



ASK THE EXPERTS:

*Maximizing Recovery for Cyber Business Interruption
in the Professional Services Sector*

AGENDA

- Meet the Experts
- Overview of Direct and Contingent Business Interruption Coverage in a Cyber Policy
- Doing the Math: How BI loss is calculated
- Challenges of Proving Loss
- Expert Tips and Takeaways
- ASK THE EXPERTS – Q&A



MEET THE EXPERTS

MODERATOR:

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FORENSIC ACCOUNTING EXPERT:

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THE BASICS

Direct Cyber Business Interruption Loss:

Coverage for loss of business income and extra expenses sustained by the Insured entity as a result of a breach of network security.

Contingent/Dependent Business Interruption Loss:

Coverage for loss of business income and extra expenses, sustained by the Insured entity, arising from a network security breach sustained by a business-critical vendor, such as a cloud provider. Many policies limit dependent business interruption coverage to IT vendors only.

Extra Expense:

Expenses that are above and beyond a business's normal operating costs. Typically, these costs occur when a business can't operate out of its usual location or if equipment is damaged in an insured event. Extra expenses cannot be greater than the loss they are attempting to stop.



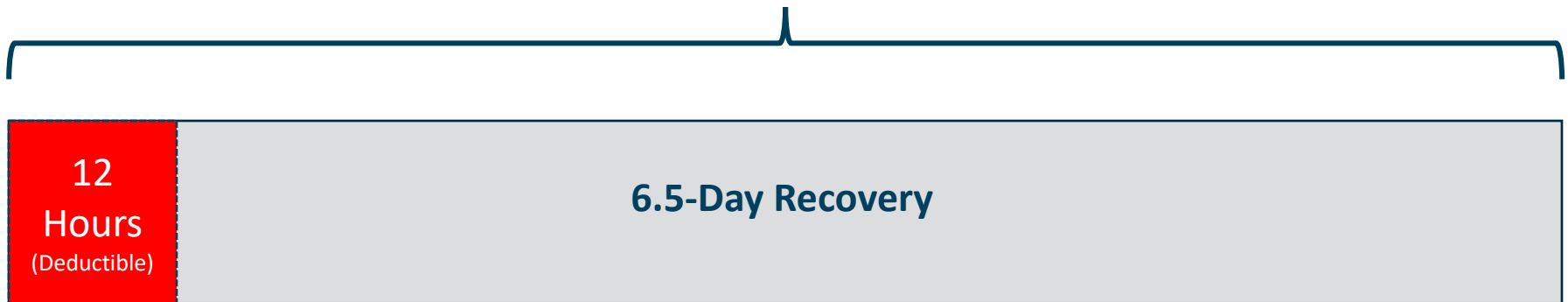
Business Interruption Triggers in Cyber Policy



- Direct business interruption arising from a security failure
 - Direct Business interruption arising from a system failure
 - Dependent business interruption arising from a security failure
 - Dependent business interruption arising from a system failure
 - Consequential Reputational Harm
- * A security failure is malware getting int your environment or some other form of attack.
- * System failure is an unplanned, unintended system outage, often this is caused by an upgrade that goes wrong

RETENTION / WAITING PERIOD

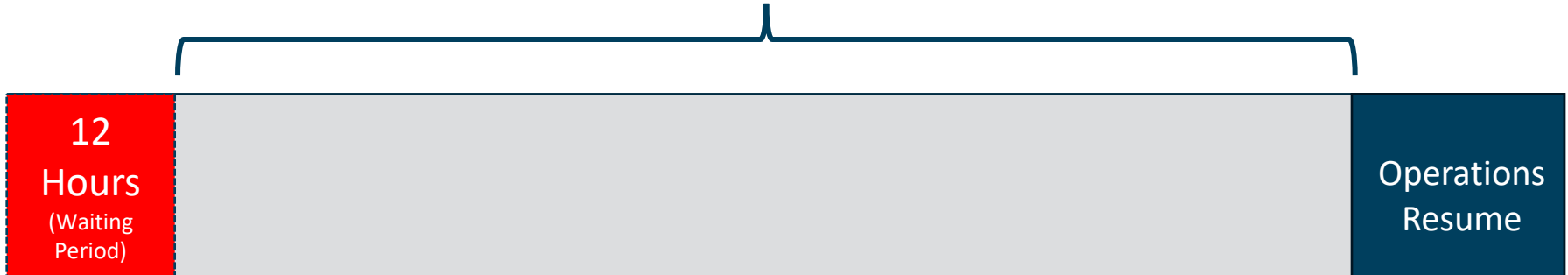
7-Day Interruption



Monetary retentions v. Waiting Period: Business interruption **MUST exceed** the *waiting period* and the insured must satisfy the **monetary retention** as a condition of coverage under the Policy

Average Wait Periods	Time (Hours/Days)
Direct Business Interruption	8-12 Hours
Contingent Business Interruption	8-12 Hours
Consequential Reputational Harm	14 Days

Period of Restoration



Cyber policies cover business interruption during the **period of restoration**.

