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Alternatives Watch: Ransomware, insurance and the search for legal protection

With the rise of ransomware attacks, hedge funds and private equity funds are well-advised to take another look at their insurance policies.

After all, this is the 21st century and finance is one of the most thoroughly digitized industries there is. It is at least as vulnerable to ransomware attacks as, say, pipeline companies or hospitals.

Ransomware is typically defined as a type of malware that threatens either to publish a victim's proprietary data or perpetually block access to it until the ransom (usually in a difficult-to-trace digital currency) is transferred to the miscreants. The simplest such attacks just lock the system, something that can be reversed without too much difficulty. Even so, it can victimize the naive and is a nuisance even for the sophisticated.

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Paying out on such policies has been expensive of late. In the words of Robin Cohen, the founder and chair of the newly formed law firm Cohen Ziffer Frenchman & McKenna, in New York, insurers have "significant expenses on this issue and they are trying to button up" and limit their liability where they can.

It is up to the policyholders to be vigilant about the terms of their insurance policies to ensure that the buttoning up doesn't happen at their expense.

"Even when you think you are covered for a ransomware event, it could be that you have only bought the right to file a lawsuit," Cohen added.

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Robin Cohen