

Captive Insurance News

Should You Consider Writing Cyberrisk Coverage through Your Captive?



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2014**

Cyberrisk is a hot topic at captive conferences, and a panel of experts at the Connecticut Captive Insurance Association's annual Symposium on Captive Insurance provided a great overview of this expanding risk.

Leon Pintsov, CEO of SignitSure Company, moderated the panel. He stated, "No statistical stability exists for the cyberrisk," making it difficult to underwrite. He went on to outline the progressive multiyear growth in cyberattacks.

Patricia Fisher, president of Janus Associates, outlined several reasons why cyberrisk is increasing in businesses, government agencies, and not-for-profit organizations. They are as follows: (1) lack of a strategic approach, (2) weak organizational processes, (3) third-party service providers creating exposures, (4) rapidly changing technologies, (5) overlooking internal organizational threats, and (6) the lack of rigorous assessments.

Citing [Aon's 2014 Captive Benchmarking Report](#), speaker Thomas Hodson, JLT Towner Insurance Management, commented that only 1 percent of captive owners are funding cyberrisk through their captives. A companion study by Aon indicated that 33 percent of captive directors think cyberrisk is a significant threat to their companies.

Speaker Charles Bellingrath, ARC New England, pointed out that 47 states have enacted security breach laws. States with no security breach law include Alabama, New Mexico, and South Dakota. Mr. Hodson went on to recommend that captives take a three-step approach to insuring cyberrisk: (1) conduct a preunderwriting security audit of the prospective insured, (2) tailor the captive program to the specific needs of the member, and (3) prepare a proactive postevent mitigation program.

The [National Conference of State Legislatures](#) and a [Beazley](#) report both compile state security breach information. In addition to Aon's 2014 Captive Benchmarking Report referenced above, the [April 2014 Symantec Report](#) on cyberrisk and the accompanying appendix of the Symantec Report can be downloaded.

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