Most policies define this as the lesser of when the system was recovered or a specific number of days – average period of restoration: **90-180 days**.

Consequential Reputational Harm: Typically, subject to a **14-day waiting period** and it is for a specific period of time, often 180 days – it generally does not have “lesser” of language that appear in the other coverage triggers.

How to Calculate BI

Most cyber policies define business income loss as:

Net income + necessary continuing overheads + extra expenses you incur to get back up and running.

GOAL: Put the Insured in the same financial position “*but for*” the loss.

Earnings Loss means the difference between the actual revenue and the expected revenue that **Your Organization** would have earned during the **Period of Restoration** (based on reasonable projections), but for the **Network Disruption**, less the variable and fixed costs that would have been incurred, which **Your Organization** saved as a result of not earning that revenue.

Potential exposure evaluated ahead of time to set limits and coverage

How to Calculate BI



TOP-DOWN
APPROACH



BOTTOM-UP
APPROACH

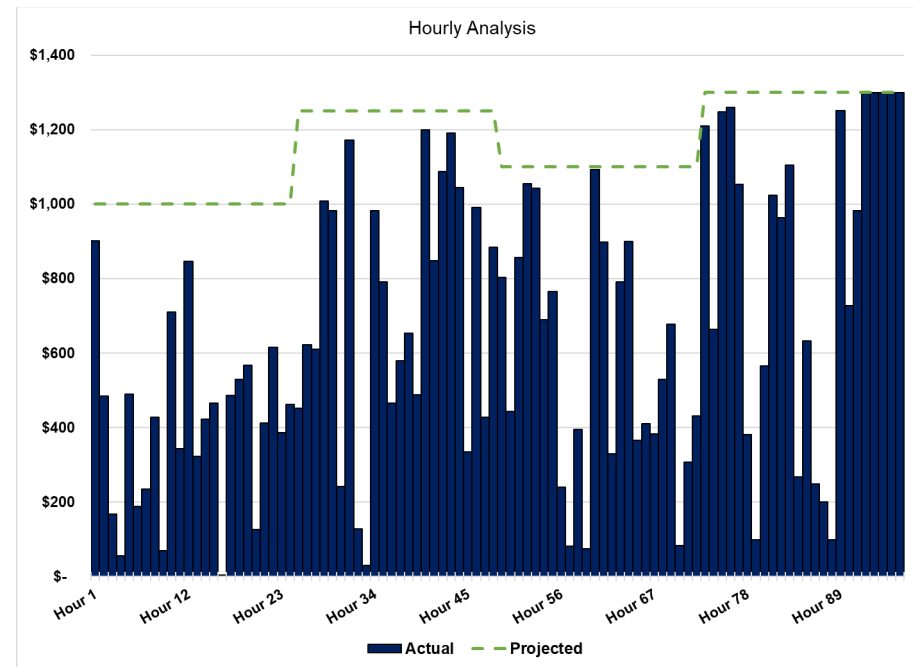


How to Calculate BI

Traditional



Cyber



Challenges of Proving a Loss

Challenge – Demonstrating an operational disruption



Solution – Providing additional metrics to demonstrate the loss

Challenge – Demonstrating an actual loss sustained

No Makeup



Potential Makeup



Solution – Provide the data and the “story” to support the loss

Challenges For All Types of Companies

- Record keeping and documentation
- Regulatory compliance
 - Can affect company's ability to claim losses
- Complexity of Cyber incidents
 - Multiple points of entry
 - Varying impacts on different aspects of the business

