



# FLORIDA LEAGUE OF CITIES

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## Breach Response & Cyber Liability



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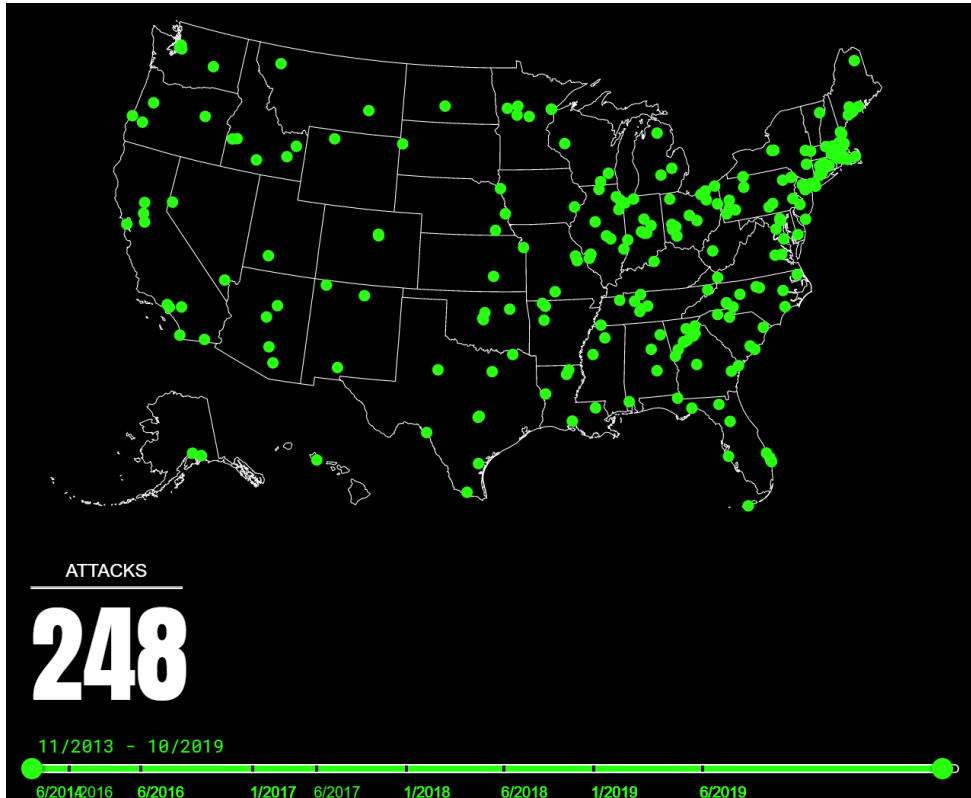
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# Agenda

- ▶ Cyber Liability Exposures
- ▶ FACT Cyber Liability Coverages
  - ▶ 1<sup>st</sup> Party Coverage
  - ▶ Liability Coverage
  - ▶ eCrime Coverage
  - ▶ Breach Response Coverage
- ▶ Claims Reporting
- ▶ Best Practices



