Segal Select Insurance

Industry and Local 338 Pension Fund and Industry & Local 338 Welfare Fund

CYBER LIABILITY INSURANCE

Policy No. FF106818583CY

October 10, 2019

Segal Select Insurance

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MEMORANDUM

To: Alicia Cochran
Account Executive

From: Candice Germain
Senior Broker

Date: October 10, 2019

Re: Cyber Liability Insurance
Industry and Local 338 Pension Fund and Industry & Local 338 Welfare Fund
Policy No. FF106818583CY

Thank you for the opportunity to provide a Cyber Liability quotation for the Trustees' consideration. We recommend renewing coverage with the incumbent carrier, Travelers, based on the broadened scope of coverage, competitive premium and continuity of coverage. Our recommendation is based on our review of responses from the two carriers that provided quotes, as summarized below. [1]

Carrier	Premium	Notifications	Limit of Liability	Response
Travelers	**$1,973**	**100,000**	**$1-million Response Coverage** **$1-million First & Third Coverages**	**RECOMMENDED — Key decision variables: expanded scope of coverage, competitive premium and retentions, continuity, admitted status.**
	$2,537	**100,000**	**$1-million Response Coverage** **$2-million First & Third Coverages**	
Beazley	**$3,680**	**100,0000**	**$1-million Response Coverage** **$1-million First & Third Coverages**	**ALTERNATIVE OPTIONS**
	$4,370	**100,0000**	**$1-million Response Coverage** **$2-million First & Third Coverages**	

1 We received communications from various carriers advising us that they would not be providing quotes because they could not offer better premiums and/or coverages than the current carrier.

Additional information is available in the attached sections. If you would like samples of any quoted policy forms or endorsements, please let us know and we will provide them to you.

We successfully negotiated a two-week soft extension to allow additional time to review the proposal. Please provide binding instructions at your earliest convenience, but no later than October 17, 2019. Binding instructions received after this date may result in changes to the quoted terms including withdrawal by the quoting carriers. If you have any questions, please contact our client team:

- Broker: Candice Germain
Senior Broker
212-251-5052
cgermain@segalsi.com

- Lead Regional Consultant: Matthew Jackson, RPLU
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cc: Russell Bley/NY
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Recommendation

Limit of Liability

Both carriers provided quotes with a $1-million and $2-million Third Party limit of liability. Higher limits may be available in the current market upon request.

Travelers and Beazley offer three separate limits within their policies, which do not affect or dilute one another during a breach event. Travelers aggregates their First Party Coverages and Third Party Coverages together, but separates Breach Notification Services onto a second limit and Forensics/Legal Expenses onto a third. Similarly, Beazley provides three separate limits based on First Party Coverages, Third Party Coverages, and Breach Notification Services.

Lastly, with the inclusion of their Additional Response Costs/Boost enhancements, both carriers allow for unused Third Party limits to apply as excess over the Breach Response and Notification limits.

Premium

Travelers quoted a premium increase of $186 (10%) from expiring, due in part to the expanded coverages, but remains competitive in the current market.

Scope of Coverage

Cyber Liability offers many insuring agreements, each of which should be reviewed as they provide specific types of coverage. The basic “package” of coverage includes breach response services and expenses (first party expenses) and liability claims that may subsequently arise (third party exposure), but significant differences exist between insuring agreements.

Travelers has expanded on the scope of coverage from expiring by offering:

- Accounting Costs coverage provides a $25,000 sublimit. Provides coverage for reasonable fees or costs of a forensic accounting firm, incurred by the Insured Entity, to calculate Income Loss, even if such calculation shows there has been no Income Loss;
- Betterment Costs coverage, provides a $100,000 sublimit subject to a 50% co-participation clause. Provides coverage for reasonable costs incurred and paid by the Insured, with the Insurer's written consent, for hardware or software to improve a Computer System after a Security Breach;
- Computer Theft coverage, offered at a $100,000 sublimit;
- Criminal Reward coverage, offered at a $25,000 sublimit;
- Additional Response Costs coverage, which allows the third party limit of liability to apply excess over the breach response and/or notification limits should those be exhausted by a covered incident;
- Increased the Telecommunications Fraud sublimit from $100,000 to $250,000;
- Retention for Social Engineering Fraud Coverage, Telecommunication Fraud Coverage and Consequential Reputational Harm is reduced to $2,500.

