



FLOYD COUNTY BOARD OF EDUCATION
Henry Webb, Superintendent
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Prestonsburg, Kentucky 41653
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www.floyd.kyschools.us

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Linda C. Gearheart, Member - District 1
Dr. Chandra Varla, Member - District 2
Rhonda Meade, Member - District 4
Sherry Robinson, Member - District 5

FLOYD COUNTY BOARD OF EDUCATION ISSUE PAPER

Date: May 17, 2016

AGENDA ITEM: Consider/Approve insurance renewal for Fleet, General Liability, Educators Legal Liability, Pollution, and Cyber Liability insurance coverage for the 2017 fiscal year.

APPLICABLE STATUTE(S), REGULATION(S), BOARD POLICY/PROCEDURE(S):
BOE POLICY 03.124, 01.11, 05.6; KRS 45A.345-460

FISCAL/BUDGETARY IMPACT: The Liberty Mutual renewal will cost \$18,965 less than the FY 2016 premium. The total amount for FY 2017 is \$873,849 compared to last year's amount of \$892,814. In addition this year an additional coverage option is included for Cyber Liability and will cost an additional \$13,445, making the total amount for all coverages \$887,294 and still \$5,520 less than last year's total premium. The premium will be planned and budgeted in the FY 2017 Tentative Budget.

HISTORY/BACKGROUND: The district is required to bid out property and fleet insurance per KRS 45A.345 and 45A.365 while liability need not be bid per KRS 45A.380(10). As part of our bidding procedures we extended an offer to renew annually in one-year increments, therefore reducing the annual bidding process.

STAFF RECOMMENDATION & RATIONALE: Approve

CONTACT PERSON: Matthew C. Wireman, Director of Finance


DIRECTOR
SUPERINTENDENT



ROEDING INSURANCE
Public Entity Group

PUBLIC ENTITY INSURANCE
1056 Wellington Way, Suite 130
Lexington, KY 40513
Phone: 888/696-9620

INVOICE #	051316	Page 1
ACCT NO	OP	DATE
FLOYD-1	DMF	5-13-16
POLICY #		
CBP 8953243		
COMPANY		
Liberty Mutual		
EFFECTIVE	EXPIRATION	
07/01/16	07/01/17	

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106 N. FRONT AVENUE
PRESTONSBURG KY 41653

Invoice #	Due Date	Description	Amount
051316	6-8-16	2016-17 Property and Casualty Insurance Premiums –Liberty Mutual	
		Property	\$252,228.00
		Liability	\$130,966.00
		Inland Marine	\$2,563.00
		Auto	\$387,614.00
		Umbrella	\$90,178.00
		P&C Total	\$863,549.00
		2016-17 Pollution -ACE	\$10,300.00

INVOICE BALANCE \$873,849.00

Please return copy of invoice with your payment. Thank You!



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INVOICE #	051316-3	Page 1
ACCT NO	OP	DATE
FLOYD-1	DMF	5-13-16
POLICY #		
TBD		
COMPANY		
BCS Insurance		
EFFECTIVE	EXPIRATION	
07/01/16	07/01/17	

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106 N. FRONT AVENUE
PRESTONSBURG KY 41653

Invoice #	Due Date	Description	Amount
051316-3	6-8-16	OPTIONAL COVERAGE 2016-17 Cyber Liability	\$13,445.00

