

# The emerging insurance market for cyber risks

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**Safe and Ethical Cyberspace, digital assets and risks:  
*How to assess the intangible impacts of a growing phenomenon?***

**The World Conference on Intellectual Capital for Communities**

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# OECD work on cyber insurance



In May 2017, the OECD delivered a report to the G7 Finance Ministers and Central Bank Governors, providing an overview of the market for cyber insurance and identifying potential policy measures to address some of the main challenges to its development.



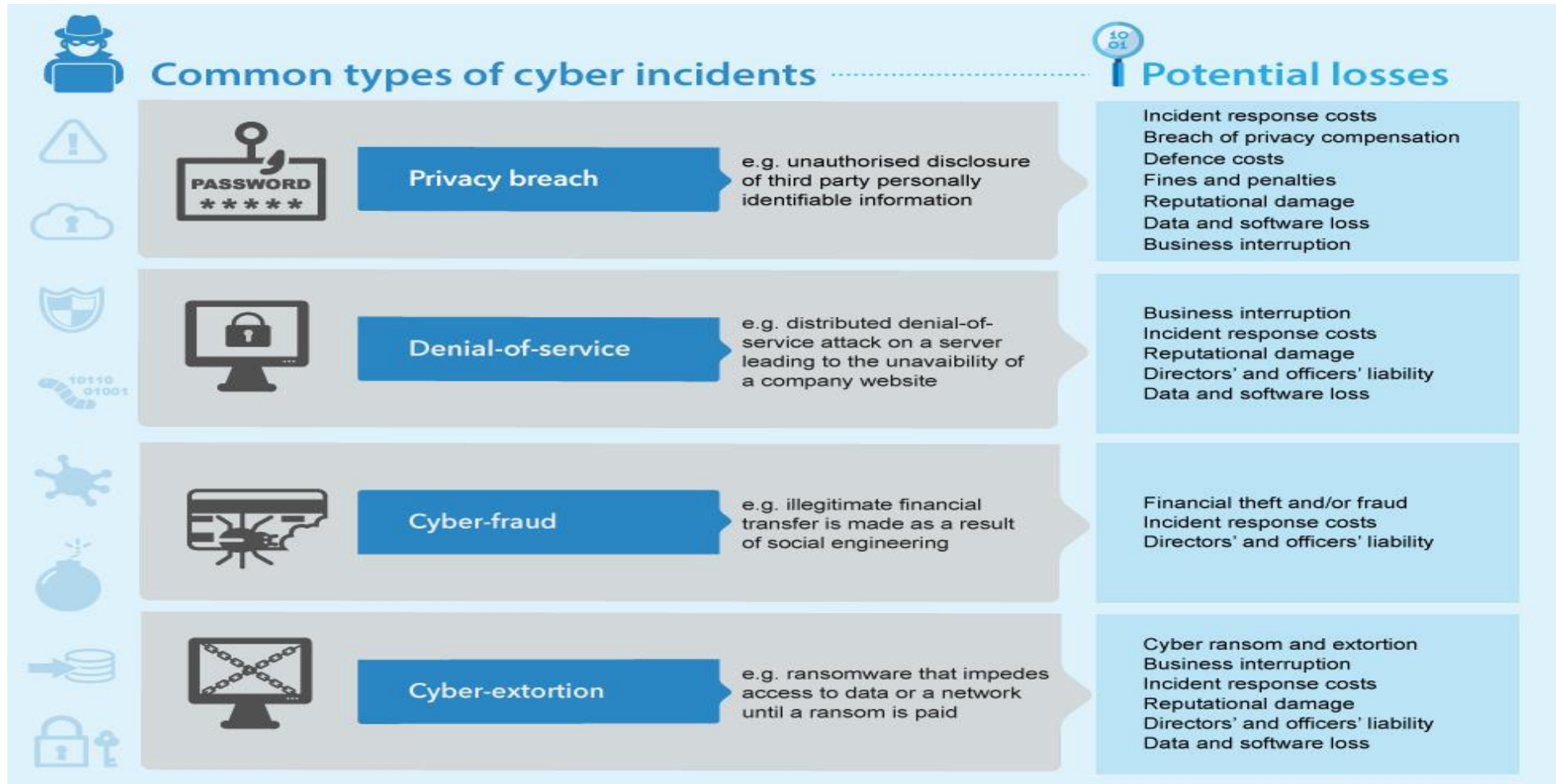
In November 2017, the OECD published a more comprehensive report, examining: (i) the type and magnitude of losses incurred from cyber incidents; (ii) the insurance coverage available for cyber-related losses; (iii) challenges to the development of the cyber insurance market; and (iv) initiatives aimed at addressing those challenges



