Municipal Risk Management

OSUM

April 28th, 2023

Congratulations

Running for office is a big decision!

Congratulations on your success and thank you for your commitment to your community.

AGENDA

- Introduction

- Municipal Risk and Insurance – The Basics

- Municipal Cyber Risk – Current State

- New Program Announcement

LAS - Local Authority Services

AMO Business Services

- Created by AMO in 1992 to develop products and services for municipalities

- Non profit, governed by a board of directors made up of municipal staff and council

- Our mission: Helping Municipalities Work Better

Who am I?

Shannon Devane, Program Manager – Municipal Risk Management

- New role at LAS - June 2022
- Risk Manager, City of Vaughan 2017-2022
- VP, Risk Management – JLT Canada (now Marsh)
- Director of Risk – OMEX – 2010-2015
- Previous roles at OMEX and other municipalities

What is Insurance?

Insurance is a contract, represented by a policy, in which an individual or entity receives financial protection or reimbursement against losses from an insurance company. The company pools clients' risks to make payments more affordable for the insured.

"The losses of the few are covered by the many."

LAS

Risk and Insurance 101

- Your home, automobile, boat, recreational property are all examples of personal insurance.

- Businesses like retail and manufacturing are considered commercial.

- Covered by different insurers across the Province.

- Municipal Insurance generally falls under commercial and is <u>different</u> from your personal insurance.

- There are 4 main providers in the municipal space.

- Each has their own program – they work with specific insurers

Brokers

- While brokers do not work for specific insurers, in the municipal space they do have EXCLUSIVE agreements – especially in Ontario

- This means that some insurers can only provide municipalities coverage through one specific/partner broker

- AON, Marsh and BFL are all Brokers

- Brokers are paid to place the coverage through various models

Municipal Insurance Providers Today

- AON
- BFL Canada
- Intact Public Entities (Formerly Frank Cowan Company)
- Marsh Canada
- Waterloo Region Municipalities Insurance Pool
- Durham Municipal Insurance Pool

Municipal Insurance Policies

- General Liability
- Errors and Omissions
- Environmental Liability

- Automobile
- Non-Owned Automobile
- Transit
- Garage

- Property
- Boiler and Machinery
- Crime

- Cyber

- Councillors Accident
- Firefighters Accident
- Volunteers Accident

Current Cyber Insurance Market

Evolving quickly!

Not long ago, the industry saw its cyber loss ratio top 400%, meaning cyber insurers on average paid more than $4 for every $1 received in premiums. Those first-quarter numbers from two years ago improved sharply to 108.4% in 2022 Q1, per the Office of the Superintendent of Financial Institutions.
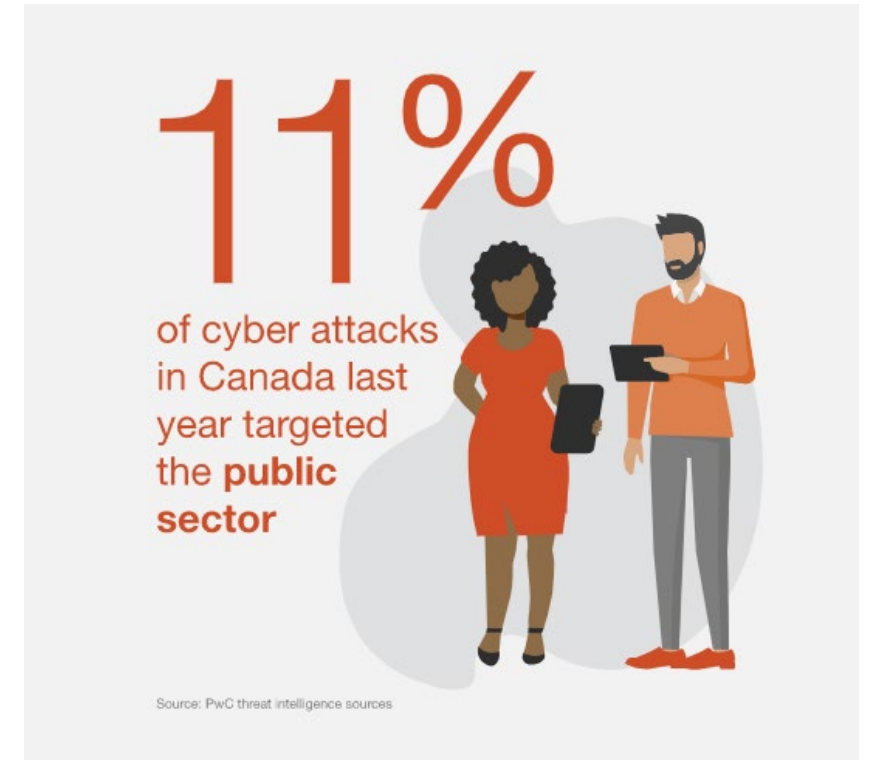
-Canadian Underwriter

