

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS
OF SAN BERNARDINO COUNTY
AND RECORD OF ACTION**

June 14, 2022

FROM

VICTOR TORDESILLAS, Director, Department of Risk Management

SUBJECT

Renewal of County's Cyber Liability Insurance Program

RECOMMENDATION(S)

1. Authorize the Director of Risk Management to negotiate the renewal of the County's Cyber Liability Insurance Program, as recommended by Arthur J. Gallagher & Co. Insurance Brokers of California, Inc., on terms substantially similar to last year's policies (attached) except for a 20% coinsurance on ransomware, and an increase to the total coverage limit from \$20 million to \$30 million in excess of \$500,000 self-insured retention, for a total premium of approximately \$1,792,453, for the period of July 1, 2022 through July 1, 2023.
 - a. A primary layer of \$5 million in excess of \$500,000 self-insured retention, for a premium of approximately \$377,578 with Indian Harbor Insurance Company.
 - b. A secondary layer of \$5 million in excess of \$5 million primary layer, for a premium of approximately \$351,525 with Starr Insurance Company.
 - c. A third layer of \$5 million in excess of \$10 million of underlying insurance, for a premium of approximately \$358,699 with Ironshore Insurance Company.
 - d. A fourth layer of \$5 million in excess of \$15 million of underlying insurance, for a premium of approximately \$258,125 with Berkley Insurance Company.
 - e. A fifth layer of \$8 million in excess of \$20 million of underlying insurance, for a premium of approximately \$357,220 with Brit.
 - f. A sixth layer of \$2 million in excess of \$28 million of underlying insurance, for a premium of approximately \$89,306 with Tarian Underwriting Limited.
2. Authorize the Director of Risk Management to execute the binding order on behalf of the County.

(Presenter: Victor Tordesillas, Director, 386-8621)

COUNTY AND CHIEF EXECUTIVE OFFICER GOALS & OBJECTIVES

Operate in a Fiscally-Responsible and Business-Like Manner.

FINANCIAL IMPACT

Approval of this item will not result in the use of additional Discretionary General Funding (Net County Cost). The total premium of approximately \$1,792,453 will be paid from the Department of Risk Management's (DRM) liability funds and will be recovered through Board of Supervisors (Board) approved rates charged to County departments and Special Districts. Sufficient appropriation and revenue have been included in DRM's 2022-23 Recommended Budget.

BACKGROUND INFORMATION

Renewal of County's Cyber Liability Insurance Program June 14, 2022

The DRM administers the County's self-insurance programs for public liability and workers' compensation claims as well as procures excess insurance policies to provide additional protection for the County by transferring risk at the upper limits of the programs. Arthur J. Gallagher & Co. Insurance Brokers of California, Inc., the County's insurance broker for this program, has recommended that the County renew the Cyber Liability Insurance Program as detailed in the recommendations. The County has taken many measures to include conducting annual Cyber Security Training, annual Anti-Phishing Security Awareness Training and management of threat intelligence with partners at the federal level to successfully present the best possible renewal to the County's insurance broker. However, the County continues to increase its operations and communications online, increasing exposure to computer system hackings, data breaches, and risk for theft of personally identifiable information, personal credit information, or protected health information.

The Cyber Liability Insurance Program provides first party coverage for County losses, mitigating the costly expenses related, but not limited to breach response, crisis management, and a ransomware type of cyber-attack. This program also includes coverage for third party losses related, but not limited to defense, awards, and fines; managing these exposures will contribute to the County's goals and objectives of operating in a fiscally-responsible and business-like manner.

On June 22, 2021 (Item No. 87), the Board approved the renewal of the County's Cyber Liability Insurance Program, for a total premium of approximately \$909,873, for the period of July 1, 2021 through July 1, 2022. The DRM recommends the renewal of the County's Cyber Liability Insurance Program that provides coverage for the following risks: third party liability, media, privacy and cyber security, privacy regulatory defense, awards and fines, first-party business interruption and extra expenses, data recovery, cyber extortion and/or ransomware, data breach response, and crisis management.

The recommended renewal of the Cyber Liability Insurance Program will increase the current coverage limits of \$20 million per occurrence and \$20 million annual aggregate by \$10 million, for a total coverage limit of \$30 million per occurrence and annual aggregate; and will maintain the \$500,000 self-insurance retention (SIR). The only other change to the expiring coverage will be the addition of 20% coinsurance on ransomware; consequently, if a loss is triggered by a Cyber Extortion/Ransomware event, the County will be responsible for 20% coinsurance on the total claim payment. This coinsurance applies in addition to the SIR. The total premium cost of approximately \$1,792,453 represents an increase of \$932,993 or approximately 108.56% over last year's final premium cost of \$859,460, due to the increase in limits, the hardening of the insurance market, a significant increase of severity and complexity of ransomware incidents, and breaches affecting private and public entities during the previous year.

Recommendation No. 2 will authorize the Director of Risk Management to execute the binding order agreeing to the insurance policy terms on behalf of the County to expedite the process to set in place the renewed coverage, without any lapse in coverage or the need to go back to the Board for additional signatures.

PROCUREMENT

On November 16, 2021 (Item No. 62), the Board approved contracts with insurance brokers, including Arthur J. Gallagher & Co. Insurance Brokers of California, Inc., for the period of December 11, 2021 through December 10, 2026.

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Arthur J. Gallagher & Co. Insurance Brokers of California, Inc., approached new and existing markets for quotes, successfully obtaining a proposal for the Cyber Liability Insurance Program, for the period of July 1, 2022 through July 1, 2023 with the same limits and self-insurance retention as the expiring program.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (Laura Crane, Principal Assistant County Counsel, 387-5455) on May 27, 2022; Purchasing Department (Bruce Cole, Supervising Buyer, 387-2148) on May 26, 2022; Human Resources (Diane Rundles, Director, 387-5572) on May 25, 2022; Finance (Sofia Almeida, Administrative Analyst, 387-4378) on May 30, 2022; and County Finance and Administration (Paloma Hernandez-Barker, Deputy Executive Officer, 387-5423) on May 30, 2022.

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Record of Action of the Board of Supervisors
San Bernardino County

APPROVED (CONSENT CALENDAR)

Moved: Dawn Rowe Seconded: Joe Baca, Jr.

Ayes: Col. Paul Cook (Ret.), Janice Rutherford, Dawn Rowe, Curt Hagman, Joe Baca, Jr.

Lynna Monell, CLERK OF THE BOARD

BY 
DATED: June 14, 2022



cc: File - Risk Management w/attach
KS 06/29/2022