

WEBINAR | EXPERT INDUSTRY PANEL

Cyber Liability Insurance

For At-Risk Industries



Haley Cagle
Product Manager
Cyber Liability



Alex Montclair
Business Development
Manager



Host - Ritchie Vener
Chief Marketing Officer

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Ritchie Vener:

Hi everybody, and welcome to the Cyber Liability Insurance for At-Risk Industries webinar. We've still got several people logging in, so I'm going to give them a minute or two to get settled, and then we'll get underway.

All right, we're a little past the hour. Why don't we get started? Hello everyone, and thank you for joining us for our live Q and A expert panel Cyber Liability Insurance for At-Risk Industries. My name is Ritchie Vener, and I'm the Chief Marketing Officer at Distinguished Programs. I work across the business with different teams, and the Cyber Liability team is one of my favorites. They've got a fast-growing program and an excellent service they offer brokers. It's a great team.

Just a note, we will send all registrants a copy of the slides, the webinar recording, and a PDF with the questions and answers from today's session. If anyone has a question during the presentation, please use the Q and A button at the bottom of your screen.

Distinguished Programs is a leading national insurance program manager providing specialized insurance for hotels, restaurants, community associations, and real estate. In addition, we recently added two new programs to Distinguished. The first, which we'll start writing business in April, focuses on fine art and collectibles. The second new program, writing business, now focuses on Environmental and Construction Pollution insurance. More information on these programs can be found on the Distinguished website, but today we're here and excited to speak with our cyber liability experts.

Joining us today are Haley Cagle. Haley joined Distinguished in January 2022 as the new Cyber Product Manager. She previously worked as a Program Manager for Lloyds of London and has been in the professional liability insurance industry as a wholesale surplus lines broker and an underwriter for 14 years. She specializes in cyber, tech, and miscellaneous E and O.

Also joining us is Alex Montclair. Alex joined Distinguished this year in January of 2023 as a Business Development Manager responsible for the growth of Cyber, Restaurant, and Hotel Primary insurance. Alex has 10 years of industry experience, including surplus alliance brokerage and leadership at a national MGA.

To ground the conversation, let's quickly run through some of our Cyber Liability insurance program basics before we get to the attendee questions.

So I'm going to address this first question to Haley. Haley, what is Cyber Liability insurance?

Haley Cagle: Hey, everybody – thank you for joining us today. Cyber Liability insurance is designed to protect businesses from the cost of cyber threats and breaches. It provides insurance coverage for things like lawsuits due to stolen records, the cost of notifying effective parties, and potentially the PR cost of reassuring visitors that their data is safe in your hands. Cyber insurance also kicks in when an attack freezes a company's systems. This includes the cost of responding to the cyber interruption and the lost profits due to system failure.

Ritchie Vener: So, Haley, it's such a broad type of coverage. Who typically purchases Cyber Liability insurance?

Haley Cagle: Anybody with a digital presence should be purchasing Cyber insurance, even if you're only accepting credit cards. But if you have any kind of customer information that you're holding, you really need to be purchasing Cyber Liability coverage.

Our Cyber product caters to community associations, hotels, and restaurants. So compared to other industries like finance, these industries are much less likely to have robust security protocols. This really makes these industries a big target for cybercriminals.

Ritchie Vener: That makes sense; that makes sense why we're doing it because we specialize in those areas. One thing I know that people always ask about this product is who is the carrier, and where is this product available? Haley, could you answer that for us?

Haley Cagle: Yeah, so our coverage is provided by Beazley, who is an industry leader in Cyber Liability coverage. We're in all 50 states, and our Cyber coverage is available monoline only, but Distinguished does offer several other complementary coverages to meet all your hotel, restaurant, and community association needs. And if you would like to know more information about those products, you can definitely reach out to us after this as well.

Ritchie Vener: Okay, all right. Thanks, Haley. I'm going to switch this over to Alex for a second. Alex, sometimes there's a lot of confusion on this. What does Cyber Liability insurance cover, at least our program, and what does it cover?

Alex Montclair: Well, first of all, thanks Ritchie for inviting me to speak, and it's a pleasure to be here.

