

Insurance Buyers' News



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Liability

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Are You Ignoring Your Cyber Liability?

Less than 37 percent of small business owners feel they have adequate cyber liability insurance protection, according to a new study conducted by The Hanover Insurance Group, Inc., and Forbes Insights.

The National Association of Insurance Commissioners (NAIC) has identified the main cyber risks as:

- * Identity theft from security breaches of sensitive information when stolen by a hacker or inadvertently disclosed, including Social Security numbers, credit card numbers, employee identification numbers, drivers' license numbers, birth dates and PIN numbers.
- * Business interruption from a hacker shutting down a network.
- * Damage to the firm's reputation.
- * Costs associated with damage to data



Can You Insure Bitcoins?

In spite of its growing popularity as a medium of exchange, bitcoin is not considered legal tender and is not insurable. In a 2016 Florida court case involving the transfer of stolen credit cards, the judge ruled in favor of the defendant who argued that because cyber-currency is not considered money, the charges against him should be dismissed.

Of course, one of the most important features of bitcoin technology is security. Validation of bitcoin transactions depend on a public ledger called a "block chain."

"All transactions and bitcoins issued into existence can be transparently consulted in real-

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records caused by a hacker.

- ✱ Theft of valuable digital assets, including customer lists, business trade secrets and other similar electronic business assets.
- ✱ Introduction of malware, worms and other malicious computer code.
- ✱ Human error leading to inadvertent disclosure of sensitive information, such as an email from an employee to unintended recipients containing sensitive business information or personal identifying information.
- ✱ The cost of credit monitoring services for people impacted by a security breach.
- ✱ Lawsuits alleging trademark or copyright infringement.

Cyber Risk Management

The primary defense against cyber security loss is a well-designed and conscientiously maintained risk management program. The first step in such a program is to identify your firm's vulnerabilities, including systems, procedures, programming and personnel. The next step is to control those vulnerabilities as much as possible. Here is a short, practical checklist:

- 1 Make sure all company computers have the latest security software, web browsers and operating systems to protect against viruses, malware and other online threats.
- 2 Turn on automatic software updates, if that's an option. Many updates specifically address known security risks.
- 3 Scan all new devices, including USB de-

vices, before they are attached to the network.

- 4 Use a firewall to keep criminals out and sensitive data in.
- 5 Use spam filters. Spam can carry malicious software and phishing scams, some aimed directly at businesses.
- 6 Adopt a privacy policy and post it on your website and other online sites. Your policy tells customers what information you collect and how you use it.
- 7 Know what Personally Identifiable Information (PII) you're storing on your customers, including where you store it, how you use it, who can access it, and how you protect it. Delete any unneeded information.

No matter what firewalls, software and authentication protocols you've installed, your cyber security system is vulnerable if you're not educating your employees on avoiding risky behavior online. The Workplace Security Risk Calculator, available free at <https://bitly.com/2JOFgGL>, lets your employees gauge the level of risk their online behaviors pose. You can get more good advice from the National Cyber Security Alliance, a nonprofit public/private alliance that fosters cybersecurity and privacy for individuals and businesses. Check out their website at <https://staysafeonline.org>.

Cyber Liability Insurance Policies

Even with a cyber security plan in place, your business still needs a failsafe to protect it against cyber risk. Currently most standard commercial lines policies do not provide cov-

This Just In

time by anyone...and [all] can be made without reliance on a third party and the whole system is protected by heavily peer-reviewed cryptographic algorithms like those used for online banking. No organization or individual can control Bitcoin, and the network remains secure even if not all of its users can be trusted," according to Bitcoin.org.

As a practical matter, the only way your bitcoins could be subject to theft or loss is if someone gets your private key and hacks into your bitcoin wallet or if the wallet-provider decides to cheat you. In the first instance, even if someone got your private key (which could be vulnerable if you have a paper wallet), they would need to hack your account. The latter situation would be similar to a bank robbing you of your deposits. Careful planning will help you avoid both situations.

The only other type of theft you might suffer is if you buy something with bitcoins and the vendor doesn't supply the goods. Bitcoin transactions can't be reversed.

erage for cyber risks. You need a special cyber liability policy. Due to the lack of actuarial data, however, it's difficult to price. Insurers deal with this by evaluating each insured according to its risk management procedures and risk culture. As a result, cyber risk coverages are more customized and, therefore, more costly.

The type and cost of cyber liability coverage offered by insurers is based on the type of

business, its size and geographical scope, the number of customers it serves, its web presence, the type of data it collects and stores and other factors, including its risk management and disaster response plan.

Cyber liability policies might include one or more of the following types of coverage, according to the National Association of Insurance Commissioners:

- ✱ Liability for security or privacy breaches. This would include loss of confidential information by allowing, or failing to prevent, unauthorized access to computer systems.
- ✱ The costs associated with a privacy breach, such as consumer notification, customer support and costs of providing credit monitoring services to affected consumers.
- ✱ The costs associated with restoring, updating or replacing business assets stored electronically.
- ✱ Business interruption and extra expense related to a security or privacy breach.
- ✱ Liability associated with libel, slander, copyright infringement, product disparagement or reputational damage to others when the allegations involve a business website, social media or print media.
- ✱ Expenses related to cyber extortion or cyber terrorism.

