Cyber Crime – Winning the War?

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Agenda

A. Explore how organizations can secure information and maintain operations
B. Evaluate opportunities for financial transfer of cyber risk
C. Identify steps to secure data
D. Analyze insurance products that will respond to attacks and their aftermath

Polling Question #1

According to the Cybersecurity and Infrastructure Agency, what percentage of Americans have had their personal information exposed by cyber criminals?

a) 23%
b) 31%
c) 47%
d) 68%

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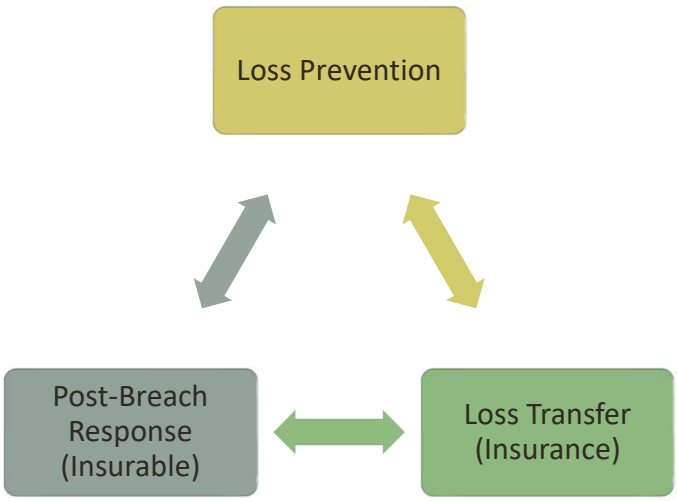
Insurable Costs Related to Data & Privacy Breaches

- Costs of notifying affected individuals
- Defense and settlement costs
- Lost customers and damaged reputation
- Cyber extortion payments
- Business income loss
- Forensic costs to discover the cause
- Regulatory fines at home and abroad
- Costs of notifying regulatory authorities

Essential Components of Cyber Risk Management



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Polling Question #2

According to Facebook and the Cybersecurity and Infrastructure Agency, how many Facebook accounts are hacked each day?

A. 127,000
B. 250,000
C. 478,000
D. 600,000

Market Reality

- Cyber coverage has grown to be a mandatory market for reinsurers
- As the coverage matured it was also broadened
  - Despite the difficulty in pricing business interruption since cybercrime is an intentional act by human hackers
  - Hackers realized larger funding available with ransomware compared to theft of credit card records
- The potential exists for the loss to not be diversified
  - i.e., large outage of the Internet
- Insureds have become more sophisticated in protecting their systems (ransom losses decreased 2021 to 2022)

Ins. Market Response

- Coverage retraction
- Simultaneous hardening of both insurance and reinsurance markets
- Business line has become healthier due to increased caution by insureds
- Ransomware exposure is the most difficult to analyze
  - Difficult responding to the hackers
  - Difficulty in getting back data causing increased business interruption

Polling Question #3

Claims for ransom attacks decreased in 2022 compared to 2021?

A. True
B. False

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On the Horizon: The War Exclusion

"The market changes every 90 days."

-- James P. Sciortino, Sr. VP, Treaty Casualty, Everest Re

Cyber Attacks and War Exclusion

- Password spray
- Social engineering
- Phishing
- Identity spoofing
- Malware
- Supply chain insertion
- Man-in-the-middle
- Denial of service

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Polling Question: The War Exclusion

NotPetya disrupted systems worldwide, including those of many large corporations, costing businesses billions of dollars. Merck had an estimated $1.4 billion in losses after NotPetya invaded its computer systems in 2017. At the trial, Merck sought coverage under an "all risks" policy. The insurers denied coverage on the basis of the war exclusion.

- What was the decision of the trial court?

A. The court found in favor of Merck, finding coverage.

B. The court agreed with the insurers and applied the war exclusion – no coverage.

Standalone Cyber Policies

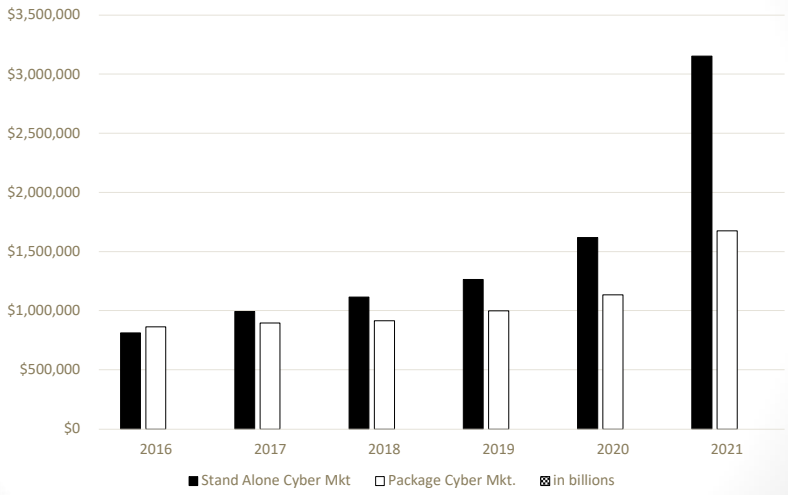
- Specifically designed to provide coverage for cyber risks
- Provide the broadest coverage
- Per Lloyd's of London must include exclusions for state-backed cyberattacks
  - Lloyd's Market Association introduced four model clauses designed to exclude coverage for war risks by cyber policies.

Coverage Checklist

"Unknowns are a bigger driver of decisions than the knowns."

--Mark Braithwaite, USD Casualty and Financial Lines Segment Leader, Lockton Re

Stand-Alone & Package Mkts.



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Data breach and theft of personal info

Attacks on your data held by vendors and 3rd parties

Terrorist acts

Worldwide coverage

Duty to defend

Regulatory investigations

Costs of offering a breach hotline

Excess availability

1st Party Coverage

- Legal Counsel
- Recovery and replacement of lost or stolen date
- Business interruption
- Cyber extortion or fraud
- Crisis management and PR
- Forensic services
- Fees, fines, and penalties related to the cyber incident

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3rd Party Coverage

- Payments to consumers affected by the breach
- Costs for litigation and responding to regulatory inquiries
- Claims and settlement expenses relating to disputes or lawsuits
- Other settlements, damages, judgments
- Losses related to defamation and copyright or trademark infringement
- Accounting costs

"If you think you know it all about cyber security, this discipline was probably ill-explained to you."
-- *Stephane Nappo,* Global Head Information Security for Société Générale International Banking

Thank you for attending!

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Discussion and Questions

Thank You!

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