

CYBER LIABILITY EXPLAINED

WHAT IS IT?

Cyber Liability responds to both First Party (the Insured Company) and Third Party claims arising from a data breach by a third party. Hackers can breach a system in many ways:

Stolen Credentials	Weak or lost passwords being accessed by an opportunistic hacker
Back Door Vulnerabilities	Exploitation of poorly designed, written or protected software applications
Malware	Malicious software which can be unintentionally loaded onto systems to create an access point for hackers
Social Engineering	The use of deception to manipulate someone into giving away confidential or personal information. Often received through phishing emails that can redirect to fake websites or malicious links to infiltrate your system
Insider Threats	A rogue or disgruntled employee or contractor who already has permission to access network data
Improper Configuration, User Error	Human error which leaves the system vulnerable to an attack or breach

WHY DO I NEED IT?

If you rely on a computer in any way to run your business; you will be protected if your data or customers' data is compromised

If you do not have a risk management team; small businesses can rely on Cyber Liability to bridge the gap when they cannot afford the luxury of risk management staff.

If you own or operate a website

If you store data on a cloud database, in many cases you are still legally responsible for how the information is handled, meaning your cloud provider may not be responsible for breaches or mistakes to your data – check your contract!

WHY ARE SME'S EASY TARGETS FOR HACKERS?

Most small and medium businesses focus on their core service offering and can often lack the resources or expertise to manage and understand their cyber exposures.

Where large organisations provide cyber security training to employees, smaller businesses often do not provide this. Mistakes as simple as a lost smart phone or sending an email to the wrong person are the cause of 42% of cyber incidents.¹

WHAT IS COVERED?

A Cyber Liability policy responds to multiple areas of loss, such as:

Third Party Claims	Through a failure to keep data secure, third parties can bring a claim against you for compensation, investigations, fines and penalties. Policies also typically respond to cover legal defence costs.
Business Interruption	Many Cyber Liability policies cover lost profits and necessary expenses to maintain normal operations as a result of an interruption from a breach
Remediation Costs	Covering first party (your own) costs in respect of credit monitoring, cyber extortion payments, data restoration, forensic investigations, notification costs, public relations costs and legal representation expenses

IS CYBER CRIME REALLY THAT PREVALENT IN AUSTRALIA?

Cyber Crime in Australia is steadily increasing, and the statistical trends show that hacking incidences are only to continue their meteoric rise.

In 2016, CERT Australia's annual cyber survey confirmed that 90% of participants experienced a breach, of which 58% were successful incidents. Of the successful incidents, 63% had an impact on resources, and 39% had a financial impact.²

¹ Symantec 2015 Internet Security Threat Report, Volume 20

² CERT Australia 2016 Cyber Security Survey



The cost of cyber crime in Australia was estimated at exceeding \$1bn annually in 2013.

The average cost to an Australian business that has been attacked is \$2.82M, with the average cost per lost record estimated at \$144.

Source: Ponemon 2015 Cost of a data breach Study Australia



Ransomware attacks grew 113% with 45 times more crypto attacks.

Source: Symantec ISTR20 2015

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WHAT HAPPENS IF I HAVE A DATA BREACH?

Most Cyber Liability Insurers access a panel of specialist resources to handle the claim from start to finish. The panel services can consist of:

Claims Adjuster who manage the cyber breach end to end and are involved with investigating the claim and are a conduit between you and your insurer.

IT Forensics to investigate the source and validity of the breach, as well as the extent of the breach.

Legal in the event a third party claim is made against you, panel solicitors respond to defend your liability.

Forensic Accountant to assist in calculating the loss of income resulting from a breach causing interruption.

WHAT IS A LIMIT OF INDEMNITY?

The limit is typically specified in the policy schedule and is the most the insurer will pay for a single claim.

WHAT IS AN AGGREGATE LIMIT?

The aggregate limit is typically specified in the schedule and is the most the insurer will pay in a policy year.

WHAT IS A 'CLAIMS MADE' COVER?

Cyber Liability Insurance is written on a 'Claims Made' basis, which means that the policy active at the time breach is discovered is the policy that responds to defend you.

	Claims Made
Year that Loss Occurred	2012
Year a breach was first discovered	2015
Policy year that responds	2015

WHAT IS RETROACTIVE COVER?

Retroactive cover acts as a safety net to cover claims from work conducted in the past.

The date from which retroactive cover applies is usually located on your insurance schedule and in some cases is unlimited, which means you are covered from all past activities conducted. Retroactive cover does not respond to any claims or circumstances that you have been made aware of before the policy start date.

KEY TAKEAWAYS

When I Need it	If you own or operate a website, store third party information or data, operate on a network, store data on a cloud storage system or do not have adequate risk management resources or financial means to risk a major breach of your system.
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3 Key Areas of Cover	Cover responds to third party claims, interruption to your business and costs to remediate, investigate and restore your data and security.
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Claims Made Cover	Claims are made on the policy at the time the complaint brought against you. Claims must be notified to your insurer within the policy period that the complaint was made against you.
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Limit of Indemnity	Limit that your insurer will pay per claim.
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Aggregate Limit	The maximum amount your insurer will pay in a policy year
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³ Dual Australia Cyber Liability Privacy Protection Profile Update