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Risk Management Hot Topics

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SURRY
INSURANCE

Schools are Facing a Severe Level of Cybersecurity Risk



- ✓ **Health Care**
- ✓ **Business Services**
- ✓ **Schools**
- ✓ **“Education is the 3rd most breached sector after health care and business services, accounting for 10% of all data breaches...”**

Data Breach Stories of 2018

- 
- ✓ **Saks, Lord, & Taylor: 5 million** records breached (April 2018)
 - ✓ **PumpUp: 6 million** records breached (May 2018)
 - ✓ **Sacramento Bee: 19.5 million** records breached (June 2018)
 - ✓ **Tickfly: 27 million** records breached (June 2018)
 - ✓ **Panera: 37 million** records breached (April 2018)
 - ✓ **Facebook: At least 87 million** records breached (March 2018)
 - ✓ **MyHeritage: 92 million** records breached (June 2018)
 - ✓ **Under Armour 150 million** records breached (May 2018)
 - ✓ **Exactis 340 million** records breached (June 2018)
 - ✓ **Aadhaar: 1.1 billion** records breached (January 2018)

Source: <https://blog.barkly.com/biggest-data-breaches-2018-so-far>

Cyber Plan Action Items:

Protecting Your Email



- 1. Use a reputable spam email filter**
- 2. Train all employees in responsible email usage**
- 3. Protect sensitive information sent via email – use email data encryption**
- 4. Set a sensible email retention policy**
- 5. Develop an email usage policy**

Source: FCC Small Biz Cyber Planning Guide

Top 6 Causes of Data Breaches



- 1. Phishing (31%)**
- 2. Employee action or mistake (24%)**
- 3. External theft (17%)**
- 4. Vendor (14%)**
- 5. Internal theft (8%)**
- 6. Lost or improper disposal of data (6%)**



3 Ways to Safeguard School Networks to **Avoid Cyber Attacks**

- 1. Establish a strong BYOD Policy**
- 2. Protect school-owned technology when it is offsite**
- 3. Upgrade the way you send files**



➤ Source: <https://www.xmedius.com/en/blog/3-ways-safeguard-school-networks-avoid-cyber-attacks-infographic/>



Researching Cyber Risks

A recent study of K-12 schools, colleges, and universities in the US and UK reported:

- ✓ **27%** of schools allow open access to the school network to *anyone*.
- ✓ **54%** of schools do not require antivirus software installed on the device before allowing it to connect to the network.

➤ Source: <https://www.xmedius.com/en/blog/3-ways-safeguard-school-networks-avoid-cyber-attacks-infographic/>

The Evolution of Network Security

Network security has evolved right alongside education technology. Schools can secure the data on their networks using many of the tools available today, such as:

- ✓ **Network Access Controls (NAC)**
- ✓ **Antivirus and Antimalware Software**
- ✓ **Behavioral Analytics Tools**
- ✓ **Data Loss Prevention (DLP) Technologies**
- ✓ **Email Security**
- ✓ **Firewalls**
- ✓ **Virtual Private Networks (VPNs)**
- ✓ **Secure File Exchange Software**



source: <https://www.xmedius.com/en/blog/3-ways-safeguard-school-networks-avoid-cyber-attacks-infographic/>



What Can Schools Do?

- ✓ **Choose network security tools with active scanning features. Go with tools that do most of the detective work for you.**
- ✓ **Segregate your networks and hide admin SSIDs.**
- ✓ **Use secure file exchange software that contains robust security features when sending and receiving files.**

source: <https://www.xmedius.com/en/blog/3-ways-safeguard-school-networks-avoid-cyber-attacks-infographic/>

Claim Examples

- ✓ **Employee and volunteer records were found in a recycling bin near the school.**
- ✓ **Laptops were donated with school information on the device.**
- ✓ **The list goes on and on...**





Lessons Learned

- ✓ **No such thing as impenetrable IT systems**
- ✓ **Oftentimes you do not know you've been hacked**
- ✓ **What is your response plan? Who is your 1st call?**
- ✓ **Encryption for sensitive data on portable media**
- ✓ **Employee training is essential**
- ✓ **Monitor employee access to sensitive data-
upgrade finance systems**
- ✓ **Remote wipe capabilities**
- ✓ **Expect to ask for cyber liability proof of
insurance from vendors similar to GL & WC**



"No, I'm not writing a short story.
That's my password."