# Cyber Liability Exposures

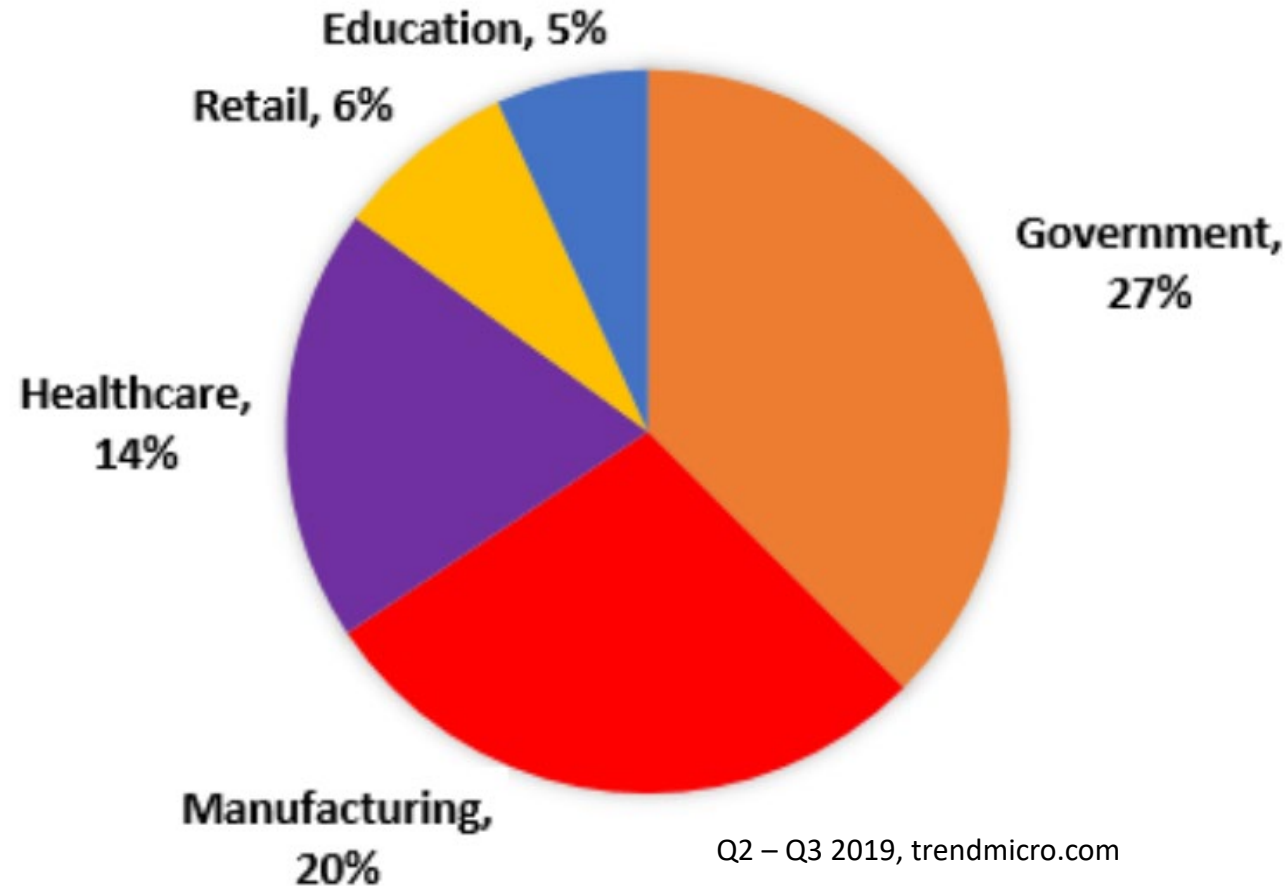


2013-2019, statescoop.com

- ▶ Local Governments have become a prime target after several large payouts in FL and throughout the US
- ▶ Lake City, FL
  - ▶ \$470,000 ransom payout
- ▶ Riviera Beach, FL
  - ▶ \$600,000 ransom payout
- ▶ Baltimore, MD
  - ▶ \$76,000 ransom, didn't pay
  - ▶ \$18.2 million recovery costs
- ▶ Atlanta, GA
  - ▶ \$51,000 ransom, didn't pay
  - ▶ \$17 million recovery costs

