

The Evolution of Cyber Insurance for Nonprofit Organizations

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8.31.22

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Polling Question 1

Do you want CPE credit?

- Yes
- No

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Agenda

- Today's cyber threat landscape & emerging cyber risks
- Why you might want cyber insurance to help you face these risks
- Cyber insurance market conditions
- Questions

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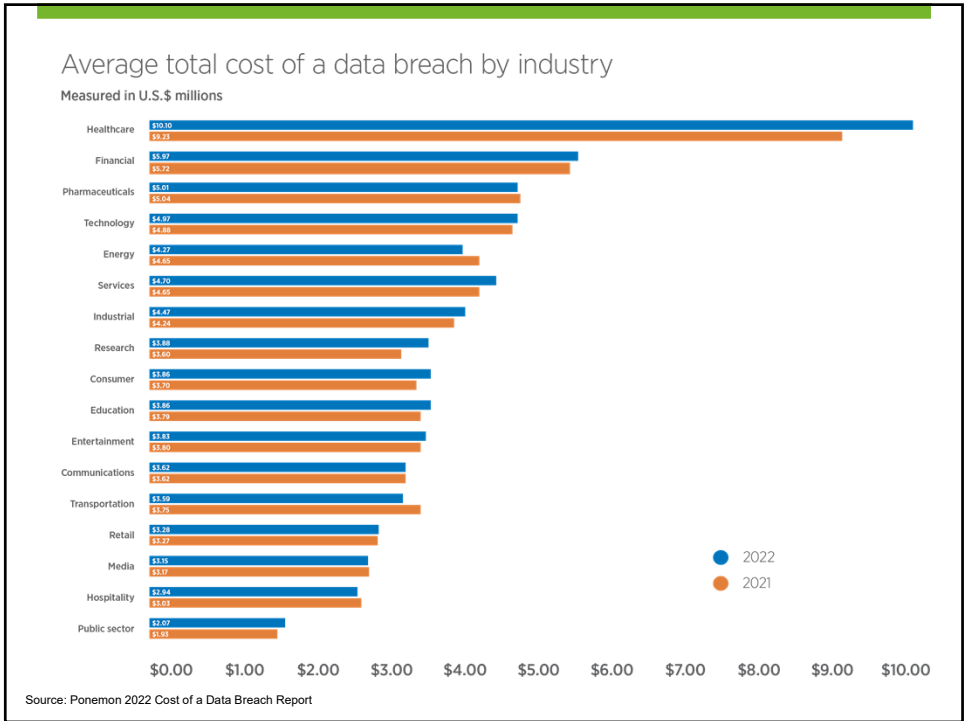


