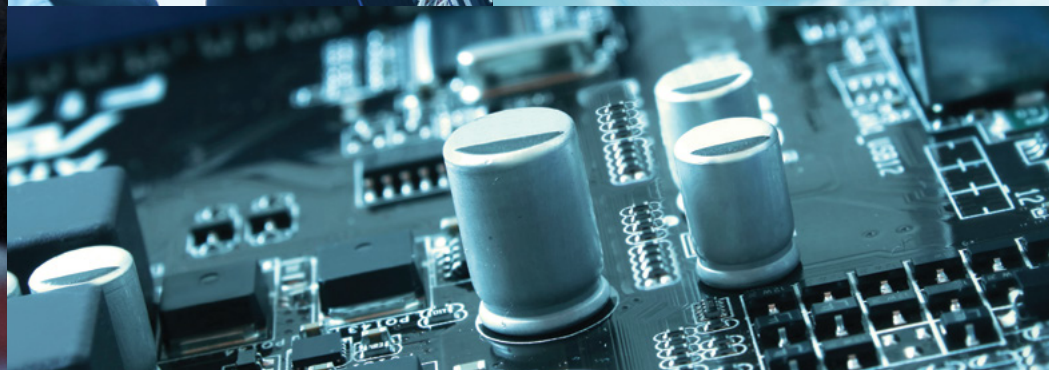
A broker guide to selling cyber insurance



Cyber Sales Playbook

AIG

Start >

The Sales Opportunity

Client awareness is soaring

Few lines of business insurance have as many statistics highlighting increasing numbers of incidents and exposures as cyber liability. It is not surprising that so many companies are reported to be thinking about the need for this insurance, while C-Suite and risk managers see cyber exposures as one of their top risk concerns.

Significant impact

While risk managers and executives point to cyber risk as a top concern, cyber exposures are also one of the least insured. This suggests that clients will be very interested in discussing their cyber exposures and possible insurance solutions.

Market opportunity

Organizations have become increasingly concerned about protecting their data, their products, their property, and their reputation. All companies are at risk, presenting brokers with a significant opportunity to assist clients with assessing their exposures and working with carriers to craft solutions.

Cyber is consistently one of the top risks businesses face, with the average cost of a breach at approximately $3.6 million.[1]

Other hot topics:

- Increasing awareness of the potential for reputational harm has led to more C-Suite involvement in strategic cyber initiatives.
- I.T. departments cannot be the sole source for defending against cyber risk.
- Cloud computing and mobile technology are growing areas of concern when it comes to potential sources of cyber risk.
- Clients are increasingly aware of cyber network downtime as a potential loss from a cyber issue.

[1] 2017 Cost of Data Breach Study: Global Analysis; Ponemon Institute Research Report, sponsored by IBM; June 2017

Target Clients

Any company that relies on technology and stores, manipulates, or transmits data is at risk of a cyber incident.

Manufacturing
Manufacturing and production facilities require integrated, reliable operations systems to ensure their production is timely and effective. Supply chain, outsourcing, and equipment failures are just a few areas that raise the cyber threat risk.

Healthcare
The rise of electronic health records, other digital health platforms, and connected devices have made healthcare more vulnerable to security breaches. According to a recent security threat report, healthcare is becoming one of the most targeted industries.[2]

Large Business
Many large businesses believe their IT department is effectively managing the risk from cyber threats. This is similar to doctors not carrying malpractice insurance because they have years of medical experience and expertise.

Retail
Retailers hold a wealth of client information including credit and debit card numbers. Clients who typically use the same password and save login details across several accounts are also placed at greater risk for fraud.

Banking/Finance
Financial institutions have long been high on the radar of hackers given the sensitive data at stake. Malware, non-approved devices, and third party business applications all pose unique challenges to banks and other financial companies. **There are approximately 1.2 million new malware or variants on average each day.**[2]

Small and Mid-sized Business
Mid-sized companies may house large amounts of valuable data – and are more likely to be using legacy systems – but lack the data security budgets of their big business peers. **62% of businesses that are attacked are small or medium in size.**[3]

Energy
In recent years, increasing attention has been paid to the critical importance of cybersecurity for energy companies. Possible vulnerabilities in industrial control systems and ever greater intersections between operational technology and information technology suggest a significantly heightened exposure, with implications for business interruption, property damage, and bodily injury.

Higher Education
Institutions of higher education are particularly vulnerable to cyber threats due to their open environments, student and faculty information stored, and breadth of services provided. In addition, these institutions may face limited resources and budget constraints, making it difficult for them to keep up with the rapidly changing cyber threat environment.

The experts agree: service providers, financial services, insurance, real estate, and healthcare organizations are the most commonly targeted industries.[1,2]

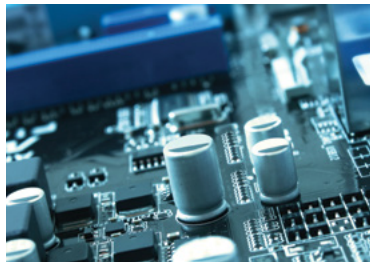
See claims scenarios for these industries and businesses >

[2] Symantec (2017) Internet Security Threat Report retrieved from www.symantec.com/security-center

[3] Crowdstrike (2015) Global Threat Report retrieved from www.crowdstrike.com/global-threat-report-2015/

Managing Objections

Although companies are aware of cyber risk generally, obstacles to purchase typically relate to uncertainty about the exposures actually faced by their business as well as a misunderstanding of the scope and cost of coverage available. Below are a few suggestions to manage such objections.



We already have these measures in place.

Companies may already purchase or deploy certain cybersecurity strategies, but do they know whether or not these services are truly effective? AIG can help assess the current state of your client's cybersecurity posture.

We weren't aware of these additional services.

Proactive measures to guard against cyber attacks are essential to effective risk management. AIG provides complimentary services such as employee eLearning, blacklist IP blocking, domain protection, and proactive pre-breach consultation to help insureds prevent and prepare for a breach. In addition, our team of experienced cyber risk consultants is available to assist in developing customized risk mitigation strategies through AIG and its partners. Please refer to the Loss Prevention Services tab of the playbook for additional information.

Our IT department is managing risk effectively.

A strong IT department is essential to managing cyber risk; but, given the proliferation of ransomware and daily new variants of malware, it is impossible to prevent every attack. Insurance serves to complement a client's IT department; and, if the worst occurs and their system is breached, it provides the peace of mind of knowing they have a team of experts ready to respond.

We determine coverage needs based on what our peers are doing.

Every company is unique and cyber criminals, employees, and competitors may be interested in your client's digital assets. AIG has underwritten thousands of cyber policies and has experience across numerous industries. Our underwriting model and corresponding reports can help companies determine their needs through benchmarking and risk reducing controls. **Learn more here >**

Our data and/or industry is not a high-risk target for cyber threats.

No company is safe from cyber threats, and bad actors are actively exploiting the vulnerabilities of companies and industries that do not perceive themselves as high risk. Ask your client: could they withstand a complete shutdown of their network for any period of time? There's more than data at stake, and AIG's cyber insurance is there to respond—from network interruption to cyber extortion and optional extensions for third party bodily injury and property damage.

The financial cost of an incident would not be significant.

The average cost of a breach is currently estimated at more than $3.6 million.[1] You may want to look at a breach calculator – like the one in our CyberEdge mobile app – with your client to estimate costs and assess the potential impact of various scenarios.

