

TO: CHAIR AND MEMBERS
FINANCIAL MANAGEMENT COMMITTEE **DATE:** 2021 November 09

FROM: DEPUTY CHIEF ADMINISTRATIVE
OFFICER & CHIEF FINANCIAL OFFICER **FILE:** 5820-01
DIRECTOR PUBLIC SAFETY & COMMUNITY SERVICES *Aon Reed Stenhouse Inc.*

SUBJECT: **INSURANCE CONTRACT – NETWORK SECURITY AND PRIVACY LIABILITY**

PURPOSE: To obtain approval to award an insurance contract for the Network Security and Privacy Liability Policy.

RECOMMENDATION:

1. **THAT** the Financial Management Committee recommend Council approve the award of one contract of insurance for a total amount payable to Aon Reed Stenhouse Inc. of \$139,903 to fund the insurance premium for the Network Security and Privacy Liability Policy.

REPORT**1.0 INTRODUCTION**

The City is currently in the first year of a two year contract that was awarded to the international brokerage firm, Aon Reed Stenhouse Inc, (Aon) through a Request for Proposals for insurance brokerage services in 2020. Working closely with Aon, the Risk Management Division of the Public Safety and Community Services Department manages the process of marketing, selecting, and arranging insurance coverage for the City. In consideration of an annual fee, Aon is providing a wide range of professional services that include: advice and negotiation of coverage and policy wording; marketing of the City's risk in the global insurance market; binding coverage and paying premium on behalf of the City; and, as necessary, acting as a claims advocate with insurers.

Cybersecurity events are increasing annually around the world. In 2020 and 2021 Canadian government organizations have seen an increase in cyberattacks and ransomware events. Consequently, the City has deployed a number of preventative measures to protect City assets and digital infrastructure, such as increasing cybersecurity awareness through mandatory staff training, deploying more frontend security tools and using multi-factor authentication.

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The City continuously reviews its cybersecurity strategy and tools to improve resiliency and protection against the threat of a cybersecurity event occurring. The City also looks to further mitigate cyber risk exposure by purchasing insurance. As a result, Aon was instructed to research and approach markets for cybersecurity insurance options. Cybersecurity insurance includes but is not limited to coverage for Security & Privacy Liability, Incident Response/Crisis Management, Data Restoration and Cyber Extortion.

2.0 POLICY SECTION

Goal

- A Thriving Organization
 - Reliable services, technology and information –
Protect the integrity and security of City information, services and assets

3.0 INSURANCE PROGRAM

Due to high frequency of cybersecurity events, insurers are limiting their exposure to losses. In the current insurance market, it is very difficult and in some cases not possible to obtain cybersecurity insurance. The City is fortunate to be able to purchase a policy at this time. If the City chooses not to purchase this coverage, it is unlikely the opportunity will be available in the future. As the City continues to reinforce its cybersecurity infrastructure and maintain a clear claims record, then higher limits could potentially be purchased in future years.

The Network Security and Privacy Liability coverage for data assets is purchased from American International Group Inc. and includes a maximum limit amount of \$3,000,000. The cost of this program is in alignment with current insurance market rates and is a necessary operating expense that will be included in the City's 2022 – 2026 Financial Plan. This policy will be incorporated into the City's overall insurance program which is renewed annually in May. The premium for the Network Security and Privacy Liability is \$139,903. Insurance charges are exempted from PST and GST.

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4.0 RECOMMENDATION

It is recommended that the Financial Management Committee recommend Council approve the award of one contract of insurance as outlined in this report. The total amount payable to Aon Reed Stenhouse is \$139,903 to fund the insurance premiums for the Network Security and Privacy Liability policy.



Noreen Kassam, CPA, CGA
DEPUTY CHIEF ADMINISTRATIVE OFFICER
& CHIEF FINANCIAL OFFICER



Dave Critchley

DIRECTOR PUBLIC SAFETY & COMMUNITY SERVICES

NK:DC / md

Copied to: Chief Administrative Officer
Chief Information Officer
Risk Manager