

# Startup Insurance Milestones: How to Manage Risk and Protect Your Assets



# Presenters



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# Agenda

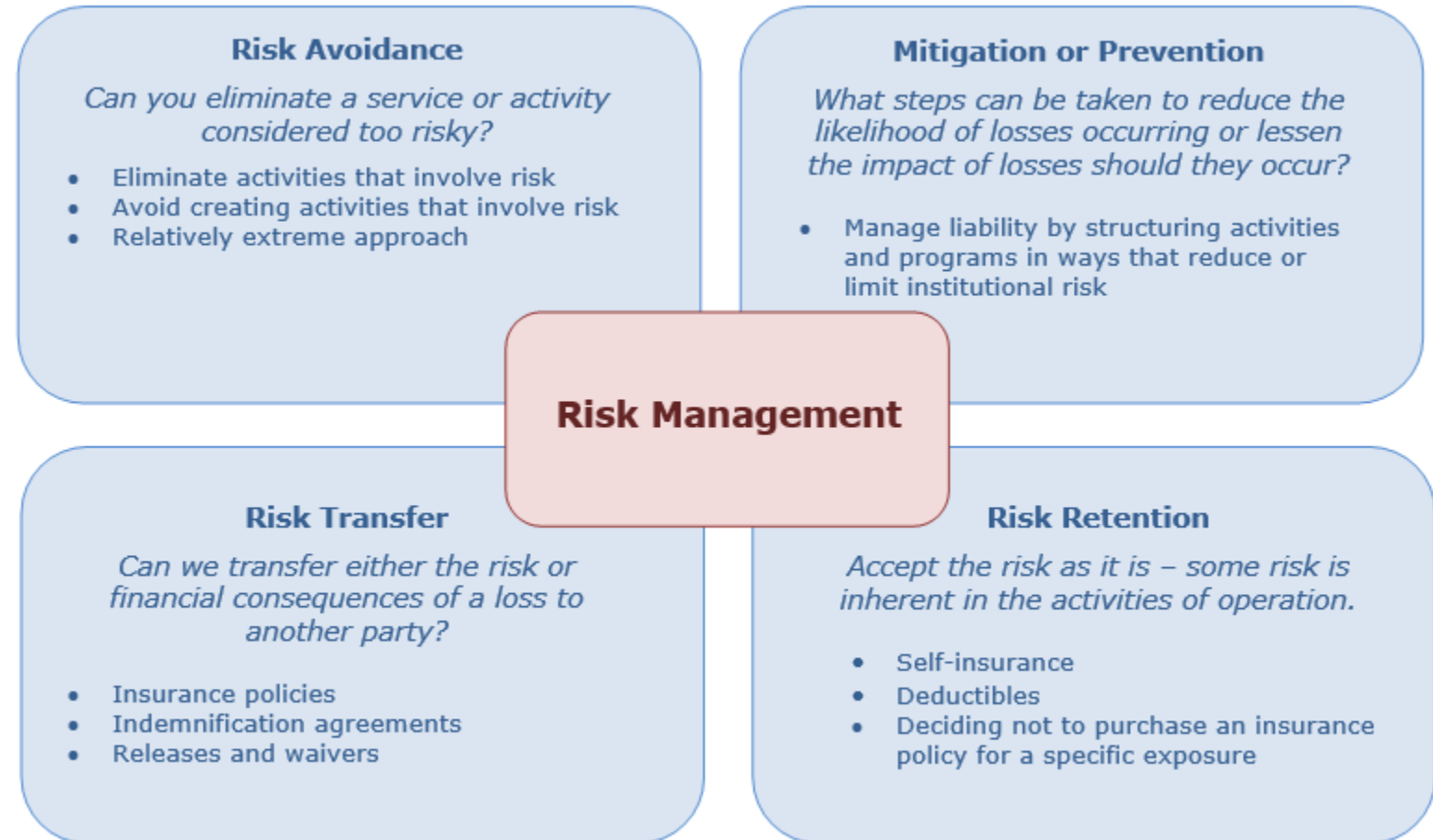
- Creating a risk management program for your company
- 4 insurance milestones
- Cybersecurity controls
- Q&A
- Make some friends and have some fun\*

\*Insurance can be fun, I swear.