NEXT MANAGING OBJECTIONS >

Managing Objections Continued

We don't need it. We're not subject to U.S. regulation.

Fines and penalties represent only a portion of the costs that may be incurred as a result of a breach. Organizations must also consider reputational harm, data recovery costs, business interruption, and possible third party liability. In addition, the regulatory environment is constantly evolving, with certain industries adopting standards and best practices separate and apart from state and federal regulation.

We don't need it. We outsource our security.

Companies are increasingly moving towards outsourced service providers and cloud-based storage. Still, such providers must be properly vetted. Insureds should read the fine print, as contracts often limit the providers' liability in the event of a breach.

Our existing insurance policies typically cover some cyber risk.

AIG offers a comprehensive cyber risk management solution. No other form of liability insurance offers such specialized coverage to assist clients in handling all aspects of a cyber incident. While other policies may offer coverage for certain components of cyber risk, the policy may contain certain exclusions or sub-limits impacting or limiting the coverage.

Cyber insurance can also be packaged with other policies, such as Property Performance Services, to provide additional placement and coverage options.

Cyber threats are evolving quickly, it is difficult to keep up.

In a rapidly changing landscape, AIG's cyber solutions provide innovative protection and responsive guidance based on years of experience. With AIG's help, businesses keep ahead of the curve when it comes to managing cyber risk.

The cost of cyber insurance is too high.

Cyber premiums are modest in comparison to the potential cost of a cyber event, when all components – data recovery, event management, reputational harm, network interruption, and other third party liability – are taken into account. Cyber insurance provides an effective and affordable tool to help manage an incident and mitigate disruption to your client's business.

I've never had a cyber breach so I don't need this coverage.

The environment is constantly changing, and with the ever increasing reliance on data, companies are more susceptible to security and privacy threats than ever before. Future legislation and increasingly stringent industry standards also suggest that the costs of a breach will continue to climb. Proactively managing the risk is crucial.

We don't need it. We aren't a large corporation and don't think our data and/or industry is a high risk for cyber threats.

62% of businesses that are attacked are small or medium in size.[3]

We don't want to disclose all of our cyber vulnerabilities with you for fear they will be used against us in the event of a claim.

AIG is here to help protect your client's business from a cyber claim. The more information shared, the better we can help protect your client.

< PREVIOUS MANAGING OBJECTIONS

BACK

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Client Roadmap

Companies are looking for a way to benchmark their cyber maturity and quantify their cyber exposure. AIG is uniquely positioned to provide relevant feedback, together with actionable insights to assist clients in identifying opportunities to reduce their cyber risk.

Read below to learn how prospective and existing clients can benefit from using AIG's interactive insurance application, cyber underwriting model, and CyberMatics.

Complete the Interactive Cyber Application

A dynamic and interactive application, as questions populate based on responses, industry, size, exposure, and coverage sought.

A quote can be provided based on responses to the minimum required questions, however clients are encouraged to answer all the questions or at least the "prioritized" questions so that they receive a quote commensurate of their risk profile, as well as receiving more transparency and feedback on their risk profile.

Our Cyber Underwriting Model

AIG receives the application and data is run through our cyber underwriting model.

We score and quantify client cyber risk: current threat **intelligence + effectiveness** of an organization's cybersecurity controls based on their application responses + potential **impact** of a cyber breach on the organization **+ insights** gained from the thousands of cyber claims we've handled.

The model is based on historical insights and patterns of how companies experience cyber breaches: points of entry and types of attacks and vulnerabilities seen in the vast majority of cyber breach scenarios.

NEXT >

Advantages of filling out our application:

Speed: for a quote, certain applicants only need to answer the required minimum questions! (More comprehensive responses may result in a more favorable quote, and with binding, clients receive a detailed risk report, as seen on the next page.)

Personalization: the application is tailored for a client's individual profile and coverage requests/requirements

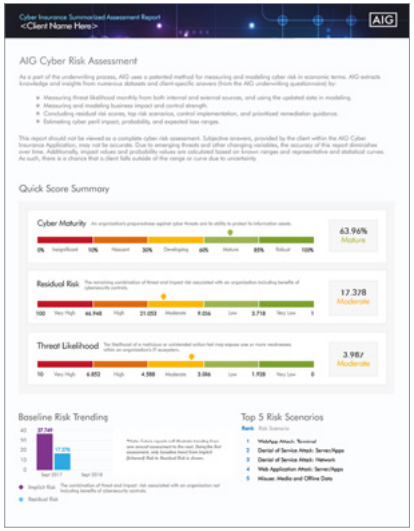
Recognition: comprehensive answers can provide acknowledgment for what clients are doing well

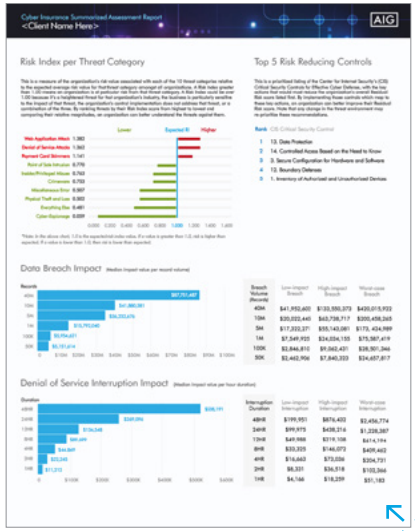
Client Roadmap, cont.

Report generation

< BACK

A sample of a full report with benchmarking and indicators of top risk reducing controls





Cyber Maturity: an organization's preparedness against cyber threats and its ability to protect its information assets

Threat Likelihood: likelihood of a malicious or unintended action that may expose one or more weaknesses within an organization's IT ecosystem

Business Impact: degree of confidentiality, integrity, and availability impact associated with applicable assets within an organization

Control Effectiveness: indicates how much each control reduces risk, depending on how well the controls are implemented

Implicit Risk: combination of threat and impact risk associated with an organization, not including benefits of cybersecurity controls

Residual Risk: remaining combination of threat and impact risk associated with an organization, including benefits of cybersecurity controls

Applicants who submit the new application can receive a basic level report, even if they do not bind their cyber insurance with AIG.

Insureds who submit the new application and bind coverage with AIG receive a full report with benchmarking information, when available.

The full report can help clients indicate top risk reducing controls.

Why is this useful?

CISOs can use this information to understand their organization's threat profile and resilience in detail, by both attack type and asset class, and further use the model's mapping on how different controls affect each risk scenario to adjust the overall security maturity of an organization.

Enhancing the cyber underwriting model, CyberMatics℠, AIG's patent pending security services-led approach, provides AIG with a more accurate and up-to-date risk assessment of a client's IT environment, and provides the building blocks to offer insights directly to the client on a real time basis.

Proactive loss prevention services to further improve a client's cyber maturity >>

24/7 support in the event of an incident or suspected incident >>

Proactive Loss Prevention Services

Optimizing the value of CyberEdge

Do insureds understand the suite of services potentially available beyond the insurance policy? AIG supports an end to end risk management approach, with numerous breach prevention and risk consultation services.

Complimentary Tools and Services

Complimentary tools and services are included with many cyber policies* to provide knowledge, training, security, and consultative solutions. Services include employee cybersecurity eLearning; blacklist IP blocking; domain protection; legal, forensic, and PR consulting; and more.

