Summary of the Camargue Cyber Risks Policy

Camargue

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Please note that this document is not a substitute for the policy wording and some technical accuracy has been forfeited for that sake of easy reading.

Why has cyber risks insurance become necessary?

The incredible pace of growth in technology worldwide has produced a society which has become totally dependent on technology. This has caused a greater connectivity between people and organisations than has ever existed in human history. Unfortunately this has brought with it new risks which traditional insurance is ill-equipped to cope with. These risks include viruses, hacking attacks, liability arising out of online publishing and cyber-crime; to name but a few.

Cyber risks insurance has been designed to address these new and unusual threats faced by organisations operating in a high-tech world.

Overview of the Camargue Cyber Risks Policy

The scope of cover under the policy includes:

- Liability and own damage risks which arise out of operating a computer network.
- Liability arising from on-line publishing (such as a web site) as well as from traditional media such as brochures can also be covered.
- There is an option which provides professional indemnity cover appropriate to technology companies.
- It not only covers the Insured's liabilities to others, it also provides a form of specialised business interruption cover which covers the Insured's loss of income arising out of computer down-time. In addition, the actual cost of recovering lost data is also covered.

The cover provided by the policy is found in seven insuring agreements which are summarised in the table below. The client can select any combination of these insuring agreements.

INSURING AGREEMENT	BRIEF DESCRIPTION
1. Professional Services	Covers the Insured's liability arising out of negligence in their work.
2. Multimedia Liability	Covers the Insured's liability arising out of any physical or electronic publication.
3. Security & Privacy Liability	Covers the Insured's liability arising out of its negligence in preventing a computer security breach.
4. Data Recovery & Loss of Income	Provides a form of business interruption cover and also covers the cost of restoring the Insured's lost data.
5. Privacy Regulatory Defence & Penalties	Liability as a result of not complying with laws relating to privacy.
6. Crisis Management Costs	It mitigates the potential damage to the Insured's brand (own damage) and it also covers the Insured's liability arising out of compliance with privacy legislation.
7. Data Extortion	Covers costs which would otherwise be incurred by the Insured in preventing a loss and liability

The sections below provide a more detailed explanation of the cover provided by these insuring agreements.

Insuring Agreement 1 – Professional Services

This section covers liability arising out of the Insured providing a business service to its customers.

- **Covers a pure economic loss liability caused by negligence and**
  - Arising out of the Insured's ordinary business services performed for customers; and
  - Includes design, sale, installation, development of IT products and services.
  - Example: The insured underestimated the client's internet traffic and as a result specified an inadequate system causing the client to suffer a loss of business.

- **Defamation, product disparagement**

  - Defamation example: An agent of the bank's outsourced call centre calls the bank's customer a crook. The customer sues the bank for defamation and the bank in turn sues the call centre. If the call centre was the insured, then they would need Professional Services cover.

- **Copyright infringement**

  - Example: The broker's IT developer builds a program partly using code belonging to someone else. The owner of that code could sue the broker for copyright infringement and also stop them from using that program. The broker would then sue the IT developer and the IT developer's policy would respond.

Insuring Agreement 2 – Multimedia Liability

This section covers the Insured's liability arising out of any physical or electronic publication. Unlike the E&O section, which covers liability caused by work done for a customer's benefit, this section covers the Insured's liability arising out of its own internet, marketing and advertising activities.

- **Defamation, product disparagement**

  - Example: "Our product is the only product in the market which has passed the 24 hour reliability test." A competitor may dispute this showing that their product also passed the 24 hour reliability test. They might then sue the Insured, claiming that the untruthful information on the brochure has unjustly enriched the Insured at the competitor's expense.

- **Invasion of Privacy**

  Legally, an invasion of privacy may include any of the following:

  - Publication of private facts

    - Example: When a plumber publicized his skill in sorting out the on-going cockroach infestation problems at the local Big-M Restaurant, the restaurant suffered a loss of income.

    - Example: A case study illustrating cost savings shows the customer in a bad light. Although names have been removed it is still possible for people to establish who the customer is.