# Cyber Liability Exposures

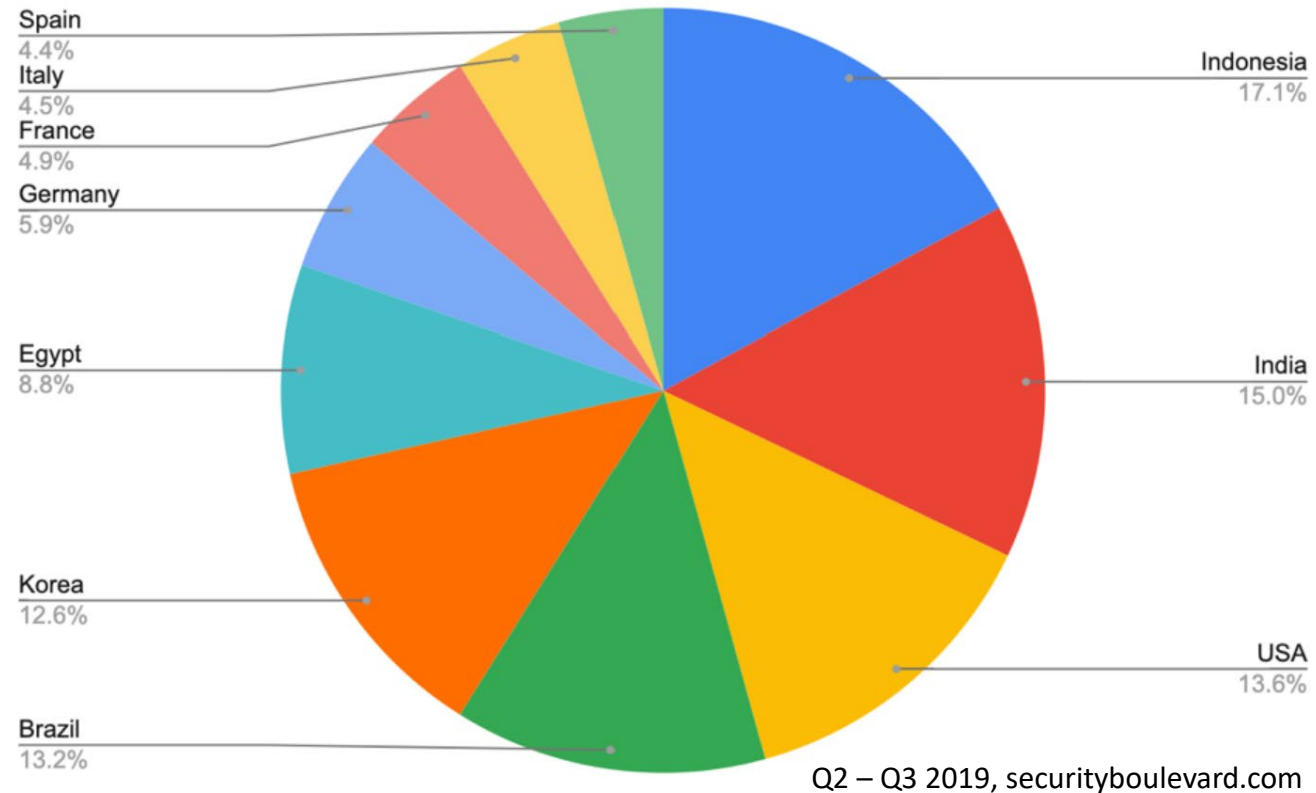
## RANSOMWARE BY INDUSTRY - 1H'19



Q2 – Q3 2019, trendmicro.com

# Cyber Liability Exposures

Which countries are most affected by ransomware?





## First Party Coverage

- ▶ Business Interruption Loss
  - ▶ Income lost as a result of a breach
  - ▶ Forensic Expenses to identify the depth and scope of the breach
  - ▶ Extra expense sustained during the restoration period
- ▶ Coverage
  - ▶ \$35,000 deductible (retention)
  - ▶ \$1 million aggregate



## First Party Coverage

- ▶ Cyber Extortion Loss
  - ▶ Any extortion payment that has been made to prevent or terminate an extortion threat
  - ▶ Reasonable and necessary expenses incurred by Member to prevent or respond to an extortion threat
- ▶ Coverage
  - ▶ \$35,000 deductible (retention)
  - ▶ \$1 million aggregate





## First Party Coverage

- ▶ Data Recovery Costs

- ▶ Reasonable and necessary costs incurred by Member to regain access to, replace or restore data
    - ▶ If data cannot reasonably be accessed, replaced, or restored, then the reasonable and necessary costs incurred by Member to reach this determination

- ▶ Coverage

- ▶ \$35,000 deductible (retention)
  - ▶ \$1 million aggregate



# Liability Coverage

- ▶ Data & Network Liability
  - ▶ Pays 3<sup>rd</sup> party damages and claims expense, which the Member is legally obligated to pay as a result of a data breach, security breach, the Member's failure to timely disclose a breach, and/or the Member's failure to comply with a Privacy Policy
    - ▶ Generally, this is related to data breaches involving personally identifiable information
- ▶ Coverage
  - ▶ \$35,000 deductible (retention)
  - ▶ \$1 million aggregate



# Liability Coverage

- ▶ Regulatory Defense & Penalties
  - ▶ Pays penalties and claims expenses, which the Member is legally obligated to pay because of a regulatory proceeding made against the member
    - ▶ Breaches resulting in a hearing or fines assessed by a regulatory body
- ▶ Coverage
  - ▶ \$35,000 deductible (retention)
  - ▶ \$1 million aggregate



