



# Local Councils – Cyber Risk

May 2016

# Cyber insurance – what it is and who needs it?

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## What is Cyber Insurance?

Cyber insurance covers the losses relating to damage to, or the loss of Data in any format and liability resulting from the interaction of IT systems and networks.

While traditional insurance programmes such as Property, Business Interruption (BI) and Professional Indemnity (PI) may provide elements of cover, Cyber risks tend to fall outside traditional insurance policies many of which were developed before cyber risks came into existence, hence many gaps may exist.

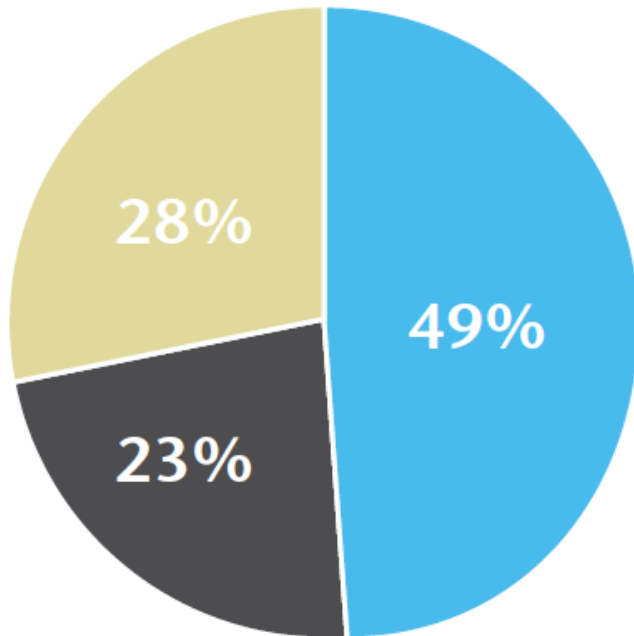
## Who needs it?

In the Aon-sponsored 2015 Global Cyber Impact Report, conducted by the Ponemon Institute, we found that cyber is one of the fastest growing risks for companies across the globe, as mobile technologies advance and cloud computing, corporate bring-your-own-device policies, big data analytics and the Internet of Things are becoming increasingly widespread.

So everyone needs it.

# Typical causes of cyber data breaches

Causes of Data Breach in the UK 2015\* shown in the chart below



- Malicious or criminal attack
- System glitch
- Human error

The 2015 Information Security Breaches survey conducted by PWC, commissioned by HM Government, reported that 90% of large organisation and 74% of small organisations suffered a data-breach.

The average cost of a breach for large organisations is estimated at £1.46m-£3.14m and £75k - £311k for small to medium.

# Example cyber incidents

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## Talk Talk

October 2015 –the company confirmed 21,000 unique bank account numbers and sort codes were stolen along with 28,000 obscured credit and debit card details. Around 1.2 million customers email addresses, names and phone numbers were also stolen, along with 15,000 dates of birth. TalkTalk said this was “much smaller than we originally suspected”

***The cyber-attack on TalkTalk could cost it up to £35m in one-off costs, the company has said.***

## DEFRA

April 2015 - Website, [uk-air.defra.gov.uk](http://uk-air.defra.gov.uk), run by the British Government’s Department of Environment, Food & Rural Affairs (DEFRA) was hijacked by Islamist hackers. A group of hackers attacked the site and replaced its usual rather dour forecasts for air pollution over the British Isles with a message denouncing Britain’s involvement in the Iraq invasion of 2003 and a portrait of executed former leader Saddam Hussein. Whether the hack was a result of vulnerability in its web server, a failure to keep up to date patches, weak password policies or a flaw in its configuration is unclear.

# What can Cyber Insurance actually cover?

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Cyber insurance covers the losses relating to damage to, or loss of information from, IT systems and networks. Policies generally include significant assistance with and management of the incident itself, which can be essential when faced with reputational damage or regulatory enforcement. Cyber risks fall into first party and third party risks.

## **First-party insurance covers the assets of the organisations and includes:**

- Security/Privacy breach counsel
- Computer forensics
- Notification expense
- Credit and Identity Monitoring
- Call Centre Services
- Fraud Resolution
- Crisis Management Services
- Loss of data from computer system disruption
- Restoration costs
- Failure of Network or Systems Business Interruption
- Cyber extortion, computer fraud, funds transfer fraud
- Civil Fines and Penalties (where insurable),  
Fees assessed by Payment Card Industry (PCI)
- Fees assessed by the regulator (ICO)

## **Third-party insurance responds to the liability to third parties you potentially faced following a cyber event/breach.**

- Information Security and Privacy Liability, Legal liability, defence costs and expense reimbursement for liability from unauthorized disclosure of PII or third party corporate information
- Website Media – Liability for online media activity, defamation, copyright infringement, infringement of trademark – can include offline media
- Judgements/settlements
- Litigation defence costs
- Regulatory defence costs

# Questions?