Hacking Terms You Need to Know

- ✓ **Botnets** – large networks of computers used by hackers to send spam and conduct widespread theft
- ✓ **Denial of Service** – used to interrupt a website/computer
- ✓ **Internal Threats** – employees (both accidental & intentional)
- ✓ **Malware** – programs used by cyber thieves to hack networks
- ✓ **Ransomware** – encrypts victim's data and demands money be paid to restore system
- ✓ **Social Engineering** – victims are tricked/deceived into releasing data or monetary funds



Source: propertycasualty360.com 12/09/2015

Ransomware



How Does a Ransomware Infection Occur?

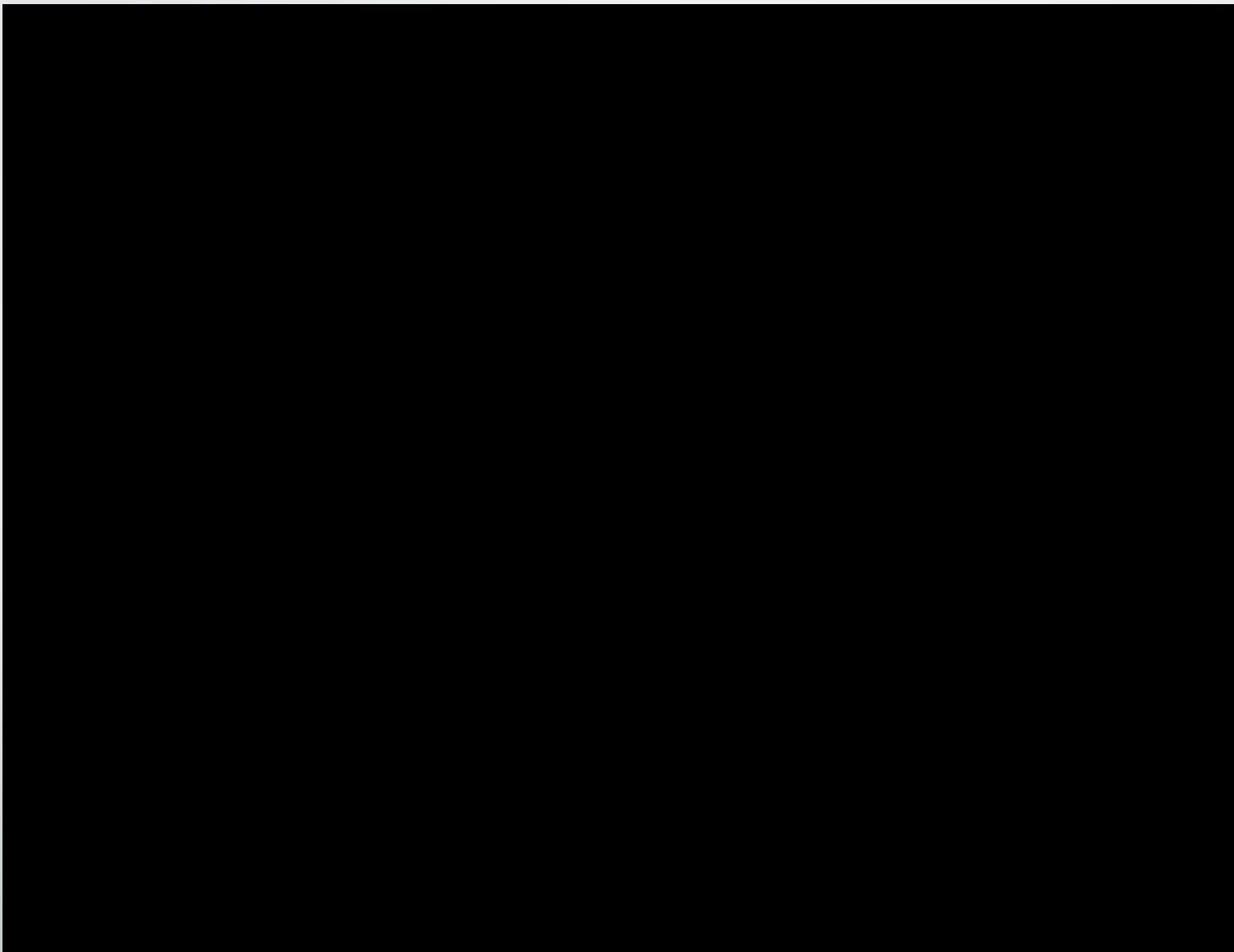
A typical ransomware infection can begin with any of the following routes:

- ✓ From email messages that carry an auto downloaded Trojan virus, which attempts to install ransomware
- ✓ Websites hosting exploit kits, which attempt to exploit vulnerabilities in the browser and other software to install ransomware

How Do I Protect My Computer Against Ransomware?



- ✓ Regularly back up important files. Consider using the **3-2-1 rule**: Make 3 backup copies, store in at least 2 locations, with at least one offline copy. Use a reputable cloud storage service.
- ✓ Install and use up-to-date antivirus software.
- ✓ Don't open emails/attachments from unknown sources.
- ✓ Make sure your software is up-to-date to avoid exploits.



Questions?



The Workers' Compensation Claim: Cause and Effect



Workplace Accidents

- ✓ **The workplace can be dangerous.**
- ✓ **Numerous factors can cause accidents, ranging from overexertion to mishandling of hazardous materials.**
- ✓ **There are also a multitude of variables that can contribute to or influence a workplace incident.**
- ✓ **Following are six of the most common causes of accidents in the workplace.**



Causes of Workplace Accidents



Physical overexertion is a common cause of workers' compensation claims.



Slip Trips and Falls



Stress effects your employee both mentally and physically; these distractions can result in injuries



Fatigue increase the risk of mistakes and accidents



Inadequate lighting is responsible for a number of accidents each year.



Improper handling of hazardous materials or not wearing personal protective equipment

Cause and Effect

- ✓ **Cause and effect is a relationship between events or things, where one is the result of the other.**
- ✓ **This is a combination of action and reaction.**
- ✓ **When we look at cause we often ask “why” and “how”.**
- ✓ **Sometimes the connection between cause and effect is clear, but often determining the exact relationship between the two is very difficult.**

Cause and Effect



"Guess what you forgot to take with you this morning!"

Risk Management





Loss Control Prevention Cause & Effect: Taking Proactive Measures

- ✓ **The best defense to an accident is taking proactive measures to avoid them. Keep records.**
- ✓ **Immediately investigate the circumstances surrounding the accident.**
- ✓ **Obtain and preserve all accident scene photos and videos.**
- ✓ **Locate a copy of the accident report.**
- ✓ **Obtain a statement from the claimant and any witnesses as soon as possible.**

