

AGCS FINANCIAL LINES NORTH AMERICA - SILENT CYBER FAQ



WHAT IS “SILENT CYBER”?

“Silent cyber” is when a loss event is caused by a cyber peril that was not contemplated by either an insurance carrier, policyholder, or both. Because cyber perils are often the result of technologies that were developed after traditional lines of coverage were established, such policy forms may not expressly mention cyber perils.

WHAT IS ALLIANZ GLOBAL CORPORATE SPECIALTY, FINANCIAL LINES (“AGCS”) DOING TO ADDRESS “SILENT CYBER”?

AGCS intends to underwrite to cyber risks across all lines and to address cyber peril coverage in every “silent” policy form by clarifying policy wording.

WHY IS AGCS DOING THIS?

AGCS views cyber risk as a mainstream risk that impacts companies on multiple levels and that impacts multiple insurance lines of business. AGCS wants to provide clarity and transparency to its customers by making coverage for cyber perils explicit in its policies and its underwriting.

WHAT DOES AGCS GENERALLY MEAN BY “CYBER PERILS”?

There are generally five main categories of cyber perils: data breach, DOS attack, extortion, IP theft, and cyber physical.

- **Data breach** – security incident where information is accessed without permission

- **DOS** – network or machine attack in which the perpetrator seeks to make a machine or network resource unavailable
- **Extortion** – cyber criminals demanding payment through using some malicious activity
- **IP theft** – stealing patents, IP, copyrighted material via use of a computer
- **Cyber physical** – attack resulting in property damage and loss of life

WILL AGCS AFFIRM OR EXCLUDE COVERAGE FOR CYBER PERILS IN ITS POLICIES?

AGCS aims to provide affirmative coverage to customers based on underwriting information, subject to all policy terms, conditions, and exclusions. If providing affirmative coverage is not possible based on underwriting, or not desired per upon customer request, then AGCS will exclude cyber peril coverage under the policy.

IS AGCS CHANGING COVERAGE FOR POLICYHOLDERS WHO ARE RENEWING COVERAGE?

AGCS’s priority is to be clear and transparent as to any changes to policyholder coverage at renewal. Generally, on accounts where AGCS is newly affirming coverage for cyber perils, it is not necessarily changing coverage for its policyholders. In most such cases, AGCS is simply making clear that losses caused by or arising from

cyber perils are covered, subject to the terms, limits, and conditions of the policy. Generally, on accounts where AGCS is newly excluding coverage for cyber perils, AGCS may be limiting coverage for cyber perils that were previously covered. AGCS encourages an open and welcome dialogue with our customers for specific account analysis.

DO BUSINESSES STILL NEED TO ANALYZE THE BENEFITS OF PURCHASING DEDICATED “CYBER INSURANCE” EVEN WHEN AGCS PROVIDES AFFIRMATIVE CYBER COVERAGE?

Absolutely. AGCS financial lines products, other than its dedicated cyber products, are not designed to comprehensively triage cyber losses, including (but not limited to) costs associated with breach response, crisis management, business interruption, or restoration. Rather, AGCS financial lines products that affirm cyber cover are simply acknowledging that cyber perils can cause losses that fall within the scope of traditional policies, like directors and officers liability. Accordingly, policyholders should read their policies carefully and should investigate their specific need for a dedicated cyber insurance policy, which may offer broader and specialized coverage and services for policyholders undergoing a cyber incident.

¹ This statement assumes that in the current policy year, cyber perils are not explicitly addressed with policy wording.

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