

Use of the CY Risk Code

Do I need to allocate a percentage of the premium to the CY risk code?

Does the policy provide any form of coverage for:



If you answer 'yes' to any of the these questions, then the answer is Yes!

It is the responsibility of the lead underwriter to assess the relative risk and apportion the premium accordingly.

Note: Cyber policies tend to use fairly standard language and the above, very simplified approach, is designed to identify the key covers, rather than provide a definitive guideline.

CYBER RISK CODE GUIDANCE

Lloyd's Risk Code Definition: Cyber coverage, which is defined as coverage in respect of the financial consequences, whether first or third party, of breach of security and or privacy of data.

The following is a definition of business areas that *are* in scope of the Cyber CY Risk Code (non-exhaustive):

First Party Coverages: (non physical damage)	
<ol style="list-style-type: none"> 1. <i>Privacy Breach - regulatory defence and penalties (including PCI fines)</i> 2. <i>Privacy/Data Breach Response Costs - including notification expenses, crisis management/PR costs, IT forensic expenses, and credit monitoring expenses.</i> 3. <i>Business Interruption loss and extra expense following the failure of a network/computer system - as a consequence of non physical damage.</i> 4. <i>Cyber Extortion - monies paid to an extortionist following a credible threat to the security and functionality of a network/computer system.</i> 5. <i>Data Restoration or Replacement Costs incurred as a consequence of non physical damage.</i> 6. <i>Computer Forensic Investigation Costs</i> 	<p>Where such coverage is offered either on a standalone basis or as extensions or "add-ons" to other policies then it is expected that there would be a specific CY premium allocation or code split.</p>
Third Party Coverages:	
<ol style="list-style-type: none"> 1. <i>Security and Privacy Liability - liability following unauthorised access to a network/computer system or unauthorised use of data, breach of privacy or breach of privacy regulations.</i> 	
<p><i>Cyber Terrorism leading to a non-physical loss under any of the above headings shall be regarded as within scope.</i></p> <p><i>Physical harm or damage should be regarded as a "terrorism" risk and coded accordingly (TO)</i></p>	
PLEASE NOTE:	
<p><i>Technology E&O will remain under the existing E8/E9 risk codes, with an allocation being made to CY at the discretion of the lead underwriter, only if any or all of First Party Coverages 1-6 above are covered as part of a blended product.</i></p>	
<p><i>Standalone Cyber/Privacy liability (whether or not including First Party Coverages 1-6 above) should be categorised as CY if no Technology E&O coverage is provided.</i></p>	

As referred to above it is important to note the following advice from Lloyd's Risk Code Guidance:

2.3 "The risk coding scheme is not intended as, nor can it be, a substitute for the proper analysis and description of risks according to managing agents' own systems, but rather is to provide a common minimum level of detail which can be supplemented by managing agents' own risk recording systems according to the special circumstances of each syndicate."

3.1 Responsibility for Coding Risks

3.1.1 "It is the responsibility of the leading Lloyd's underwriter on the risk to classify the risk with the appropriate risk code(s). Where a multi-peril policy comprises different sections which are insured separately by different syndicates, the underwriter of the leading syndicate of each section must classify the business for the syndicates in that section."

3.1.2 "However, it is also the responsibility of all following underwriters to ensure that the correct code(s) has been allocated. Codes applied by the leading Lloyd's underwriter should not be altered or added to without the leading Lloyd's underwriter's approval. Should a following underwriter wish to amend a risk code, he should refer the matter directly to the leading Lloyd's underwriter."

3.5.1 "For insurances providing coverage across two or more risk codes (including those denoting both risk and territorial exposure) and in particular large global policies, the leading underwriter should code the predominant parts of the total risk having regard to the overall exposure of risk and the most likely incidence of future claims. The leading underwriter should endeavour to subdivide a lesser element of the overall exposure if considered material with an appropriate division of premium."