

SPECTRUM® | DATA BREACH COVERAGE CLAIM SCENARIOS



A USEFUL GUIDE TO HELP YOU EDUCATE CUSTOMERS ABOUT THE NEED FOR DATA BREACH COVERAGE.

Many small business owners face exposures to a data breach. Yet, many think they don't need data breach coverage.

To help you demonstrate the need for this valuable protection for your customers, we're providing a quick overview of the:

- **Data breach coverages we offer** – including limits and deductibles
- **Resources from The Hartford Cyber Center** – to help customers prepare for and deal with a breach
- **Real-life claim scenarios** – an effective way to persuade customers that a data breach could occur at their business



39%
of small business owners don't think a data breach would impact their business.¹

EASY ADD-ON ENDORSEMENT

Refer to this guide in conversations with your customers. And, when quoting, remember that it's easy to add data breach coverage as an endorsement to our Spectrum Business Owner's Policy.

DATA BREACH COVERAGE OVERVIEW

First-Party Response Expense

- Legal and forensic services
- Crisis management/public relations
- Notification expenses
- Good faith advertising expenses
- Services for impacted individuals (e.g., credit monitoring; help line, if warranted)

Available Limits: \$10,000 - \$500,000

Deductible: \$1,000 - \$100,000

Third-Party Defense & Liability Expense (incl Defense Costs)

Available Limits: \$50,000 - \$1M

Deductible: \$1,000 - \$100,000

For state exceptions, refer to the Spectrum Product Manual.

Prepare. Protect. Prevail.®

continued



THE HARTFORD CYBER CENTER

Through this center, The Hartford offers tips, guidance and resources to help business customers:

- Minimize the chance for a breach
- Safeguard Personally Identifiable Information (PII)
- Become aware of legal requirements by state
- Create a data breach incident response plan
- Understand what to do if a breach occurs
- Access a team of experts that can:
 - » Assist if a customer believes a breach has occurred

- » Determine breach severity
- » Consult on “next steps” to address a breach situation

DATA BREACH CLAIM SCENARIOS

Here are some claim scenarios that can help you see how The Hartford responds to a data breach claim. Use these scenarios in conversations with your small business customers to educate them on:

- The real risk of a data breach
- Their need for data breach coverage from The Hartford

SCENARIO 1

Type of claim Data breach

Policy type Data Breach Response Expense and Defense & Liability Coverage

Cause of action Stolen laptop; failure to encrypt Personally Identifiable Information (PII)

Type of insured Financial services company

Facts

Situation: Lilly Backus, an employee of a financial services company, attends a conference on behalf of her employer.

During the conference, her laptop is stolen. Knowing that the personal information for her clients, including Social Security numbers, is stored on the laptop, she immediately contacts her employer to report the theft. Lilly is hoping that, because the laptop was password protected, her clients’ personal information is not at risk.

Unfortunately, Lilly never ‘encrypted’ the data.

The insured’s actions: After receiving a report of the alleged theft, Lilly’s employer immediately contacts The Hartford to report that a data breach occurred. Fortunately, they had recently purchased Data Breach Response Expense and Defense & Liability coverage.

The Hartford’s actions: After gathering facts about the incident, The Hartford claims representative contacts a panel law firm to review the report and determine appropriate next steps.

Counsel recommends using forensic services to investigate the loss and determine whether the password protection function of the specific model of Lilly’s computer provided adequate safety for the client records or encrypted the laptop contents. (The forensics firm was on The Hartford’s panel of vendors.)

Conclusion

It was determined that:

- A data breach occurred
- The laptop data was at risk
- Coverage was available

Services triggered

- Investigated the loss; this included using forensic services
- Provided counseling on state notice requirements
- Mailed notification letters to breach victims
- Provided credit monitoring services for the breach victims up to one year, helping to mitigate the potential for a third-party claim

Coverage response

\$15,000 for Notification Expenses and Credit Monitoring Services
 \$5,000 for Forensic Expenses
 \$20,000 Total Loss Paid