Data Analytics

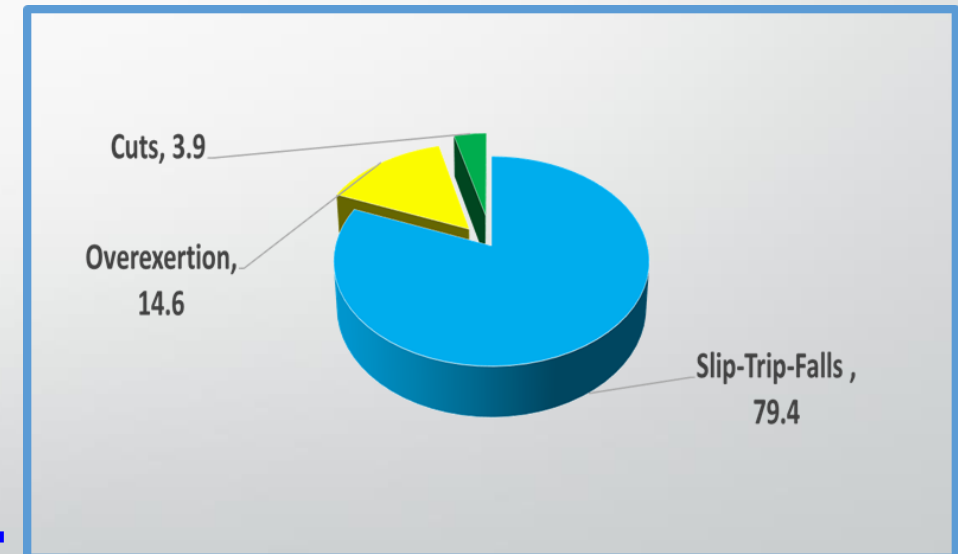
Cause and Effect

Loss Prevention Analysis

Top 3 Severity Categories with Total Cost Incurred by Type of Incident:

- 1. Slip-Trip-Falls - \$104,656**
79.4% of Total Cost Incurred
- 2. Overexertion - \$19,349**
14.6% of Total Cost Incurred
- 3. Cuts - \$5,161**
3.9% of Total Cost Incurred

These 3 Types of Incident account for 97.9% of Total Cost Incurred



Data Analytics Cause & Effect

Loss Prevention Areas of Focus

Area of Focus:		Total Cost Incurred
Ice/Ramp		\$66,489
Moving/Lifting		\$19,130
Trash/Dumpsters		\$15,046
Chair		\$8,182
Sharp Object		\$5,161

**These Areas of Focus account for \$120,154 of
Total Cost Incurred 91.2%**

Data Analytics Cause & Effect

Loss Prevention Analysis

Top 3 Frequency Categories with Number of Claims by Type of Incident:

1. Slip-Trip-Falls- 29 claims

42.6% of all claims

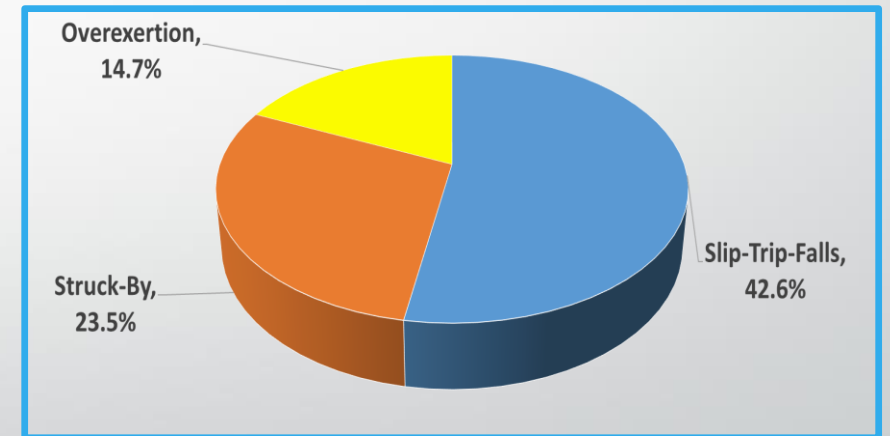
2. Struck-By- 16 claims

23.5% of all claims

3. Strain - 10 claims

14.7% of all claims

These 3 Types of Incident account for 80.8% of all claims



Taking Control of the Process



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Claims Management

Supervisor's Responsibilities

- ✓ **Instruct personnel of the proper procedures for reporting on-the-job accidents and obtaining medical treatment.**
- ✓ **Inform personnel of their responsibilities under the Workers' Compensation program.**
- ✓ **Maintain the 1st aid kit and supplies and log used for minor injuries.**
- ✓ **Take corrective action to prevent reoccurrence.**
- ✓ **Record lost worktime.**
- ✓ **Coordinate the individual's return to light duty work, as approved by the treating doctor.**



