Cyber insurance in the EU

Athens, 30 October 2018

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Insurance Europe

Agenda

Cyber insurance in the EU

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Insurance Europe

Who?	▪ European insurance and reinsurance federation, founded in 1953
What?	▪ Represents around 95% of European insurance market by premium income
Why?	▪ Committed to creation of favourable regulatory and supervisory framework for insurers at European and international level.

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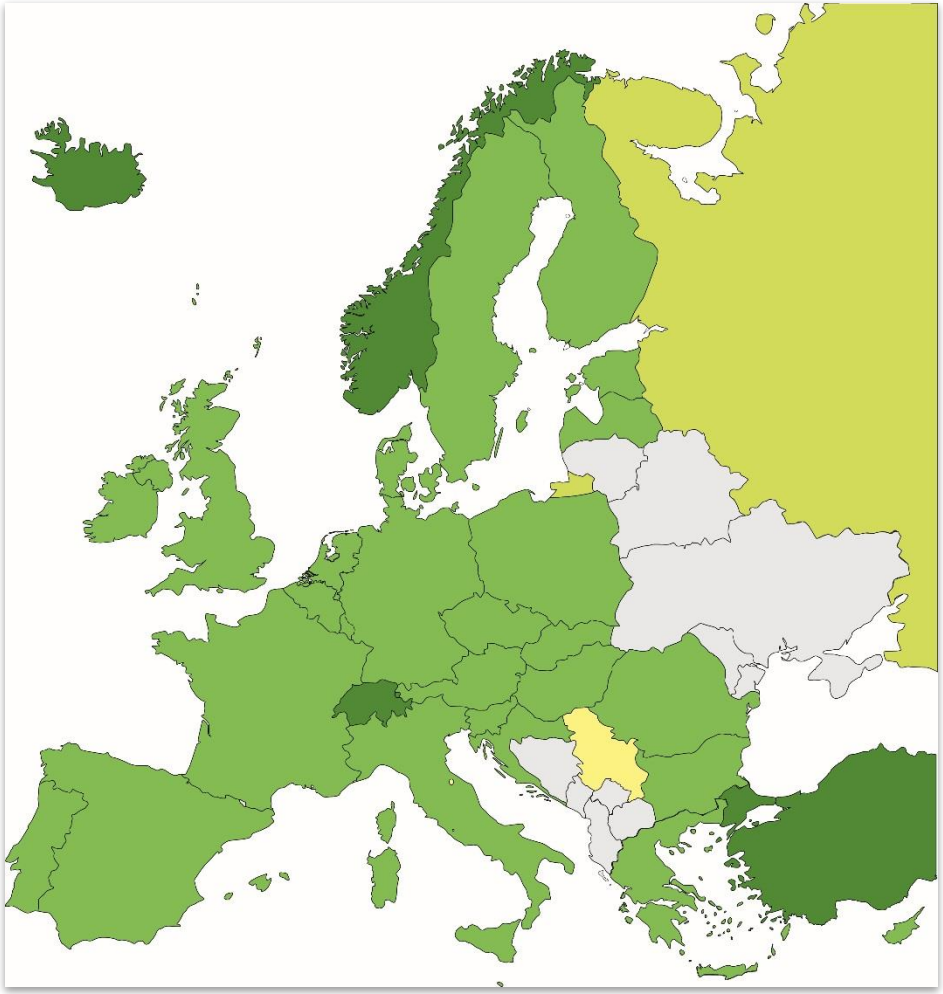
Members



35 national associations

27 EU member states

5 non-EU markets

Switzerland, Iceland, Norway, Turkey, Liechtenstein

2 associate members

Serbia, San Marino

1 partner

Russia

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Contribution to the economy

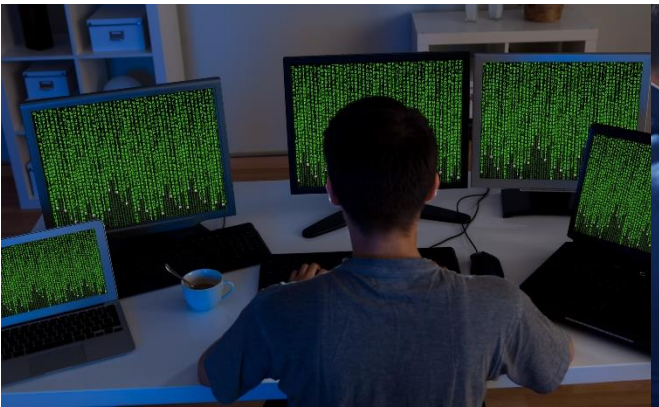
Insurance Europe represents around 3 400 European (re)insurers, which:

- generate premium income of more than €1 200bn
- directly employ over 950 000 people
- invest over €10 100bn in the economy

Setting the scene

Cybersecurity top priority at EU level:

- General Data Protection Regulation (GDPR) entered into force – May 2018
- Directive on security of network and information systems (NIS Directive) entered into force – August 2018
- ENISA to become new "EU Cybersecurity Agency" before the end of 2018
  - Permanent mandate, more resources
  - Will oversee certification scheme for products and services
- Investment in R&D to make EU global leader in cybersecurity
- EU ICT stress testing framework



Setting the scene

It Doesn't Pay to Be Sick

January 2018 saw almost 430,000 data breaches to healthcare records alone – with hospital records becoming the main target for hacks, malware, and even sick ransomware attacks. A malware att

Technology

'China spy attack hits Apple and Amazon'

4 October 2018 Share

Facebook reveals cyber attack affecting up to 50m users

Shares in the social network fall after attack on profile viewing feature

UK small businesses targeted with 65,000 attempted cyber attacks per day

18 October 2018

Cryptocurrency theft hits nearly $1 billion in first nine months: report

Netherlands 'disrupted Russian hacking attack against OPCW'

Pentagon reveals cyber breach of travel records

By: Lolita C. Baldor, The Associated Press October 12

Business > Technology

Google to shut down Google+ amid data security fallout

List of data breaches and cyber attacks in September 2018 – 925,633,824 records leaked

European cyber attacks up nearly a third in first quarter 2018

British Airways

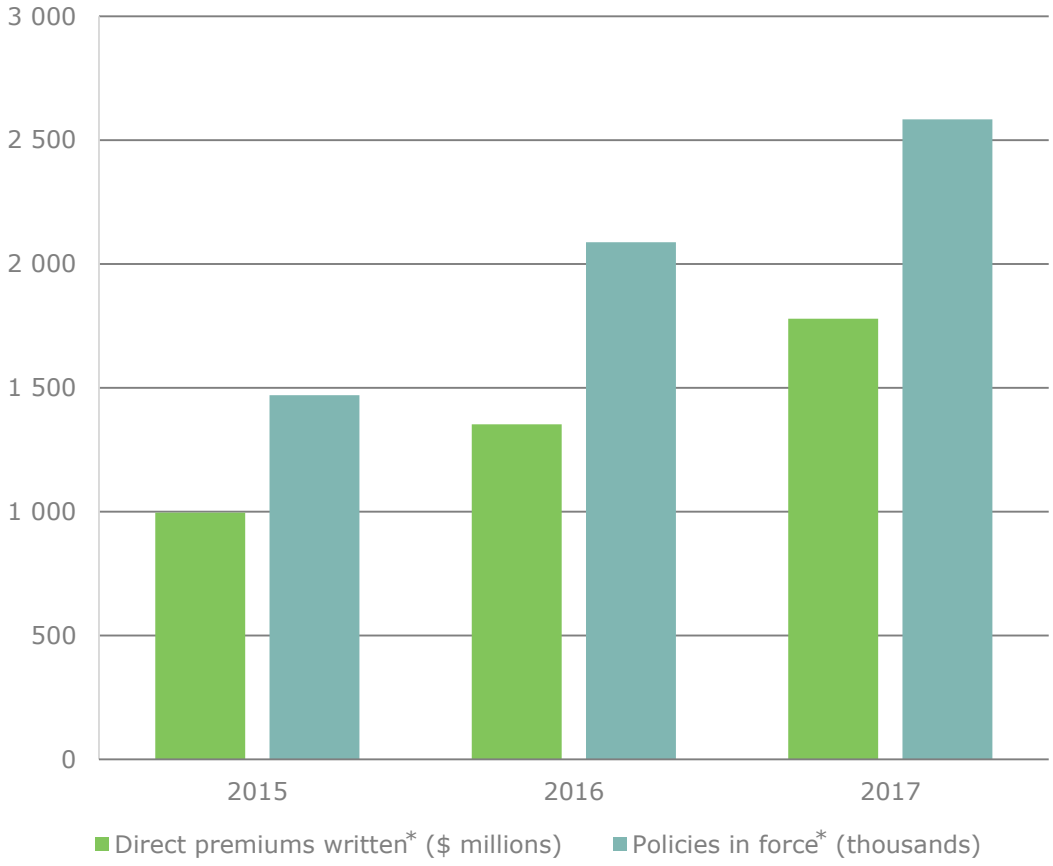
BA chief pledges to compensate customers after data breach

