

## **CYBER LIABILITY**

Cyber risks include privacy issues, the infringement of intellectual property, virus transmission, or other problems that may be passed from first to third parties via the web. Exposure to these risks is a growing trend in trend in Canada, and insurance companies now offer a number of products to cover these exposures. Coverage can be purchased strictly on third-party liability basis designed to cover defense costs and regulatory fines. More comprehensive insurance includes first-party coverage for the costs associated with a data breach.

Many insurers offer access to service providers such as credit monitoring facilities, call centers, forensic accountants, law firms, public relations, and crisis management companies. Some insurers will also consider network interruption coverage which is a modified form of business interruption coverage for computer or data losses that have no "trigger" of physical damage.

Cyber liability insurance can be purchased as a stand-alone policy or as an endorsement to another policy (often professional liability). Stand-alone policies are generally broader than endorsements.

Cyber liability has also become a reputational issue. A survey conducted in 2011 of 850 executives uncovered that the average time it takes to restore an organization's reputation is one year, with the average loss in the value of the brand averaging in excess of \$100 million.

The Federal Government is currently considering Bill C-12 which, if passed, would amend the PIPEDA Act to force companies to notify the federal privacy commissioner of any material breaches of security surrounding personal information. Similar legislation already exists in most U.S. states, many European countries, and Alberta. This will significantly increase reputational risks and force companies to incur additional costs, making cyber liability insurance even more essential.