# Liability Coverage

- ▶ Payment Card Liabilities & Costs
  - ▶ Indemnifies the Member for PCI fines, expenses and costs which it is legally obligated to pay because of a claim
    - ▶ Credit monitoring, notification requirements, breach counsel engaged by member for response
- ▶ Coverage
  - ▶ \$35,000 deductible (retention)
  - ▶ \$1 million aggregate



# Liability Coverage

## ▶ Media Liability

- ▶ Pays for damages and claims expenses, which the Member is legally obligated to pay for any media liability
  - ▶ Defamation, libel, slander, product disparagement, trade libel, etc.
  - ▶ Violations of the right to privacy of an individual
  - ▶ Plagiarism, copyright infringement, piracy
  - ▶ Trademark or domain name infringement

## ▶ Coverage

- ▶ \$35,000 deductible (retention)
- ▶ \$1 million aggregate



## eCrime Coverage

- ▶ Fraudulent Instruction (a.k.a. “Social Engineering”)
  - ▶ Fraudulent instructions given to **Member**
  - ▶ Example: Criminal creates email address mimicking a County Commissioner requests County HR change the routing and account number of their direct deposit to an offshore bank account
- ▶ Coverage
  - ▶ \$25,000 deductible (retention)
  - ▶ \$50,000 aggregate



## eCrime Coverage

- ▶ Funds Transfer Fraud
  - ▶ Fraudulent instruction given to a **financial institution** directing that institution to transfer funds from any account maintained by the Member without the Member's knowledge or consent
- ▶ Coverage
  - ▶ \$25,000 deductible (retention)
  - ▶ \$50,000 aggregate



## eCrime Coverage

- ▶ Telephone Fraud
  - ▶ Third party gains access to and uses the Member's telephone system in an unauthorized manner
    - ▶ Spoofing
- ▶ Coverage
  - ▶ \$25,000 deductible (retention)
  - ▶ \$50,000 aggregate





## eCrime Coverage

- ▶ Criminal Reward
  - ▶ Any amount offered and paid by the Member with our consent for information leading to the arrest and conviction of any individuals committing or trying to commit any illegal act related to any cyber coverages
- ▶ Coverage
  - ▶ \$0 deductible
  - ▶ \$5,000 aggregate



# Breach Response Coverage

- ▶ Breach Response
- ▶ Additional \$1 million limit on top of other limits for coverages triggered
  - ▶ Any fees and/or costs incurred in response to an actual or reasonably suspected Data or Security Breach
    - ▶ Includes attorney to provide necessary legal advice, notification requirements for those individuals who's personally identifiable information was potentially impacted by breach
    - ▶ PCI Forensic Investigator to determine existence and extent of breach
    - ▶ Provides for call center to respond to inquiries about the breach
    - ▶ Provides for credit monitoring, public relations and crisis management costs
  - ▶ \$35,000 deductible (retention)
  - ▶ \$1 million aggregate

# Reporting a Cyber Claim

- ▶ Best & Fastest Method
  - ▶ Email [newloss@flcities.com](mailto:newloss@flcities.com), **and**
  - ▶ Call Chris Smith, leave voicemail
    - ▶ 772.215.4031 (c); 407.367.4011 (w)
    - ▶ Anytime, holidays, weekends, etc...
- ▶ Other Options
  - ▶ Use the FACT Claims Portal
  - ▶ Call your FACT adjusting staff
  - ▶ Call Ken Moneghan





Time is of the essence with Cyber Claims. You **MUST** report a claim to FACT as soon as you suspect a breach!

Failure to do so may affect coverage!





# Data Breach Claim Report:

Claim Number (Company internal reference):

Policy Number:

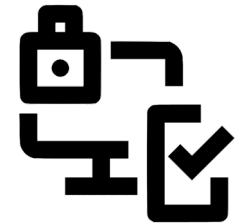
Insured:

Insured Main Contact:

Insured Contact Phone Number:

Insured Address:

Insured Email Address:





## Data Breach Claim Report (cont.):

Date Claim Received by Company:

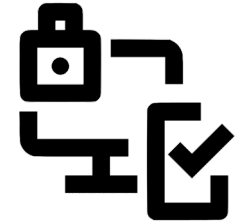
Are you reporting an actual or suspected breach incident?

