

AIG Corporate Identity Protection

CLAIMS SCENARIOS

The following fictitious scenarios illustrate the real threat of economic and reputational damage companies may face as a result of identity theft and how AIG Corporate Identity Protection (CIP) might respond to these circumstances, ensuring that the company and its constituents are adequately protected.

State Association of Electricians

- ▶ **Scenario:** Members of the State Association of Electricians (SAE) became victims of identity theft when records containing their personal information were stolen. The members filed a class action lawsuit alleging that SAE failed to safeguard their personal information and that such failure facilitated the identity theft by a third party. Mediation was unsuccessful and the matter proceeded to trial. The jury found that the union was negligent in its failure to safeguard the information and awarded damages in the amount of \$400,000 based on evidence of the numerous hours spent by the member class trying to correct the problems created by the identity theft. Defense costs incurred by SAE were \$150,000 and a like amount was awarded to the member class as the prevailing party.
- ▶ **Solution:** AIG CIP offers coverage for damages and defense costs regardless of whether the identity theft is the result of an accident or negligence.

ABC Mortgage Broker

- ▶ **Scenario:** ABC Mortgage Broker (ABC) holds personal information for 75,000 customers dating back many years. After discovering that its records for 10,000 customers were missing, ABC expended \$5,000 to notify those customers of the potential risk of identity theft as mandated by state law. ABC also incurred additional expenses in the amount of \$50,000 for remedial services, such as credit monitoring and other assistance to the affected customers who wished to register for such services.

Following a consumer complaint to the Federal Trade Commission (FTC), ABC spent an additional \$10,000 in outside legal expenses to respond to the FTC inquiry.

- ▶ **Solution:** AIG CIP offers coverage for legal expenses resulting from administrative actions, which include investigations brought by various regulatory bodies. It also offers coverage for notification costs, as well as credit monitoring and/or other remediation services offered to victims in the event of a covered personal identity event.

**ADDITIONAL
CLAIMS SCENARIO**



Home Security Service

- ▶ **Scenario:** An employee of Home Security Service (HSS) stored computer tapes in his car overnight as an emergency backup. The tapes—containing data for 100,000 clients, including credit card numbers, social security numbers and answers to security questions—were stolen along with the car, which had been parked in the employee’s driveway. The stolen car was later found stripped, leading HSS to conclude that it was unlikely that the thief would understand or use the contents of the tapes.

HSS sent a letter to the affected individuals notifying them of the breach one month following the incident. The notification expenses totaled \$100,000.

A class action lawsuit was filed against the HSS alleging it was negligent in not securing its data, delaying its notice to the affected individuals and failing to take any action to protect customers from the misuse of the stolen information. The class sought monetary damages, including payment for the costs associated with enhanced credit report monitoring, fraud alerts, reporting to the social security administration and credit repair processing.

HSS spent \$300,000 in legal fees to defend the suit and an additional \$45,000 in administrative expenses responding to a state regulatory inquiry concerning the circumstances of the incident. HSS also expended \$60,000 in public relations costs aimed at repairing its reputation.

- ▶ **Solution:** AIG CIP offers coverage for damages, defense costs, administrative expenses and notification costs. Additionally, the crisis management component of CIP offers coverage for certain expenses incurred to restore the public’s confidence.

To learn more about AIG Corporate Identity Protection, contact your insurance broker or your local National Union representative. You may also e-mail professionalliability@aig.com or visit www.aignationalunion.com.

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