CYBER INSURANCE PROPOSAL FOR

PROES GROUP INC

09/29/2021

Arlington/Roe®

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WHAT'S IN THIS DOCUMENT

NEXT STEPS

1

CHOOSE COVERAGE

Select the option that best suits your coverage needs (see page 3).
Quotes must be bound prior to their expiration date.

2

OPEN THE APPLICATION

Click the "Review application" link below the coverage price.

3

COMPLETE, APPROVE AND SUBMIT

Complete and approve the application.
Get your policy faster by using the digital application.

*If you choose not to purchase coverage, please sign the Acknowledgement of rejected coverage form and return to your agent (see page 13).

CYBER COVERAGE OPTIONS FOR PROES GROUP INC

Select your preferred option, and click "Review application". See footer below for more details.

COST AND COVERAGE MAY CHANGE BASED ON YOUR RESPONSES TO THE APPLICATION.

		Coalition Admitted	Coalition Non-Admitted	COWBELL CYBER	AXIS
	VALID UNTIL	11/28/21	11/28/21	11/04/21	10/26/21
	ADMISSION STATUS	Admitted	Non-Admitted	Admitted	Admitted
	ISSUING INSURER	North American Specialty...	North American Capacity and...	National Specialty Insurance...	AXIS Insurance Company
	AM BEST RATING Financial strength rating	A+ (Superior)	A+ (Superior) A- (Excellent)	A (Excellent)	A (Excellent)
	LIMIT Maximum amount paid by the insurance company for a claim	$1,000,000	$1,000,000	$1,000,000	$1,000,000
	RETENTION The same as a deductible, the amount of a claim *you* pay	$1,000	$1,000	$1,000	$2,500
FIRST PARTY COVERAGE	**NOTIFICATION COSTS** Cost to notify affected individuals after a data breach	$1,000,000	$1,000,000	$1,000,000	$1,000,000
FIRST PARTY COVERAGE	**BREACH COSTS INSIDE/OUTSIDE** Will the breach costs erode the aggregate limit (inside) or are separate (outside)	Outside	Outside	Inside	Inside
FIRST PARTY COVERAGE	**BUSINESS INTERRUPTION** Covers lost profits incurred due to not operating	$1,000,000	$1,000,000	$750,000	$1,000,000
FIRST PARTY COVERAGE	**BI WAITING PERIOD** Minimum duration of business interruption before coverage starts	8 hours	8 hours	6 hours	8 hours
FIRST PARTY COVERAGE	**CONTINGENT BUSINESS INTERRUPTION** Losses from an interruption in 3rd party computer services or software	$1,000,000	$1,000,000	NIL	$1,000,000
FIRST PARTY COVERAGE	**DATA RECOVERY** The cost of recovering lost data	$1,000,000	$1,000,000	$1,000,000	$1,000,000
FIRST PARTY COVERAGE	**EXTORTION/RANSOMWARE** Covers damage and ransom payments from an attack	$1,000,000	$1,000,000	$1,000,000	$1,000,000
FIRST PARTY COVERAGE	**BRICKING** When computers and electronic hardware are damaged beyond repair	$500,000	$1,000,000	$50,000	$1,000,000
THIRD PARTY COVERAGE	**NETWORK SECURITY AND PRIVACY LIABILITY** Third party liability costs	$1,000,000	$1,000,000	$1,000,000	$1,000,000
THIRD PARTY COVERAGE	**PCI** Covers fines or penalties imposed by banks or credit card companies	$1,000,000	$1,000,000	$1,000,000	$1,000,000
THIRD PARTY COVERAGE	**REGULATORY** In case you're fined by regulators (e.g., for breaching consumer privacy)	$1,000,000	$1,000,000	$1,000,000	$1,000,000
THIRD PARTY COVERAGE	**MEDIA** When your content triggers legal action against you (e.g. - libel, plagiarism)	$1,000,000	$1,000,000	NIL	$1,000,000
CYBER CRIME	**COMPUTER FRAUD** Covers funds or property stolen resulting from a hack	$250,000[1]	$250,000[1]	$1,000,000[1]	NIL[1]
CYBER CRIME	**FUNDS TRANSFER FRAUD** When a criminal deceives a bank/institution to transfer funds	$250,000[1]	$250,000[1]	$1,000,000[1]	NIL[1]
CYBER CRIME	**SOCIAL ENGINEERING** When cyber criminals deceive a business to transfer funds willingly	$250,000[1]	$250,000[1]	$100,000[1]	NIL[1]
	TOTAL	(Approximate[2]) **$1,231.01** PREMIUM $1,131.01 CARRIER FEE $0 BROKER FEE $100	(Approximate[2]) **$1,579.53** PREMIUM $1,441 CARRIER FEE $0 BROKER FEE $100 SL FEES & TAXES $38.53	(Approximate[2]) **$1,649** PREMIUM $1,499 CARRIER FEE $50 BROKER FEE $100	(Approximate[2]) **$1,985** PREMIUM $1,885 CARRIER FEE $0 BROKER FEE $100
		DOWNLOAD APPLICATION *View Sample policy / Full quote*	**DOWNLOAD APPLICATION** *View Sample policy / Full quote*	**DOWNLOAD APPLICATION** *View Sample policy / Full quote*	**DOWNLOAD APPLICATION** *View Sample policy / Full quote*