# Managing Risk



# Creating Your Risk Program\*



\*Are you sick of the word 'risk' yet?

# Milestone #1: Company Formation



# Milestone #1: Company Formation



## General Liability (GL) or Business Owner's Policy (BOP)

- Factors:
  - Size and condition of business premises
  - Type of business/industry
  - Years of experience
  - # of employees
  - Location
  - Limits and Deductibles

# Milestone #2: Board Formation & Institutional Funding



\*I heard somewhere that dogs should always be included at least once in any slide deck.



# Milestone #2: Board Formation & Institutional Funding



## Directors & Officers (D&O)

- **What is D&O Insurance? D&O is written to:**

Protect the personal assets of a company's directors and officers; protect the company's assets; provide reimbursement to the organization to indemnify D&O's for their losses; and helps the company monitor and provide defense costs associated with responding to lawsuits and investigations.

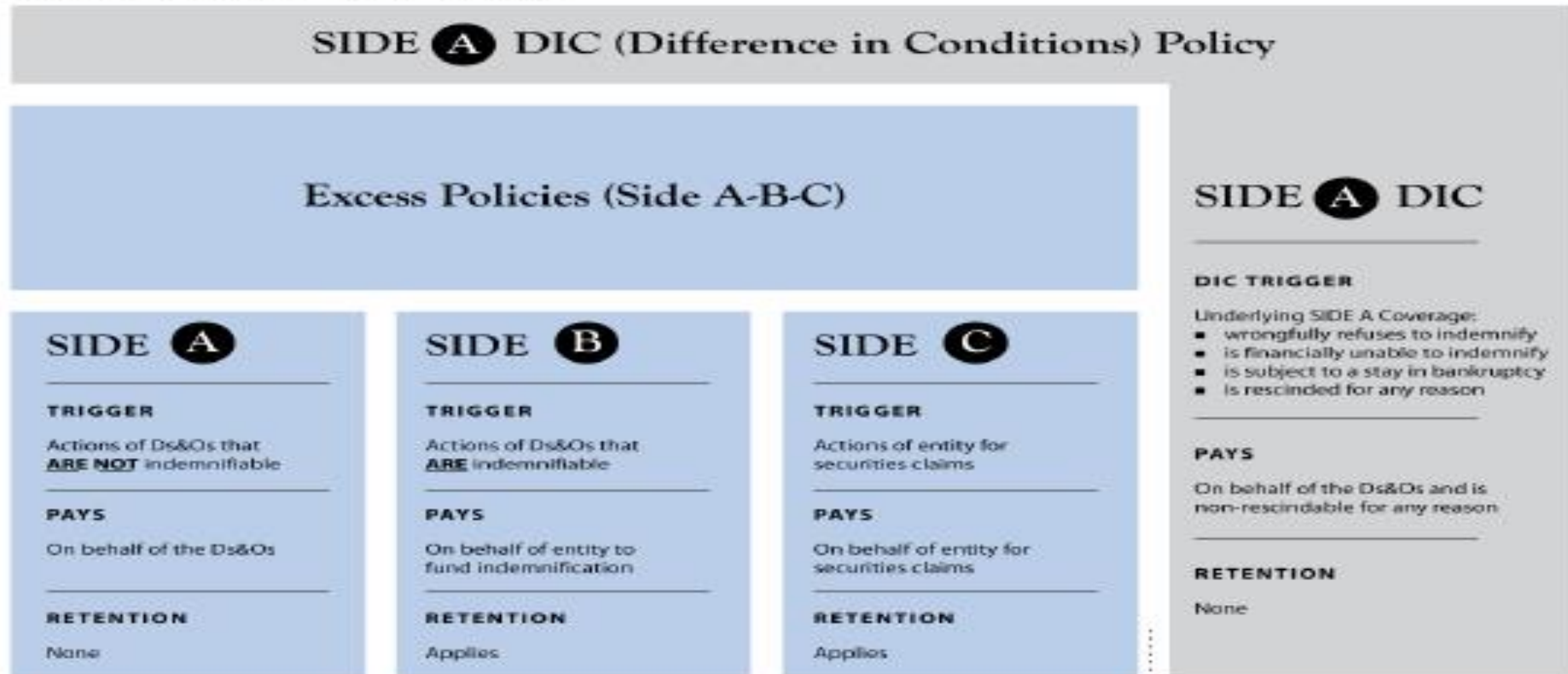
- **Why Private Companies Should Consider Buying D&O Liability Coverage:**

Cost of defending corporate lawsuits may exceed the net worth of most private companies; judgments can be financially crippling; corporate indemnification may not be available; adverse shareholders and other potential claimants may exist; Bad business decisions are likely to be more visible due to small business environment thus attracting the attention of shareholders, regulators and others.

