

# TSI Brokers & Consultants

## Cyber Crime

### The Increasing Impact on Business



As with most new insurance exposures and risks, the incidence and awareness initially is low both in frequency and size of loss, which after that gradual build, loss frequency and size increase quickly.

An example would be Statutory Liability and Employers liability insurance products which were developed to protect business against new exposure resulting from changes in legislation. That was a slow build and take up, but today, Public, Statutory and Employers liability are virtually the norm in all business insurance.

Cyber Liability is no different and after that initial low awareness and claims incidence, cyber crime is now a key business risk, with insurers dealing with a significant volume of cyber-crime claims with the size of individual claims being paid rising steadily.

Although the take up of Cyber insurance is increasing, actual amount of cyber insurance in place remains low relative to the actual cyber crime impact across NZ Business when including losses that are not insured.

As brokers it is important that we maintain awareness of cyber crime risk with our clients and the focus of this newsletter is part of that process.

The recent four-day assault on the New Zealand stock exchange is seen as the countries worst ever cyber attack and reinforces the sophistication of cyber criminals in being able to penetrate computer security arrangements.

TSI urge business owners and operators to give serious consideration to cyber insurance, and we are keen to discuss this with you to outline what Cyber Insurance cover provides for and at what cost.

Our team can guide you through the various coverage options and explain some of the often-confusing terminology such as

- Social engineering fraud
- Phishing
- Phreaking
- Third party breach of privacy
- Hacker theft
- Extortion costs

We can also assist with Risk Management tools which you can implement into your business such as

- Proactive risk management precautions which can be implemented
- Basic employer's cyber security guide

***Some, actual examples of incidents which have occurred follow:***

### **1. Socially Engineered Theft 1st Party Loss**

An accountants employee receives a request from a regular suppliers email address for payment of an outstanding invoice. The employee pays the supplier in good faith and in reliance upon the received invoice. As it turns out, the supplier's invoicing system was hacked and the supplier's bank account details were changed to the hacker's account. The

paid amount is unrecoverable as a result.

If the accountant's policy includes Optional Cover for Criminal Financial Loss including Socially Engineered theft, then the direct financial loss to the accountant is covered, including investigation costs.

## **2. Telephone Phreaking**

A marketing firm's phone system gets hacked. The hacker creates a mailbox to route calls overseas. The unauthorised international calls result in thousands of dollars in call charges.

The policy covers the costs to investigate and remove the threat to the firm's telephone system. The Cyber Theft and Telephone Phreaking Cover pays the direct financial loss to the insured.

## **3. Business Interruption - Preventative shutdown**

A medical equipment manufacturer was advised by the Computer Emergency Response Team (CERT), which is part of the Australian Signals Directorate (ASD), that they had reason to believe that their system had been breached by a nation state backed threat actor. They instructed the Insured to halt all manufacturing and business. CERT warned the Insured that data exfiltration was likely as well as sabotaging manufacturing process.

The Insured followed the instructions to immediately shutdown their systems and manufacturing work to assess whether their system had been breached and to also ensure their system was adequately secure.

Cyber Event Protection provides a preventative shutdown allowance which includes the impact on revenue, increased costs to avoid a reduction in revenue and an independent security audit to assess the threat to IT infrastructure.

## ***How much does Cyber Insurance cost?***

A fair question, the premium costs for each business are calculated on a variety of information including:

- Occupation
- Business size, including turnover, staff numbers and locations
- Level of claims excess selected
- Sum insured
- IT risk management currently in place
- Quality of vendors for the likes of back up, internet, software etc.

- Previous claims

However, the process in providing quotations or indications on premium costs is relatively uncomplicated.

If you are interested in receiving a quote you can click on the link "obtain Quote" below for a proposal form. Please complete the proposal form and return to either

- Your own TSI broker, refer below for details
- [team@tsibrokers.co.nz](mailto:team@tsibrokers.co.nz)

Alternatively contact your broker or one of our team to discuss.

Please note that by completing the proposal form you are not committing to anything, this is simply the process we use to obtain premium indications from insurers.

While this proposal form is a Delta insurance document we also use this when dealing with other insurers as it is very comprehensive.

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