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

- ONP.M.GOV
- The Home Depot
- Neiman Marcus
- Anthem
- Premera Blue Cross
- Target
- J.P. Morgan
Increased calls for legislation and regulation for enhanced cybersecurity measures to address numerous risks:

- 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
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

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
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

NAIC Director of Government of Relations
Questions?