


**AIG** Presented by AIG for Heffernan Consulting

Heffernan Consulting | 1350 Carlback Ave, Ste. 200 | Walnut Creek, CA 94596  
| Ph: 800-234-6787 | www.heffins.com



**Cyber and Information Security Insurance Coverage**

Jim Patterson                      AIG Cyber Specialist

## Agenda

- Introduction
- Identifying Exposures
- Data Breaches
- Claims Examples
- Anatomy of a Data Breach
- Insurance Coverage Available
- Q&A

**AIG** 2

## Key Underwriting Questions

### What type of information do you collect?

- PII – Personally Identifiable Information
- PHI – Protected Health Information
- PCI – Payment Card Industry Information
- Corporate Confidential Information

### Key underwriting questions:

- What data does the applicant have, and where is it?
- How does the applicant limit access to their data?
- How does the applicant know who they're letting in?
- How do are they removing access from those who don't need it?
- How effectively is the applicant getting rid of data they don't NEED?
- Have there been prior breaches?



3

### Polling Question:

Do you know the type and quantity of records your organization has?

Yes/No



4

## Polling Question:

Do you know whether the records are stored onsite or with outside vendors?

Yes/No



5

## How Can A Breach Occur?

### Internally

- Employees/Vendors
  - Stealing Information (Card Skimming)
  - Lost Resources (Laptop, Smart Phone, Tablet)
  - Mishandling Of Paper Files

### Externally

- Individual Hackers/Organized Crime
  - Stealing Information
  - Sending Viruses/Malicious Code
  - Disruption Of Business (Vandalism)
  - i.e. Cryptolocker



6

## Emerging Threats

Increase in outsourcing data hosting

Cloud Computing and other Vendor Data Access:

- Increased Trend
- Increased Data Exposure
  
- BYOD Programs
  - More mobile devices than ever
  - Potentially weak security on devices



7

## Polling Question:

Does your organization review the security of outside vendors prior to granting access to networks or sharing data?

Yes/No



8

## REGULATORY EXPOSURES

**State level breach notice:** 47 states (plus Puerto Rico, Washington D.C., and Virgin Islands) require notice to customers after unauthorized access to PII/PHI.



- Require firms that conduct business in state to **notify resident consumers** of security breaches of unencrypted computerized personal information
- Many require **notification of state attorney general**, state consumer protection agencies, and credit monitoring agencies
- Notice content and timing requirements vary
- Some states allow private right of action for violations



© American International Group, All rights reserved.

9 9

### Polling Question:

▫How many states are your customers located in?

- 1
- 2-5
- 6-10
- More than 10



© American International Group, All rights reserved.

10

## REGULATORY EXPOSURES

### FEDERAL REGULATIONS

- HITECH Act and HIPAA through OCR
- Red Flag Rules imposed by Federal Trade Commission
- Fair and Accurate Credit Transaction Act (FACTA)
- COPPA

### INDUSTRY STANDARDS

- Payment Card Industry Data Security Standards (PCI DSS)



## ANATOMY OF A BREACH RESPONSE

### BREACH DISCOVERY

#### EXPERTS

- Breach counsel
- Forensics
- Public relations

#### INVESTIGATION – internal/forensic/criminal

- How did it happen
- When did it happen
- Is it still happening
- Who did it happen to
- What was accessed/acquired
- Encrypted/protected

#### NOTICE OBLIGATIONS

- State
- Federal
- Other (i.e. PCI, FDIC, Insurance Regulators)

### NOTICE METHODS

- Written
- Electronic
- Substitute
- Media

### DEADLINES

- Can be from 48 hours to “without unreasonable delay”

### INQUIRIES

- State regulators (i.e. AG, PD)
- Federal regulators (i.e. OCR)
- Federal agencies (i.e. SEC, FTC)
- Consumer reporting agencies

### LITIGATION

- Subrogation
- Class action
- Indemnification



### Polling Question:

▪ Does your organization have a written Incident Response Plan for data breaches? If you do, when was it last reviewed?

- No
- Yes, reviewed in the past year
- Yes, reviewed over one year ago
- Yes, Never reviewed
- Not Sure



© American International Group, All rights reserved.

13

## Cyber Insurance Coverage

**Security and privacy liability insurance:** coverage for third-party claims arising from a failure of the insured's network security or a failure to protect data. Insurance also responds to regulatory actions in connection with a security failure, privacy breach, or the failure to disclose a security failure or privacy breach.

**Event management insurance:** coverage responds to a security failure or privacy breach by paying costs of notifications, public relations, and other services to assist in managing and mitigating a cyber incident. **Forensic investigations, legal consultations, and identity monitoring for victims of a breach are all included.**



© American International Group, All rights reserved.

14

## Cyber Insurance Coverage

**Network business interruption insurance:** coverage responds to a material interruption of an insured's business operations caused by a network security failure by reimbursing for lost income and operating expenses.

**Cyber extortion insurance:** coverage responds to the threat of intentional security attacks against a company by an outsider attempting to extort money, securities, or other valuables. This includes monies paid to end the threat and the cost of an investigation to determine the cause of the threat.



## Questions?

Jim Patterson  
Cyber Specialist – West Coast  
(415) 836-3248

[James.Patterson2@aig.com](mailto:James.Patterson2@aig.com)

Presented by AIG for Heffernan Consulting

Heffernan Consulting | 1350 Carlback Ave, Ste. 200 | Walnut Creek, CA 94596  
| Ph: 800-234-6787 | [www.heffins.com](http://www.heffins.com)



HEFFERNAN CONSULTING







American International Group, Inc. (AIG) is a leading international insurance organization serving customers in more than 130 countries and jurisdictions. AIG companies serve commercial, institutional, and individual customers through one of the most extensive worldwide property-casualty networks of any insurer. In addition, AIG companies are leading providers of life insurance and retirement services in the United States. AIG common stock is listed on the New York Stock Exchange and the Tokyo Stock Exchange.

AIG is the marketing name for the worldwide property-casualty, life and retirement, and general insurance operations of American International Group, Inc. Products and services are written or provided by subsidiaries or affiliates of American International Group, Inc. Not all products and services are available in every jurisdiction, and insurance coverage is governed by actual policy language. Certain products and services may be provided by independent third parties. Insurance products may be distributed through affiliated or unaffiliated entities. Certain property-casualty coverages may be provided by a surplus lines insurer. Surplus lines insurers do not generally participate in state guaranty funds and insureds are therefore not protected by such funds.



FOR INTERNAL PURPOSES ONLY  
© American International Group. All rights reserved.

17