1 Cyber crime retentions may vary. After confirming presumptions, check firm quote for full details.
2 All cost components are estimated. After the application is completed and signed you will receive a firm quote from the carrier. Costs may change based on final application responses.
* Please review final quotes for most accurate information, as comparison data above is a simplified view and may contain inaccuracies. Retentions may vary by coverage part.

FAQ

WHAT IS CYBER INSURANCE?

When a breach occurs, cyber insurance covers the range of expenses that arise. These include identifying and solving the breach, recovering data, customer notifications, PR costs, possible credit monitoring expenses, legal expenses, potential fines from compliance regulators, extortion costs from ransomware, and general business interruption.

DO HACKERS REALLY BOTHER WITH ATTACKING SMALL BUSINESSES?

Yes. Hackers use technology to scan the internet for businesses with weak defenses regardless of the size of the business. A recent Verizon report notes that 43% of all cyber attacks are against small businesses. Worse, 63% of small businesses had experienced a breach in the last 12 months. Any business with a computer and an internet connection is at risk - even if you don't sell anything on your website.

WHAT'S COVERED?

First-party coverage – Intends to cover damages a business suffers because of a cyber breach. This can include things like investigative services, business interruption coverage and data recovery.

Third-party coverage – Intends to cover damages if a business' customers or partners are affected by a cyber attack. This can include legal fees, settlement costs, security failures and media liabilities.

Cyber crime — Intends to cover damage due to any type of illegal activity that occurs using digital means. Examples of cybercrime are extortion/ransomware, phishing, social engineering, and wire transfer fraud.

DOESN'T MY CURRENT BUSINESS INSURANCE INCLUDE CYBER ATTACKS?

Many general business protection policies only partially cover damage from cyber events, *if at all.* As mentioned above, cyber coverage protects against the vast array of possible damages, expenses, and lost business that can occur from a cyber attack.

WHAT SHOULD I CONSIDER WHEN CHOOSING BETWEEN PURCHASING A STAND-ALONE CYBER POLICY VS. ADDING AN ENDORSEMENT TO AN EXISTING POLICY?

To be fully protected, ensure you have all coverages – first-party, third-party, and cyber crime. Further, since some cyber events can result in large expenses, confirm you have adequate sublimits for each of three above coverages.

WHY DO I NEED A "BREACH COACH"?

If your company gets hacked, you will need a breach coach to get your business back up and running fast. When a breach occurs, you need to assess and contain the damage, notify affected parties (e.g. customers and vendors), evaluate and act on the legal ramifications from agitated customers to regulatory bodies, and more. A breach coach will quickly assemble the right response team to deal with these issues. Without an expert it all falls on you, costing you time and money while adversely affecting your business. Fortunately, most insurance companies now provide a breach coach as part of a greater suite of services when you purchase stand-alone cyber insurance coverage.

DO SMALL BUSINESSES NEED CYBER INSURANCE IF THEY PRACTICE GOOD CYBER HYGIENE?