LEARN MORE >

AIG Services

AIG's team of cyber risk consultants brings over 50 years combined experience in IT security to help our clients stay ahead of their cyber risk. Our team works directly with insureds to provide detailed, technical expertise and consulting services to improve their cyber maturity.

LEARN MORE >

Trusted Vendor Partners

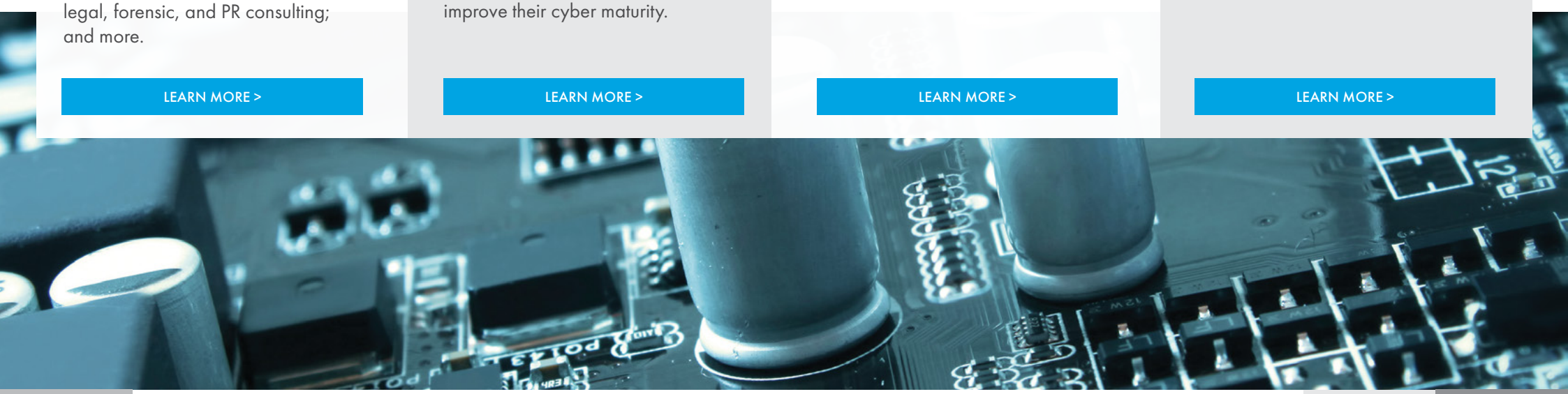
We have partnered with experts in cyber risk to bring our clients additional options to add to their line of defense.

LEARN MORE >

CyberMatics℠

With CyberMatics, our patent-pending security services-led approach, we can provide significantly more insightful and tailored analytics that, when blended with risk consulting, can improve the risk profile of our clients.

LEARN MORE >



*Clients who purchase CyberEdge and spend more than $5,000 in premium qualify for complimentary services.

Proactive Loss Prevention Services

COMPLIMENTARY TOOLS AND SERVICES >
TRUSTED VENDOR PARTNERS >
AIG SERVICES >
CYBERMATICS >

Complimentary Tools and Services

Complimentary tools and services are included with many cyber policies* to provide knowledge, training, security, and consultative solutions.

Employee Cybersecurity eLearning – Available in 11 languages

Meaningful, sustainable, and measurable cyber risk reduction eLearning to reference and reinforce clients' security policies based on employees' individual roles.

Blacklist IP Blocking and Domain Protection – Reduces the attack surface up to 90% ahead of the firewall

Enables organizations to control their exposure to criminal activity by leveraging vast threat intelligence repositories, precision geo-blocking, and black-list automation to reduce risk.

Infrastructure Vulnerability Scan – Identification of high risk infrastructure vulnerabilities

Select parts of your internet-facing infrastructure to have experts examine and identify vulnerabilities that are open to potential exploits by cyber criminals.

Legal Risk Consultation – Review and strengthen incident response capabilities

Two hours with an expert on incident response planning, regulatory compliance, security awareness, or privacy training.

Forensic Risk Consultation – Organizational preparedness for different threat scenarios

One hour with a forensic expert on what an organization needs to think about and prepare for different threat scenarios.

Public Relations Risk Consultation – Crisis communication plan best practices and preparation

One hour with an expert to prepare and plan for your organization to handle potential scenarios if one should occur.

CyberEdge Hotline – 24/7/365 cyber hotline

Our CyberEdge Claims Hotline is available 24/7/365 at 1-800-CYBR-345 (1-800-292-7345). Once a call is made, the CyberEdge Claims Team will coordinate with you to implement your response plan, engage any necessary vendors including breach counsel and forensics firms to identify immediate threats (such as a hacker inside a network), and start the restoration and recovery processes.

Insurance Portfolio Diagnostic – Cyber as a peril analysis against insurance portfolio

Experts review your entire property and casualty portfolio to determine how it is anticipated to respond to the spectrum of cyber predicated financial and tangible losses.

Cybersecurity Information Portal – Online access to cybersecurity information

24/7/365 access to current cybersecurity information.

Visit www.aig.com/cyberriskconsulting to request more information on these services.

Compare AIG's complimentary risk consulting and loss prevention services to other carriers' CLICK HERE

Contact our Cyber Risk Consultants at **CyberRiskConsulting@aig.com**.

*Clients who purchase CyberEdge and spend more than $5,000 in premium qualify for the above services.

The tools and services described above may be modified (by adding, removing, or replacing a tool or service) or discontinued at any time.