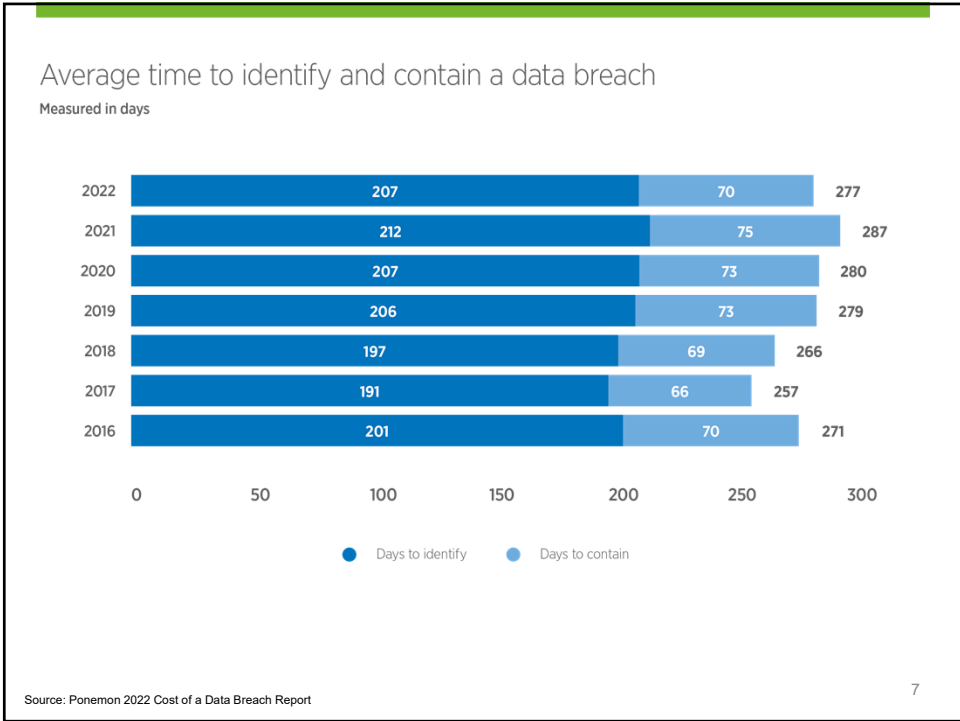
Today's Cyber Threat Landscape



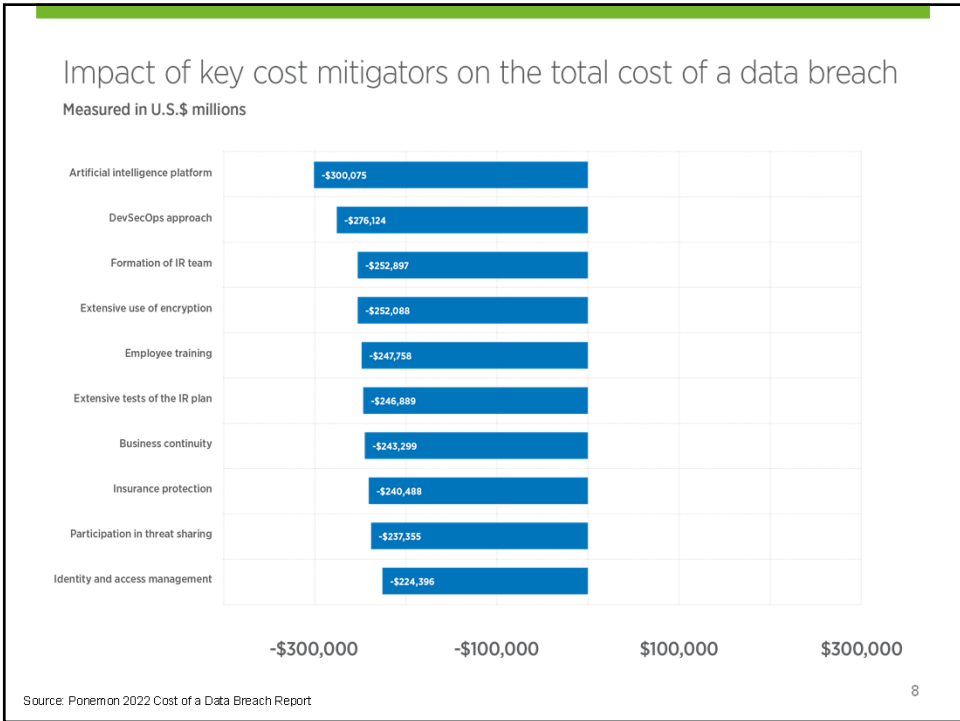


