

Corporate Identity Protection

Claims Scenarios

The following fictitious scenarios illustrate the real threat of economic and reputational damage companies may face as a result of identity theft and how Corporate Identity Protection (CIP) might respond to these circumstances, ensuring that the company and its constituents are adequately protected.

State Association of Electricians

Scenario: Members of the State Association of Electricians (SAE) became victims of identity theft when records containing their personal information were stolen. The members filed a class action lawsuit alleging that SAE failed to safeguard their personal information and that such failure facilitated the identity theft by a third party. Mediation was unsuccessful and the matter proceeded to trial. The jury found that the union was negligent in its failure to safeguard the information and awarded damages in the amount of \$400,000 based on evidence of the numerous hours spent by the member class trying to correct the problems created by the identity theft. Defense costs incurred by SAE were \$150,000 and a like amount was awarded to the member class as the prevailing party.

Solution: CIP offers coverage for damages and defense costs regardless of whether the identity theft is the result of an accident or negligence.

ABC Mortgage Broker

Scenario: ABC Mortgage Broker (ABC) holds personal information for 75,000 customers dating back many years. After discovering that its records for 10,000 customers were missing, ABC expended \$5,000 to notify those customers of the potential risk of identity theft as mandated by state law. ABC also incurred additional expenses in the amount of \$50,000 for remedial services, such as credit monitoring and other assistance to the affected customers who wished to register for such services.

Following a consumer complaint to the Federal Trade Commission (FTC), ABC spent an additional \$10,000 in outside legal expenses to respond to the FTC inquiry.

Solution: CIP offers coverage for legal expenses resulting from administrative actions, which include investigations brought by various regulatory bodies. It also offers coverage for notification costs, as well as credit monitoring and/or other remediation services offered to victims in the event of a covered personal identity event.

Home Security Service

Scenario: An employee of Home Security Service (HSS) stored computer tapes in his car overnight as an emergency backup. The tapes—containing data for 100,000 clients, including credit card numbers, social security numbers and answers to security questions—were stolen along with the car, which had been parked in the employee’s driveway. The stolen car was later found stripped, leading HSS to conclude that it was unlikely that the thief would understand or use the contents of the tapes.

HSS sent a letter to the affected individuals notifying them of the breach one month following the incident. The notification expenses totaled \$100,000.

A class action lawsuit was filed against the HSS alleging it was negligent in not securing its data, delaying its notice to the affected individuals and failing to take any action to protect customers from the misuse of the stolen information. The class sought monetary damages, including payment for the costs associated with enhanced credit report monitoring, fraud alerts, reporting to the social security administration and credit repair processing.

HSS spent \$300,000 in legal fees to defend the suit and an additional \$45,000 in administrative expenses responding to a state regulatory inquiry concerning the circumstances of the incident. HSS also expended \$60,000 in public relations costs aimed at repairing its reputation.

Solution: CIP offers coverage for legal expenses resulting from administrative actions, which include investigations brought by various regulatory bodies. It also offers coverage for notification costs, as well as credit monitoring and/or other remediation services offered to victims in the event of a covered personal identity event.

National Car Dealership

Scenario: A rogue employee at a car dealership stole credit applications along with copies of drivers licenses of potential buyers from an unlocked storage room. The financial information was accessed by the same intruder from the credit approval computer system.

Since auto dealers can grant credit to consumers, Federal Trade Commission (FTC) investigated and imposed fines along with state attorney general investigations. The car dealership had to notify all impacted consumers and pay for their credit monitoring expenses for two years.

Solution: CIP offers coverage for legal expenses brought by various regulatory bodies including FTC investigations. It also offers coverage for notification costs and credit monitoring to impacted consumers in event of the covered personal identity event.

To learn more about Corporate Identity Protection, please visit www.chartisinsurance.com, e-mail executiveliability@chartisinsurance.com, or contact your insurance broker.

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