Proactive Loss Prevention Services

COMPLIMENTARY TOOLS AND SERVICES >

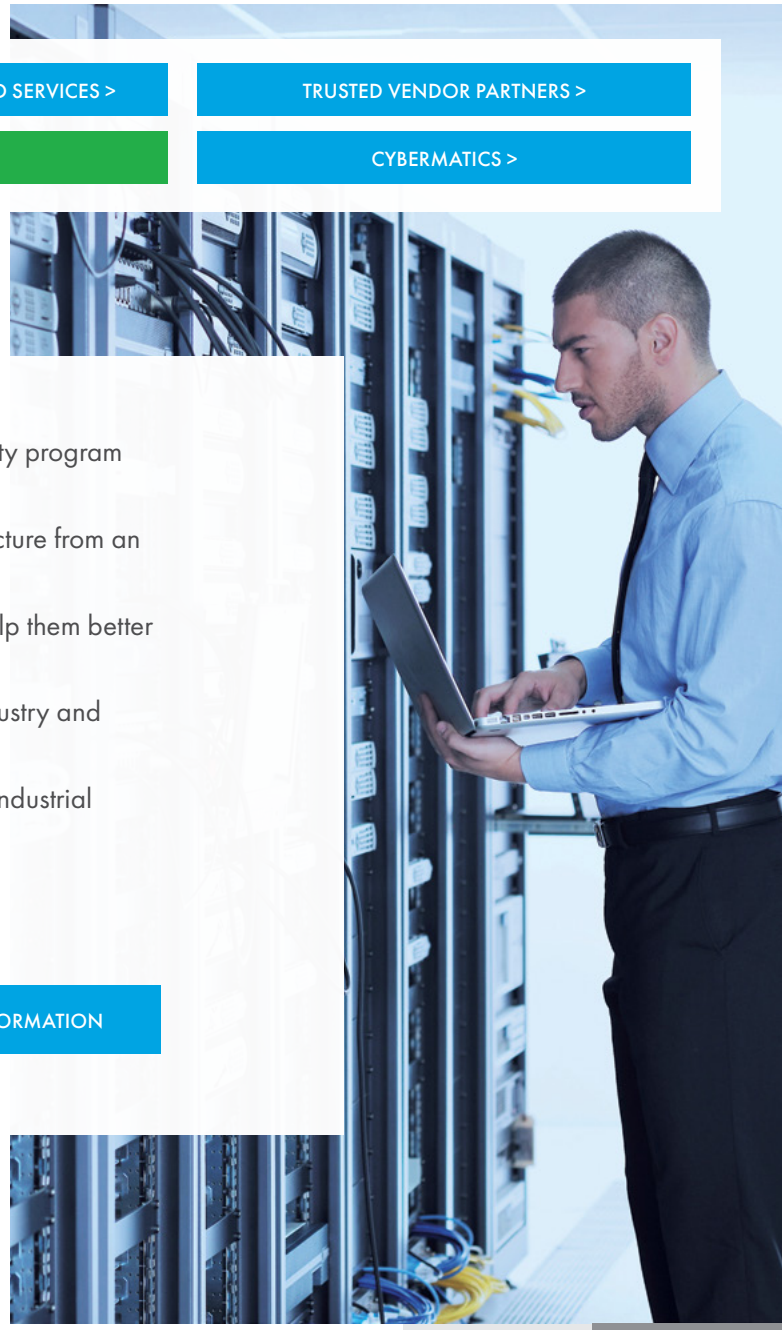
TRUSTED VENDOR PARTNERS >

AIG SERVICES >

CYBERMATICS >

AIG Risk Consulting Services

AIG's team of cyber risk consultants brings over 50 years combined experience in IT security to help our clients stay ahead of their cyber risk. Our team works directly with insureds to provide detailed, technical expertise and consulting services through:



Cyber Defense Review, designed to take a look at an insured's people, processes, and tools comprising their cybersecurity program and identify strengths and weaknesses. Learn more >

Internet Facing System Examination, designed to help insureds identify risks and exposures in their public facing infrastructure from an attacker's perspective. Learn more >

Incident Simulation Workshop, designed to help clients ensure their incident response plan will respond efficiently and help them better maximize their CyberEdge benefits. Learn more >

Executive Threat Brief, designed to help clients better understand the current security threat landscape specific to their industry and current methods attackers are using. Learn more >

Cyber Engineering Study, designed to look at an insured's people, processes, and tools that protect critical systems and industrial controls within their environment. Learn more >

CONTACT US FOR MORE INFORMATION

For more information on CyberEdge's loss prevention and risk consultation services, email us at **CyberRiskConsulting@aig.com**.

Proactive Loss Prevention Services

COMPLIMENTARY TOOLS AND SERVICES >
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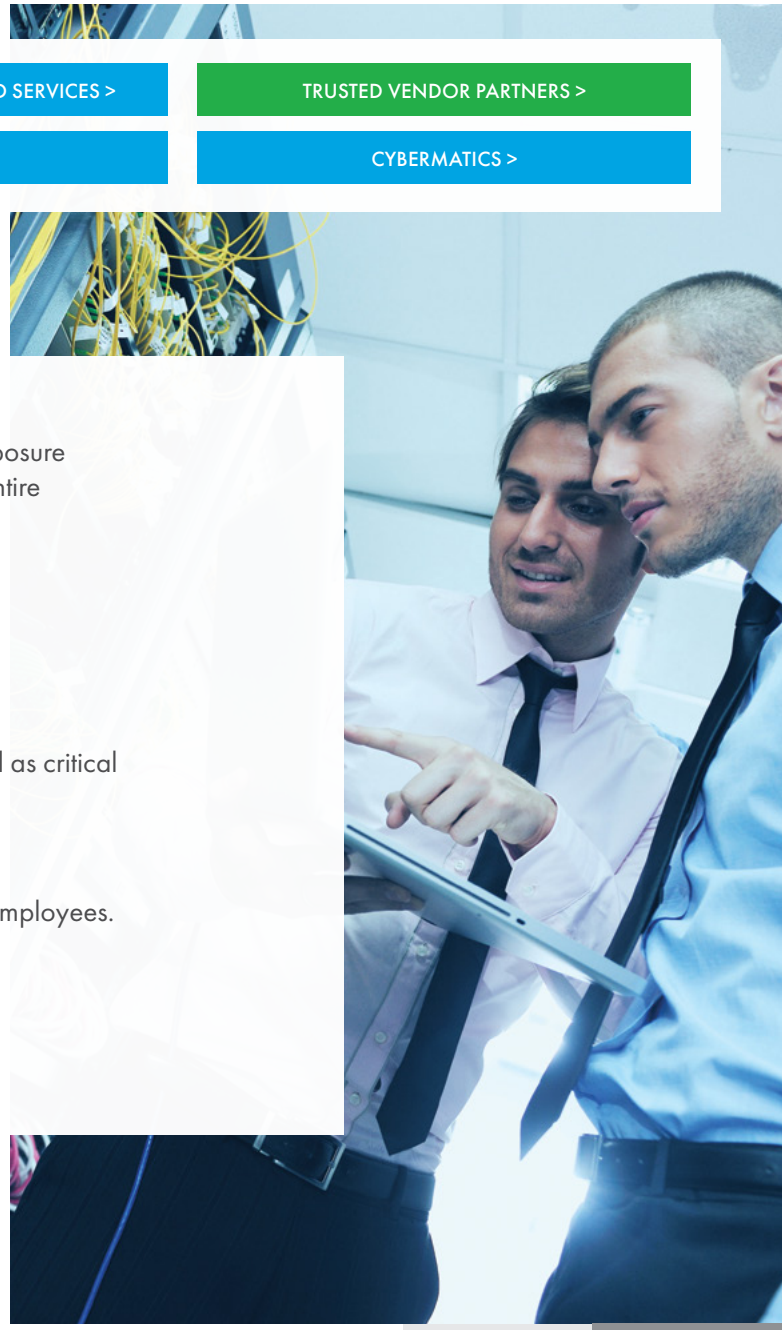
Preferred Vendor Partner Services

We have partnered with experts in cyber risk to bring our clients additional options to add to their line of defense. All CyberEdge clients have access to the following services at a preferred rate, some of which are available for a free demo.



Quantification Workshop and Insurance Portfolio Stress Test, powered by AXIO, helps clients understand their cyber exposure in financial terms and subsequently, how a variety of representative cyber loss scenarios might be treated by the client's entire insurance portfolio.

BitSight Security Ratings, powered by BitSight Technologies, and Vendor Security Ratings, powered by SecurityScorecard, let companies measure and monitor their own network and those of their third-party vendors.

Dark Net Intelligence, powered by BlueVoyant, helps clients stay apprised of what the latest chatter is inside the dark net.

Office of the CISO, powered by Optiv, provides on-demand access to virtual, interim, and staffed CISO expertise as well as critical security advisory services.

Cybersecurity Maturity Assessment, powered by RSA, helps organizations assess their cybersecurity risk.

Security Awareness Training, powered by Wombat Security, provides phishing training and simulations for an insured's employees.

For more information on CyberEdge's loss prevention and risk consultation services, email us at **CyberRiskConsulting@aig.com**.

Proactive Loss Prevention Services

CyberMatics℠

AIG can provide significantly more insightful and tailored analytics that can improve the risk profile of our clients.

