

ISRB CIRCULAR

CYBER INCIDENT EXCLUSION ENDORSEMENTS INTRODUCED

Forms

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FILED AND APPROVED This information is intended exclusively for Idaho Surveying and Rating Bureau, Inc. affiliated companies.

ISRB ACTIONS

Filing CF-2020-OCYFR " We are introducing two endorsements for the exclusion of loss or damage by a cyber incident and revising one endorsement within the Division Five – Fire And Allied Lines section of the Commercial Lines Manual. " was filed with the Idaho Department of Insurance and marked as "Filed" on September 8, 2020.

EFFECTIVE DATE

February 1, 2021

COMPANY ACTIONS

All correspondence with the Idaho Department of Insurance should refer to CF-2020-OCYFR.

If you have authorized us to file on your behalf and decide:

- To use our revision and effective date, you are not required to file anything with the Idaho Department of Insurance.
 - To use our revision with a different effective date, to use our revision with modifications or to not use our revision, then you must make an appropriate submission with the Idaho Department of Insurance.
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ATTACHMENTS

- CF-2020-OCYFR Forms
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Cyber Incident Exclusion Endorsements Introduced

About This Filing

We are introducing two endorsements for the exclusion of loss or damage by a cyber incident and revising one endorsement within the Division Five – Fire And Allied Lines section of the Commercial Lines Manual.

New Forms

We are introducing the following forms:

- ◆ CP 10 75 12 20 – Cyber Incident Exclusion
- ◆ CP 10 76 12 20 – Cyber Incident Exclusion With Ensuing Cause(s) Of Loss Exceptions

Revised Form

We are revising the following form:

- ◆ CP 04 40 06 07 – Spoilage Coverage

We have used a format of ~~striking through~~ deletions, underlining additions and inserting a revision bar in the left margin to indicate changes from the 06 07 edition to the 12 20 edition. Concurrent with implementation, the 12 20 edition will supersede the 06 07 edition.

Related Filing

The following companion filing is being filed with a concurrent effective date:

- ◆ CF-2020-RCYRU (Rules)

Refer to the companion rules filing module titled Multistate Rules Introduced To Accommodate New Cyber Incident Exclusion Endorsements.

Background

The cyber exposures of today were not contemplated when ISO developed the coverages reflected in its Commercial Property coverage forms over 30 years ago.

Under ISO's Causes Of Loss – Special Form, CP 10 30, "Covered Causes of Loss means direct physical loss unless the loss is excluded or limited in this policy." ISO's Causes Of Loss – Basic Form and Broad Form both provide an expressed list of the Covered Causes Of Loss, which is then followed by various limitations or exclusions.

Explanation of Changes

We are introducing the above-mentioned mandatory exclusionary endorsements to add an exclusion to explicitly address a cyber incident, for ISO's Commercial Property line of insurance. It is mandatory that either Cyber Incident Exclusion Endorsement **CP 10 75** or Cyber Incident Exclusion With Ensuing Cause(s) Of Loss Exceptions Endorsement **CP 10 76** be attached to all policies except with respect to ISO's Mortgageholders Errors And Omissions Coverage Form **CP 00 70**. When Form **CP 00 70** is the only coverage form that applies to the ISO Commercial Property Coverage Part, attach Cyber Incident Exclusion Endorsement **CP 10 75** to the policy.

◆ **CP 10 75 12 20 – Cyber Incident Exclusion**

This endorsement:

- ◇ Modifies insurance provided under ISO's Commercial Property Coverage Part or Standard Property Policy.
- ◇ Is added to Paragraph **B. Exclusions** and generally excludes loss or damage to Covered Property caused directly or indirectly by a cyber incident, regardless of any other cause or event that contributes concurrently or in any sequence to the loss.
- ◇ Provides a meaning for a cyber incident that includes, as detailed in the exclusion itself, unauthorized access, a malicious code or virus, or a denial of service attack.
- ◇ Contains an exception to the exclusion with respect to loss or damage caused by fire or explosion resulting from a cyber incident. Such coverage is subject to the full applicable policy limits provided in the Declarations.
- ◇ Contains an exception so as to not apply the exclusion to the extent that coverage is provided in the Additional Coverage – Electronic Data or Additional Coverage – Interruption Of Computer Operations.

- ◇ Contains an exception so as to not apply the exclusion to the Electronic Commerce (E-Commerce) endorsement when attached to a policy.
- ◇ Reinforces that cause of loss – vandalism, if not excluded and otherwise applicable to the premises described in the Declarations, does not include a cyber incident as described in the exclusion.

