

Why Companies Need Cyber Insurance

The economy today is connected online in ways unimaginable even a decade ago. This has been a major benefit for businesses of all sizes, but it also comes with new challenges. With companies and organizations storing increasing amounts of customer data in their systems, cyber risk extends far beyond internal operations. To counter these risks, businesses have a powerful tool at their disposal: **cyber insurance (commonly referred to as cyber liability)**.

- Cyber insurance includes what is known as **first-party coverage**. This is a claim the policyholder brings against their own policy for their own losses.
- Cyber insurance also includes what is known as **third-party coverage**. This is a claim brought by an outside party for damages for which the policyholder is legally liable.

The table below illustrates the coverage differences between cyber insurance and cyber liability.

First-Party Coverage	Third-Party Coverage
<ul style="list-style-type: none">• IT forensics costs• Digital infrastructure repair• Replacing damaged equipment• Notification costs• Credit protection costs• PR management (crisis management)• Credit fraud retrieval• Involuntary parting of funds• Lost revenue due to downtime (business interruption)• Cyber extortion	<ul style="list-style-type: none">• Claims related to the breach of Personally Identifiable Information (PII) Including:<ul style="list-style-type: none">• Credit card and social security numbers• Bank personal health, and sensitive corporate information• Third party claims related to:<ul style="list-style-type: none">• Breach of contract• Negligent protection of data• Network security breaches• Transmission of software viruses• Denial of service attacks• PCI fines and penalties assessments

Unlike typical liability insurance such as CGL or E&O, cyber insurance provides comprehensive coverage specifically tailored to the needs of businesses dealing with a cyber attack. Without cyber insurance, companies and organizations can be left on the hook for millions of dollars, either from lost revenue and recovery costs, or from legal fines and fees. With the risk growing ever higher, cyber insurance is an absolute necessity for businesses of all sizes and sectors to protect themselves and their clients.