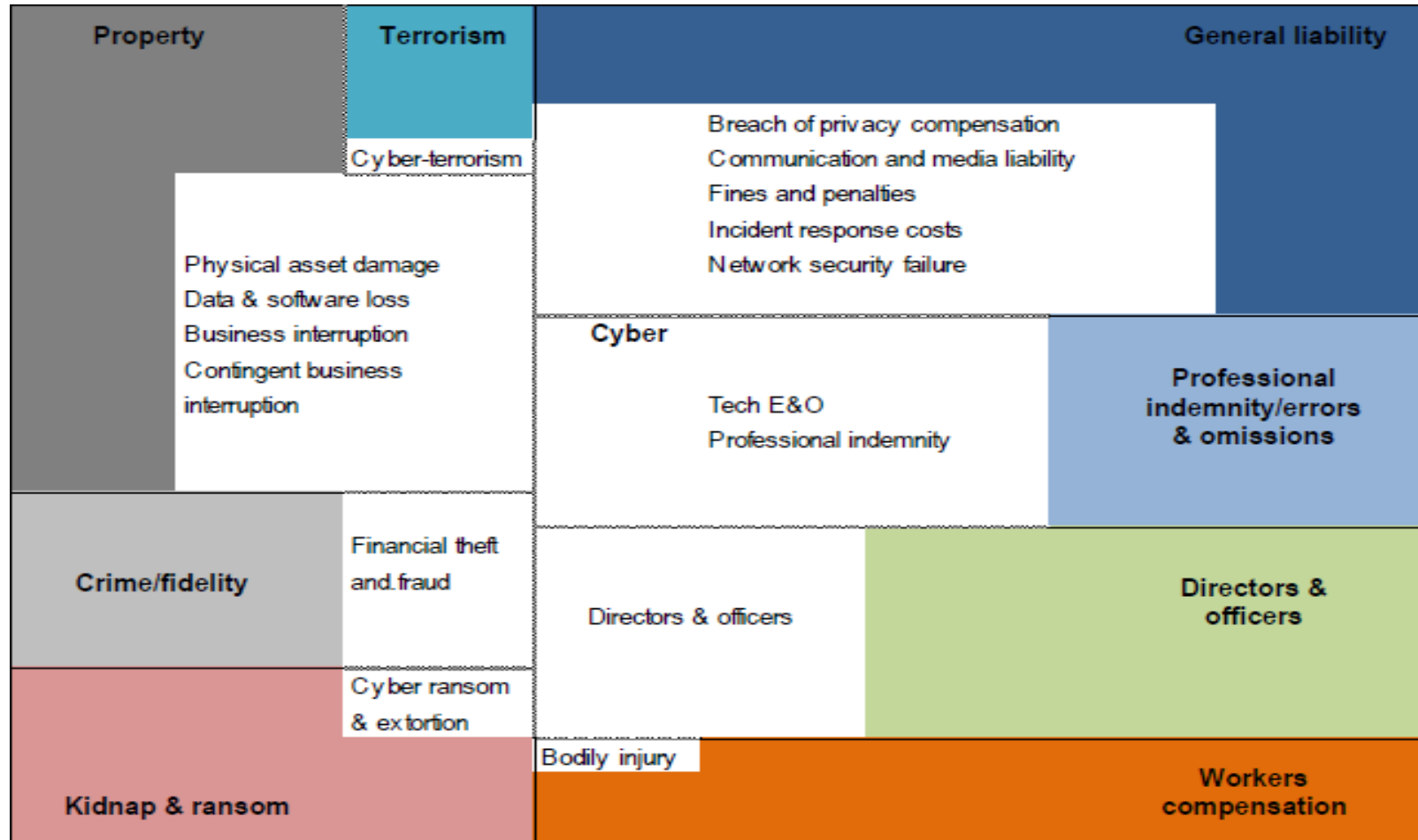
In February 2018, the OECD organised a conference in Paris to discuss the challenges to the market's development and the main steps needed to address those challenges.

