NOTEBOOK

Cyber insurance could spike after pandemic

Cyber insurance was already an evolving insurance class prior to the coronavirus pandemic but the forced rapid shift to remote working has heightened cyber risks further. To provide insights on managing such risks and discuss the role of cyber insurance, Asia Insurance Review organised a webinar to gather expert commentary on recent developments.

By Ranamita Chakraborty

The coronavirus pandemic has led to an unprecedented surge in global cyber security risks with individuals working from home, companies communicating with clients in a fully digital manner and increased hacking.

Mr Andrew Taylor

"One of things we have seen is this pandemic is that work from home operations around the world have made organisations and people aware more than ever how connected and reliant they are on technology," said Chubb Insurance Asia Pacific cyber product head Andrew Taylor who was speaking at a webinar titled 'Managing Cyber Risks in the Current Crisis' on 28 May.

Organised by *Asia Insurance Review*, the webinar explored how the ongoing COVID-19 pandemic has brought about heightened cyber risks and how the insurance industry is responding.

Mr Taylor, who has been underwriting cyber insurance in Asia Pacific for over 10 years, said he sees this current situation translate into organisations thinking how they can protect their businesses from the risks posed by data stored on laptops and networks being accessed remotely.

"With COVID-19, we have certainly seen a shift in the exposures," he said.

He attributed this shift to rapid changes and forced adoption of new technologies in which the world is seeing decentralised workplaces, remote-working video chats, telecommuting, privacy debates on tracking apps and acceptance of new technologie like cashless payments.

When asked who is looking after such cyber risks from a corporate perspective, Mr Taylor said that two SME surveys undertaken by Chubb in Asia confirmed that there

is confusion over who is responsible for managing this risk – which has led to increased costs and exposures when managing cyber incidents.

According to him, this risk should be managed by the risk manager or business owner. He said that corporations should build an incident-response team that will or must include the IT manager or chief information officer. Concurrently, they also need to include general counsel and marketing and identify external vendors that will be used to manage a major cyber risk event.

"Cyber risk is far more than just an IT issue and incidents point to the risk being triggered by human error where technology is only an enabler," he said.

How can insurers respond?


Mr K K Lim

To set the tone for the webinar, Eversheds Harry Elias head of cybersecurity (privacy and data protection) and webinar chairman K K Lim posed questions to insurers about specific cyber security risks and whether cyber risk has increased in variety and proportion, particularly since executives have begun to work from home.

As a non-insurer and a legal practitioner, he asked what steps insurers should recommend to corporate clients to reduce their risks working from home.

He explained that insurers may need to review certain types of contracts in terms of coverage and liabilities such as HR contracts with employees as well as IT remote policies and business continuity plan exclusions.

Overview of cyber market

Providing an update on the cyber insurance market in Asia Pacific, Mr Taylor noted that recent research shows that the current gross written premiums globally are estimated to be $4.8bn to $7.3bn.

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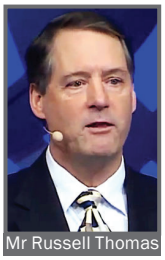
"It is one of the fastest growing products in property and casualty lines in the world - and Asia is one of the fastest-growing regions for purchases of this insurance," he said.

While noting that cyber insurance penetration rates are low in Asia, he said there is certainly a major opportunity for the product line to grow as it has seen significant interest from corporates as well as SMEs.

He pointed out that Chubb is also seeing greater diversification in cyber products with customer segments specifically having different types of buying habits – signifying a maturing cyber insurance market.

He also sees legislation coupled with increased ransomware attacks and other cyber risks brought about by COVID-19 making cyber insurance more attractive.


Mr Russell Thomas

However, RMS principal modeller of cyber risk and fellow webinar speaker Russell Thomas noted that COVID-19 is accelerating changes that have already been underway – but very dramatically.

He also views these changes as being unequally distributed. According to him, companies that were already operating remotely before the pandemic and have a company meeting once a year are possibly the least affected. Meanwhile, companies that have held on to the past and have been very conservative about their investments in IT are possibly impacted the most.

Currently, he is seeing firms increase their prioritisation of cyber security and therefore planning on spending a higher percentage of their total revenue. He views this as positive sign for the cyber risk and insurance market.

Pandemic effects on cyber risk and insurance

Additionally, Mr Thomas highlighted that the pandemic is not necessarily driving new innovations in cyber security, especially from a technical standpoint.

He explained that while he has been working for around 12 years on a quest to drive science-based and quantitative reasoning around cyber security, he has not been seeing any change in management and board behaviour about their ability to quantify cyber risk and make investment decisions on it.

He said he is not sure if such change will appear but to the degree that companies can quantify their cyber risks, they are going to be better and smarter consumers of cyber insurance.

Describing cyber risks as a peril, he said it is 'dramatically immature' compared to all of the other perils covered by the insurance industry. Over the next two to 10 years, he expects to see a shift in cyber insurance models in terms of what is covered, how it is covered and packaged as well as even what the value proposition is.

"So I see this pandemic episode as yet another cycle in the evolution process of cyber risk and cyber insurance," he said.

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