Please describe the nature of the breach incident:

When did the breach incident occur?

In what city and state did the breach incident occur?

When did you or your organization first discover that the breach incident occurred?



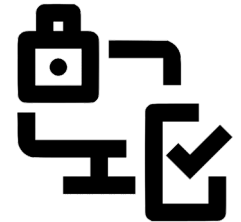


## Data Breach Claim Report (cont.):

What type of personal or confidential information is potentially implicated by the breach incident?

How many individuals do you suspect are affected by the breach incident?

If any electronic devices were involved in the breach incident, were they encrypted?





## How the Cyber Coverage works with FACT

- ▶ FACT reinsures Cyber risk with Beazley USA Services Inc.
  - ▶ Experts in Cyber Liability risks and Cyber Breach Response
- ▶ Beazley adjusts the claims with FACT service company adjusters as liaisons between the County & Beazley
- ▶ Beazley and their panel of expert service providers will provide advice & recommendations as to how to best respond to a loss
  - ▶ They will suggest the County engage vendors from their approved panel







## How the Cyber Coverage works with FACT

- ▶ Costs and fees are first incurred by the County as they engage vendors to respond to a breach
- ▶ Beazley requires the County to pay costs and fees directly until the County exhausts its deductible (retention)
- ▶ Once the County's deductible (retention) is exhausted, FACT will pay any additional fees/costs up to the policy limit(s)





# Important!!!!!!

- ▶ Beazley requires the County to contract with their vendor partners, since a claim may not exhaust the retention
- ▶ FACT does not sign any contracts or agreements on the County's behalf to utilize these vendors
- ▶ County staff will want to consider any purchasing or contractual requirements prior to a loss, as these contracts/agreements are not “boiler plate” and do not provide for the contractual protections most County contracts have built in
- ▶ Time is of the essence. FACT recommends considering emergency procurement procedures for scenarios like a cyber loss.





## Best Practices – Questions each County Should Ask...

- ▶ Do we have backups that cannot be touched by ransomware?
  - ▶ Has this been independently verified?
- ▶ Do we allow direct Remote Desktop Protocol connections?
- ▶ Have we had a recent network assessment?
- ▶ Do we have a Security Awareness Training program?
- ▶ Does our firewall provide internet filtering along with intrusion prevention?





## Best Practices – Questions each County Should Ask...

- ▶ Do we have a solution for installing updates for ALL systems?
- ▶ What devices do we have and how do we secure them?
- ▶ Do we have cyber insurance? What does it cover?
  - ▶ See previous slides. FACT has you covered!
- ▶ How do we verify our 3<sup>rd</sup> party service providers and other partners have adequate security?
- ▶ Do our contracts with 3<sup>rd</sup> party service providers transfer cyber liability risk to the service provider?





## Resources

### ▶ FACT Adjusting Staff

- ▶ Chris Smith, Claims Supervisor – [csmith2@flcities.com](mailto:csmith2@flcities.com)
  - ▶ Desk: 407.367.4011; Cell: 772.215.4031
- ▶ Donna Cruz, Litigation Specialist – [dcruz2@flcities.com](mailto:dcruz2@flcities.com)
  - ▶ Desk: 407.367.1746
- ▶ Tara Bonilla, Claims Representative 2 – [tbonilla@flcities.com](mailto:tbonilla@flcities.com)
  - ▶ Desk: 407.367.1761
- ▶ Aaron Prideaux, Claims Representative 2 – [aprideaux@flcities.com](mailto:aprideaux@flcities.com)
  - ▶ Desk: 407.367.1774





## Resources

- ▶ Florida Local Government Information Systems Association (FLGISA)



- ▶ Florida Local Government source for leadership, innovation and collaboration in technology
- ▶ Agency Membership: \$200/year
- ▶ Annual Conference – August 3-6, 2020
  - ▶ Boca Raton Resort & Club
  - ▶ Registration opens March 2020



- ▶ For more info, contact Michael van Zwieten, CGCIO, MCSE
  - ▶ Executive Director, FLGISA & Director of Technology Services, FLC
  - ▶ [mvanzwieten@flcities.com](mailto:mvanzwieten@flcities.com), 407.367.1794



QUESTIONS?

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