    - Includes the release of employee information

    - Example: As part of a misguided PR campaign the company releases the following statement "Our equity policy ensures we give priority to employing HIV+ people." As a result of this, the company's employees feel aggrieved as the general public now considers them "infected".

  - Placing a person in a false light

    - Thabo's butchery publishes a flyer advertising their monthly special on pork chops. The graphic work is done by his teenage daughter who 'Photoshops' the image of an actress so that it appears she is participating in the butchery. Later, the actress' lawyers bring an action of defamation against the butchery because she is a vegetarian and does not want to be associated with a butchery.

  - Unauthorised appropriation of a person's name or likeness

    - Example: An IT company's web site listed its customers. One of the customers, GreenBank, acted against them claiming that the IT company is unlawfully trading off the GreenBank brand by suggesting that this reputable bank has found the IT company a worthy trading partner.

  - Intrusion into a person's sphere

    - Example: The Insured's HR manager bugged the office to determine if the sexual harassment charges against the CEO were valid.

  - The collection of personal data

    - While studying his psychology qualification, the Insured's manager secretly collects data related to the employees eating, social and hygiene habits.

- **Plagiarism; dilution or infringement of copyright, domain or slogan**

  - Example: Wimpie's Plumbers hires a school kid to build his website for R700. He later discovers that the pretty face on his web site was that of Kim Kardashian and her lawyers now want compensation for the use of her image.

- **General negligence in the release of multimedia content**

  - Example: The Insured forgot to tell the PR company that it did not succeed in getting James Bond to endorse its products. As a result misleading advertising was released into the market.

Insuring Agreement 3 – Security and Privacy Liability

Covers the Insured's liability arising out of its negligence in preventing a security breach or a privacy breach (hacker attack), resulting in:

- **Alteration, copying, theft, destruction or unauthorised disclosure of data**

  - Includes the loss or unauthorised disclosure of customer or employee information
  - ID theft (including phishing)

- **Allowing the Insured's network to participate in an attack on a third party's computers**

  - Example: Denial of access attack – using your system to flood the victim's system with data requests causing the victim's system to cease functioning
  - Example: Allowing your system to spread a computer virus

- **Breach of privacy regulations**
  - Includes negligently failing to disclose a breach in terms of laws and regulations

Insuring Agreement 4 – Loss of Business Income and Data Recovery

Covers the Insured's "own damage" monetary loss caused by a security breach, virus, human error causing data loss, accidental hardware destruction or a programming error. The cover applies regardless of whether the act was committed by an employee or a third party.

Cover under this insuring agreement includes:

- **Loss of income (before income tax) or the on-going operating expenses**

  - This form of business interruption cover does not require any physical damage to machinery
  - Is subject to a waiting period (this is often 24 to 48 hours)
  - Example: down time arising out of an oversight during software testing

- **The costs to restore data and programs**

- **Claims preparation costs** (this includes the cost of a forensic investigation)

- **Increased cost of working**

  - Example: the cost of hiring external equipment, alternative premises and even staff overtime pay incurred in order to rectify the situation

- **Public relations costs**

Insuring Agreement 5 – Privacy Regulatory Defence and Penalties

This section covers damages and defence costs for which the insured becomes liable as a result of a civil regulatory action. This action would be caused by a security breach or privacy breach.

- Includes cover for civil penalties and fines if they are insurable by law

Insuring Agreement 6 – Crisis Management Costs, Customer Notification, Support and Credit Monitoring Services

Following a security breach the company will pay:

- Cost of employing a public relations consultant to mitigate brand damage if the security breach was publicized in the media
- PR, advertising and related expenses required to comply with a mandatory customer notification following the compromise of personal info
- Customer support activities such as credit file monitoring and ID theft education

Insuring Agreement 7 – Data Extortion

The company will reimburse the Insured in respect of:

- Extortion money paid to terminate a threat of corruption or damage to programmes and information held on a computer network
- Other related expenditure, such hiring a consultant to establish if the threat is for real

Significant Policy Exclusions

The following list highlights some of the policy's exclusions:

- **Reasonable foreseeability**
  - There is no cover for liability arising out of acts which the insured could reasonably have foreseen would lead to a claim.
- **Third Party infrastructure failure**
  - There is no cover for liability arising out of the failure of third party equipment which is not under the Insured's control. This applies to both electrical and mechanical failures.
  - Example: liability caused by an Eskom power failure.
  - Remember: this exclusion also applies to damage which is caused by a power spike.
- **Gradual deterioration**
  - The policy excludes losses arising out of progressive or gradual deterioration.
  - Example: There is no cover for a loss which could have been prevented by properly maintaining the computers and other equipment.
- **Costing**
  - There is no cover for liability arising out of incorrect or inadequate price or cost estimates or product descriptions.
- **Liability arising out of ceasing to provide a product or service**
  - Example: The Insured decides to stop providing technical support for an old product. As a result these old machines stop working and the customers suffer a financial loss. There would be no cover if they sued the Insured for this financial loss.
- **Liability arising out of gambling, prizes, coupons, pornography, alcohol, tobacco, drugs, etc. is expressly excluded**
- **Unfair competition. There is no cover for liability arising out of:**
  - anti-competitive behaviour
  - violating a restraint of trade
  - deceptive trade practices

- **FICA violations**

  - There is no cover for liability arising out of a violation of the Prevention of Corrupt Activities Act of the Financial Intelligence Centre Act.
  - This exclusion applies to the Privacy Regulatory Defence and Penalties.

- **Government**

  - There is no cover under the Professional Services section for claims brought against the Insured by any government - in its capacity as a customer - if the claim arises out of a violation of the Prevention of Corrupt Activities Act of the Financial Intelligence Centre Act

- **Bodily injury**

  - Injury includes death and sickness
  - Mental anguish is covered if it results from the trauma of a breach of privacy and the like.

- **Property Damage**

  - There is no cover for loss, destruction and corruption of tangible property. This exclusion does not apply to data which is not tangible property.

- **Fire & perils**

  - There is no cover for liability arising out of fire, flood, earthquake, etc.
  - However if the fire & perils event causes an insured event (such as the loss of data) then there would be cover for the insured event.
  - Example: This exclusion would not apply if the tsunami destroyed the Insured's data centre as well as the back-up site.
  - Remember: There is no cover for the hardware itself, only the data and the consequential loss are covered.

- **Assumed liability**

  - There is no cover if the Insured takes over someone else's liability (unless the Insured would have been liable anyway).

- **Beta Testing**

  - There is no cover for any loss of data and income arising out of using programs which are not production ready.

- **Unlicensed programs**

  - There is no cover for wilful acts such as knowingly using unlicensed programs.

Claims Made

The policy is issued on a claims-made basis which means that:

- The event causing the claim must occur after the Retroactive Date but before expiry of the policy
- The Insured must become aware of the possibility of a claim during the period of insurance. The Insured must immediately notify the Insurers if they become aware of a possible claim.