Claims Management

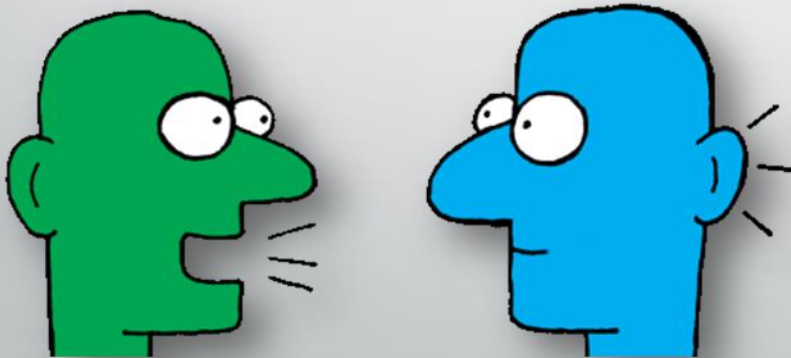
What Can We Do With Health Care Providers (HCP)?

- ✓ **Develop good working relationships with HCP**
- ✓ **The HCP plays many important roles in the outcome of workers compensation cases, from diagnosis to medical management**
- ✓ **Choose the best medical professional**
- ✓ **Directing care within the Preferred Provider Network (PPN)**
- ✓ **Communicate with the doctor so they know you have light duty work available for the injured employee**

Claims Management

When an employee reports an injury:

- ✓ **The adjuster will take a statement from the employee.**
- ✓ **AND then the adjuster is going to communicate with **YOU** about the reported injury.**



This is a good time to see if adjuster's statement from the employee matches what the employee has reported to you.

Claims Management

Accept or Deny



The decision as to whether to accept or deny a claim is LARGELY based on the results of the initial investigation by the employer.



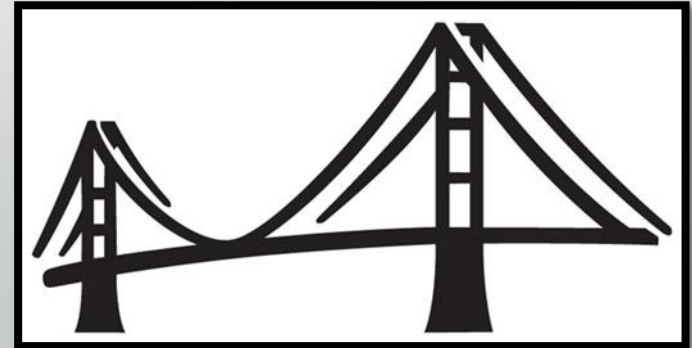
Thus the importance of why a good accident investigation program needs to be in place

Claims Management

Early Return-to-Work Process

The Return-to-Work (RTW) process is a planned approach that provides injured or ill employees with temporary medical restrictions, the opportunity to remain on the job working in some capacity.

“A Bridge”