Compared to other kinds of insurance policies, there is more variation in the market on what is and isn't covered by a standard Cyber package. Distinguished's coverage can help mitigate cyber tech costs, response costs, system costs, business interruption, media costs, and liability costs.

It's important to note that we have notification costs, and notification expenses, excuse me, outside the limit. This is huge when you consider the average cost per record is around \$150. In the event of a cyber attack, policyholders will also have access to a breach response team to help pinpoint where the system has been compromised and a 24/7 hotline for businesses to contact when they suspect a cyber incident has occurred.

In that first initial moment of panic and probably sheer terror, these are your first responders to assist and coordinate a response.

Ritchie Vener: Yeah, I can't imagine. Just as important, though, what doesn't Cyber Liability insurance cover?

Alex Montclair: So, of course, there are exclusions, and cyber policies are no exception to that rule. There are basically three top exclusions that aren't covered under most cyber policies: taxed by a foreign government or terrorists, betterments, so these are the costs of improving your cybersecurity system after a breach, and value loss due to intellectual property theft.

Ritchie Vener: Okay, that sounds pretty clear-cut. Thanks, Alex.

Haley, let me ask you this question as the program manager, how much does Cyber Liability cost?

Haley Cagle: Yeah, the cost of Cyber Liability premiums, varies so much, and they're just on the rise going up, up, up because the cyberattacks are just becoming more and more commonplace. So I mean, it really varies, but I can tell you that with our program and Cyber Liability coverage, we offer competitive proprietary rates. These are based on revenues and it's annually starting at about \$500, and we can offer limits up to two million.

Ritchie Vener: Okay, great. You talked about there being a lot of variances. What are some of the factors that determine the cost, Haley?

Haley Cagle: So yeah, there's definitely a few factors that determine cost. We're looking at things like the policy details and coverage amounts; how many limits are you looking for? The revenues, current network security, risk factors, what industry you're in, if you've had any claims in the past, and the types of data stored are the kind of information that you're keeping.

Ritchie Vener: All right. That's very helpful. Alex, I've got a question for you. Just a little while ago, we talked about the different industries that we service with this product, but in particular, what's the importance of Cyber insurance for hotels and restaurants?

Alex Montclair: In the digital age, we are seeing more and more businesses report cyberattacks and data breaches. Businesses like restaurants and hotels deal with a large number of clients and often process payments through online portals or with credit and debit cards. According to IBM security, the average price of a data breach for the hospitality industry is about \$3 million. A good Cyber insurance package can help mitigate cybersecurity risks and cover the cost of these attacks.

Ritchie Vener: Alex, I know we also offer this for community associations. What are the particular risks for community associations?

Alex Montclair: Sure. So community associations handle sensitive, personal, and financial information of their members and residents, such as names, addresses, and bank account details. However, not all community associations have the tools to safeguard their data from a breach or hack. Cyber insurance can help protect the community association from financial loss, legal protection, and reputation management.

Ritchie Vener: Okay, great. All right, so now we're through the basics. We had quite a few brokers send us questions ahead of time. If you sent in a question, and it doesn't sound exactly like how you sent it in, it's because we got it more than once and we paraphrased it. I'm going to direct this first question to you, Alex. How can an insurance broker successfully sell Cyber Liability insurance? What do they need to do?

Alex Montclair: Yeah, so first of all, I want to say selling Cyber, it's not as daunting as it might seem. Go back to the basics you might use to sell Property and General Liability. So selling Cyber insurance can be tricky because cyberattacks are less obvious.

It's important to not just sell the insurance itself but explain what the risks are and how they can threaten your client's business. First, data is a helpful tool to make the case and convince your clients. For example, did you know the average data breach costs \$4.24 million?

Second, educate your clients on common risks associated with their business. Provide an outline of the different types of cyberattacks that are common today. Discuss the importance of a robust cybersecurity management system to protect their clients' or members' data.

And lastly, give your clients real-life examples. Your clients should know that businesses like theirs are being attacked daily through examples that hit close to home.

