

**CSAC EXCESS INSURANCE AUTHORITY (CSAC EIA)  
CYBER LIABILITY PROGRAM  
2013/2014 PRELIMINARY INSURANCE PROPOSAL**

Board of Directors  
October 5, 2012  
Item 4.K.2. - Handout

	<u>PRESENT</u>	<u>PROPOSED</u>
<b>COMPANY AFFORDING COVERAGE</b>	Lloyd's of London – Beazley Syndicate: Syndicates 2623 – 623 100%	Lloyd's of London – Beazley Syndicate: Syndicates 2623 – 623 100%
<b>A.M. BEST'S GUIDE RATING</b>	A (Excellent); Financial Category XV (\$2 Billion or greater)	A (Excellent); Financial Category XV (\$2 Billion or greater)
<b>STANDARD &amp; POOR'S* RATING</b>	A (Strong)	A (Strong)
<b>CALIFORNIA STATUS</b>	Non-admitted	Non-admitted
<b>COVERAGE TERM</b>	March 21, 2013 to January 1, 2013	January 1, 2013 to January 1, 2014
<b>RETROACTIVE DATE(S) – BLANKET</b>	March 31, 2010	March 31, 2010
<b>COVERAGE</b>	<b>CLAIMS MADE AND REPORTED POLICY</b> Information Security & Privacy Insurance with Electronic Media Liability Coverage	<b>CLAIMS MADE AND REPORTED POLICY</b> Same as present

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<p><b>COVERAGE</b> <b>Continued</b></p>	<p><b>Information Security and Privacy Liability</b> pays on behalf of the member damages and claims expenses excess of the retention which the member shall become legally obligated to pay because of any claim, including a claim for violation of a privacy law first made against the member and reported to underwriters during the policy period for</p> <ul style="list-style-type: none"> <li>• theft, loss or unauthorized disclosure of personally identifiable non-public information or third party corporate information that is in the care, custody or control of the member, or an independent contractor that is holding, processing or transferring such information on behalf of the member</li> <li>• Acts or incidents that directly result from the failure of computer security to prevent a security breach including               <ul style="list-style-type: none"> <li>○ Alteration, corruption, destruction, deletion, or damage to a data asset stored on computer systems</li> <li>○ Failure to prevent transmission of malicious code from computer systems to third party computer systems</li> <li>○ Participation in a denial of service attack directed against a third party computer system</li> </ul> </li> <li>• The failure to timely disclose any of the above in violation of any breach notice law</li> <li>• The failure to comply with a privacy policy involving the disclosure, sharing or selling of personally identifiable non-public information               <ul style="list-style-type: none"> <li>○ The failure to administer an identity theft prevention program</li> </ul> </li> </ul>	<p>Same as present</p>

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	<u>PRESENT</u>	<u>PROPOSED</u>
<b>COVERAGE</b> <b>Continued</b>	<p><b>Privacy Notification Costs</b>, in excess of the Retention and incurred by the member with Underwriters' prior consent resulting from the Insured Organization's legal obligation to comply with a breach notice law because of an incident that first takes place on or after the retroactive date and before the end of the policy period and is discovered by the member and reported to Underwriters during the policy period. Privacy Notification Costs means costs incurred within one year of the reporting of the incident or suspected incident to the Underwriters:</p> <ul style="list-style-type: none"> <li>• To hire security experts</li> <li>• Notification provisions</li> <li>• Public relations mitigation up to \$50,000 subject to 20% coinsurance</li> <li>• Credit monitoring for the purpose of mitigating potential damages and are subject to 20% coinsurance</li> </ul>	Same as present
	<p><b>Regulatory Defense and Penalties</b> pays on behalf of the member claims expenses and penalties which the member shall become legally obligated to pay because of any claim in the form of a regulatory proceeding resulting from a violation of a privacy law and caused by an incident described under certain sections of the information security and privacy liability section of the policy that first takes place on or after the Retroactive Date and before the end of the policy period.</p>	Same as present

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		<u>PRESENT</u>	<u>PROPOSED</u>
<b>COVERAGE</b> Continued	<p><b>Website Media Content Liability</b> (occurrence based) pays on behalf of the insured damages and claims expenses, in excess of the Deductible, resulting from any claim made against the member for one or more of the following acts committed in the course of covered media activities occurring during the policy period:</p> <ul style="list-style-type: none"> <li>• Defamation, libel, slander, trade libel, infliction of emotional distress, outrage, outrageous conduct, or other tort related to disparagement or harm to the reputation or character of any person or organization;</li> <li>• Privacy violation</li> <li>• Invasion or interference with publicity</li> <li>• Plagiarism, piracy, misappropriation of ideas under implied contract</li> <li>• Infringement of copyright</li> <li>• Infringement of domain name, trademark, trade name, trade dress, logo, title, metatag, or slogan, service mark, or service name; or</li> <li>• Improper deep-linking or framing within electronic content</li> </ul>		Same as present
	<p><b>Cyber Extortion</b> indemnifies the member for costs incurred as a direct result of an extortion threat first made against the Insured Organization by a person other than employees, directors, officers, principals, trustees, governors, managers, members, etc.</p>		Same as present