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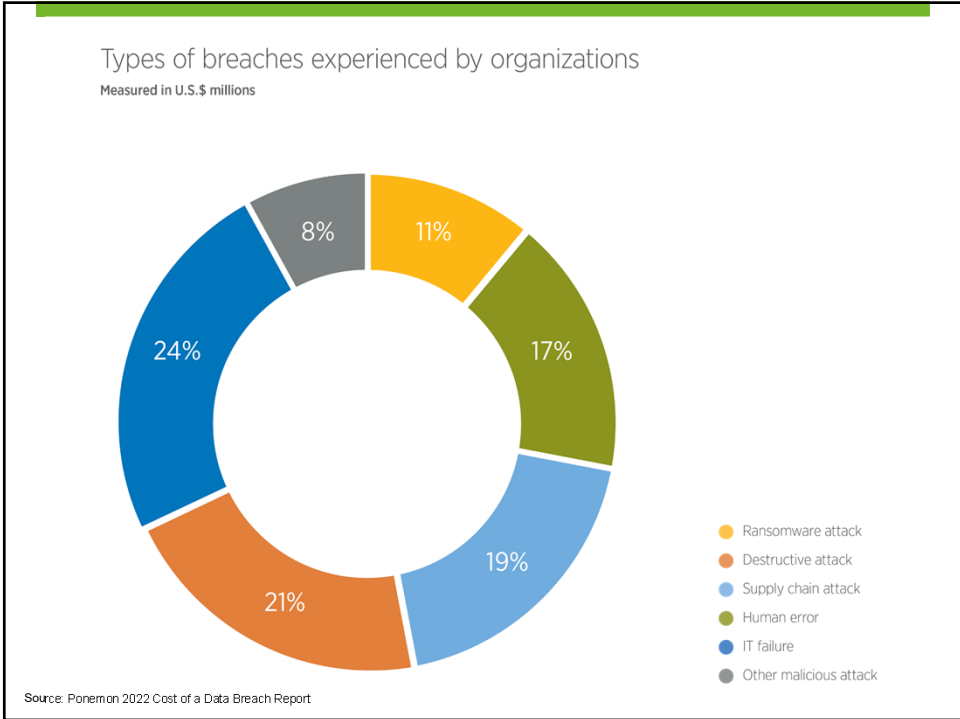
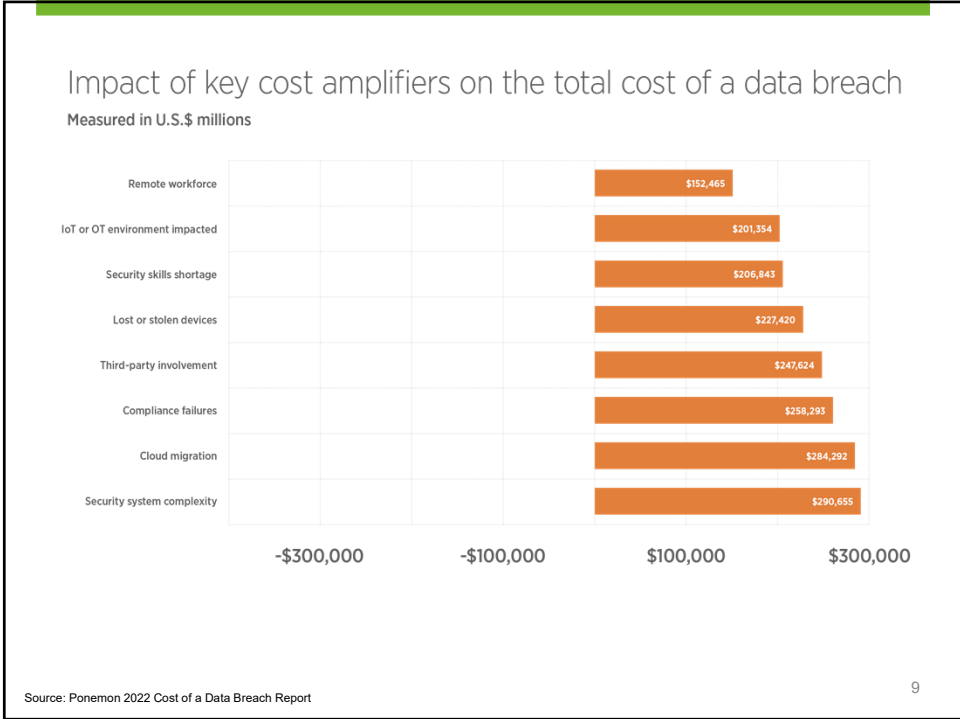