Being properly protected definitely helps. However, there is no way to fully protect against new threats. Hackers are always adapting to overcome cyber defenses with new versions of current threats or creating brand new methods of attacking businesses. Human error can also be a factor. Easy-to-hack passwords, phishing emails, or even a lost laptop also present potential entry points for a cyber criminal. Additionally, a third-party vendor could be attacked, impacting your ability to do business and exposing your data. Even if you use a third-party vendor for business services, as the data owner you may be legally responsible. A thorough cyber insurance policy is part of your overall risk management plan to ensure your business runs smoothly.

* All of the above is general information which may vary based on context. Please consult the quote or ask an agent/broker for precise definitions and details.

CLAIM SCENARIO

RANSOMWARE | Finance and Insurance

The following example is meant to illustrate a potential scenario you might encounter. It may not necessarily represent details of a specific claim.

SITUATION

An employee of a boutique wealth management firm accidentally clicked on a malware link. The virus was downloaded onto the company server causing all data to be encrypted. The employee then received an email demanding $137,000 paid in Bitcoin within 48 hours to release their data files.

3,300 customer records including name, address, phone and portfolio holdings were encrypted. The brokerage called their insurance company's cyber response team, who responded by assigning a "breach coach," which is covered as part of the brokerage's stand-alone cyber policy.

The breach coach sent in a forensics team to assess the situation, including any computer or electronic hardware damage, and determine if paying the ransom was necessary. Concurrently, the insurance company confirmed coverage and assisted with opening a claim to minimize the effect of business interruption.

POTENTIAL IMPACT

INCIDENT RESPONSE	
Incident response manager ("breach coach") fees	$17,775
Forensic investigation costs to locate malware, analyze damage, ensure containment and calculate loss	$32,400
Legal fees	$36,270
NOTIFICATION COSTS	$1,775
BUSINESS INTERRUPTION	$234,953
DATA RECOVERY Costs associated with replacing lost or corrupted data	$38,020
EXTORTION/RANSOMWARE Ransom payment	$13,700
BRICKING Damage to computer and hardware systems	$31,650
TOTAL POTENTIAL CLAIM	$529,843

RESOLUTION

While the business maintained regular back-ups online, the hackers also encrypted these files leaving the brokerage no way to restore the data. The insurance company and breach coach agreed the fastest, best way to get the business back up and running was to pay the ransom.

The insurance company immediately paid the ransom via their pre-established Bitcoin account, releasing the records back to the brokerage.

The swift assessment and payment, minimized the business interruption allowing the brokerage to resume operations.

CLAIM SCENARIO

OUTDATED SOFTWARE | Finance and Insurance

The following example is meant to illustrate a potential scenario you might encounter. It may not necessarily represent details of a specific claim.

SITUATION

Hackers penetrated a credit union's network from a vulnerability in an outdated software application. 4,800 customer names, contact information, social security numbers and account details were compromised.

Local authorities received multiple complaints of suspicious activity, leading the credit union's IT department to discover an unauthorized user had accessed the system.

Once discovered, the credit union called their insurance carrier who immediately brought in forensic experts to initiate the credit union's IT recovery plan and notification program.