◆ **CP 10 76 12 20 – Cyber Incident Exclusion With Ensuing Cause(s) Of Loss Exceptions**

This endorsement contains all the design attributes of Endorsement **CP 10 75** while in addition containing a number of notable provisions including:

- ◇ Additional Other Causes Of Loss resulting from a cyber incident exception that may be made subject to individual per occurrence sublimits entered into the Schedule of the endorsement for property damage, business income and extra expense.
- ◇ An option for the aforementioned sublimits to be subject to a scheduled single aggregate limit of insurance for the total of all loss or damage for the coverages shown in the Schedule caused by all occurrences in a 12-month period.
- ◇ An exception for a cyber incident resulting in the following Other Causes Of Loss:

Under the Standard Property Policy or Causes Of Loss – Basic or Broad Forms, a Covered Cause of Loss other than fire or explosion; and, if made part of the policy, other than Flood, Limited or Broad Radioactive Contamination, Breakdown or Contamination, Power Outage, or Molten Material;

Under the Causes Of Loss – Special Form, a "specified cause of loss" other than fire or explosion; and

Theft, if not otherwise excluded.

- ◇ The per occurrence limits of insurance and the aggregate limit of insurance if shown in the Schedule are part of, not in addition to, the applicable Limits Of Insurance shown in the Declarations.

◆ **CP 04 40 12 20 – Spoilage Coverage**

We are taking this opportunity to revise Paragraph **F.** of this endorsement to include a provision that the Cyber Incident Exclusion or the Cyber Incident Exclusion With Ensuing Cause(s) Of Loss Exceptions applies with respect to Spoilage Coverage when attached to a policy.

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POLICY NUMBER:

COMMERCIAL PROPERTY
CP 04 40 12 20

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

SPOILAGE COVERAGE

This endorsement modifies insurance provided under the following:

BUILDING AND PERSONAL PROPERTY COVERAGE FORM
CONDOMINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM

SCHEDULE

Premises Number	Building Number	Limit Of Insurance
		\$
Description Of Property:		
Deductible:		
Refrigeration Maintenance Agreement:		
Selling Price:		
Causes Of Loss		
Breakdown Or Contamination:		
Power Outage:		
Premises Number	Building Number	Limit Of Insurance
		\$
Description Of Property:		
Deductible:		
Refrigeration Maintenance Agreement:		
Selling Price:		
Causes Of Loss		
Breakdown Or Contamination:		
Power Outage:		

Premises Number	Building Number	Limit Of Insurance
		\$
Description Of Property: Deductible: Refrigeration Maintenance Agreement: Selling Price:		
Causes Of Loss		
Breakdown Or Contamination: Power Outage:		
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.		

The Coverage Form to which this endorsement applies is extended to insure against direct physical loss or damage by the Covered Causes of Loss, but only with respect to coverage provided by this endorsement.

A. Paragraph A.1., Covered Property, is replaced by the following:

1. Covered Property

Covered Property means "perishable stock" at the described premises owned by you or by others that is in your care, custody or control.

B. With respect to the coverage provided by this endorsement, property located on buildings or in the open or in vehicles is considered to be Property Not Covered.

C. Paragraph A.3., Covered Causes Of Loss, is replaced by the following:

3. Covered Causes Of Loss

Covered Causes of Loss means the following only if indicated by an "X" in the Schedule:

a. Breakdown or Contamination, meaning:

- (1) Change in temperature or humidity resulting from mechanical breakdown or mechanical failure of refrigerating, cooling or humidity control apparatus or equipment, only while such equipment or apparatus is at the described premises; and
- (2) Contamination by the refrigerant.

b. Power Outage, meaning change in temperature or humidity resulting from complete or partial interruption of electrical power, either on or off the described premises, due to conditions beyond your control.

D. Selling Price

If Selling Price is indicated by an "X" in the Schedule, the following is added to the **Valuation Loss Condition**:

We will determine the value of finished "perishable stock" in the event of loss or damage at:

1. The selling price, as if no loss or damage had occurred;
2. Less discounts and expenses you otherwise would have had.

E. Paragraph A.5., Coverage Extensions, does not apply.

F. Paragraph B., Exclusions, is replaced by the following:

B. Exclusions

1. Only the following Exclusions contained in Paragraph B.1. of the Causes of Loss Form applicable to this Coverage Part apply to Spoilage Coverage:
 - a.** Earth Movement;
 - b.** Governmental Action;
 - c.** Nuclear Hazard;

d. War And Military Action;

e. Water; and

the Cyber Incident Exclusion or the Cyber Incident Exclusion With Ensuing Cause(s) Of Loss Exceptions, whichever applies.

