



Privacy Liability and Breach Response Insurance Frequently Asked Questions

What is Privacy Liability and Breach Response insurance?

This insurance typically includes two major coverage sections:

- Covers damages and claims expense incurred as a result of theft, loss, destruction, or unauthorized disclosure of personally identifiable non-public information.
- Covers the notification costs associated with a security breach in order to comply with a Security Breach Notice Law.

What are the typical costs of a data breach?

There is no such thing as a typical data breach, and this applies to costs as well. Computer forensics starts at about \$10,000 and may run upwards of several hundred thousand dollars. Response costs alone (creating and mailing notification letters, setting up a call center, offering credit monitoring) can cost \$30 per affected record. One must also consider the additional exposure to regulatory actions, penalties, or a lawsuit. These figures do not include the public relations costs to your business.

The Ponemon Institute conducts independent research on privacy, data protection and information security policies. Their latest data breach study reveals that the average cost of a data breach has risen to **\$214 per customer record**.

Why do I need this insurance? I outsource all my IT and computer security to a reputable outside vendor?

Even the experts experience security breaches (that's why they buy insurance too!). And if their breach involves your clients' personal non-public information, then the legal duty to provide notification to your clients lies with you, not your vendor. And if a consumer lawsuit is filed over the breach, it will likely name your company as well.

I am a small business, not a large corporation. Do I really need this coverage?

Yes. A 2011 data breach study found that 63% of breaches in 2011 involved organizations with fewer than 100 employees. Many times hackers find targets by looking for computer security weaknesses or flaws to expose without regard to the size of the business on the other end. Furthermore, employee negligence, which has no correlation to the size of a business, is a leading cause of data breaches.

Aren't security breaches covered under my general liability policy?

Commercial general liability policies of the type that many small businesses have provide coverage for bodily injury and damage to tangible property. This does not typically include data. In some cases, general liability policies may expressly exclude coverage for security breaches. In any case, general liability policies do not provide the first party breach response services provided by the BBR Select policy.

What are some examples of privacy breaches within the Mortgage Bankers and Brokers industry?

Texas Mortgage Company – February 2012

Software security breach of its internet Loan Prequalification System. Number of records affected is unknown, but company sent notification letters to those whose records may have been breached and posted a notice on its website.

Nevada Mortgage Company – January 2009

40 boxes of personal documents containing names, social security numbers, credit scores, and bank information were found in a public dumpster. Number of records involved is unknown, however, the individual mortgage broker involved paid a \$35,000 civil penalty to settle FTC charges. The mortgage broker will have to pay an independent security professional to review its security processes every year for ten years.

Minnesota Mortgage Lender – February 2010

Employee of lender who only worked for the company for six weeks stole approximately 100 people's identities and used the information to steal money from their bank accounts and credit cards – totaling \$150,000.

California Mortgage Company – September 2006

Mortgage company's payment processing vendor was robbed of several computer disks which contained names, social security numbers, addresses, loan & bank account information and copies of checks. Approximately 44 records affected.

**For more information contact Tom Delaney at
1.800.323.2743 or tom.delaney@bankersinsuranceservice.com**

This fact sheet provides only a general description of the coverage afforded in the policies offered and should not be considered as altering the insuring agreements, terms, conditions, exclusions and endorsements of the policy itself. Please read the provisions contained in the actual policies and discuss them with your insurance professional.



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