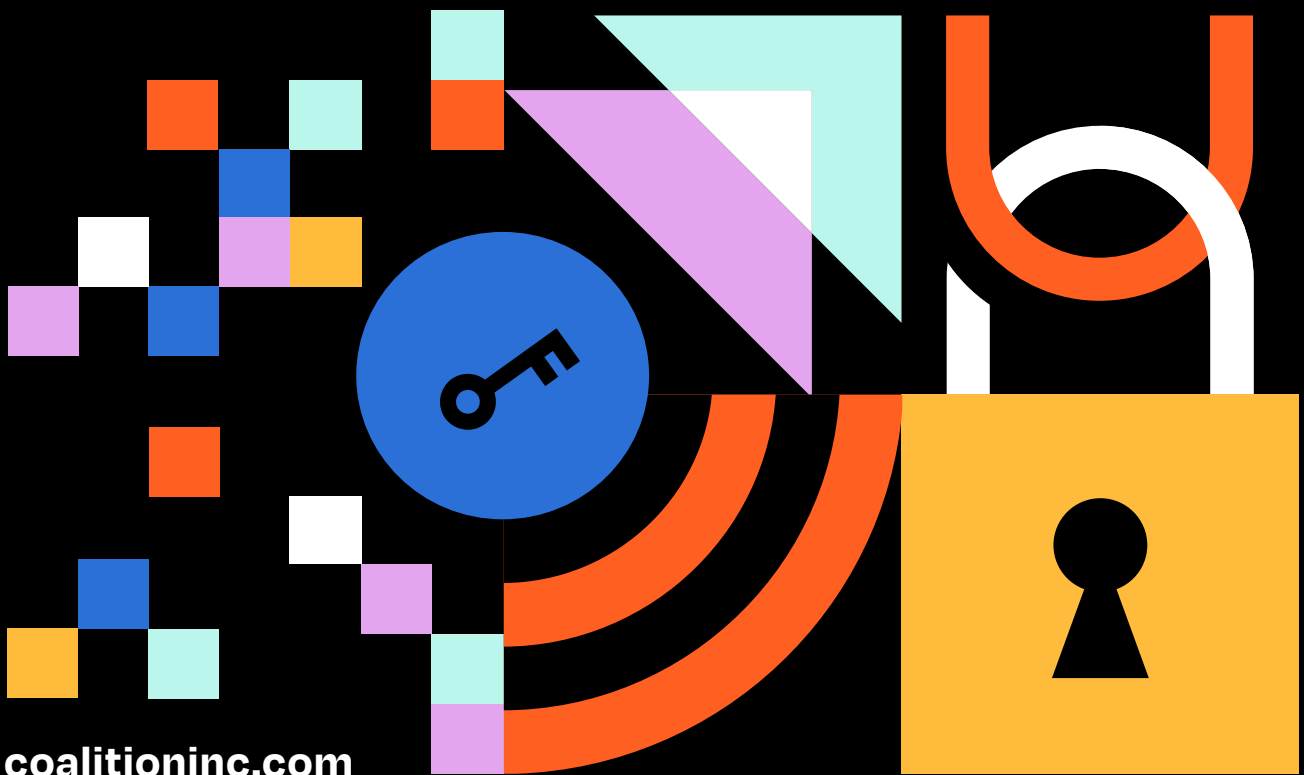




BROKER'S GUIDE TO

Active Insurance





01 EXECUTIVE SUMMARY

Introducing a new kind of insurance for today's new kind of risk

Digital transformation has made all organizations — even small ones — faster, more impactful, and more complex than ever.

Simplified ecommerce tools, mobile technology, and cloud-based services have helped many companies not only survive challenging times, but level the competitive playing field on a global scale. However, this digital shift has had the exact same effect on the risks businesses face. From ransomware attacks to the challenges of managing distributed workforces during the pandemic, digital risk is different. It's always evolving. It strikes faster and with more severity. It even amplifies other risks.

