

Claims Examples

Cyber Security and Privacy Liability

The following claims examples have been developed to illustrate the types of cyber liability claims that clients may face.

Privacy Liability

1. Privacy Breach

An online mortgage company reported a breach after several former employees gave mortgage lenders access to confidential customer records. Over a two year period, lenders obtained access to private client information, such as social insurance numbers, income and employment data, and used it to market their own mortgages. The mortgage company incurred the cost of notifying their clients, and the cost to protect the privacy and identity of the firm's clients, restore their identity to pre-theft status if required and report any security breach to credit agencies. Total remediation costs were in excess of \$75,000.

2. Privacy Breach

A mid-size accounting firm was broken into and laptop computers were stolen. Some of the information contained in these laptops was personal, including the social insurance numbers and bank account information of the firm's clients. Overall, a total of nearly 10,000 of the firm's clients were affected by this theft. Although the police investigating the case suspected that the theft was a simple "smash and grab," the firm had not encrypted the information found in these laptops, making it easily accessible. There was a one month lapse between the time of the theft and the time the firm notified their clients. The firm had to incur significant remediation costs, both to notify the clients and to retain a company to protect the privacy and identity of the firm's clients, and restore their identity to pre-theft status as required and report any security breach to credit agencies. Total remediation costs were \$150,000.

Although this example involves an accounting firm, it could apply to professional practices of all kinds, including medical clinics, medical professionals, business consultants, brokerages or any other type of professional dealing with sensitive and confidential information.

3. Privacy Breach

A medical clinic employee accidentally emailed a file with client names, medical records and provincial health card numbers to an unauthorized individual. The medical clinic notified its clients of the breach immediately. Two months after the breach, one of the clinic's clients was a victim of identity theft and sued the clinic for damages. The final settlement was \$50,000 and the cost to defend the clinic was \$25,000.

Network Security Liability

1. Network Data Breach

A law firm faced a class action lawsuit filed by former employees. The lawsuit was filed after an employee database housed on the firm's network containing personal information and emails from 500,000 current, former and prospective employees was breached. Nearly 100,000 social insurance numbers were stored in the database. After the breach, the firm disclosed that some of the email information had been used to create fake emails to contact the individuals whose information had been compromised. The remediation costs incurred by the firm as a result of this breach included \$25,000 in credit monitoring services for employees affected by the breach and \$150,000 in public relations services. In addition, \$60,000 was incurred in legal fees.

2. Network Data Breach

An association that offered educational webinars ran a promotion encouraging members to register and pay for an upcoming webinar on its online website. Shortly after running the promotion, the association's computer systems were improperly accessed by a third party. The members' names, postal address, phone number and credit card information were exposed. Remediation costs were in excess of \$60,000 and included notification of the breach to the association's members, credit monitoring and public relations services.

Electronic Media Liability

1. Copyright Infringement

A health and safety consultant offered online courses such as first aid, human rights and leadership development. The consultant had previously purchased all copyrights from another health and safety training firm that had "allegedly" created the online courses. A lawsuit was launched against the consultant by a third party for copyright infringement. The lawsuit was also launched against the training firm who sold the material to the consultant. The plaintiff alleged that the material used online by the consultant was in fact authored by him and he had never authorized the consultant to use the material. The lawsuit went on for several years. A settlement was finally reached among all the parties. The final settlement was in excess of \$300,000, with a contribution of \$40,000 from the consultant. The cost of defending this claim was in excess of \$100,000.

2. Defamation and Slander

The defendant, who ran an online newspaper, wrote an article about a medical clinic and its medical staff. The article referred to how doctors working at the clinic were involved in a conflict of interest regarding new software the medical clinic was about to purchase at a very high price. A libel notice was served on the defendant journalist and an online apology and retraction were requested. Shortly after the apology and retraction, a lawsuit was filed against the online newspaper for defamation in the amount of \$4 million. The file settled for \$400,000 and defence costs incurred were in excess of \$200,000.

These Claims Examples are for illustrative purposes only. Please remember that only the insurance policy can give actual terms, coverage, amounts, conditions, and exclusions.