For more information about cyber security insurance, please contact us. ■

What's the Future of Auto and Home Claims Handling?

As with almost every other industry, the digital world is bringing changes to the insurance industry. The speed and convenience of digital transactions that shoppers and banking customers appreciate are now coming to insurance claims handling.



In a study by LexisNexis Risk Solutions, 24 insurance executives described their company's current and future plans for implementing "touchless" claims processing. Currently, claims processes can be divided into four categories:

Traditional: the adjuster goes out to personally inspect the car or home and prepares the estimate.

Fast Track: Claims are expedited with minimal insurance company involvement, as when, for example, a driver is instructed to take the damaged car directly to a repair center.

Virtual Claims Handling: The customer or a vendor photographs the damage and the ad-

juster assesses the damage remotely.

Touchless Claims Handling: The claim is reported electronically along with backup materials such as invoices and photos; the material is reviewed by humans or algorithms and paid electronically.

To assess where the insurance industry is headed in terms of implementing digital strategies, LexisNexis segmented insurance companies into three groups:

Traditional: Relies heavily on traditional field inspectors for even non-complex claims. May use fast track but not using or considering virtual claims handling

Semi-Forward Leaning: Uses traditional

and fast track, along with using or considering virtual claims handling

Forward-Leaning: Uses fast track and virtual claims handling, and considering touchless claims handling.

Here's how the companies surveyed ranked in terms of which claims-handling process they currently use:

- ✱ 100 Percent Traditional
- ✱ 83 Percent Fast Track
- ✱ 38 Percent Virtual

One of the most interesting things the survey reveals is that companies with a more advanced technological approach have shorter average claims cycle times. This is mainly because the claim needs to be handled or "touched" fewer times. And this can deliver big benefits to policyholders.

- ✱ Traditional – 10-15 days (3-4 average touches)
- ✱ Fast Track – 4-6 days (2 average touches)
- ✱ Virtual – 2-3 days (1-2 average touches)

The Bottom Line: Better Results, Happier Customers

Companies using fast track processing report achieving 73 percent

better results from their claims process. This results from reduced loss adjustment expenses, better efficiency because personnel can be reallocated to more complex claims and, most importantly, better customer experiences. For companies using virtual claims handling, even more (78 percent) report better results.

When fast track approach companies were asked if they planned to also adopt touchless claims handling, 78 percent said no and only 27 percent said yes. However, when companies already using virtual handling were asked about moving to touchless claims handling, the "yes" response was 67 percent; the no's were just 33 percent.

Clearly the need to satisfy tech-savvy customers, especially millennials, will drive more companies to adopt digital processes in the next five years. But the savings from reduced loss adjustment expenses, better customer retention and competition from forward-leaning competitors will also mean you'll be seeing more digital claims processing in the future, no matter which insurance company you buy your insurance from.

Please give us a call. We'll give you an update on how the companies you're insured with are handling claims these days. ■

Fire Prevention Safety Tips

Smoke detectors and fire extinguishers are important but the best way to fight a fire is to prevent it from starting.

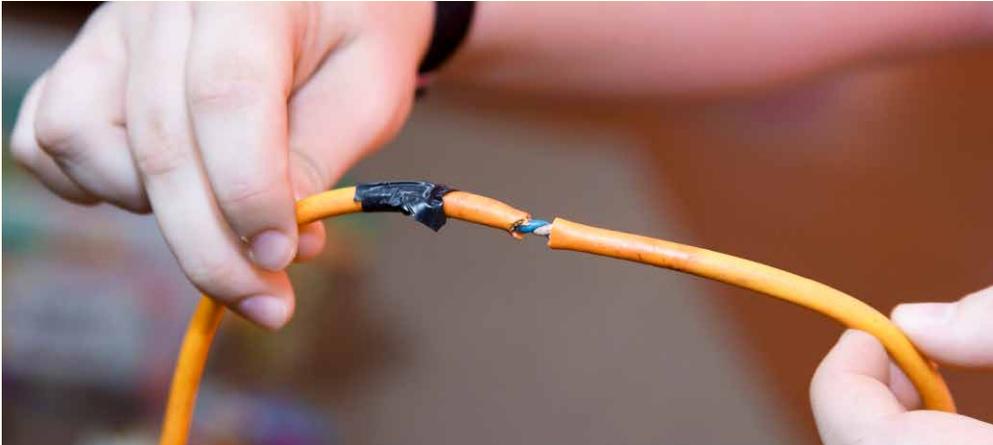
When it comes to fires, residential fires come to mind first. But commercial properties are also vulnerable. The National Fire Protection Agency reported 113,500 non-residential fires in 2015, the latest year available, resulting in 80 deaths, 1425 casualties and \$3.1 billion in property loss. <https://www.nfpa.org/News-and-Research/Fire-statistics-and-reports/Fire-statistics/Fires-in-the-US/Overall-fire-problem/Non-residential-structure-fires>

The following pointers can help prevent your business from becoming a statistic.

