

CYBER INSURANCE!

As a business it is likely that you will rely on Information Technology infrastructure to a certain level. If so, you will be exposed to the risks of business interruption, income loss, damage management and repair and even reputational damage if your IT systems fail or are interrupted.

A UK Government survey estimated that in 2014 81% of large corporations and 60% of SMEs suffered a cyber-security breach. The average cost of a cyber-security breach is £600k-£1.15m for large corporations and £65-£115k for SMEs.

Do you need it?

While existing insurance policies such as commercial property, business interruption or professional indemnity insurance may provide an element of cover against cyber risks, businesses are increasingly buying specialised cyber insurance policies to supplement their existing insurance arrangements, especially if they:

- Hold sensitive customer details such as names and address or banking information;
- Rely heavily on IT systems and websites to conduct their business;
- Process payment card information as a matter of course.

What does it cover?

Cyber Insurance covers the losses relating to damage to, or loss of information from, IT systems and networks. Policies generally include significant assistance with, and management of, the incident itself, which can be essential when faced with reputational damage or regulatory enforcement.

Generally cyber risks fall into first-party or third-party risks.

First-party insurance covers your business's own assets. This may include:

- Loss or damage to digital assets such as data or software programmes;
- Business interruption from network downtime;
- Cyber extortion where third parties threaten to damage or release data if money is not paid to them;
- Customer notification expenses when there is a legal or regulatory requirement to notify them of a security or privacy breach;
- Reputational damage arising from a breach of data that results in loss of intellectual property or customers;
- Theft of money or digital assets through theft of equipment or electronic theft.

Third-party insurance covers the assets of others, typically your customers. This may include:

- Security and privacy breaches, and investigation, defence costs and civil damages associated with them;
- Multi-media liability, to cover investigation, defence costs and civil damages arising from defamation, breach of privacy or negligence in publication in electronic or print media;
- Loss of third-party data, including payment of compensation to customers for denial of access and failure of software or systems.