<http://www.oecd.org/daf/fin/insurance/enhancing-the-role-of-insurance-in-cyber-risk-management.htm>

# Cyber insurance provides coverage for many common cyber incidents

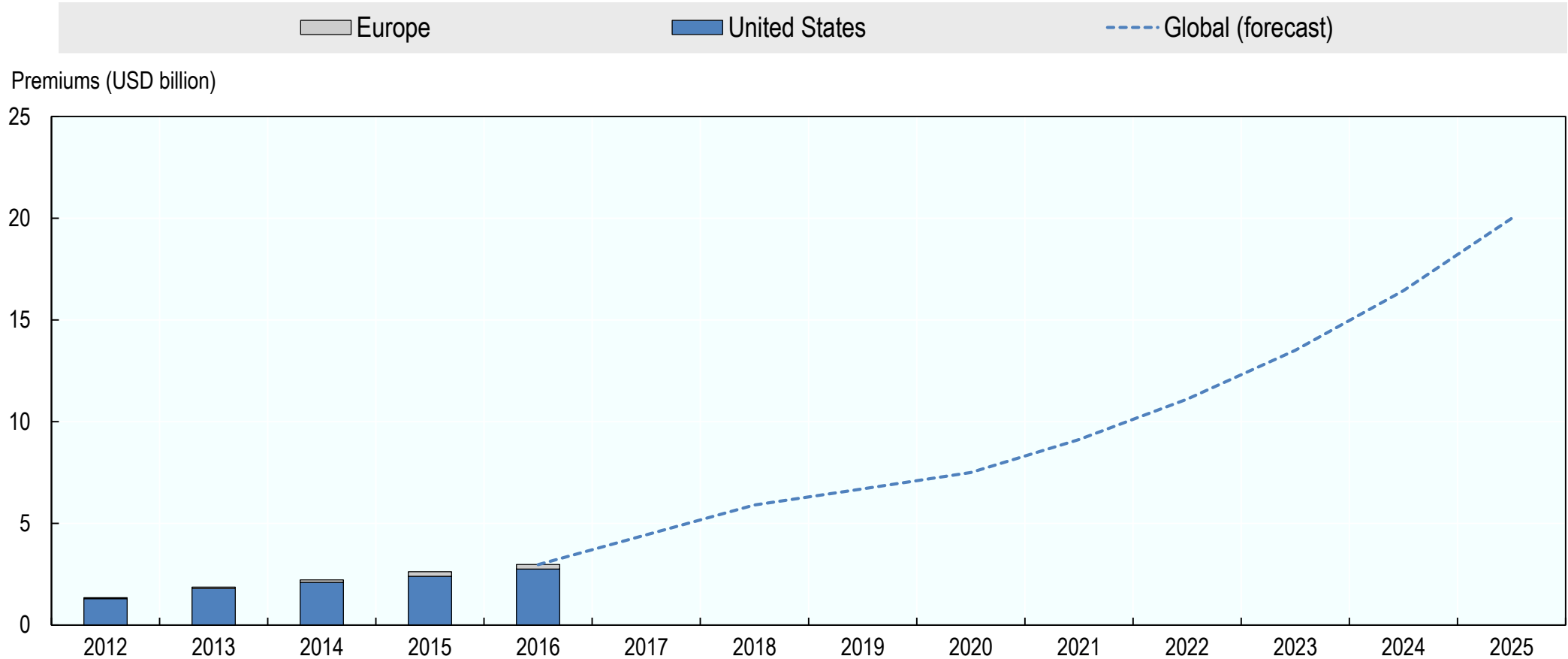


