Cyber risk is expanding in scale, scope, severity and source

- **New Risks**
  - Privacy Regulation 2.0
  - 5G Network

- **Changing Targets**
  - From data breach to disruption of operations and direct financial theft

- **New Sources**
  - Nation-states and proxies
  - Ransomware-as-a-Service

- **Escalating Impact**
  - Economic losses: $1 trillion by 2020
  - Human element

- **Increasing Exposure**
  - 24/7 Network Connectivity
  - Embedded technology / automation
Impacted businesses represented several industry sectors, some of which (transport, logistics and manufacturing) weren’t previously considered susceptible to cyber risk, largely due to their not holding large amounts of private data.

The goal of the attack was seemingly only pure destruction, although victim businesses collectively incurred over $2b in aggregate losses.

Elements of (Insurable) Loss:
- Revenues
- Investigation (forensics) expense
- Costs to replace hardware and software
- Additional payroll for employee overtime/temporary staffing
- Costs to restore, recreate and replace digital assets
- Costs to replace third party outsourced services (where third party was infected)
Major global consumer goods manufacturer – system disruption by NotPetya

- Compromise to sales, distribution and financial networks across the organization, resulting in negative impact of 0.4% on $25.9B revenues and despite execution of business recovery and contingency plans
- Additional, incremental expense incurred to investigate and remove malware, and restore systems
- Filed $100M claim against its property policy, which included some element of cyber coverage
- Coverage has been denied on the basis of the war claim exclusion
CYBER: BEYOND DATA BREACH
Evolution of the Cyber Insurance Market

Prior to 2017

- Breach Response Expense
- Privacy Regulatory Action
- Network Security Liability
- Media Liability

Data Breach

2017 and beyond

PLUS

- Business Interruption
- Loss of Revenue
- Extra Expense
- Various

Current Cyber Threats

- Digital Asset Recovery
- Restoration, Repair and Recreation
- Cyber Extortion
- Ransom Payments, Response
CYBER: BEYOND DATA BREACH
Current State of Cyber Insurance Offerings

First Party
- Data Breach Response
- Data Restoration
- Network Business Interruption & Extra Expense
- Cyber Extortion

Third Party
- Privacy Liability
- Network Security Liability
- Privacy Regulatory Actions
- Media Liability
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