Our ability to provide these insights was previously limited due to the lack of verifiable data and visibility into the client's network.

Our solution? Obtain verified data directly from the client's network and map it to our question set to feed our Cyber Underwriting Model, enabling us to provide timelier cyber risk solutions than ever before – **We call this CyberMatics.**

New underwriting application process

\+

Verified client data received from DarkTrace or Crowdstrike

= Improved Client Risk Score

- Only clients using Crowdstrike or DarkTrace are currently eligible for CyberMatics.
- Once a client signs up for CyberMatics, it will need to give CrowdStrike and Darktrace permission to share verified data relevant to the cyber underwriting model with AIG.
- The vendor will pull the information from the client's network regularly, translate the information into data relevant to the cyber underwriting model, and provide the data to AIG.

COMPLIMENTARY TOOLS AND SERVICES >

TRUSTED VENDOR PARTNERS >

AIG SERVICES >

CYBERMATICS >

DARKTRACE

Darktrace is the world's leading machine learning company for cyber security. Created by mathematicians from the University of Cambridge, the Enterprise Immune System uses AI algorithms to automatically detect and take action against cyber-threats within all types of networks, including physical, cloud and virtualized networks, as well as IoT and industrial control systems. A self-configuring platform, Darktrace requires no prior set-up, identifying advanced threats in real time, including zero-days, insiders and stealthy, silent attackers. Headquartered in San Francisco and Cambridge, UK, Darktrace has 30 offices worldwide.

CROWDSTRIKE

CrowdStrike is the leader in cloud-delivered endpoint protection. Leveraging artificial intelligence (AI), the CrowdStrike Falcon® platform offers instant visibility and protection across the enterprise and prevents attacks on endpoints on or off the network. CrowdStrike Falcon deploys in minutes to deliver actionable intelligence and real-time protection from Day One. It seamlessly unifies next-generation AV with best-in-class endpoint detection and response, backed by 24/7 managed hunting. Its cloud infrastructure and single-agent architecture take away complexity and add scalability, manageability, and speed.

AIG Cyber Coverage

(Note that this is only a summary for general guidance and scope; actual coverage is subject to the terms and conditions of the policy.)

Cyber is a peril that may cause loss in both the physical and non-physical world. AIG's Cyber solutions help protect clients across the spectrum of cyber risk.

- **CyberEdge®** covers the financial costs associated with a breach, including event management, data restoration, financial costs to third parties, network interruption, and cyber extortion.
- **CyberEdge Plus** covers losses in the physical world caused by a cyber event, including primary coverage for business interruption,first and third party property damage, physical injury to third parties, and products/completed operations coverage. Learn more.
- **CyberEdge PC®** sits excess of traditional property and casualty policies on a DIC/DIL basis. Learn more.
- **Property Performance Series** can be broadened to include electronic data loss or network business interruption

Financial losses

Third party loss resulting from a security or data breach	Defense costs and damages if the business (or its outsourced handling firm) causes a breach of personal or corporate data
	Defense costs and damages if the business contaminates someone else's data with a virus
	Defense costs and damages if the business suffers theft of a system access code by non-electronic means
Event management costs	Costs of notification, public relations, and other services to manage/mitigate a cyber incident
	Expenses to restore, recreate, or recollect lost electronic data
	Forensic investigations, legal consultations, and identity monitoring costs for breach victims
Expanded network interruption	Loss of net profit and extra expense as a result of a material interruption to the insured's network caused by a security breach
Expanded cyber/ privacy extortion	Ransom payments (extortion loss) to third parties incurred in terminating a security or privacy threat
Expanded digital media liability	Damages and defense costs incurred in connection with a breach of third party intellectual property or negligence in connection with electronic content

Tangible losses (physical losses)

Expanded business interruption	Covers business income loss and expenses to reduce loss as a result of a breach involving property damage
First party property damage	Covers physical loss or damage to insured property as a result of a breach
Third party bodily injury and property damage	Covers bodily injury or damage to others' property caused by a breach
Products/Completed Operations Coverage	Covers bodily injury or property damage caused by a breach of a computer system that is part of an insured's product

NEXT CYBER COVERAGE PAGE >

AIG Cyber Coverage

Channels to Purchase Coverage

	Cyber Coverage Channels*			
	CyberEdge	CyberEdge Plus	Property Performance	CyberEdge PC
Third party claims arising out of, or alleging financial loss as a result of a failure of the insured's network security or a failure to protect confidential information.	✓			Excess-Difference in Conditions solution to enhance and fill gaps in coverage for cybersecurity risk.
Investigation and defense of regulatory actions arising out of a failure of the insured's network security or a failure to protect confidential information, including coverage for such fines and penalties if allowable by law.	✓			
PCI-DSS (Payment Card Industry Data Security Standard) assessments for the failure to protect payment card data.	✓			
Costs of notifications, public relations, and other services to assist in managing and mitigating a cyber incident. Legal consultations and identity monitoring costs for victims of a breach are included.	✓			
Forensic investigation costs due a covered cyber event.	✓		✓	
Costs to restore electronic data from duplicates or, if not possible, costs to research, gather, and assemble electronic data due to a covered cyber event.	✓		✓	
Responds to a material interruption of an insured's business operations providing for business interruption and certain expenses due to a covered cyber event.	✓		✓	
Business income loss resulting from physical damage to property due to a covered cyber event.		✓	✓	
Loss associated with first party property damage due to a covered cyber event.		✓	✓	
Third party claims alleging bodily injury or third party property damage caused by a security failure or privacy event.		✓		
Third party claims alleging bodily injury and third party property damage caused by a breach of a computer system that is part of an insured's product.		✓		

*Please note that all statements are subject to the terms, conditions, and exclusions of the specific policy.
CyberEdge and CyberEdge Plus are coverages available on the Specialty Risk Protector policy form. Property Performance and CyberEdge PC are standalone policy forms.

< PREVIOUS CYBER COVERAGE PAGE

Global Claims Expertise

We process approximately four cyber claims every business day. Our underwriting and claims teams partner to help create the best possible experience and avoid any miscommunication from the beginning to end of the process. AIG's Cyber claims team is ready to assist clients as soon as they suspect a potential network breach.

Our team has local presence supported by global resources, allowing our experts to manage unfolding events and quickly respond to inquiries. We help clients notify and support the recovery of affected customers, handle crisis communications, and determine exactly what happened.

We also assist with the costs of managing and mitigating a cyber incident and compensate for lost profits and operating costs due to the breach.

Claims Benefits

- 24/7 access to our claims team to report a claim or seek guidance
- Access to local claims specialists and panels of domestic and international legal advisors on the ground around the world with the local expertise to handle cyber claims
- Complimentary one hour consultation with breach counsel and access to a breach response team to prepare for a cyber attack

Unprecedented Experience

Our claims specialists are ready to help policyholders manage a cyber incident from the moment it occurs. Our team provides the additional layer of defense an IT department needs to face the issue and its consequences.

Rapid Support When Clients Need it Most

- Our claims specialists react quickly to guide our clients, from assessing their needs to processing their claim.
- Most coverage is written on a primary basis, enabling our claims specialists to be on the front line with the authority to make decisions.
- Our network of legal firms, forensic investigators, and public relations firms offer immediate support for insureds managing the consequences of a breach.

