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

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Cybersecurity at MIT Sloan brings together thought leaders from industry, academia and government with MIT faculty, researchers and students to address strategy, management, governance and organization of cybersecurity of critical infrastructure using an interdisciplinary approach.

## Managing Risk with Cybersecurity Insurance<sup>1</sup>

Cyber insurance is the newest and fastest growing sector of the insurance industry. Daily front-page news about cyberattacks, increasing government regulation, and insurance industry awareness are all raising the profile of cyber risk. This is no longer just an IT concern but a major business risk that is being considered at the Board level. As more regulations are adopted, including global notification requirements, fines, and penalties, companies look 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 risk transfer in the form of cyber insurance policies; and
2. Providing cyberattack prevention and mitigation services to help companies reduce occurrences and impact of cyberattacks.

This research analyzed the state of the cyber insurance market and the role cyber insurance can play in advancing cyber resilience. 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<sup>2</sup> market, in constant transition, with potentially important tipping points.

**IMPACT:** This 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 an additional form of protection for customers. It also provides valuable data for the insurers regarding cyber risks, cyberattacks, successful mitigations strategies, and financial impact.

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<sup>1</sup> This research was done in collaboration with the Geneva Association and the Boston Consulting Group.

<sup>2</sup> 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.