

What is Cyber Liability Insurance?...and why your company may need it?

Bob Schmitz, Vice President - Sales - Lee F. Murphy, Inc.

Cyber Liability Insurance addresses the risks associated with e-business, the internet, networks and informational assets. Cyber Liability Insurance provides Privacy, Identity Theft and Network Security Liability coverage for any company that relies on electronically stored information. Simply storing sensitive information on your network or connecting to the internet makes your network a resource that can be exploited by criminals.

Here are just two claim scenarios that Cyber Liability Insurance would cover:

"An employee at an engineering firm defeats his company's network security defenses to gain access to a customer's trade secret. The employee sells the trade secret to the customer's competitor. The customer sues the engineering firm for consequential damages (lost profits) resulting from the engineering firm's failure to protect its trade secret."

"A hacker penetrates a retailer's network security and steals credit card information from a database. The hacker used the harvested information to make purchases and to fraudulently obtain loans in cardholders' names. Cardholders sue the retailer to recover their cost to repair credit and discharge fraudulent loans and seek damages for emotional distress. The banks that issued the cards compromised in the attack also sue the retailer to recover card re-issuance and cardholder notification costs."

A General Liability policy will cover liability for property damage. However, property damage is physical injury to **tangible** property. Information is not tangible property. A General Liability policy also excludes electronic data. This would be how Cyber Liability Insurance could fill in gaps of coverage.

Simply put, Cyber Liability Insurance coverage offers cutting edge protection for exposures arising out of internet communications.

You need Cyber Liability Coverage if your business:

- Relies on computers, networks or the internet.
- Uses email.
- Stores other companies' information or trade secrets or private personal information.
- Has customers who depend on your network related services or information in your care.
- Has a contractual requirement for coverage.

Cyber Liability Insurance covers clients for liability claims where a security breach results in:

- Privacy injury.
- Identity theft.
- Network damage.
- Theft of others' information in their care, including trade secrets.
- Infection of others' networks or data.
- Costs to comply with applicable laws requiring clients to notify their customers or users if a security breach could potentially compromise private information.

Cyber Liability Insurance is available through Lee F. Murphy, Inc:

- Through financially sound insurance carriers at a reasonable cost.
- Using easily rated coverage with up to \$2 Million in limits – with choice of deductibles. *(Higher limits are also available.)*
- For the costs to comply with "Breach Notification" laws, or to remedy a privacy law compliance deficiency if so notified by a regulator.
- Including coverage for defense costs.

Your Lee F. Murphy, Inc. Account Executive can help you evaluate your firm's needs and answer any questions you may have in regard to this important coverage.

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Racial Harassment in the Workplace



Business owners understand there is little they can do to control the personal beliefs of employees. But when those personal beliefs spill into the workplace, employers could be on the hook.

The Equal Employment Opportunity Commission (EEOC) reports that racial harassment was the leading cause of complaints, making up 37% of all filings with the commission in 2007—30,510 in all. "It's time for Corporate America to be more proactive in preventing and eliminating racist behavior in the workplace," says EEOC Chairwoman Naomi Earp.

EEOC settlements with employers often include rewards for damages costing from thousands to millions of dollars. Concerned employers should consider an employment practices liability insurance (EPLI) policy. This policy will help provide defense costs and coverage for claims against employers, including discrimination, harassment and wrongful termination. Claims such as these are not typically covered by other business liability insurance.

For information on preventing workplace harassment, identifying warning signs and implementing recommended procedures, visit www.eeoc.gov. ■

Training Against Errors and Omissions

Most formal employee training methods fit a similar template: tour of the building, hasty introductions, and the always important signing-the-back-page-of-the-handbook. Unfortunately, most formal training programs fail to mention anything about the firm's errors and omissions (E&O) insurance policy.

Boring? This policy may be the most important form of business insurance your firm carries. If new employees fail to understand the types of actions that are not covered by your firm's policy, a claim resulting from their actions will be defended and/or settled with your firm's own money. And

just assuming the acceptable guidelines are clear is a dangerous act of faith.

Have your staff acknowledge that they understand what professional activities are outside the bounds of the firm's practice area. During training, have employees demonstrate that they understand your firm's policies and establish a record of their training and comprehension. Set and apply sanctions for those who violate guidelines. And make sure they know what actions are and are not covered by your insurance.

For more tips on controlling your firm's E&O risk, call our service team today. ■

Putting Their Lives on the ON-line

People are putting their lives on the ON-line. Sites like MySpace and Facebook are home to tens of millions of Americans from every age group looking to let the world know who they are. Want to know more about your children's teachers or that person you're going out with tonight? Simply type their name into a search engine; chances are you'll find something.

This glut of information is a delicate issue for employers. According to *Insurance Journal*, employers who use the Internet to find out more about employees and/or potential employees could be entering a minefield. A search could lead to information that is normally not allowed to be asked during an interview, such as family history, cultural information or religious or sexual affiliation. That information might end up being used in an employment decision.

If this happens, the end result could be an expensive discrimination



claim. Employment practices claims are not covered by standard business insurance. They are covered by employment practices liability insurance.

Devise, implement and make clear your firm's policy on using Internet information in employment practices, make doubly sure you follow the law on all employment decisions, and consider insuring against employment practices liability. ■