Ritchie Vener: Alex, all up to that, I'm going to direct this question to you also. As a broker, what should I consider when recommending a Cyber Liability insurance policy to my client, particularly when it comes to coverage limits and deductibles?

Alex Montclair: Sure. Again, back to basics. When recommending a Cyber Liability insurance policy, brokers should consider the size and scope of their client's operations, their risk profile, and the potential for the financial impact of a cyber incident. They should also review the policy language to understand the coverage limits and deductibles associated with each policy and recommend policies that are often the most comprehensive at an affordable price.

Ritchie Vener: Haley, I will send this one to you. What types of cyber incidents are typically covered by Cyber Liability insurance policies?

Haley Cagle: Yeah, we talked a little bit about this earlier, but yeah, we could definitely go more in-depth on that. So Cyber Liability insurance policies provide for a range of cyber incidents and malware, so if it causes a business interruption or a breach on your system.

Ransomware or what we call in our policy, cyber extortion. Phishing, which many people you'll hear about, is also called social engineering, and this is just a scam trying to get information or money. A denial of service attack makes a network unavailable by disrupting your services. And there are also business email compromises or BEC attacks. And this is just another way to trick employees into sending money or goods.

Ritchie Vener: Unfortunately, we see these sorts of things every day. All right, Haley, I got another question for you. Insurance is really only as good as the claim. That's the promise that we make to customers.

How can I help my client navigate the claims process during a cyber incident? And what should clients expect when filing a claim?

Haley Cagle: All of our policyholders will receive a Beazley breach response information pack that gives all of our policyholders' information on how to contact the 24/7 claims hotline to report a claim. The Beazley breach response team also assists through all aspects of the incident, including arranging legal computer expert services, assistance with notification processes, and offering credit monitoring products where needed. So the Beazley breach response team will help you every step of the way.

Ritchie Vener: All right, great. Alex here's one for you. What are some of the emerging cyber risks faced by community associations, hotels, and restaurants, and how do I help my clients stay ahead of these risks?

Alex Montclair: Sure. So emerging cyber risks community associations, hotels, and restaurants may face include social engineering, as mentioned, Cloud-based security breaches, and IoT or the internet of things. Brokers can help their clients stay ahead of these risks by providing education and resources on emerging cyber threats and recommending vendors and consultants who specialize in these areas. I want to mention, Ritchie, that many of these national cybersecurity firms publish annual reports on emerging threats and often give some really basic and free advice.

Ritchie Vener: Okay, great. And here's the last one that someone submitted ahead of time. Haley, I'll give this one to you. How do we submit business?

Haley Cagle: It is super easy to submit business to us. You can grab the application to download off our website, and that's the Distinguished website. And once it's completed, it can be emailed to cyber@distinguished.com.

That's our general inbox for Cyber. And if you have any questions along the way, feel free to reach out to Alex or me.

Ritchie Vener: Okay, great. All right, here's a question that someone in the audience just sent in. When a community association has a property manager that handles association accounting, does the Distinguished product also cover the manager or just the community association?

And then follow up to that is, how do we convince the association to purchase this coverage?

Alex Montclair: Haley, do you want to—

Haley Cagle: Yeah, I can do the first part, and I'd love to nod off onto you after that, Alex. But I can tell you right now that we are looking to cover the property or community manager for the community associations. So yeah, they'll have their own specific endorsement. They'll be specifically named. I know that's industry standard, and that's what you guys are looking for, so we're happy to be able to provide that.

Alex Montclair: And the second part of that, Ritchie, so I understand is, how do you convince them to purchase cybersecurity?

Ritchie Vener: Yeah, that's the question.

Alex Montclair: Again, relating to them and letting them know they're not immune. Even these smaller associations, 25 homes, 25 doors, we do see claims that come in.

Cybersecurity criminals don't care how small your account is or how small your association is; they will go after you. So relating to them again and providing them real-life claim examples of associations varying from, again, a couple doors to all the way to 5,000 units. You can find information out there, and we're happy to help you find that info if needed.

Ritchie Vener: So we don't have any other audience questions now. The panels here, if anyone wants to submit some directly, you just click towards the bottom of the screen. You should see a place that says Q and A and put in a question.