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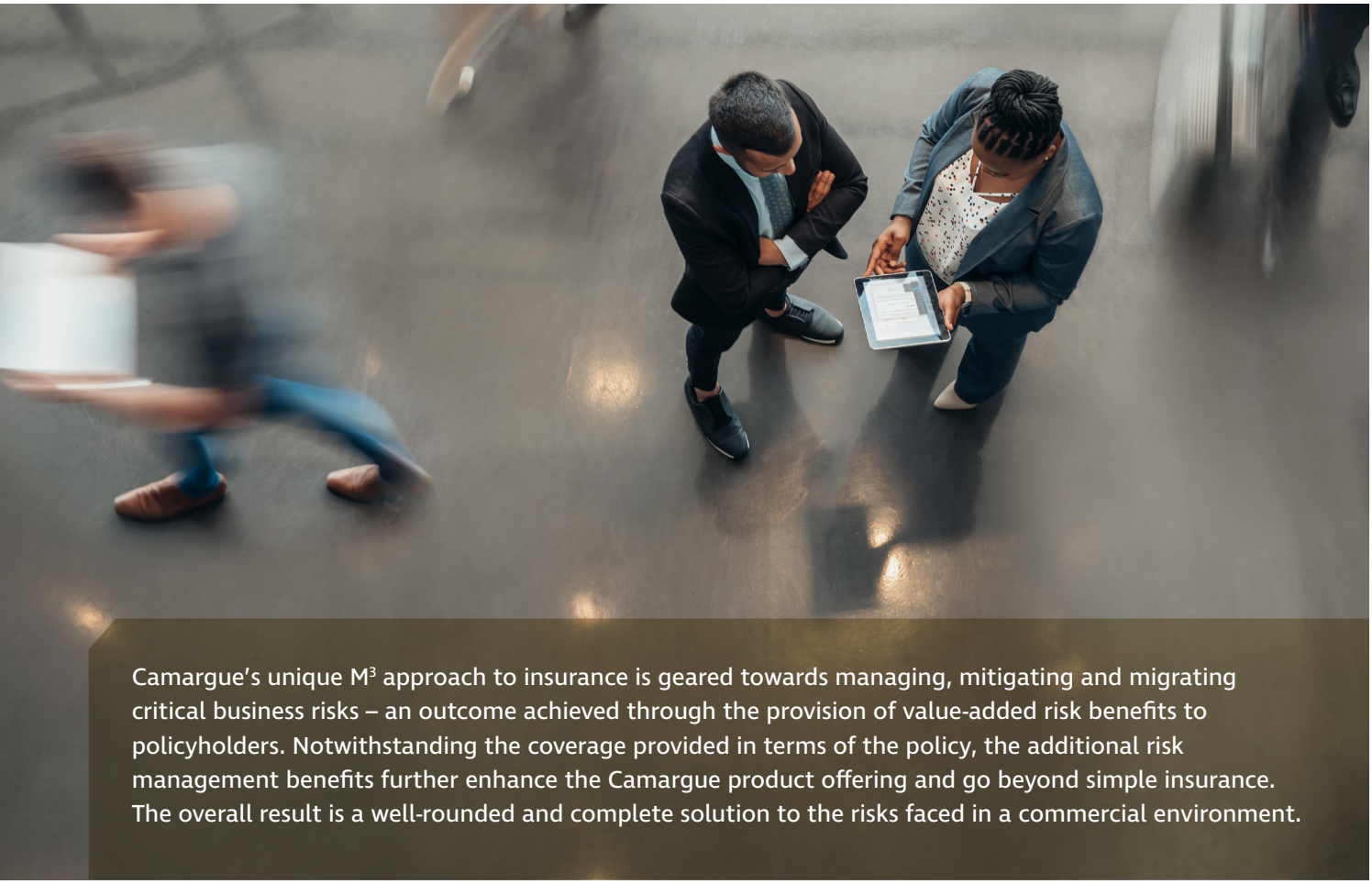
Risk Management Services



Camargue's unique M³ approach to insurance is geared towards managing, mitigating and migrating critical business risks – an outcome achieved through the provision of value-added risk benefits to policyholders. Notwithstanding the coverage provided in terms of the policy, the additional risk management benefits further enhance the Camargue product offering and go beyond simple insurance. The overall result is a well-rounded and complete solution to the risks faced in a commercial environment.

Risk Management Services included in the Policy cover:

- **Private Arbitration Services**
  Offered through TOKISO Dispute Settlement – this service works towards fast, equitable resolution of disputes between the insured and their clients. As far as possible court proceedings are avoided saving time, money and more importantly reputation
- **Crisis Communication**
  Skilled support in managing public relations crises and avoid online media disasters
- **Legal Support**
  Contract vetting and assessment
- **Cyber Vulnerability Scan (CVS)**
  A vulnerability scan is an inspection of the potential weaknesses in the security of a computer network. The CVS only requires the details of your externally facing internet protocol ("IP") addresses, in order to examine for known vulnerabilities. Therefore it sees only what an outside intruder would see (like your locks, alarm and motion detectors) and tests the perimeter security – with no work required by you. **Download our CVS Brochure here**.
- **Telephonic Services**
  Legal support on most commercial legal matters

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