

# R!SK

## PERSPECTIVES



# Rising to the Challenge:

## Time to Optimize Business Interruption Wording In Cyber Policies

**Jill Salmon** | VP, Head of Cyber, Berkshire Hathaway Specialty Insurance

Recent cyber-attacks are about disrupting the core of businesses, rather than just data, and they are shaking up organizations. Hackers are no longer just looking for credit card numbers and other personally identifiable information (“PII”) to sell on the dark web. They are deploying malware — most notoriously ransomware — to disrupt a target’s critical business operations for financial gain.

These attacks are typified by Wannacry, which infected more than 300,000 systems in 150 countries, and NotPetya, which is estimated to have cost organizations more than \$1 billion in revenue. They can shutdown logistics systems, divert emergency services and upend global manufacturing. And they have catapulted cyber business interruption coverage to the top of the risk management agenda for companies of all types.

### Revisiting the Standard

While business interruption coverage has been provided as part of the cyber insurance policy for years, the coverage has historically been borrowed from property policies, which use broad language that has been largely untested in conjunction with cyber-related perils. Now there is a pipeline of early claims working their way through the system — and there will be lessons learned from their outcomes.

This situation is not without precedent. Effective, sustainable cyber policy wording to address data



breach exposure did not develop overnight. It has required refinement over time and has been shaped by an evolving regulatory environment and companies’ growing recognition of the exposure. Additionally, the insurance industry has worked through a myriad of data breach claims and the process has enabled us to address this exposure and loss more and more effectively.

The same evolution must occur for cyber-related business interruption risks. The cyber-triggered business interruption loss of any specific company is unique: It depends on that company’s business model, how that company generates revenue, and such variables as the company’s contingency plans and supply chain exposures. Even seemingly broad business interruption language may

not respond effectively to risks specific to an insured and its business, unless it has been thoughtfully crafted to do just that.

### Starting New Conversations

To create sustainable business interruption coverage which responds effectively to cyber related perils, underwriters must first fully understand a company’s exposure when it comes to an outage, regardless of cause. This will require underwriters to think about the exposure differently. Underwriters will need to analyze financials and understand a company’s fixed costs as well as how it recognizes revenue. They will need to ask different questions. For instance, to what extent does the insured rely on computer systems to run its business? What would be the conse-

quences of an outage? What backup systems and business continuity and contingency plans are in place?

At the same time, companies should be asking how well their business interruption coverage aligns with their true exposures, keeping in mind that today’s coverage is likely gleaned from property policies, which take aim at different perils. Getting answers to these questions will require bringing different people to the table to discuss the company’s unique exposure — including those responsible for operations, disaster recovery and business continuity.

Awareness must expand as well. Management needs to be educated about the potential impact of a cyber business interruption event. Again, there is a parallel to the early days of cyber coverage for data breach exposure. Not too long ago, protecting data was not an organization’s priority, and many companies were unaware of the type of data they held or how it was stored. Today, companies that hold sensitive information must be well-prepared to demonstrate their commitment to data protection in order to obtain cyber insurance.

Our customers’ cyber insurance needs have evolved and this evolution will continue. The insurance market must respond in a thoughtful way, with diligent underwriting and coverage crafted to align most effectively with individual risk.

<sup>1</sup> <https://www.cybereason.com/blog/notpetya-costs-companies-1.2-billion-in-revenue>



Berkshire Hathaway  
Specialty Insurance®

For more information, contact [info@bhspecialty.com](mailto:info@bhspecialty.com).

Berkshire Hathaway Specialty Insurance ([www.bhspecialty.com](http://www.bhspecialty.com)) provides commercial property, casualty, healthcare professional liability, executive and professional lines, surety, travel, programs, medical stop loss, and homeowners insurance. The actual and final terms of coverage for all product lines may vary. It underwrites on the paper of Berkshire Hathaway’s National Indemnity group of insurance companies, which hold financial strength ratings of A++ from AM Best and AA+ from Standard & Poor’s. Based in Boston, Berkshire Hathaway Specialty Insurance has offices in Atlanta, Boston, Chicago, Houston, Indianapolis, Irvine, Los Angeles, New York, San Francisco, San Ramon, Seattle, Stevens Point, Auckland, Brisbane, Dubai, Dublin, Düsseldorf, Hong Kong, Kuala Lumpur, London, Macau, Melbourne, Singapore, Sydney and Toronto.

The information contained herein is for general informational purposes only and does not constitute an offer to sell or a solicitation of an offer to buy any product or service. Any description set forth herein does not include all policy terms, conditions and exclusions. Please refer to the actual policy for complete details of coverage and exclusions.

# rocksolid

## FINANCIAL STRENGTH

A++ A.M. Best | AA+ Standard & Poor's

\$240.3 billion total admitted assets\* | \$129.6 billion policyholder surplus\*

Casualty  
Executive & Professional  
Healthcare Professional  
Homeowners  
Medical Stop Loss  
Property  
Programs  
Surety  
Travel



Berkshire Hathaway  
Specialty Insurance®

[www.bhspecialty.com](http://www.bhspecialty.com)

Atlanta | Boston | Chicago | Houston | Indianapolis | Irvine  
Los Angeles | New York | San Francisco | San Ramon | Seattle | Stevens Point  
Auckland | Brisbane | Dubai | Dublin | Düsseldorf | Hong Kong | Kuala Lumpur  
London | Macau | Melbourne | Perth | Singapore | Sydney | Toronto

\*Balance sheets as of 09/30/2017 for the Berkshire Hathaway National Indemnity group of insurance companies.