb (FI only), Media/Pro (Axis)  
Travelers (Tech only)

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## Key Questions

- Have you performed a gap analysis on their P&C program?
- Have you advised management of gaps in coverage relative to exposures and provided estimates to fill the gaps with Network Security & Privacy insurance?
- Have you performed an information security risk assessment and tied that to insurable exposures?
- Have you reviewed contracts with 3<sup>rd</sup> parties – indemnification and insurance requirement provisions?

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# What is different today?

- § Information & Network Security risks represent significant civil liability and regulatory exposure, as well as direct losses to data and network assets.
- § The Privacy risk is causing security breaches to be made public, leading to liability claims
- § Need for due diligence: Gap analysis and risk assessment
- § GL, Property, and Crime continue to come up short on coverage. ISO GL 2001 & 2004 explicit about data being intangible property
- § Network Security & Privacy Insurance policies broadened due to maturity in marketplace: Privacy, administrative error, 6-8 hour time element on Business Interruption; Notification Expense coverage; Regulatory Expense coverage
- § Large losses are being paid by underwriters
- § Loss maturity and competition are decreasing premiums
- § Underwriting process is less onerous



# Premiums

On average:

3<sup>rd</sup> Party Liability only: \$12 -18,000 per Million in liability limit

By adding 1<sup>st</sup> party coverage, add approximately 10-30% in premium.

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