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<b>COVERAGE</b> <b>Continued</b>	<b>First Party Data Protection</b> indemnifies the member for data protection loss as a result of alteration, corruption, destruction, deletion, damage or inability to access data assets, that first takes place during the policy period and is directly caused by a failure of Computer Security to prevent a Security Breach; provided that such Security Breach must take place on or after the Retroactive Date and before the end of the policy period.	Same as present
	<b>First Party Network Business Interruption</b> indemnifies the member for business interruption loss as a direct result of the actual and necessary interruption or suspension of computer systems that first takes place during the policy period and is directly caused by a failure of computer security to prevent a security breach.	Same as present

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	<u>PRESENT</u>	<u>PROPOSED</u>
<b>LIMITS</b>	<p>\$10,000,000 Aggregate Limit of Liability for all Members combined (Aggregate for all coverages combined, including Claim Expenses) with below sub-limits below:</p> <p>\$1,000,000 Information Security &amp; Privacy Liability</p> <p>\$250,000 Privacy Notification Costs, if an approved vendor is used</p> <p>\$100,000 Dependent Business</p> <p>\$1,000,000 Regulatory Defense &amp; Penalties</p> <p>\$1,000,000 Website Media Content Liability</p> <p>\$1,000,000 Cyber Extortion</p> <p>\$1,000,000 First Party – Data Protection/Business Interruption</p>	<p><b>Option 1:</b> Same as present except the following</p> <p>\$500,000 Privacy Notification Costs if an approved vendor is used</p> <p><b>Option 2:</b> Same as present except the following</p> <p>\$750,000 Privacy Notification Costs if an approved vendor is used</p> <p>\$200,000 Dependent Business</p> <p><b>Option 3:</b></p> <p>\$20,000,000 Aggregate Limit of Liability for all Members combined (Aggregate for all coverages combined, including Claim Expenses) with below sub-limits below:</p> <p>\$2,000,000 Information Security &amp; Privacy Liability</p> <p>\$1,000,000 Privacy Notification Costs, if an approved vendor is used</p> <p>\$250,000 Dependent Business</p> <p>\$2,000,000 Regulatory Defense &amp; Penalties</p> <p>\$2,000,000 Website Media Content Liability</p> <p>\$2,000,000 Cyber Extortion</p> <p>\$2,000,000 First Party – Data Protection/Business Interruption</p>

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	<u>PRESENT</u>	<u>PROPOSED</u>
<b>SELF-INSURED RETENTION</b>	<p>\$50,000 per Claim for each member with TIV up to \$500,000,000 at the time of loss</p> <p>\$100,000 per Claim for each member with TIV greater than \$500,000,000 at the time of loss</p> <p>Eight hour waiting period for first party claims</p>	Same as present
<b>TERRORISM OPTION</b>	Excluded	Excluded
<b>MAJOR EXCLUSIONS (Included but not limited to)</b>	<ul style="list-style-type: none"> <li>• Bodily Injury or Property Damage</li> <li>• Any employer-employee relations, policies, practices, acts or omissions, or any actual or alleged refusal to employ any person, or misconduct with respect to employees</li> <li>• Contractual Liability or Obligation</li> <li>• Any actual or alleged act, error or omission or breach of duty by any director, officer, manager if claim is brought by principals, officers, directors, stockholders and the like</li> <li>• Anti-Trust violations, restraint of trade, unfair competition, or false or deceptive or misleading advertising or violation of the Sherman Anti-Trust Act, the Clayton Act, or the Robinson-Patman Act</li> <li>• Unfair trade practices</li> <li>• Unlawful collection or acquisition of Personally Identifiable Non-Public Information; or the failure to comply with a legal requirement to provide individuals with the ability to assent to or withhold asset</li> </ul>	Same as present

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<p><b>MAJOR EXCLUSIONS</b> (Included but not limited to)</p>	<ul style="list-style-type: none"> <li>• Distribution of unsolicited e-mails, facsimile, audio or video recording or telemarketing</li> <li>• Incidents occurring prior to retroactive date</li> <li>• Any act, error, omission, of computer security if occurred prior to policy inception Violation of the Organized Crime Act of 1970</li> <li>• Securities Act Violations</li> <li>• Fair Labor Act Violations</li> <li>• Discrimination</li> <li>• Any criminal, dishonest, fraudulent, or malicious act, error or omission, any intentional Security Breach, intentional violation of a Privacy Policy, or intentional or knowing violation of the law</li> <li>• Infringement</li> <li>• Use or misappropriation of any ideas, trade secrets</li> <li>• The Federal Trade Commission, the Federal Communications Commission, or any other state, federal, local or foreign governmental entity</li> <li>• Member vs. Member</li> <li>• Any business enterprise in which any member has greater than a 15% ownership interest or made by any parent company or other entity which owns more than 15% of the Named Insured</li> <li>• The member's activities as a trustee, partner, member, Manager, officer, director or employee of any employee trust, charitable organization, corporation, company or business other than that of the member organization</li> </ul>	<p>Same as present</p>

