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Data Breach Risks

Presenter: Bill Kriese



Did You Know

- **13 Million Americans were victims of Identity theft last year**
- **140,000 identity frauds are committed against minors each year**
- **It takes on average 6 months and 200 hours of work to recover from identity theft**
- **Every two seconds an identity is stolen**
- **159.8 million records were breached in 2015**
- **1 in 5 data breach victims experience fraud**
- **In 2015, the total fraud cost was \$15 Billion**











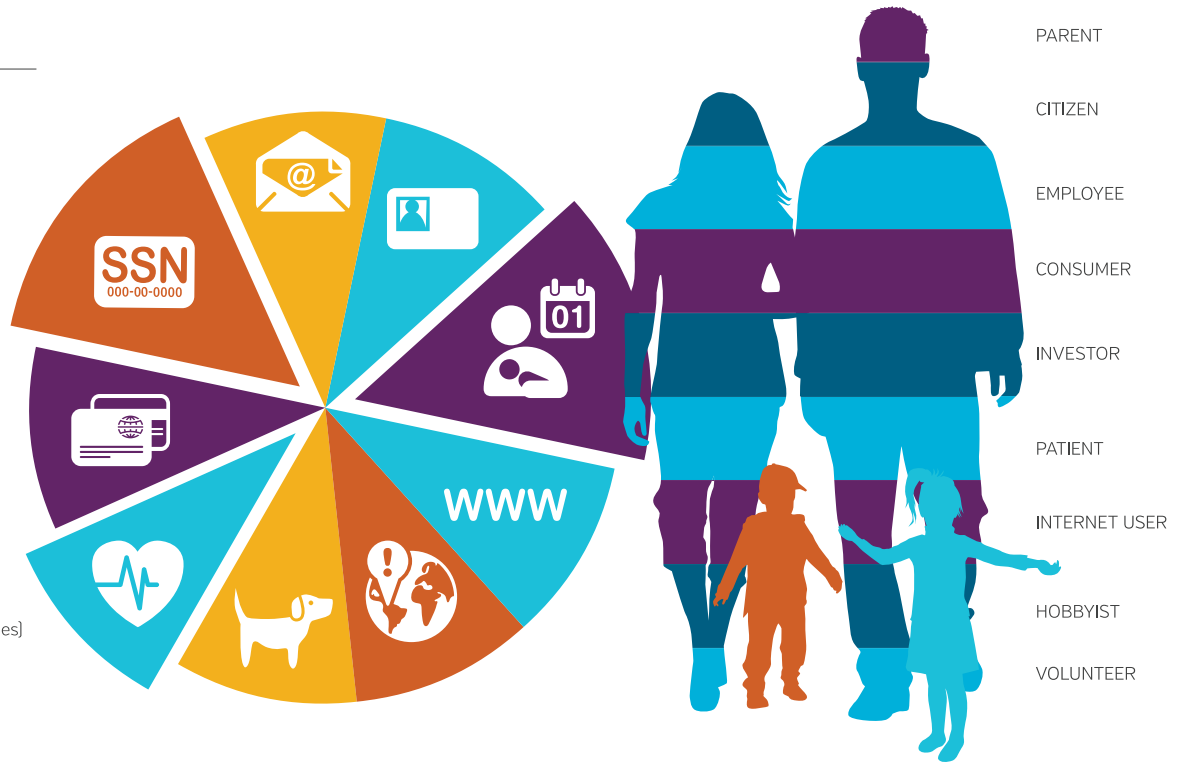
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YOUR PII CHART™

Take time to inventory the identity relationships you have with the companies, organizations, and individuals you entrust with your personally identifiable information or PII. See how your identity is a PII Chart™, a picture of relationships you've created. Once you visualize the slices of your PII, managing your identity assets becomes easier.