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From ransomware attacks to the challenges of managing distributed workforces during the pandemic, digital risk is different.



Unfortunately, while the digital world has quickly changed business — and business risks — most organizations don't have the protection they need to thrive. Business insurance, the world's oldest form of risk management, wasn't built for fast-moving digital risks. Instead, it was designed to react to risks that occur infrequently.

At Coalition, we believe that all businesses should be able to embrace technology and thrive in the digital economy, and to do so, they need a new kind of protection. That's why we've created a new way to solve digital risk: **Active Insurance.**

Active Insurance is an entirely new approach to managing digital risk with three layers of protection:



- 1. Active Risk Assessment** uses powerful data and artificial intelligence (AI) to provide a near real-time snapshot of an organization's digital risks — streamlining the quoting process, providing accurate pricing, and identifying potential issues that most traditional insurers and many insurtechs never see.



- 2. Active Protection** offers continuous scanning and monitoring of digital assets and other risk factors associated with cyber and executive risks — providing personalized alerts for critical issues so brokers and policyholders can stay ahead of new risks.



- 3. Active Response** includes support and guidance from an in-house team of experts, helping policyholders accelerate their response and claims to help businesses bounce back quickly if an incident occurs.

Simply purchasing coverage is no longer enough to face today's fast-moving digital risks. That's why Active Insurance goes beyond traditional insurance coverage to provide brokers and insureds with Active Risk Assessment, Active Protection, and Active Response.



02

Digital risk is **always** active

The digital economy poses new threats to businesses that traditional insurance can't protect against.

Digital threats are much more pervasive, amorphous, and hard to predict. The same systems that make today's businesses more efficient also allow new digital risks to move at incredible speeds. From a single click, attacks can take over the whole organization in a matter of minutes. Digital risks also amplify other traditional risks across the business and impact other connected partners and customers too.

Unfortunately, many organizations accept vast amounts of digital risk — either because they aren't aware of how pervasive digital threats have become or because they simply can't afford the technical expertise and tooling to keep up. Meanwhile, the digital risks to businesses continue to multiply.

Here are some recent examples:

- **Ransomware attacks are not only occurring daily and increasing** but becoming more complex and demanding larger payments (like the \$70 million Kaseya and the \$11 million JBS Foods ransoms).¹ In 2021, the average ransom demand made to our own policyholders was \$1.8 million.²
- **Phishing attempts continue to plague business inboxes.** Nearly one in every 6,000 emails sent contains a suspicious link³ — and a single click can initiate serious damage throughout an organization in a matter of seconds.
- **Supply chain attacks are targeting more and more vendors.** Attacks are increasingly targeting software providers (like Mimecast, SolarWinds, and Microsoft Exchange) who provide IT functions such as email, firewalls, VPN



access, and more. When cyber criminals successfully compromise a vendor's digital perimeter, they can victimize a large number of connected organizations at once.

- **Cyber crime incidents like business email compromise (BEC) and funds transfer fraud (FTF) have increased significantly** — with BEC claims up more than 51% since 2020, with the average amount of funds stolen increasing by 78% to \$388,000.³
- **Biometric data risks are rising**, coinciding with the increasing collection of fingerprint and other physical data. The Biometric Information Privacy Act (BIPA) doesn't require a plaintiff to have suffered actual harm to sue (e.g. *Sherman v. Brandt Industries*), potentially leading to much costlier class-actions.⁴
- **Reputational damage to companies and their officers can come from a variety of digital sources**, such as website and social media impersonations and scams directly targeting customers via email spoofing or other tools.