POTENTIAL IMPACT

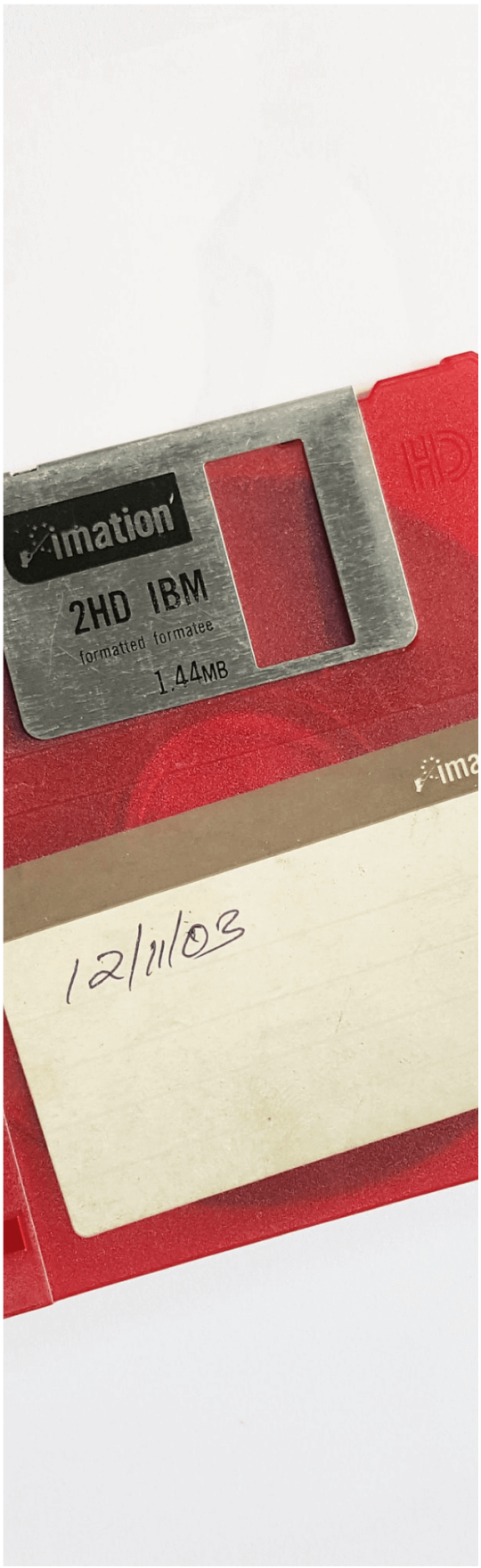
INCIDENT RESPONSE	
Forensic investigation costs to isolate vulnerability, analyze damage, ensure containment and calculate loss	$12,450
Identity theft and credit monitoring services	$13,825
Incident response fees	$8,400
Public relations fees to minimize reputational impact	$10,900
Call center set up and operation to field inquiries	$10,250
NOTIFICATION COSTS	$2,100
DATA RECOVERY Costs associated with replacing lost or corrupted data	$17,500
REGULATORY	
Legal expenses arising from regulatory investigation due to mismanagement of private information	$26,800
Legal expenses and settlement costs for claims	$19,450
Business interruption	$47,535
TOTAL POTENTIAL CLAIM	$169,210

RESOLUTION

The credit union's cyber policy was triggered, giving them immediate access to response services. The insurance company dispatched a forensic team who quickly isolated the unauthorized user.

A claim was started immediately to help with impending legal, consulting and media costs. The insurance company, IT team and forensic consultants ensured the credit union had up-to-date cyber defenses including firewalls, intrusion detection software, and encrypted databases.

Concurrently, officials worked with local media to notify affected customers and offer credit monitoring services, while the legal team handled the backlash from those affected. Finally, the forensic consultants helped develop a new plan that included regular updates, testing, and education of all staff to minimize future breaches.



CLAIM SCENARIO

SOCIAL ENGINEERING | Finance and Insurance

The following example is meant to illustrate a potential scenario you might encounter. It may not necessarily represent details of a specific claim.

SITUATION

A mortgage broker's emails were accessed by an attacker who, posing as the General Manager, asked an employee to contact the broker's bank with instructions for funds to be transferred into the hacker's bank account.

When the broker discovered that unauthorized payments were made totaling $425,000-, they immediately contacted their bank to freeze the funds and notified their cyber insurance carrier. Together, they were able to recover $354,000 of the unauthorized transactions.

POTENTIAL IMPACT

INCIDENT RESPONSE	
Forensic investigation costs to locate the breach, analyze damage, and ensure containment	$13,500
Legal fees	$9,500
FUNDS TRANSFER FRAUD Transferred funds not recovered	$71,000
TOTAL POTENTIAL CLAIM	$94,000

RESOLUTION

The mortgage broker has a stand-alone cyber policy that covers social engineering as well as provides crucial response services. Once the broker notified their insurance company, an IT forensic consultant was appointed to assist the broker in repairing the damage to their system as well as to prevent future attacks.

As the mortgage broker has expanded cyber crime coverage under their policy, they were reimbursed for the direct financial loss, less the deductible, of the unrecovered fraudulent transfers as well as their forensic and legal costs.

CLAIM SCENARIO

LOST HARDWARE | Finance and Insurance

The following example is meant to illustrate a potential scenario you might encounter. It may not necessarily represent details of a specific claim.

SITUATION

An employee of A local pension management firm lost their laptop. An Excel file on the computer contained personal and portfolio records of 6,800 investors including the names, contact information, social security numbers, and portfolio details.