LEGEND

-  **SOCIAL SECURITY NUMBER**
-  **CONTACT INFORMATION**
(email address, physical address, telephone and mobile numbers)
-  **GOVERNMENT-ISSUED IDENTIFICATION**
(driver's license, passport, birth certificate, library card)
-  **BIRTH DATE, BIRTH PLACE**
-  **ONLINE INFORMATION**
(Facebook, social media, passwords, PINs)
-  **GEOLOCATION**
(smartphone, GPS, camera)
-  **VERIFICATION DATA**
(mother's maiden name, pets' and kids' names, high school, passwords)
-  **MEDICAL RECORDS INFORMATION**
(prescriptions, medical records, exams, images)
-  **ACCOUNT NUMBERS**
(bank, insurance, investments, credit cards)



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Organizations Handling PII Are at Risk

Employee Records

- SSN
- Contact Information
- Govt. – Issued ID
- Birth Date, Birth Place
- Account Numbers



Payment Info

- Online Information
- Contact Information
- Account Numbers



3rd Party Vendors

- SSN
- Contact Information
- Govt. – Issued ID
- Birth Date, Birth Place
- Account Numbers
- Online Information
- Verification Data
- Medical Records Information



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The Rising Cost of a Data Breach

2015 Ponemon Cost of a Data Breach Study

\$154 per compromised record
23% increase in total cost of data breach since 2013
12% increase in per capita cost since 2013

2015 Verizon Data Breach Investigations Report

2,122 confirmed data breaches
79,790 security incidents
Finance (13 %), Public (14%), Retail (8%), Accommodation (11%)
94% of breaches follow nine basic patterns

AP Associated Press

March 10, 2015

Medical Association's Insurance Data Compromised

The doctors group says one of its employees was transporting two archive backup hard drives to an offsite storage location when the thefts occurred on Feb. 13.

TIME

July 9, 2015

Massive Federal Data Breach Affects 7% of Americans

That's 21.5 million people.



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Top Breach Causes

Hacking

1.4 million Users' Information Stolen, Including Payment Card Data

IB Times, UK Edition

Loss or Theft

Laptops With Individuals Data Stolen From Business

WSPA.com

Mailing Error

Mailing of 63,000 Letters Containing Personal Information to the Wrong People

SC Magazine

Third-Party Vendors

Vendor of business Experiences Data Breach Exposing Employee Personal Information

SC Magazine



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Top Breach Causes

Employee Error

Personal Information of Individuals accidentally published Including SSN Online

SC Magazine

Document Disposal

Records containing key information Found in Trash

Gazette-Times

Hard Drive Disposal

Company Fined for Leaving Electronic Data on Hard Drive of Leased Photocopier

CNS News.com

Unauthorized Access

Employee Caught Photographing files containing Data, Gets Fired

SC Magazine

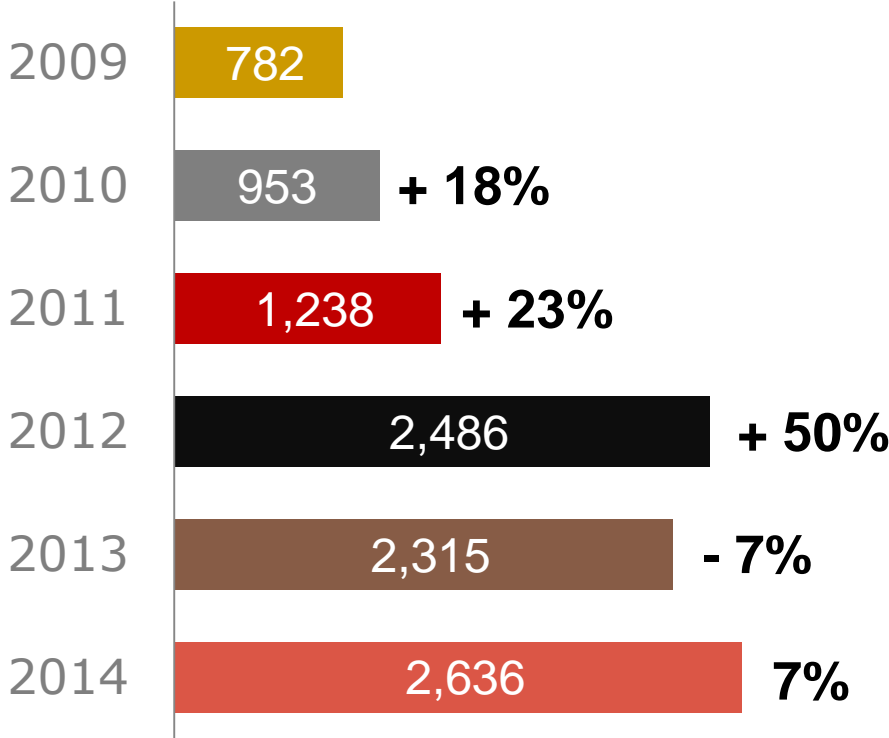


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Reported Data Breach Incidents

