Cyber insurers are uniquely positioned to help their customers improve cyber awareness and help them better understand and manage cyber risks.

Managing Risk with Cybersecurity Insurance

Cyber insurance is the newest and fastest growing sector of the insurance industry. A combined assault of daily front-page news items about cyberattacks, increasing government regulation, and insurance industry awareness is raising the profile of cyber risk. The risk is no longer just an IT-based risk but a major business risk that is being considered at the Board level. As more regulations are adopted, including global notification requirements and fines & penalties, companies are looking to insurance as an important tool to deal with emerging risks.

RISK TRANSFER AND SERVICES

The current situation has created a major opportunity for the insurance industry to generate revenue and profits on two fronts:

1. Providing cyber risk transfer in the form of cyber insurance policies; and
2. Providing cyberattack prevention and mitigation services to help companies reduce the occurrences of and the impact of a cyberattack.

In this research, the state of the cyber insurance market and the role cyber insurance can play in advancing cyber resilience was analyzed. Three hypotheses were tested:

1. Cyber insurance companies are experiencing a symbiotic transformation of their services along the value chain. Cyber insurers are moving from providing simply risk transfer to offering prevention, mitigation and resolution services.
2. Cyber insurance companies have the unique opportunity to influence and improve cyber risk operations for their customers. The new collaborative model and the larger presence of insurers can be leveraged to create cyber risk awareness and coordination within customer organizations.
3. The cyber insurance market is an immature market in constant transition with potentially important tipping points.

IMPACT: (IC)³ research found that cyber insurers are uniquely positioned to help their customers improve cyber awareness and help them better understand and manage cyber risks. In addition to the growth of policies for cyber risk transfer, the cyber risk insurance value chain is providing a range of cybersecurity services. This offering generates an additional revenue stream and provide an additional form of protection to customers, and also provides valuable data for the insurers regarding cyber risks, cyberattacks, successful mitigations strategies, and financial impact.

(IC)³ welcomes funding from sponsors for general support of the Consortium research, and from organizations interested in funding specific research topics. All sponsors receive invitations to (IC)³ events, websites, newsletters, and other Consortium activities. For more information, contact our Directors Professor Stuart Madnick (smadnick@mit.edu), Dr. Michael Siegel (msiegel@mit.edu) or (IC)³ Executive Director, Dr. Keri Pearlson (kerip@mit.edu).

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¹ This research was done in collaboration with the Geneva Association and the Boston Consulting Group.
² Though it has been noted that the market for data breach/confidentiality incidents has developed over many years much of the remaining market is not nearly as developed.