



NOTICE

**SPECIAL MEETING OF THE BOARD OF DIRECTORS
OF THE LEAGUE ASSOCIATION OF RISK MANAGEMENT (LARM)
by virtual conferencing as provided in LB83E (2021)
Wednesday, July 7, 2021, 2:30 p.m. CT/1:30 p.m. MT**

PLEASE TAKE NOTICE that on **Wednesday, July 7, 2021, at 2:30 p.m. CT/1:30 p.m. MT**, the League Association of Risk Management (LARM), will hold a Special LARM Board of Directors meeting by virtual conferencing as provided in LB83E (2021). An agenda of subjects known at this time is included with this notice, and the agenda shall be kept continually current and readily available for public inspection at the principal office of LARM during normal business hours at 1335 L Street, Lincoln, Nebraska. This office will be open for attendance by the public during the meeting and, as provided in LB83E (2021), LARM Board Member Deb VanMatre, or her designee, will be present and have the City of Gibbon office at 715 Front Street, Gibbon, Nebraska, 68840, open to the public for the meeting. A notice of this meeting with the agenda and other materials will be available at this location with a copy of the Open Meetings Act posted.

On July 2, 2021, a notice of this meeting with the agenda and other materials was sent to all LARM members and the LARM Board. Notice of this meeting with the agenda and other materials also is available for public inspection at 1335 L Street, in Lincoln, Nebraska, and posted with the following links kept continually current: an electronic copy of the agenda, all documents being considered at the meeting, with a link to the current version of the Open Meetings Act on LARM's website- larmpool.org and Facebook page- www.facebook.com/larmne.



AGENDA

SPECIAL MEETING OF THE BOARD OF DIRECTORS OF THE LEAGUE ASSOCIATION OF RISK MANAGEMENT (LARM)

by virtual conferencing as provided in LB83E (2021)

Wednesday, July 7, 2021, 2:30 p.m. CT/1:30 p.m. MT

In accordance with the Open Meetings Act, Chapter 84, Article 14 of the Reissue Revised Statutes of the State of Nebraska 1943, as amended, one copy of all reproducible written materials to be discussed is available to the public at the meeting and at the links below for examination and copying. The LARM Board may pass motions to go into closed session on agenda items pursuant to the requirements of the Open Meetings Act.

Join the Meeting by Zoom via Computer, Smart Device or Telephone –

<https://us06web.zoom.us/j/84103898623?pwd=V1lpcm96bHZpd3VDVUhPdGR5NzBJZz09> or via phone at 1 669 900 6833. The Meeting ID is 841 0389 8623 and the passcode is 634313.

Officials of LARM members and members of the public may comment on agenda items or listen to the Board Meeting; however, if the Board votes to hold a closed session pursuant to the Open Meetings Act, officials of LARM members and members of the public may not comment or listen during that time.

1. Call meeting to order:

a. 2:30 p.m. CT/1:30 p.m. MT – Ansley Clerk/Treasurer Lanette Doane, Vice-Chair of the LARM Board, will call the meeting to order.

b. Roll call.

c. Indicate that on July 2, 2021, a notice of this meeting with the agenda and other materials was sent to all LARM members and the LARM Board. Notice of this meeting with the agenda and other materials also is available for public inspection at 1335 L Street, in Lincoln, Nebraska, and posted with the following links kept continually current: an electronic copy of the agenda, all documents being considered at the meeting, with a link to the current version of the Open Meetings Act on LARM's website- larmpool.org and Facebook page- <http://www.facebook.com/larmne>

d. As provided in LB83E (2021), LARM Board Member Deb VanMatre, or her designee, will inform the public about the location of the Open Meetings Act which is accessible to members of the public at the City of Gibbon office at 715 Front Street, Gibbon, Nebraska, 68840, open to the public for the meeting. A notice of this meeting with the agenda and other materials are available at this location with a copy of the Open Meetings Act posted.

e. Pledge of Allegiance to the Flag of the United States of America.

f. Public comment on any agenda item(s): Pursuant to the Open Meetings Act, the LARM Board Vice-Chair reserves the right to limit comments on agenda items. In accordance with the Open Meetings Act, there is no time limit on comments made by members of the LARM Board of Directors.

2. Consider a motion to approve the LARM Property Coverage Document Cyber Incident Endorsement which limits property coverage from a loss other than fire or explosion up to a maximum of \$250,000 per Member in any one occurrence or \$1,000,000 Aggregate for all Members during an Agreement Period for a loss arising from any error or omission or a series of related errors or omissions involving access to, processing of, use of or operation of a computer system, since this sub-limit for perils other than fire or explosion is necessary due to the reinsurance market not supporting this first party coverage.

(Interlocal Agreement for the Establishment and Operation of the League Association of Risk Management under the Intergovernmental Risk Management Act and the Interlocal Cooperation Act: Section 7 provides, in part:

7.1. Coverage Document. The Board shall establish and maintain a Coverage Document which shall set forth:

7.1.1. the types of coverage to be offered by LARM in the form of group self-insurance;

7.1.2. applicable deductible levels;

7.1.3. maximum levels of claims which LARM will self-insure; and

7.1.4. guidelines to assist members in identifying what losses are covered, what losses are excluded from coverage, and any other terms and conditions under which group self-insurance coverage is provided, limited or excluded.

Any change to the Coverage Document shall be adopted by a majority vote of the Board and such change shall be filed with the Director at least thirty (30) days in advance of the effective date of change.)