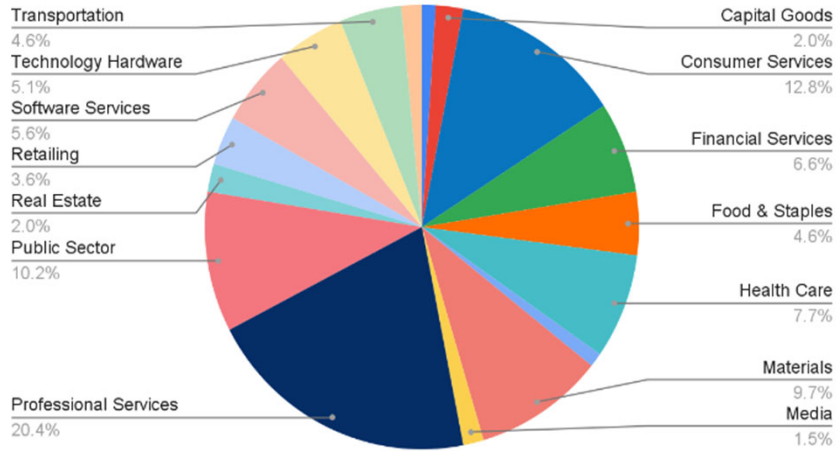
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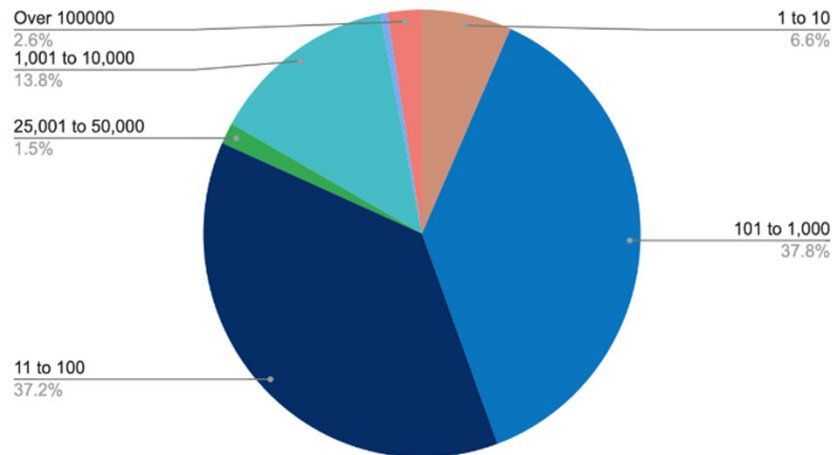
Common Industries Targeted by Ransomware Q4 2021



Source: Ponemon 2022 Cost of a Data Breach Report

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Distribution by Company Size (Employee Count)



Source: Ponemon 2022 Cost of a Data Breach Report

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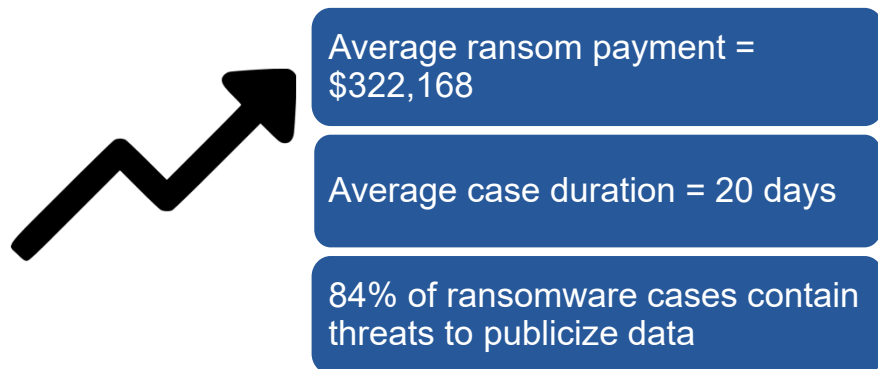
Polling Question 2

How many IT security employees does your organization have on staff?