INVOICE BALANCE **\$13,445.00**

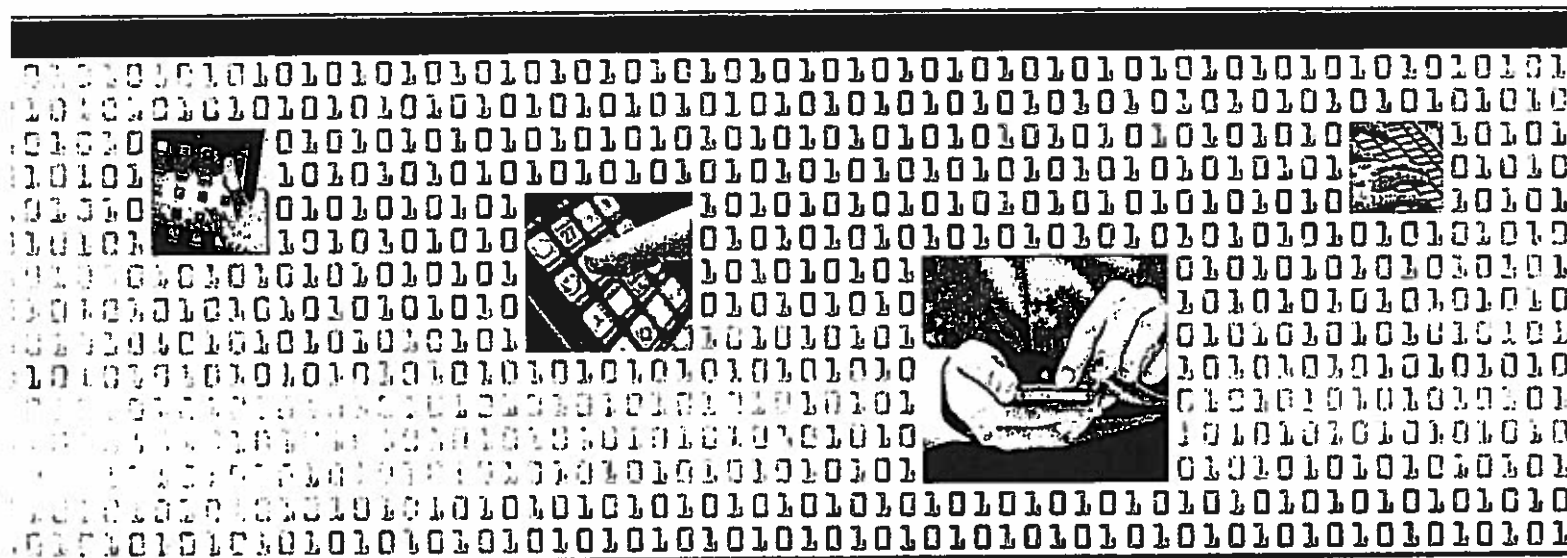
Please return copy of invoice with your payment. Thank You!



BCS Insurance Company

Powered by **LLOYDS**

Cyber Insurance Quotation





BCS Insurance Company
2 Mid America Plaza, Suite 200
Oakbrook Terrace, IL 60181

Frequently Asked Questions

Do you have any questions about your insurance? The frequently asked questions below are here to help you make an informed decision.

What is Cyber Liability Insurance?

"Cyber" Liability is insurance coverage specifically designed to protect a business or organization from:

- Liability claims involving the unauthorized release of information for which the organization has a legal obligation to keep private or confidential
- Liability claims alleging invasion of privacy and/or copyright/trademark violations in a digital, online or social media environment
- Liability claims alleging failures of computer security that result in deletion/alteration of data, transmission of malicious code, denial of service, etc.
- Defense costs in State or Federal regulatory proceedings that involve violations of privacy law; and
- The provision of expert resources and monetary reimbursement to the Insured for the out-of-pocket (1st Party) expenses associated with the appropriate handling of the types of incidents listed above

The term "Cyber" implies coverage only for incidents that involve electronic hacking or online activities, when in fact this product is much broader, covering private data and communications in many different formats – paper, digital or otherwise.

What does Privacy Liability cover?

The Privacy Liability insuring agreement in our policy goes beyond providing liability protection for the Insured against the unauthorized release of Personally Identifiable Information (PII), Protected Health Information (PHI), and corporate confidential information like most popular "Data Breach" policies. Rather, our policy provides true "Privacy" protection in that the definition of Privacy Breach includes violations of any rights to privacy (e.g., person's right of publicity or disclosure of private information). Because information lost in every data breach may not fit State or Federal-specific definitions of PII or PHI, our policy helps to fill these potentially costly gaps. This is a key provision that truly sets the BCS Cyber and Privacy Liability Policy apart from others.

What does Privacy Regulatory Claims Coverage cover?

The Privacy Regulatory Claims Coverage insuring agreement provides coverage for both legal defense and the resulting fines/penalties emanating from a regulatory claim made against the Insured, alleging a privacy breach or a violation of a Federal, State, local or foreign statute or regulation with respect to privacy regulations.

What does Security Breach Response Coverage cover?

This 1st Party coverage reimburses an Insured for costs incurred in the event of a security breach of personal, non-public information of their customers or employees. Examples include:

- The hiring of a public relations consultant to help avert or mitigate damage to the Insured's brand
- IT forensics, customer notification and 1st Party legal expenses to determine the Insured's obligations under applicable Privacy Regulations
- Credit monitoring expenses for affected customers

Our policy can extend coverage even in instances where there is no legal duty to notify if the Insured feels that doing so will mitigate potential brand damage (such voluntary notification requires prior written consent).

