Law firm Liability Exposures: How to protect your firm against Cyber Liability Claims

Mark Lefever, CIC, VP, Sales and Client Management
USI Affinity

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Agenda

- Cyber Liability Exposures For Law Firms
- Cyber Risk Management Tips
- Cyber Liability Insurance

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Cyber Exposures For Law Firms

Cyber Exposures – Law Firms Are Prime Targets

- Rich Collection of Data
- Sensitive Information
- Bank Information
- PII
- Poor Safeguards
- Lack of internal training and controls
- Lack of IT resources
- Wireless access
- Vendor Management
- Lost of stolen devices

- Internal Exposures
  - Rogue employees
  - Careless staff
- External Exposures
  - Business associates, vendors and suppliers
  - Organized crime
  - Hackers

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Why Are Small and Midsize Businesses Targeted?

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- Small and midsize businesses (SMBs) are the principal target of cybercrime.
  - Based on one study, 60 percent of all targeted cyberattacks last year struck SMBs.
- SMBs are easier targets than larger organizations.
- Many SMBs lack sufficient resources and in-house expertise to address cyberattacks.
- It has been estimated that half of the small businesses that suffer a cyberattack go out of business within six months as a result.

Source: U.S. Securities and Exchange Commission, "The Need for Greater Focus on the Cybersecurity Challenges Facing Small and Midsize Businesses," 2015.

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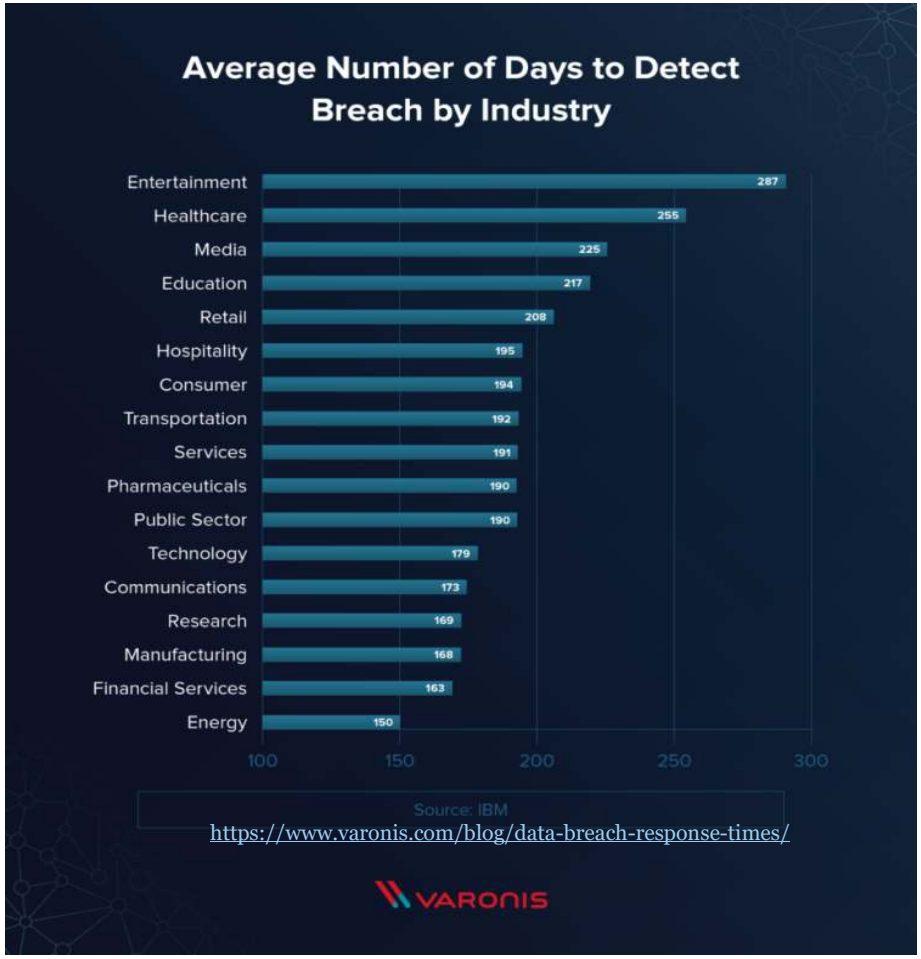
Breach Detection

Obligation to Monitor For a Data Breach

System Monitoring Activities



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Stopping the Breach and Restoring Systems

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Key findings:

Formation of the IR team lowered the total cost of a data breach by an average of $360,000 from the mean cost of $3.92 million.

