RISK ADVISORY SERVICES WEBINAR SERIES

The SolarWinds Attack & the Impact on Cybersecurity Insurance

February 24, 2021

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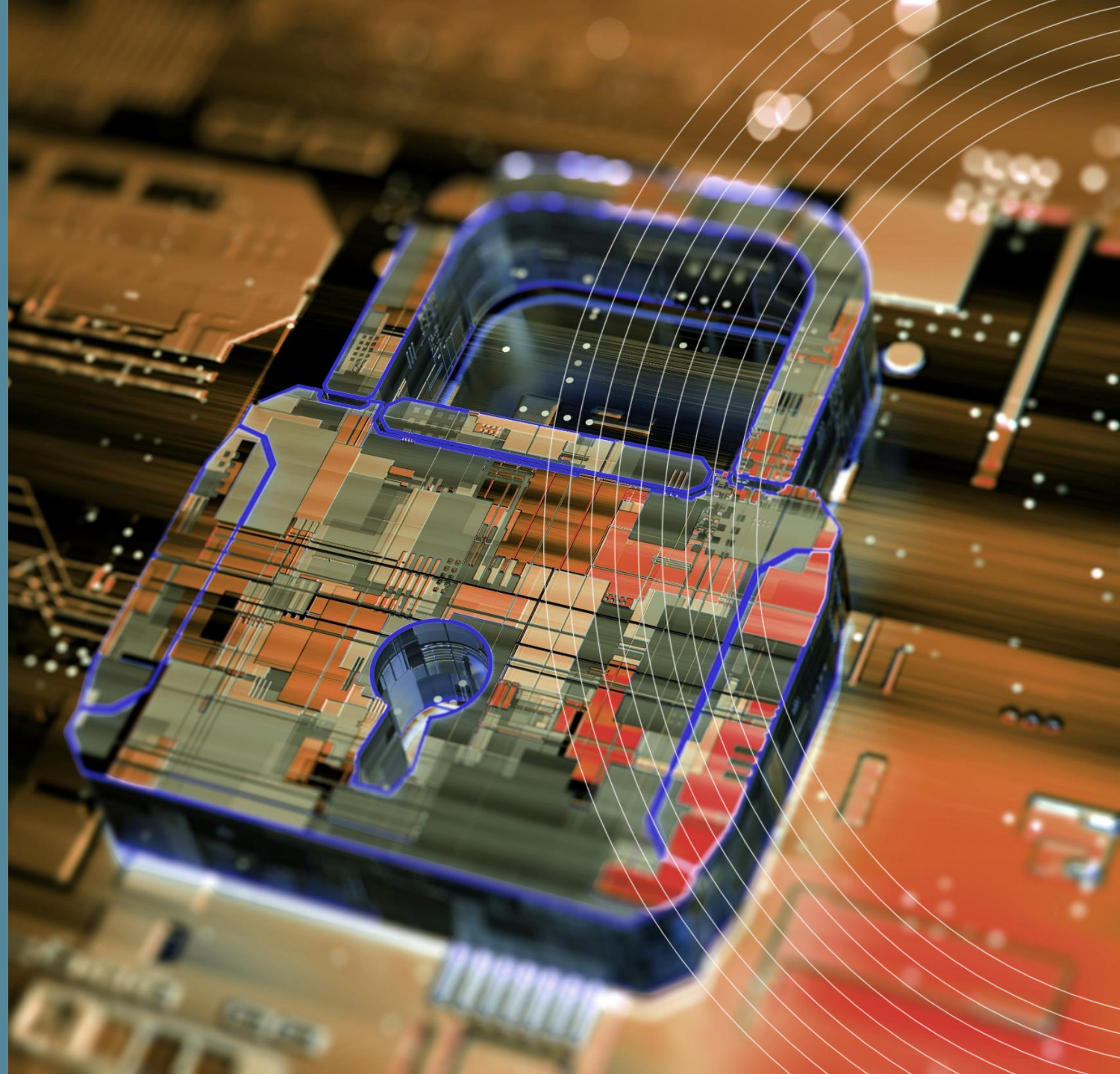


TODAY'S AGENDA

- The SolarWinds Attack Explained
- What You Can Do
- Cybersecurity Insurance Repercussions
- Long Time Lessons
- Wrap Up

TODAY'S WEBINAR PRESENTERS

William J. Heaven, CPA/CITP, CISA, CSCP

Senior Manager, IT Department
HBK CPAs & Associates

Bill works out of the firm's corporate office in Youngstown, Ohio. He specializes in cyber security, IT security, external IT audit, internal IT audit, IT consulting, software development, IT governance, PCI-DSS, supply chain, system implementations and e-Commerce and has worked for a wide range of industries, including the Public Accounting field. Bill is a certified public accountant, a certified information system auditor, and a certified supply chain professional. He earned a bachelor's degree in Business Administration in Computer Science at Kent State University.