What does Security Liability cover?

The Security Liability insuring agreement provides coverage for the Insured for allegations of a "Security Wrongful Act", including:

- The inability of a third-party, who is authorized to do so, to gain access to the Insured's computer systems
- The failure to prevent unauthorized access to or use of a computer system, and/or the failure to prevent false communications such as "phishing" that results in corruption, deletion of or damage to electronic data, theft of data and denial of service attacks against websites or computer systems of a third party
- Protects against liability associated with the Insured's failure to prevent transmission of malicious code from their computer system to a third party's computer system

What does Multimedia Liability cover?

The Multimedia Liability insuring agreement provides coverage against allegations that include:

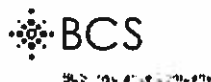
- Defamation, libel, slander, emotional distress, invasion of the right to privacy, copyright and other forms of intellectual property infringement (patent excluded) in the course of the Insured's communication of media content in electronic (website, social media, etc.) or non-electronic forms

Other "Cyber" insurance policies often limit this coverage to content posted to the Insured's website. Our policy extends what types of media are covered as well as the formats where this information resides.

What does Cyber Extortion cover?

The Cyber Extortion insuring agreement provides:

- Expense and payments to a harmful third party to avert potential damage threatened against the Insured such as the introduction of malicious code, system interruption, data corruption or destruction or dissemination of personal or confidential corporate information.



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What does Business Income and Digital Asset Restoration cover?

The Business Income and Digital Asset Restoration insuring agreement provides for lost earnings and expenses incurred because of a security compromise that leads to the failure or disruption of a computer system, or, an authorized third-party's inability to access a computer system. Restoration costs to restore or recreate digital (not hardware) assets to their pre-loss state are provided for as well. What's more, the definition of **Computer System** is broadened to include not only systems under the Insured's direct control, but also systems under the control of a **Service Provider** with whom the Insured contracts to hold or process their digital assets.

What is "PCI-DSS Assessment" coverage?

The Payment Card Industry Data Security Standard (PCI-DSS) was established in 2006 through a collaboration of the major credit card brands as a means of bringing standardized security best practices for the secure processing of credit card transactions. Merchants and service providers must adhere to certain goals and requirements in order to be "PCI Compliant," and under specific agreements, may subject an Insured to an "assessment" for breach of such terms. The BCS Cyber and Privacy Liability Policy responds to PCI assessments as well as claims expenses in the wake of a breach involving cardholder information.

What is Cyber Deception coverage?

The Cyber Deception extension, if the applicant is eligible and if purchased for an additional premium, provides coverage for the intentional misleading of the Applicant by means of a dishonest misrepresentation of a material fact contained or conveyed within an electronic or telephonic communication(s) and which is relied upon by the Applicant believing it to be genuine. This is commonly known as "spear-phishing" or "social engineering".

Who is RPS?

With more than 1,000 employees in more than 30 U.S. States, Risk Placement Services empowers insurance agents and brokers like yours with product and industry expertise, and access to exclusive Property & Casualty insurance coverage for their clients throughout the country. RPS is the exclusive Managing General Agent for the specialized Cyber insurance quotation your agent has provided herein. RPS is consistently recognized by Business Insurance magazine as the nation's largest Managing General Agency. Your agent's decision to partner with RPS speaks of their desire to provide your organization with the best insurance solutions available in the marketplace today.

How is this policy better than other options in the marketplace?

As with any insurance policy, what sets our coverage apart lies in the definitions and exclusions in the policy. The BCS Cyber and Privacy Liability Policy offers comprehensive critical terms such as **Privacy Breach**, **Computer System**, and **Media Content**. These definitions, along with the absence of some industry-standard exclusions and a drastically streamlined application process, make this policy more comprehensive and easier to access than the typical cyber policy available from traditional sources.

Isn't this already covered under most business insurance plans?

The short answer is "No". While liability coverage for data breach and privacy claims has been found in limited instances through General Liability, Commercial Crime and some D&O policies, these forms were not intended to respond to the modern threats posed in today's 24/7 information environment. Where coverage has been afforded in the past, carriers (and the ISO) are taking great measures to include exclusionary language in form updates that make clear their intentions of **not covering these threats**. Additionally, even if coverage can be found in rare instances through other policies, they lack the expert resources and critical 1st Party coverages that help mitigate the financial, operational and reputational damages a data breach can inflict on an organization.

