Cyber Insurance Underwriting Process
Federal Advisory Committee on Insurance

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The implications of nation-state cyber attacks on the cyber insurance market are deep and far reaching.
Threat Actors

- Cyber Criminals: 30%
- Nation State: 21%
- Hacktivists: 25%
- Hackers: 13%
- Rogue Employees: 11%
## Who are the Cyber Threat Actors

<table>
<thead>
<tr>
<th>Actor</th>
<th>Motivation</th>
<th>Impact</th>
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<tbody>
<tr>
<td>Nation State</td>
<td>• Economic, political, and/or military</td>
<td>• Loss of trade secrets</td>
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<td>• Loss of command &amp; control capability</td>
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<td></td>
<td></td>
<td>• Prolonged foothold in one’s network for future attacks (APTs)</td>
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<td>• Disruption of business activities/asset loss</td>
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<td></td>
<td></td>
<td>• Influence elections and policymaking</td>
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<td>Organized Crime</td>
<td>• Financial gain</td>
<td>• Regulatory inquiry/penalty</td>
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<td>• Collect information for future financial gain</td>
<td>• Consumer and shareholder lawsuits</td>
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<td></td>
<td></td>
<td>• Brand and reputational damage</td>
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<td></td>
<td></td>
<td>• Consumer confidence loss</td>
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<tr>
<td>Hacktivists</td>
<td>• Political or social change</td>
<td>• Disruption of business activities and loss of assets</td>
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<td>• Pressure business to alter a business practice</td>
<td>• Brand and reputational damage</td>
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<td>• Create fear and uncertainty</td>
<td>• Consumer confidence loss</td>
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<tr>
<td>Insiders</td>
<td>• Personal advantage, monetary gain</td>
<td>• Disclosure of trade secrets</td>
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<td></td>
<td>• Sabotage for personal grievances</td>
<td>• Disruption of business activities and loss of assets</td>
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<td></td>
<td>• Bribery or coercion</td>
<td>• Brand and reputational damage</td>
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<tr>
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<td>• Consumer confidence loss</td>
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</tbody>
</table>
Cyber Underwriting Process
State Actors

Profile of Nation-State Actor
• Operate without a fear of being apprehended
• Unlimited financial resources
• Utilize sophisticated attack techniques
• Insight into intelligence
• Backed by military and government
• Motivated by nationalism
• Difficult to apprehend
Cyber Insurance Coverage

Coverage Available

- Loss of 3rd party trade secrets
- Loss of business income
  - Extra Expense
- Data restoration costs
- Regulatory investigations
  - Fines and penalties
- Consumer and class actions lawsuits
  - Defense costs and indemnity
- Costs of a forensic investigation

Coverage Unavailable

- Loss of 1st party trade secrets
- Brand and reputational loss (limited availability)
- Loss of consumer confidence
So Are Nation State Attacks Covered

• Most insurers exclude war but cover cyberterrorism
• Many exclude acts of foreign enemies and government actors
• Difficulties tracking the source of cyber attacks (attribution)
• Lack of case law presents courts with a matter of first impression
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