TODAY'S WEBINAR PRESENTERS

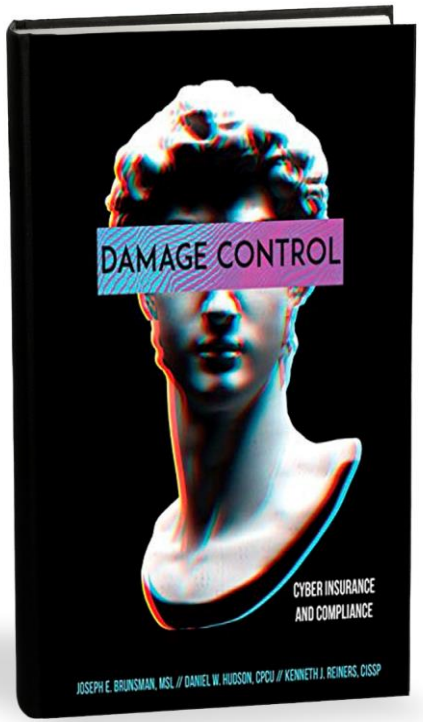
Joseph E. Brunsman, MSL

VP and COO
Chesapeake Professional Liability Brokers

Joseph joined CPL Brokers Inc. after serving as a Lieutenant in the United States Navy, working as an Anti-Terrorism / Force Protection Officer responsible for a billion dollars of equipment and 280+ military personnel. Prior to that he served tours as a Combat Information Center Officer and an Electronic Warfare Officer. During his enlisted time, he was an Information Systems Technician dealing with Unix database management and network security.

Joseph is a 2003 graduate of New Mexico Military Institute and a 2010 graduate of the U.S. Naval Academy in Annapolis, MD., where he obtained a degree in Systems Engineering with a focus on robotics system interoperability. In 2019 he graduated the University of Maryland School of Law with a Master's in Cybersecurity Law. He is the resident expert in cyber law, insurance and compliance — writing two consecutive best selling books on the subject.

Joe also has written insurance courses about cybersecurity and cybersecurity law for multi-national trade groups as well as numerous per-reviewed articles in nationwide magazines. He has sold hundreds of cyber insurance policies.



DAMAGE CONTROL

CYBER INSURANCE AND COMPLIANCE

By Joseph Brunsman MSL, Daniel Hudson and Kenneth Reiners

- What are the basics of cybersecurity?
- When is client notification required or not required?
- What does cyber insurance cover or not cover?
- How much cyber insurance to I need?
- What happens when multiple policies cover the same loss?
- What should be in my cyber insurance policy and why?
- What laws may apply to my business?

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The SolarWinds Attack Explained

