



INFORMATION ON CYBER CRIM LIABILITY:

While the standard insurance coverage available to community associations covers general liability, D&O and commercial property, it typically doesn't provide coverage for cyber liability-related claims. If left unprotected in the event of a cyber-liability claim, an association could be at significant financial risk.

What is a Data/Security Breach?

A data/security breach is when sensitive, confidential data, such as personal identification or health information, trade secrets or intellectual property, may have been viewed, stolen or used by an unauthorized individual. Such breaches, called cyber-crimes, occur every day and cost those affected billions of dollars per year to investigate, repair company systems and websites, recover losses from the disruption of business, and even defend against lawsuits and rebuild a tarnished reputation.

Any organization—including homeowner associations—that houses or exchanges electronic data via a website or conducts business online is susceptible to a data/security breach. Roughly 75 percent of all organizations will experience at least one data-related violation each year, and expenses incurred from the theft or loss of sensitive data can be debilitating.

Although a security breach may be caused by someone intentionally hacking into a system, more often than not, it's due to negligence; a lost or stolen laptop, smart phone or memory stick, or an unsecured IT network can lead to significant breaches. Any data in the wrong hands can cause damage.

Data Breaches are Expensive

At least 46 states have mandatory notification laws, and if an association you manage experiences a data breach, affected customers and certain regulatory agencies must be notified. The association may have to prepare written alerts or press releases, and pay for printing, postage, advertisements or call centers to inform members and unit owners of the breach.

With your members/unit owners' personal information exposed, the association also may be expected to pay for credit monitoring services for each person or household affected. Because the association had a duty to secure consumer information, it could face lawsuits for its breach of duty, which can result in hefty legal fees and years of litigation. An association also may be liable for a digital forensics analysis to determine how the breach occurred and the installation of new security systems to guard against future instances.

What is Cyber Insurance?

Cyber-liability insurance—sometimes known as data/security breach, network security or privacy insurance—extends an association's D&O liability coverage to include coverage for claims related to third party unauthorized disclosure of nonpublic personal information or identify theft. Most policies cover fees and expenses required to comply with a Security Breach Notice Law including notification, monitoring, computer forensics, attorneys/experts to negotiate with regulators after a privacy breach event and remediation of the deficiencies that gave rise to the privacy breach event. They also provide protection for inadvertent disclosure or theft of confidential information like social security numbers, bank account information and credit card numbers and helps protect against damage to computer systems and data from computer viruses, hacking and criminal activity.

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