



TOP 3 MYTHS ABOUT SECURITY & PRIVACY LIABILITY COVERAGE

1. *I DON'T NEED SEPARATE COVERAGE BECAUSE I'D BE COVERED BY MY D&O, E&O OR COMMERCIAL LIABILITY POLICY.*

FACT: After examining their existing policies and applicable exclusions, many insureds find that there are a number of potential fact patterns and claim scenarios that are typically not covered by existing policies:

- Computer hacking
- Lost laptops and backup tapes
- Stolen computer equipment
- Transmission of computer virus
- State and federal fines (e.g., HIPAA and new red flag rules)
- Costs associated with state privacy notification laws
- Cyber-extortion

2. *IT'S UNLIKELY ANY OF THESE EVENTS WOULD EVER HAPPEN TO ME.*

FACT: As more and more information is stored electronically, these events have happened to thousands of companies and organizations in a range of industries, and the numbers grow daily.¹

- Since January 2005, over 350 million data records of U.S. residents have been exposed due to security breaches.²
- High-profile/"big ticket" breach stories are frequently in the news.
- Lesser profile lapses also occur frequently.

3. *EVEN IF AN EVENT HAPPENED, I CAN AFFORD TO SELF-INSURE.*

FACT: The costs can be substantial and cover a range of unexpected areas. Consider the following losses and questions that could arise out of a single incident:

- **Legal/Regulatory Costs** - At least 45 states have enacted data breach notification laws; timing, form and content of disclosure vary and may require a host of lawyers to navigate. How will I ensure compliance?
- **Notification and Consumer Monitoring Costs** - Total average cost of \$60 per record compromised.³ Where is this budgeted?
- **Legal Defense Costs** - How will I pay to defend third party lawsuits?
- **Business Interruption Coverage** - What would it cost my company if hackers took down my network for one day? One week?
- **Cyber Extortion** - How would I respond to a "ransom" demand from a perpetrator who stole my company's personal information?
- **Government Investigation** - How would I respond to government investigation? Fines and penalties? Consider HIPAA, GLB and other statutes that may be applicable.
- **Crisis Management Expenses** - Would I need to hire a PR firm or other expert to help with the negative publicity?

¹ See <http://www.privacyrights.org/ar/ChronDataBreaches.htm#2> for a detailed list.

² Source: Privacy Rights Clearinghouse, www.privacyrights.org.

³ Source: Ponemon Institute, LLC. "2009 Annual Study: Cost of a Data Breach".

Swett & Crawford has a solution.

Coverages and exclusions can vary considerably among various policies, and your Swett & Crawford Professional Services Group broker can help you navigate the options available to your insureds.



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