

Frequently Asked Questions Cyber Liability Insurance

The following responses to common questions reflect the high points of our current Cyber Liability Insurance policy. Please contact the Office of Risk Management if you need more detailed information about this policy.

1. What is “cyber liability”?

Cyber liability includes first- and third-party risks associated with the use of computer hardware and software systems, the Internet, networks, mobile computing devices, and other electronic information assets. Examples include:

- Data privacy issues
- Virus/malicious software (malware) transmission to a third party
- Business interruption and data recovery
- Regulatory defense and fines
- Cyber extortion
- Website or media misuse
- Infringement of intellectual property

2. Does Washington State have cyber liability insurance?

Yes, we have limited cyber liability insurance coverage that became effective Oct. 1, 2014. This policy is to help cover costs associated with the financial impact from information technology (IT) security incidents.

- This coverage is provided as a feature of the property insurance policy the state carries. For an agency to access this coverage, it must have property insured under the Master Property Insurance Program. Our Master Property Insurance is provided by the “Alliant Property Insurance Program” (APIP). The underlying insurance is provided by the Beazley Syndicate of Lloyds of London. There are 320 large public governmental organizations in this program, including states, counties, and cities. The program has more than \$250 billion of insured property value.
- Authority to purchase insurance for the state can be found in RCW 43.19.760 – 781.

3. What are the specific cyber liability coverages?

Please reference the Cyber Liability Insurance Coverages and Limits Document.

4. What is the deductible for the current cyber liability insurance policy?

The self-insurance retention (SIR) amount is \$100,000.



- The terms SIR, retention, and deductible mean the same thing. The insurance covers costs over this limit.

5. How do we know the cyber liability policy will pay out when we need it?

The state requires our insurance broker to only offer us insurance from insurance firms with a rating of "A" or better. This designation refers to the international ratings by AM Best.

- Our current cyber liability Insurance is provided by the Beazley Syndicate of Lloyds of London. Beazley is AM Best rated A (excellent, stable and strong), VIII. This company is based in London but is licensed to do business in all 50 states. They are specialists in: property, cyber liability and professional indemnity.
- State of Montana had a data breach of 1.3 million medical records in 2013. They have this same policy. The Montana State Risk Manager reported that they had an excellent experience from Beazley response resources.
- The cyber liability insurance policy is NOT based on any assessment of compliance to the state Office of the Chief Information Officer (OCIO) or other IT security standards at the time of a loss.

6. Are all state agencies covered by the cyber liability insurance policy?

No, only agencies that participate in the Master Property Insurance Program have the current cyber liability insurance coverage. Check with your agency risk management officer to see if your agency has this coverage.

7. What are the policy limits?

In general the State of Washington has a limit of \$2,000,000 per claim and a \$2,000,000 annual aggregate (the maximum that the insurance company will pay in any policy period) in the current policy year.

The Public Entity Property Insurance Program has an aggregate limit of \$25,000,000 in the current policy year for all participants in the program.

8. Isn't cyber liability coverage provided by the Self Insurance Liability Program (SILP)?

Yes, only in the event that the State of Washington is sued for damages because of a cyber incident. The plaintiff in such litigation would have to prove harm from the cyber incident.

9. What should agencies that are included in the policy report to the Office of Risk Management?

This policy requires that the state provide notice of claim, loss, or circumstance that might lead to a claim as soon as practicable.

Keep the Office of Risk Management up to date regarding your agency cyber liability risk exposure.



10. How do we find out more about this policy or report a claim or incident?

Contact the Office of Risk Management by phone or email. Cyber liability contacts are:

Doug Selix, 360-407-8081 doug.selix@des.wa.gov

John Christenson, 360-407-9461 john.christenson@des.wa.gov

Kim Haggard, 360-407-8139 kim.haggard@des.wa.gov

11. Is this different than the OCIO Incident Communication Policy?

Yes, the OCIO Incident Communication Policy deals with the operational communication needs during an IT Security incident. Cyber liability insurance and associated incident and claims reporting happens a little later when we are dealing with the impact from the incident. Agency IT leadership should work closely with their risk manager to develop procedures for these reporting requirements. Our obligation is to report claims and incidents as soon as practicable.

12. How would an agency get more cyber liability Insurance than provided by this policy?

Contact the Office of Risk Management and request a quote from our broker.