# Milestone #2: Board Formation & Institutional Funding



## Components of D&O Insurance Program



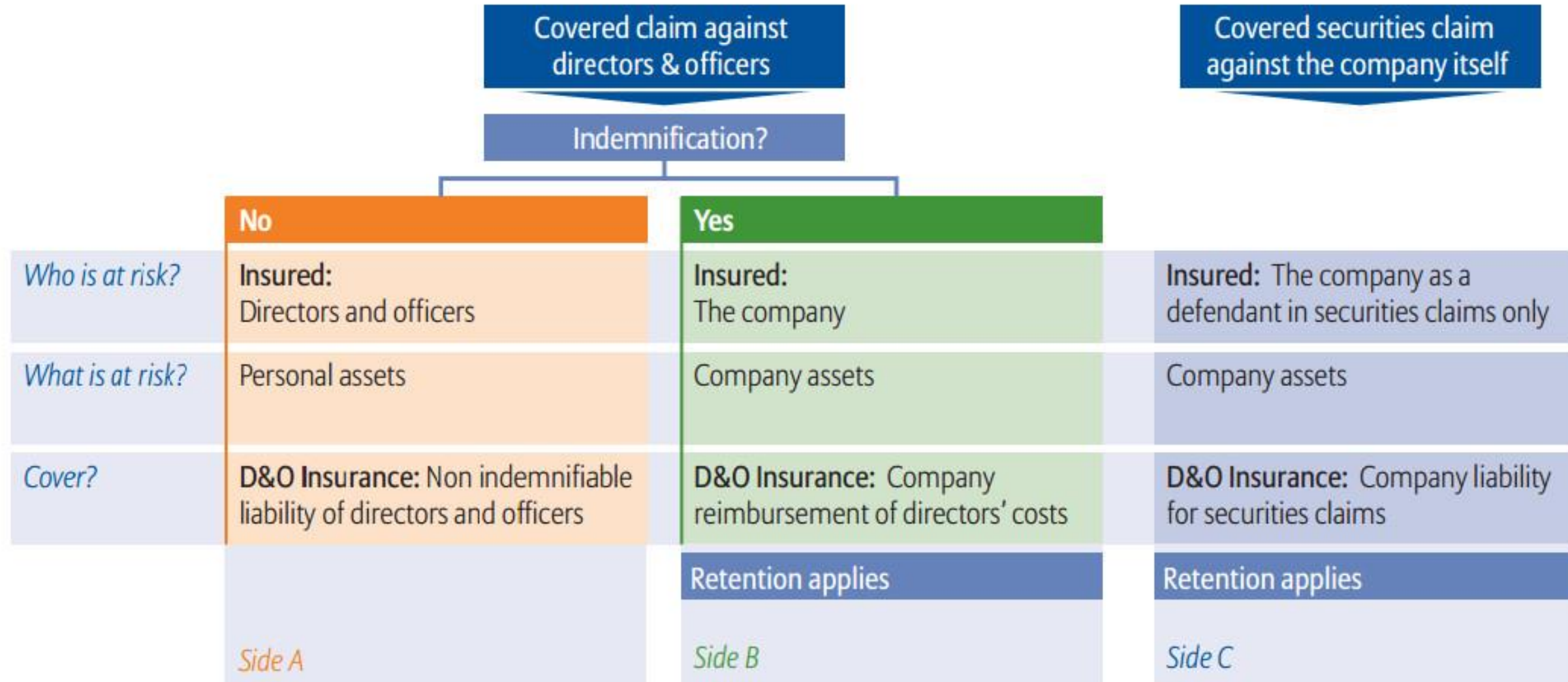
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### Primary Policy

- Side A:** **Individual Protection.** Covers the individual Directors & Officers only when Client **cannot** indemnify them because it is insolvent or because the law prohibits indemnification. No retention (i.e., deductible) applies.
- Side B:** **Balance Sheet Protection.** Covers the individual Directors & Officers when Client **can** indemnify them. Separate retentions apply to both non-Securities Claims and Securities Claims.
- Side C:** **Balance Sheet Protection.** Covers Client and its subsidiaries, but only for Securities Claims. A Securities Claim retention applies.