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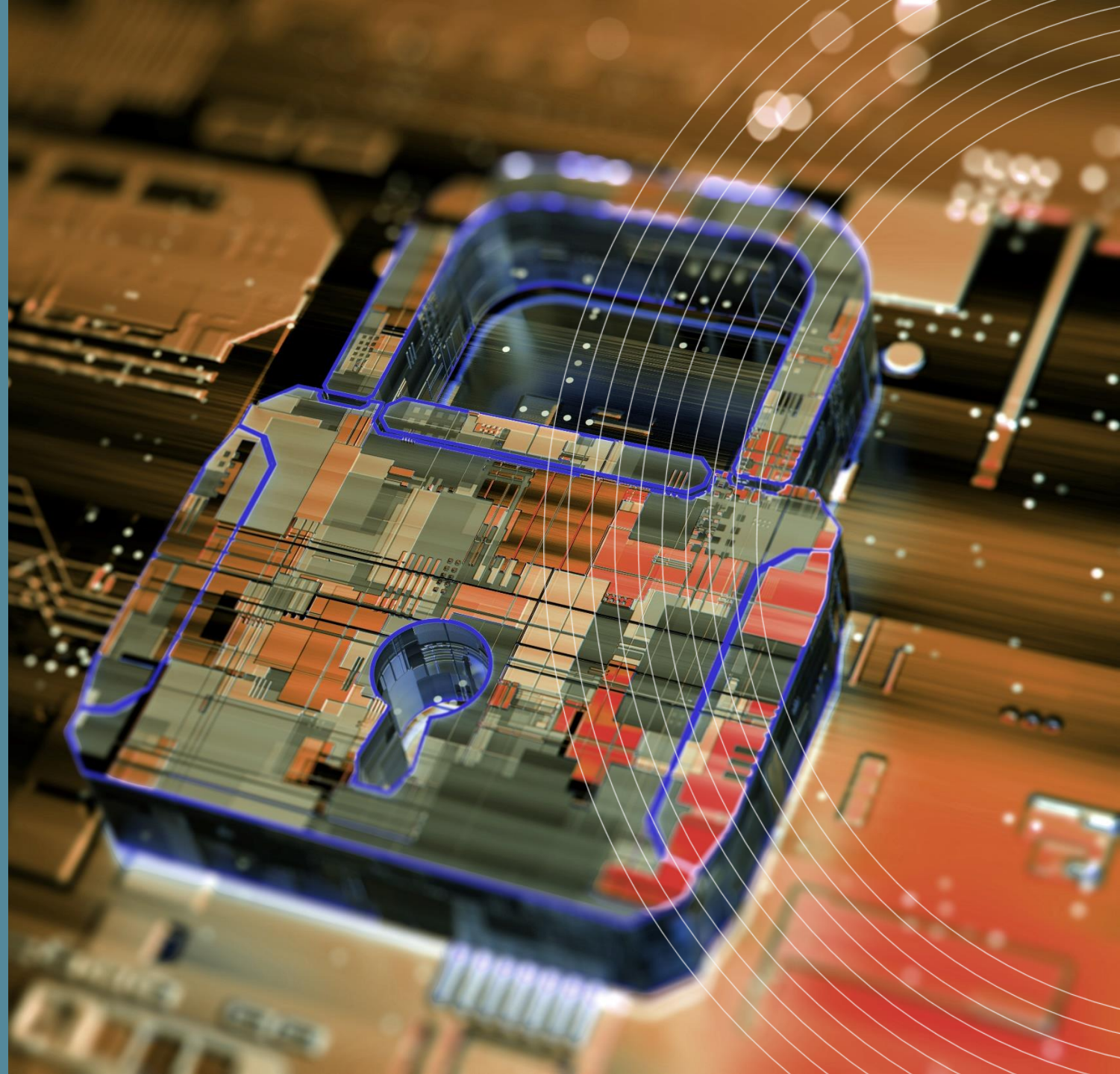


The SolarWinds Attack

Explanation

1. Advanced Persistent Threat “APT” Attack
2. Russian Government suspected
3. SolarWinds Orion Platform
4. Supply Chain Attack

Explanation

Advanced Persistent Threat “APT”

- The Most Sophisticated Type of Cybersecurity Attacks
- Nation-state, Organized Crime, or Activist Groups
- Long-Term, Multi-phase, focus on reconnaissance
- Ingress Attack

Explanation

Russian Government Suspected

- US Cybersecurity Agencies - released joint statement
- Described as “An Intelligence gathering effort”
- Broke into SolarWinds infrastructure
- Malware named Sunburst/ Solo iGATE added

Explanation

The Orion Platform

- Infrastructure Monitoring Tool
  - Consolidated and Centralized
  - Secure (???)

Supply Chain Attack

Explanation

- Intrusive third-party breach
- Trusted business partners
- Highly integrated organizations

CPE CHECKPOINT QUESTION #1

Poll Question #1

The SolarWinds Attack

Explanation

5. Dwell Time
6. Trojan Horse
7. 18,000 customers

Dwell Time

Explanation

- Breach believed to have happened in March 2020
- Discovered in December 2020

Explanation

Trojan Horse

- Trojan Horse
- Malware disguised as an Orion update

Explanation

The Impact

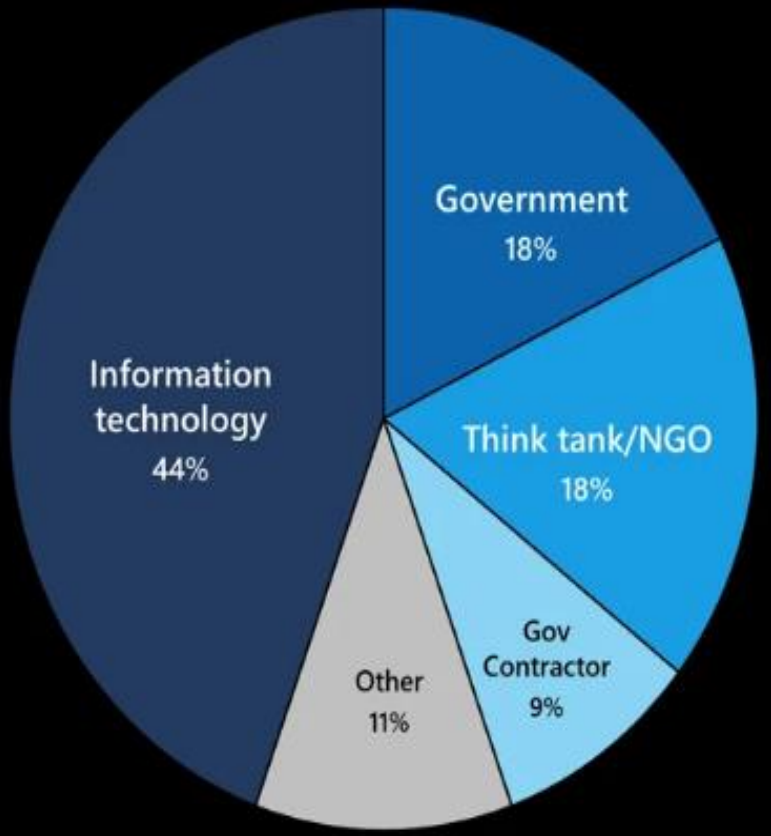
- Reported to affect 18,000 organizations
- US Government
- Large US Companies