March 2023

https://www.canadianunderwriter.ca/brokers/can-cyber-coverage-recover-from-past-high-loss-ratios-1004231846/

Current Cyber Insurance Market

- Fewer insurers willing to take on municipal risk

- Higher premiums

- Higher deductibles/self insured retentions

- Stringent underwriting

11% of cyber attacks in Canada last year targeted the **public sector**

Source: PwC threat intelligence sources

Facts and Figures

$4.35M US
Average cost of a data breach in 2021

323 Days
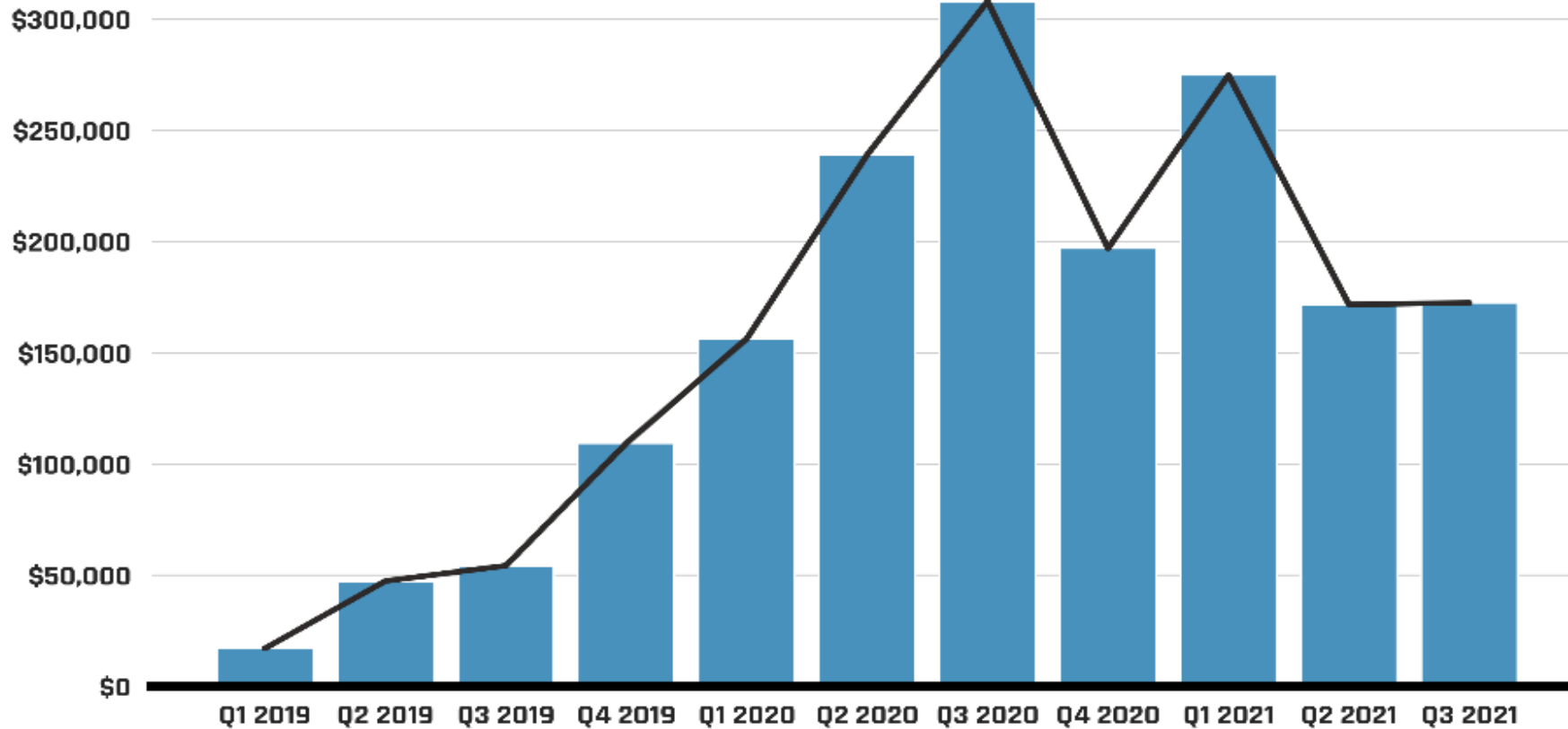Average length of time taken to identify and contain a data breach in 2021