Once the loss was realized, the firm immediately notified their insurance company who provided a "breach coach" to assess the damage and help the insured comply with regulatory and notification requirements.

POTENTIAL IMPACT

INCIDENT RESPONSE	
Forensic costs to assess and contain damage	$38,740
Legal fees	$50,600
Public relations fees to minimize reputational impact	$21,500
NOTIFICATION COSTS	$3,150
DATA RECOVERY Costs associated with replacing lost or corrupted data	$37,160
REGULATORY Settlement fine	$235,100
Patient liability settlements	$472,105
TOTAL POTENTIAL CLAIM	$858,355

RESOLUTION

The breach coach assigned a forensics team, provided by the insurance company, to determine the potential exposure of the personal and portfolio data. It was determined that the data was, in fact, compromised. The investors were immediately notified and offered credit monitoring services.

Concurrently, the breach coach engaged a public relations agency to minimize the reputational damage as well as alerted counsel to help settle legal action from investors.

They were proactive in contacting the Department of Health and Human Service Office for Civil Rights and agreed upon a settlement amount as well as a corrective action plan that included employee cyber and data protection training.

CLAIM SCENARIO

FORMER OR ROGUE EMPLOYEE | Finance and Insurance

The following example is meant to illustrate a potential scenario you might encounter. It may not necessarily represent details of a specific claim.

SITUATION

A commodity brokerage was hacked by a former employee, whose user credentials were not deleted when they were terminated. The employee sold 1,900 client records on the dark web including client names, addresses, emails, and portfolio holdings.

The brokerage notified their insurance company immediately. The carrier provided forensic expertise, legal services, and media relations help to investigate and control the damage.

In addition, the insurance company enlisted a "breach coach" to guide the brokerage in managing their actual and reputational damage.

POTENTIAL IMPACT

INCIDENT RESPONSE	
Forensic investigation costs to analyze damage and ensure containment	$9,000
Identity theft and credit monitoring services	$6,840
Legal fees	$12,250
Public relations fees to minimize reputational impact	$9,100
Call center set up and operation to field inquiries	$7,200
NOTIFICATION COSTS	$1,400
DATA RECOVERY Costs associated with replacing lost or corrupted data	$9,500
TOTAL POTENTIAL CLAIM	$55,290

RESOLUTION

The forensic team quickly identified the breach and worked with the brokerage's IT department to initiate repairs. The breach coach guided the brokerage to hire a call center to quickly inform affected clients, field questions, and offer identity protection and credit monitoring services to ensure trust going forward. The insurance company recommended seeking legal counsel to pursue civil action against the former employee.

Concurrently, the brokerage, in tandem with the media relations team, responded quickly and transparently to the media. Finally, the insurance company and forensic team recommended an updated cyber response plan that included more rigorous IT policies and procedures as well as several technological updates to improve cyber hygiene. Due to the fast response, the costs and reputational damage to the brokerage were minimized.

CYBER INSURANCE GLOSSARY

BUSINESS INTERRUPTION
Cyber business interruption covers the net profit earned before taxes that would have been earned had there been no interruption due to a cyber event.

BI (BUSINESS INTERRUPTION) WAITING PERIOD
A predetermined amount of time that must elapse before any loss or expenses are considered covered by business interruption insurance.

BRICKING
Covers the cost to replace computer and electronic hardware that's rendered inoperable due to failure or purposeful attacks.

COMPUTER FRAUD
Insures against theft of funds or property specifically stolen by using cyber methods to transfer money or property from the victim.

CONTINGENT BUSINESS INTERRUPTION
A contingent business interruption loss occurs when a third-party supplier or service provider experiences an interruption of service due to a cyber event and that event directly impacts the policy holder's ability to produce a product or provide a service.

CYBER CRIME
Any type of illegal activity that occurs using digital means. Examples of cybercrime are extortion/ransomware, phishing, social engineering, and wire transfer fraud.

DATA RECOVERY
Covers the costs of recovering lost data due to a breach.

DATA RESTORATION
The process of copying backup data from secondary storage and restoring it to its original or a new location. Data restoration is done to return data that has been lost, stolen or damaged.

EXTORTION/RANSOMWARE COVERAGE
Coverage for the damage done to a business due to a cyber breach or attack including possible ransom payments to release key systems and data.

