

A small black square logo with white diagonal lines is located in the top left corner of the slide.

GCAC PRESENTS

Organize Your Risk Management to Maximize Your Creativity

Presented by:

Donald Wells, CPA

Owner, Wells CPA

Phil Hein

Client Executive, Hylant



Agenda

- Introductions
- Who's on First?
- Executive Risk Overview
- Cyber Risk Overview
- Questions





Who's on First?





Executive Risk

- Designed to cover exposures faced by directors, officers, managers, and business entities that arise from governance, finance, benefits, and management liability insurance.
- While there are several coverages included, the core coverages we will discuss today are:
 - **Directors and Officers Liability**
 - Protects individual directors and officers (“Ds&Os”) as well as employees in most circumstances
 - Provides balance sheet protection for the organization for both its obligation to indemnify the Ds&Os. It may also provide protection for the liability of the organization as an entity
 - **Employment Practices Liability**
 - Protects the organization and its Ds&Os and employees from claims by employees and applications for employment-related acts; e.g., wrongful termination, discrimination, harassment, and retaliation
 - **Fiduciary Liability**
 - Protects the organization, its Ds&Os, and plan fiduciaries in the administration of employee benefit plans
 - **Network Security and Privacy Liability (“Cyber”)**
 - Protects the organization from financial loss due to data privacy or network security events





MAJOR TRENDS AFFECTING COVERAGE

- **COVID-19**
 - Employee terminations, layoffs, & furloughs
 - Required/Optional vaccination for employees
 - Unsafe work environment
 - Remote work environment
 - Financial impact on organizations





Market Conditions

- D&O
 - Primary insurance – 20%-50%+ premium increase
 - Excess insurance – 20%-70%+ premium increase
 - Increased retentions
 - Elimination/Reduction in coverage for antitrust and regulatory coverage for healthcare institutions
 - Request carve-back for Side A
- Employment Practices Liability
 - 20%-30%+ premium increase
 - Increased retentions; especially for mass/class actions
 - Privacy/BIPA – sub-limits
- Fiduciary Liability
 - For smaller entities with less than \$1B in plan assets, we expect increases in the 5%-15%+ range and more modest retention increases





Cyber Coverage

- **Phishing emails**
- **Data breach from cloud providers**
- **Ransomware**

Risk management tips:

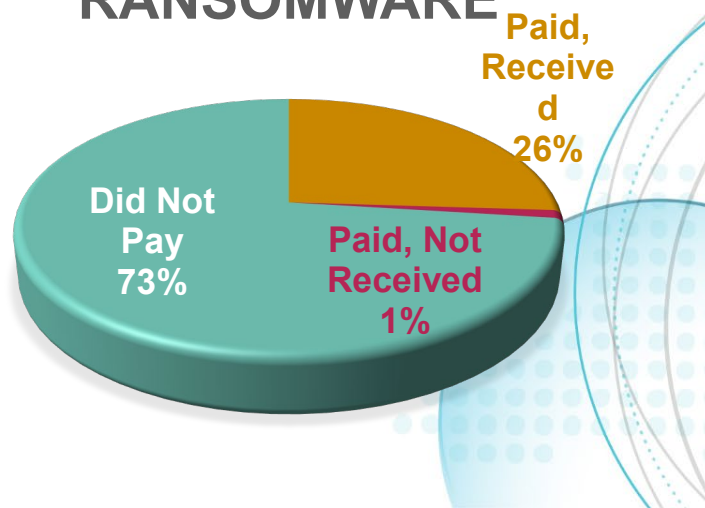
- Know where confidential information is stored, whether internally or with a vendor.
- Understand vendor's network security controls and any contract language involving data liability.
- Have a document retention procedure in place to only store information that is necessary.



Current State of Cyber Breaches

- 92% of Malware is delivered by email.*
 - Employees remain the most vulnerable element of an organization's cybersecurity posture due to Phishing and Financially Motivated Social Engineering.
- Ransomware – 946% increase in average demand from 2018 to now (now \$308,539)**

RANSOMWARE



*Verizon DBIR 2020
**BakerHostetler's DSIR 2020



The Renewal/Placement Process Matters

- **Pick your trusted advisor**
- Start Early – 4-6 months in advance of the renewal
- Identify critical issues and strategy
 - Manage expectations for senior leaders and engage them in the negotiation process
 - Include meeting/presentation to the insurers
- Detailed Applications/Submission
 - Financials
 - Supplemental questionnaires; e.g., COVID-19; excessive fees (fiduciary); BIPA; diversity policies
- Consider alternative structures & leverage with insurers
 - Deductible/retentions
 - Limits – e.g., quota shares
 - Leverage relationships across all insurance lines





Cyber & Privacy Liability

- **Current Market Pricing & Trends**
 - Continued firming, rate increases of 20-30%
 - Increases affecting numerous industries
 - Large municipalities, manufacturing, Education, Healthcare
 - Pressure on retention levels
 - Contraction in the excess marketplace – inverted towers
- **Coverage Trends**
 - Available enhancements
 - Ransomware restrictions
 - Aggregation risk - SolarWinds





QUESTIONS