- **Distributed workforces have created a broader digital footprint.**

With millions of employees now working remotely and relying on new technologies, organizations are now exposed to even larger risks. It has also created an explosion in potential litigation around wage issues including time-tracking, overtime compensation, and compliance with the Fair Labor Standards Act (FLSA).⁵

More companies than ever before are exposed to these risks and countless others. Even smaller businesses are being increasingly targeted. Cyber claims costs rose 56% to an average of \$149,000 for small businesses in 2021.²



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COALITION 2022 CYBER CLAIMS REPORT



03

Why traditional insurance is not enough

Business owners have long understood the need to protect their property, goods (and even themselves) from fire, flooding, accidents, theft, and other losses by transferring that risk to insurers. Such physical risks occur infrequently and are reasonably predictable based on historical data. But traditional insurance wasn't built for a digital age where the speed of information and threats has increased exponentially.

In the digital economy, risks are constantly evolving day-by-day or even minute-by-minute. They can cripple a business just as quickly. Businesses are becoming more distributed and evolving faster than ever. A boom in

M&A activities and continuing work-from-home and pandemic-related employment issues are amplifying liability exposure to executives. Organizations of all sizes are becoming more data driven, technology dependent, and virtually connected.

The old approach leaves millions of businesses vulnerable to new digital threats. Insurance that only provides loss-protection **after** the fact does nothing to prevent severe, recurring, and infectious damage. That critical gap dissolves the key value of insurance: Peace of mind. **Solving digital risk isn't a destination. It's a continuous journey.**

The traditional approach to managing risk wasn't built for a digital world

1. **Relies only on historical data** to predict current and future risk
2. **Only engages at key moments** (quote, claim, renewal) to price, transfer, and service risk
3. **Assumes technical risk is mostly domain of technical teams**
4. **Impossible to get an accurate picture of real-time risk**
5. **Can't keep pace** with the evolving nature of digital risks
6. **Doesn't incentivize people to collaborate** in protecting their most valuable assets



04

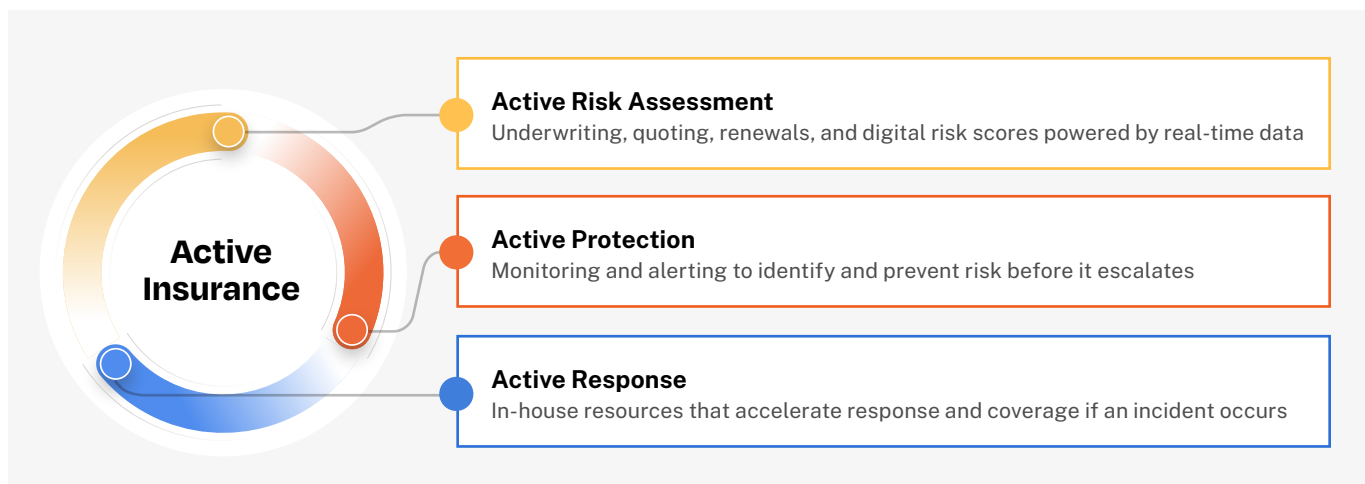
A new approach to coverage: Active Insurance

In order to thrive in the digital economy, organizations need a new model of protection from emerging threats. In this new model they must be enabled to:

- **Know their digital risk** at any point in time
- **Identify issues** before they become disruptions
- **Get immediate help** from experts when disruptions do occur
- **Align their incentives** to find true partners in risk management

Active Insurance is a new model for coverage built for the digital economy. It combines the power of technology and insurance to help organizations accurately assess, monitor, and respond to a new class of risks.