Since 2005, more than 13,294 data breach incidents have been made public

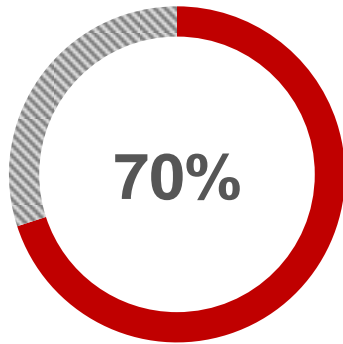


Source: DataLossDB, December 12, 2014



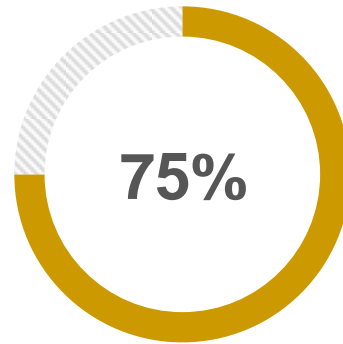
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Hackers Doubling Down on Phishing



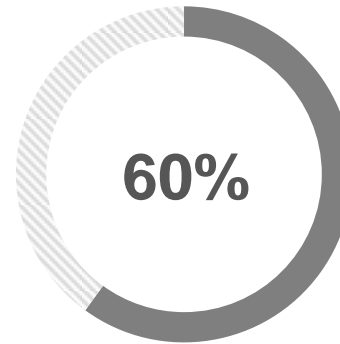
Attacks

70% of attacks had a secondary victim



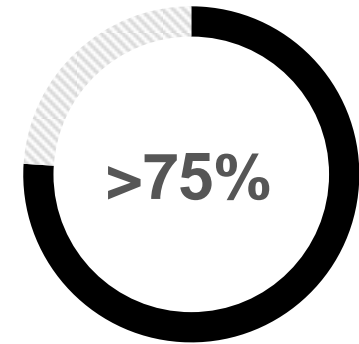
Spread

75% of attacks spread to the second user within 24 hours



Speed

60% of attackers were able to compromise an organization within minutes



Detection

More than 75% of data breaches went undetected for days after the initial intrusion

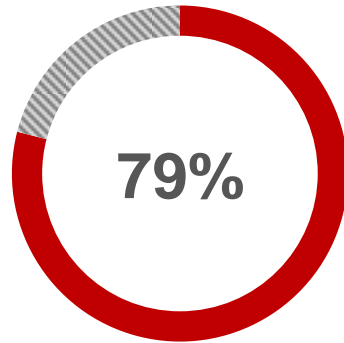


2015 Verizon Data Breach Report

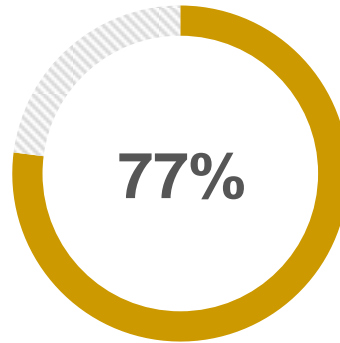


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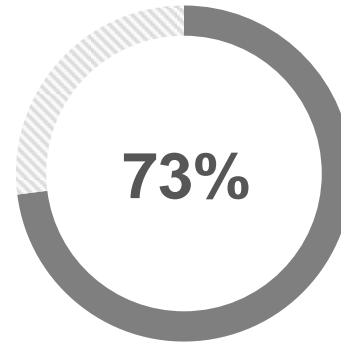
Top 3 Reported First Party Cyber Exposures



**Reputational
Harm**



**Business
Interruption**



**Data Breach
Response**

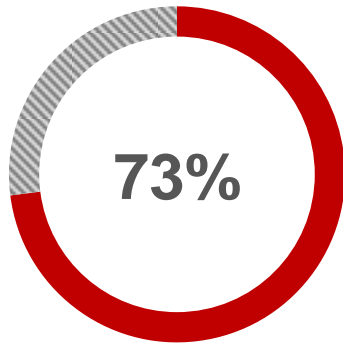


2015 RIMS Cyber Survey



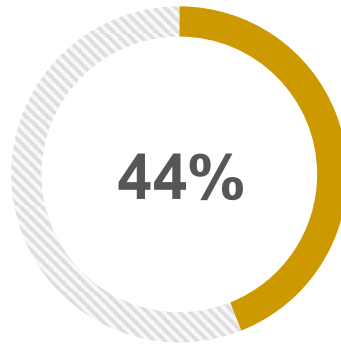
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Cyber Liability Opportunity



