
Cyber insurance – the key coverage?

Thomas Hadrill, Lloyd's General Representative in Hong Kong
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What does cyber coverage include?

The modern product can include a wide variety of covers and services

Cyber policies can now cover a suite of 1st and 3rd party, non-physical and physical exposures relating to:-

- ***Data Breach / Privacy Breach / Network Security Liability / Cyber Extortion***
- ***Crisis Management Costs / Business Interruption-Contingent Business Interruption / Reputational Harm Expenses / Regulatory Defence Costs and Fines/Penalties***
- ***Multi-Media Liability / Intellectual Property Theft***
- ***Environmental Damage / Physical Damage / Bodily Injury***

Services provided alongside the insurance include risk audits and post claim assistance/services from specialist vendors



77
syndicates
writing cyber
insurance

Based on 2017 forecast

£500m
aggregated cyber
insurance
capacity

Scale of the threat

Experts agree that the threat to business and society is huge

- “Cyber crime is a bigger threat than drugs” (UK Ex-Fraud Police Chief)
- “There are two kinds of big companies in the US. There are those who've been hacked and those who don't know they've been hacked.” (2014 FBI director James Comey)
- “We are in the midst of a crime wave unlike any since the 1920s and the age of gangsters” (Tom Kellermann, a professor of cyber-security at American University)
- There were 43 million global security incidents detected in 2014.....that's more than 100,000 attacks a day (PWC Security Survey 2015)
- 40% of all UK crime is cyber crime (UK ONS 2016)

Is this a threat to businesses and government?

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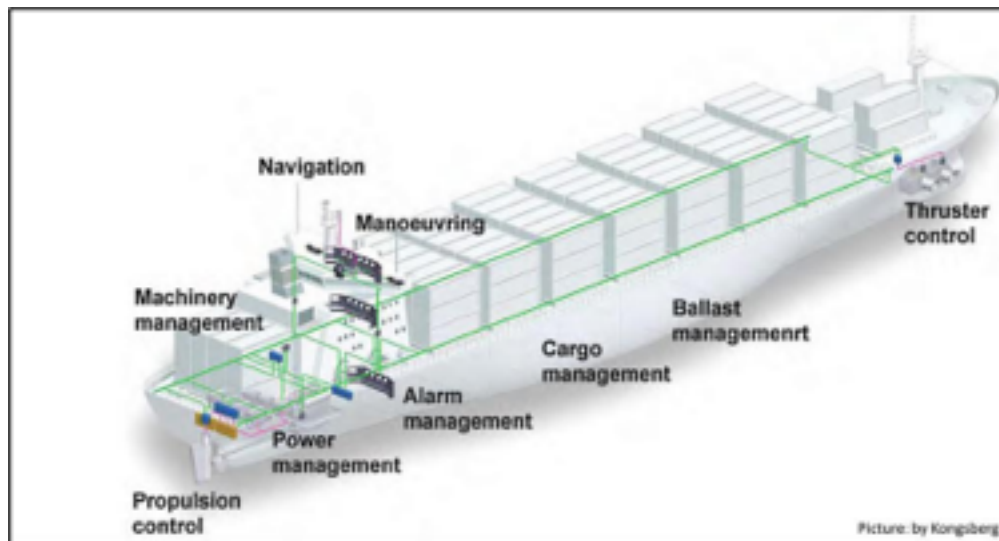
YES!

- Big organizations hold caches of individual information (which is useful for identity theft and other crimes), they make tempting targets for cyber criminals.
- In 2013, 43% of companies had a data breach in which hackers got into their systems to steal information.
- In 2014, 47% of American adults had their personal information stolen by hackers, primarily through data breaches at large companies.
- Data breaches targeting consumer information are on the rise, increasing 62% from 2012 to 2013, with 594% more identities stolen. That added up to a staggering total of \$18,000,000,000 in credit card fraud for the year.
- **According to Lloyd's research, 92% of business have experienced a data breach in the last five years and 73% of business leaders have limited knowledge of insurance solutions**

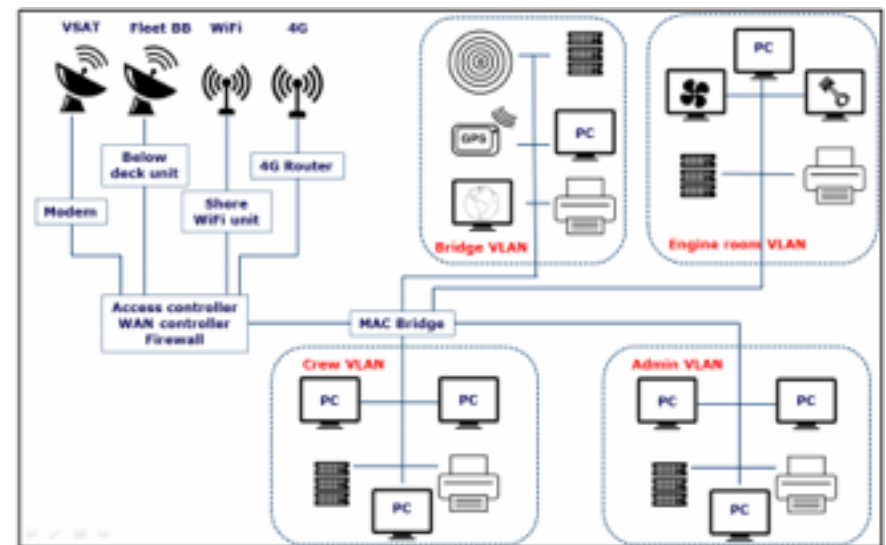
Areas of vulnerability to shipping

A complex picture, but with susceptible features

- Connections
- Asset Tracking Systems and GPS
- Cloud computing
- Machinery and monitoring equipment
- Connected devices – “the internet of things”
- E-Navigation



Typical ship systems capable of remote monitoring or operation



Modern typical shipboard IT system configuration

Mitigation and underwriting criteria

There are techniques to mitigate exposures

Processes

- **Robust people management, access controls and security procedures**

Technical Defences

- **Appropriate technology, system design and resilience**

Internal Reporting and procedures

- **Board level oversight, reputation management, clear policies**

Conclusions

Rapidly expanding and increasingly sophisticated tech enhances opportunity, but presents new risk

- Complex, rapidly evolving and apparently systemic risk presents threats to business, alongside opportunity
- Is your business equipped to deal with:
 - Loss of income, interruption to business flow, damage to reputation, logistics of notifying customers of a breach, regulatory and legal penalties, high costs for investigative consultants, fallout from lost customer data.....or all of them
- Cyber insurance policies cover financial pay-outs after a cyber-attack and often include on-the-ground support during the period of crisis.
- They can also cover business interruption, pre- and post-breach risk management, and helping businesses to deal with operational, financial and reputational impacts.
- Ultimately a systemic threat to global economies, with varying cascading impacts on maritime trade, but not yet a fundamental threat to marine insurers or to loss of ships
- Growing integration and technological advancement is a multiplier
- Firms must make an informed decision on their risk profile, take steps to control it, and offload the risks they cannot accept to insurers

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