Explanation

Recent cyberattack victims by sector

44% of targets were in the **information technology** sector, including software firms, IT services and equipment providers.

US government targets are involved in **finance**, **national security, health,** and **telecommunications**, while the government contractor victims primarily support **defense and national security** organizations.



Source: Microsoft data

CPE CHECKPOINT QUESTION #2

Poll Question #2

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What You Can Do

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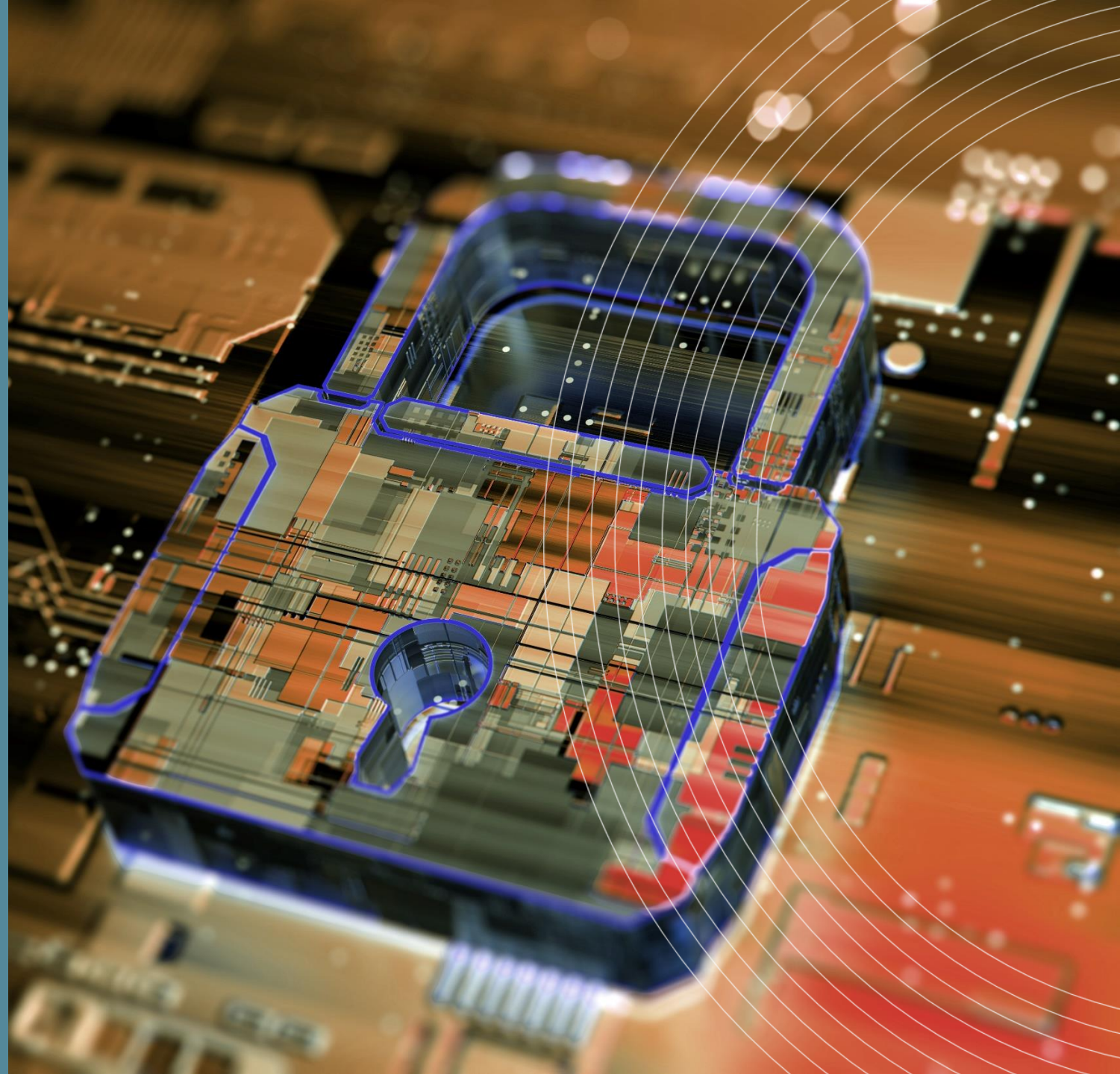