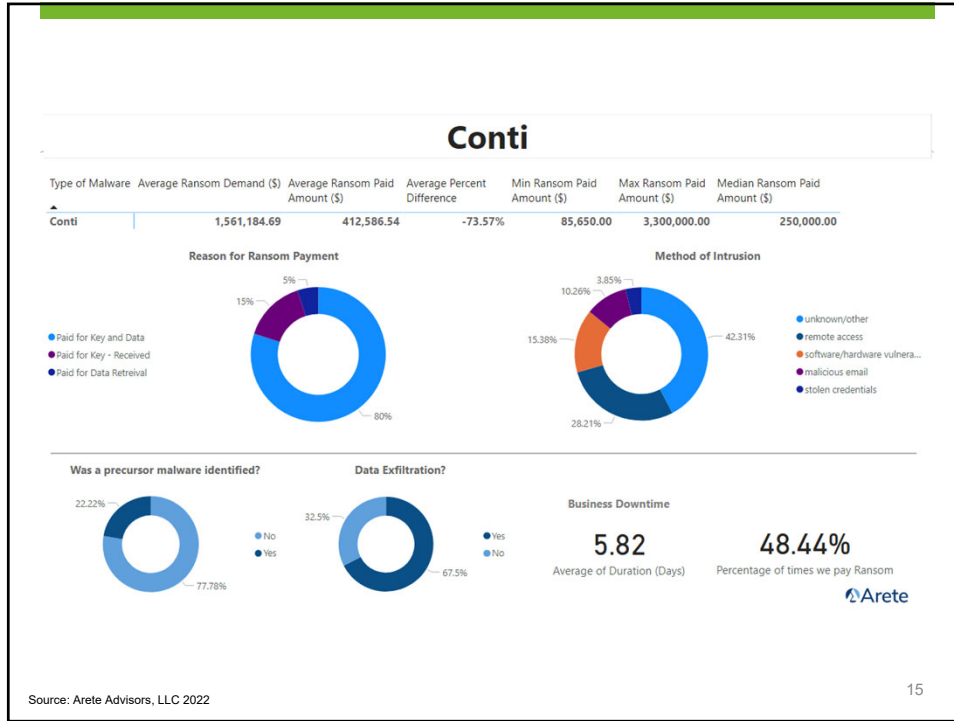
- We do not have any IT security employees
- 1 – 3
- 4 – 6
- We fully outsource this role
- I don't know

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Ransomware Attack Costs



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Check Point Research 2022 Report: Behind the Curtains of the Ransomware Economy

Industry	Attacker	Date	Loss Breakdown	Estimated Insurance Payment
Prepackaged Software	NotPetya	June 2017	Lost income: \$68M Remediation and response: \$24M Other losses: \$50M	\$30M
Pharmaceutical Preparations	NotPetya	June 2017	Lost income: \$410M Remediation and response: \$320M	\$275M
Financial Services	Revil	December 2019	Extortion: \$2.3M Other losses: \$23.7M	\$26M
Information Technology Services	Ryuk	October 2020	Lost income: \$9M Remediation: \$49.5M	\$35M
US County	Doppelpaymer	September 2020	Extortion: \$500k Remediation and response: \$404k	Unknown
Insurance Agents, Brokers, and Service	CryptoLocker	March 2021	Extortion: \$40M Other losses: \$60M	\$100M

Source: Check Point Research 16

Key Nonprofit & Education Issue – Vendor Breach It's not just your network you need to worry about

Case Study:

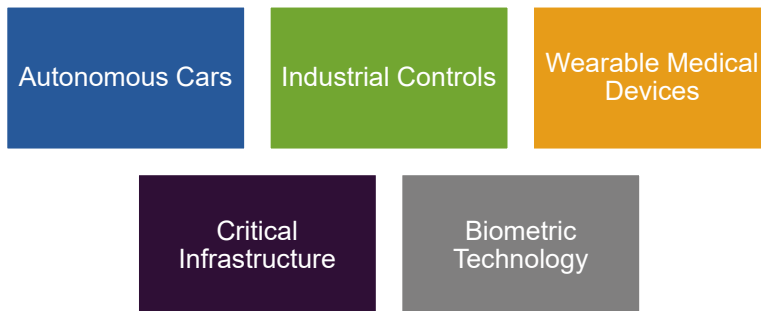


Other Vendors:

- Hardware
- Software (security, HR, client/student, financial)
- Backup
- Outsourced IT work

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Cyber Risk of Tomorrow



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Polling Question 3

Your organization will _____ over the next few years.

- become more reliant on technology
- become less reliant on technology
- stay the same when it comes to technology reliance

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Why Cyber Insurance?