Scope of Services

Cyber Liability Insurance carriers also provide various pre- and post-breach services to their policyholders. While these services vary between carriers and may be subject to separate, discounted rates, they can include:

- Online Cyber Security Education including Security Awareness Basics and Security Awareness for Information Technology;
- Network Vulnerability Scans;
- Password Defense services;
- Phishing simulations to test your workforce with a simulated email attack;
- Online portal for policyholders with additional services and information;
- 24-hour hotline and email to report potential breach events.

Comparison of Policy Terms and Conditions

Travelers Premium and Scope of Coverage Summary [1]

Description	Travelers		
Policy Terms & Conditions[2]			
• Rating by A.M. Best[3]	A++	A++	
• Policy Period	10/4/2018 – 10/4/2019	10/4/2019 – 10/4/2020	
• Admitted Status	Admitted	Admitted	
• Pending & Prior Litigation Date	10/4/2017	10/4/2017	
• Retroactive Date	Full Prior Acts Coverage	Full Prior Acts Coverage	
• Limit of Liability	$1-million	$1-million	$2-million
• Basic Premium	$1,787	$1,973	$2,537
First Party Expense Coverages & Third Party Liability Coverages			
Aggregate Limit of Liability[4]	$1-million	$1-milion	$2-million
Retention	$2,500	$2,500	
• **Accounting Costs Coverage**	✗	✓ **$25,000 Sublimit**	
• Additional Response Costs	✓	✓	
• **Betterment Coverage**	✗	✓ **$100,000 sublimit 50% Coinsurance**	
• Business Interruption	✓ 8 hour waiting period	✓ 8 hour waiting period	
• Computer Fraud Coverage	✓ $100,000 Sublimit	✓ $100,000 Sublimit	
• Consequential Reputational Loss	✓ $100,000 Sublimit $5,000 retention	✓ **$250,000 Sublimit $2,500 retention**	
• **Criminal Reward Coverage**	✗	✓ **$25,000 sublimit, $0 retention**	
• Data Protection	✓	✓	

1 These policy summaries are not an exhaustive list and are not legal interpretations of coverage. Cyber Liability is a legal contract that Fund Counsel should review.
2 See attached glossary for definitions of selected coverage terminology appearing in this table.
3 Segal Select Insurance can recommend insurance carriers with an A.M. Best rating of "A" or better.
4 This limit can also apply as excess over the response expense and/or breach notification limits.

Description	Travelers	
• First Party Contingent Business Interruption Loss	✓ $100,000 sublimit 8-hour waiting period	✓ $100,000 sublimit 8-hour waiting period
• Funds Transfer Fraud	✓ $100,000	✓ $100,000
• GDPR Coverage	×	✓
• Media Liability	✓	✓
• Personal Device Coverage	✓	✓
• PCI Fines & Penalties	✓	✓
• Ransomware/Extortion	✓	✓
• Regulatory Defense/Penalties	✓	✓
• Security & Privacy Liability	✓	✓
• Social Engineering Fraud Loss	✓ $100,000 Sublimit $5,000 retention	✓ $100,000 Sublimit **$2,500 retention**
• State Amendatory Endorsement(s)	✓	✓
• System Failure	✓	✓
• Telecommunication Fraud	✓ $100,000 Sublimit $5,000 retention	✓ **$250,000 Sublimit** **$5,000 retention**
• Public Relations and Crisis Management	✓	✓
Breach Notification Services Coverages		
Aggregate Limit of Liability	100,000 Notifications	100,000 Notifications
Retention	Required notification of 100 individuals retention	Required notification of 100 individuals retention
• Call Center Services	✓	✓
• Required Notifications	✓	✓
• Credit/Identity Monitoring	✓	✓
• Voluntary Notifications	✓	✓
Response Coverage - Computer And Legal Expert Expenses		
Aggregate Limit of Liability	$1-million	$1-million
Retention	$0	$0
• Forensics	✓	✓
• Legal Expenses	✓	✓