$2.66M US
Average data breach response cost savings for companies with an IR team and tested IR plan in 2021

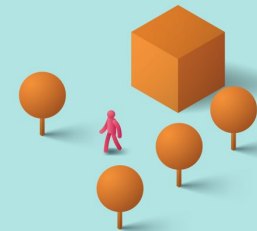*Reference: Cost of a Data Breach Report 2022, https://www.ibm.com/security/data-breach, IBM Corporation, July 2022.*

Facts and Figures

Figure 1: Average Ransom Payment Over Time

Canadian Centre for Cyber Security
Cyber Threat Bulletin
https://www.cyber.gc.ca/en/guidance/cyber-threat-bulletin-ransomware-threat-2021

In The News

Town of St. Marys cyberattack cost $1.3M, including $290K in Bitcoin ransom
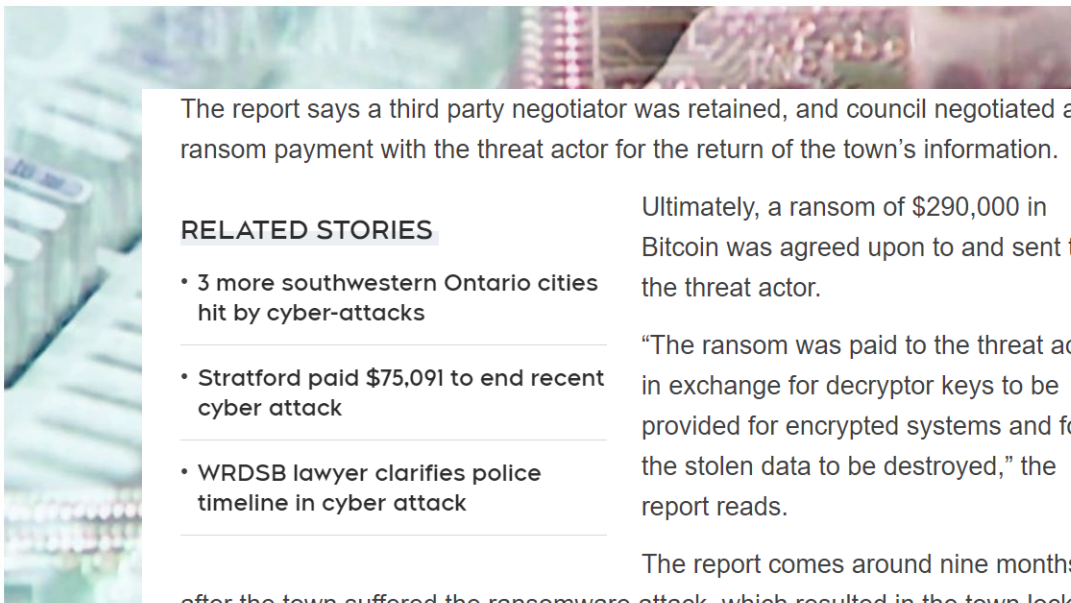
The report says a third party negotiator was retained, and council negotiated a ransom payment with the threat actor for the return of the town's information.

RELATED STORIES

- 3 more southwestern Ontario cities hit by cyber-attacks

- Stratford paid $75,091 to end recent cyber attack

- WRDSB lawyer clarifies police timeline in cyber attack

Ultimately, a ransom of $290,000 in Bitcoin was agreed upon to and sent to the threat actor.

"The ransom was paid to the threat actor in exchange for decryptor keys to be provided for encrypted systems and for the stolen data to be destroyed," the report reads.