# Cyber insurance product is a carve-out of coverage from many types of traditional policies



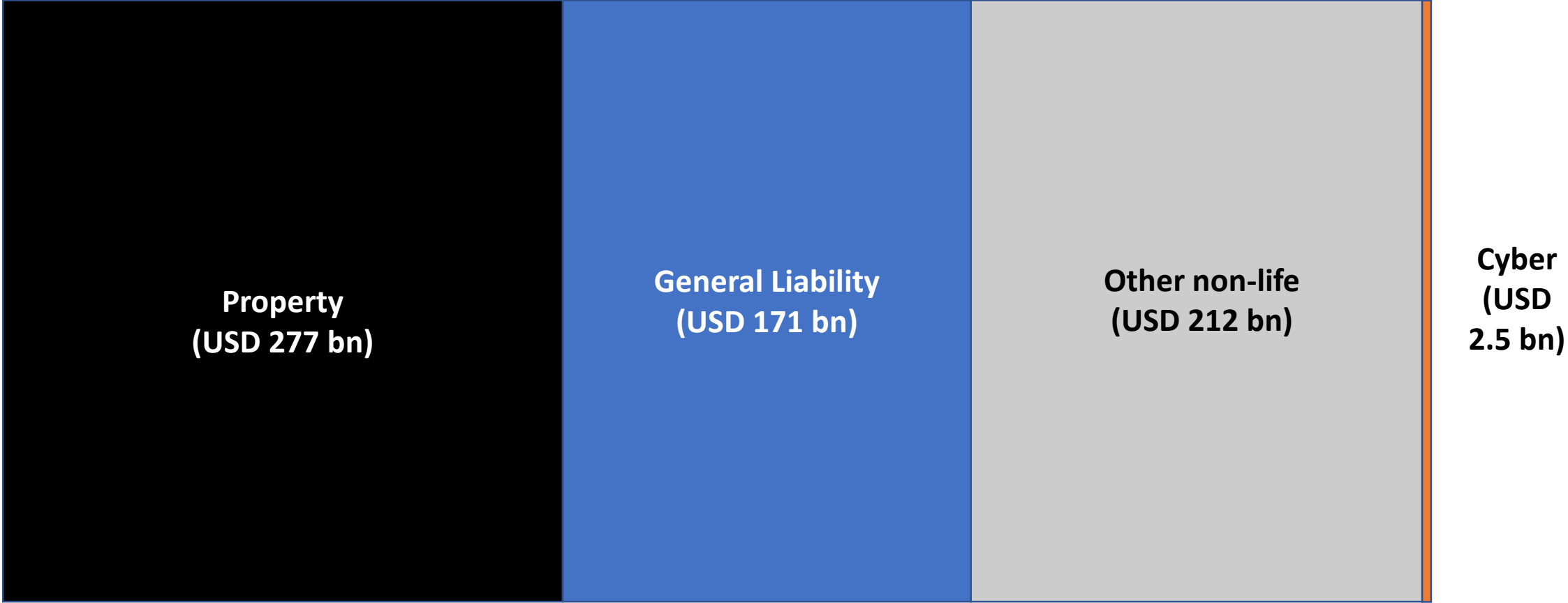
Source: OECD based on JLT Re (2017)