What You Can Do

Reasonable Cybersecurity Safeguards

1. Comprehensive Written Information Security Program “WISP”
2. Designate Someone to maintain & supervise the WISP
3. Conduct a Risk Assessment
4. Regular IT Security Training for Employees

What You Can Do

Reasonable Cybersecurity Safeguards

5. Monitor Third-Party Risk
6. Manage, Protect, and Properly Dispose of Personal Information as required
7. Annual Review & Update WISP
8. Incident Response Plan

CPE CHECKPOINT QUESTION #3

Poll Question #3

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Cyber Insurance Repercussions

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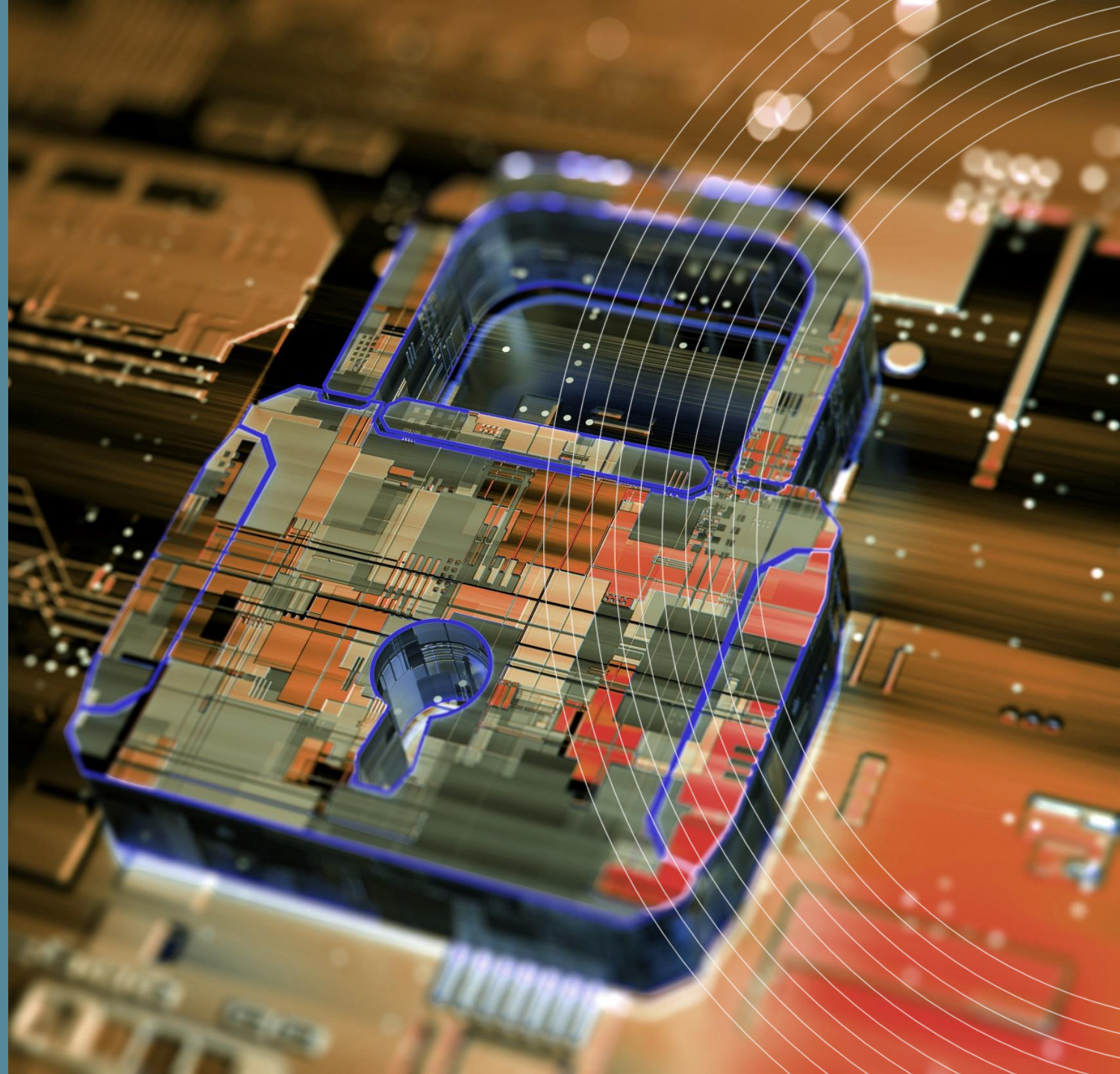