FIRST PARTY CLAIM
Where a policy holder files a claim triggered by a cyber breach or other qualifying event directly with their insurance company.

FUNDS TRANSFER FRAUD
Covers the loss stemming from unauthorized instructions from a third party to a bank without the victim's knowledge.

MEDIA (LIABILITY)
Provides coverage against media-related damage such as libel, privacy invasion, copyright infringement, and plagiarism stemming from the policy holder's media activities (e.g website content, printed articles).

NOTIFICATION COSTS
Covers the cost of notifying affected individuals in the event of a data breach. Customer notification is often required by law.

PCI (PAYMENT CARD INDUSTRY)
Coverage for assessments, fines or penalties imposed by banks or credit card companies due to non-compliance with the Payment Card Industry Data Security Standard (PCI DSS).

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CYBER INSURANCE GLOSSARY (CONTINUED)

PRIVACY REGULATORY LIABILITY (REGULATORY)

Covers the loss a company sustains as a result of regulatory investigations and claims.

SOCIAL ENGINEERING COVERAGE

Covers unintended payments made to cybercriminals who, through deception, convinced an employee or officer of a company to transfer funds to the criminal.

THIRD PARTY CLAIM/LIABILITY CLAIM

When a third party files a claim or lawsuit against the policy holder alleging that the policy holder caused some damage to the third party due to a cyber event.

* All of the above are general terms which may vary based on context. Please consult the quote or ask an agent/broker for precise definitions and details.

CYBERSECURITY GLOSSARY

DDOS (DISTRIBUTED DENIAL OF SERVICE) ATTACK

A DDoS attack is a malicious attempt to disrupt or shut down a website by overwhelming the website with a flood of internet traffic.

MALWARE (MALICIOUS SOFTWARE)

A program designed to infiltrate a computer or computer system to steal sensitive information and/or damage a computer or computer system.

PATCH

A software change or update. A patch is often used to repair flaws or bugs in the software as well as introduce new features and capabilities.

PENETRATION TESTING (PENTESTING)

A security test where security experts mimic hackers to expose weaknesses in a computer or computer system.

PHISHING

A message from a hacker that tries to collect sensitive information from you or your business. These messages are dressed up to look like a bank, business or government entity you do business with. Phishing attacks can take place over e-mail, text messages, through social networks or via smartphone apps.

TWO-FACTOR/MULTI-FACTOR AUTHENTICATION

Two or more ways to prove your identity before being allowed access to a site, account or system. This provides an additional layer of security beyond your password.

VULNERABILITY

Any weakness in a computer or software that a hacker could exploit to cause harm.

REGULATORY GLOSSARY

CALIFORNIA CONSUMER PRIVACY ACT (CCPA)

CCPA is legislation designed to protect the privacy rights and collected information of California residents including data held by companies outside of California.

GENERAL DATA PROTECTION REGULATION (GDPR)

GDPR is a European Union (EU) law requiring all businesses, regardless of location, to protect the privacy and personal data collected about EU citizens, including the right of complete data removal.

HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT (HIPAA)

HIPAA is a federal law that provides privacy standards to protect patient medical records and other health information provided to health plans, doctors, hospitals and other health care providers.

PAYMENT CARD INDUSTRY DATA SECURITY STANDARDS (PCI DSS)

Widely accepted set of policies and procedures intended to protect cardholders against misuse of their personal information. The PCI DSS was created jointly in 2004 by four major credit-card companies: Visa, MasterCard, Discover and American Express.

RED FLAGS RULE

A federal regulation that requires financial institutions to have an official plan and process in place designed to protect consumers from identity theft.

* All of the above are general terms which may vary based on context. Please consult the quote or ask an agent/broker for precise definitions and details.

ACKNOWLEDGMENT OF REJECTED COVERAGE

This page should only be signed if the applicant decided not to purchase the insurance coverage mentioned below.

I understand and acknowledge that the following insurance policies have been offered to me and that I have decided not to purchase the coverage at this time:

CYBER LIABILITY INSURANCE

The potential financial impact of not having these important coverages has been explained to me and I realize that my rejection of these options may result in the denial of claims in the future.

Signed:_____

Company: Proes Group Inc

Date:_____