

Cyber Insurance – How much to buy, and where to buy it

I first wrote about Cyber in my prize winning paper¹. The more things change, the more they seem to stay the same. Every month there is another major cyber event. But the Equifax breach is a huge one, even by historical experience. 143 million Americans had records hacked, including Social Security Numbers. UK and Canada data was also stolen. Estimates of the cost to Equifax are at \$4 billion (time.com)², based on the damage to their market capitalization since the event was recorded. Bloomberg estimates the insurance recoverable at \$100-150 million. That doesn't move the needle on a \$4 billion loss.

A common theme of large cyber losses is the lack of associated insurance coverage. It's possible for the very largest companies to get \$500 million of coverage, but even for the largest companies it can be difficult to get even \$300 million³.

Medium and Smaller companies can also find it difficult to assess coverage needs, and the potential loss of a cyber event, and then find a way to cover it. Presented below are simple approaches to these questions.

How much to buy?

Enough to cover a cyber event! One commonly used guide is the annual Ponemon study⁴. While it has its detractors, I think it's useful in this context. The study sees exposure as a function of the number of sensitive records, and further detail about what other factors can increase the losses from any cyber event. A careful read through that study will give the reader an idea about what their cyber exposure is. For some small to mid-size companies, multiplying the number of sensitive records by the appropriate number from the Ponemon table below may be accurate enough.

¹ On Michael Solomon's LinkedIn profile: "Cyber Risk is Opportunity"

² <http://time.com/money/4936732/equifax-massive-data-breach-has-cost-the-company-4-billion-so-far/>

³ <https://www.scmagazine.com/how-much-cyberinsurance-is-enough/article/632114/>

⁴ <https://www-01.ibm.com/common/ssi/cgi-bin/ssialias?htmlfid=SEL03130USEN&>

Industry	Exposure per record (\$)
Health	380
Financial	336
Services	274
Life Science	264
Industrial	259
Technology	251
Education	245
Transportation	240
Communications	239
Energy	228
Consumer	196
Retail	177
Hospitality	144
Entertainment	131
Research	123
Public Sector	110

Many companies have brokers who can provide guidance, although some brokers underestimate the exposure. If you want an independent, expert estimate of your exposure, message us.

In the case of Equifax, it should not have been that hard to foresee the consequences of a hack. They knew how many records they had with social security numbers. They should have foreseen that a hack would lead to them needing to offer free credit services, and would damage their reputation.

Where to buy it?

Cyber Insurers are aggressively growing, so a stand-alone Cyber Insurance policy from a public carrier may be the first place to go. It's important to understand the coverages offered, the sub-limits, and perhaps most importantly, the exclusions!

Occasionally only very low sublimits are offered, or coverage cannot be purchased affordably. For the biggest companies, as we saw above, it can be difficult to get even \$300 million in coverage, even when dollar exposure can be measured in the billions. One possible solution is to insure through a captive insurance company. You would need an experienced captive manager for that – I'm not one, but I can refer on request.