

Effects of Technological Developments on the Insurance Sector – Cyber Risks and Underwriting

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Cyber as a Peril

Cybersecurity incidents are a peril - the risk or cause of loss for which insurance coverage is sought.

The Risks:

Malware/Phishing/Denial
of Service attacks
Ransomware
Insider threats
Evolving...

The Effects:

Business interruption
Reputational damage
Liability
Data loss (value)
System destruction
Evolving...

What is “cyber insurance”?

The product typically referred to as “cyber insurance” is often a network security and privacy policy that typically provides first and third party coverage for costs arising from defined unauthorized cyber events.

Third Party Coverage Examples

Insurance that applies to the costs and damages associated with third party claims.

- Lawsuit Liability
- Regulatory Investigations
- Fines and Penalties

First Party Coverage Examples

Insurance that applies to the business's own losses.

- Notification Costs
- Investigation and Public Relation Expenses
- Costs associated with business interruption, theft, and equipment or data restoration

Meeting Emerging Consumer Demands and Managing Expectations

- Pre-Breach Services
- Post-Breach Services

Addressing Coverage Gaps

- Insurer/Broker/Insured Conversations
- Understanding Current Coverage
- Understanding risks and pressure points

Challenges to Market Growth

- Lack of data
- Aggregation of risks
- Consumer education

Governmental and Regulatory Challenges

- How do you regulate an emerging product for a rapidly-changing peril?
- Expectations
- But generally, a strong relationship