



Privacy and Network Liability Insurance Seminar
February 21, 2008



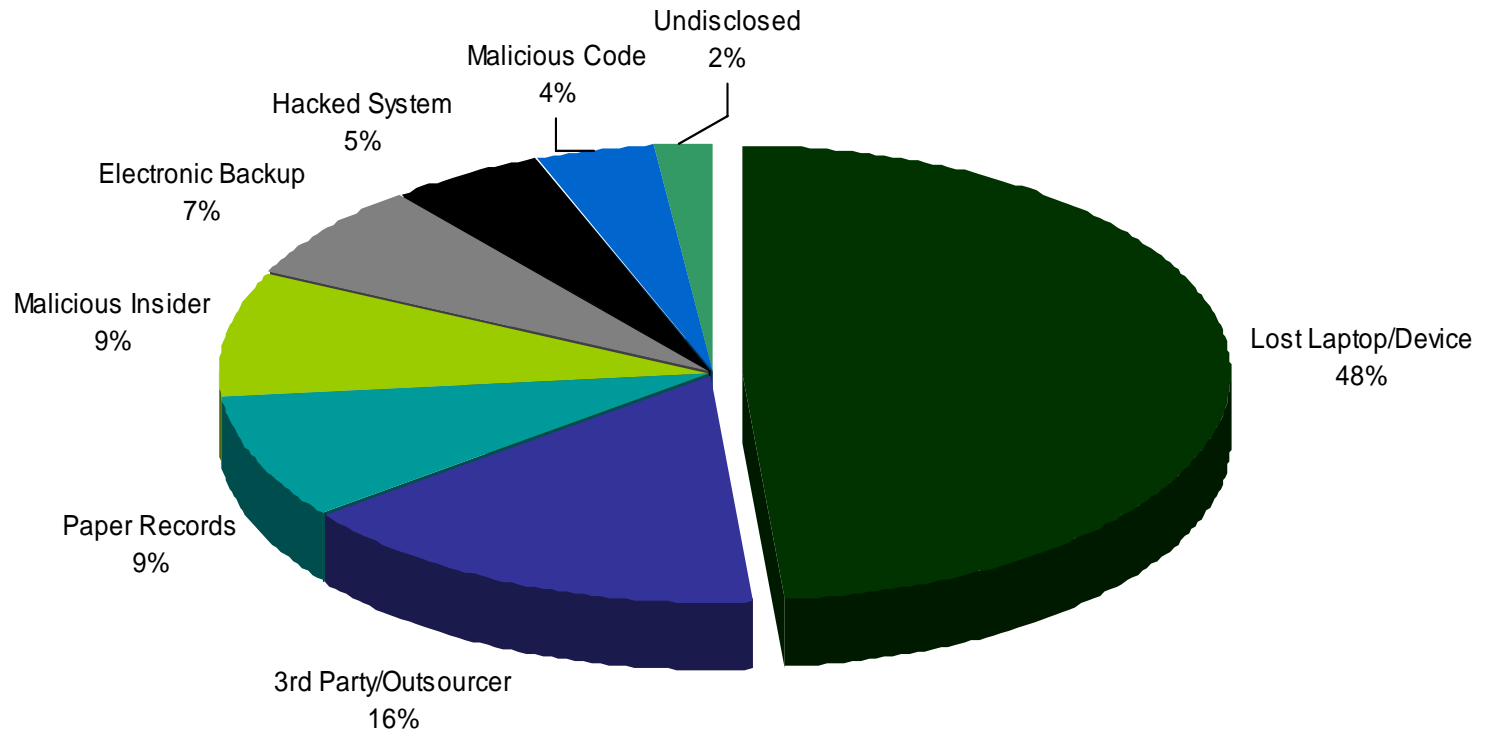
Market & ERIS Product Overview – We've Got You Covered

Ben Maidment and Jon Ashall

- Evolution of Network Liability & Privacy
- Exposures
- Case Study
- Privacy Liability Coverage
- Underwriting

- Traditional Insurance for traditional business
- Electronic Age
- Network liability
- Privacy

Ponemon Institute - Primary Source of Breach 2007



Current Events

a Sample of Incidents Worldwide....

USA

- TJX- Intruder gained access to 47 million customers info.
- CardSystems – 40 million credit card numbers exposed by 3rd Party processor to banks and merchants
- Choicepoint – Personal records of 163,000 individuals improperly exposed to criminals

UK

- Inland Revenue lost unencrypted discs containing sensitive information of 25 million British citizens.
- Nationwide Building Society – theft of laptop containing unencrypted details of 11 million savers. Led to notification letters being sent to all 11 million individuals potentially affected and £980,000 fine being levied by FSA for inadequate systems and controls to address information security risk.

