Security & Privacy Insurance Landscape

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Federal Advisory Committee on Insurance
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Security & Privacy Marketplace

- Estimated $1.0-$1.3B GWP market YE 2013\(^1\)
- Buyers of S&P insurance: 35% in 2011, 52% in 2012 and 2013\(^2\)
- Global brokers:
  - 30% increase in new buyers
  - 20% increase in new limits
- New and varied capacity
- Shortening sales cycle
  - New industries
  - Increased BoD awareness
- Emerging exposures
- Loss data is a moving target

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Total Cost Trend of U.S. Cyber Crime 2011 - 2013

*Ponemon Institute 2013 Cost of Cyber Crime Study of U.S. Companies
Cost Per Record Based on Type of Breach

Distribution By Cause

Figure 5. Distribution of the benchmark sample by root cause of the data breach
Consolidated view (n=314)

- Malicious or criminal attack: 42%
- System glitch: 29%
- Human error: 30%
Overview of Breach Exposures:

- **Crisis Management Costs**
  - Legal, public relations or other service fees
  - Advertising or related communications

- **Costs of Notification**
  - Forensic investigation
  - Printing, postage or other communications to customers
  - Credit monitoring services

- **Business Interruption Losses**
  - Loss of Income
  - Costs to Recreate Lost or Stolen Data
  - Extra Expenses

- **Regulatory Fines and Penalties**

- **Legal Liability**
  - Class action litigation
  - Suits from Customers and Vendors

- **Reputational Damage**
Coverage Overview

3rd Party Coverages
- Security & Privacy Liability Coverage
- Internet Media Liability Coverage

1st Party Coverages
- Business Income & Dependent Business Income Loss Coverage
- Digital Asset Replacement Cost Coverage
- Cyber Extortion Threat and Rewards Payment Coverage

Privacy Breach Cost Coverage
Other exposures and resources

- “C.H.E.W”¹
  - Crime
  - Hacktivism
  - Espionage
  - War
- Hyperconnectivity
  - System-wide risk
  - Local risk
  - Recommendations
  - The Atlantic Council “Risk Nexus” report
- Legislative items
  - State-specific
  - SEC Guidance
  - Executive Order and N.I.S.T. framework

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¹ Richard Clarke, “Cyber War: The Next Threat to National Security & What to Do About it”, published 2012
Thank you