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## RISK MANAGEMENT BULLETIN

Date: October 3, 2016

### CYBER LIABILITY

#### ON THE HOOK YOUR BUSINESSES SMALL AND LARGE !

Presenters at the recent Association of Water Technologies Conference and Exhibition stated the following: “ According to the 2014 Cost of Data Breach Study Global Analysis published by the Ponemon Institute, the **average cost**” of a data breach in the United States is **\$5.85 million**. “They also stated the average U. S. breach involves 29,087 records.”

“Many breaches of unintended disclosure of records (i.e., misdirected email) occur at small firms that do not make the newspapers. A leading cyber liability insurance company reported in March 2016 that in the past 2[sic] years they have handled **2,000 breach event claims**.

When a breach occurs, it can lead to “Lawsuits or Regulatory actions . . . from the Federal Trade Commission, a State attorney general, Health & Human Services Office of Civil Rights (HIPAA) or a private litigant.”

Regulatory agencies can literally drive a business out of existence through the costs of defensive litigation and fines. In the same context, a damaged private party can demand large sums of money, and these demands can be pushed by a hungry attorney on a contingency fee. Your business can be destroyed by legal fees alone or a judgment that is not insured.

**Customary Liability and Property insurance do not protect** an insured for **CYBER LIABILITY** losses. However, the insurance industry has developed special coverage to protect businesses against a **CYBER LIABILITY CLAIM**.

In addition to third-party liability (coverage for individuals or companies damaged by the Cyber Breach) most cyber policies cover various first-party expenses. Here are examples of the coverages that are often included (or available):

- **Business Income and Extra Expense** Covers income you lose and expenses you incur resulting from a full or partial shutdown of your computer system, because a hacker attack hacked your system, virus or other insured peril. **Loss of Data** Covers the cost of restoring or reconstructing your data that was lost or damaged due to a virus, hacker attack or other covered cause

- **Associated Costs** Covers costs you incur as a result of a data breach. Examples are the cost of notifying affected customers as required by law, and the cost of providing credit monitoring to affected customers.
- **Cyber Extortion** Covers the costs associated with an extortion threat. For example, an extortionist threatens to exploit a security flaw in your computer system or attack your system unless you pay him or her a sum of money.

Should you feel that you would like to receive a no-obligation quote, please complete the application attached to this bulletin, and return it to our office.