All right, if there are no other questions, we'll move along, but you should feel free to send questions in at any time to me, Haley, and Alex. At this point, I'm going to ask both you, Haley, and Alex, what's the final piece of advice you'd like to give the audience? Let's start with you, Haley.

Haley Cagle: Yeah, so nobody is immune to cyberattacks. Even if you think you've got the best antivirus software or think, oh, my business is too small to even be targeted, cybercriminals that continue to evolve, they find ways around even the most advanced antivirus software. Small businesses are at the greatest risk of actually succumbing to these cyberattacks because they don't have the financial means to respond to a cyber loss on their own. So that's why having a cyber liability policy is really important.

Ritchie Vener: Before we get to Alex's piece of advice, we actually had a couple of questions come in. The first was, do you have brochures?

Haley Cagle: We've got highlight sheets, we've got a list of our coverage enhancements, a lot of different things to help you sell the product. If you want to reach out to me after this, I'd be happy to get in touch with you and get you a list of all of our highlight sheets and information.

Ritchie Vener: And a lot of that can also be found on the Distinguished website, but Haley can help directly if you don't see it. Here's another question from the audience. Do smaller businesses need Cyber?

Alex Montclair: Yes, they do. And I'll jump in, Haley. As Haley mentioned, these cyber criminals don't care that you are a small mom-and-pop store on the corner. They're looking at everything. I mean, it's a game of numbers for them, how many targets they can go after, and they go after you, and they'll lock out your system so that you can't access, you can't accept payments until you pay in Bitcoin or some other type of digital currency. So yeah, we've seen it, we've seen claims come in, and we'll continue to see claims come in for these smaller businesses.

Ritchie Vener: Here's another one from the audience. Does Beazley have a max revenue threshold?

Haley Cagle: We're typically looking at accounts under 40 million, but that's not to say that we couldn't look at anything above that. We'd be happy to look at them case-by-case if they're over 40 million. We may need a little bit more information. It may take a little bit longer to get it back to you, but no, I mean, we're willing to look at anything really for Cyber.

Ritchie Vener: Okay, great. Haley, here's a question for you. It says, Haley, you mentioned that we can write both Tech E and O and Cyber. Do you write this on a combined form?

Haley Cagle: Sorry, no. This was just my previous experience when I worked for Lloyd's MGA. I did do Tech, Cyber, miscellaneous E and O. But no, at Distinguished, it's just a Cyber monoline product, and there are also other products, but no, unfortunately, it's not E and O, and the tech, it's a Cyber product.

Ritchie Vener: Then someone says, sorry if I missed this question. What is the commission paid, and is it agency billed?

Haley Cagle: Yeah, it's agency bill only. We work with you guys. We don't go direct to the insured, and it depends on the agency, but it's usually about, I guess, 10%.

Ritchie Vener: Another question from the audience. I was unable to find a cyber application for a restaurant for insured. Could you kindly send me one? So that's in the questions, and so the panel will get these questions, and we'll send one out to you rather than reveal the agent's name. Does your program run reports on clients' websites? Example to see if they have holes in them?

Haley Cagle: No, we're not looking to audit it. We've got our application that asks everything that we need, so we won't need anything additional after we get that application back from you.

Alex Montclair: That's a good question. And that's like where I would say educating your client and letting them know ahead of time, maybe we should seek the professional guidance of a cybersecurity firm. There are so many out there and strong competition that they're often less pricey than you may think.

Haley Cagle: And you can also always reach out to the Beazley breach response team. They can help you if you think that you might be vulnerable somewhere. Definitely reach out to them, and they can walk you through it.

Ritchie Vener: I'm not sure if I have this question right; I'll try to paraphrase it. We talked about restaurants and hotels, and community associations. So what categories does Beazley insure? Are those the only classes of business that we write right now?

Haley Cagle: At this time, it is hotels, restaurants, and community associations. So that's what we're buying cyber for at this time.

Ritchie Vener: All right. And let's see, can you underwrite off of other carriers' applications initially and then subject to receipt of your own application?

