

Exploring a CLLAS Cyber Policy

Presentation to Advisory Board – February 22, 2022

Exploring a CLLAS Cyber Policy

Why Cyber

Key considerations:

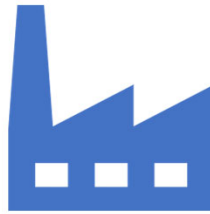
- Underwriting
- Coverage
 - Insuring Agreements
 - Limits/Deductibles
- Losses Expected
- Claims Management
- Risk Retention Strategies
- Rates
- Subscriber Agreement / Segregation of Risk

Next Steps

Why Cyber



Market instability



Supply of coverage is
limited



CLLAS can do it better

Conditions mirror those that triggered the creation of CLLAS

Underwriting

- Application process based on insurer and cyber security frameworks
- Customize application for CLLAS
 - Tailored to CLLAS firms
 - Informed by IT departments
- Combine underwriting, risk management, and (potentially) add cyber audit/benchmarking
- Focus on risk homogeneity - continuous improvement

Coverage – Insuring Agreements

- Go back to 2020 market wordings/coverages
 - Ransomware, dependent network BI, and reputation risk
- Adjust for CLLAS
 - Third Party for non-clients only
 - Social engineering and computer Fraud – first party only, sub-limit

Coverage – Limits / Deductibles

- Keep deductibles consistent with 2021 - \$100,000 to \$250,000
 - Provide different deductibles based on firm size (lawyer count) in order to remain market competitive
- CLLAS primary of \$5,000,000 or \$10,000,000
- Excess limits on commercial basis



Claims Management

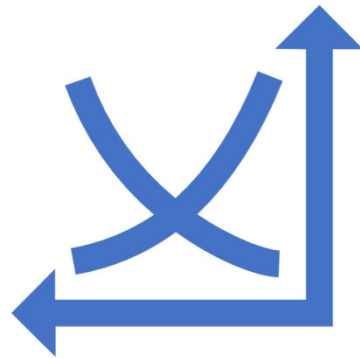
- Key area of improvement
 - CLLAS-selected panel of providers
 - Consistent incident response year over year
 - Faster claim service

Risk Retention Strategies

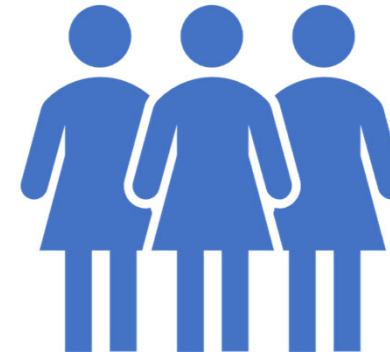
- \$5,000,000 or \$10,000,000 primary policy
- Aim to reinsure losses excess of \$1,000,000 with quota share reinsurance
- Consider aggregate stop-loss coverage via Colchester / open market
- Pivot to a different structure to optimize reinsurance



Rating Considerations

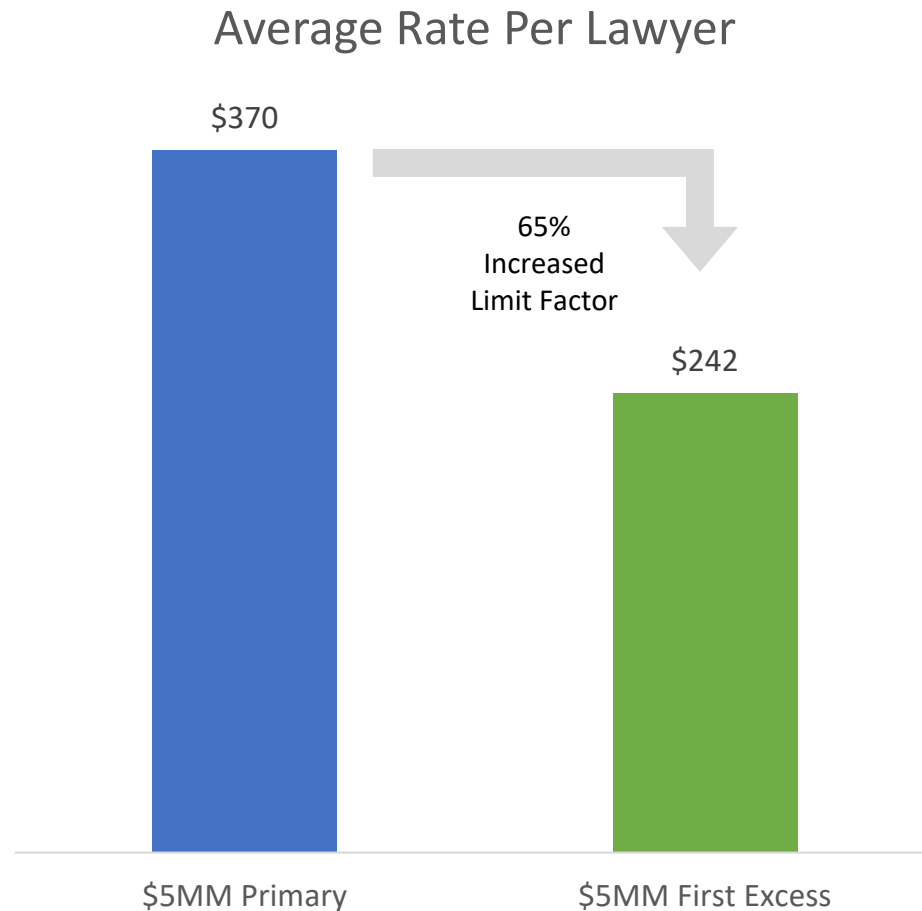


Market is using a diminishing marginal rate approach based on revenues and exposures (PII count and controls)