✓ Included in the policy × Not included

Beazley Premium and Scope of Coverage Summary [1]

Description	Beazley	
Policy Terms & Conditions[2]		
• Rating by A.M. Best[3]	A	
• Policy Period	10/4/2019 – 20/4/2020	
• Admitted Status	Non-Admitted	
• Pending & Prior Litigation Date	10/4/2017	
• Retroactive Date	Full Prior Acts Coverage	
• Basic Premium	$3,680	$4,370
First Party Expense Coverages		
Aggregate Limit of Liability	$1-million	
Retention	$2,500 ($1,250 for Legal Expenses only)	
• Forensics	✓	
• Legal Expense	✓	
• Public Relations and Crisis Management	✓	
• Voluntary Notifications	✓	
Breach Notification Services Coverages		
Aggregate Limit of Liability	100,000 Notifications	
Retention/Threshold	No retention/threshold for covered notifications	
• Call Center Services	✓ 90 days, 10,000 calls/day sublimit	
• Credit/Identity Monitoring	✓	
• Retention	Required notification of 100 individuals threshold	
Third Party Liability Coverages		
Aggregate Limit of Liability[4]	$1-million	$2-million
Retention	$2,500	
• Boost Enhancement	✓	
• Business Interruption – Security Breach	✓ 8-hour waiting period	
• Business Interruption – System Failure	✓ 8-hour waiting period	
• Consequential Reputational Loss	✓ $1-million sublimit	
• Criminal Reward Coverage	✓ $50,000 sublimit	
• Crypto-Jacking Endorsement	✓	

1 These policy summaries are not an exhaustive list and are not legal interpretations of coverage. Cyber Liability is a legal contract that Fund Counsel should review.
2 See attached glossary for definitions of selected coverage terminology appearing in this table.
3 Segal Select Insurance can recommend insurance carriers with an A.M. Best rating of "A" or better.
4 This limit can also apply as excess over the first party expense and/or breach notification limits.

Description	Beazley
	$100,000 sublimit
• Data Protection	✓
• First Party Contingent Business Interruption Loss	✓ $250,000 sublimit
• Funds Transfer Fraud	✓ $100,000 sublimit - if purchased
• GDPR Cyber Endorsement	✓
• Invoice Manipulation Coverage	✓ $100,000 sublimit
• Media Liability	✓
• Non-Panel Service Provider	×
• Other Insurance Clause – Primary with respect to Breach Response Services)	✓
• PCI Fines & Penalties (only if affirmatively PCI complaint)	✓
• Personal Devices	✓
• Post Breach Remedial Service Endorsement	✓
• Ransomware/Extortion	✓ $1,000 retention
• Regulatory Defense/Penalties	✓
• Security & Privacy Liability	✓
• Settlement Clause	✓ 60/40
• Social Engineering Fraud Loss	✓ $100,000 sublimit – if purchased
• Sponsored Benefits E&O Exclusion with Breach Response carveback	✓
• State Amendatory Endorsement(s)	✓
• System Failure Coverage	✓
• Telecommunication Fraud	✓ $250,000 sublimit
• Voluntary Shutdown Coverage	✓

Carrier Subjectivities

This section summarizes the additional information the carrier will require in order to bind coverage. Please note, only the subjectivities of the carriers with whom coverage is bound need to be addressed. All subjectivities must be reviewed by the carrier before coverage can be bound.

Travelers

- Nothing further is required at this time.

Beazley

- Signed and dated application.

Important Note

You, the proposed Insured, represent and warrant that the information provided by you in connection with the application for insurance is complete and accurate through the later of the date that (i) coverage is bound or (ii) coverage becomes effective. You agree to immediately notify Segal Select Insurance Services, Inc., in writing, if any of the information included in the application changes between date the application for quotation/insurance coverage is submitted and the later of (i) the date of the quotation or the date coverage is bound or (ii) the effective date of coverage. You understand and acknowledge that the quoting insurance carriers may reserve the right to withdraw or amend any outstanding quotations based upon such changes and that Segal Select Insurance Services, Inc. will not have any liability whatsoever for the decisions of any quoting insurance carriers based on any such changes.

