

Cyber Risk & Privacy Insurance An essential tool to consider for your insurance portfolio

Nearly all companies must process information that is confidential or personal in some way, notably client credit or other sensitive information obtained through suppliers. All these companies are exposed to potentially devastating lawsuits should the information fall into the wrong hands or be leaked to the public.

Effective protection against the risks arising from identity theft is vital when employees, clients and corporate clients give companies their personal information.

In Canada, the processing of personal information by all commercial organisations is governed by the *Personal Information Protection and Electronic Documents Act* or a provincial law similar to those of British Columbia, Alberta and Quebec. Any negligence on your part regarding the safeguarding of information or from data breach can trigger your civil liability and give rise to civil sanctions, regulatory measures, administrative expenses and defence costs. The most costly consequences of this are the damage to your company's reputation and your clients' loss of confidence.

POTENTIAL RISKS:

Liability

- ◆ Compensatory damages to clients, employees, downstream business interruption
- ◆ Subrogation from banks and credit card companies
- ◆ Contractual obligations
- ◆ Regulatory agencies and standardization bodies
- ◆ Cost of conforming to business and auditing standards by the legislator
- ◆ Defence costs

Direct damages

- ◆ Business interruption
- ◆ Loss mitigation
- ◆ Data restoration costs

Inherent risks to IT outsourcing (subcontracting)

- ◆ Limited contractual protections
- ◆ Many subcontractors do not buy professional liability insurance coverage
- ◆ Inadequate insurance coverage
- ◆ An inconsistent approach with subcontractors regarding required insurance coverages.

INSURANCE COVERAGE

The insurance coverage can be underwritten as a stand-alone policy or as part of a modular wording tailor-made for specialized risks including:

- ◆ *Crisis management*

Assistance to navigate the protection of personal privacy laws and regulations in any case of data breach requiring an intervention.

- ◆ *Identity theft liability*

Enables you to meet the civil liability demands of an identity theft attributable to a data breach.

- ◆ *Administrative expenses*

A legal entity victim of a personal data breach can be faced with administrative actions by various federal regulatory agencies, American states, Canadian provinces or territories, including the Office of the Privacy Commissioner of Canada, the Offices of the Information and Privacy Commissioner of British Columbia and Alberta, the Commission d'accès à l'information du Québec and the Federal Trade Commission of the United States of America.

- ◆ *Network failure*

Coverage for loss of revenues or additional expenses incurred by you arising from a failure of the protection system allowing a cyber attack to cause important network failures.

- ◆ *Cyber extortion*

Indemnification of monies paid to stop or prevent a cyber attack in the case of extortion.

- ◆ *Incident management*

Coverage in the event of a covered loss such as additional expenses incurred following a cyber attack or an invasion of privacy. This coverage may also include incurred expenses from the restoration/reconstruction of the data or to determine the impossibility of doing so.

EXAMPLES OF COMPANIES THAT MAY BENEFIT FROM THIS COVERAGE:

- ◆ Retailers or wholesalers that accept credit card transactions (online or not)
- ◆ Service companies such as printers, accountants, lawyers, etc.
- ◆ Manufacturers
- ◆ Financial services companies, medical offices, pharmaceutical companies and other suppliers.

To illustrate the potential risk, we suggest that you watch the following report: *Copy machines, a security risk?*, CBS News (April 19, 2010).

<http://www.cbsnews.com/video/watch/?id=6412572n&tag=contentMain;contentBody>

Used photocopiers stored hundreds of pages of confidential data in their hard drives and these machines were being resold in the public marketplace! As you can see, utmost caution is essential in all your commercial activities.

To obtain more information concerning your insurance or risk management requirements, we encourage you to contact your account executive at Vézina, whose knowledge enables them to offer you unsurpassed guidance for the choice of coverage that best meets your company's situation thereby protecting what counts most to you — the future of your company!

To consult "Back issues", please go to our web site www.vezinainc.com



VÉZINA

INTEGRITY

PROFESSIONALISM

Vézina assurances inc.

Vézina & associés inc.

4374 Pierre-De Coubertin Avenue
Montréal, Québec
H1V 1A6

Telephone : (514) 253-5221
1-877-253-5221

Fax : (514) 253-4453

info@vezinainc.com