AIG National Union

AIG netAdvantage®

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Insurance underwritten by member companies of American International Group, Inc. Any description herein is a summary only. It does not include all terms, conditions and exclusions of the policies described. Please refer to the actual policies for complete details of coverages and exclusions. Coverage may not be available in all jurisdictions. Issuance of coverage is subject to underwriting.

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Agenda

- Exposures
- Traditional Policy Forms
- AIG netAdvantage Insurance Overview
- Questions

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In the News…

2005 Disclosures of Data: disclosed incidents in the United States potentially affect more than 57 million individuals

Source: Identity Theft Resource Center
http://www.IDtheftcenter.org

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In the News…

Data Breach

Identity Theft

Computer Hacking

Stolen Laptop

Lost Backup tapes

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In the News…

“The online trade in stolen financial data is thriving.”

Countless Dens of Uncatchable Thieves
April 3, 2006
New York Times

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Typical Claim Costs

- **Costs to notify consumers: $2 to $3 per individual**

- **Credit Monitoring Services:**
  $20 to $40 per person
  approx 20% of individuals accept

- **Defense Costs:**
  Typical class action defense costs:
  $XXX,XXX+

- **Legal Liability?**
  $5,000,000 (policy limits)
  $1,073,849
  $9,400,000
  $1,200,000

Specific Incidents

Major Retailer: $16 Million Charge

Banks and credit unions sue to recover costs of re-issuing cards and fraud losses resulting from a theft of credit card information

Sources:

Breaches of customers' data trigger lawsuits
July 21, 2005
The Wall Street Journal

Big-time ID theft symptom of database culture
August 9, 2004
Associated Press

Specific Incidents

Fast Food Chain: $5.6 Million

The company loses 91% of 2004 profits, & experiences bad publicity as a result of a data leakage incident.

Source:
Private Data Leakage Costs Chipotle $5.6M
April 11, 2005
Denver Post

Specific Incidents

National Retailer: $6.5 Million

Data stolen from computers systems results in charges of $6.5 million

Source:

Private Data Leakage Costs DSW Shoe Warehouse $6.5M

June 20, 2005

www.infowatch.biz

Specific Incidents

University: target of class action suit

Data theft from school computers exposes as many as 173,000 social security numbers

Sources:
Two grads sue OU over ID theft
June 27, 2006
Associated Press

Specific Incidents

Hospital System: target of class action suit

Security lapse may have exposed data of 260,000 patients

Seeks general damages of no less than $5,000 per affected class member

Sources:
Man Sues Hospital System Over Security Lapse
October 31, 2006
Associated Press

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Key Exposures…

- Credit card information
- Healthcare information
- Personally identifiable information
  - customers
  - employees
- Business information of others
  - Trade secrets

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Covered by Insurance?

- **Commercial General Liability**
  - **Bodily Injury and Property Damage**
    - **Tangible property**
  - **Personal and Advertising Injury**
    - **publication of material that violates a person's right of privacy**

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Covered by Insurance?

- **Professional Liability**
  - **In the performance of professional services?**

    Pacific Insurance v. Burnet Title
    Medical Records Associates v. American Empire Surplus Lines
    Marx v. Hartford Accident & Indm. Co.

  - **Personal injury exclusion?**
  - **Dishonest acts exclusion?**

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AIG netAdvantage® Suite

- First and Third Party Coverage options
- Responds to IT-security and privacy perils
- Duty to defend
- Limits up to $25 million

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- Media Liability
  - Internet Media
    - Material published on a website
  - Multimedia

  - Disparagement, libel, slander
  - Copyright infringement
  - Trademark infringement

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- Security & Privacy Liability
  - Failure of Insured's Computer Security
  - Wrongful Disclosure of confidential information;
  - Failure to protect confidential information
  - Vicarious liability
    - Personally identifiable information
  - Special class action retention

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- Cyber-Extortion
  - settlement to terminate the threat of a computer attack

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- Business Interruption
  - Loss of income and extra expense arising from a failure of the insured's computer security

  - Hourly waiting period
  - Business Interruption hourly sublimit

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- Information Asset
  - Costs to restore or recollect data or software damaged as a result of a failure of the insured's computer security.

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- Crisis Management Expenses
  - Public Relations Costs
  - Notification Expenses
  - $50,000
  - 20% co-insurance; no retention

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AIG netAdvantage Insurance

Policy application and materials

http://www.AIGnetAdvantage.com

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- **Who's buying?**
  - **Financial Institutions**
  - **Retailers**
    - **National and Multi-location Retailers**
    - **Online Retailing**
  - **Payment Processors**
  - **Data Processors & Information Services**
  - **Hotel/Motel**

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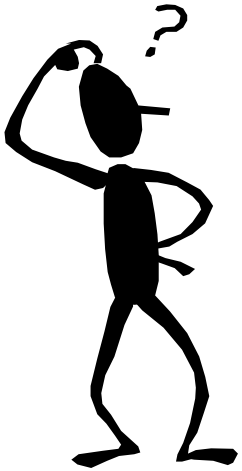
Questions ?



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Thank you!

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