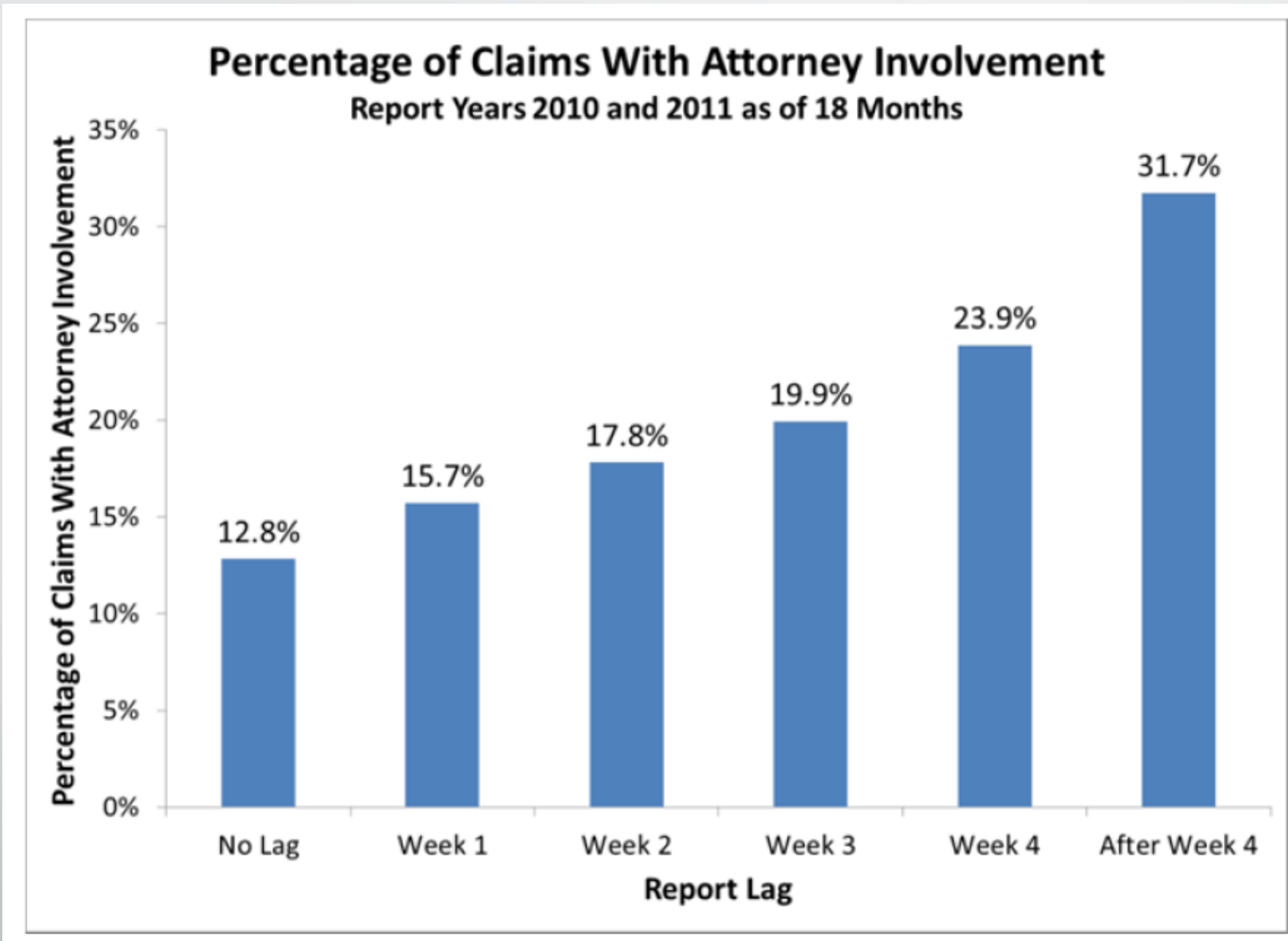




Claims Management

Injury Reporting Procedures

- ✓ **Report injuries to your WC Insurance Carrier as quickly as possible.**
- ✓ **Delayed notification increases costs.**
- ✓ **Claim adjuster can make sure the injured person receives proper care.**



Source: 2011 NCCI Holdings, Inc.