# Cyber insurance market is growing extremely quickly...



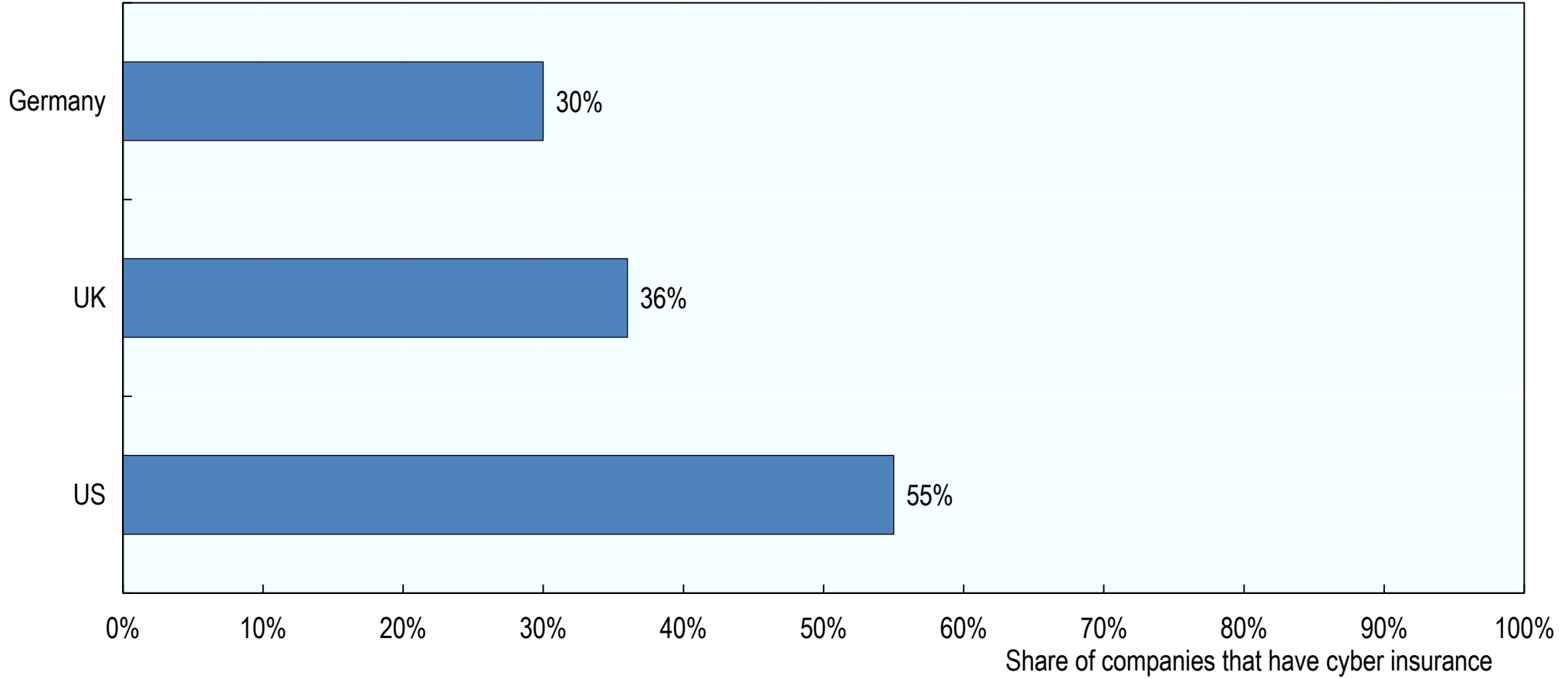
Source: The premium data for Europe and the United States for 2012 to 2015 is from Advisen, reported in Eling and Wirfs, 2016. The 2016 figure for the United States is the mid-point of estimates by PwC, 2015; Betterley, 2015; Marsh, 2016b. The 2016 figure for Europe is the mid-point for estimates by Thomas and Finkle, 2014; Marsh, 2016b. The projections for the global market are from PwC, 2015 (US, 2018); Insurance Information Institute, 2015 (Europe, 2018); the mid-point of Allianz, Advisen, PwC and ABI as reported in Swiss Re, 2017 (global, 2020) and Allianz as reported in Swiss Re, 2017 (global, 2025). Other years were calculated based on the compound annual growth rate between two projections.