$360,000

IR team lowers the total cost of a data breach by an average of $360,000

Extensive testing of the IR plan reduced the total cost of a data breach by an average of $320,000 from the mean cost of $3.92 million.

$320,000

IR plan reduces the total cost of a data breach by an average of $320,000

Organizations that both formed an IR team and extensively tested the IR plan saw the greatest savings – $1.23 million less than organizations that neither formed an IR team or tested the IR plan.

$1.23M

Savings from IR teams and testing the IR plan – $1.23 million less than organizations that neither formed an IR team or tested the IR plan.

Source - Ponemon Institute Cost of a Data Breach Study 2019

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Cyber Exposure and the Need for Insurance

Cyber Exposures – Cyber Loss

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- Loss or damage to data/information
- Loss of revenue due to a computer attack
- Extra expense to recover/respond to a computer attack
- Legal liability to others for computer security breaches
- Legal liability to others for privacy breaches (not just computers!)
- Regulatory actions and scrutiny
- Loss or damage to reputation
- Cyber-extortion
- Cyber-terrorism
- Management time expended on breach response

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Cyber Exposures – How a Law Firm can Protect itself

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- Buy Cyber Coverage!
- Incident Response Planning
- Employee Training
- Risk Analysis
- Encryption
- MFA
- Back-ups
- Document Retention Policy
- Penetration Testing
- Anti-virus and Patching
- Intrusion Prevention and Detection
- Vendor Risk Management

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Insurance Coverage Gaps

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	Property	General Liability	Crime/Bond	K&R	E&O	Cyber / Privacy
1st Party Privacy / Network Risks						
Physical Damage to Data						
Virus/Hacker Damage to Data						
Denial of Service attack						
B.I. Loss from Security Event						
Extortion or Threat						
Employee Sabatoge						
3rd Party Privacy/Network Risks						
Theft/Disclosure of private Info						
Confidential Corporate Breach						
Technology E&O						
Media Liability (electronic content)						
Privacy Breach Expense						
Damage to 3rd Party's Data						
Regulatory Privacy Defense/Fines						
Virus/ Malicious Code Transmission						

Coverage Provided:	
Limited Coverage:	
No Coverage:	

Traditional Insurance Gaps to name a few:

- Theft or disclosure of Third Party Information – GL
- Security & Privacy – "intentional act" exclusion – GL
- Data is not tangible Property – GL, Prop. and Crime
- Bi/PD Triggers – GL
- Value of Data if corrupted, destroyed or disclosed – Prop & GL
- Contingent Risks from external hosting, etc .
- Commercial Crime policies require "intent" and only cover "money securities and other Tangible Property"
- Territorial Restrictions
- Sublimits or long waiting periods applicable to any virus coverage available – Prop.

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Claim Statistics

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Legal Costs—Damages Defense & Settlement 2014–2017	Cases	Min	Average	Median	Max
Legal Damages Defense	64	319	120,606	15,500	2,500,000
Legal Damages Settlement	37	1,502	254,851	50,000	4,800,000

Legal Costs—Regulatory Defense & Fines 2014–2017	Cases	Min	Average	Median	Max
Regulatory Action Defense	10	25,163	696,524	83,750	5,791,000
Regulatory Action Fines	2	28,943	44,634	44,634	60,324

Source: NetDiligence 2017 Cyber Claims Study

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Claim Statistics

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Crisis Services Costs 2014–2017					
	Cases	Min	Average	Median	Max
Forensics	276	265	141,479	35,175	3,860,000
Credit/ID Monitoring	118	10	112,886	5,511	2,000,000
Notification	138	14	234,011	13,323	5,520,000
Legal Guidance / Breach Coach®	341	112	53,133	14,922	2,500,000
Other	71	149	80,643	10,295	2,000,000
Total Crisis	**446**	**14**	**248,980**	**35,577**	**8,209,000**

Source: NetDiligence 2017 Cyber Claims Study

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What Does Cyber Insurance Cover?

