



CYBER RISK COVERAGE

What is Cyber Risk Insurance?

Cyber Risk coverage responds to the threat of unauthorized intrusion into or interference with insureds' computers systems. This coverage includes damage to data and systems from a computer attack and the liability that may arise from insufficient systems security.

Why is it needed?

Every organization relies on data and on the networked computer systems upon which data resides. Some organizations rely on data, systems and their connection to the internet as their primary means of conducting business. For others, data and systems play an important support function within the organization.

No organization can afford to lose important data and systems while still functioning at an optimal level.

Since most of our business and communication in today's world is conducted via email or over the internet, the actions of one party are inextricably tied to the well being of other parties with which it has relationships. Just as insufficient systems security at one of your contacts can make you vulnerable to a computer attack, flaws in your systems security can open customers, vendors and others, with whom you do business, to potential damage and can lead to costly liability for you.

Cyber criminals act without warning and the data and systems losses from computer attacks, including significant out-of-pocket recovery costs and organizational downtime, can be devastating. Attacks like this have long been a persistent risk to organizations but their visibility has increased in recent years. Furthermore, cyber attackers have shifted attention to smaller entities in a search of easier targets as larger entities have hardened their defenses.

Disputes with third parties arising out of network security liability issues also pose a significant risk, particularly for smaller entities that lack major reserves. They can arise quickly and unexpectedly and, in some cases, lead to costly litigation.

What coverage options are available?

Cyber Risk insurance protects businesses against two related risks: Damage to electronic data and computer systems from a virus or other computer attack, and liability that the business may have to third parties which have suffered damage because of weaknesses in the business's own computer system security.

The Computer Attack component of Cyber Risk pays for expenses incurred by the business to recover from a computer attack.

The Network Security Liability component of Cyber Risk pays for liability damages and

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This is a summary of coverages. For all coverages, terms, conditions and exclusions, refer to the actual insurance policy.

defense costs and is written on a claims-made and reported basis.

Here are the following coverage options available for Computer Attack and Network Security Liability coverages.

SECTION 1: COMPUTER ATTACK

Coverage 1 – Data Restoration Costs

Coverage for the cost of a professional firm hired by the insured to replace lost or corrupted data from electronic sources.

Coverage 2 – Data Recreation Costs

Coverage for the cost of a professional firm hired by the insured to research, recreate and replace lost or corrupted data from non-electronic sources. Coverage 2 is subject to a sublimit of \$5,000.

Coverage 3 – System Restoration Costs

Coverage for the cost of a professional firm hired by the insured to restore its computer system to its pre-attack level of functionality by replacing or reinstalling software, removing malicious code and correcting the configuration of the insured's computer system.

Coverage 4 – Loss of Business

Coverage for business income lost by the insured and extra expenses incurred by the insured during the period of time when system and data recovery activities are taking place. Coverage 4 is subject to a sublimit of \$10,000.

Coverage 5 – Public Relations Services

Coverage for assistance from a professional public relations firm in communicating with outside parties concerning the Computer Attack and the insured's response. Coverage 5 is subject to a sublimit of \$5,000.

SECTION 1: COMPUTER ATTACK COVERAGE TRIGGER

The first party coverage is triggered by the insured's discovery that a computer attack has affected a computer system owned or leased by the insured and under the insured's control.

A computer attack may be:

- A hacking event or other instance of an unauthorized person gaining access to the computer system.
- An attack against the system by a virus or other malware.
- A denial of service attack against the insured's system.

Discovery of the attack must occur during the policy period. Coverage does not apply to attacks that occur prior to the first inception of the coverage.

SECTION 2: NETWORK SECURITY LIABILITY

Network Security Liability coverage provides for defense costs (within the coverage limit) and associated settlement and judgment costs arising from actions brought by third parties who allege certain injuries as a result of a failure in the insured's systems security.

SECTION 2: NETWORK SECURITY LIABILITY COVERAGE TRIGGER

Network Security Liability Coverage is triggered by the insured's receipt of notice of a network security liability suit. The network security liability suit can be a civil action, an alternate dispute resolution proceeding or a written demand for money. The network security liability suit must be initiated by a third party who alleges that a systems security failure on the part of the insured allowed one or more of the following to happen:

- The breach of third party business information.
- The unintended propagation or forwarding of malware.

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- The unintended abetting of a denial of service attack.

There need not be a covered loss under the first party Computer Attack coverage in order for there to be a loss under the third party Network Security Liability coverage.

The Network Security Liability limit is separate from that afforded under the Computer Attack Coverage. Limits cannot be combined or stacked. Only the limit in force during the policy period when notice of the suit was first received by the insured will apply.

Receipt of notice of the suit must occur during the policy period, and the suit must arise from an event that occurs after the first inception of the coverage.

The coverage will be defense within the limits.

Limit and Deductible Options

Option 1: Computer Attack

All 5 Coverages

\$100,000 annual aggregate limit \$10,000 deductible per occurrence

Option 2: Computer Attack

Data Restoration and System Restoration only

\$50,000 annual aggregate limit, \$5,000 deductible per occurrence

Option 3: Network Security Liability Coverage

Full Coverage

\$100,000 annual aggregate limit, \$10,000 deductible per occurrence

Option 4: Network Security Liability Coverage

Limited Coverage; propagation of malware and denial of service attack triggers only

\$50,000* annual aggregate limit, \$5,000 deductible per occurrence

**New Hampshire has a \$100,000 minimum limit*

Additional Features

No Separate Underwriting Process or Application

Cyber Risk can be added to new business or endorsed to existing business.

Specialized Claim Service

Claims are handled by skilled claim specialists who are familiar with the technical aspects of computer systems and cyber attacks.

Ineligible classes:

- Adult Business.
- Gambling or Gaming.
- Financial Institutions.

Risk Management Web Portal

The risk management website provides businesses with a number of tools and sources of information that can help them assess and manage the risk of a cyber attack.

Key features of the portal include:

- Incident Response Plan Roadmap – suggested steps a business can take following a data breach incident.
- Online Training Modules – ready-to-use training for business owners on privacy best practices and Red Flag Rules.
- Risk Management Tools – tools to assist a business in managing their data breach and other cyber exposures including self assessments and state breach notification laws.



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