The report comes around nine months after the town suffered the ransomware attack, which resulted in the town locking down its IT systems and restricting access to email.

"We reacted quickly. It could have been a lot worse than it was, and we came up with a plan against the experts right away so things I feel very proud of the actions to the staff, and I can say with certainty to the public that we did the best we can," St. marys Mayor Al Strathdee told CTV News London Thursday.

Northwest Territories government spent $716,000 to address cybersecurity breach

YELLOWKNIFE – The Northwest Territories government says it spent $716,00 to address a cyberattack in November.

It says it signed two work orders under existing contracts to help with containment, investigation and response efforts.

The territory says the cybersecurity threat was contained and remediated without the exposure of personal or private information.

The cyberattack was made public by Cabin Radio late last week after the local news organization reported that it received an anonymous tip.

The territorial government has released few details, citing confidentiality reasons.

CONSUMER

Cyberattack prompts closure of Gateway Casinos locations in Ontario

By Jacquelyn LeBel · Global News
Posted April 18, 2023 11:49 am · Updated April 18, 2023 2:13 pm

New Program Announcement

Cyber Incident Management for Ontario Municipalities - CIMOM

Development of the Program

Financial recovery is one main component of a cyber insurance policy - Assistance in the event of a breach is the other critical piece.

If a municipality cannot procure cyber insurance, how will that impact their Incident Response Plan? Who will they contact?

The concept of CIMOM was born and an RFP was issued in summer 2022.

The RFP

Eight (8) responses received

Consensus evaluation -

      Three (3) LAS staff

      Three (3) Municipal experts in IT, Risk and Legal

The Successful Proponent

ISA Cyber Security Inc.

Canadian Company with over 31 years experience

The Program

3 Retainer Hour Tiers

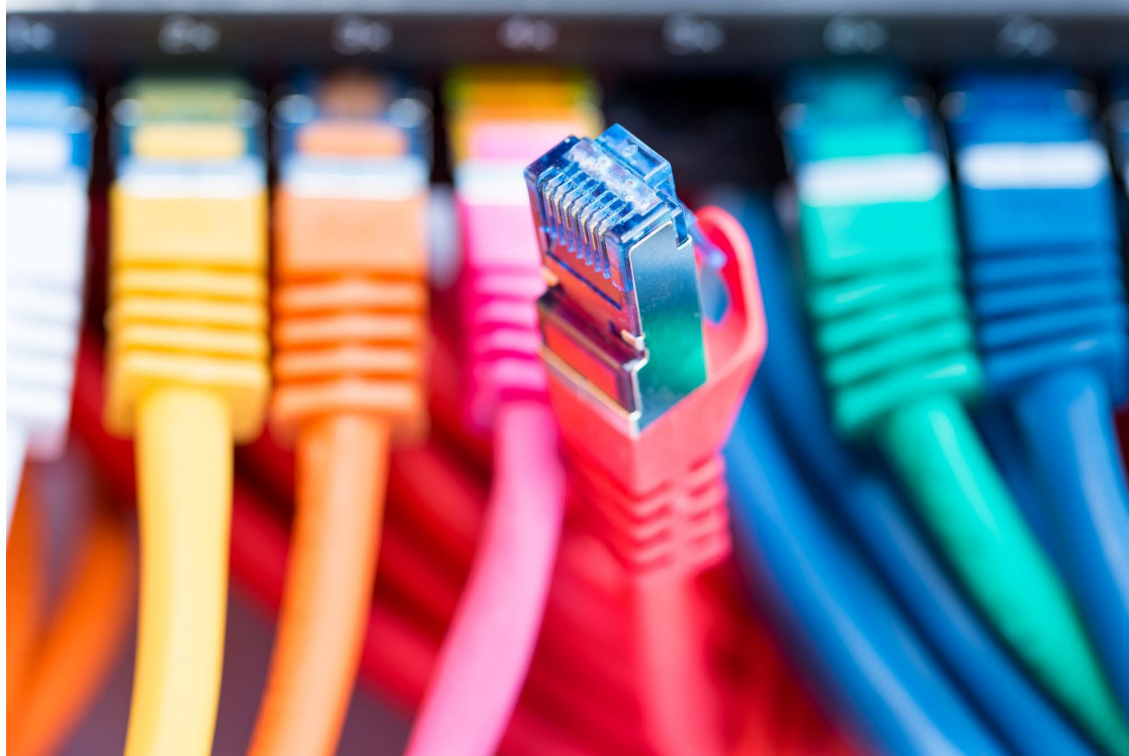   Level 1 = 20 hours

        Level 2 = 50 hours

        Level 3 = 80 hours

60% of hours can be used in Year 1 for additional incident response work

100% of unused hours from Year 1 can be used for additional incident response work upon renewal