Three Main Areas

- Claims & Potential Claim Denials
- War Acts Exclusion
- Application Implications
- Renewal Implications

Potential Claims

- Could you have a “reasonable” belief of impact?
- Likely: Required to report potential claims before renewal.
- Later becomes a claim = No coverage

Mondalez v. Zurich

- 2017: Mondalez became victim of NotPetya Virus
- Infected 1,700 servers and 24,000 laptops
- Mondalez claimed over $100,000,000 in damages

Mondalez v. Zurich (cont.)

- "This Policy excludes loss or damage directly or indirectly caused by or resulting from … hostile or warlike action in time of peace or war…"
- White House Press Secretary blamed Russia.
- Zurich used this in their declination & defense.

Application Implications

- Already, “in the wild.”
- “Have you in way, or could you in any way, be implicated by the Solarwinds Incident.”
- “Do you or any vendor have exposure to the Solarwinds Incident?”
- Seek Legal Counsel…

Renewal Implications

- Direct Orion Clients: Very Hard/Impossible Renewal Cycle for Years.
- Otherwise: Conditional Renewals – No Coverage for Related Claims.
- Or: Very High Renewal Premiums.
- Check your policy; specifically, endorsements

Moving Forward

- Keep a close eye on the news & stay informed.
- Understand the insurance side.
- Understand your supply chain.

Moving Forward (cont.)

- Have policies, plans, & procedures
- Have the right cyber insurance
- Understand your renewal implications

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Long Term Lessons

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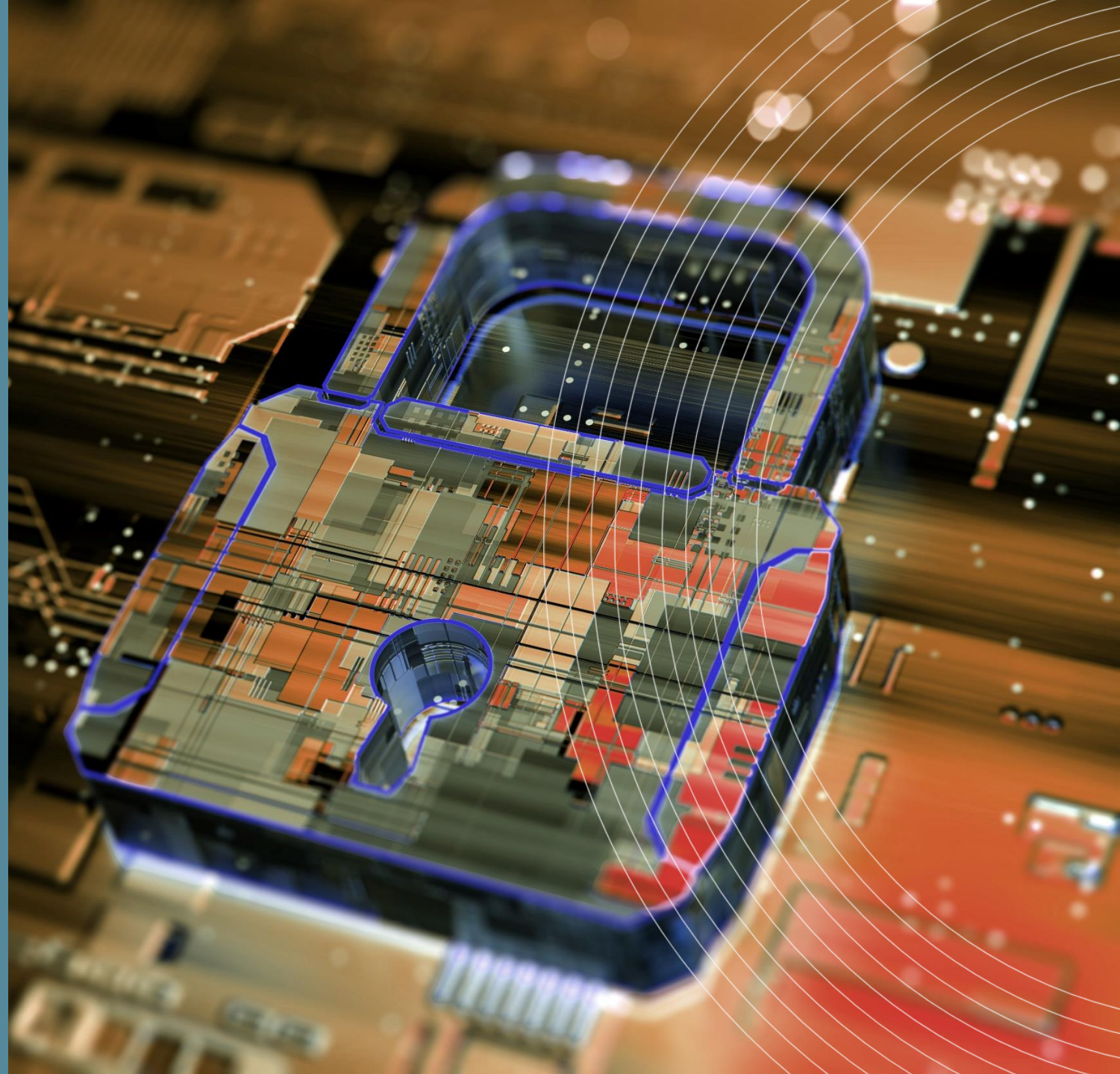

