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Product Fact Sheet – Cyber Insurance

The world is quickly becoming more reliant on the Internet and various forms of technology. As such, businesses are becoming more and more exposed to risks associated with the online world. Hackers are finding efficient ways around even the most sophisticated defence measures and in such cases, cyber risk insurance may be the only protection a company can have against serious financial losses.

What is Cyber Insurance?

Cyber Insurance is a relatively new form of “liability” insurance that has been developed to cover businesses for costs they can incur as a result of their computer systems being “hacked” and their own client data being stolen, manipulated or destroyed.

A newly released government report in Australia has shown that there is a rapid rise in the number of data breaches among organizations in the country, which suggests that there may be a growing need for cyber insurance. According to the study, data security is a serious concern for many of the country’s largest businesses. Small businesses are beginning to feel threatened by the potential for cyber attacks as well. As such, businesses are beginning to seek out the protection of cyber risk insurance, especially those that have a strong presence in the e-commerce world. Over one fifth of companies that the government surveyed stated that they had been targeted last year (2012 calendar year).

There were 255 companies that participated in the government survey, and one in every five said that within the last year, they had been a target. Because of this, many have considered cyber insurance to help to protect themselves against the damage that can be caused by these attackers, and to equip themselves with the tools that they need to recover quickly.

Cyber risk is steadily increasing: Data breaches affect hundreds of millions of records a year and reports of breaches continue to rise at a dramatic rate. Awareness by customers has increased, fuelled by heightened media attention to incidents and litigation.

Cyber Insurance is designed to protect commercial businesses of all kinds against a wide range of first party (the insured business) and third party (the customers or other affected parties) liability cyber exposures that arise when their customer information is breached or stolen. Companies with access to private, confidential information about their customers have a responsibility to keep it secure. Equally, companies who have a web presence or a dependency on technology have emerging content and transactional exposures.

Chubb Insurance is one leading provider of Cyber Insurance in Australia. Chubb’s policy – **CyberSecurity**- offers the following important covers:

First party insuring clauses offer coverage for:

- Business interruption: including first dollar Extra Expenses.
- E-Theft Loss: due to having transferred funds or property or given any value due to the fraudulent input of data into a computer system or through a network into a computer system.

- E-communication Loss: due to a customer having transferred funds or property or given any value on the faith of any fraudulent communication for which loss you are held legally liable.
- E-Threat Loss: including the cost of a professional negotiator and ransom payment.
- Privacy Notification Expenses: including the cost of credit monitoring services for affected customers. Subject to a sub limit.
- E-Vandalism Loss: even when the vandalism is caused by an employee.
- Crisis Expenses: including the cost of public relations consultants. Subject to a sub limit.
- Reward Expenses: including the cost of paying an informant. Subject to a sub limit.

Third party liability coverage pursuant to the Cyber Liability insuring clause which includes coverage for:

- Disclosure Liability: including claims by customers arising from system security failures that result in unauthorised access to or dissemination of private information on the Internet.
- Content Liability: including claims arising from intellectual property infringement, trademark infringement and copyright infringement.
- Reputational Liability: including claims alleging disparagement of products or services, libel, slander, defamation and invasion of privacy.
- Conduit Liability: including claims arising from system security failures that result in harm to third-party systems.
- Impaired Access Liability: including claims arising from a system security failure that results in your clients' systems being unavailable to customers.
- Defence Costs: cover available for costs incurred in defending any claim brought by a government agency or licensing or regulatory organisation.

Other insurers including Vero, Zurich, QBE, Chartis (AIG) are now offering Cyber Insurance, but coverage between companies can be quite different so a review should be done with your Action Insurance Brokers advisor to ensure the cover meets your specific needs.