

Computer Virus Insurance 101

Do you know that computer virus insurance can save you thousands of dollars?

If not, here is what you need to know:

What is a computer virus?

According to the American Heritage Dictionary, a "Computer Virus" is a computer program that is designed to replicate itself by copying itself into the other programs stored in a computer. It may be benign or have a negative effect, such as causing a program to operate incorrectly or corrupting a computer's memory.

The need for computer virus coverage is not limited to businesses that generate revenue from the internet or their website (e-commerce businesses).

If your business relies on computers it is imperative that you review your insurance policy for reference to virus coverage. Many insurers have included an Electronic Data Exclusion, which includes specific wording for "Computer Virus".

In order for you to understand the implications of this exposure I am providing you with an actual loss scenario. I received a call from a client of mine advising me that their entire network had been infected by a "computer virus" penetrating one of their servers. This insured had Anti-Virus software



installed and the virus fooled the software into believing it had it quarantined. In fact the virus continued to spread workstation to workstation until the entire network became inoperable. The insured's computer consultants believe the entry point was a hacker who dropped the virus into their system. There is no evidence that the virus was opened in the way of an e-mail or website as it would have started locally on one computer not the entire network. In addition to the virus affecting this insured, it also affected two outside consulting firms that work with the insured and tie into their server network.

Questions to ask yourself:

Is your system networked?

How many workstations do you have?

Do you rely on others being able to access your server using VPN?

The loss extended for a three week period and was finally resolved by a competing anti-virus software company writing a new patch which took several days before eliminating the virus.

The “Hard Cost” Loss: Five (5) servers were affected including two operating servers, forty-eight (48) stations were affected, and outside vendors computer systems were affected, resulting in the purchase of new anti-virus software, the employment of two (2) outside IT Consulting firms, the purchase of seven (7) new hard drives and one (1) new server. The out of pocket costs incurred exceeded twenty-five thousand dollars (\$25,000).

Fortunately for my client their policy did not include or exclude any language related to “Computer Virus” in the Electronic Data Processing policy and the loss was paid in full.

- **How does your policy respond to Computer Virus Coverage?**
- **If you incurred a similar loss with similar expenses could you absorb the financial impact?**

- **Review your Property and Business Interruption policies carefully as the loss could extend beyond loss to physical property. You may also incur a financial loss due the inability to transact business during the loss period.**
- **If your policy does exclude “Computer Virus” there are stand alone policies that provide coverage for this exposure.**

Things to Consider

Back up your systems at least once a day.

Install anti-virus software on all workstations.

Be alert for updates to the anti-virus software.

Discuss the potential threats with your software provider and determine what assistance they can/will provide if the software fails.

Develop a contingency plan.

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