Long Term

- This is the first time, but not the last.
- Have appropriate plans, policies, & procedures.
- Understand and comply with your insurance policy.
- Failing to plan is planning to fail.

CPE CHECKPOINT QUESTION #4

Poll Question #4

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Wrap Up

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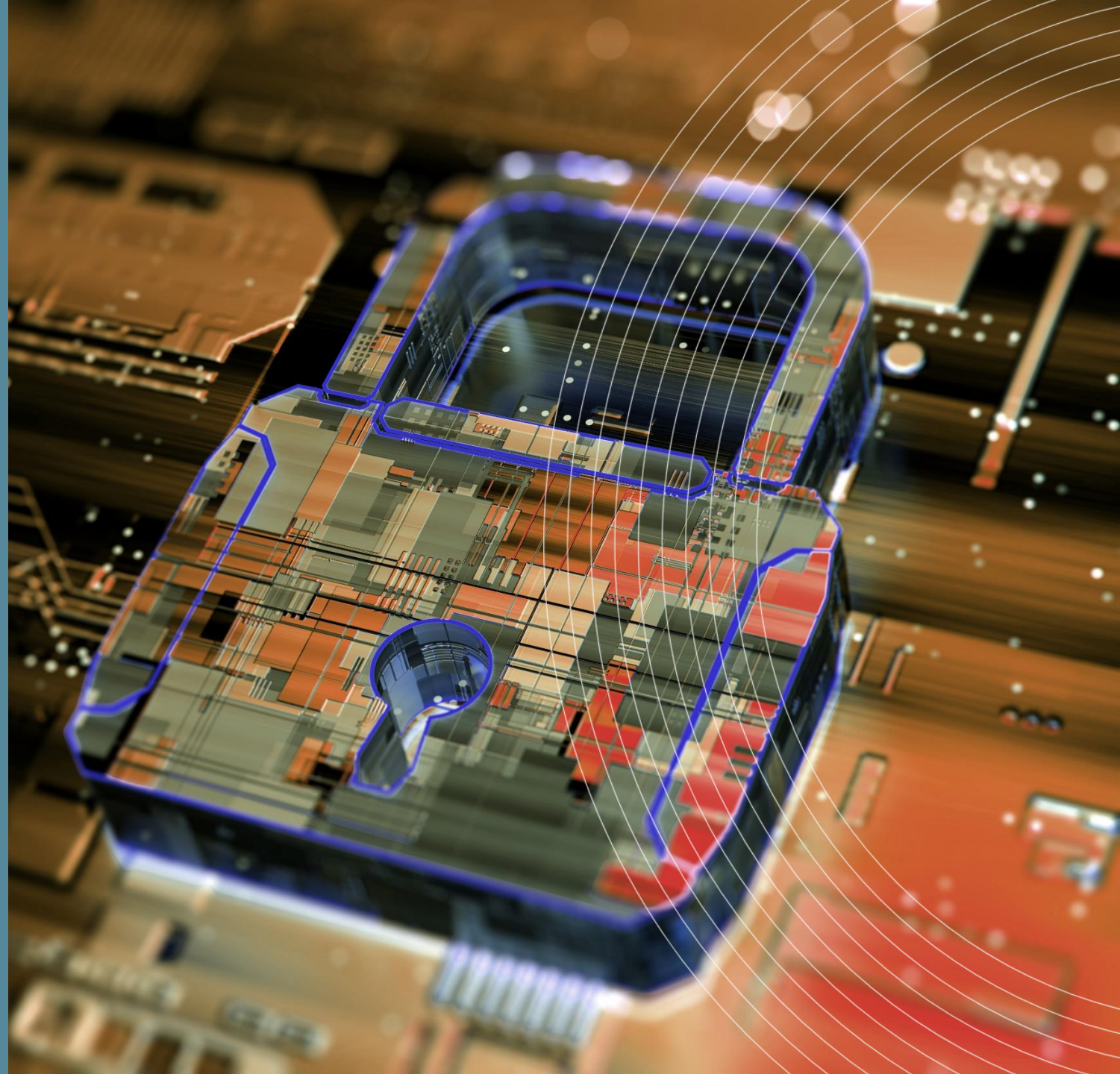

