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# Going Digital and Remaining Safe

Sylvia Cronin – 13 September 2018

## Key Topics

- 1 Cyber Risk: An evolving and emerging risk.
- 2 Operational Risk: Developing Cyber Resilience.
- 3 Underwriting Risk: The Underwriting of Cyber Insurance.
- 4 The Regulatory Response



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# Digital Environment: an evolving and emerging risk

# An evolving and emerging risk

Top 5 Global Risks in Terms of Likelihood

| 2012                            | 2013                               | 2014                             | 2015  | 2016  | 2017                                 | 2018  |
|---------------------------------|------------------------------------|----------------------------------|---|---|--------------------------------------|---|
| Severe income disparity         | Severe income disparity            | Income disparity                 | Interstate conflict with regional consequences  | Large-scale involuntary migration                   | Extreme weather events               | Extreme weather events                              |
| Chronic fiscal imbalances       | Chronic fiscal imbalances          | Extreme weather events           | Extreme weather events                          | Extreme weather events                              | Large-scale involuntary migration    | Natural disasters                                   |
| Rising greenhouse gas emissions | Rising greenhouse gas emissions    | Unemployment and underemployment | Failure of national governance                  | Failure of climate-change mitigation and adaptation | Major natural disasters              | Cyberattacks  |
| Cyber attacks                   | Water supply crises                | Climate change                   | State collapse or crisis                        | Interstate conflict with regional consequences      | Large-scale terrorist attacks        | Data fraud or theft                                 |
| Water supply crises             | Mismanagement of population ageing | Cyber attacks                    | High structural unemployment or underemployment | Major natural catastrophes                          | Massive incident of data fraud/theft | Failure of climate-change mitigation and adaptation |



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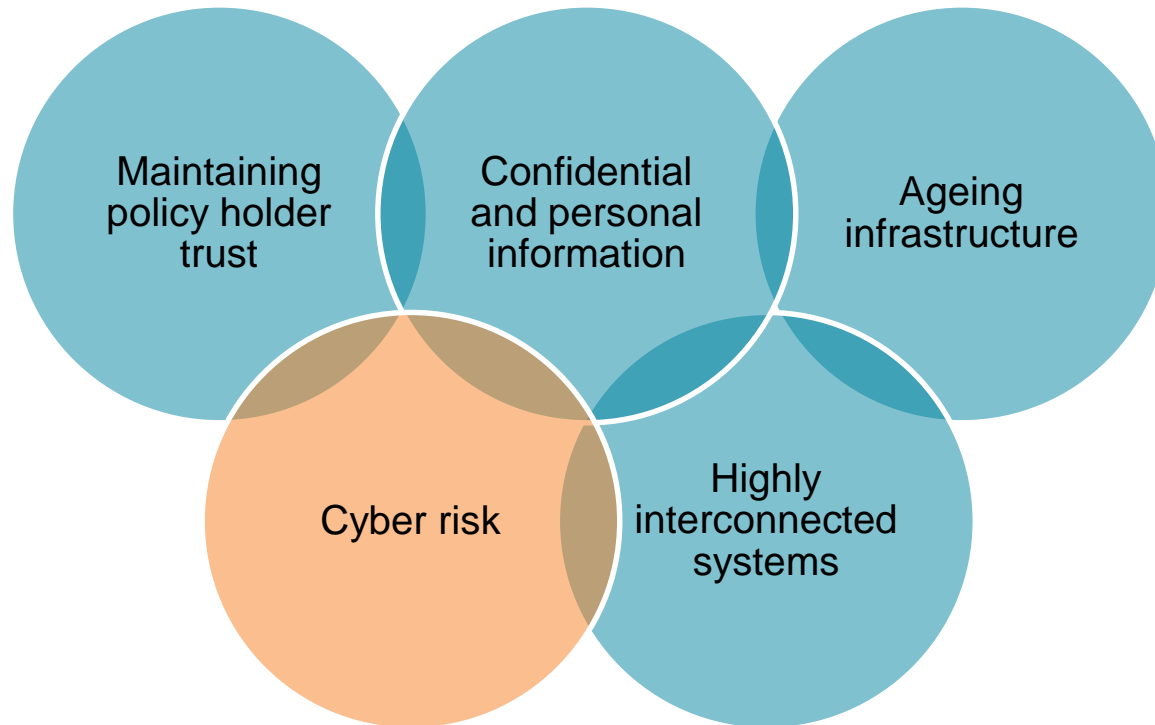
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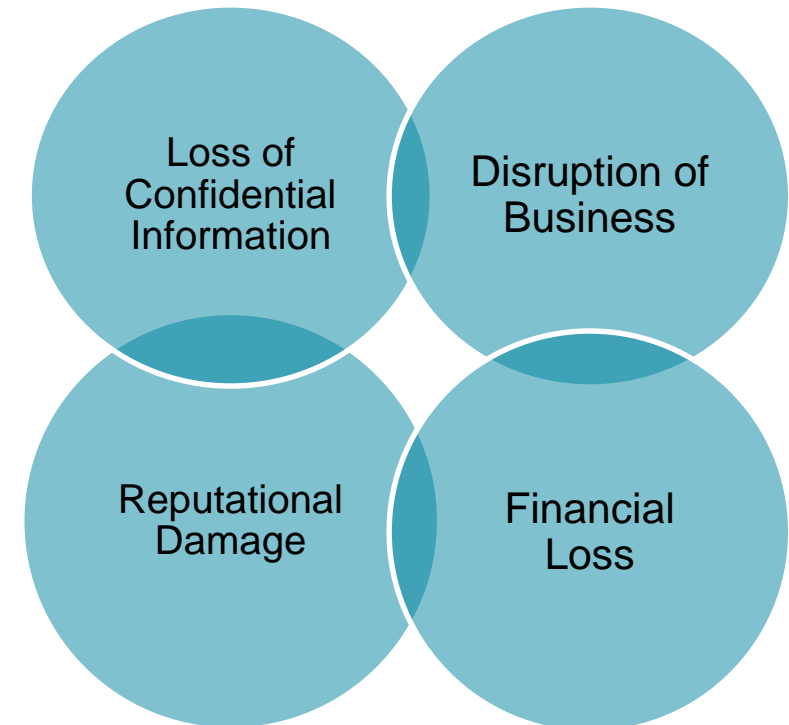
# The Operational Risk: Cyber Risk