Haley Cagle: We can. We prefer our own application, but if it has enough information, we can at least give you a premium indication. So I understand the want not to want to fill out 100 different applications, but yeah, if it has what we need on it and revenues are the most important thing, then we could look at it for you.

Ritchie Vener: Those are all the questions we've had submitted up to this point, which is good because we're running up to time. Haley, you gave a piece of advice. Alex, do you have a piece of advice to give the audience?

Alex Montclair: Sure. I don't want to continue on this theme, but I got to really drive it home. I don't want to seem too pessimistic or to continue to instill fear in everyone who's tuning in, but the harsh reality is that it's often only a matter of time before you're hacked. On a personal level, I've several times had my identity stolen. I'm sure I've breached my system several times. And the same for your businesses. As Haley mentioned, these cybercriminals are ever-evolving, and they're looking at ways to elude your detection. Their full-time job is stealing your money, and they're pretty good, able to turn into a very fruitful career of crime. Protecting your clients with a policy that will stand an attack and suggesting they seek the professional guidance of a cybersecurity professional before an incident occurs is the best thing you could do.

Ritchie Vener: That's good advice. All right. If you enjoyed today's webinar, stay up to date on our latest events by following us on social media, particularly LinkedIn. We post about insurance market insights and industry news, and you'll learn about our latest free webinars, eBooks, and case studies.

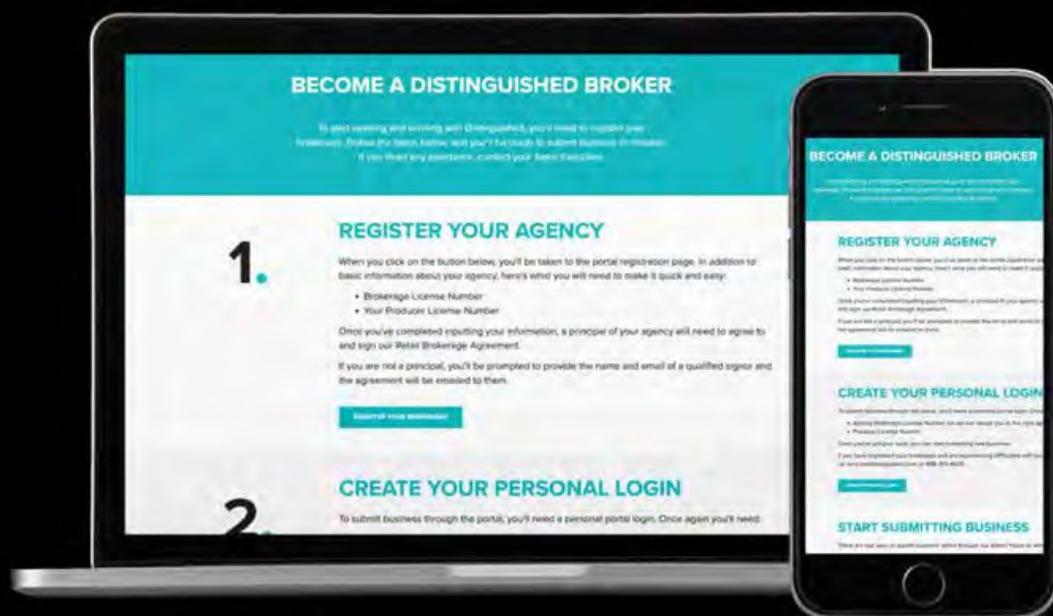
And as a matter of fact, everyone who attended today's webinar will get a copy of the slides and answers to the questions, and we'll try to answer the questions that also came in online during this and write those out to send to you also. I want to thank everyone who joined us for today's webinar and our panelists, Haley Cagle and Alex Montclair, for sharing their valuable insights. We hope that you found this information useful.

Remember, our underwriters are available to answer any follow-up questions. Both Haley and Alex are at your disposal. Thank you for joining us today, and we hope to see you at our next webinar. Thanks a lot, everybody.

Alex Montclair: Thank you.

Haley Cagle: Thank you, guys.

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