Supplemental Information for Insureds

The following material is presented in an effort to provide a better understanding of the offered coverage. While Cyber Liability insurance policies may follow a similar format, substantial differences exist between carriers. Cyber Liability insurance is a contract between the Insureds and the Insurer. Segal Select Insurance recommends Trustees familiarize themselves with the policy's coverage features, especially those that require action on your part, and that plan counsel review all policies. Of course, as your broker, we are always available for your questions.

Claims Made Extension Clause (Notice of a "Circumstance")

Should consideration be made to move coverage from one carrier to another, the Insured should consider utilizing the Claims Made Extension Clause. To do so, one should inform the existing carrier, in writing, of any wrongful act (as defined in the current policy) which may subsequently give rise to a claim against the insured. This notice should be given before the expiration of the current policy. Thus, if anyone is aware of circumstances, event, situation or transaction that could result in a claim, the prior carrier would retain an ongoing responsibility if a resultant claim were actually made in the future. This is important because the new carrier, whether it requires notification of known potential claim circumstances or not, could exclude coverage if such claim were to actually materialize.

Extended Reporting Period

The Insured may also consider purchasing an Extended Reporting Period or commonly known as "Tail Coverage" should there be a change in exposure during the policy period. The Extended Reporting Period provides the Insured an additional period to report claims or circumstances that occurred up to the date of the policy's expiration. This coverage is available for an additional premium and time period to be determined by the carrier. Some policies may also offer an automatic Extended Reporting Period for no additional premium. Please review your policy for specific terms and conditions.

Notice of Claim

Please carefully review any incident reporting instructions. Failure to timely and properly report an incident may jeopardize coverage for expenses or claims. In addition, you should retain copies of all insurance policies and coverage documents as well as incident reporting instructions after termination of the policies because in some cases you may need to report incident after termination of a policy.

Disclosure in an application does not meet these terms and conditions. All regulatory audits or investigations should be treated as claims and should be noticed to the insurance carrier as soon as the first written communication from the regulatory agency is received.

All electronic claim notifications to be processed by Segal Select Insurance Services, Inc. **must** be sent to claims@segalsi.com. Please copy me on any notification, but Segal Select Insurance Services, Inc. is not responsible for the processing of any electronic claim notification if it is not addressed to claims@segalsi.com.

Insured's Obligation to Notice the Insurer

In addition to an obligation to notice the insurer of any claim or circumstance as soon as practicable, the policy will, or may, obligate the Insured to provide notice to the insurer in other instances.

Compensation

Information about our how we are compensated is available on our website at here.

Learn More

For more information about Segal Select Insurance and our services, visit us online at www.segalselect.com.

Proposal Advisory

This proposal is a convenient outline of coverage forms, limits of insurance, policy endorsements and other terms and conditions provided to you in this quote memo.

Please review with legal counsel quotes/policies for specific terms, conditions, limitations and exclusions that will govern in the event of a loss.

In evaluating your exposures for loss, we have depended upon the information provided by you. If there are other areas that you think need to be evaluated prior to binding coverage, please immediately bring these items to our attention.

This quote memo does not amend, or otherwise affect, the provisions of coverage of any resulting insurance policy issued by any insurance company to you. It is your responsibility to check the policy or policies being purchased for accuracy.

This proposal is not a representation that coverage does or does not exist for any particular claim or loss under any policy. Coverage depends on the applicable provisions of the actual policy issued the facts and circumstances involved in each claims or loss and any applicable law.

Please advise if you have any questions for us.

Claim Handling Methodology

The carriers offer claim handling services that involve either a carrier directed and assisted process or a selection of vendors the insured can interview and select, ideally in advance. For more detailed information on their approaches, please see their insurance company websites.

Glossary of Terms

The statements below are not legal definitions. In all instances, the definitions contained within the policy will control coverage.