# ...although remains extremely small relative to other non-life lines of business...



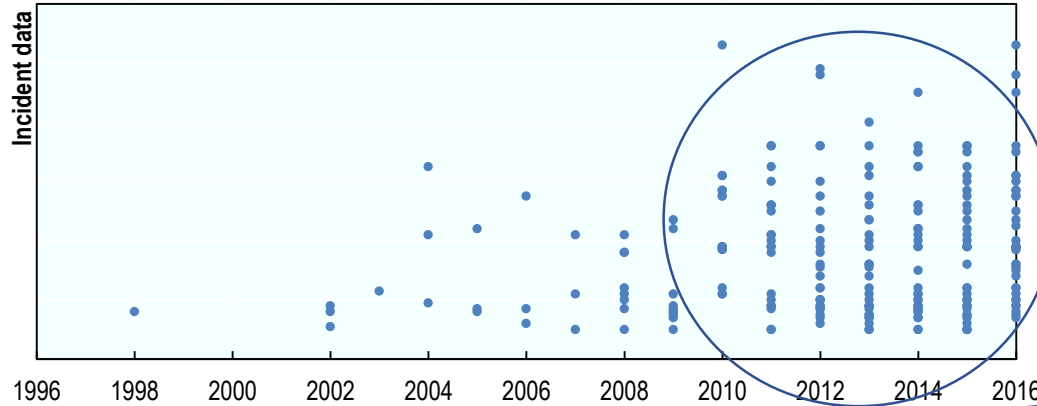
Source: OECD Insurance Statistics

# ...with relatively low levels of take-up (compared to other commercial lines)



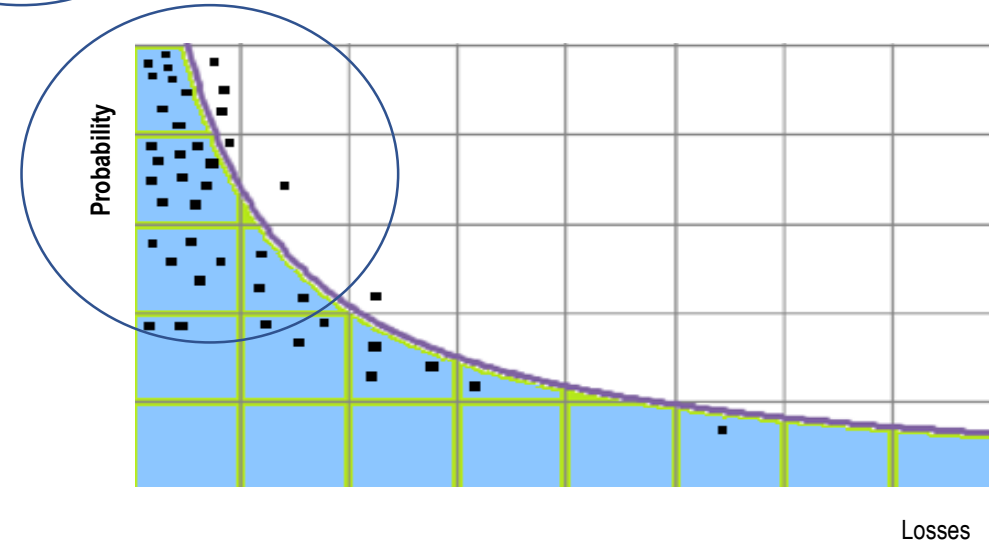
Source: Hiscox (2017). The question asked was: "Do you currently have cyber insurance"

# Cyber insurance market challenges - quantifiability



Incident data is recent.....

