

Executive Summary

Board of Governors Meeting, September 23, 2020

Cyber Liability Insurance

Topic

Citizens is requesting approval to contract for Cyber Liability Insurance for a one-year policy term. The proposed coverage is through the Beazley Group. The proposed policy includes a \$10 million aggregate limit and a \$100,000 per incident retention. Breach response services are subject to separate and lower retention thresholds and limits, including a \$5,000 per incident retention for legal services and a \$20,000 per incident retention for computer expert, public relations, and crisis management services relating to a breach.

History

Citizens has purchased Cyber Liability Insurance from Beazley since Citizens began purchasing this coverage in 2015. The price of this policy is \$106,250 for this year, which is an increase of approximately five percent as compared to last year. This price increase includes a lower retention threshold of \$100,000, as compared to \$500,000 for last year. This policy also includes some coverage enhancements as compared to last year.

This policy includes two primary components. The main coverage component includes a \$10 million aggregate limit and a \$100,000 general retention for expenses, defense costs, and civil and regulatory damages relating to a breach of confidential information in Citizens' care, custody, or control. For example, coverage includes expenses for digital data recovery or restoration relating to a breach, as well as cyber extortion payments made to a third party in connection with a "ransomware attack" where money is demanded in order to regain access to a breached system.

The other primary coverage component is for breach response services. This coverage has a separate coverage limit and lower retention thresholds, and Beazley continues to stand out from other carriers in this regard. Upon notification of a suspected breach, Beazley will assist with coordinating a response through its panel of breach related service providers. These breach response providers are subject to particularly favorable retention thresholds. A \$5,000 per incident retention applies to breach related legal services, and a \$20,000 per incident retention applies to computer expert, public relations, and crisis management services, for up to \$2.5 million in aggregate over the policy term. Coverage also includes costs for legally required notices, call center services, and credit monitoring for those notified, for any privacy incident requiring notice of at least 100 individuals, for up to two million individuals in aggregate over the policy term. It also includes access to educational tools including training modules and incident response templates.

This coverage will be purchased through Arthur J. Gallagher and Co., who will serve as agent of record for the policy with the Beazley Group. This coverage was selected pursuant to Invitation to Negotiate No. 20-0032 for Cyber Liability Insurance. Citizens received replies from two brokers, Arthur J Gallagher and Public Risk Insurance Advisors. Thirty-one carriers were contacted for quote through the two participating brokers. Additional brokers expressed interest; however, they

Executive Summary

Board of Governors Meeting, September 23, 2020

indicated that their preferred carriers had already been contacted by another broker, and the carrier had declined to provide multiple quotes for the same risk. Citizens advanced both brokers to the negotiation phase of the ITN. The negotiation team selected the proposed policy from Arthur J Gallagher in a public meeting on August 31, 2020.

Recommendation

Staff proposes that the Board of Governors:

- a) Authorize the purchase of Cyber Liability Insurance for a one-year term beginning on October 1, 2020 and ending on September 31, 2021, with the Beazley Group for a total annual premium of \$106,250.00, as set forth in this Action Item;
- b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.

ACTION ITEM

- | | |
|--|--|
| <input checked="" type="checkbox"/> Contract – New | <input type="checkbox"/> Committee or Board Minutes |
| <input type="checkbox"/> Contract – Amendment of Contract Terms | <input type="checkbox"/> Product Changes |
| <input type="checkbox"/> Contract – Additional Spend | <input type="checkbox"/> Other _____ |

Contract ID	Cyber Liability Insurance BEAZLEY GROUP		
Budgeted Item	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
Procurement Method	This coverage will be purchased through Arthur J. Gallagher and Co., who will serve as agent of record for the proposed policy with the Beazley Group. This coverage was selected pursuant to Invitation to Negotiate No. 20-0032 for Cyber Liability Insurance. Citizens received replies from two brokers, Arthur J Gallagher and Public Risk Insurance Advisors. Citizens advanced both brokers to the negotiation phase of the ITN. The negotiation team selected the proposed policy from Arthur J Gallagher in a public meeting on August 31, 2020. Thirty-one carriers were contacted for a quote through the two participating brokers.		
Contract Amount	Policy	Insurance Carrier	Premium
	Beazley Breach Response	Beazley Group	\$106,250.00
Contract Term(s)	The term for this policy is October 1, 2020 to September 30, 2021. Insuring Company: Beazley Group Financial Strength: A+ (Superior) A.M. Best Rating Financial Size: XV		
Purpose/Scope	Citizens is requesting approval to purchase Cyber Liability Insurance for a one-year term beginning on October 1, 2020 and ending on September 31, 2021. Citizens has purchased this coverage through Beazley since 2015. This policy includes two primary components. The main coverage component includes a \$10 million aggregate limit and a \$100,000 per incident retention for expenses, defense costs, and civil and regulatory damages relating to a breach of confidential information in Citizens' care, custody, or control. Sublimits apply		

ACTION ITEM

Board of Governors Meeting, September 23, 2020

	<p>to certain coverages such as a \$1 million limit for losses relating to a dependent business interruption loss.</p> <p>The other primary coverage component is for breach response services. This coverage has a separate coverage limit and lower retention thresholds. Upon notification of a suspected breach, Beazley will assist with coordinating a response through its panel of breach related service providers. These breach response providers are subject to a \$5,000 per incident retention for legal services and a \$20,000 per incident retention for computer expert, public relations, and crisis management services, for up \$2.5 million in aggregate over the policy term. Coverage also includes costs for legally required notices, call center services, and credit monitoring for those notified, for any privacy incident requiring notice of at least 100 individuals, for up to two million individuals in aggregate over the policy term. It also includes access to educational tools including training modules and incident response templates.</p> <p>The price of this policy increased approximately five percent as compared to last year. This price increase includes a lower retention threshold of \$100,000, as compared to \$500,000 for last year. This policy also includes some coverage enhancements as compared to last year.</p>
Recommendation	<p>Staff proposes that the Board of Governors:</p> <ul style="list-style-type: none">a) Authorize the purchase of Cyber Liability Insurance for a one-year term beginning on October 1, 2020 and ending on September 31, 2021, with the Beazley Group for a total annual premium of \$106,250.00, as set forth in this Action Item;b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.
CONTACTS	Dan Sumner, General Counsel and Chief Legal Officer