Rapid Technical Support

- Our CyberEdge Claims Hotline is available 24/7/365. Once a call is made, the CyberEdge Claims Team will coordinate with the client to implement their response plan, engage any necessary vendors including breach counsel and forensics firms to identify immediate threats (such as a hacker inside a network), and start the restoration and recovery processes.

Add our expertise to yours

CyberEdge provides breach coaching, forensic services, and insurance to get your client's business back to normal after a cyber event.

After calling the CyberEdge hotline, clients may expect:

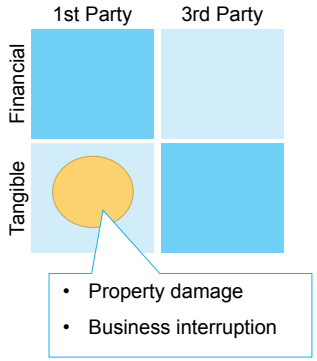
Breach component	AIG Cyber response
BREACH	Immediate response within one hour from claims and breach counsel
FORENSICS	Expert forensics: what's been affected and how can it be contained, repaired, or restored
LEGAL/PR	Expert legal advice and PR consultancy to contain reputational damage
NOTIFICATION	Costs of notifying data subjects who may be affected by the breach – and credit monitoring to prevent further losses
FINES & INVESTIGATION	Professional preparation for any investigation, insurable fines, and penalties by a data protection regulator
LIABILITIES	Defense costs and damages for: • Any breach of personal or corporate data • Contaminating someone else's data with a virus • Theft of system access code • A negligent act or error by an employee

CLAIMS SCENARIOS >

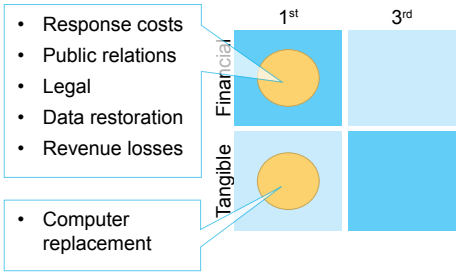
Cyber as a Peril Scenarios

Property Damage & Business Interruption

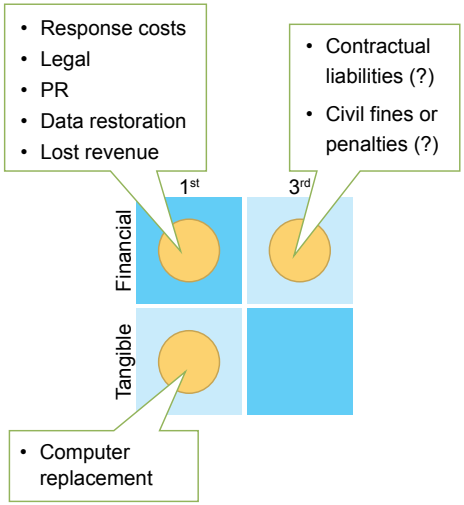
Destructive Cyber Attack Against a European Manufacturer: Hackers manipulated the manufacturer's control system, preventing its blast furnace from shutting down, and causing significant property damage.



Cyber Attack Against a Large Energy Company: Malware deployed by an insider with privileged access destroyed data and rendered 30,000 computers inoperable.

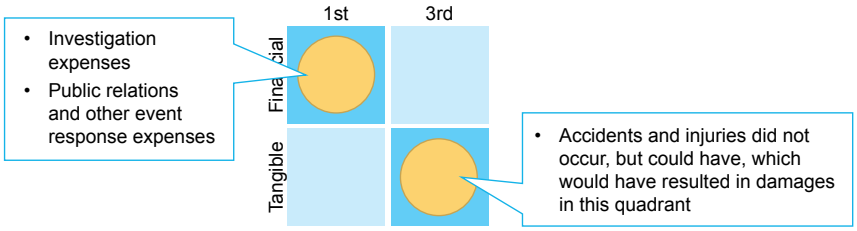


Coordinated Attack Against an Electric Utility: Long term reconnaissance and multiple coordinated efforts involving spear phishing emails, malware, harvested credentials, and flooded call centers enabled attackers to manipulate the electric utility's SCADA system, causing a power outage for hundreds of thousands of customers.



Bodily Injury and Products/Completed Operations Coverage

Demonstrated Ability to Hack Vehicles of a Major Auto Manufacturer: White hat hackers demonstrated their ability to remotely take control of a vehicle–no injuries resulted, but it demonstrated the potential for a cyber attack against products linked to the internet.



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Claims Narratives by Industries

AIG has helped more than 22,000 companies face a cyber attack, uniquely positioning us to identify and anticipate claim trends and settlement values. Following are a range of scenarios that demonstrate AIG's cyber claims expertise in action.

Healthcare

Healthcare - Data Theft

An insured hospital was notified of a potential HIPAA breach involving protected health information (PHI) of over 40,000 patients.

AIG quickly engaged with the insured to retain breach counsel and the further retention of a forensic investigator. Based on the ensuing investigation, we coordinated with the insured and breach counsel on the selection and retention of vendors to handle the required notification to regulators and patients, offered patients access to identify monitoring protection, and established a call center to handle inquiries and registration for the identity monitoring protection. AIG reimbursed the insured $450,000 for Credit Monitoring and ID Theft Insurance; $175,000 in notification and call center costs; $25,000 in forensic costs; and $90,000 in legal costs. The policy also covered $500,000 in regulatory fines assessed on the insured.

Data Theft

A physician's email account was hacked and all his email was automatically forwarded to an email account in Eastern Europe – jeopardizing personal information of more than 3,500 patients.

AIG's quick response and vendor relationships helped the insured quickly retain experts to guide the organization through all steps required to effectively handle the breach: notification, establishment of a call center, and bringing in the U.S. Department of Health and Human Services.

Rogue Employee

An office employee stole the medical profiles and histories and detailed personal identity information of approximately 125,000 patients of an insured hospital.

AIG and the insured collaborated to form a crisis support team of outside professionals and reimbursed the hospital approximately $800,000 for expenses associated with this crisis team. Subsequently, AIG helped the insured work through a second breach using experienced vendors from our expansive cyber security network.

Financial Institutions

Data Theft

An email server and external hard drive of our client were stolen from the premises of an outside vendor. Personal information of approximately 175,000 individuals was compromised.

AIG worked closely with the insured and provided reimbursement of $1 million for notification and the retention of professionals.

Malware

Hackers gained entry to an insured's point of sale system and, before they were detected, were able to access over five million customer credit and debit card numbers.

AIG quickly engaged with the insured to retain breach counsel and the further retention of aforensic investigator and a payment card industry (PCI) forensic investigator. Based on the ensuing investigation, we coordinated with the insured and breach counsel on the selection and retention of vendors to manage the public relations messaging and the necessary notification to regulators and consumers, offered consumers access to credit monitoring protection, and established a call center to handle inquiries and registration for the credit monitoring protection. Breach counsel was utilized to handle the defense of a dozen class action lawsuits and Federal and State regulatory investigations. The CyberEdge policy provided coverage for this activity, including event management expenses of $750,000 for forensics, $3 million for the credit monitoring, notification, and call center, and $50,000 for public relations. The CyberEdge policy provided further coverage of $1.5 million for breach counsel, $1.2 million in regulatory fines, and $2 million in PCI fines.

< PREVIOUS CLAIMS SCENARIOS PAGE

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Claims Narratives by Industries Continued

Higher Education

Security Breach

A university audit uncovered a security breach which allowed unauthorized individuals to access the financial aid roster, including personal data.