CYBERSECURITY INSURANCE ASSESSMENT

- Simple 5 Step Process
- Performed Remotely
- Includes:
  - Written Report
  - Wrap-Up Discussion

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QUESTIONS?

Contact us.

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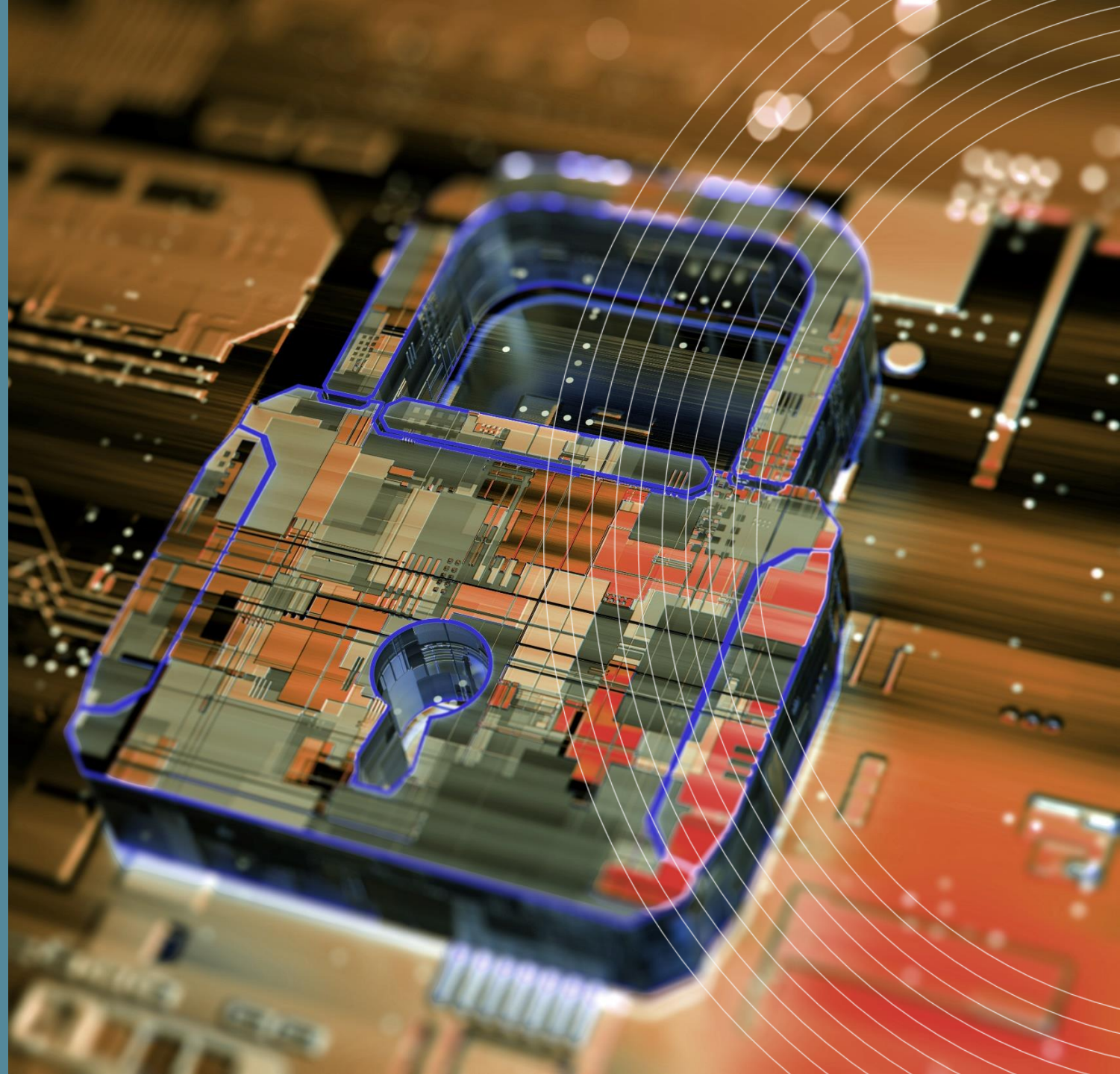

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THANK YOU FOR ATTENDING

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