Álex Cruz apologises for 'sophisticated' theft affecting 380,000 payment cards

Cyber insurance market evolving

Cyber insurance market in the US

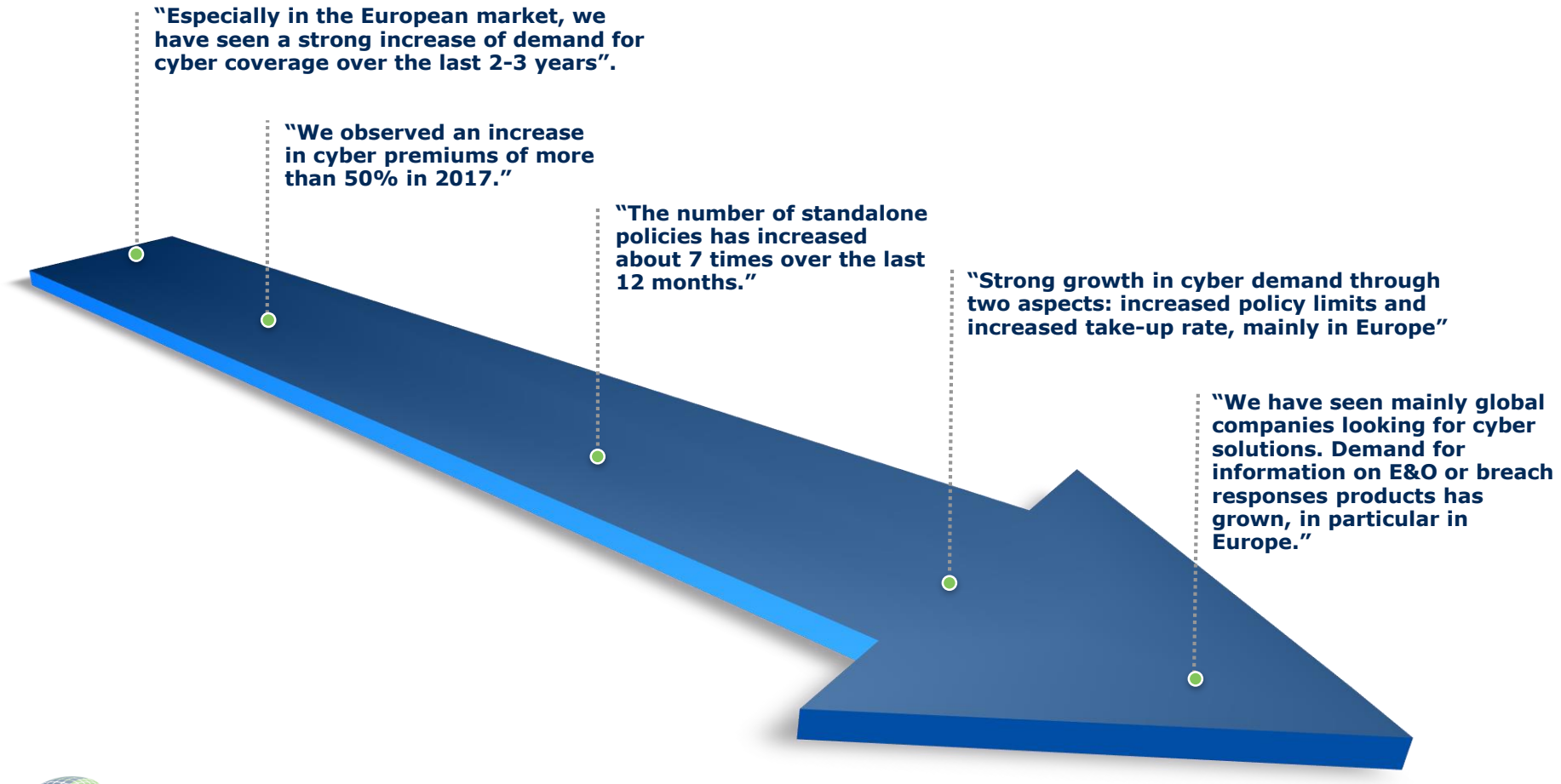
US cybersecurity premiums and policies — 2015–2017



