

Why a BOP Cyber Endorsement isn't enough

Business Owner Policies (BOPs) frequently offer limited Cyber or Data Breach endorsements as an optional coverage. Many business owners may feel a false sense of security as these endorsements often have inadequate limits to cover and protect them from a cyber attack.

Here's how the most common cyber insurance options will (or won't) protect your business:

Claim Scenario: A local bakery is the victim of a data breach by a cybercriminal group responsible for a number of incidents targeting restaurants and retail companies nationally. The hackers identified a weakness in their security system and obtained both employee records (PII) and customer credit card information (PCI).

How? One of the bakery's employees opened a fraudulent email they thought was coming from a supplier. It contained malware that was able to install a keylogger (monitoring software designed to record keystrokes) and capture the company's credentials providing access to various systems and programs.

Forensics determined a total of 7,000 records were exposed. The bakery was responsible for the regulatory fines and costs to notify both employees and customers of the breach.

Cost Type	Self-Insured	Endorsement	Standalone Policy
Breach Response: \$25,000	\$0	\$25,000	\$25,000
Forensics: \$120,000	\$0	\$100,000	\$120,000
Crisis Management: \$20,000	\$0	\$20,000	\$20,000
Notification: \$2,800	\$0	\$2,800	\$2,800
Call Center: \$1,300	\$0	\$1,300	\$1,300
Credit Monitoring: \$10	\$0	\$10	\$10
PCI Fines & Penalties: \$75,000	\$0	\$0	\$75,000
Legal & Defense Costs: \$280,000	\$0	\$100,000	\$280,000
Total Claim Cost: *\$524,100	Total Coverage: \$0	Total Coverage: \$249,110	Total Coverage: \$524,100
	Out of Pocket Cost: \$524,100	Out of Pocket Cost: \$274,000	Out of Pocket Cost: \$0

Takeaway: Not only does a standalone policy offer the necessary limits and breadth of coverage needed for small businesses today, but they offer access to a variety of resources like security assessments of current systems and 24/7 breach response hotlines to mitigate liability and help reduce further damage within the first few critical hours of a breach.

*At Bay data breach cost calculator