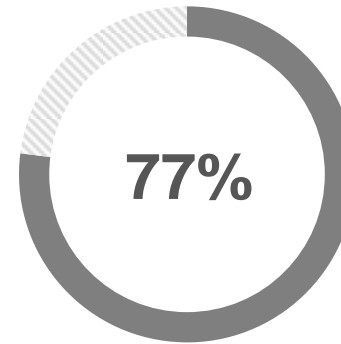
Safe Internet

73% of SMBs feel secure, trusted Internet is critical to their business's success



Security Concerns

44% of respondents agree customers are concerned about their IT security



Strong Cyber Security

77% of SMBs think strong cyber security is good for their brand



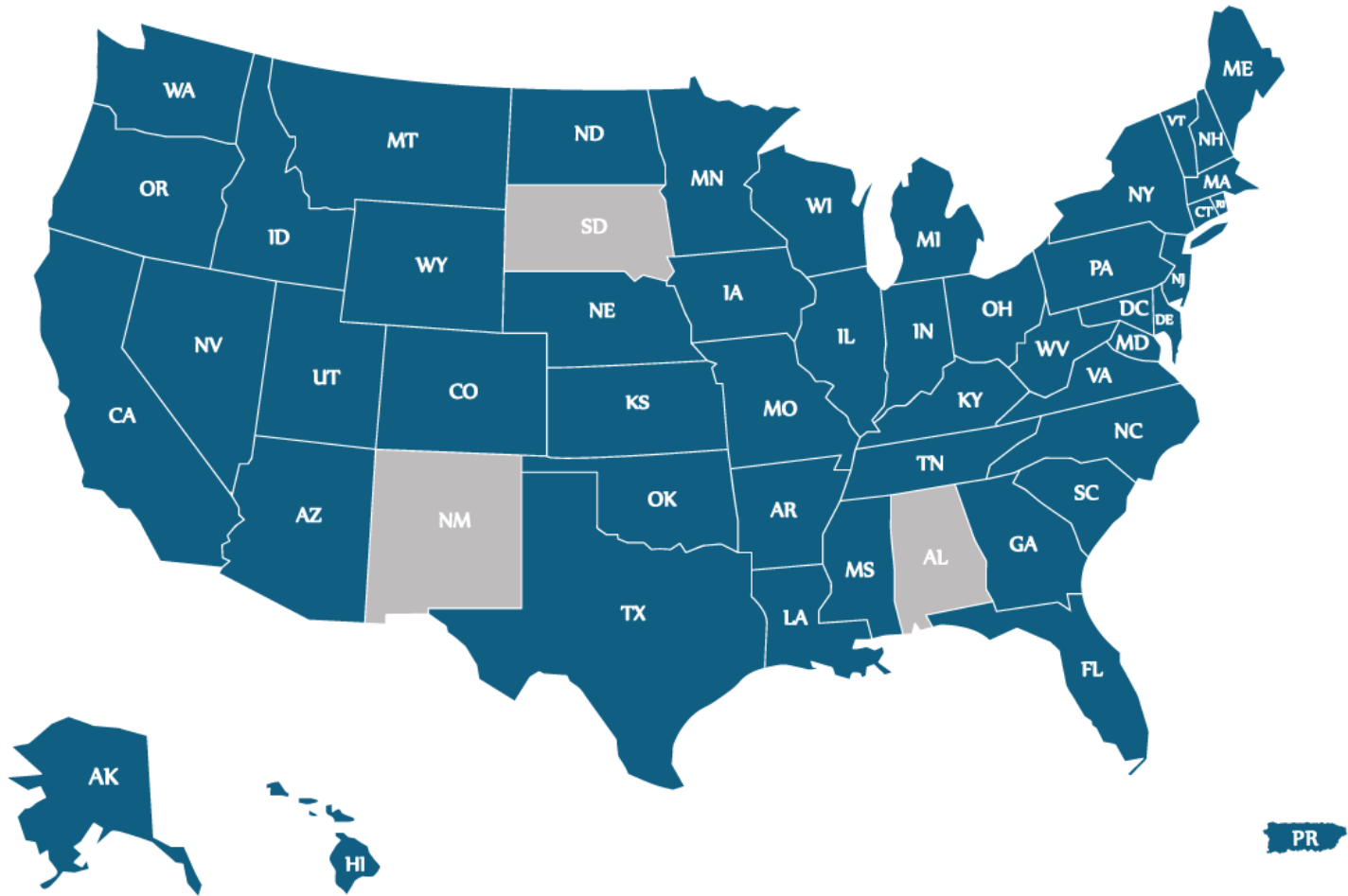
2015 NCSA Small Business Cyber Study



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Breach Notification Laws

47 states, the District of Columbia, Guam, Puerto Rico and the Virgin Islands require notification of security breaches involving PII



