

VIEWPOINT

**INFORMATION SECURITY &
PRIVACY INSURANCE FOR NONPROFITS**

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Safeguarding Donor and Employee Information

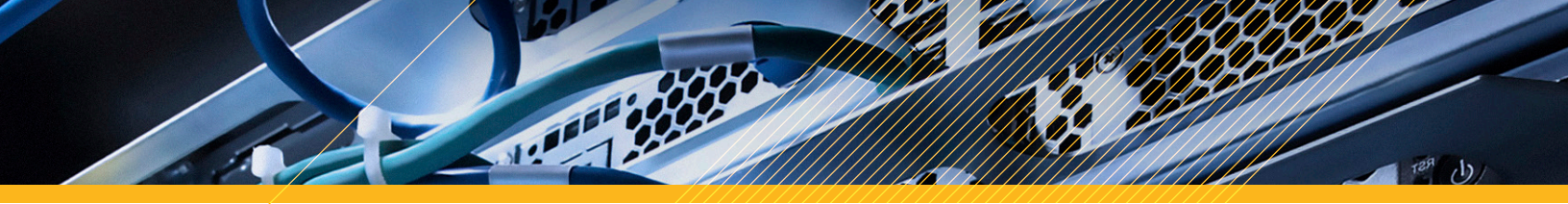
Leaders of today's nonprofits are aware of the increasing need to rely on data and software systems to grow their organizations yet, the rewards of interconnectivity come with serious risks. Late in 2014, the nonprofit organization that manages several databases of domain names, The Internet Corporation for Assigned Names and Numbers (ICANN)¹, was hacked. Cyber attackers stole user information such as names, addresses, emails, phone numbers, usernames, and passwords magnifying the connection between information security and an organization's reputation and financial health. Similar incidents took place at Sony, Home Depot, Target, JP Morgan Chase, and Anthem, all of which have resulted in millions of dollars in attorneys' fees and exposed personally identifiable information of millions of private citizens.

While cyber criminals target these organizations for their wealth of financial and personal data, nonprofit organizations have the added risk of being hacked due to their platform. Maintaining up-to-date technology and a cyber prevention program is often overlooked by nonprofit organizations due to limited resources and a focus on fundraising to further their mission. Those that do not have proper safeguards and recovery plans in place may be at risk of lawsuits brought by third parties that have been allegedly affected by a data incident, and, potentially, subsequent fines and penalties resulting from regulatory investigations (e.g. states' attorney generals). Although foolproof protection of electronic data and computer systems is unattainable, there are measures that can be taken to mitigate this exposure.

INSURANCE SOLUTIONS & PREPAREDNESS

Information Security & Privacy insurance (ISP) has been evolving as a risk transfer vehicle since its inception in the late 1990s. More recently, the insurance market has expanded in this field with more competition and broader, more comprehensive coverage. Most carriers offer a multi-insuring agreement policy with a la carte options allowing the insured to customize their ISP

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Organizations that do not have proper safeguards and recovery plans in place may be at risk of lawsuits

program according to their risk profile. Policies are designed to provide potential reimbursement for both first- and third-party claims:

First Party Claims

- : **Forensic Investigation**—costs to hire a firm to investigate the incident
- : **Privacy Notification**—costs incurred to comply with various state laws concerning data privacy
- : **Public Relations**—costs associated with hiring a PR firm to manage the news cycle
- : **Digital Asset Recovery**—reimbursement for IT expenses incurred to bring impaired systems and data back online
- : **Network Extortion**—coverage provided for expenses paid up to and including ransoms following threats made against an organization relating to damaging systems and/or releasing sensitive data

Third Party Claims

- : **Network Security**—response to claims alleging damages as a result of an organization's failure to protect computer networks, systems, and/or data
- : **Privacy**—defense and indemnity for claims alleging personal and financial damages caused by a failure of an organization to protect personally identifiable or corporate confidential information
- : **Privacy Regulatory Defense and Fines/Penalties**—reimbursement for legal fees incurred to respond to and manage state and federal investigations, including coverage for certain fines levied in the aftermath of such incidents

Because a cyber breach can be catastrophic to an organization's finances and reputation, preparation for a potential attack is critical. An insurance policy can address the financial costs to restore a system as well as the dedicated resources needed to initiate and put into place the proper corrective measures.

1. Hackers Compromise ICANN Computers: <http://www.securityweek.com/hackers-compromise-icann-computers>

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