CYBER INSURANCE

It's Much More Than Having It or Not

By: Lew Dryfoos, CPCU, MLIS

The breathtaking rise in cyberattacks against school districts has been well reported. The number of attacks and the magnitude of losses have both increased, especially since the start of the coronavirus pandemic. While almost all school districts have purchased cyber insurance policies to help address this threat, it is critical that school risk managers understand that coverage and services provided by these policies are not standard and that the policies they have may fall short of what they need.

Although cyber insurance has been around now for several years, it is still a rapidly developing line of insurance coverage. Coverage and limits vary greatly among the insurance policies available in the marketplace. With the enormous number of attacks taking place every day it is only a matter of time until your district is attacked. It is imperative that you review your cyber coverage NOW, as limits, coverages and services that were adequate last year may not be anywhere near what is needed or available. Here are some things to look for:

- **Sublimits on extortion claims.** Some policies have very low limits for ransomware claims, even as low as $25,000. Reports indicate that ransomware attacks were up more than 250% in the first half of 2020, with the average ransom cost up nearly 50%. Some ransom demands have been as high as $2 million.
- **Adequate coverage for funds transfer or wire fraud.** Districts have been tricked into transferring large sums of funds for what they thought were for large purchases of technology or other items. This coverage is not always included.
- **What the carrier will do if there is a claim.** Some carriers have personnel on staff to immediately manage responses to attacks. A "breach coach" can take advantage of existing relationships with PR, forensics, and legal experts to more effectively respond to an attack, saving significant administrative time for the school district.
- **Changes in coverage from year to year.** Some insurance companies are issuing new endorsements to deal with new threats, while others are limiting coverage in response to increased claims. Your policy should evolve to keep up with the threats.
- **Reimbursement vs. "pay on behalf."** Some policies will reimburse insureds for claims they have after a claim is resolved. Others will pay claims on behalf of an insured. This can come in handy if an attacker demands ransom payment in cryptocurrency.

All districts will be attacked, and unfortunately many attacks are getting through. Coverage and limits that were appropriate only a year ago may fall short of what is needed or available today. It is imperative that you work with your insurance broker now to review the coverage and limits you have, as well as the response resources offered by your insurance carrier. OneGroup's Cyber Insurance Expert Dennis Ast, is available in case you have questions. He can be reached at DAst@OneGroup.com.

PSBA Pennsylvania School Boards Association