Are businesses required to carry this coverage?

While there is presently no law that requires a business or organization to carry Cyber Liability, there is a national trend in business contracts for proof of this coverage. In addition, the SEC is encouraging disclosure of this coverage as a way of demonstrating sound information security risk management. Laws such as HIPAA-HITECH and Gramm-Leach-Bliley and state-specific data breach laws are continually driving demand as requirements for notification in the wake of a data breach become more expensive.

Do small businesses need this coverage?

The Symantec 2014 Internet Security Threat Report reports that small businesses accounted for 30% of targeted spear-phishing attacks in 2013. In 2012, Verizon reported that approximately 40% of all data breaches that year occurred among companies with fewer than 100 employees. Even more alarming is the fact that 60% of companies that have been a victim of cyber-attacks are out of business within six months. While breaches involving public corporations and government entities garner the vast majority of headlines, it is the small business that can be most at risk. With lower information security budgets, limited personnel and greater system vulnerabilities, small businesses are increasingly at risk for a data breach.

If e-commerce functions such as payment processing or data storage are outsourced, is this coverage still needed?

The responsibility to notify customers of a data breach or legal liabilities associated with protecting customer data, remain the responsibility of the Insured. Generally speaking, business relationships exist between Insureds and their customers, not their customers and the back-office vendors the Insured uses to assist them in their operations. Outsourcing business critical functions such as payment processing, data storage, website hosting, etc. can help insulate Insureds from risk, however, the contractual agreement wording between Insureds, their customers and the vendors with whom they do business will govern the extent to which liability is assigned in specific incidents.

What is the cost of not buying the coverage and self-insuring a data breach?

The Ponemon Institute, a well-known research firm, publishes an annual "Cost of a Data Breach" report. In partnership with IBM, the 2014 report indicated that the average cost paid for each lost or stolen record is \$201. These numbers are reflective of both the indirect expenses associated with a breach (time, effort and



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other organizational resources spent during the data breach resolution, customer churn, etc.), as well as direct expenses (customer notification, credit monitoring, forensics, hiring a law firm, etc.).

Because every breach is different, and the per-capita cost of a breach depends largely on the number of records compromised, it is helpful for small to mid-sized organizations to start with a lower number of records compromised, (the average direct costs associated with a breach in the Ponemon study) – multiply this number by the estimated number of records containing PII, PHI or financial account information in the Insured's control. By engaging in this simple exercise, businesses quickly understand the financial value of implementing cyber insurance as a risk transfer vehicle. More information can be found at www.ponemon.org.

How can I tell which states are on an admitted form vs a non-admitted form?

Most States are on the admitted paper and written through BCS Insurance Company. For those remaining states where the admitted filings are still in process, the forms will be written through Lloyd's of London. Currently, all states are written on admitted paper except: CT, NJ, NY, VT.

Who is the insurance carrier?

The BCS Cyber and Privacy Liability Policy is underwritten by BCS Insurance Company and powered by and with the backing of certain syndicates at Lloyd's of London. BCS Insurance Company is a licensed insurance company in all states, Puerto Rico and the District of Columbia. BCS Insurance Company provides value through a solid foundation of strong governance, national and international capabilities and product and industry expertise and is rated A- (Excellent) by A.M. Best. BCS Insurance has been in business for over 60 years. It is a wholly owned subsidiary of BCS Financial Corporation which, in turn, is owned by all Blue Cross Blue Shield primary licensees. BCS Insurance Company's relationship with certain syndicates at Lloyd's of London brings additional strength, stability and industry-leading expertise to the RPS cyber insurance program.

What is the claims-handling process?

A 24-hour data breach hotline is available to report incidents or even suspected incidents. As soon as you suspect a data breach incident or receive notice of a claim, you should call the hotline listed in your policy. This hotline is manned by Baker Hostetler, a world-wide leading privacy law firm with experience in handling thousands of data breach events. Immediately after calling the hotline, you are required to send notice to Clyde & Co., the designated legal firm that has been contracted to triage initial notices in this regard. This can be done by sending an email with a brief description of the incident, including your contact information, to the claims-reporting email address listed in your policy. Your agent, as well as the in-house BCS claims team, will receive notification of the incident (or any third-party claim) as well. It is critical that you immediately report any and all incidents that you believe could give rise to a claim of any kind under this policy.

