

Key Cyber Insurance Terms

Cyber insurance has grown in complexity and can be difficult to navigate without the right knowledge. Below are some of the key terms you should know when evaluating cyber insurance options.

Actual limits¹

The most that will be paid by the insurer in the event of a covered loss under an insurance policy, expressed either on a per occurrence basis (e.g., per accident or event) or on an aggregate basis (e.g., all losses under a single policy, or for all policies during an underwriting period).

Sublimit¹

A limitation in an insurance policy on the amount of coverage available to cover a specific type of loss. A sublimit is part of, rather than in addition to, the limit that would otherwise apply to the loss. In other words, it places a maximum on the amount available to pay that type of loss, rather than providing additional coverage for that type of loss. Example: \$10M actual limits, but sublimit of \$2.5M for Security Liability, \$2.5M Data Security Incident, \$1M for Business Interruption for any non-IT provider, etc.

Retention¹

Assumption of risk of loss by means of noninsurance, self-insurance or deductibles. Retention can be intentional or, when exposures are not identified, unintentional.

Exclusion¹

A provision of an insurance policy or bond referring to hazards, perils, circumstances or property not covered by the policy. Exclusions are usually contained in the coverage form or causes of loss form used to construct the insurance policy. Example: bodily injury or property damage (except not emotional distress), physical event, robocalls, act, error or omission prior to the inception / retroactive / continuity date of the policy.

Endorsement¹

An insurance policy form that either changes or adds to the provisions included in one or more other forms used to construct the policy, such as the declarations page or the coverage form. Insurance policy endorsements may serve any number of functions, including broadening the scope of coverage, limiting or restricting the scope of coverage, clarifying the application of coverage to some unique loss exposure, adding other parties as insureds or adding locations to the policy. They often effect these changes by modifying the existing insuring agreement, policy definitions, exclusions or conditions in the coverage form or adding additional information, such as insured locations, to the declarations page.

Data Security Panel¹

A group of professional firms to assist in an organization's response to a data incident. These firms typically include IT forensics and security, PR/communications, defense liability counsel and notification / credit monitoring.

Rate per Million¹

A unit of cost that is multiplied by an exposure base to determine an insurance premium. An insurance rate is the amount of money necessary to cover losses, cover expenses and provide a profit to the insurer for a single unit of exposure. Rates, as contrasted with loss costs, include provision for the insurer's profit and expenses.

Waiting Period Deductible¹

A deductible provision sometimes used in business interruption (BI) and other time element policies, in lieu of a dollar amount deductible, that establishes that the insurer is not responsible for loss suffered during a specified period (such as 24 hours) immediately following a direct damage loss.

Business Interruption²

Coverage within a cyber policy intended to cover the income loss after a business is impacted by a privacy or security breach; the difference between the typical income of the business and the reduced generated income during the shutdown caused by a cyber event. Business interruption insurance is not included in all cyber policies.

Duty To Defend¹

A term used to describe an insurer's obligation to provide an insured with defense to claims made under a liability insurance policy. As a general rule, an insured need only establish that there is potential for coverage under a policy to give rise to the insurer's duty to defend.

Due To Pay¹

A term used to describe the nature of an insurer's defense obligations under policies. Forms containing duty to pay (or non-duty to defend) provisions require only that the insurer reimburse the insured for funds expended by the insured in defending a claim. In contrast, policies containing "duty to defend" provisions require the insurer to assume control of the claim defense process, including selecting counsel and paying legal bills.



¹ As defined by the International Risk Management Institute (IRMI)

² As defined by the Insurance Training Center (ITC)