Largest Risk for Public Pension Plans (Other Than Funding): Cybersecurity

2016 Public Safety Employees Pension & Benefits Conference

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INTRODUCTION

In 2016

- Yahoo!
  - 500 million accounts stolen – company claims a “state-sponsored actor” was responsible

- Verizon Enterprise Solutions
  - 1.5 million customers – entity which assists government agencies and business in responding to data breaches

- Target
  - In 2013, 40 million credit and debit card accounts – cost reached $252 million of which, only $90 million was covered by cyber insurance

- If there is a breach, you can expect litigation – likely class action litigation
PUBLIC PENSION SYSTEMS

Personally Identifiable Information ("PII")

- Social Security Numbers
- Dates of Birth
- Addresses
- Bank Account Information
- Protected Health Care Information -- Administration of disability benefits
PUBLIC PENSION SYSTEMS (CONT.)

Unique Challenges

- Antiquated IT systems
- Reliance on plan sponsors data management systems
- Limited resources
- Trustee buy-in
- Recruiting, attracting and retaining qualified staff
CYBERSECURITY ASSESSMENTS (CONT.)

2016 Internal Vulnerability Assessment

Retirement System City of Detroit
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June 8th, 2015
Version 2.0
CYBERSECURITY ASSESSMENTS (CONT.)

2016 Vulnerability Assessment
Social Engineering Report
For Retirement Systems of Detroit

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June 15, 2016
Version 2.0
Malicious Activity Assessment
June 20th 2016
Retirement Systems of Detroit

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July 11, 2016
Version 2.1
CYBER LIABILITY INSURANCE

Types of coverage:

- Data breach/ privacy crisis management
- Multimedia/ Media liability coverage
- Extortion liability coverage
- Network security liability
ISSUES TO CONSIDER WHEN BUYING INSURANCE

- Security controls to reduce premiums
- Undertaking a security risk review
- Assistance to improve information governance and information security
- Malicious act by employees
- Uncertainty about breaches prior to coverage
- Media protection
- Response plans/ roles of outside professionals
- Litigation/ Defense costs
- Choosing a broker
CYBER LIABILITY PROGRAM

- NCPERS has partnered with Ullico and Arthur J. Gallagher & Co. to create a proprietary Cyber Liability policy with preferred rates and a simplified 5-question application process. The program is designed to provide limits ranging from $250,000 to $2MM with higher limits available upon request and a broad range of deductibles beginning as low as $2,500.

- Coverage includes:
  - **Privacy liability.** Losses arising from failure to protect sensitive personal or health information in electronic or hard copy format. Includes regulatory defense and settlement
  - **Breach Notification.** Data Breach counsel to provide immediate triage and consultation. Data Breach network of experts providing crisis management services including legal, computer forensics, regulatory and individual notification guidance, call center, credit monitoring and identity restoration services
  - **Multimedia Liability.** Coverage for claims related to multimedia activities such as defamation, libel, plagiarism or copyright infringement
CYBER LIABILITY PROGRAM (CONT.)

- Coverage includes (cont.):
  
  - **System Damage.** Restore, re-collect, and replace data. Hire specialists, investigators, forensic auditors, and loss adjusters to review to substantiate the loss
  
  - **Business Interruption.** Net income policyholder would have earned. Loss of Business Income including normal operating expenses that were incurred or affected by the event
  
  - **Regulatory Actions.** Coverage for civil regulatory actions, expenses related to information requests, compensatory awards, and regulatory penalties and fines to the extent permitted by law
  
  - **Cyber Threats & Extortions.** Monies paid by policyholder following threat
  
  - **PCI Fines.** Fines and penalties from non-compliance with Payment Card Industry Data Security Standards
QUESTIONS?

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THANK YOU

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