What if there are questions that are not answered here?

Please contact your preferred Cyber Professional who will assist you with any questions you may have.



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(A stock insurance company, herein the "Company")

Policy No. RPS-Q-0206347/1

Cyber and Privacy Liability Insurance Policy

54.111 (01/15)

NOTICE: THE POLICY CONTAINS ONE OR MORE COVERAGES. CERTAIN COVERAGES ARE LIMITED TO LIABILITY FOR CLAIMS THAT ARE FIRST MADE AGAINST THE INSURED AND NOTIFIED TO US DURING THE POLICY PERIOD AS REQUIRED. CLAIM EXPENSES SHALL REDUCE THE APPLICABLE LIMITS OF LIABILITY AND ARE SUBJECT TO THE APPLICABLE RETENTION (S). PLEASE READ THIS POLICY CAREFULLY.

POLICY DECLARATIONS

ITEM 1.	NAMED INSURED	Floyd County Board of Education
	ADDRESS	106 North Front Avenue, Prestonsburg, Kentucky, 41653
ITEM 2.	POLICY PERIOD	FROM: April 29, 2016 TO: April 29, 2017 (12:01 A.M. Standard time at the address shown in Item 1.)
ITEM 3.	POLICY LIMITS OF LIABILITY AND COVERAGES PURCHASED	A. Aggregate Limit of Liability: \$1,000,000 (Aggregate for Each and Every Claim Including Claims Expenses) B. Sublimit of Liability for Individual Coverage(s) Purchased: \$1,000,000 "Nil" or "N/A" Sublimit of Liability for any coverage indicates that the coverage was not purchased

COVERAGE	PER CLAIM SUBLIMIT OF LIABILITY INCLUDES CLAIM EXPENSES	AGGREGATE SUBLIMIT OF LIABILITY
A. Privacy Liability (Including Employee Privacy)	\$1,000,000	\$1,000,000
B. Privacy Regulatory Claims Coverage	\$1,000,000	\$1,000,000
C. Security Breach Response Coverage	\$1,000,000	\$1,000,000
D. Security Liability	\$1,000,000	\$1,000,000
E. Multimedia Liability	\$1,000,000	\$1,000,000
F. Cyber Extortion	\$1,000,000	\$1,000,000
G. Business Income and Digital Asset Restoration	\$1,000,000	\$1,000,000
H. PCI DSS Assessment	\$100,000	\$100,000

ITEM 4. RETENTION (Including Claims Expenses):

COVERAGE	EACH CLAIM
A. Privacy Liability (Including Employee Privacy)	\$25,000
B. Privacy Regulatory Claims Coverage	\$25,000
C. Security Breach Response Coverage	\$25,000
D. Security Liability	\$25,000
E. Multimedia Liability	\$25,000
F. Cyber Extortion	\$25,000
G. Business Income and Digital Asset Restoration	\$25,000 / 8 hrs waiting period
H. PCI DSS Assessment	\$25,000

ITEM 5. PREMIUM \$12,995

**CYBER DECEPTION
PREMIUM:** \$450 (IF ELECTED)

ITEM 6. TERRITORIAL LIMITS Worldwide

ITEM 7. RETROACTIVE DATE Full Prior Acts

ITEM 8. NOTICE OF CLAIM Clyde & Co. US LLP
 101 Second Street, 24th Floor
 San Francisco CA 94105
 USA
 joan.dambrosio@clydeco.us
 24 Hour Security Breach Hotline: 1-855-217-5204

ITEM 9. NOTICE OF ELECTION RPS Tech & Cyber
 204 Cedar Street
 Cambridge, MD 21613
 USA

ITEM 10. SERVICE OF SUIT Risk Situated in California:
 Eileen Ridley
 FLWA Service Corp.
 c/o Foley & Lardner LLP
 555 California Street, Suite 1700, San Francisco, CA 94104-1520

Risks Situated in All Other States:
 Mendes & Mount
 750 Seventh Avenue, New York, NY 10019

ITEM 11. CHOICE OF LAW New York



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**FORMS AND ENDORSEMENTS
EFFECTIVE AT INCEPTION**

94.510 (09/15) Cyber Deception Endorsement (If elected)
94.102 (01 15) Nuclear Incident Exclusion
94.103 (01 15) Radioactive Contamination Exclusion
94.801 (01 15) KENTUCKY Amendatory