

Overcoming Cyber Insurance Objections

Matt Kletzli and Jason Bucher
Victor O. Schinnerer & Company



Just in case you missed it...



NEW Cyber Security Protection Solution

COLLABORATION WITH MICROSOFT/SPANNING

Schinnerer Cyber Protection Package Insurance

Sophisticated,
comprehensive cyber
insurance for small and mid-
size businesses.



Microsoft Office 365

Leading platform and
productivity company. Office
365 lets you work virtually
anywhere, anytime, across all
your devices.



Spanning Backup for Office 365

Helps organizations
protect their information
in the cloud with backup
and recovery for SaaS
applications.

Overcoming Cyber Insurance Objections



Selling Cyber

OVERCOMING CYBER INSURANCE OBJECTIONS

- Selling cyber is difficult – most are first time buyers
- It is estimated that only 1/3 of businesses currently carry cyber insurance

Objection #10

“We’re not a
technology
company.”



Objection #10

Response:

- EVERY business utilizes technology in their daily business
- Cyber policies address perils ranging from business interruption/extra expense to costs related to restoring of data
- Think about a trailer manufacturer – all machinery on the floor which is computer controlled

Objection #9

“Our General Liability policy will cover the loss.”



Objection #9

Response

- ISO released Data Loss Liability exclusion in June of 2014 and carriers are rolling it out
- Multiple court decisions finding GL policy does not cover data privacy breach losses – notably:
 - Defender Security Co v. First Mercury Insurance Company
 - American Economy Ins. Co. v. Aspen Way Enterprises
 - Zurich American Ins. Co. v. Sony Corp. of Am.

Objection #8

“We don’t sell anything online.”



Objection #8

Response

- “Cyber” is unfortunate name – but the insurance policy addresses the enterprise wide Privacy & Network Security risks
- Cyber insurance addresses emerging cover gaps due to every businesses' increasing use of Technology and reliance on Data in daily operations.

Objection #7

“We have top notch security in place.”



Objection #7

Response

- Security can never account for simple human error – or human ingenuity. Breaches range from “I forgot my computer in the cab,” to targeted social engineering actions compromising the human desire to “trust” highly sophisticated criminal hackers
- No such thing as “perfect security” – the CIA, White House and even the NSA have sustained cyber breaches!

Objection #6

“I’m just not a target for hackers.”



Objection #6

Response

- EVERY business is a target but Small Businesses are particularly vulnerable
- Study by Price Waterhouse Cooper found compromises of mid-sized firms rose 64% from 2013-2014
- Verizon communications Data Breach Investigations Report found 62% of data breaches were Small/midsize businesses!

Objection #5

“I don’t collect any data or information.”



Objection #5

Response

- Every business has employee records, payment information, vendor/supplier information, marketing lists
- Cyber is more than just “Data Breach” coverage
 - Account History – Example: Erin Andrews case against West End Hotel Partners for their failure to keep her account info private
 - Network Security – Example: Fazio Mechanical Services for Target

Objection #4

“I just don’t see the value of a Cyber policy.”



Objection #4

Response

- Cyber Insurance is a Risk Management Solution for rapidly expanding and evolving cyber risks
- No business could ever adequately prepare or staff up to respond to the variety of cyber perils
- Study by US National Cyber Security Alliance found that 60% of small companies fail within six months of a cyber crime attack!!

Objection #3

“I can’t afford a
Cyber policy.”



Objection #3

Response

- Premiums are down considerably as the market has been flooded with capacity and providers
- Over 10 years actuarial information has stabilized rates
- Schinnerer Cyber Protection Package program minimum premium of only \$750!

Objection #2

“Our money is better spent on additional IT Security.”



Objection #2

Response

- Cyber insurance augments and compliments IT security as a risk management solution
- ROI to be 1,425% on exploit kits and ransomware schemes (Source: Trustwave)
- One in five small businesses fall victim to cyber crime each year (Source: National Cyber Security Alliance)
- An average of 117,339 cyber attacks and security incidents occur PER DAY! (Source: PwC US)
- Annual growth rate increased 66% year over year since 2009 (Source: PwC US)

Objection #1

“We outsource
our IT Services.”



Objection #1

Response

- Data Regulations apply to the “collector” of the information, NOT the “processor” of the information – so vendor breach is the legal responsibility of the business who collected it
- Legal responsibility CANNOT be transferred by contract
- Contract indemnification agreements typically limit to value of contract – well below actual cyber risk exposure

Questions?

Thank you!



Matt Kletzli
Management Liability Leader
Phone: (301) 961-9820
Matthew.Kletzli@Schinnerer.com



Jason Bucher
Senior Underwriter
Cell: (913) 685-6166
Jason.Bucher@Schinnerer.com