SCENARIO 2

Type of claim	Data breach
Policy type	Data Breach Response Expense Coverage
Cause of action	Computer hacking
Type of insured	Electronics equipment retailer
Facts	<p>Situation: Jones Electric is a retailer of electronic equipment, including TV, radio and computers. Jones thinks that their computer system was hacked, causing it to divulge credit card numbers for several of their customers, as well as Social Security numbers from credit applications.</p> <p>The insured's actions: Mr. Jones contacts The Hartford to report that a data breach occurred.</p> <p>The Hartford's actions: The Hartford claims representative:</p> <ul style="list-style-type: none"> • Verifies that Mr. Jones had purchased Data Breach Response Expense coverage • Contacts a panel law firm to review the issue and determine appropriate next steps <p>Counsel recommends using forensic services to investigate the loss.</p>
Conclusion	<p>Upon review, it was determined that:</p> <ul style="list-style-type: none"> • A breach occurred due to an employee error • An employee had failed to log off from his computer when going to the back room • An unknown individual accessed and downloaded customer credit card and customer credit application information <p>Counsel and panel vendors also provided services that involved:</p> <ul style="list-style-type: none"> • Assistance with preparing and mailing notification letters to impacted individuals • Determining if any monitoring services should be offered <p>Outcome:</p> <ul style="list-style-type: none"> • The Hartford covered these expenses through our Spectrum Data Breach Response Expense coverage. • The insured was able to mitigate the potential of a third-party claim because of the appropriate actions taken to notify individuals of the breach, and support services provided, like credit monitoring and fraud resolution services.
Services triggered	<ul style="list-style-type: none"> • Investigated the loss; this included using forensic services • Provided counseling services on state requirements due to the data breach • Mailed notification letters to breach victims • Provided credit monitoring services for the breach victims up to one year, helping to mitigate the potential of a third-party claim
Coverage response	<p>\$5,000 for Notification Expenses and Credit Monitoring Services</p> <p>\$5,000 for Forensic Expenses</p> <p>\$10,000 Total Loss Paid</p>

SCENARIO 3

Type of claim	Data breach; third-party claims
Policy type	Data Breach Response Expense and Defense & Liability Coverage
Cause of action	Computer hacking
Type of insured	Business consultant
Facts	<p>Situation: An unknown person hacks into the personnel files for employees of Harken Enterprises. The files included the full name and addresses of their employees, as well as Social Security numbers.</p> <p>The insured's actions: When Hank Lindell, an employee of Harken, reports suspicious new accounts on his credit files, Harken contacts The Hartford to report the incident.</p> <p>The Hartford's actions: The Hartford claims representative:</p> <ul style="list-style-type: none">• Verifies that Harken had purchased Data Breach Response Expense and Defense & Liability coverage• Contacts a panel law firm to review the issue and determine appropriate next steps
Conclusion	<p>After reviewing the specifics of the reported incident and conducting an investigation, counsel and panel vendors provided services that involved:</p> <ul style="list-style-type: none">• Assistance with preparing and mailing notification letters to impacted individuals• Determining that credit and fraud monitoring services should be offered• Providing assistance to Harken in preparing a media response to regain employee and consumer trust after word of the data breach had spread <p>Outcome: Despite the credit and fraud monitoring services made available to them, several employees filed suit against Harken Enterprises for damages they claimed to have incurred as a result of the breach. Their suit included claims for emotional distress resulting from the data breach.</p> <p>The Hartford claims handler confirmed that Harken had purchased a Data Breach Response Expense and Defense & Liability policy, and that the claims asserted in the suit were covered under the policy.</p> <p>The Hartford then retained a panel counsel to defend Harken Enterprises. The attorney defended the suit, arguing that the credit and fraud monitoring services provided to the employees had protected them from incurring any significant damages. The Hartford was able to settle the matter for a modest payment.</p>
Services triggered	<ul style="list-style-type: none">• Investigated the loss• Provided counseling services on state notice requirements due to the data breach• Mailed notification letters to breach victims• Provided credit and fraud monitoring services• Paid for defense counsel and settlement amounts
Coverage response	<p>\$5,000 for Forensic Expenses \$10,000 for Notification Expenses and Fraud Monitoring Services \$5,000 for Good Faith Advertising \$100,000 for Defense & Liability \$120,000 Total Loss Paid</p>

QUOTE THE HARTFORD AND BE SURE TO ADD DATA BREACH COVERAGE.

¹ The Hartford's 2013 Small Business Success Study

The description herein is a summary only. It does not include all terms, conditions, and exclusions of the policies described. Please refer to the actual policies for complete details of coverage and exclusions. In the event of a conflict, only the terms of an actual issued policy will determine the coverage provided. Certain coverages vary by state and may not be available to all businesses.

The Hartford® is Hartford Fire Insurance Company and its affiliated property and casualty insurance companies, 690 Asylum Avenue, Hartford, CT 06155.

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**THE
HARTFORD**

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