...with few examples of incidents in the tail.



**While the nature of cyber risk is continuously evolving...**



# Cyber insurance market challenges - accumulation risk



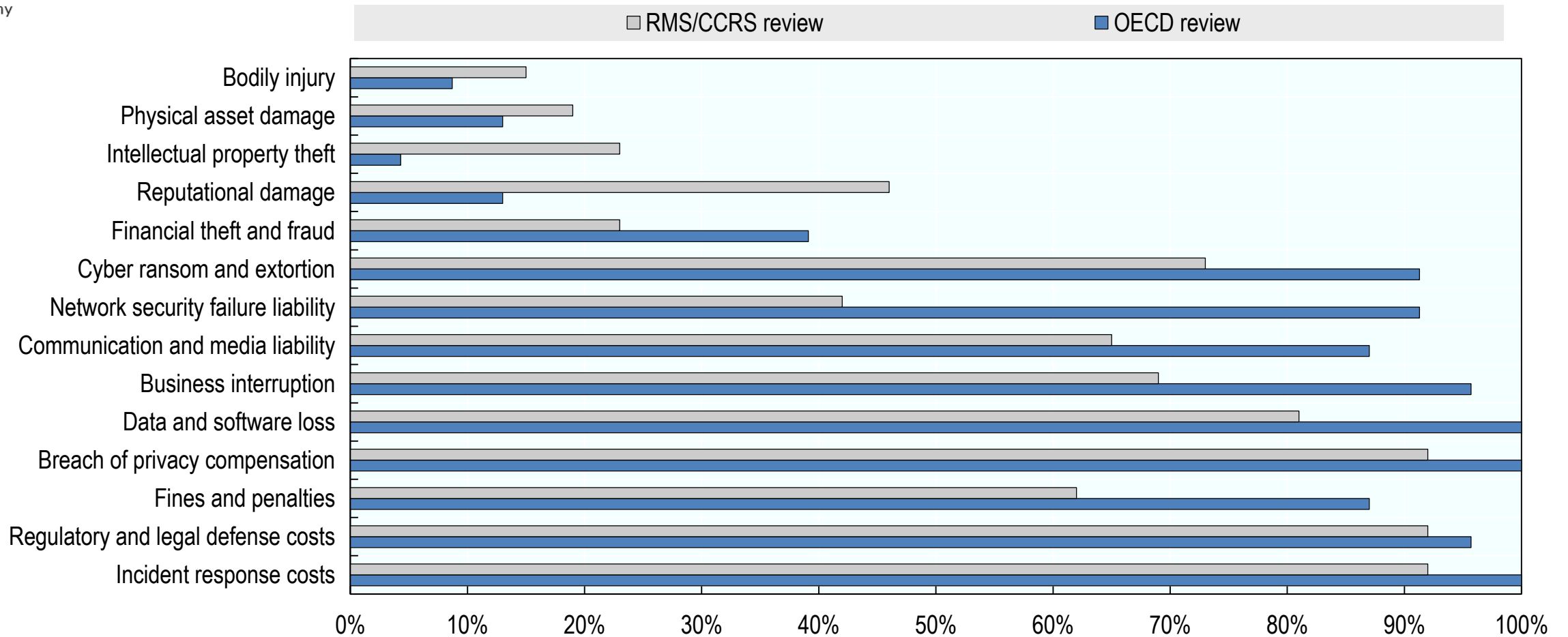
Source: PCMag (2016)



Source: Cyber Defence Intelligence Consulting (2016)



# Cyber insurance market challenges – confusion about coverage (with gaps)



# Coverage (or not) for intangible risks

- Reputational damage: public relations and crisis management - but not (often) customer churn or (ever) reduced market value
- Intellectual property theft: third party liability but rarely first party loss of value
- Data: cost of restoration (= or  $\neq$  to data value?)

**Ability to objectively value/quantify is a prerequisite for insurance coverage – no matter the peril**