



Update on the Federal Insurance Office's Assessment of a Potential Federal Insurance Response to Catastrophic Cyber Incidents

**Presentation to Advisory Committee on Risk-Sharing Mechanisms
February 1, 2024**



- At the July 2023 ACRSM meeting, the Federal Insurance Office (FIO) provided a briefing on the joint assessment of a federal insurance response to catastrophic cyber incidents that FIO and the Cybersecurity and Infrastructure Security Agency (CISA) launched in June 2022. Some of the background to that assessment included the following:
 - FIO has monitored the development of the cyber insurance market since the 2014 Annual Report. The Terrorism Risk Insurance Program (TRIP) has monitored these developments since 2016 because cyber insurance may be written within TRIP-eligible lines and TRIP could apply to a cyber attack if the attack is certified as an “act of terrorism.”
 - The 2019 TRIP Reauthorization Act instructed the Government Accountability Office (GAO) to produce a report on cyber terrorism that would address overall vulnerabilities and potential costs of cyber attacks to critical infrastructure and the adequacy of TRIP to cover systemic cyber incidents.
 - In June 2022, GAO released a report on *Cyber Insurance: Action Needed to Assess Potential Federal Response to Catastrophic Attacks*. The report found that TRIP is limited in its ability to cover catastrophic cyber incidents that are not cyber terrorist attacks. The report recommended that FIO and CISA conduct a joint assessment of whether a federal insurance response to catastrophic cyber incidents more generally is warranted. FIO and CISA accepted the recommendation and began the assessment.



- In the previous update FIO briefed this group on:
 - the Request for Information that we published in the Federal Register in September 2022;
 - President Biden's March 2023 National Cybersecurity Strategy, which committed the Administration to assessing the need for and possible structures of a federal insurance response to catastrophic cyber events that would support the existing cyber insurance market; and
 - the July 2023 Implementation Plan for the National Cybersecurity Strategy, which charged FIO with responsibility (in coordination with CISA and ONCD) for the initial phase of the assessment: assessing the need for a federal insurance response to catastrophic cyber events that would support the existing cyber insurance market, to be completed by the end of calendar year 2023.
- FIO conducted extensive engagement on the subject with primary insurers, reinsurers, brokers, representatives of critical infrastructure policyholders, and other stakeholders.
- Most recently, in November 2023 FIO co-sponsored a half-day conference in New York with NYU's Volatility and Risk Institute on catastrophic cyber risk and a potential federal insurance response that featured panels with senior insurance industry executives, senior cyber insurance experts, and cyber insurance policyholder representatives, among other stakeholders, and keynote remarks by senior officials of Treasury, CISA, and the Office of the National Cyber Director (ONCD).

November 17 FIO-NYU Conference on Catastrophic Cyber Risk and a Potential Federal Insurance Response (1)



- Agenda for FIO-NYU Volatility and Risk Institute conference in New York on Nov. 17:
 - Welcoming remarks by Richard Berner, Co-Director, Volatility and Risk Institute, NYU Stern and FIO Director Steven Seitz
 - Opening keynote by Nitin Natarajan, Deputy Director, Cybersecurity and Infrastructure Security Agency (CISA)
 - C-Suite Fireside Chat on Insuring Catastrophic Cyber Risk as a Generational Risk and Opportunity
 - John Doyle, CEO, Marsh McLennan (moderator)
 - Albert Benchimol, former CEO, AXIS Capital
 - John Keogh, President and COO, Chubb
 - Martin South, President and CEO, Marsh
 - Jim Williamson, Group COO and Head of Reinsurance, Everest Global
 - Panel on Catastrophic Cyber Risk and the Cyber Insurance Market
 - Pascal Millaire, CEO, CyberCube (moderator)
 - Tracie Grella, Global Head of Cyber Insurance, AIG
 - Monique Ferraro, Cyber Counsel, HSB, a Munich Re company
 - Darren Pain, Director, Cyber, The Geneva Association
 - Bob Wice, Head of Underwriting Management Cyber Risks, Beazley

November 17 FIO-NYU Conference on Catastrophic Cyber Risk and a Potential Federal Insurance Response (2)



- Nov. 17 conference agenda (cont.)
 - Remarks by Drenan Dudley, Deputy National Cyber Director, Office of the National Cyber Director (ONCD)
 - Panel on Catastrophic Cyber Risk as Viewed by the Policyholder
 - Christian Hoffman, Global Cyber Leader, Aon (moderator)
 - Philippe Cotellet, VP and Chair of the Digital Committee, Federation of European Risk Management Associations (FERMA); and Head of Insurance Risk Management, Airbus Defence & Space
 - William Hillman, Chief Underwriting Officer and incoming President and CEO, Associated Electric & Gas Insurance Services (AEGIS)
 - Kristen Peed, Treasurer, RIMS, and Director of Corporate Risk Management, CBIZ
 - Monica Shokrai, Head of Business Risk and Insurance, Google Cloud
 - Closing Keynote by Treasury Assistant Secretary Graham Steele, who noted that “a well-designed federal insurance response could address the risks of tail events while incentivizing healthy private sector practices. Conversely, a poorly designed program could shift too much risk to the government and reduce firms’ incentives to guard against certain forms of low probability, but nonetheless foreseeable, risks.”



- FIO has now completed the initial phase of its work on the assessment of a potential federal insurance response to catastrophic cyber incidents, finding that further exploration of the appropriate form of a federal insurance response is warranted.
- FIO will undertake the exploration of the appropriate form of a federal insurance response in Phase 2 of the assessment, in coordination with CISA and ONCD.
- FIO has already taken steps on this next phase of its assessment. At the November conference, Assistant Secretary Steele announced that Treasury will host a second conference on catastrophic cyber insurance shortly after the conference of the International Forum of Terrorism Risk (Re)Insurance Pools (IFTRIP) this spring. The upcoming conference will extend FIO's engagement on the topics discussed in November to begin consideration of the potential forms that a federal insurance response to catastrophic cyber risk might take.
- FIO will continue to work with CISA, ONCD, and other stakeholders in the next phase of the joint assessment of a federal insurance response to catastrophic cyber incidents.