Maintain market rating structure but move to a per lawyer rating

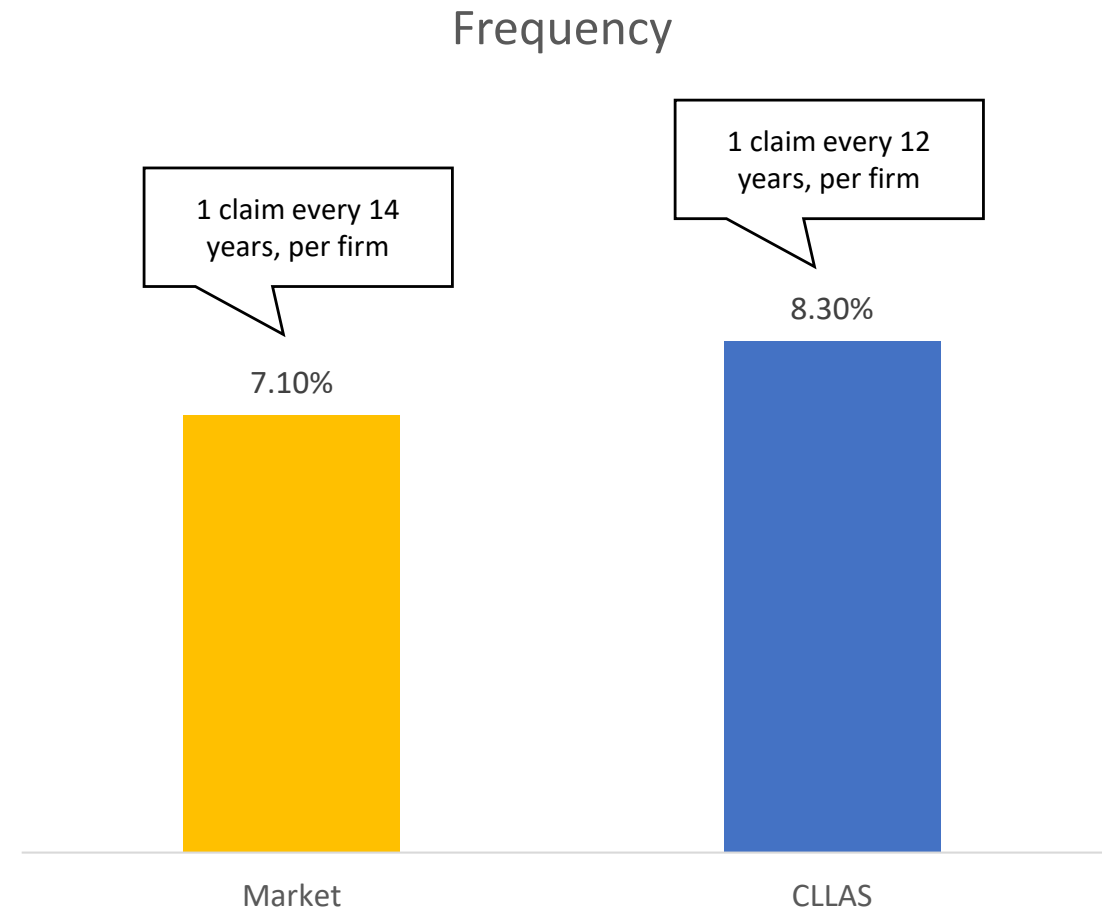
Rating Considerations



- Without changing the rates, and assuming all subscribers participate, the approximately annual total premiums would be:
 - \$5MM Primary: \$1,500,000 to \$1,700,000
 - \$5MM xs \$5MM: \$1,000,000 to \$1,100,000

Rating Considerations

- Expected CLLAS claims: .9 per year
 - Note: Higher retentions now in place mean some of these would not have exceeded the retention
- Claims vary significantly in size depending on the nature of the incident/breach
- Based on industry stats, approximately 80-90% of claims will fall under the proposed firm retention, i.e. be less than \$250,000



Rating Considerations

- CLLAS expected annual losses under \$1,000,000 are \$67,500 to \$162,000
- Premium volumes of \$1,500,000-\$1,700,000 (\$5MM limit) to \$2,500,000-\$2,800,000 (\$10MM limit) should support CLLAS retention and reinsurance
- Depending on reinsurance, premium savings (real and/or relative) should be achievable

Subscriber Agreement / Segregation of Risk

- Ring-fence the cyber program
- Additional administration costs covered by the premiums
- CLLAS could be open to new subscribers exclusively for cyber
 - CLLAS Associate Member program implications
- Surplus accumulation is possible – make sure surplus is accessible to both professional liability and cyber programs

Next Steps

1. Seeking board approval to move ahead to formalize terms and conditions for a cyber program as broadly outlined herein, including:
 - ✓ Refining the coverage terms/policy wordings
 - ✓ Developing a rating structure, including further developing loss modeling
 - ✓ Design and document claim management structure
 - ✓ Secure reinsurance terms/indications
 - ✓ Apply for appropriate provincial licensing for CLLAS
 - ✓ Review and develop recommendations for necessary subscriber agreement amendments
2. Special meeting of the board in late April or early May to provide an update on the program to give the board sufficient information to provide instructions to management to:
 - Complete the necessary steps for inception on July 1, 2022
 - Defer the decision, or
 - Plan for inception in fall 2022 to coincide with the current expiry date of the bulk of the CLLAS firms