



RISK MANAGEMENT INSIGHTS

by W. Brian Ahern, RPLU

Cyber Liability: Are You Covered?

Cyber liability is increasingly important for law firms and lawyers. Forty-six states have enacted data breach notification legislation and Federal law includes host data security requirements. Most firms assume coverage will be offered by their general liability policies. However, in many cases such coverage is not adequate. Approximately ten million victims a year are affected by a breach of privacy. It takes approximately 175 hours to resolve the issue when a breach occurs. The estimated cost to rebuild records is \$202 per record. Are you an entity with 100 names in your database or 10,000? The costs can be staggering.

The type of law you practice is also a factor. A law firm representing a pharmaceutical company or physician may have a great deal of personal health information it needs to protect. Names, social security numbers, credit scores and bank accounts – all of this personal information is under increasing siege by computer hackers and identity thieves. A single loss of sensitive data, whether through thievery, technical malfunction, or sloppy record keeping, cannot only damage your reputation, but also expose you to lawsuits that could cripple your firm.

The average premium for coverage that will protect you from cyber liability for \$1 million in coverage with a \$5,000 deductible is approximately \$1,000 annually. As there are several different types of protection, it is important to know the various policy options.

Privacy Coverage

- Unauthorized acquisition, access, use, physical taking, identity theft, mysterious disappearance, release, distribution or disclosures of personal and corporate information
- Breaches by third parties as well as rogue employees
- Broad definition of personal information including third party confidential business information
- Civil fines and penalties and consumer redress

Technology Security Coverage

- Failure to prevent a party from unauthorized access to, use of or tampering with technology including denial of service attacks
- Malicious code coverage
- Breaches by third parties as well as rogue employees

Web-Media Services Coverage

- Personal injury coverage for your internet and intranet website, including the gathering, publication or dissemination of web based content
- Intellectual property coverage for any outward or inward facing website the insured maintains

Privacy Breach Containment Coverage *(incl. employee records)*

- Costs of notification and investigation of a breach
- Crisis management expenses
- Credit monitoring costs

Technology Extortion Coverage

- Extortion payments to a third party related to a technology threat
- Expenses to investigate the cause of the extortion
- Expenses the insured incurs to pay the extortion

Data Restoration Loss Coverage

- Costs to restore, recover or replicate data that is damaged by a technology breach
- Costs to determine the ability to recollect data and to recollect unrecoverable data

Your insurance broker can help you review the various types of policies and help decide which coverage you need. With the risks high and the cost of coverage relatively low, no law firm should go without cyber liability coverage.

■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■

W. Brian Ahern, RPLU, is President /CEO of Ahern Insurance Brokerage, one of the largest independently owned insurance brokerage firms specializing in the insurance needs of law firms. Ahern Insurance Brokerage is the Endorsed Insurance Broker for the SDCBA. Christine Clark, Vice President of Ahern Insurance Brokerage, assisted in the development of this article.