Specific Challenges for Professional Services

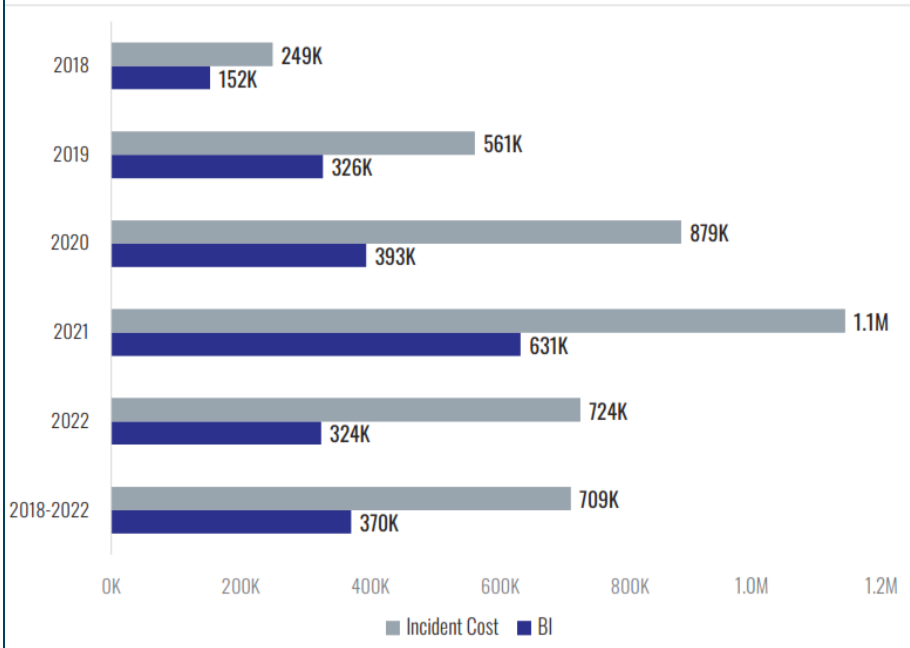
- Questions around any lost clients / engagements
 - Delay vs. Loss
 - Lost opportunities
- Heavy scrutiny on potential makeup
- Detailed timeline of operational disruption is necessary (*e.g. specific system outages*)

Claim Trends

Average Business Interruption Costs

SMEs

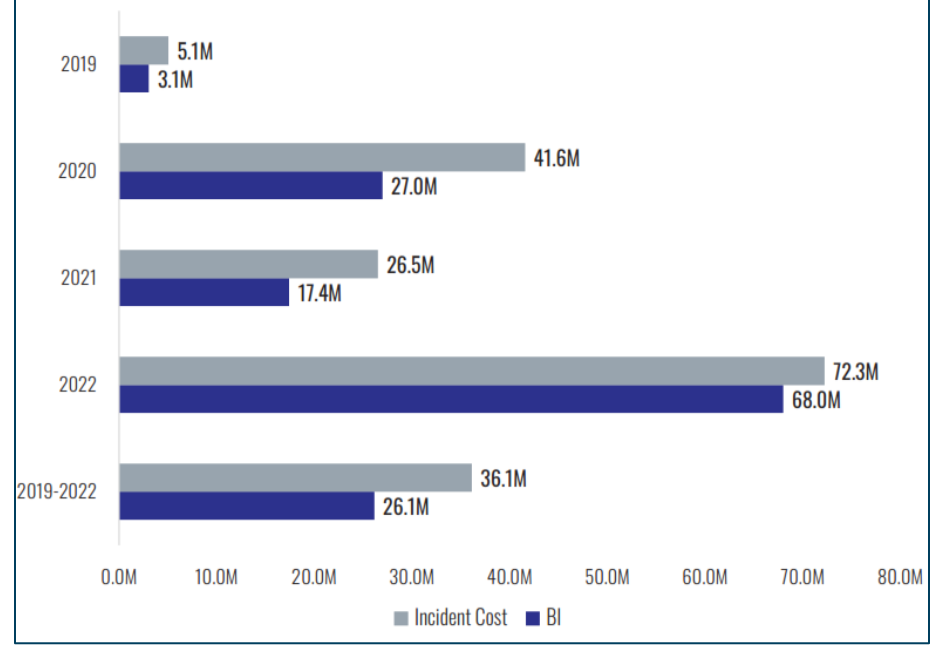
(N=323)



Average Business Interruption Costs

Large Companies

(N=16)



Source: NetDiligence Cyber Claims Study – 2023 Report

CHRIS' TIPS AND TAKEAWAYS

- **Document Everything Immediately**
 - ***DETAILED TIMELINE OF EVENTS***
 - Establish unique accounting / billing codes
- **Have Clear Communication Channels**
 - Internally: Staff, Executive Team
 - Externally: Broker, Carrier, Vendors
- **Clearly Tell the Story w/ the Claim**
 - Connect operational disruption to financial impacts
- **Plan Ahead**





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RICHARD'S TIPS AND TAKEAWAYS

- **Plan ahead**
 - Have an incident response plan
 - Conduct tabletop exercises and test your back ups
- **Try to identify likely BI exposure when deciding limits**
 - Social engineering
 - Software Updates
 - Reputation damage
- **Know your Cyber policy wording in advance**
 - e.g.: Does it include payroll?



ASK THE EXPERTS!

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