It leverages technology to offer continuous monitoring, effective protection, and swift response – all backed by a solid foundation for recovery if all else fails. While traditional insurance has served mainly as a hedge against loss only after an incident, Active Insurance provides value before, during, and after an incident that could lead to a loss.





Here's how Active Insurance works

Combining the power of Active Risk Assessment, Active Protection, and Active Response, Active Insurance is designed to deliver continuous coverage against digital risks at all phases — before a risk becomes a threat, when an active threat is detected and needs mitigation, and afterwards in case the incident happens. This holistic approach to insurance actually circumvents risks, reducing losses due to claims, and helps facilitate business continuity in an ever-evolving digital economy. This three-front model enables continuous protection throughout the policy — not just after a claim.



Active Risk Assessment

Available on demand, Active Risk Assessment offers personalized digital risk profiles that identify potential issues. These near-real-time reports reveal an organization's digital risk exposures and vulnerabilities. For brokers, Active Risk Assessments shorten lengthy questionnaires and avoid mistakes in pricing and underwriting cyber and executive risks — while cutting quoting process time in half. For clients, this can provide recommendations to make the policyholder's organization more secure.



Active Protection

Digital risk evolves quickly and requires continuous assessment to help organizations stay ahead of threats that may impact their operations. Active Protection offers policyholders continuous monitoring of their digital systems and business exposures for issues that could present a risk to the organization or its executives. When new risks — such as software exploits — are discovered, personalized alerts can help them address the risk before it escalates.



Active Response

When potential incidents do occur, Active Response helps organizations recover quickly so they can get back to business. With our in-house expertise and access to digital records on exposures, our team helps the policyholder solve the issue and get back up and running faster, minimizing downtime and any financial damages.

Active Insurance provides an innovative approach to coverage. It fills the gaps that used to expose businesses to digital risks from all sides — reinforcing the peace of mind that comes from traditional insurance. Here's how Coalition makes this new approach a reality.



05

Coalition's data expertise actively targets digital risk

Coalition was founded to solve digital risk and create a safer digital economy where everyone can thrive. What sets Coalition apart from other insurers is that we not only mitigate and transfer digital risk — we actually help solve it. We're innovating around the very core of insurance to provide a new type of protection.

We've done this by bringing together deep expertise in both technology and insurance, combining the power of artificial intelligence, cybersecurity, real-time data analysis, incident response and claims, comprehensive insurance coverage, and much more to create something entirely new. We call it Active Insurance.

Active Insurance is driven by our data expertise

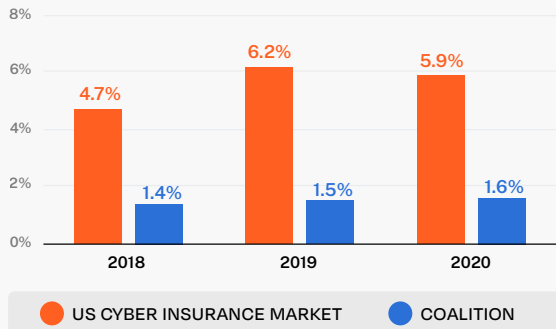
Active Insurance is only possible because the digital world creates enough real-time data that it can signal new risks, trends, and warning signs. Separating these signals from noise requires skills and technology that was previously only available to large technology companies with deep pockets.