** Includes standalone and packaged policies*
Source: A.M. Best Cyber Market Segment Report, May 2018

Cyber insurance market evolving

Increasing demand reported in EIOPA survey



Source: EIOPA, Understanding Cyber Insurance — A Structured Dialogue with Insurance Companies, August 2018

Cyber insurance market evolving

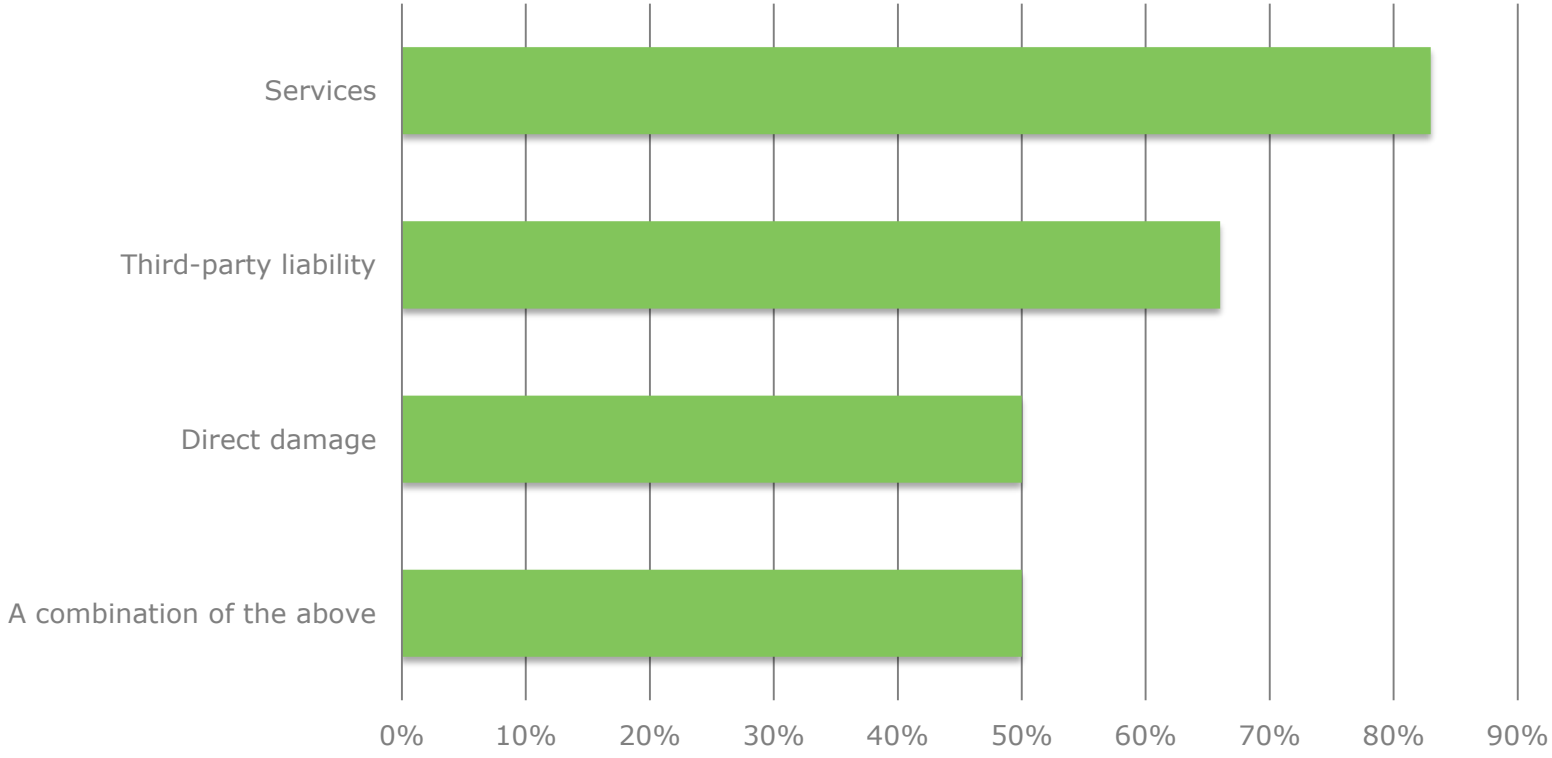
Cyber insurance market in the EU

- **Demand** across the EU continues to be relatively low:
  - Except for corporates, which are increasingly purchasing cyber cover
  - Low awareness of cyber solutions among medium and small companies