Business Interruption	Provides coverage for the actual Income lost during the time an Insured is not able to operate their own computer systems following a cyber breach.
Call Center Services	Provides coverage for the provision of a call center to answer calls during standard business hours after a required notification is received by an affected individual.
Credit/Identity Monitoring	Provides coverage for the costs associated with retaining a company to monitor the credit scores and identities of breached individuals.
Data Protection	Provides coverage for the costs associated with restoring a computer system's data to state before the cyber breach occurred.
First Party Contingent Business Interruption Loss	Provides coverage for a loss caused by a disruption in an Insured's service providers' systems.
Forensics	Provides coverage for reasonable and necessary expenses incurred by the Insured Organization to investigate the source or cause of the failure of Computer Security to prevent a Security Breach.
Legal Expense	Provides coverage for fees for services charged by an attorney to determine the applicability of and actions necessary for the Insured Organization or to provide necessary legal advice to the Insured Organization.
Ransomware	Provides coverage for a type of malicious software designed to block access to a computer system until a sum of money is paid.
Personal Device (BYOD)	Provides coverage for breaches incurred via an insured person's personal device, rather than a fund-owned device, in the course of transacting business on behalf of the Insured Organization;
PCI Fines & Penalties	Provides coverage for the direct monetary fines, penalties, reimbursements, fraud recoveries, or assessments owed by the Insured Organization under the terms of a Merchant Services Agreement.
Required Notifications	Provides coverage for notifications required by law after a cyber breach or disclosure of information.
Public Relations and Crisis Management	Provides coverage for costs incurred by a public relations or crisis management consultant.
Regulatory Defense/Penalties	Provides coverage for a request for information, civil investigative demand, or civil proceeding commenced by service of a complaint or similar proceeding brought by or on behalf of a governmental entity.
Security & Privacy Liability	Provides coverage for the defense and indemnity of a Claim arising from a breach of Privacy Law.
Social Engineering Fraud Loss	For losses resulting from a fraudulent instruction by someone impersonating a fellow employee or vendor to part with money or securities from your account.
Voluntary Notifications	Provides coverage for notifications not required by law.

PROTECTING YOUR FUNDS FROM VARIOUS RISKS

Segal Select Insurance

Benefit funds have various risk exposures because of the many functions they perform. One of the mechanisms to help manage risk is the purchase of insurance protection that permits the transfer of fund and trustee risk to an insurance carrier.

CORE PRODUCTS FOR FUNDS OF ALL TYPES

Fiduciary Liability Insurance
Protects trustees from allegations of breach of fiduciary duty

Fidelity Bond
Protection from costs associated with employee dishonesty, theft and third party crime losses

Cyber Liability Insurance
Protects funds from costs associated with cyber risks

Employment Practices Liability Insurance (EPLI)
Protection for allegations of employment wrongdoing

DOES THE FUND OWN PROPERTY, HOST EVENTS, AND CONDUCT TRAVEL?

Property & Casualty
Protects and provides liability in case the fund is found legally responsible causing injuries or damages to others

Event Cancellation Insurance
Protects from unforeseen losses related to hosting events

Travel Accident Insurance
Protects for losses due to accidental death and dismemberment during business travel

DOES THE FUND PROVIDE SERVICE TO OTHERS?

Miscellaneous Errors
Protects against allegations of errors and omissions

Employed Lawyers
Protects a funds' in-house attorneys from legal advice allegations

Medical Professional Insurance
Protects for allegations of wrongful practices and services

Retiree Representatives
Protection designed for MPRA representatives for errors and omissions

DOES THE FUND MANAGE TRAINING FACILITIES?

Educators Liability
Protects against claims alleging improper or insufficient training

Directors and Officers
Protects for various operational exposures related to managing a training facility

Media
Protects against various personal injury allegations

Student Accident
Responds to injury of students, volunteers or participants

To learn more about Segal Select Insurance Services, visit our website at www.segalsi.com or contact Diane McNally, Senior Vice President, Senior Consultant and Principal at 212.251.5146, dmcnally@segalsi.com or Matthew Jackson, RPLU, Senior Vice President, Consultant at 212.251.5387, mjackson@segalsi.com.