

Supplementary Budget – Briefing Note

2019 Budget

One page brief per request

Briefing Note required for:

- items >\$50,000
- changes in FTE
- Corporate Strategic Initiatives

Dept	Division	Business Unit	Item	Base Supp	Amount	FTE Impact
CD	Legal Services	11101.60036. GEN	Cyber Insurance (Group #2)-funded from reserve	B	\$50,000.00	0
CD	Legal Services	11101 79176. GEN	Cyber insurance per RTC in November, 2018(Gross \$50,000.00) recommended funding from reduction in transfer to insurance claims reserve #17176.	B	(\$50,000.00)	0

Background:

The Municipality is recommending that cyber liability insurance coverage be added to the Municipality's existing insurance policy. Cyber-attacks, including ransoms being demanded to unlock computer systems, are on the rise. Several attacks have targeted municipalities in the recent past, including Wasaga Beach and Midland. The increased prevalence of cyber-attacks has elevated the risk of Chatham-Kent being targeted and is the reason why the immediate purchase of this insurance coverage is recommended.

Comment:

A Report to Council came before council on November 19, 2018, seeking to purchase an interim policy of cyber insurance to be paid from the insurance reserve for 2018, which Council did approve. Attached is the Report to Council approving the cyber liability insurance purchase for 2018.

Legal is recommending that the Municipality purchase a five million dollar policy of cyber liability with a two hundred fifty thousand deductible for 2019. This would result in an approximate \$50,000 annual increase to the Municipality's insurance premiums

Municipality Of Chatham-Kent

Community Development

Legal Services

To: Mayor and Members of Council
From: David Taylor, Manager, Legal Services
Date: October 4, 2018
Subject: Cyber Liability Insurance Purchase

Recommendations

It is recommended that:

1. Administration be directed to add Cyber Liability Insurance to the Municipality's insurance program on an interim basis, with the premium for such a policy to be paid out of the insurance reserve.
2. Administration be directed to bring a request for continuation of Cyber Liability Insurance to the 2019 budget process.

Background

The Municipality relies on technology and the safe processing and storage of data to conduct business on a daily basis. A cyber risk occurs when the use of IT systems affects the confidentiality, availability, or integrity of data from the Municipality's own computer systems or information that is stored on a third party shared computer network. Examples of cyber risks include stolen hardware devices, data theft, phishing emails, and cyber extortion. A failure in technology or a data breach could have significant consequences for the Municipality, including potential class-action lawsuits, regulatory fines and penalties, and reputation damage.

Policy coverage is available from the various insurers for cyber liability. As with other forms of insurance, the Municipality will use its existing Insurance Broker to seek quotes for cyber liability insurance.

Comments

Administration is recommending that this coverage be added to the Municipality's insurance immediately. Cyber-attacks, including ransoms being demanded to unlock computer systems, are on the rise. Several attacks have targeted municipalities in the recent past, including Wasaga Beach and Midland. The increased prevalence of cyber-attacks has elevated the risk of Chatham-Kent being targeted and is the reason why the immediate purchase of this insurance coverage is recommended.

Cyber insurance policies cover both losses of the Municipality, such as Municipal funds being stolen, and losses to other parties, such as citizens' being subject to identify theft based on information taken from the Municipality. The

policies offered by different insurance companies also provide varying levels of additional services needed to address a cyber-attack, including:

- Incident response (call centers, media releases etc.)
- Regulatory fines
- I.T. Security Costs
- Crisis communication costs
- Payment of extortion amounts
- Computer system recovery costs
- Legal services

Many of these items must be addressed quickly following a cyber-attack. By using an insurance company to provide these services, the Municipality will be able to provide a more timely response to attacks rather than if the Municipality attempted to obtain these services on its own and after an attack has already occurred.

It is recommended that the Municipality purchase a five million dollar policy of cyber liability with a two hundred fifty thousand deductible. Based on Administration's preliminary review, this would result in an approximate \$50,000 annual increase to the Municipality's insurance premiums.

Administration feels that the proposal to increase the Municipality's insurance costs on a go forward basis is properly considered through the annual budget process, and as a result this report recommends that this issue be referred to budget.

However, Administration is also recommending that in the interim, a policy should be purchased. It is anticipated that this policy can likely be purchased on a pro-rated basis at roughly the same premium amount, being \$4166.00 per month. As there is no existing base budget amount for this increase in premiums, it is recommended that this amount be paid from the insurance reserve until Council makes a final decision to increase the Municipality's insurance costs as part of the budget process.

Areas of Strategic Focus and Critical Success Factors

The recommendation(s) in this report support(s) the following areas of strategic focus:

Economic Prosperity:

Chatham-Kent is an innovative and thriving community with a diversified economy

A Healthy and Safe Community:

Chatham-Kent is a healthy and safe community with sustainable population growth

People and Culture:

Chatham-Kent is recognized as a culturally vibrant, dynamic, and creative community

Environmental Sustainability:

Chatham-Kent is a community that is environmentally sustainable and promotes stewardship of our natural resources

The recommendation(s) in this report support(s) the following critical success factors:

Financial Sustainability:

The Corporation of the Municipality of Chatham-Kent is financially sustainable

Open, Transparent and Effective Governance:

The Corporation of the Municipality of Chatham-Kent is open, transparent and effectively governed with efficient and bold, visionary leadership

Has the potential to support all areas of strategic focus & critical success factors

Neutral issues (does not support negatively or positively)

Consultation

The Municipal Insurance Broker was consulted throughout the preparation of this report.

Information Technology Services has been consulted on this report.

Budget & Performance Services has been consulted on this report.

Financial Implications

The financial implications of this report are the payment of the recommended insurance premium, being an estimated \$4166 per month until Council addresses this item during the 2019 budget process. This amount will be funded from the insurance/risk reserve.

Prepared by:

Reviewed by:

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Chief Legal Officer

Consulted and confirmed the content of the consultation section of the report by:

Peter Mullins
Budget & Performance Analyst

Consulted and confirmed the content of the consultation section of the report by:

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Manager of Technical Services