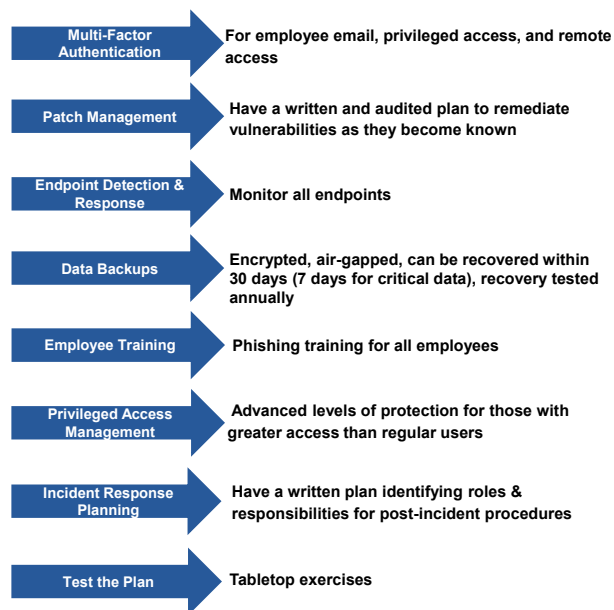
Why Cyber Insurance?

1. Push-key security updates
2. Fund emergency-level/catastrophic response
3. On-call vendor relationships



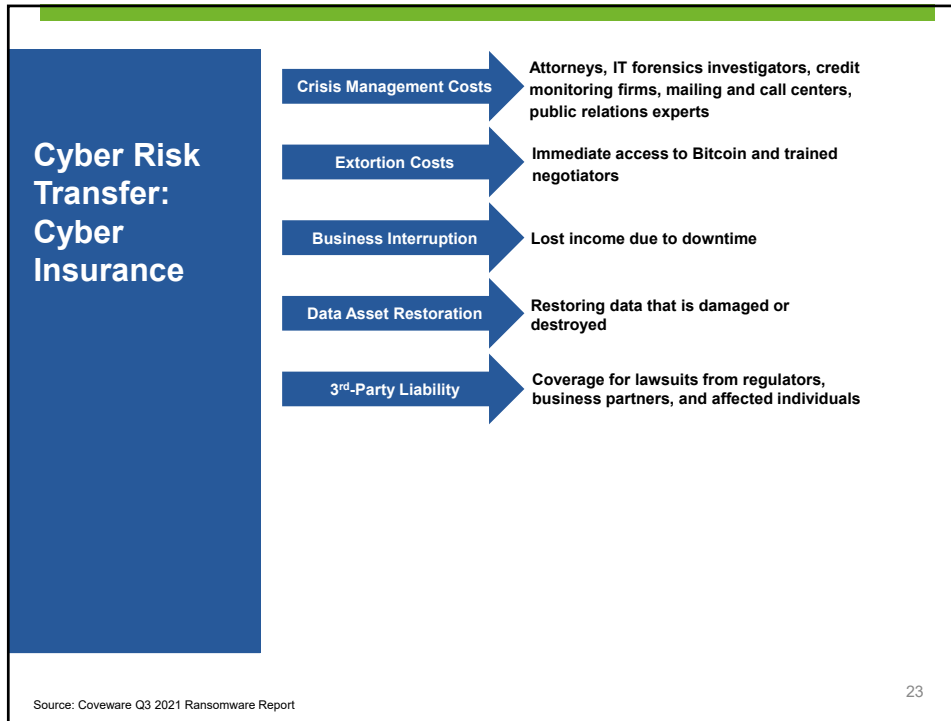
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Top Underwriting Requirements for 2022



Source: Coveware Q3 2021 Ransomware Report

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Can You Handle a Ransomware Attack Internally?

Case study of nonprofit (~\$16M annual budget), 2 IT team members, no IT security staff, + outsourced IT provider

“It was a ransomware attack that affected much of our network and most of our servers. **To the best of my knowledge, no data was leaked.** The server which holds our sensitive data was blocked from most all Internet access and restricted on who had access to it, preventing data leaking even if someone tried. We wiped all the infected computers and reinstalled everything including the operating system. We restored most of the servers from local and cloud backups. Since then, we have restricted access to network data based on who needs it, and who has been approved by management.”