Effect

The Hidden Costs of Injuries

Direct/Indirect Costs

Direct Costs

- ✓ Insurance Premiums
- ✓ Medical Costs
- ✓ Indemnity Costs

Indirect Costs

- ✓ Increased administrative time and costs
- ✓ Loss of the injured worker's expertise
- ✓ Work disruption resulting in overhead costs
- ✓ Possible litigation expenses
- ✓ Cost of hiring and training new or temporary employee



Effect

The Hidden Costs of Injuries

Direct/Indirect Costs

Studies have shown that such indirect costs usually total **3 to 4 times the direct costs of the accident and could amount to as much as **30 times** the direct cost!**

- ✓ **Example using the 5 year study of 35 claims over 25K the average cost was \$150,550**
 - ✓ **4 X \$150,550 - \$602,200 Indirect cost**
 - ✓ **30 X \$150,550 = \$4,516,500 Indirect cost**



Litigation Management Strategies

Claims Review

- ✓ **Claims Review meetings should engage key participants in strategizing about how to best resolve claims and return workers to their jobs.**
- ✓ **A combined claims review team includes: risk managers, workers' compensation administrators, finance, HR, agent/brokers, claim adjusters, and outside counsel.**
- ✓ **The meeting should have a clear objective that will ensure follow up actions.**
- ✓ **An action plan should be developed to make sure the reserves are appropriate and work towards claim resolution.**
- ✓ **Claims should be tracked to get the right outcome both clinically and financially.**

Fraudulent Impersonation Coverage



SURRY
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Fraudulent Impersonation Coverage

- ✓ **This is the latest Commercial Crime Insurance coverage available**
- ✓ **Offered in response to a new twist on an old crime**

Fraudulent Impersonation Coverage

In Property Insurance terms, this is a “**voluntary parting**” under an endorsed commercial property policy.

- ✓ If it is damaged by fire, lightning, wind, hail, etc. the property is covered.
- ✓ If property is stolen by criminals (*computers, laptops, mowers, etc.*) it is covered.
- ✓ The problem occurs when you willingly give the property to a thief... regular property insurance does not cover this.
- ✓ **Voluntary Parting** is an expensive optional property coverage and is usually provided as a sub-limit.



Fraudulent Impersonation Coverage



- ✓ Now the **“twist”** is where do we get coverage when we actually give the money away due to a fraudulent scheme?
- ✓ Enter- Fraudulent Impersonation Coverage (Form CR 04 17)

The Basics



- ✓ **The policy will provide coverage under two scenarios:**
- ✓ **Fraudulent Impersonation of Employees**
- ✓ **Fraudulent Impersonation of Customers and Vendors**

Fraudulent Impersonation of Employees



The school makes a good faith transfer of money, securities, or other property in reliance upon transfer instruction purportedly issued by an employee or any of your officials if under a Government Crime Form.



Scenario of a Customer/Vendor Claim

Criminals impersonate an IT vendor and emails an invoice for work they say was completed (*or not?*) and want the money sent to them (*the imposter*).

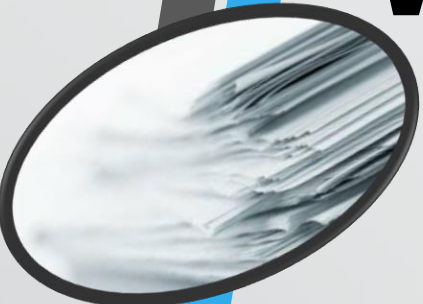
- **Actual claims or close calls?**
- **We know of 3-4 schools that have had this happen.**
 - **Would any of you care to discuss an actual claim or very close call?**

Questions?



Certificates of Insurance, Facility Use Agreements, & Contracts





Why Does your Board of Education Need to Require One **OR** Both of These Documents?

