



# Cybersecurity

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# How It's Changed



Cyber risk is a significant emerging threat to business

**No longer an IT problem; it's a CEO problem**



# Recent Attacks



*Neiman Marcus*

Anthem<sup>®</sup>



**TARGET**

J.P.Morgan



# Regulation Needed

**Increased calls for legislation and regulation for enhanced cybersecurity measures to address numerous risks:**

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- Identity theft
- Business interruption
- Reputation
- Data repair costs
- Theft of customer lists or trade secrets
- Hardware and software repair costs
- Credit monitoring for victims
- Litigation costs



# Cyber Coverage

- Most commercial property and general liability policies do not cover cyber risks
- Cyber insurance policies are highly customized for clients
- New and growing market currently estimated at \$2 billion



# Breaches and Insurance



Two major breaches at health insurance companies discovered in 2015

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## Regulator Response

- Working directly with companies to solve immediate problems
- Monitoring cybersecurity in the insurance sector
- Monitoring solvency of insurance carriers underwriting cybersecurity policies



# Managing Cyber Risk

- Insurance regulators have a unique perspective and wear multiple hats in talking about managing cyber risk
  - Protecting consumers whose data is housed in insurance companies
  - Protecting data housed at insurance departments and at the NAIC
  - Monitoring insurance companies underwriting cyber liability risk



# Regulatory Tools

- NAIC's *Standards for Safeguarding Customer Information Model Regulation*
- NAIC's *Financial Examiner and Market Regulation Handbook*
- Work closely with state and federal law enforcement agencies



# NAIC Response

**Formed the Cybersecurity (EX) Task Force to help coordinate insurance issues related to cybersecurity. The task force will make recommendations and coordinate NAIC efforts regarding:**

- Protection of information housed in insurance departments;
- Protection of consumer information collected by insurers; and
- Collection of information on cyber-liability policies issued in the marketplace.



# Task Force Duties

- Monitor developments in the area of cybersecurity
- Advise, report and make recommendations to NAIC Executive Committee on cybersecurity issues
- Coordinate activities with NAIC committees, task forces, and working groups
- Represent the NAIC and share information where appropriate on cybersecurity issues
- Perform other tasks as assigned by the NAIC Executive Committee relating to cybersecurity



# Task Force Work

- Established Principles for Effective Cybersecurity Insurance Regulatory Guidance
- Developed the Cybersecurity and Identity Theft Coverage Supplement
- Developed a draft Cybersecurity Bill of Rights
- Reviewed all of NAIC existing protocols, model laws, and regulations
- Hosted a cybersecurity forum in partnership with the Center for Strategic and International Studies



# Ethan Sonnichsen

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NAIC Director of Government of Relations



Questions?

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