2. The following Exclusions are added:

We will not pay for loss or damage caused by or resulting from:

a. The disconnection of any refrigerating, cooling or humidity control system from the source of power.

b. The deactivation of electrical power caused by the manipulation of any switch or other device used to control the flow of electrical power or current.

c. The inability of an Electrical Utility Company or other power source to provide sufficient power due to:

(1) Lack of fuel; or

(2) Governmental order.

d. The inability of a power source at the described premises to provide sufficient power due to lack of generating capacity to meet demand.

e. Breaking of any glass that is a permanent part of any refrigerating, cooling or humidity control unit.

G. Paragraph D., **Deductible**, is replaced by the following:

We will not pay for loss or damage in any one occurrence until the amount of loss or damage exceeds the Deductible shown in the Schedule of this endorsement. We will then pay the amount of loss or damage in excess of that Deductible, up to the applicable Limit of Insurance. No other deductible in this policy applies to the coverage provided by this endorsement.

H. Paragraph F., **Additional Conditions**, is replaced by the following:

ADDITIONAL CONDITION

The following condition applies in addition to the Common Policy Conditions and the Commercial Property Conditions.

REFRIGERATION MAINTENANCE AGREEMENTS

If Breakdown or Contamination is designated as a Covered Cause of Loss and a refrigeration maintenance agreement is shown as applicable by an "X" in the Schedule, the following condition applies:

You must maintain a refrigeration maintenance or service agreement. If you voluntarily terminate this agreement and do not notify us, the insurance provided by this endorsement will be automatically suspended at the involved location.

I. Paragraph G., **Optional Coverages**, does not apply.

J. The following is added to the **Definitions**:

"Perishable stock" means personal property:

a. Maintained under controlled conditions for its preservation; and

b. Susceptible to loss or damage if the controlled conditions change.



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THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

CYBER INCIDENT EXCLUSION

This endorsement modifies insurance provided under the following:

COMMERCIAL PROPERTY COVERAGE PART
STANDARD PROPERTY POLICY

A. The following exclusion is added to Paragraph B. Exclusions:

We will not pay for loss or damage caused directly or indirectly by the following. Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss.

Cyber Incident

1. Unauthorized access to or use of any computer system (including electronic data).
2. Malicious code, virus or any other harmful code that is directed at, enacted upon or introduced into any computer system (including electronic data) and is designed to access, alter, corrupt, damage, delete, destroy, disrupt, encrypt, exploit, use or prevent or restrict access to or the use of any part of any computer system (including electronic data) or otherwise disrupt its normal functioning or operation.
3. Denial of service attack which disrupts, prevents or restricts access to or use of any computer system, or otherwise disrupts its normal functioning or operation.

B. Exceptions And Limitations

1. Fire Or Explosion

If a cyber incident as described in Paragraphs **A.1.** through **A.3.** of this exclusion results in fire or explosion, we will pay for the loss or damage caused by that fire or explosion.

2. Additional Coverage

The exclusion in Paragraph **A.** does not apply to the extent that coverage is provided in the:

- a. Additional Coverage – Electronic Data; or
- b. Additional Coverage – Interruption Of Computer Operations.

3. Electronic Commerce Endorsement

The exclusion in Paragraph **A.** does not apply to the Electronic Commerce (E-Commerce) endorsement when attached to your policy.

C. Vandalism

The following is added to Vandalism, if Vandalism coverage is not otherwise excluded under the Standard Property Policy or the Causes Of Loss – Basic, Broad or Special Forms and if applicable to the premises described in the Declarations:

Vandalism does not include a cyber incident as described in Paragraph **A.**



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THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

CYBER INCIDENT EXCLUSION WITH ENSUING CAUSE(S) OF LOSS EXCEPTIONS

This endorsement modifies insurance provided under the following:

COMMERCIAL PROPERTY COVERAGE PART
STANDARD PROPERTY POLICY

SCHEDULE

Limits Of Insurance (For Cause(s) Of Loss Other Than Fire Or Explosion)	
Cyber Incident Loss Or Damage To Covered Property Coverage	
Per Occurrence Limit Of Insurance For Cyber Incident Loss Or Damage To Covered Property Coverage:	\$
Cyber Incident Business Income Coverage	
Per Occurrence Limit Of Insurance For Cyber Incident Business Income Coverage:	\$
Cyber Incident Extra Expense Coverage	
Per Occurrence Limit Of Insurance For Cyber Incident Extra Expense Coverage:	\$
Cyber Incident Aggregate Limit Of Insurance	
Aggregate Limit Of Insurance For Cyber Incident Loss Or Damage To Covered Property Coverage, Cyber Incident Business Income Coverage and Cyber Incident Extra Expense Coverage:	\$
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.	