- ✓ Requiring these documents provides some of the **BEST** ways to transfer liability back to parties that benefit from doing business with the BOE or benefit from the use of your facilities.
- ✓ It is **not 100% guaranteed** to shield the BOE from all claims, but they are especially effective in preventing claims that result from the negligence of the User from coming back on the BOE.
- ✓ **Protects the BOE's insurance policies from being used - avoids premium increases. Also prevents uninsured individuals or businesses from being included on your Workers' Compensation audit because COIs cannot be presented to the auditor.**
- ✓ **FYI most general liability policies written for school systems are not on audit.**

Examples Where Both a Certificate of Insurance and a Facility Use Agreement are Needed:



- ✓ **Landscaping Contracts**
- ✓ **Janitorial Contracts**
- ✓ **Food Vendor Contracts**
- ✓ **Service Contractor Agreements**
 - Plumbing**
 - Roofing**
 - Heating and Air Conditioning**

Examples Where Both a Certificate of Insurance and a Facility Use Agreement are Needed:

- ✓ **Gym Rentals**
- ✓ **Cafeteria Rentals**
- ✓ **Auditorium Rentals**
- ✓ **Athletic Fields & Grounds Rentals**



Any Concerns with Certificates and Facility Use Agreements?

What can the “Smith Family” do?

Obtain a Special Event Insurance Policy for:

- ✓ **Family Reunions**
- ✓ **Children’s Birthday Parties**
- ✓ **Wedding/Baby Showers**
- ✓ **Other Examples?**



What does a Special Events Policy do?

- ✓ **Is it expensive?**
- ✓ **Where can you purchase one?**




Any Concerns with Certificates and Facility Use Agreements?

The BOE *must be willing to evenly enforce* the requirements for Certificates of Insurance and the insurance requirements under the Facility Use Agreements.

It is difficult to allow the YMCA to use the gym for basketball (usually no problem because they have insurance) and not allow the Smith Family Reunion to use the gym because they won't purchase the insurance for a one day event.

Any Concerns with Certificates and Facility Use Agreements?

- 
- ✓ **Administrators need to be informed- only use vendors that will provide Certificates of Insurance. Some examples include: painters, landscapers, and sheriff's deputies that may be hired by principals or directors to perform tasks at their individual locations or sites as opposed to a central office contract.**
 - ✓ ***These folks can “slip through” the cracks.***

Any Concerns with Certificates and Facility Use Agreements?



The limits required or requested by the BOE should at least match their limits, usually \$1,000,000 for general liability. It is a good idea to request auto liability and employer's liability (part of the workers' compensation policy) to be the same as the general liability (\$1,000,000.) Some BOEs require umbrella policies which provide limits higher than \$1,000,000.

Any Concerns with Certificates and Facility Use Agreements?



- ✓ **The individual(s)/ group(s)/ organization(s) must comply with the terms and conditions of the agreements.**
- ✓ **Church Example**
- ✓ **Holiday Sports Tournament Example**
- ✓ **Others?**

How About Additional Insureds?



ADDITIONAL
INSURED?

- ✓ What does it mean to be an ***additional insured?***
- ✓ Which policies can we ask to be an additional insured from our vendors or groups that use our facilities?
- ✓ Why do we want to do this?
- ✓ Primary vs. Secondary

Additional Insureds Status in Reverse?

✓ **Are BOEs asked to name other people/ organizations/entities as additional insureds onto the BOE's policy?**

✓ **Examples:**

✓ **High School Graduations**

✓ **Swim Meets**

✓ **Other Events?**



Any Concerns with Certificates and Facility Use Agreements?

- ✓ **An effective program will establish a system to request and track the expiration dates of the contractors and vendors that work on behalf of the BOE on an ongoing basis. Requests for updated certificates need to be made at least 30 days ahead of the expiration date.**
- ✓ **Make sure your PTOs and/or PTAs purchase General Liability coverage for their programs and events. Someone at the school system needs to keep track of their insurance too.**





LIMITATION

For All the Good That Certificates Can Do, They Do Have Their Limitations

- ✓ **The COI does not address the financial ratings of the insurance providers.**
- ✓ **The COI does not address the financial solvency of the vendor.**
- ✓ **The COI cannot guarantee that the vendor will continue to pay and keep their policy in force.**
- ✓ **However, COIs are currently the best option to manage the insurance process.**

Questions?



**If you would like a copy of this
presentation please email
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