GLOBAL FEDERATION OF INSURANCE ASSOCIATIONS

8 September 2017

GFIA Response to the OECD on its Draft Consolidated Report on Cyber Insurance

General Comments

GFIA appreciates the opportunity to comment on the Organisation for Economic Co-operation and Development's (OECD) "Draft consolidated report on cyber insurance" (Draft Report). The Draft Report is a very thorough and thoughtful summary of the current status of the market reflecting on the benefits of cyber insurance and many of the key market challenges. Importantly, the Executive Summary notes: "While not a substitute for investing in cyber security and risk management – as having good cyber security and avoiding disruption is a much preferable outcome – insurance coverage for cyber risks can make an important contribution to the management of cyber risks by promoting awareness about exposure to cyber losses, sharing expertise on risk management, encouraging investment in risk reduction and facilitating the responses to cyber incidents". This statement represents a balanced view of the role of cyber insurance.

GFIA also notes a lack of data and the need for information sharing is a consistent theme throughout this Draft Report. GFIA would like to reiterate its support for government initiatives that encourage the sharing of cyber incident data by impacted companies.

Thank you again for your thorough review of the cyber insurance market. In general, the report presents a detailed and balanced summary of the current status of the cyber insurance market and the key challenges to market growth. GFIA appreciates your consideration of its additional observations and remains available to answer any questions.

Specific Comments on the Paper

Chapter 4 – Cyber insurance market challenges

Factors affecting the price of cyber insurance

GFIA notes that in addition to the factors identified in paragraph 93 the OECD may also want to consider symmetry of information. Essentially, whether the insurer is aware of all relevant information.

Chapter 5 – Addressing challenges to cyber insurability

Global Federation of Insurance Associations (GFIA)
Secretariat: rue Montoyer 51, 1000 Brussels, Belgium
Tel: +32 2 894 30 81 E-mail: secretariat@GFIAinsurance.org
www.GFIAinsurance.org

Addressing the challenges to understanding cyber insurance coverage

GFIA is of the view that it is important to reinforce its view that regulatory intervention in the standardisation of products may impede market development and competition. As with any emerging risk, harmonisation/standaridsation will occur organically as the product evolves and the product becomes more available. Standardisation at this point could curb innovation which would result in products that are not well-matched to the needs of the market. While alignment in terminology of risks may be beneficial to help companies and consumers better understand cyber insurance, it is occurring organically, where appropriate, in the market today. GFIA cautions policymakers to avoid forcing product standardisation.

There is also a quote from a Geneva Association paper in this paragraph suggesting harmonisation/standardisation might be important to the growth of the cyber insurance market. Additional context could be added around the quote, as it was part of a larger discussion on new entrants coming into the market.

Chapter 6 – A policy and regulatory environment that supports the development of the cyber insurance market

Risk Management

A policy and regulatory recommendation on page 94 suggests that insurers could collaborate with government to encourage adherence to standards and identifies premium reductions as one way to do so. Insurers may review a company's adherence to specific data security standards in the underwriting process, but adherence to that standard alone is not a panacea for understanding a company's overall risk culture and therefore is only one factor insurer's may consider. Additionally, an insurer can help a company to think through their risk analysis and the security measures to implement, but the ultimate implementation decisions should stay with the company. Hence, the insurer may be a meaningful collaborator to discuss cybersecurity measures/standards, but it is critical that insurers not be labeled or seen as "standard setters".

In addition, early on in the Draft Report there is a discussion that premium calculations are in their infancy due to a number of factors, which includes a lack of data and accumulation of risk. For this reason, GFIA is of the view that it is premature to connect premium discounts with adherence to a specific standard, especially if it is yet unknown whether that standard has any meaningful impact on cyber resiliency.

References

The reference about "Biener, C., M. Eling, and J.H. Wirfs (2015), "Insurability of Cyber Risks: An Empirical Analysis", Working Papers on Risk Management and Insurance No. 151, Institute of Insurance Economic, University of St. Gallen." should be changed to: "Biener, C., M. Eling, and J.H. Wirfs (2015), "Insurability of Cyber Risks: An Empirical Analysis", Geneva Papers on Risk and Insurance, 40(1): 131–158".

GFIA contact:

Steve Simchak, Chair of the GFIA Cyber Risks Working Group (SSimchak@aiadc.org)

About GFIA

Through its 41 member associations, the Global Federation of Insurance Associations (GFIA) represents the interests of insurers and reinsurers in 62 countries. These companies account for around 87% of total insurance premiums worldwide. The GFIA is incorporated in Switzerland and its secretariat is based in Brussels.