A. The following exclusion is added to B. Exclusions:

We will not pay for loss or damage caused directly or indirectly by the following. Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss.

Cyber Incident

1. Unauthorized access to or use of any computer system (including electronic data).

2. Malicious code, virus or any other harmful code that is directed at, enacted upon or introduced into any computer system (including electronic data) and is designed to access, alter, corrupt, damage, delete, destroy, disrupt, encrypt, exploit, use or prevent or restrict access to or the use of any part of any computer system (including electronic data) or otherwise disrupt its normal functioning or operation.
3. Denial of service attack which disrupts, prevents or restricts access to or use of any computer system, or otherwise disrupts its normal functioning or operation.

B. Exceptions And Limitations

1. Fire Or Explosion

If a cyber incident as described in Paragraphs **A.1.** through **A.3.** of this exclusion results in fire or explosion, we will pay for the loss or damage caused by that fire or explosion.

2. Other Causes Of Loss

a. If a cyber incident as described in Paragraphs **A.1.** through **A.3.** of this exclusion results in:

- (1) A Covered Cause of Loss, other than fire or explosion; and, if made part of the Policy, other than Flood, Limited or Broad Radioactive Contamination, Breakdown or Contamination, Power Outage, or Molten Material, under the Standard Property Policy or the Causes Of Loss – Basic or Broad Forms, whichever apply(ies) to the premises described in the Declarations;
- (2) A "specified cause of loss", other than fire or explosion, under the Causes Of Loss – Special Form, if applicable to the premises described in the Declarations; or
- (3) Theft, if theft coverage is not otherwise excluded under the Causes Of Loss – Special Form, and applicable to the premises described in the Declarations; and

b. A per occurrence Limit Of Insurance is shown in the Schedule of this endorsement for:

- (1) Cyber Incident Loss Or Damage To Covered Property Coverage, we will pay for the loss or damage caused by the cause of loss as listed in Paragraphs **B.2.a.(1)** through **B.2.a.(3)**, whichever applies;
- (2) Cyber Incident Business Income Coverage, we will pay for the actual loss of Business Income you sustain due to the necessary "suspension" of your "operations" during the "period of restoration". The "suspension" must be caused by direct physical loss of or damage to Covered Property at the premises described in the Declarations. The loss or damage must be caused by or result from a cause of loss as listed in Paragraphs **B.2.a.(1)** through **B.2.a.(3)**, whichever applies; and

(3) Cyber Incident Extra Expense Coverage, we will pay necessary Extra Expense you incur during the "period of restoration" that you would not have incurred if there had been no direct physical loss or damage to Covered Property at the premises described in the Declarations. The loss or damage must be caused by or result from a cause of loss as listed in Paragraphs **B.2.a.(1)** through **B.2.a.(3)**, whichever applies.

3. The exclusion in Paragraph **A.** does not apply to the extent that coverage is provided in the:

- a. Additional Coverage – Electronic Data; or
- b. Additional Coverage – Interruption Of Computer Operations.

4. Electronic Commerce Endorsement

The exclusion in Paragraph **A.** does not apply to the Electronic Commerce (E-Commerce) endorsement when attached to your policy.

C. Vandalism

The following is added to Vandalism, if Vandalism coverage is not otherwise excluded under the Standard Property Policy or the Causes Of Loss – Basic, Broad or Special Forms and if applicable to the premises described in the Declarations:

Vandalism does not include a cyber incident as described in Paragraph **A.**

D. Limits Of Insurance

1. Subject to Paragraph **D.2.**, the most we will pay for loss or damage under each of the coverages shown in Paragraphs **B.2.b.(1)** through **B.2.b.(3)**, in any one occurrence, is the per occurrence Limit Of Insurance shown in the Schedule of this endorsement for each coverage.
2. The Cyber Incident Aggregate Limit Of Insurance, if shown in the Schedule of this endorsement, is the most we will pay for the total of all loss or damage for the coverages shown in the Schedule of this endorsement, caused by all occurrences in a 12-month period (starting with the beginning of the present annual policy period), regardless of the number of occurrences during that period of time.
3. The limit(s) of insurance described in Paragraphs **D.1.** and **D.2.** above are part of, not in addition to, the applicable Limits Of Insurance shown in the Declarations.