



March 22, 2017

To: Finance and Administration Committee
From: Darrell Johnson, Chief Executive Officer
Subject: Security and Privacy Liability Insurance Coverage

Overview

The Orange County Transportation Authority currently has security and privacy liability insurance policies with National Union Fire Insurance Company of Pennsylvania and Chubb North American Commercial Insurance Company. These policies are renewed annually on the first of November.

Recommendation

Receive and file as an information item.

Background

The Orange County Transportation Authority (OCTA) has purchased security and privacy insurance since November 1, 2010. Currently, OCTA has two policies each with \$5 million in policy coverage limits, subject to a \$100,000 deductible.

Discussion

Historically, insurance policies of this type were called cyber insurance because the coverage was mostly limited to protection of computer systems and networks. As companies and organizations became more interconnected through computer systems and networks, insurance companies began enhancing the coverage to include liability protection.

OCTA's current policies provide \$10 million to protect against lawsuits filed by customers or other parties resulting from disclosure of personal information caused by security and privacy breaches. Such claims may allege invasion of privacy, libel, slander, or infringement of copyright and intellectual property rights. In addition, OCTA's current policies provide coverage for the reimbursement of expenses including:

- Business Income and Extra Expense
- Loss of Data Expense
- Privacy Notification Expense
- Cyber Extortion Expense
- Regulatory Defense Costs
- Crisis Management Expense

Business Income and Extra Expense Coverage

This coverage provides income and expenses lost due to a full or a partial shutdown of a computer system or network as a result of a hacker attack, a computer virus or other causes by external forces. This coverage has a twelve hour waiting period in addition to the overall \$100,000 policy deductible.

Loss of Data Expense Coverage

This coverage provides a reimbursement of the cost of restoring and reconstructing the data that was lost or damaged as a result of a hacker attack, a computer virus, or other causes by external forces.

Privacy Notification Expense Coverage

Under California Civil Code 1798.29(a) and 1798.82(a), a business or state agency is required to notify any California resident whose unencrypted personal information was acquired, or reasonably believed to have been acquired, by an unauthorized person. In addition, any person or business that is required to issue a security breach notification to more than 500 California residents as a result of a single breach of the security system shall electronically submit a single sample copy of that security breach notification, excluding any personally identifiable information, to the Attorney General. A breach of the security of a system means any unauthorized acquisition of computerized data that compromises the security, confidentiality, or integrity of personal information maintained by the person or business.

The privacy notification expense coverage includes the support of the insurer by providing expertise to assure full compliance by the insured with any State or other applicable notification laws. It also includes reimbursement of the cost of notifying anyone whose personal information was believed to be, or actually was acquired by an unauthorized person.

Cyber Extortion Expense Coverage

This coverage provides reimbursement of expenses associated with a cyber extortion threat. This includes coverage in the event that an extortionist threatens to exploit a security flaw in a computer system or attack the computer system unless the extorted party pays a sum of money demanded by the extortionist.

Regulatory Defense Cost Coverage

This coverage provides reimbursement of legal defense costs, fines, or penalties imposed that are associated with actual or potential unauthorized access to private information.

Crisis Management Expense Coverage

This coverage provides reimbursement of the cost of engaging the services of forensic and public relations consultants in the aftermath of a cyber event.

Summary

The Orange County Transportation Authority purchases \$10 million of security and privacy insurance, subject to a \$100,000 deductible to cover liability claims and to reimburse OCTA for expenses incurred as a result of external forces causing a computer system breach.

Attachment

None.

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