- **TJX/Winners:**
 - In Canada alone, thousands of cases of fraud reported on stolen cards. Lawsuits follow from banks, shareholders(pension funds), class action by customers, regulatory probes in US and Canada.
- **CIBC: Jan.07**
 - loss of computer file in transit between offices with data on 470,000 customers. Regulatory investigation follows.
- **Club Monaco: Jan.07**
 - sought help from police and forensic experts to investigate privacy breach of credit card processor
- **Canada Post: Dec.07**
 - security breach- login records of scores of small businesses using shipping website available

- **Passport Canada: Dec. 07**
 - Security flaw allows access to passport applicants personal information
- **Air Canada: Nov.07**
 - AC flights in GTA grounded for hours after computer “glitch” between reservation system and airport locale.
- **Canadian Bar Association:**
 - Jan.08-unauthorized access to online orders and credit card information
- **Bell Canada: Feb.08**
 - 3.3million customers have their personal information stolen. Suspect arrested in Montreal following which public disclosure made.

- **FusePoint Data Confidence Survey 2007**
 - 62% of executives felt security breach would impact their brand
 - Only 37% have confidence their data is protected against attacks
 - 20% of companies do not use anti-virus software, 25% do not have a firewall
- **Symantec Corp. Survey 2007**
 - 91% IT organizations carry out “full scenario” testing of disaster recovery plans. Nearly 50% failed.
 - 23% of city dwellers have themselves, or know someone who has, fallen victim to fraud or identity theft
- **IDC Canada Survey 2007**
 - there is an “irrationally” high level of confidence among Canadian firms regarding their security measures

- **Liability**
 - Compensatory Damages
 - Regulatory Actions
- **Direct damages to insured:**
 - Business interruption
 - Mitigation
 - Costs to restore information
- **Response plan**
 - Public disclosure
 - Interaction with regulators/authorities
- **Crisis Management costs**
 - Call centre & web site
 - Credit monitoring
 - Public relations

- **Employee theft**
 - Employee steals computer backup tape containing personal information of customers.

■ Initial Assessment

- The breach is contained to a specific, quantifiable number of customers and will not impact the ongoing operations of the retailer
- Privacy statement indicates that the retailer will safeguard client information and will do everything reasonable to protect and notify customers of any privacy breach
- The board of directors have formalized a disaster recovery with respect to Privacy, including assessment, notification and public relations

- **Direct Damage**
 - Business Interruption
 - Mitigation
 - Costs to restore information
 - Changes to internal processes

- **Response plan**
 - Public disclosure
 - Interaction with regulators
 - Law enforcement authorities
 - Auditors

- **Crisis Management costs**
 - Call centre & web site
 - Credit monitoring
 - Public relations

- **1st Party Coverage**
 - Property Policy:
 - Requires damage to a tangible asset
 - Limitations with respect to fidelity
 - Crime Policy:
 - May provide some data reconstruction costs
 - Provides fidelity coverage, but would have valuation issues

- **3rd Party Coverage**

- CGL:

- Contains a BI/PD trigger
 - Advertising injury not broad enough

- E&O:

- Typically excludes intentional acts
 - Definition of professional services

- **Privacy Liability**

- Covers third party damages and claims expenses arising out of a Privacy Breach or a breach of Privacy Regulations, including coverage for employees who were similarly harmed which would ordinarily be excluded by the insured versus insured exclusion
- Privacy Regulatory Defence and Penalties - Incorporates coverage for amounts the assured is legally obligated to pay, including claims expenses, as a result of a penalty or sanction imposed by a federal, state or local regulatory body

- **Crisis Management and Customer Notification Expenses**

- Incorporates coverage for first party expense incurred in attempting to mitigate PR damage as a result of a breach and the costs involved in notifying customers as required under applicable laws

- **Security Liability**

- Includes traditional Network Security Coverage for events that may not necessarily trigger the above coverages

- Mandatory Breach Notification
- Canadian Legislations/Guidelines
- Conflicting Legislation
- Language Issues

Are You Exposed?

- Do you have a large number of employees?
- Do you have interact with a large number of individual customers?
- What type of information do you collect on your customers?
- Sample Industry Groups:
 - Retail
 - Financial Institutions
 - Utilities
 - Healthcare

- What information is being collected?
 - Contact Information – name, address, email
 - Proof of identity – signature, drivers license, SIN
 - Financial/Billing – credit cards, credit history
 - Demographic – age, education, occupation

- How is the information being used?

- What obligations/commitments are being made?
 - Protection
 - Retention
 - Notification

Underwriting Process

- Submission/Application
- 3rd Party Audit