AIG's cyber security specialists assisted the university in conducting a forensic audit, which determined that more than 18,000 student records may have been compromised. AIG also helped the university select vendors to provide call center services and credit monitoring. AIG reimbursed the insured approximately $70,000 above the retention for the vendors' services.

Credit Card Theft

Three credit card pay station machines were compromised at a large university, and the university's IT department discovered a breach shortly thereafter in the university's network stemming from the pay station incident.

AIG's cyber security specialists stepped in quickly to assist in the investigation. AIG worked with the insured to retain a forensic auditor as well as a breach coach and is evaluating the need for credit-monitoring services.

Corporate Data Risk

A college inadvertently sent an email to approximately 80 students that attached a file containing personal data for all of its students.

Working together, AIG and the college were able to retrieve 55 of the emails before they were opened. AIG worked closely with the school's dean of students and arranged notification and credit monitoring for the impacted students.

Identity Theft

A laptop containing a database with Social Security numbers of nearly 7,500 current and former university students was stolen, along with the password for the data on the hard drive. Several students reported that third parties attempted to activate credit cards in their names.

AIG added its expertise to the university's with immediate assistance including call center services, an anti-fraud protection vendor, credit-monitoring services, and counsel. AIG's quick response enabled the university to provide students with timely services to mitigate the risk of identity theft.

Lawyers/Healthcare

Stolen Property

A laptop and briefcase belonging to the insured's general counsel were stolen from his car. Included in the theft was a folder containing billing audits including birth dates of more than 200 hospital patients.

Although this was not a HIPAA breach, AIG and the insured determined sufficient confidential information had been compromised to warrant notification. AIG retained counsel to act as a breach coach for the insured and provided those affected with a year of credit-monitoring services. To date, no third party claim has been made.

Business Interruption

An associate who had resigned from an insured law firm erased all accessible hard drives and removed the firm's intellectual property and primary information from back-up systems.

AIG's experienced cyber security response team worked closely with the firm to recreate all of the applications and information that had been erased and reimbursed the insured for an estimated $300,000 in costs.

Manufacturing

Ex-Employee Hacking

Following the termination of his job at a paper manufacturer, a former employee realized he could still access company services via virtual private network (VPN). Once in the company network he installed software to manipulate the industrial control systems and caused over $1 million in lost production.

Ransomware

An automotive manufacturer was forced to halt production at one of its manufacturing plants when it discovered a ransomware virus had infected its computer network. Production at the plant completely halted.

Forced System Failure

A global computer outage affected a medical device manufacturer's ability to produce goods and fulfill orders for multiple days. Employees were brought in for overtime hours to ensure orders were fulfilled in the timeliest manner possible.

< PREVIOUS CLAIMS SCENARIOS PAGE

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Claims Narratives by Industries Continued

Retail

Malware

A pub was notified by a credit card company of a potential account data compromise.

On behalf of the pub's payment processor, AIG helped the merchant retain a forensic investigator who found that malware had been installed on its server. AIG called on its extensive cyber security expertise and worked with the merchant's payment processor to help replace the compromised server and fortify its data security. On behalf of the payment processor, AIG reimbursed the merchant $17,000 for the audit-related services.

Security Breach

Approximately three million passwords were stolen from an insured online service provider and leaked on the internet.

AIG's claims team and breach coach worked closely with the insured in recommending that affected individuals reset affected passwords, recommending security tips for users, emailing three million potentially impacted customers, and providing information on how to contact the insured's customers care team.

Network Interruption

Hackers accessed the insured's system through a targeted spear-phishing attack. The hackers placed ransomware on the system, which once activated encrypted all the data on the insured's systems. Seven servers and hundreds of PCs were affected. The hackers demanded 12 Bitcoin for the encryption keys. The insured engaged with AIG's cyber claims specialists to coordinate the retention of breach privacy counsel and a forensics firm to respond to the event. AIG and breach counsel coordinated efforts with law enforcement. The insured and the forensics firm were unable to unencrypt the insured's data and, after consultation with AIG and law enforcement, the insured made the decision to pay the ransom.

We facilitated the retention of vendors to procure the necessary Bitcoin for payment of the ransom. Once paid, the insured received the necessary encryption keys. The systems were then gradually brought back online over the course of several days. Ultimately the insured's business systems were offline for 2.5 business days. AIG reimbursed the insured $4,500 for the ransom, $2,500 in Bitcoin procurement expenses and payment, $950,000 in forensic investigation and remediation, $65,000 in legal costs, and $32,000 in public relations costs. In addition, AIG reimbursed the insured $1.1 million for its lost income and $850,000 for additional expenses associated with the outage.

Credit Card Theft

The IT manager of an auto parts business discovered that a file which was not part of the company's website was being used to steal payment card information.

On behalf of the insured's payment processor, AIG assisted the merchant in retaining a forensic auditor and reimbursed $7,000 for the forensic audit and $3,500 for credit card company fees and fines.

Corporate Data Risk

A luxury department store chain learned of a potential incident involving an unknown credit card processor that put personal information for more than 35,000 store cardholders at risk.

Calling on its strong vendor relationship network, AIG worked with the insured to retain top professionals to provide notification, replacement credit cards, and credit-monitoring services. AIG reimbursed the insured approximately $200,000. AIG is providing legal counsel and closely collaborating with the retailer to explore its right to reimbursement from the credit card company and third party processor.

Identity Theft

An insured car dealership was notified of the theft of a box containing sales files and, after investigation, determined that additional boxes containing sales contracts with personal customer information were also missing.

Although the applicable notification law did not apply because the files were in paper format, AIG urged the insured – and they agreed – to provide voluntary notification to potentially affected customers. AIG also retained a breach coach to assist the insured and provided free credit monitoring for one year to affected individuals.

Suspected Breach

A credit card company notified a pharmacy of a suspected breach.

The merchant was required by the credit card company to conduct a forensic investigation to ensure that its payment-processing environment was compliant with PCI-DSS.

Putting its extensive experience in cyber security to work, AIG, on behalf of the merchant's payment processor, helped conduct a forensic audit which demonstrated that the merchant was compliant.

< PREVIOUS CLAIMS SCENARIOS PAGE

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NEXT CLAIMS SCENARIOS PAGE >

Claims Narratives by Industries Continued

Cyber Extortion

Malware was placed on the network of a law firm when an employee fell victim to a phishing scheme. The malware was downloaded when the employee opened what appeared to be a valid video conference invitation. The extortionist threatened to shut down the system and prevented the insured from accessing its data unless the insured paid 10 Bitcoin. The extortionist indicated that the demand would increase each week until payment was made.

AIG quickly engaged with the insured to retain breach counsel and the further retention of a forensic investigator. Breach counsel and the insured reported the matter to the FBI. The forensic investigation determined that the extortionist had the capability to fulfill the threatened action and confirmed that the insured did not have a reliable back up source for its data. The CyberEdge policy provided coverage for the ransom payment as well as $25,000 for breach counsel and $85,000 for the forensic investigator to assess the threat and to ensure that the malware was eradicated.

Cyber Extortion

An insured's computer server was maliciously attacked by a virus that encrypted their data and demanded a $5,000 ransom to un-encrypt. The insured reported the matter to the FBI and local authorities. The insured did not pay the ransom on the advice of the FBI; rather AIG worked with the insured to engage an expert to perform a forensic analysis of their system. The forensic expert was able to determine that the impacted server did not contain any confidential information but rather the company's warehouse inventory information.