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Cyber Insurance Market Conditions




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2022 Cyber Insurance Market Conditions

Work From Home / Remote Workforce

IT Supply Chain Attacks


- Solarwinds
- Acellion
- Microsoft Exchange
- Blackbaud

Ransomware

- Average Ransom Payment
- Exfiltration
- Phishing increases

Privacy Regulations

- GDPR
- CCPA / CPRA
- BIPA
- Others in the works



Cyber Marketplace

Rate Increases

- 50 - 75% + for above avg. controls
- 100 - 300% for below avg. controls

Coverage Restrictions

- Ransomware + Dependent Business Interruption
- Increased retentions
- Reduction of capacity

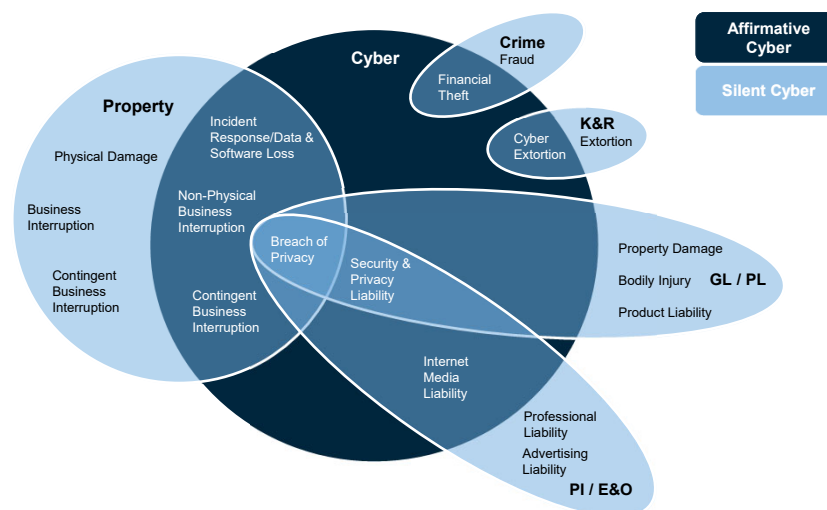
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Increasing Coverage Restrictions

- Widespread event coverage limitations
- Exclusions:
 - Failure to remediate known vulnerabilities
 - War & “war-like actions”
 - Bodily injury/property damage
- Ransomware sub-limits & coinsurance
- Longer waiting periods
- Coverage constrictions for regulatory risk – e.g., BIPA exclusions

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Overview – Gaps & Overlaps



Source: SCOR presentation to OECD 2018

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Some Good News...

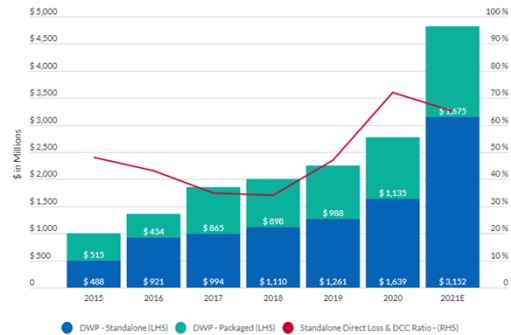
2022 Fitch Ratings Report:

"A sharp increase in 2020 cyber loss ratios promoted substantially higher prices and rapid premium growth in 2021 that exceeded incurred losses, leading to surprising improvement in the cyber direct loss ratios versus the previous year."

- Losses increased by over 300% since 2018. Still, 2021 premium growth exceeded the change in incurred losses and the standalone cyber loss ratio improved to 65% from 72% a year earlier.
- Fitch estimates that standalone and packaged cyber statutory direct written premiums increased by 74% in 2021 to nearly \$5 billion compared with 9% growth for the P/C industry overall
- Standalone cyber coverage increased by 92% in 2021.

P/C Industry Aggregate Standalone & Packaged Cyber Risk

Standalone Cyber Coverage Loss Ratios Improved to 65% from 72% in 2020



Standalone direct loss & occ ratios 2015-48%, 2016-43%, 2017-35%, 2018-34%, 2019-47%, 2020-72%, 2021E-65%.
Statutory Cybersecurity and Identity Theft Insurance Coverage Supplement Data, OCC - Defense and Cost Containment Incurred.
Source: Fitch Ratings, S&P Global Market Intelligence.