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<b>MAJOR EXCLUSIONS</b> (Included but not limited to) Continued	<ul style="list-style-type: none"> <li>• Money/Securities/Funds Transfer</li> <li>• Broadcasting, Publications and Advertising actual or alleged obligation to make licensing fee or royalty payments</li> <li>• War and Terrorism</li> <li>• Pollution</li> <li>• Nuclear</li> <li>• Radioactive Contamination</li> </ul>	Same as present
<b>MINIMUM EARNED PREMIUM</b>	75% - Fully earned upon binding	Same as present
<b>CANCELLATION</b>	60 days except 10 days for nonpayment of premium	Same as present
<b>CLAIMS REPORTING REQUIREMENTS</b>	Immediate Notice must be made to Beazley NY of all potential claims and circumstances	Same as present
<b>BINDING CONDITIONS</b>	Written request to bind coverage	Same as present
<b>PREMIUM</b> (Including Taxes & Fees)	\$483,637 (Annualized)	<b>Option 1:</b> \$458,490 <b>Option 2:</b> \$485,781 <b>Option 3:</b> \$753,233
<b>COMMISSION:</b>	16.5% (\$77,288) Alliant Insurance Services, Inc. 6% (\$28,105) RKHarrison-Wholesaler/Intermediary*	16.5% Alliant Insurance Services, Inc. 6% RKHarrison-Wholesaler/Intermediary*

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*\* In the course of placing various programs and products on behalf of CSAC EIA, Alliant Insurance Services may either elect, or find it necessary, to utilize intermediary brokers such as Excess & Surplus Lines Brokers (sometimes referred to as "wholesalers") and/or Reinsurance Brokers (herein after collectively referred to as "intermediary brokers"). While Alliant Insurance Services is not customarily privy to such information, we will endeavor to secure and provide CSAC EIA with confirmation of all compensation (commission, fees and/or other income) derived by all such intermediary brokers as a direct or indirect result of a CSAC EIA related placement. While making best efforts to provide CSAC EIA with this information, Alliant is relying on information volunteered by the intermediary brokers and therefore can not guarantee the delivery, nor warranty the accuracy, of such information.*

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ALLIANT EMBRACES A POLICY OF TRANSPARENCY WITH RESPECT TO ITS COMPENSATION FROM INSURANCE TRANSACTIONS. DETAILS ON OUR COMPENSATION POLICY, INCLUDING THE TYPES OF INCOME THAT ALLIANT MAY EARN ON A PLACEMENT, ARE AVAILABLE ON OUR WEBSITE AT [WWW.ALLIANTINSURANCE.COM](http://WWW.ALLIANTINSURANCE.COM). FOR A COPY OF OUR POLICY OR FOR ANY INQUIRIES REGARDING COMPENSATION ISSUES PERTAINING TO YOUR ACCOUNT YOU MAY ALSO CONTACT US AT: ALLIANT INSURANCE SERVICES, INC., ATTENTION: GENERAL COUNSEL, 701 B STREET, 6TH FLOOR, SAN DIEGO, CA 92101.

*\*ANALYZING INSURERS' OVER-ALL PERFORMANCE AND FINANCIAL STRENGTH IS A TASK THAT REQUIRES SPECIALIZED SKILLS AND IN-DEPTH TECHNICAL UNDERSTANDING OF ALL ASPECTS OF INSURANCE COMPANY FINANCES AND OPERATIONS.*

INSURANCE BROKERAGES SUCH AS ALLIANT INSURANCE TYPICALLY RELY UPON RATING AGENCIES FOR THIS TYPE OF MARKET ANALYSIS. BOTH A.M. BEST AND STANDARD AND POOR'S HAVE BEEN INDUSTRY LEADERS IN THIS AREA FOR MANY DECADES, UTILIZING A COMBINATION OF QUANTITATIVE AND QUALITATIVE ANALYSIS OF THE INFORMATION AVAILABLE IN FORMULATING THEIR RATINGS.

A.M. BEST HAS AN EXTENSIVE DATABASE OF NEARLY 6,000 LIFE/HEALTH, PROPERTY CASUALTY AND INTERNATIONAL COMPANIES. YOU CAN VISIT THEM AT [WWW.AMBEST.COM](http://WWW.AMBEST.COM). FOR ADDITIONAL INFORMATION REGARDING INSURER FINANCIAL STRENGTH RATINGS VISIT STANDARD AND POOR'S WEBSITE AT [WWW.STANDARDANDPOORS.COM](http://WWW.STANDARDANDPOORS.COM).

TO LEARN MORE ABOUT COMPANIES DOING BUSINESS IN CALIFORNIA, VISIT THE CALIFORNIA DEPARTMENT OF INSURANCE WEBSITE AT [WWW.INSURANCE.CA.GOV](http://WWW.INSURANCE.CA.GOV).

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