



## DMI – Cyber Risk Review

### Introduction

This paper was developed to respond to questions regarding the DMI Property and Casualty policies with respect to Cyber-Related risks.

### Where Are We Now?

#### A. First-Party Coverage (Property)

DMI's Property policy provides coverage for risks of direct physical loss of, or direct physical damage to insured property. The policy also provides coverage for business interruption and extra expenses caused by a covered property damage loss (sometimes referred to as indirect or consequential loss). Therefore, DMI's Property policy provides coverage for damage to electronic data processing ("EDP") **equipment**, subject to the policy's per occurrence limit, deductible (\$25,000), exclusions, and other policy terms and conditions.

By endorsement, DMI's Property policy provides a \$20M sublimit for physical damage to EDP equipment resulting from mechanical and machinery breakdown, and electrical injury or disturbance caused by electrical currents artificially generated.

In addition, DMI's Property policy, through its Electronic Data Limitation Endorsement, excludes direct and indirect coverage for losses to **electronic data** caused by or due to:

- Corruption, destruction, distortion;
- Interruption, disruption, erasure, deletion, alteration;
- Loss of use, reduction in functionality;
- Loss of access to, denial of access to; or
- Breakdown.

However, losses to electronic data caused by certain other perils are covered. These perils include:

- Fire, lightning, explosion;
- Windstorm, hail, aircraft or vehicle impact;
- Riot, civil commotion, smoke; and
- Leakage or automatic discharge from fire protection systems.

In summary, the DMI Property policy provides coverage for direct physical loss of, or damage to, EDP equipment, including resulting business interruption or extra expenses. It does not provide coverage for situations where there is no physical injury to EDP equipment or damage to electronic data. For example, if a virus locked up 75 percent of a college's computers and deleted student databases, the resulting expenditures to recreate the databases, restore the computers to a working condition, and any potential loss of income would not be covered.

## B. Third-Party Coverage (Liability)

DMI's Casualty policy contains two insuring agreements. The first is similar to the standard General Liability insuring agreement, which provides coverage for bodily injury, property damage, and personal or advertising injury. The second is the Educators' Legal Liability insuring agreement, which provides coverage for wrongful acts.

### 1. General Liability Insuring Agreement

Under the General Liability insuring agreement, DMI's Casualty policy **does not** contain any **specific** exclusions restricting or removing coverage for cyber risk claims. However, in order for the General Liability insuring agreement to apply, bodily injury, property damage, or personal or advertising injury, as defined in the policy, must be alleged before the policy will respond.

In the standard insurance market, insurers restrict coverage for cyber risk liability claims by adding exclusions related to electronic data, electronic chatrooms or bulletin boards, unauthorized use of another's name or product, and by restricting the definition of property damage. The definition of property damage is modified by stating electronic data is not tangible property, and therefore, not covered. As noted above, DMI's Casualty policy does not contain any restrictions. Please Note: It has been verified with DMI's Liability reinsurer that they consider electronic data to be tangible property. As such, bodily injury, property damage, and personal or advertising injury claims arising out of electronic data are covered subject to the policy's terms and conditions.

### 2. Educators' Legal Liability Insuring Agreement

Similar to the General Liability insuring agreement, the Educators' Legal Liability ("ELL") insuring agreement of DMI's Casualty policy **does not** contain any **specific** exclusions restricting or removing coverage for cyber risk claims. Under the ELL insuring agreement, claims must arise from a wrongful act for coverage to apply. DMI's Casualty policy contains a broad definition of wrongful acts.

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