# Milestone #2: Board Formation & Institutional Funding



# Milestone #2: Board Formation & Institutional Funding



## Directors & Officers (D&O)

- When should you consider purchasing D&O?
  - Funding / Valuation
  - Debt / Convertible Notes
  - Contracts with clients or vendors
  - Independent Directors
  - Sleep Insurance

# Milestone #2: Board Formation & Institutional Funding



## Directors & Officers (D&O)

- Factors that affect costs associated with D&O:
  - Legal history
  - Assets
  - Debt
  - Revenue
  - Industry
  - Regulatory Concerns

# Milestone #2: Employment Practices



## Employment Practices Liability (EPL)

- **What is EPL Insurance? EPL is written to:**
  - Protect the company against damages for events relating to their workforce, including but not limited to wrongful terminations, harassment, discrimination, defamation and unfair hiring/firing practices; Wage & Hour, Hostile Work Environment, etc.
  - Provide defense costs associated with responding to employment related lawsuits.
- **Why Private Companies Should Consider Buying EPL Coverage:**
  - Employment Litigation is the most common source of litigation for CA companies
  - A frequency and severity driven loss leader

# Milestone #2: Employment Practices



## Employment Practices Liability (EPL)

- **When should you consider purchasing EPL?**
  - Establishing workforce
  - Interaction with third parties (non-employees, customers, clients, vendors)
  - Alongside other Management Liability Insurance policies (i.e., D&O)
- **Factors that affect costs associated with EPL:**
  - Legal history
  - Workforce Size
  - Industry
  - Domicile
  - Company Financial Position

# Milestone #3: Signing a Commercial Lease



\*None of those seats look comfortable to me.



# Milestone #3: Signing a Commercial Lease

## Commercial Property

- Building's construction
- Occupancy
- Security

## Workers' Comp

- Class code (type of business)
- History of claims
- Payroll

# Milestone #4: Signing a Large Client Contract



# Milestone #4: Signing a Large Client Contract



## Professional Liability (Errors & Omissions), Cyber

What does it protect you from?

- Claims from clients
- Claims from vendors
- Regulatory Exposures

What are the factors?

- Size and industry
- Amount and sensitivity of data
- Annual revenue
- Security controls

# Milestone #4: Signing a Large Client Contract



## Technology Errors & Omissions (E&O)

- Negligence
- Breach of Contract

## Errors and Omissions (E&O) – Non-Technology

- Negligence
- Bodily Injury / Property Damage

# Milestone #4: Signing a Large Client Contract



## Cyber Risk Introduction

- Privacy - Protected Information (PII, PHI, PCI) and Data
- Network Security – Networks, Systems, Applications, etc.

## Coverage Components:

- **1<sup>st</sup> Party Loss** – Ransomware, Cyber Crime (Funds Transfer Fraud, Social Engineering, Business Interruption, Data Restoration, Reputational Harm, etc.)
- **3<sup>rd</sup> Party Loss** – Privacy Liability, Network Security Liability, Regulatory Actions

# Cybersecurity Controls

- What underwriters are looking for:

- Multi-factor authentication

LastPass...  
by LogMeIn



- Business continuity plan

- Employee security awareness training

KnowBe4  
Human error. Conquered.

- Password hygiene



PassHub

- System and data backup

- Basics: anti-virus, firewall, anti-spyware, encryption

**Good attitude towards cyber risk management**

**bender**  
INSURANCE SOLUTIONS™

# Cybersecurity Controls

- NIST (National Institute of Standards and Technology) Cybersecurity Framework
- <https://www.nist.gov/cyberframework>



# Connect with Bryan...



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