The forensic expert was able to remove the virus and strengthen the insured's data security protections. AIG reimbursed the insured more than $45,000 for forensic costs incurred.

< PREVIOUS CLAIMS SCENARIOS PAGE

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AIG Cyber Contacts:

Head of Cyber, U.S. & Canada	**Greg Vernaci**	greg.vernaci@aig.com	212-458-2518
Cyber Product Leader, Financial Lines & Property; New application and underwriting model	**Garin Pace**	garin.pace@aig.com	212-458-2743
Head of Client Risk Consulting	**Phil Kibler**	philip.kibler@aig.com	317-967-3927
U.S./North America Risk Consultants	**Dan Wilson**	daniel.wilson@aig.com	303-514-3838
	Perry Lee	perry.lee@aig.com	212-458-1416
	Razmik Ghanaghounian (Canada)	razmik.ghanaghounian@aig.com	416-646-3782
Claims	**Rob Jones**	robert.jones@aig.com	212-458-1164

U.S Zone Cyber Leads

Midwest	**Bridget Sakach**	bridget.sakach@aig.com	216-479-8951
Northeast	**Paul Komar**	paul.komar@aig.com	646-857-1460
	Andrew Gravel	andrew.gravel@aig.com	617-457-5865
Southeast	**Forrest Pace**	forrest.pace@aig.com	770-671-2501
West	**Michael Lee**	michael.lee3@aig.com	303-382-8507

For more information, contact your underwriter or email us at **CyberEdge@aig.com**.

www.aig.com

AIG
175 Water Street
New York, NY 10038

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5957T 11/2017

Cyber Insurance Summarized Assessment Report
<Client Name Here>

AIG

AIG Cyber Risk Assessment

As a part of the underwriting process, AIG uses a patented method for measuring and modeling cyber risk in economic terms. AIG extracts knowledge and insights from numerous datasets and client-specific answers (from the AIG underwriting questionnaire) by:

- Measuring threat likelihood monthly from both internal and external sources, and using the updated data in modeling.
- Measuring and modeling business impact and control strength.
- Concluding residual risk scores, top risk scenarios, control implementation, and prioritized remediation guidance.
- Estimating cyber peril impact, probability, and expected loss ranges.

This report should not be viewed as a complete cyber risk assessment. Subjective answers, provided by the client within the AIG Cyber Insurance Application, may not be accurate. Due to emerging threats and other changing variables, the accuracy of this report diminishes over time. Additionally, impact values and probability values are calculated based on known ranges and representative and statistical curves. As such, there is a chance that a client falls outside of the range or curve due to uncertainty.

Quick Score Summary

Cyber Maturity

An organization's preparedness against cyber threats and its ability to protect its information assets.

63.96% Mature

Residual Risk

The remaining combination of threat and impact risk associated with an organization including benefits of cybersecurity controls.

17.378 Moderate

Threat Likelihood

The likelihood of a malicious or unintended action that may expose one or more weaknesses within an organization's IT ecosystem.

3.987 Moderate

Baseline Risk Trending

Note: Future reports will illustrate trending from one annual assessment to the next. Being the first assessment, only baseline trend from Implicit (Inherent) Risk to Residual Risk is shown.

Implicit Risk — The combination of threat and impact risk associated with an organization not including benefits of cybersecurity controls.

Residual Risk

Top 5 Risk Scenarios

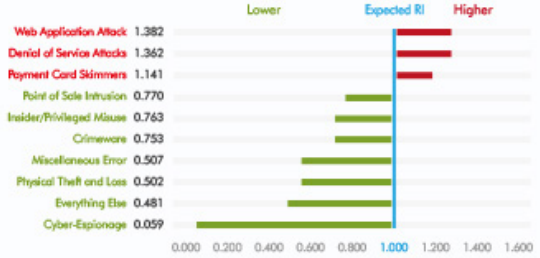
Rank	Risk Scenario
1	WebApp Attack: Terminal
2	Denial of Service Attack: Server/Apps
3	Denial of Service Attack: Network
4	Web Application Attack: Server/Apps
5	Misuse: Media and Offline Data

Cyber Insurance Summarized Assessment Report
<Client Name Here>

AIG

Risk Index per Threat Category

This is a measure of the organization's risk value associated with each of the 10 threat categories relative to the expected average risk value for that threat category amongst all organizations. A Risk Index greater than 1.00 means an organization is at particular risk from that threat category. A Risk Index could be over 1.00 because it's a heightened threat for that organization's industry, the business is particularly sensitive to the impact of that threat, the organization's control implementation does not address that threat, or a combination of the three. By ranking threats by their Risk Index score from highest to lowest and comparing their relative magnitudes, an organization can better understand the threats against them.



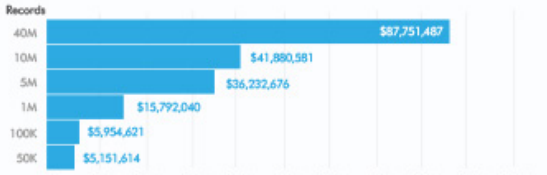
Note: In the above chart, 1.0 is the expected risk index value. If a value is greater than 1.0, risk is higher than expected. If a value is lower than 1.0, then risk is lower than expected.

Top 5 Risk Reducing Controls

This is a prioritized listing of the Center for Internet Security's (CIS) Critical Security Controls for Effective Cyber Defense, with the key actions that would most reduce the organization's overall Residual Risk score listed first. By implementing those controls which map to these key actions, an organization can better improve their Residual Risk score. Note that any change in the threat environment may re-prioritize these recommendations.

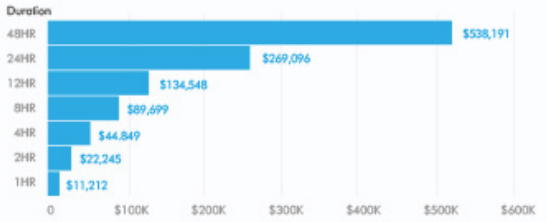
Rank	CIS Critical Security Control
1	13. Data Protection
2	14. Controlled Access Based on the Need to Know
3	3. Secure Configuration for Hardware and Software
4	12. Boundary Defenses
5	1. Inventory of Authorized and Unauthorized Devices

Data Breach Impact (Median impact value per record volume)



Breach Volume (Records)	Low-impact Breach	High-impact Breach	Worst-case Breach
40M	$41,952,602	$133,550,373	$420,015,922
10M	$20,022,445	$63,738,717	$200,458,265
5M	$17,322,271	$55,143,081	$173, 424,989
1M	$7,549,925	$24,034,155	$75,587,419
100K	$2,846,810	$9,062,431	$28,501,346
50K	$2,462,906	$7,840,323	$24,657,817

Denial of Service Interruption Impact (Median impact value per hour duration)



Interruption Duration	Low-impact Interruption	High-impact Interruption	Worst-case Interruption
48HR	$199,951	$876,432	$2,456,774
24HR	$99,975	$438,216	$1,228,387
12HR	$49,988	$219,108	$614,194
8HR	$33,325	$146,072	$409,462
4HR	$16,663	$73,036	$204,731
2HR	$8,331	$36,518	$102,366
1HR	$4,166	$18,259	$51,183