- **Offer** is increasing
  - Standardised products for SMEs
  - Innovation in cyber insurance products
  - Although the market is growing, the scope of cover is modest relative to potential exposure
- Entry into force of GDPR too recent to assess its impact on cyber insurance market

Cyber insurance market evolving

Cyber insurance at national level — Italy

- ANIA: characteristics of cyber insurance products marketed in Italy

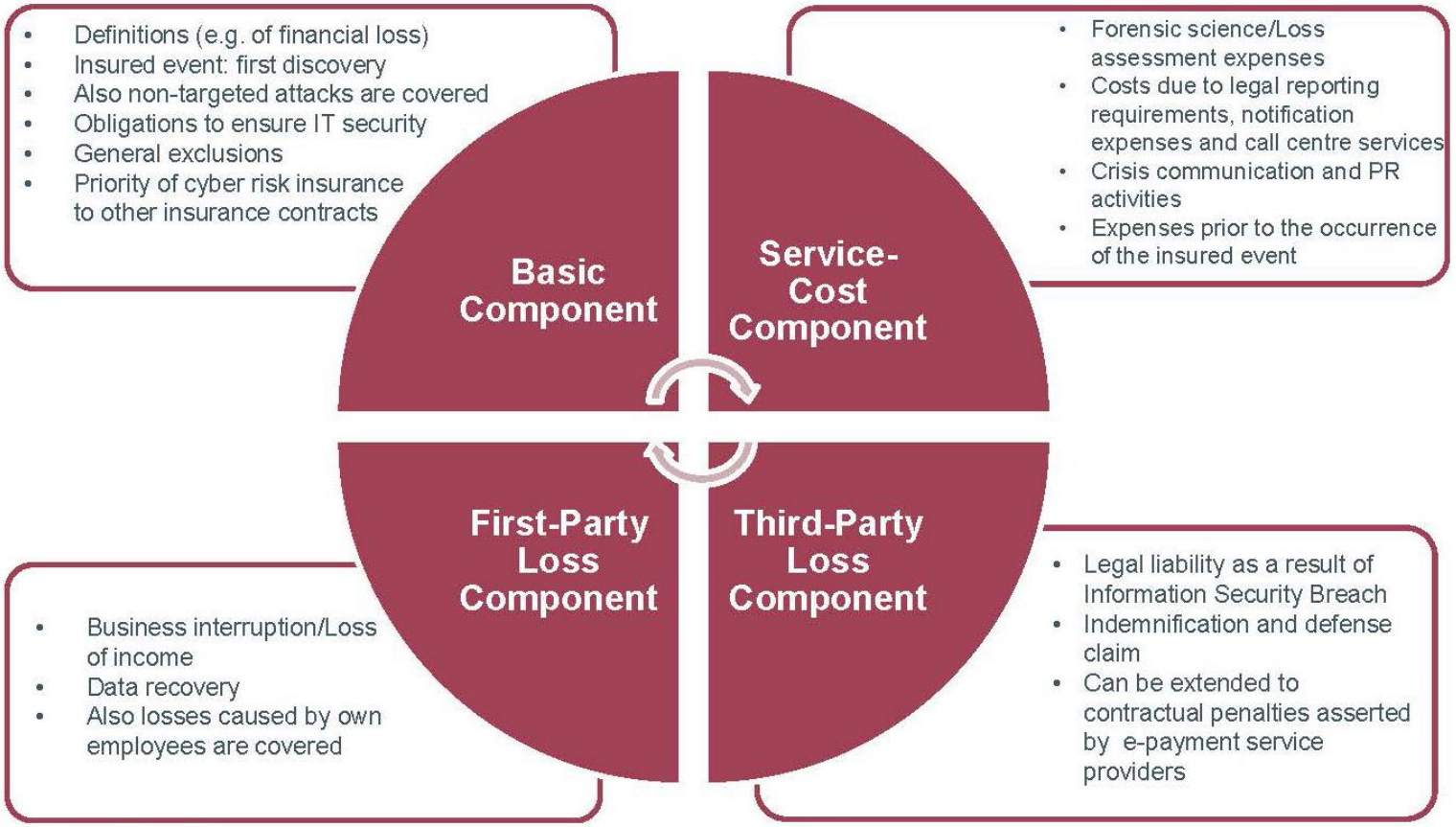


Source: Italian Association of Insurance Companies (ANIA)

