

National Council of Insurance Legislators Summer Meeting

Cyber Insurance Update

July 17, 2021

What is Cyber Insurance



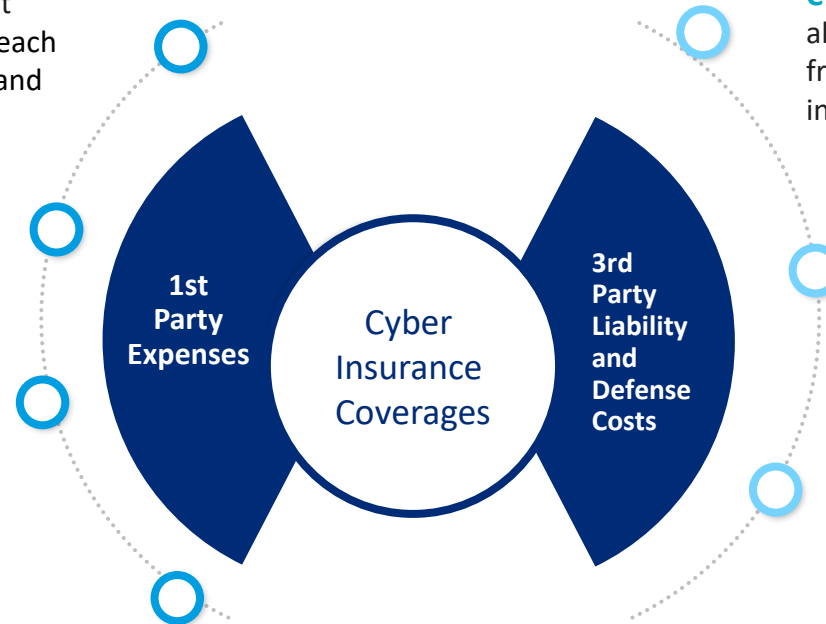
At its most basic elements, cyber insurance provides coverage for out-of-pocket costs following a cyber incident, for lost revenues from a cyber incident, and for liability and defense costs arising from cyber events. As companies grow increasingly reliant on technology, cyber insurance has grown into an indispensable component of a cyber risk management strategy.

Event management / breach response. Cyber incident expenses, including legal costs and forensics. Data breach incidents will include credit monitoring, notifications and similar expenses.

Business / network interruption. When Insured's computer system is disrupted or impaired, cyber insurance will compensate for lost income or additional expense to keep operations running.

Cyber Extortion. Cyber insurance pays extortion demands related to ransomware, data theft data, or other cyber incidents.

Data restoration. Cyber insurance pays to replace, restore, or recreate damaged data; coverage should include "bricking" when computer system components must be replaced.









Cybersecurity Liability. Cyber insurance responds to lawsuits alleging that Insured failed a duty to protect its network or data from cyber threats. Coverage extends to acts of malicious insiders.

Regulatory Defense & Penalties Cyber insurance reimburses the defense costs and penalties arising from regulatory actions as well as regulator fines or penalties, if insurable under law.









Media Liability. Cyber insurance reimburses liability and defense costs for litigation arising from a tort claim based on an internet publishing. Potential torts include trademark and copyright infringement, theft of content, invasion of privacy.

Current Cyber Market Conditions

Pricing & Terms		Claims		Underwriting	
Rates	Limits / Coverage	Frequency	Severity	Information Needs	Carrier Flexibility
					
Since Q3 2020, premium increases have steadily risen month by month, and were averaging 40% by the end of Q2 2021.	Many carriers are reducing capacity. Some carriers are scaling back ransomware-related coverages for clients lacking adequate controls.	Ransomware is more accessible for bad actors. Short tail nature of losses is changing insurer profitability weekly.	Ransom payments have reached tens of millions, as well as costs for business interruption and data recovery loss.	Application + ransomware supplemental + external scans + Underwriting calls.	Less ability to negotiate language.
Carriers are seeking large increases across their portfolios, limiting capacity, and introducing restrictive terms.		Ransomware attacks will continue to increase in sophistication; systemic risks concerns; privacy risk remains		Underwriters will demand additional information to assess risk and may require certain cyber controls as a floor for quoting	

Underwriting Issues for Ransomware

Critical Cybersecurity Controls:

-  **Multi Factor Authentication (MFA) for Remote & Admin Access**
-  **Endpoint Detection & Response**
-  **Process or Protocol for Applying Critical Patches**
-  **Secure Offline Backups**
-  **Remote Desktop Protocol is not exposed outside the firewall**
-  **Privileged Access Management**
-  **Email Filtering & Validation Process**
-  **End of Life Systems should be replaced**

Note: Each insurance carrier has their own specific control requirements that may differ by the insured's revenue size & industry class

Marsh Incident Response Guide



**Ransomware: Remove Response Paralysis
with a Comprehensive Incident Response Plan**

“Plans are nothing; planning is everything.”

- Know your options: backup, rebuild or pay
- Get experts
- Continual assessment is the hallmark of cyber planning
- Consult law enforcement and counsel
- Involve top leadership

See also National Institute of Standards and Technology, *Cybersecurity Framework Profile for Ransomware Risk Management*, ([Preliminary Draft NISTIR 8374, Cybersecurity Framework Profile for Ransomware Risk Management](#))



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