SOUTHWEST WEST CENTRAL SERVICE COOPERATIVE
SWWC
Education & Administrative Resources

Apples ≠ Apples

Recently, I had a conversation with business manager at a school district who was reviewing two cyber liability insurance options for their district. One option was with carrier offering a $1,000,000 limit for an annual premium of $3,500. Our program was offering a $1,000,000 limit for an annual premium of $4,200. He ended up binding coverage with the first carrier. It wasn't a huge price difference, but I get it: in the world of tightening budgets, you need to ensure you're maximizing every penny!

He said something that I thought was interesting when we spoke: "Well, the coverage was the same, so I went with the lower premium." But was coverage *really* the same? Let's take a closer look.

Imagine this: an administrator is updating a critical database on a key server for the district. During the course of updating, an operational error is made that causes the server's data to become severely corrupted. The data can be restored, but it will cost them about $25,000 to hire a data recovery firm to do the work.

When he goes to file a claim with his cyber insurance company, it claim will likely be denied. Why? Because the cheaper policy requires a cyber-attack to have occurred in order to trigger coverage. This wasn't a cyber-attack, though; it was just an error. So, they saved $700, but they'll have to pay $25,000 out of pocket to rectify this situation.

If the business manager had purchased a Minnesota Service Cooperative's Cyber Insurance policy, this claim would have been covered because an 'operational error' is a coverage trigger (pending all other terms of the policy, of course). Instead of paying $25,000 out of pocket, they'll simply pay their deductible ($5,000 in this case), and the insurance company will pick up the remaining $20,000.

In the world of tightening budgets, make sure your cyber insurance works as hard as you do.

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