

Cyber Liability Insurance 101: A Primer for Title Agents

4 Things You Need to Know About Purchasing Insurance to Protect Your Business from Social Engineering and Other Cyber Security Threats

By Jerome Magana

Concern about the evolving dangers of cybercrime is a common topic among title insurance professionals. Cybercriminals are targeting title agencies and have become more sophisticated in recent years, using tactics such as social engineering (i.e., malicious activity used to manipulate title agency staff or their customers) to obtain confidential information or change wiring instructions. Most title agents are responding to these ongoing threats by implementing enhanced security measures.

Unfortunately, no security tool is 100 percent effective in preventing losses caused by cybercriminals. Despite the implementation of increased security measures, we continue to suffer from losses as a result of security breaches, causing some title agents to leave the business.

As cybercriminals evolve in response to new defenses implemented by the marketplace, insurance products have also evolved to meet the recent prevalent risks that exist in our industry. Having the right insurance will enable you to minimize risk and will protect the viability of your business in case of a breach. Understanding what insurance coverage is available is imperative to operational longevity and success. Here are four (4) things you need to know about purchasing insurance to protect your business:

1) Identify Your Vulnerabilities Before Seeking Out Insurance Coverage

This cannot be emphasized enough: most of the claims caused by social engineering-related theft are due to improperly executed verification procedures. Even if you've implemented enhanced security protocols and tools, consider the most common threats when reviewing the insurance products available to you.

2) Find an Insurance Agent Who Has Experience Working with Title Agents

Not all insurance policies are created equal. The title industry is unique and as a result it is necessary to obtain additional coverage beyond General Liability. This includes coverage for E&O, Fidelity Bonds, and Cyber Liability with Social Engineering endorsements. These are specific and unique insurance solutions, and finding an agent who specializes in the title insurance industry is key to making the most of the insurance products you purchase.

For example, insurance contracts generally require the insured to follow a process when the insured encounters a circumstance that may lead to a claim. An experienced insurance agent providing title industry-specific coverage will know the processes required following potential claim-triggering events. By selecting an agent who has worked extensively with the title industry, you will be better equipped to fulfill your obligations and ensure your claims are honored.

3) Language to Look for In Your Coverage, Exclusions to Review

It is vital to understand the difference between cyber liability and social engineering coverage. Cyber liability coverage includes the protection of the Personal and Private Information (PPI) of clients and employees, as well as covering the costs associated with or as a result of the loss of client data from an agent's system. However, social engineering losses generally require additional coverage, which is added as an endorsement on the cyber liability policy.

Of course, not all cyber liability and social engineering/cyber deception policies provide equal coverage. It is vital to understand what is included in the policy, but you must track also what is excluded from a policy's coverage. For example, first and third-party liability is critical. Managing escrow accounts containing funds that belong to your clients would be considered third party liability. Ensure the policy you choose covers regulatory, investigation, and fines levied by regulatory authorities. Make certain the policy offers full forensic investigation of the breach and assistance in the implementation of "notice" standards in the event of a breach of PPI. The policy you choose should have a phishing loss clause to protect against fraudulent communications or website mimicking.

All policies include underwriting standards that must be in place and title agents must follow those standards. This would include agency practices and procedures in place to prevent losses such as strict wire verification standards. Under the terms of most policies, if these procedures are not followed, a claim may be denied.

4) **Budgeting for Cyber Liability Insurance Coverage**

An agent in operation for 5 years or less with total revenue of \$1million could expect to obtain \$1 million in cyber liability and \$250,000 in social engineering/cyber deception coverage at an average cost of approximately \$3,000-4,000 per year. However, for an agent of the same size with coverage of \$1 million for cyber liability and \$1 million for social engineering/cyber deception, the premium sharply increases to a range of \$8,000-11,000 per year. The increase in premium is caused by the increased coverage and limited providers for this type of coverage.

Additionally, like all insurance products, cyber liability insurance is generally structured to allow for customization of coverage limits, deductibles and other options that could affect the product's price including the opportunity to self-insure at levels appropriate for your risk tolerance. While this may be your first time to purchase cyber liability insurance, be sure to rely on the lessons you've learned when purchasing other types of insurance.

There is only one guarantee in this equation: cybercriminals and the techniques they employ will continue to evolve as our industry's response to these threats continues to develop.

Although it is not necessary to be an expert in the cybercrime policies that insurers offer, it is important to be well-informed and knowledgeable about the coverage you need to protect your business.

If you have insights that should be added to the list above, would you please share them with TLTA's Cyber Liability Committee by reaching out to one of this article's contributors?

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