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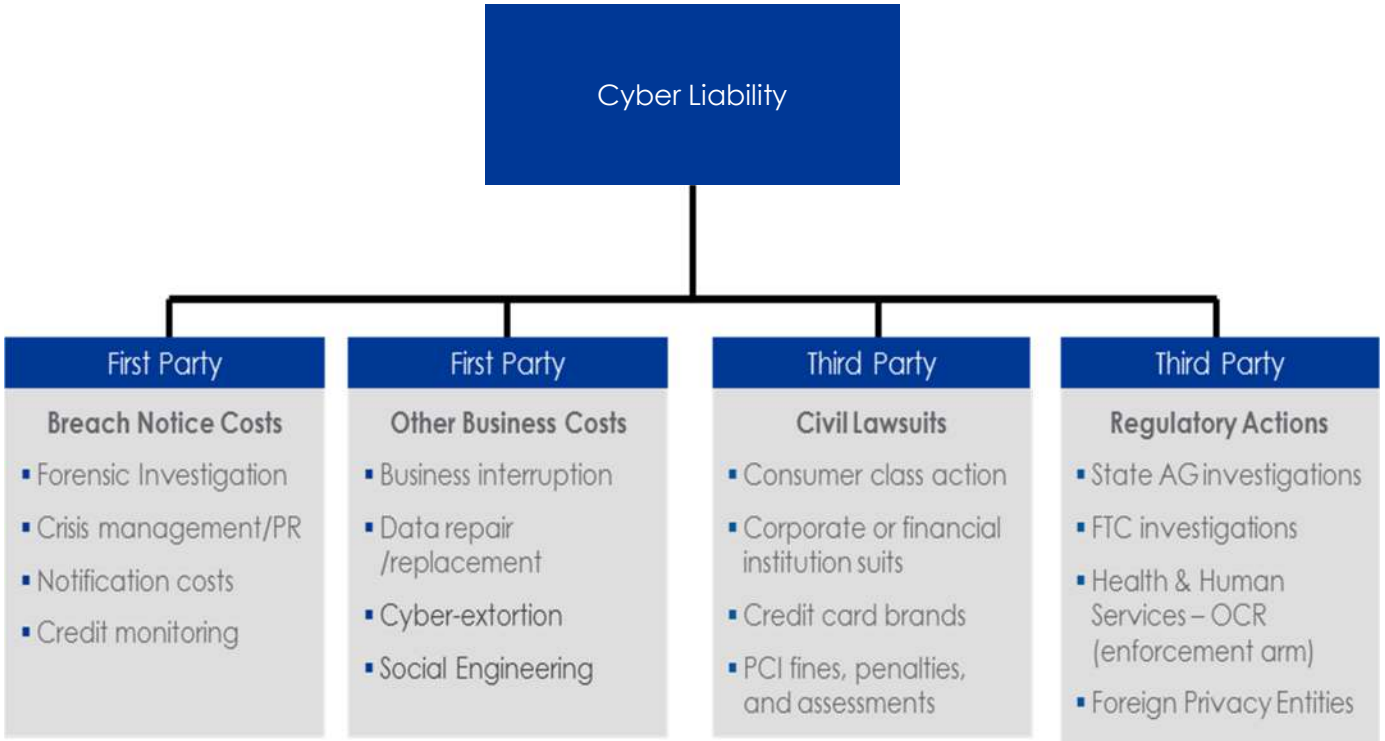

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Demand and Drivers for Cyber Insurance

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- Demand for Cyber Insurance
  - Most insurance carriers have reported experiencing an increase in demand
  - Need for additional capacity
  - Policy terms and conditions are broadening
  - Additional sublimited coverage being offered
  - Co-insurance and Higher Deductibles

- Drivers for Cyber Insurance
  - Privacy Notification Laws
  - News of cyber-related events
  - Board/Sr. Management
  - Increased education
  - Experiencing a cyber-related loss
  - Contractual obligations

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Questions

For any information on Professional Liability or Cyber Liability Insurance please feel free to contact:

Mark Lefever, CIC

mark.lefever@usi.com

717-572-2858

Vice President, Sales and Client Management

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