Coalition created the **Active Risk Platform** to continuously gather and analyze risk data at a massive scale, including:

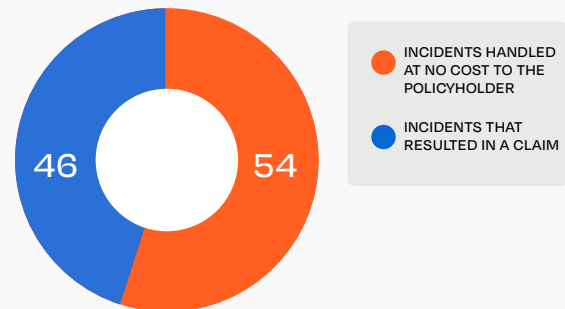
- **Digital risk data**
Public web scanning, tech stack enumeration, and in-depth threat intelligence
- **Organizational risk data**
Financial health, litigation, M&A, HR compliance, and other firmographic data
- **Incident and claims data**
Proprietary collection of risk and claims data



Claims frequency: US cyber insurance market and Coalition²



Percent of incidents resolved at no cost to our insureds²



We then apply our own expert analysis using artificial intelligence, data science, and machine learning to develop insights and identify emerging threats. This enables us to train our models to make faster, better decisions that optimize brokers' quoting and binding process, and actively protect policyholders by helping them respond to potential threats.

Coalition's Active Risk Platform learns from every scan, incident, and claim — building an advantage others can't match. Taken together, this is an entirely new model for protecting organizations from an emerging set of risks. One that sets a new standard for the digital economy, aligns incentives to reduce risks, and gives business owners peace of mind to embrace digital technology.

Protection designed for the digital world

Protection designed for your most valuable assets with an insurer who

has the tech and insurance expertise to be a long term partner in the digital economy. Our personalized risk profile identifies the risks that are relevant to an organization, provides ongoing monitoring and protection from emerging vulnerabilities, and includes preventative measures to limit exposures before an attack. We've helped thousands of companies improve their baseline cybersecurity hygiene and address critical business exposures.

Monitoring and mitigation of risks before they occur

We send personalized, automated alerts to insureds and brokers when new risks arise, helping them stay ahead of risk before it escalates. In 2021, we collected over 48 trillion data points on digital exposure and sent over 90,000 personalized alerts to our customers. As a result of our Active Protection approach, Coalition policyholders experience 70% fewer claims as compared to the broader cyber insurance marketplace.⁶



24/7 Active Response if the worst should happen

In case of an incident, Coalition's expert team responds to help policyholders recover faster. And for claims that happen when policyholders use our in-house Incident Response team, there's no out-of-pocket deductible. In 2021, we resolved 46% of reported incidents at no additional cost to the policyholder using our in-house teams.²

Active Response means quick access to an expert team, all working towards minimizing damages and prioritizing recovery for your business. We're often able to contain incidents before they spread, and help our policyholders reclaim funds stolen through funds transfer fraud. In the second half of 2021, we recovered 75% of FTF losses in cases where our claims and incident response teams managed to claw back funds.²

In addition to helping restore data and reclaim funds from fraudulent transfers, our efforts have even included negotiating down ransom demands by nearly 75%. Coalition has aligned our incentives to help our policyholders resolve issues quickly so business can get back to normal.

Advantages for brokers

Coalition's active approach to underwriting actively improves the broker experience. We use our data expertise to remove uncertainty and the complex, time-consuming work from the quoting and renewal process. Our Active Risk Assessments:

1. **Simplify the quoting process.** When brokers submit a quote, Coalition runs an active scan of that organization to produce a personalized risk assessment. This assessment goes deeper than any questionnaire, looking at the entire supply chain of technology that might affect a policyholder's operations.

For brokers, this reduces the tedious process of collecting technical information from clients to a few short questions. We're able to eliminate numerous questions because of

our scanning capability — which can identify everything from a company's operating system to the number of machines it has connected to the web to malware or infections that may already be in place.

2. **Accelerate and optimize pricing.** We use the risk scoring in this assessment to determine the price of coverage for any individual organization. This allows us to accurately price risk based on what's happening — right now, inside of an organization — instead of relying on data from a week, month, or even year ago.
3. **Enhance broker expertise.** We also make these details available to the broker so they can act as the expert to guide their policyholder through digital risk and coverage. Coalition offers tools, knowledge and live help to ensure you're prepared for policyholder needs.