Cyber insurance market evolving

Cyber insurance at national level — Germany

- GDV´s model terms and conditions for cyber risk insurance



Source: Presentation by Nils Hellberg, German Insurance Association (GDV) at the OECD "Unleashing the potential of the cyber insurance market" conference, in collaboration with Marsh & McLennan Companies, February 2018

Challenges facing insurers

Underwriting	■ Lack of data ■ Potential losses hard to quantify ■ Legal uncertainty ■ Terrorism angle ■ Use of exclusion clauses
Offer/Demand	■ Lack of cybersecurity awareness ■ Lack of demand ■ Limited capacity and cover
Other considerations	■ Accumulation issues ■ Availability of reinsurance ■ Potential need for government backstop ■ Catastrophic events ■ Attribution issues

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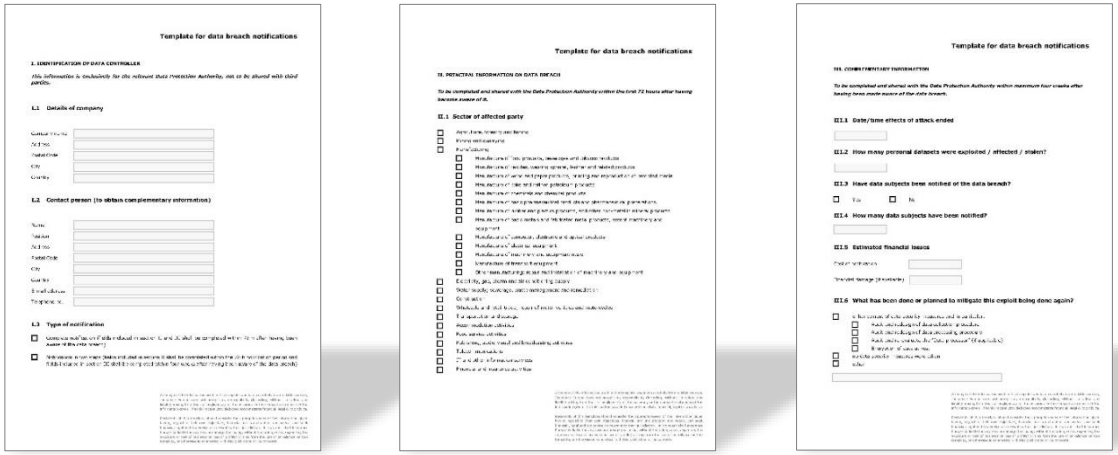
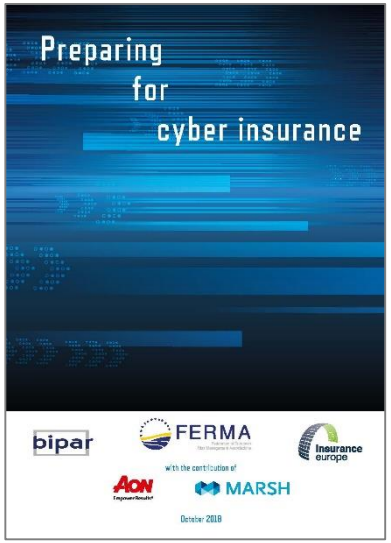
Insurance Europe