FitchRatings

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Getting Positive Results in a Hard Market

- **Starting early**
- **Focusing on data security controls = the best terms**
- **Driving improvements in cyber maturity**
 - Using the application process to drive security priorities
 - Using cyber insurer services to drive a better result during a policy



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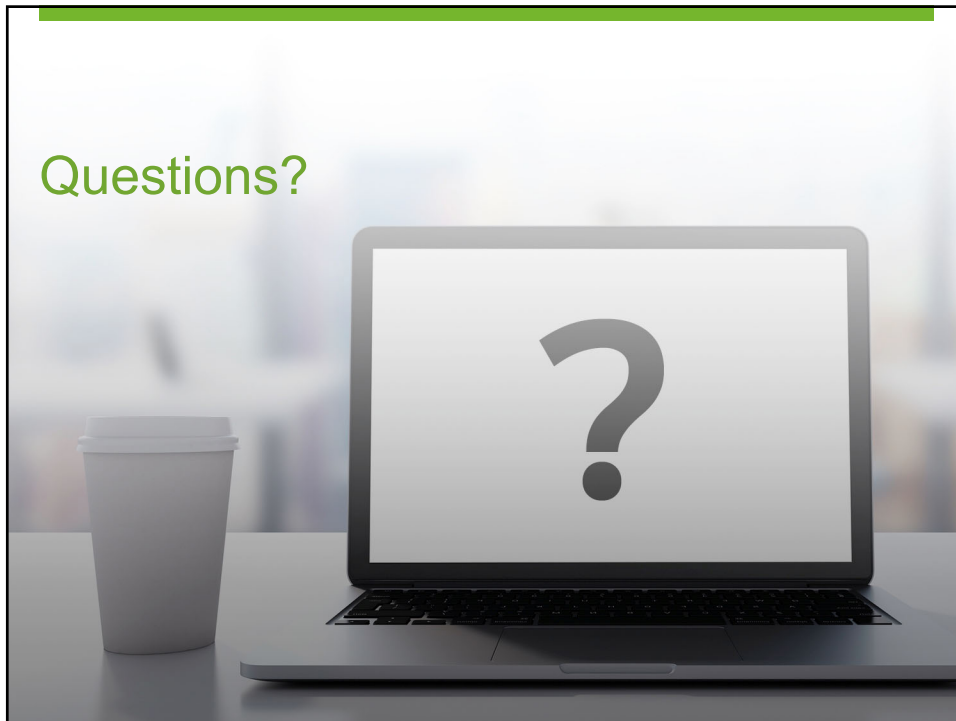
Polling Question 4

Which of these have you done for the IT managed service providers/vendors you use?

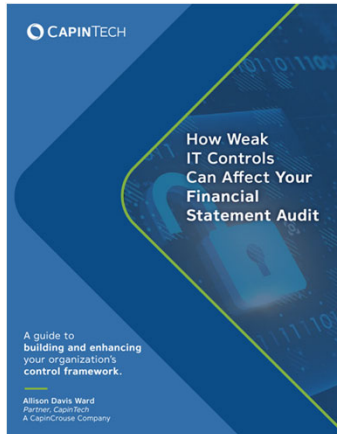
- Read the contract to determine the extent of their liability
- Reviewed their insurance coverage
- Both of these
- Neither of these

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Questions?



New E-book Now Available!

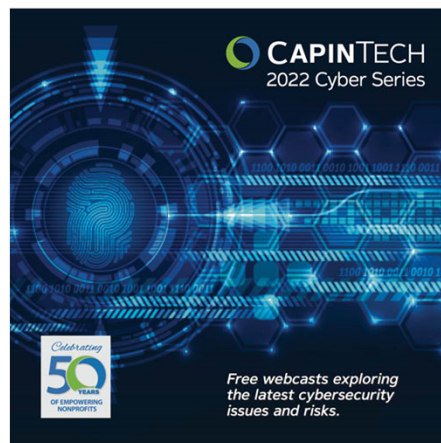


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 - Watch the recording of within one week of the webcast date
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Thank you.

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