The Program – Additional Services

Managed Services

Digital Forensics and IR Services

Cyber Management Consulting

Hosted Services

Cyber Assurance Services

The Program – Adhoc Hours

The program also allows for municipalities to buy hours for cyber incident response related work

The opportunity for block purchasing has been negotiated

Focus is on those municipalities currently without insurance in this initial rollout phase
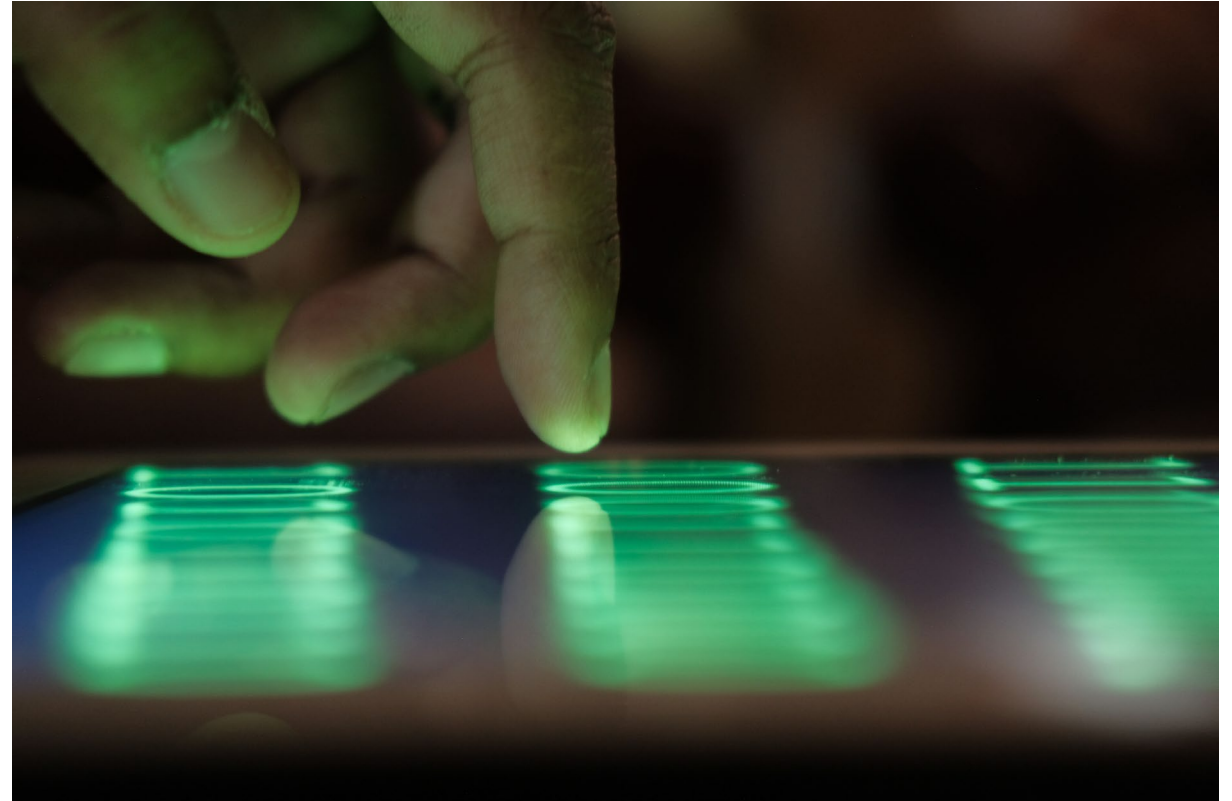
LAS and Municipal Risk Management

Working Groups

- Municipal Risk Management Working Group

- Technical Working Group

Cyber Risk Financing Feasibility Study

- Led by Technical Working Group

- First Draft received week of April 11

- May 12, 2023 LAS board meeting will discuss findings

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Let's continue the conversation

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