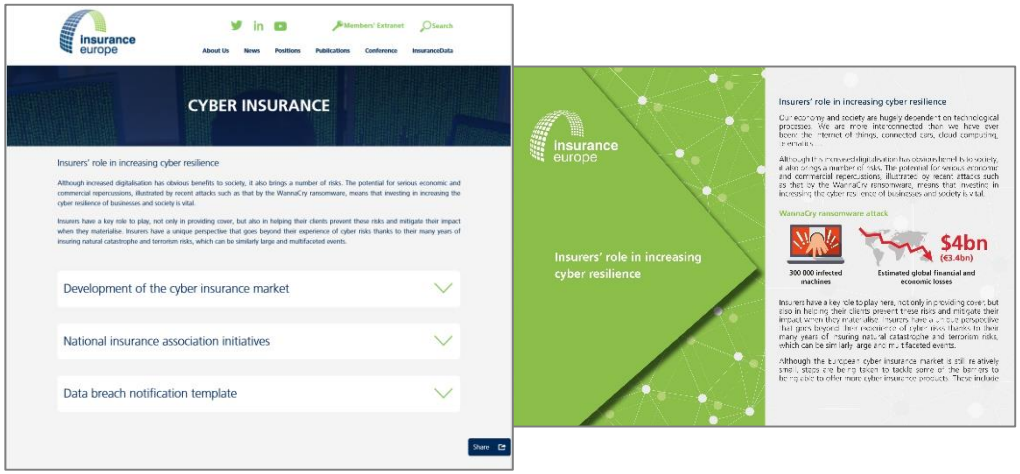
Fostering market growth in the EU



Insurance Europe's template for data breach notifications under the GDPR



Joint report on cyber insurance

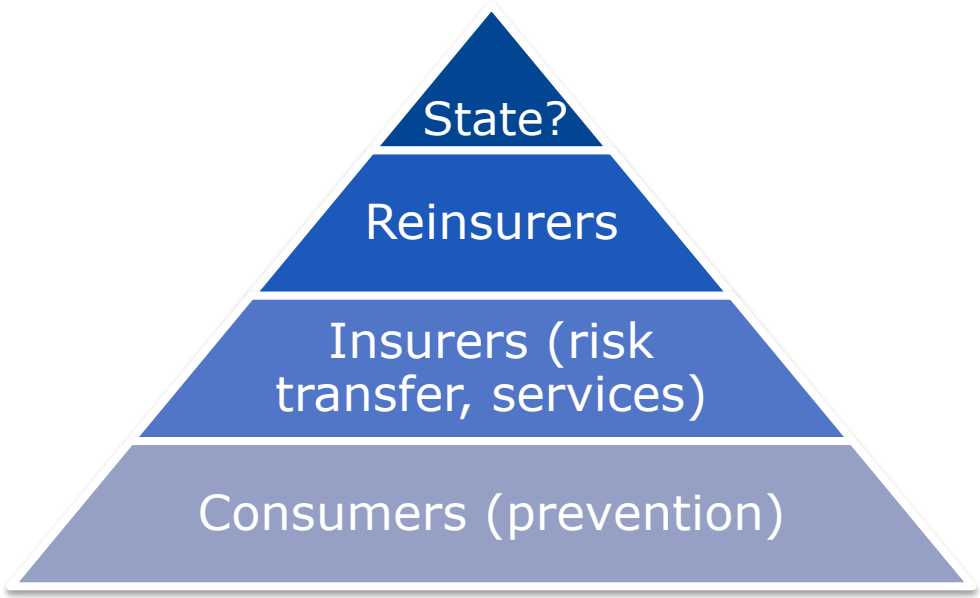


Insurance Europe booklet and webpage showcasing insurers' awareness-raising initiatives

Under discussion

Potential need for government support

- Governments have an important role in promoting cyber resilience
  - Collecting and disseminating cyber information
  - Legislation on cybersecurity measures
- Is there a need for a government backstop?
  - The potential scale of losses from some cyber events could be too great for the private re/insurance sector to absorb

