Commercial Product Update

DATA COMPROMISE

Why Worry About Data Compromise?

All businesses face a big risk with the personal information they keep on customers, employees and others. Because when personal data is stolen, lost or mistakenly released, business clients and others are at risk to potential identity theft. How would your policyholders respond? Would they know what steps to take to inform and protect their clientele and could they afford it?

It's the Law

Almost all states now have laws requiring prompt notification of anyone affected by a breach of personal information. Business clients expect assistance, not just notification. Businesses must be prepared. Customers and others expect a business to safeguard their information and provide assistance if a security is breached, though many companies would not know where to start.

Data Loss Protection

Nationwide offers a program — Data Compromise Coverage — that is designed for small and mid-sized businesses. Data Compromise coverage is designed to help businesses notify and assist their clients and others following a breach of personal identifying information. Response Expense coverage covers the cost of notifying clients, employees and others affected by the breach. Additionally, this protection provides coverage for specialized services such as credit monitoring and identity restoration that help businesses retain their clients' and employees' trust and goodwill following a breach. Defense and Liability coverage responds to third party actions brought against the insured by individuals affected by the breach.

Data Compromise coverage can be added to Businessowners and General Liability policies.

Broad Coverage

Our program offers broad coverage and access to services for small and mid-sized businesses that don't have the resources to respond to a breach of personal information, including:

- Legal reviews
- Forensic information technology services
- The cost of notifying affected clients and other individuals
- Personal services for those affected, including a help-line, credit monitoring and case managers for victims of identity fraud
- Services provided by a professional public relations firm to review and respond to the potential impact of the data compromise event on the insured's business relationships

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What's at Stake

All companies are responsible for personal information. Even a small or mid-sized business may have data on a large number of customers and others. Yet, they are less likely to have information security experts, or use anti-virus software or encryption. Other breaches occur when laptops and paper files are lost, stolen, or carelessly discarded.

Bad for Business

It can be complicated and expensive to respond to a data breach, with the cost sometimes exceeding $100 per record. Then there is also the risk of damage done to a company's reputation if the response is not prompt and professional. Customers who are worried about privacy and identity theft may take their business elsewhere.

Data Breach Examples

High Price of Gas

At least 75 people fell victim to thieves who used skimmers attached to a gas station's pumps to steal debit card information and drain money from the clients' bank accounts. The sheriff's office reported that the skimmers were designed to look like part of the payment system but actually secretly recorded card numbers and PINs for later retrieval by the thieves.

Addicted to Crime

Meth addicts got credit check information, credit card numbers and Social Security numbers from paper records discarded in a dumpster behind a business. After their capture the thieves said, "Nothing was shredded. All the information you wanted was in there. They would make a printout, then just throw it out."

Take a Lap

A laptop was stolen from a locked office in a YMCA that contained private data for area YMCA members. The information included credit card numbers, checking account numbers, bank routing numbers and even Social Security numbers for some members.

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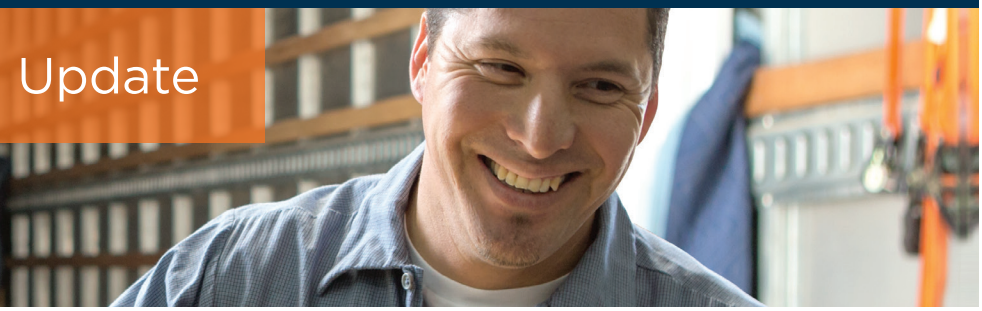

Nationwide Data Compromise Coverage Summary

Data Compromise coverage offers several limit options. Insureds, except for the excluded classes of business listed below, are automatically eligible for a Data Compromise coverage limit of $50,000 or $100,000.

Insureds are eligible for increased Data Compromise coverage limits of $250,000, $500,000 or $1,000,000 subject to completion/review of an Increased Limits Questionnaire. Below is a coverage summary for the default option of $50,000 Response Expenses with $50,000 Defense and Liability coverages. Please note that sublimits and deductibles will vary depending on the policy limit option selected.

Section 1: Response Expenses Coverage:

- Limit: $50,000 Annual Aggregate
- Deductible: $1,000 per "Personal Data Compromise"
- Named Malware Sublimit: $50,000 per "Personal Data Compromise"

- Coverage 1 Forensic Information Technology Review – subject to $5,000 sublimit
- Coverage 2 Legal Review – subject to $5,000 sublimit
- Coverage 3 Notification to Affected Individuals
- Coverage 4 Services to Affected Individuals
- Coverage 5 Public Relations Services – subject to $5,000 sublimit

Section 2: Defense and Liability Coverage:

- Limit: $50,000 Annual Aggregate
- Deductible: $1,000 per "Data Compromise Suit"
- Named Malware Sublimit: $50,000 per "Personal Data Compromise"

Eligibility and Premium:

All classes are eligible with the following exceptions: Financial Institutions, Adult Businesses, Gambling or Gaming, Credit Card or Financial Transaction Processing, Hospitals, Credit Reporting Agencies, and Collection Agents.

Premium is per policy and is determined by Program and by limit selected. For example, for $50,000 Response Expenses and $50,000 Defense and Liability coverages, the per policy annual premiums for Businessowners policies range from $69-$145, and from $85-$124 for General Liability policies.

Risk Management Tools

Data Compromise coverage includes access to an online resource for training, best practices and other risk management tools for cyber exposures. More detailed information on this important tool has been provided in separate communications.

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