# Increased Exposure & Increased Impact

## Challenges for Insurers



## Potential Impact of Cyber Risk



## Recent regulatory activity by the Central Bank of Ireland

2012

Financial Institution

- Prolonged IT failure impacting over 600K customers
- Fined €3.5m for regulatory failings combined with €59m redress scheme for customers.
- **Key Factor:** Failure to put in place robust governance arrangements surrounding IT outsourcing to parent company.

2018

Asset Management Firm

- Clients' email compromised by hackers who impersonated client.
- Instructed a number of transactions resulting in the loss of €650,000 in clients' funds
- **Key Factor:** Failure of security and regulatory controls with respect to the management of client assets.



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# The Underwriting Risk: Cyber Risk Insurance



## Key challenges for Cyber Insurance Underwriters

Limited availability of historical data

Accumulation Risk

'Silent' Cyber Exposures



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# Cyber Insurance: Risk Mitigation





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# The Regulatory Response

# Regulation in a rapidly changing environment



Ensuring a level playing field for innovation and competition

Ensuring Financial Stability and Consumer Protection



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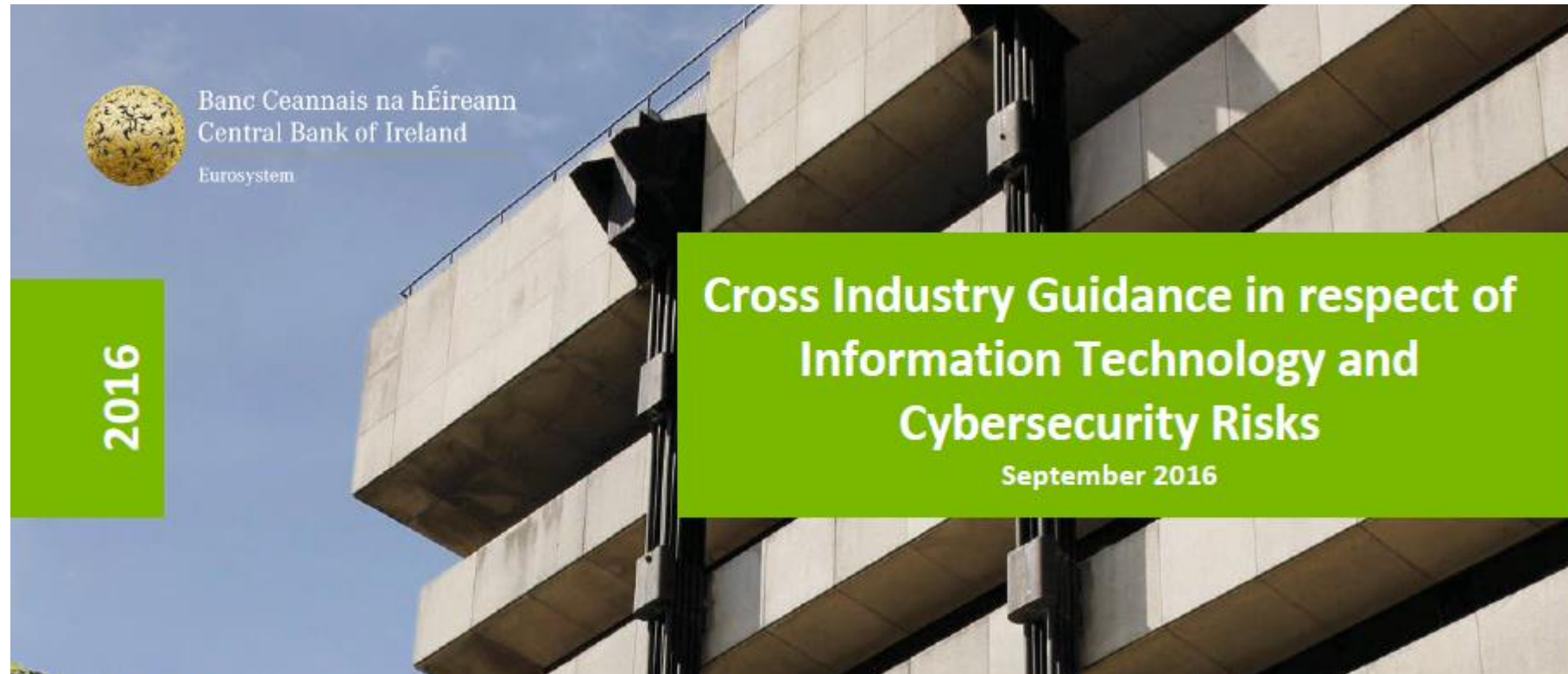
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# Cyber Risk: Key regulatory priorities for 2018

*'For a more competitive and innovative financial market'*



# Cyber Risk: Central Bank of Ireland



## Other Collaborative Measures



Understanding Cyber Insurance: A structured dialogue with Insurance Companies

2018 Stress Test: Gathering information on Cyber Risk and Cyber Insurance Underwriting



EU-US Insurance Dialogue Project

Bilateral dialogue to share information and knowledge regarding Cyber Risk and Cyber Insurance



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**Thank you !**