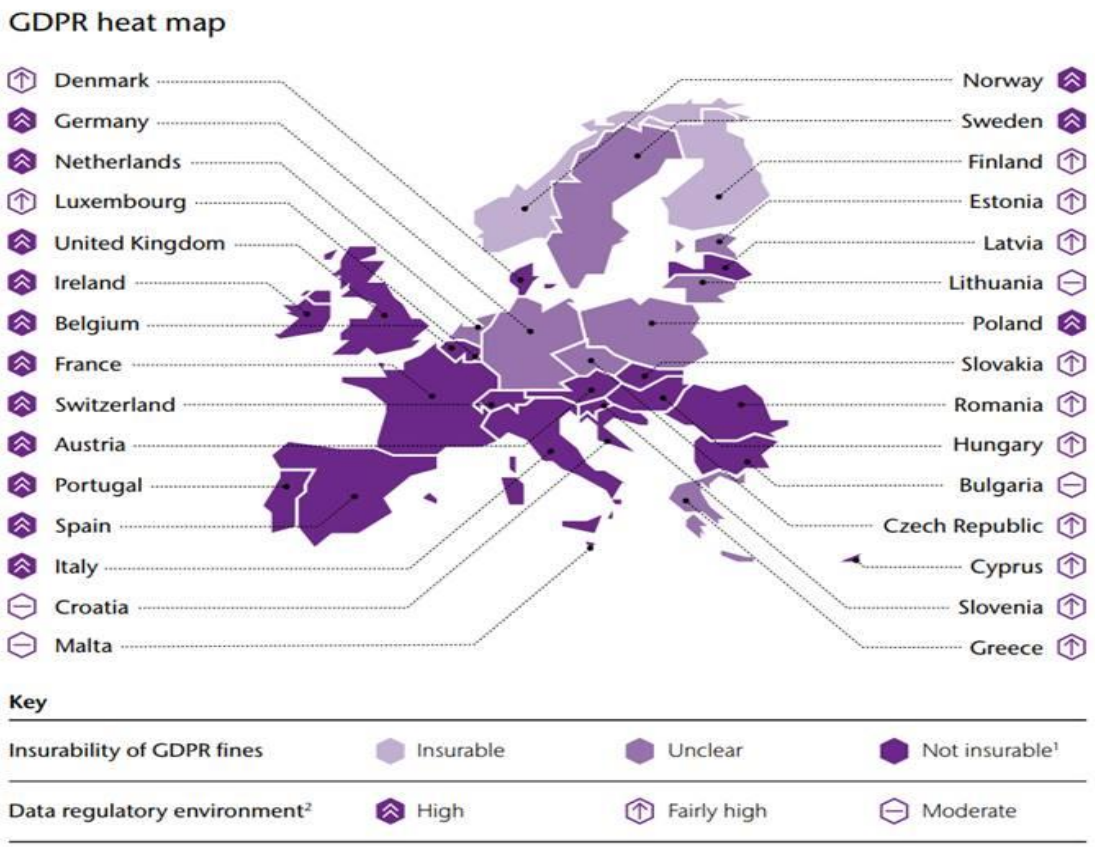


Under discussion

Legal uncertainty

Ransomware?

GDPR fines?

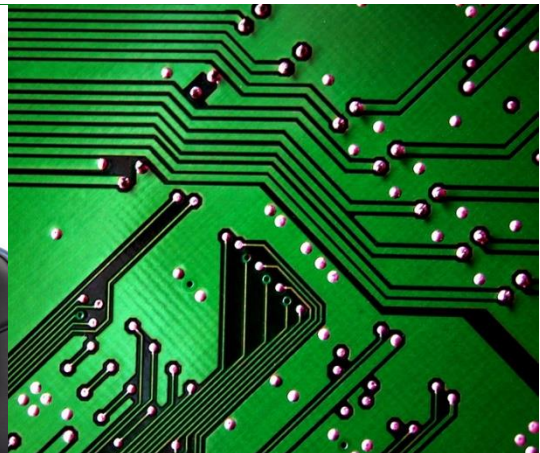


Source: Aon & DLA Piper, The price of data security — A guide to the insurability of GDPR fines across Europe, May 2018

Under discussion

Security of insurers' ICT systems

- Information sharing in the financial sector
  - Industry-led initiatives
  - Insurers vs Banks
- Supervision of ICT risks
- An EU-wide stress testing framework



Future considerations

Potential harmful regulatory measures

Premature push to standardise cyber insurance products	Would not allow the market to develop organically
Conservative approach to prudential rules	Would make it difficult for insurers to offer cover
Artificial stimulation of cyber insurance market	For example, compulsory insurance requirements
Misperception that insurance is catch-all solution	Not enough focus on prevention

Future considerations

Challenges still need to be addressed

Cyber threats still greatly overlooked

Complex and rapidly evolving

Lack of technical expertise in insurance sector

Potential consumers

Public authorities

IT experts

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For more information

www.insuranceeurope.eu/cyber-insurance
Twitter: @InsuranceEurope