See pages 1-11

- Lynn Rex, Administrator, LARM*
- Dave Bos, Executive Director, LARM*
- John Brockschmidt, CPCU, ARM, Senior Vice-President of Pooling, Sedgwick*
- Trent Sidders, Cline Williams*

3. Consider a motion to adjourn.

LARM PROPERTY COVERAGE DOCUMENT CYBER INCIDENT ENDORSEMENT

This endorsement modifies the LARM **Property Coverage Document (Agreement)**:

The following is added to SECTION I GENERAL PROVISIONS and SECTION II PROPERTY DAMAGE and is subject to all the terms and conditions of this **Agreement** including, but not limited to the limits of coverage, deductibles and exclusions all as shown in the **Declarations**, this section, and elsewhere in this **Agreement**.

In the event of any inconsistency between this Endorsement and the **Agreement**, this Endorsement prevails.

II. DEFINITIONS

Computer System means any computer, hardware, software, communications system, electronic device (including, but not limited to, smart phone, laptop, tablet, wearable device), server, cloud or microcontroller including any similar system or any configuration of the aforementioned and including any associated input, output, data storage device, networking equipment or back-up facility, owned or operated by the **Member**.

Cyber Incident means:

1. any error or omission or series of related errors or omissions involving access to, processing of, use of or operation of any **Computer System**; or
2. any partial or total unavailability or failure or series of related partial or total unavailability or failures to access, process, use or operate any **Computer System**.

IV. ADDITIONAL PROPERTY DAMAGE COVERAGE

34. This **Agreement** covers **loss** other than fire or explosion arising out of a **Cyber Incident**.


The total liability for the **Pool** for a **loss** is limited to:

- A. A maximum of \$250,000 per Member in any one **Occurrence** or
- B. \$1,000,000 in the aggregate during the **Agreement Period** for all Members.

All other terms and conditions remain unchanged.



Cyber Exclusions on Property Placements



Silent cyber, otherwise known as non-affirmative cyber, describes cyber risk that is neither expressly covered nor excluded in insurance policies.

Silent cyber exposure has led to property insurers specifically excluding or including coverage for cyber related resultant damage

There is little consistency of wording throughout industry

Not all carriers have added cyber exclusions

Limited flexibility in wording as it is driven by treaty requirements

Buyback coverage is not available to cover all “Cyber Incidents”

Lloyds of London Response to Silent Cyber Exposure

1/1/20 Lloyds of London mandated all syndicates clearly state whether coverage is provided for malicious and non malicious cyber acts

LMA 5400 / 5401 have emerged as most common endorsements in London

LMA 5400 excludes property damage resulting from a “Cyber Act” or “Cyber Incident”, but carves back coverage for fire and explosion for a “Cyber Incident” only

LMA 5401 is more restrictive with no carve back for fire or explosion from a cyber incident

Brokers should push for LMA 5400 form on any Lloyds placement

“Cyber Act”

Cyber Act means an unauthorized, malicious or criminal act or series of related unauthorized, malicious or criminal acts, regardless of time and place, or the threat or hoax thereof involving access to, processing of, use of or operation of any Computer System.

“Cyber Incident”

1. any error or omission or series of related errors or omissions involving access to, processing of, use of or operation of any Computer System; or
2. any partial or total unavailability or failure or series of related partial or total unavailability or failures to access, process, use or operate any Computer System.

Cyber Clause	“Cyber Act” Attack/Malicious			“Cyber Incident” Errors/Omission/Operator Error		
LMA 5400	Fire	Explosion	Other Peril	Fire	Explosion	Other Peril

CLAIMS EXAMPLE

A school suffers a serious fire as the result of computer overheating due to operator error, thus causing a fire to start – This is covered under the property policy. This would be a “Cyber Incident” (a computer failure) which has led to a fire. **COVERED**

A malicious actor gets into a school’s building control systems and removes safety features of the air conditioning and/or servers which are kept onsite. They then instruct the computer system to work continuously until it overheats and causes a fire. This would be a “Cyber Act”. **NOT COVERED**

Cyber Clause	“Cyber Act” Attack/Malicious			“Cyber Incident” Errors/Omission/Operator Error		
LMA 5401	Fire	Explosion	Other Peril	Fire	Explosion	Other Peril

CLAIMS EXAMPLE

A school suffers a serious fire as the result of computer overheating due to operator error, thus causing a fire to start – This is covered under the property policy. This would be a “Cyber Incident” (a computer failure) which has led to a fire. **NOT COVERED**

A malicious actor gets into a school’s building control systems and removes safety features of the air conditioning and/or servers which are kept onsite. They then instruct the computer system to work continuously until it overheats and causes a fire. This would be a “Cyber Act”. **NOT COVERED**



Not every carrier has an exclusion and remain silent

Cyber exclusion wording vary by carrier

Some are absolute exclusions (similar to LMA 5401)

Little flexibility in wording due to treaty requirements

Buy Back options were created to buy back coverage excluded in the LMA 5400/5401 is offered

Domestic exclusions need to be reviewed by underwriters to determine ability to buy back

Some perils resulting from “Cyber Incidents” are excluded and coverage is not available in market

Cyber Clause	“Cyber Act” Attack/Malicious			“Cyber Incident” Errors/Omission/Operator Error		
LMA 5400 + Cyber Property Damage Policy	Fire	Explosion	Other Peril	Fire	Explosion	Other Peril

1) A malicious actor gets into a school's building control systems and removes safety features of the air conditioning and/or servers which are kept onsite. They then instruct the computer system to work continuously until it overheats and causes a fire.

LMA 5400 – **Not covered** due to it being a “Cyber Act”

Cyber Exclusion Buy Back – **Covered** since “Cyber Acts” for fire are bought back

2) The employee in charge of controlling the heat in the building sets it to 7 degrees instead of 70 degrees and the pipes freeze.

LMA 5400 – This “cyber incident” is **not covered** because the resulting damage is not fire or explosion

Cyber Exclusion Buy Back – **Not covered** because “Cyber Incidents” are excluded



Questions