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# Hidden Dangers in a Cyber Policy

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# Hidden Dangers in Cyber Policies

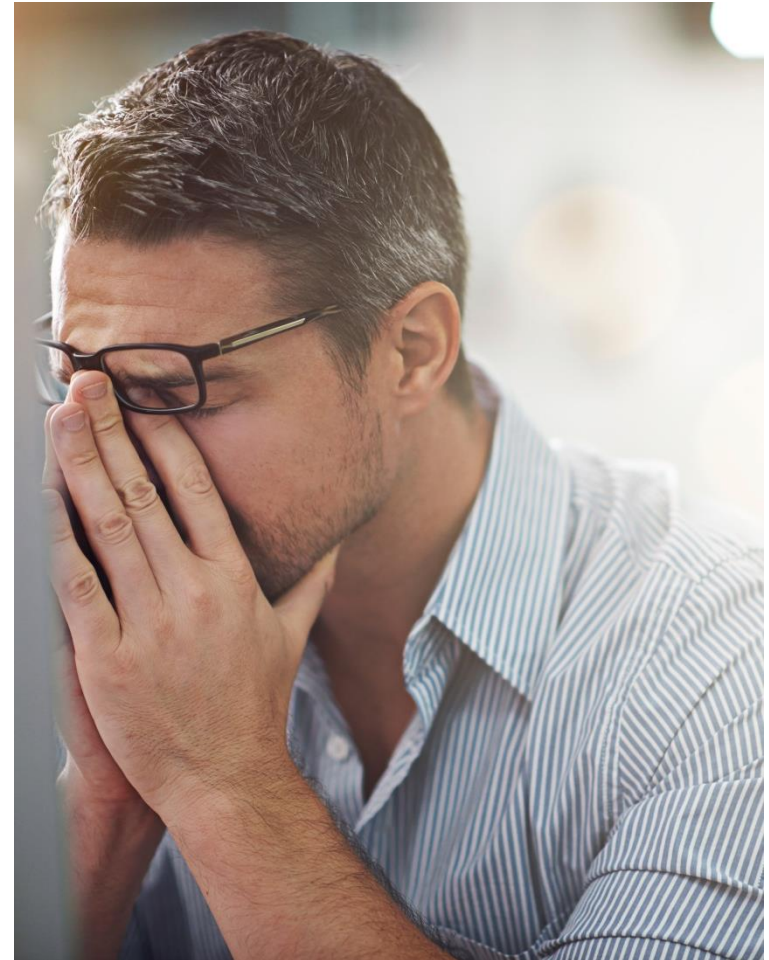
- Why are we talking about this?
- Is this just another scare tactic?
- Recent cyber event
- Policy conditions to pay attention to
- Application conditions/provisions to pay attention to
- Questions

## Why Are We Talking About This?

- Cyber insurance is a new and emerging insurance product
  - Exposures change/emerge constantly
  - Huge variety of Insured's with endlessly variable levels of sophistication
- Case law and precedents
- Inconsistent standards & limited regulations
- Carriers and Reinsurers want to address Morale Hazard
  - Exclusions
  - Definitions
  - Policy Conditions
    - addressing Insured performance
- Important to understand why and where to look
  - Our Digital Crime Coverage

## Is this just another Cyber Scare Tactic?

- Cyber insurance is notorious for **Scare Tactic Marketing**
- Recent court decisions
  - CNA vs. Cottage Health System
  - Travelers vs. Federal Recovery



# Recent Cyber Event – Policy Condition Impact

- WannaCry Virus
  - Designed to exploit a recently discovered vulnerability in Microsoft Software
  - Microsoft pushed a patch out to fix the vulnerability
  - WannaCry primarily impacted “retired” software packages including Windows XP and Windows 7
  - Microsoft took the highly unusual step to release patch for the retired packages
  - Many policies exclude and condition “use of unsupported or retired software packages”
  - Many applications ask about the use of unsupported or retired software packages
- Briefly – why is software “retired?”



## Policy Conditions to Pay Attention to

- Use of unsupported or retired software
  - May also include “unlicensed software”
- Security which meets or exceeds that which is represented in the application
  - Encryption – yes/no...
  - Educate/review privacy policy annually
  - Firewall/Security patched
- Obtain and Maintain PCI or Regulatory Compliance
  - Key word “maintain”



# Cyber Application Provisions to watch

- PCI Compliance
  - This is a process more involved than most realize
  - Agent placed in difficult position should request copy of attestation of compliance – PCI Compliance is not simply Yes/No question
- Some questions I've seen:
  - Do you have a prominently disclosed privacy policy and do you honor it?
  - At least annually, do you provide security awareness training for everyone who accesses your network?
  - Do you limit access to data on a need-to-know basis?



## Cyber Application Provisions to watch

- Read all application/representation sections closely
  - All affix to policy
  - Many include phrases such as:
    - Applicant has answered “yes” to all questions included in the application and agrees to continuously implement these controls throughout the policy period.
- Many applications have prohibited activities or services
- Agents should familiarize themselves with specific markets and know each of their prohibited activities/services
- Pay attention for “gotchas”
  - Encryption for stored data
  - Encryption for transmitted data
  - Controls



# Available Resources for Questions you may have on Cyber Insurance

Data Response Team

Your Schinnerer Cyber underwriters



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Denise Mahoney

## Contact Us



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