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Typical Coverages

1st Party (Remediation)

- Crisis Management
- Notification
- Call Center Support
- Credit Monitoring
- Fraud Remediation
- PR Assistance

3rd Party (Liable)

- Defense Costs
- Liability Costs –
(for civil awards,
settlements and
judgments)

DataRiskStages Breach Counseling

- Controls response costs for policyholders and carriers
- Provides response best practices to mitigate breach event risks
- Provides an end-to-end structured response for policyholders



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Estimated Remediation Costs



Legal

\$300 - \$600 per hour



Forensics

\$250 - \$600 per hour



Crisis Management

**\$150 per hour or
legal rate**



Notification

\$1 - \$3 per letter



Call Handling

\$7 - \$25 per call



Credit & Fraud Monitoring

\$8 - \$75 per person



Identity Theft Resolution

\$400 per case



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Helping Businesses Manage Risk

Direct Cost

- Crisis management
- Public relations
- Print & mail notification letters
- Remediation services
- Legal & forensic services
- Lawsuits



\$188
Per record

Average cost of a U.S. data breach
– of which 68% pertains
to indirect costs

Indirect Cost

- Customer churn
- Increased customer acquisition activities
- Damaged reputation
- Loss of goodwill
- Employee time & resources

Factors That Influence U.S. Data Breach Costs

\$34

Decrease

Incident Response
Plan

\$42

Decrease

Strong Security
Posture

\$13

Decrease

Consultants
Engaged

\$37

Increase

Quick Notification
to Victims



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Cyber Liability

Presenter: Sara Leach, CPCU



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Today's Discussion on Cyber Liability

- What is Cyber Liability?
- What does Cyber Liability insurance with Rural Mutual cover?
- What can you do to prevent cyber liability claims?
- What should you do if a cyber liability event occurs?



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What is Cyber Liability?

- For a town, cyber liability refers to the town's liability for a claim that results from a *media*, *network security*, or *privacy wrongful act*.
- A media wrongful act is the town's unintentional libel/slander/defamation, invasion of privacy, copyright or trademark infringement within electronic media created by the town
- A network security wrongful act is the town's unintentional failure to prevent unauthorized access or use of a town computer system which results in the failure of a third party to access or use their computer system.
- A privacy wrongful act is the town's unintentional failure to safeguard protected information in the town's possession.



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What does Cyber Liability insurance with Rural Mutual cover?

- Damages and claim expenses the town becomes legally obligated to pay, resulting from any situation described on the previous slide
- Regulatory proceeding expenses in the event that a regulator initiates an investigation of a town breach of a privacy law
- Expenses that the town incurs in responding to a privacy breach



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What can you do to prevent cyber liability claims?

- Avoid storing sensitive information (social security numbers, bank account information, etc) on portable devices
- Implement a formal policy regarding use and safekeeping of mobile devices or portable computers
- Utilize firewall and encryption software
- Run anti-virus software daily or weekly
- Require system users to change passwords at least every 90 days
- Designate a person to be responsible for network security
- Implement routine training on network security practices



What should you do if a cyber liability event occurs?

- Develop a breach response plan
- Rural Mutual policyholders have access to help via IDT911:
 - Guidance on notification laws
 - Step by step assistance with handling a breach and minimizing the loss
 - www.ruralins.breachresponse.com (for prevention help as well)
 - Templates available for procedures to follow in the event of future events



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Questions???



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Employee Dishonesty

Presenter: Sara Leach, CPCU



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Is there automatic coverage for Employee Dishonesty?

- **No.** Employee Dishonesty is an optional coverage under Rural's policy form.
- When coverage is requested, the optional limits are \$5,000, \$10,000, or \$25,000



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What type of property is covered by Employee Dishonesty coverage?