Advantages for insureds

The speed of digital threats doesn't just impact your cyber risk; it can also impact other risks like executive liability as information moves faster and more employees work remotely. That's why we also compile data that provides indications of public sentiment, litigation, changes to executive staff and more.

Coalition's Active Insurance provides business policyholders with ongoing monitoring and support, including:

1. **Proactive monitoring** of known exploits and systemic vulnerabilities that may affect an organization based on the technology they use.
2. **Alerts for critical issues** that may put the organization's data or executives at risk
3. **Remediation suggestions** to help organizations prevent losses

In addition to these personalized risk assessments, Coalition also provides brokers with additional resources to improve their proficiency and quality of service. These include Coalition's in-depth digital knowledge center, coverage comparisons, online customer service, our 24/7 Claims and Incident Response team, as well as monthly webinars and other training opportunities.

Helping brokers succeed in the digital economy

With our automated, intelligent underwriting engine, Coalition has removed the manual steps that can make quoting, binding, and renewing cyber and executive risks insurance daunting for brokers. This ability to track and manage risks also allows us to build a business for the long term. While many insurers are pulling back and declining coverage for cyber and other digital risks, Coalition plans to provide brokers with consistent coverage for the long term.

Running behind the scenes, Coalition's Active Risk Platform conducts an

incredibly comprehensive scan of the public web with our own technology, covering billions of ports, applying our artificial intelligence and analytics to parse through mountains of external data as well as our own proprietary data on incidents, claims and risks. We then combine that with human threat intelligence to create an accurate picture of an organization's current digital risk.

This **personalized Coalition Risk Assessment** not only helps brokers accurately price new business, it can help any organization gain a sense of their digital risk. This on-demand personalized digital risk profile reveals your organization's risk exposures and vulnerabilities — and provides recommendations that can make your business more secure. Any organization can retrieve a snapshot of their digital risk by visiting coalitioninc.com/control. Coalition was founded to solve digital risk, which is why we offer this tool for free to any business, whether a Coalition policyholder or not.



06

Thrive in the digital economy with a new approach to risk

The transition to the digital economy is far from over. By the end of 2022 nearly 65% of the global GDP will be digitized - reliant on a digital system of some kind.⁷ The impacts of this shift are profound: a hyper-connected society, a reimagined economy, and a new class of risk.

Active Insurance was born out of the need to respond to this new class of risk. It's the logical evolution of risk management in a world where information moves so quickly that it can signal risk patterns in the weeks, days or even moments before it strikes. Identifying these signals in all the digital noise and building a model that can move fast enough

to respond to them is the magic of Active Insurance. It is an approach we hope to see repeated in many industries and forms of protection over time.

In the near future, we will no longer differentiate between the digital economy and the traditional economy; every organization will simply be digital by default. Coalition wants to ensure that the new economy is one where everyone can thrive, safe from the threat of emerging risks. Our data capabilities and expert team are guiding 140,000+ customers and over 30,000 brokers into this new world today. This is all just the beginning.



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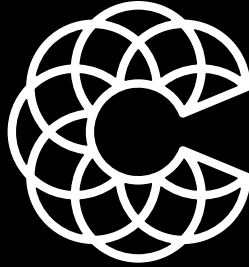
Actively protect your policyholders or your organization. Contact Coalition today

If you're a broker, offer your clients the best protection from digital risks by getting appointed today. Visit signup.coalitioninc.com.

If you're a business, get started actively protecting your business by checking out your organization's own free risk assessment. Visit control.coalitioninc.com.

Endnotes

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2. Coalition [2022 Cyber Claims Report](#).
3. [The State of Email Security](#). Fortinet blog. Apr 7, 2020.
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6. Coalition [H1 2021 Claims Report](#).
7. *IDC FutureScape: Worldwide Digital Transformation 2021 Predictions*.



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