

# CYBER LIABILITY AND BREACH RESPONSE

## FAQ FOR POLICYHOLDERS

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### New coverages effective May 1, 2020 for renewals and new business: Business Interruption, cyber extortion, and data recovery

#### 1. What is a data breach?

A data breach is an incident in which sensitive, protected, or confidential data has potentially been viewed, stolen, or used by an individual unauthorized to do so. Data breaches may involve personal health information (PHI), personally identifiable information (PII), trade secrets, or intellectual property. For the purposes of the Grinnell Mutual's coverage, this information may be electronic or physical records.

#### 2. What is first-party coverage?

This type of coverage covers you for the cost of notifying affected parties about the breach; funding public relations and crisis management measures to rebuild your reputation; business interruption; cyber extortion; data recovery; credit-monitoring services; payment of regulatory and Payment Card Industry Data Security Standard (known as PCI) fines; legal services; and computer services.

#### 3. What is third-party coverage?

This type of coverage includes legal expenses and damages if your business is sued over a data breach or displays unauthorized media material online on a site maintained by you.

#### 4. What is the difference between data breach coverage and cyber liability coverage?

Breach response is the first-party portion. Cyber liability is the third-party portion of the coverage (see questions 1 and 2)

#### 5. Does it cover employees' information if it is corrupted/stolen?

Yes. Employees' health care or tax information provides a wealth of PII that is susceptible to data breach.

#### 6. Does it apply to analog/paper records as well as digital records?

Yes, Cyber Liability and Breach Response coverage applies to both electronic data breaches and breaches of physical records. For example, our form would provide coverage for a breach involving the theft of a file drawer or a laptop containing subcontractors' and employees' PII information.

#### 7. What is an example of a specific claim for non-electronic data losses?

An employee decides to throw away customers' credit-card information in the dumpster outside instead of properly shredding it. Later that night someone takes the trash bags containing this PII.

#### 8. How does the claims process work for a data breach claim?

- a. The policyholder contacts his or her Grinnell Mutual agent.
- b. The agent notifies the Grinnell Mutual claims department with a loss notice.
- c. The Claims department assigns the case a claim number.
- d. The Claims department makes an initial contact with the insured to obtain details for the loss, then assigns the claim to [Beazley\\*](#), a pioneer and expert in data breach response coverage, who is partnering with Grinnell Mutual to cover these types of claim services.
- e. Beazley conducts the investigation and advises on whether or not a cyber liability loss actually took place. If the answer is yes, Beazley handles the breach response and works with the claimant.

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### 9. Why is this type of coverage important to my business?

Ponemon's 2019 "Cost of a Data Breach" report puts the average cost of a breach in the U.S. at \$242 *per breached record*. The average number of records breached was over 25,000, making the average total cost to a business over \$6 million. Lost business from reputational harm is the largest cost category.

### 10. Does this cover identity theft?

This coverage provides breach resolution and mitigation services such as credit monitoring or identity monitoring to your customers notified of a breach of their information. **This coverage is not for identity theft of the named insured.**

**Having trouble imagining examples of information hacks? Here are some hypothetical-only scenarios for businesses that could be covered by a Grinnell Mutual Cyber Liability and Breach Response policy:\***

(Note: Individual experiences will vary, as will outcomes based on actual situations.)

**Contractor:** Sally, who works for Super Duper Contracting Ltd., has gathered paperwork, payment checks, and contracts from various job sites. On her way to the office, Sally stops for a coffee and forgets to lock her car. Someone steals her briefcase with all the papers in it and the affected clients have to be notified. It's a publicity nightmare and Super Duper has to send out marketing materials and buy ads to offset the harm to the company's reputation.

**Nonprofit:** A volunteer for We Do Good Deeds, mistakenly uses copyrighted material in a Facebook post. The owner of the material sues We Do Good Deeds, which has to hire a lawyer.

**Restaurant:** Fancypants Cafe's point-of-sale system is compromised and owner Jean-Claude Frenchois doesn't know the first thing about computers so he has to hire a computer expert to fix the holes and shore up security.

**Retail:** An employee at Must-Have Mainstreet Jewels is fired for misconduct. Because he is angry, before he leaves, he gathers customers' personal and credit-card information on a flash drive. Mrs. Sparkly has her identity stolen as a result, sues Must-Have Mainstreet Jewels, and wins a fairly hefty settlement.

**General:** Acme Widgets was hacked and large amounts of data were put at risk. It has to hire forensic investigators, a PR firm, and security experts to coordinate a response. Plus, because of the insufficient security policies that were in place, Acme Widgets is facing regulatory fines and penalties.

Trust in Tomorrow.® **Contact your Grinnell Mutual agent** about protecting your business and your reputation with Grinnell Mutual's Cyber Liability and Breach Response coverage.

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