- Business Personal Property (i.e. town owned property used for town business, property of others in the town's care, property leased by the town)
- Money
- Securities (items representing money, such as tickets, stamps, evidences of debt owed to the town)
- Above property must be lost or damaged by a dishonest act of an employee with the intent to cause loss and obtain financial benefit



Who is considered an employee with respect to Employee Dishonesty?

- Any person the town employs currently (or for 30 days after termination) and whom the town has direct control over their performance
- Any temporary substitute for a permanent employee on leave, or to handle short term workload conditions
- Any leased employee under a written agreement with a labor leasing firm
- A former employee who is retained as a consultant for the town
- An intern while on town premises



Proof of the loss is required for coverage to apply

- Inventory computation is not proof in itself
- A profit and loss computation is not proof in itself
- There must be evidence of the act (bank records, surveillance, etc)



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Once an employee dishonesty occurrence is discovered...

- Coverage pertaining to the employee in question is cancelled going forward (this applies even if the occurrence happened prior to that employee being hired by the town)



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Other employee dishonesty coverage provisions

- All loss involving a series of acts is considered one occurrence
- A loss must be discovered no later than one year from the end of the policy period in order for coverage to apply



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Questions??



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Bonds

Presenter: Nolan Meihak



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Bond Overview

Surety Bond defined:

A bond guarantees the performance of a contract or other obligation. Bonds are three party agreements by which one party (surety) guarantees or promises a second party (obligee) the successful performance of a third party (principal).



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Bond Overview

- 1. The Surety:** Usually a corporation (IE: CNA Surety, Old Republic) which determines if an applicant (principal) is qualified to be bonded for the performance of some act or service. If the bond is issued and the principal does not perform as promised, the surety performs the obligation or pays for any damages.
- 2. The Principal (Insured):** An individual, partnership, or corporation who offers an action or service and is required by the Obligee to post a bond.
- 3. The Obligee:** An individual, partnership, corporation or government entity which requires the guarantee that an action or service will be performed. If not properly performed, the surety pays the obligee for any damages or fulfills the obligation.



Bond Overview

SURETYSHIP VS. INSURANCE

- In insurance, the risk is transferred to the insurance company. In surety the risk remains with the principal. The protection of the bond is for the obligee.
- The insurance company takes into consideration that a certain amount of premium for the policy will be paid out in losses. In suretyship premiums paid are “service fees” charged for the use of the surety company’s financial backing and guarantee.
- Losses are not expected on surety bonds but are expected in insurance. Though surety losses do occur, surety premiums do not contain large provisions for loss payments. Insurance rates are adjusted to cover losses and expenses as the law of averages fluctuates.
- Losses are recoverable for surety claims but are usually not recoverable for insurance policies. After a claim is paid on a bond the surety expects to recoup its losses from the principal. When an insurance company pays a claim, it usually doesn’t expect to be repaid by the insured.



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Notary Bond

Notary Bond defined:

An agreement between the state, surety company and notary. The bond helps consumers receive compensation in a timely manner.



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Notary Bond

- ***Before becoming a notary***, an applicant has three items that must be addressed:
 - Complete a Four-Year Notary Public Application
 - Oath of Office Form
 - Online Exam (WI Dept. of Financial Institutions)
- ***To obtain the notary bond itself***, the surety company will need the following:
 - Applicant's name as it will appear on their seal or stamp
 - Address
 - Phone number
 - Effective date of the bond
- ***After the bond has been obtained***, the notary must file the following items with the WI Dept. of Financial Institutions:
 - The signed bond
 - Four-year application
 - Certificate from passing the notary exam
 - \$20 filing fee



Public Official Bonds

Public Official Bonds guarantee taxpayers that a public official will “faithfully and honestly” perform the duties of their office.



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Public Official Bonds

- There are 2 classes of public officials:
 - Those who handle public funds (treasurers, tax collectors, etc.)
 - Those who do not handle public funds (attorneys, auditors, etc.)
- Public officials are responsible for what goes on inside their office. To protect against possible losses from deputies/clerks, having them bonded will eliminate this problem.
 - **Individual Bond** – Covers a single official
 - **Name Schedule Bond** – Covers specific individuals in a schedule attached to the bond
 - **Position Schedule Bond** – Covers specific positions in a schedule attached to the bond
 - **Public Employee Blanket Bond** – Covers all employees (except treasurer and tax collectors)