Fires need tinder, or easily combustible materials, and oxygen to start. If a spark, electrical short, excess heat or other ignition source contacts tinder where oxygen is present, a fire will likely start. Whether it spreads depends on the amount of oxygen and fuel available. Preventing fires therefore requires ensuring that combustible materials do not come into contact with ignition sources. And to contain or slow the spread of fires, you need to minimize their contact with additional fuel sources and oxygen.

A fire can start inside or outside your structures. To begin a fire prevention program, check the perimeter of the building for the following:

- ✱ Flammable debris, such as paper, rags, wood, trash. If you must store these items near your structures, store them in solid containers, the more airtight the better.



- ✱ Flammable liquids. Make sure any flammable liquids stored outside your structures, including propane and other fuel tanks, are well-labeled and securely closed. In certain areas, you might need to store these in a fenced, locked area.
- ✱ Landscaping. Well-maintained landscaping can help prevent the spread of fires. Mature shrubbery is somewhat fire-resistant. Weeds, on the other hand, grow and burn quickly. If your property has overgrown areas, consider planting (and maintaining) these areas, or clearing them and replacing planted areas with hardscaping.

Fires can start inside a building as well. Potential fire starters you can find in your building include:

- ✱ “Ordinary” combustibles, such as paper, wood, cloth, rubber, building materials. Storing these materials in appropriate containers can minimize their potential to

become fuel in a fire. Packing them tightly so air cannot circulate will also help retard the spread of flames.

- ✱ Flammable liquids, such as fuel oil, gasoline, cooking oils, solvents. Again, storing these liquids in properly sealed containers can prevent problems.
- ✱ Electrical equipment, such as wiring, fuse boxes, motors. Minimize your fire risk by having only qualified contractors install or repair wiring. Keep motorized equipment well-maintained and clear of any combustible debris. Use only extension cords appropriately rated for the appliance or fixture attached.

To contain a fire once it begins requires the proper equipment. Every business, no matter how small, needs at least one fire extinguisher per floor. One fire extinguisher will not work on all types of fires. For best results, match the type of extinguisher to the type of combustibles in the area:

- ✱ **Class “A”** — Ordinary combustibles (wood, paper, cloth, rubber, etc.)
- ✱ **Class “B”** — Flammable liquids (fuel oil, gasoline, cooking grease, solvents, etc.)
- ✱ **Class “C”** — Energized electrical equipment (wiring, fuse box, electric motors, etc.)
- ✱ **Class “D”** — Combustible metals (magnesium, sodium, zirconium, etc.)

Appoint someone to check smoke detectors and fire extinguishers regularly, at least twice a year. Sprinkler systems also need periodic professional inspections; check with your installer for information.

Learn how to use a fire extinguisher properly. Pull the pin, aim at the base of the fire, squeeze the handle and spray from side to side at the base of the fire. For safety, the operator should stand between the fire and the exit to allow a quick escape if the fire does not go out.

The standard business property policy or business owners policy (BOP) includes coverage for fire. Check your policy’s limits to ensure you have enough coverage to rebuild after a total loss — although your policy might have been adequate when written, the replacement cost of your building and/or its contents have likely increased if you’ve had the policy more than a couple of years.

You will also want to ensure you have coverage for debris removal and lost income if a fire or other insured loss causes a business closure or slowdown. For more information on managing the risk of loss due to fire or other catastrophe, please call us. ■

Hurricane Preparation Tips

The season will begin soon and it could be another active one.

Hurricanes Harvey, Maria and Irma all had substantial effects on the U.S. and Caribbean in 2017 and are among the top five costliest hurricanes on record, according to the National Hurricane Center (NHC). The National Oceanic and Atmospheric Administration (NOAA) is forecasting a similarly active hurricane season for 2018.

Now is the time to take steps to prepare. Here are some tips on how to protect the more vulnerable aspects of your property:

Roofs. Before the wet season starts, take the opportunity to evaluate your roofs. Ensure roofs are securely attached to the structure and secure or replace any loose or missing shingles. Large, flat roofs can collect water: ensure any sealants are intact.

Windows and Doors. Windows and doors can allow wind to enter and are your building's most vulnerable areas. Checking structures on a regular basis to ensure they are in proper repair and meet current codes can help you prevent major damage.

Emergency Procedures. Does your business have an evacuation plan? A plan for maintaining skeleton crew operations in an emergency? A plan to move operations offsite if needed? If not, please contact us for some suggestions on the things you'll need to consider.



Business Interruption. You will also want to ensure your business has enough business income coverage to weather a loss in income due to damage from windstorm, hail or other covered causes.

For more information on preparing your business for weather-related challenges, please contact us. ■

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