

Allianz Global Corporate & Specialty

# Cyber Risks – Insurance Solutions

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Karolina Vogelpohl, Regional Manager  
Financial Lines Nordics, Russia & CIS, Turkey

**Allianz** 

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- 1** Digitalization – Landscape, threats and impacts
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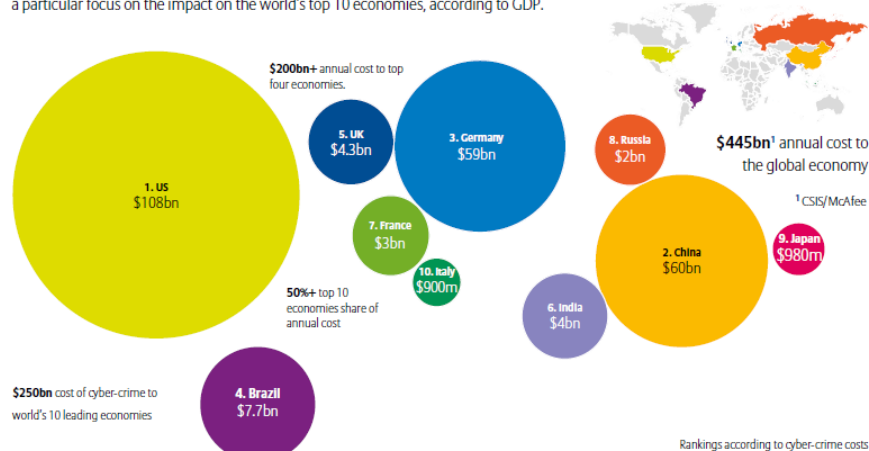
# The Cyber Threat is Real!

There are two types of companies: those that were attacked and those that will be

**71%** of consumers said they would leave an organisation after a data breach<sup>1)</sup>

## How much does cyber-crime cost the world's leading 10 economies?

This AGCS atlas examines the estimated total cost to the global economy from cyber-crime per year, with a particular focus on the impact on the world's top 10 economies, according to GDP.



Sources: <sup>1</sup>World Bank (2013) <sup>2</sup>Net Losses: Estimating the Global Cost of Cyber-Crime, CSIS/McAfee <sup>3</sup>Allianz Global Corporate & Specialty

1) Source: Edelman Privacy Risk Index



Firemen struggle to extinguish the blaze at the Baku-Tbilisi-Ceyhan (BTC) pipeline near the eastern Turkish city of Erzincan on Aug. 7, 2008. The BTC pipeline was burning from an explosion on Aug. 6, and was not reopened until Aug. 25, 2008. Photographer: Anatolian-Muhammet Isprili/Corbis



Source: Bloomberg

# Impact of a Cyber Attack

The financial impact of data breach is increasing



## Cyber breach

- Loss of critical data
- Loss of Client information

## Reputation damage

- Adverse media coverage
- Communication crisis

## Clients loose confidence

- Client outflow
- Decreased market share

## Financial impact

- Decrease in revenue
- Additional costs
- Decrease of profit

## Shareholder value drop

- Class actions
- Possible regulatory action



## Increased regulatory requirements

An attack can be just the beginning

Raise of Internet services (and Internet crime) lead to new legislation:

- In 2002, California enacted the first Security Breach and Notification law
- in the same year the EU published the E- Privacy Directive 2002/58

Over the next 13 years the regulation has increasingly hardened:

- In the US: obligatory notification of data subjects (also health records).  
Fines vary by state
- mandatory notification for EU Telecoms since 2009
- EU draft “General Data Protection Regulation” proposes fines of up to 2% of annual global revenue
- May 2015 the Netherlands: failure to notify all affected individuals results in a fine of 800.000 EUR or 10% of global revenue
- Mind the divergent interest! (delay, notification, traffic monitoring, audits)

► Fines can reach up to 10% of the annual global revenue

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# Cyber Exposures

## Dimensions of Loss in a Cyber Incident

### For you

- Business Interruption
- Damaged Reputation
- Cyber theft or extortion
- Additional costs incurred to respond:
  - ☐ Data restoration
  - ☐ Notification Costs
  - ☐ Communication Crisis
  - ☐ Legal costs
  - ☐ Forensics

### For your counterparties

- Breach of private data
- Breach of confidential corporate information
- Network Liability: Third party loss due to cyber attack against company
- Violation of rights via publications on digital media
- E-Payment fines

### Regulatory

- Worldwide trend to extended notification requirements
- EU draft “General Data Protection Regulation” includes fines of up to 2% of annual global turnover
- Legal costs for regulatory proceedings



# Product Overview

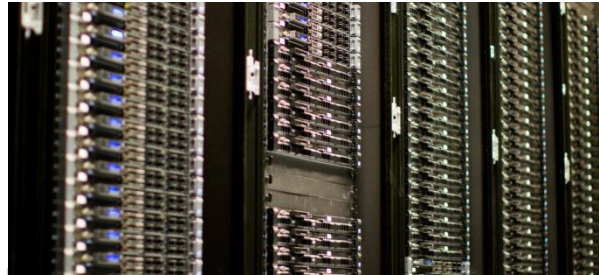
1<sup>st</sup> party damages

## Non-damage BI



- Targetted Cyber Attack
- Operational Error (human Error)
- Technical Failure (unforeseen)

## Restoration Costs



- Additional work and expenses for rebuilding the Computer System

## Computer System



- Any IT system
- Industrial Control System (ISC)

## Notification & Legal Costs



## Hacker Theft



## Cyber Extortion



# Cyber Insurance

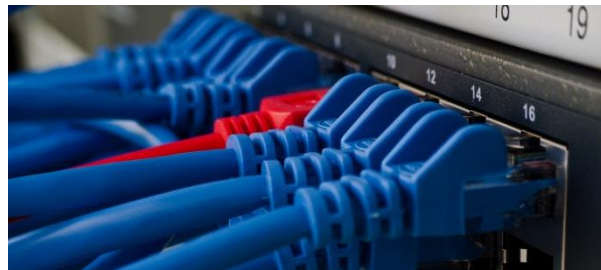
## 3<sup>rd</sup> party damages

### Privacy & Data Breach



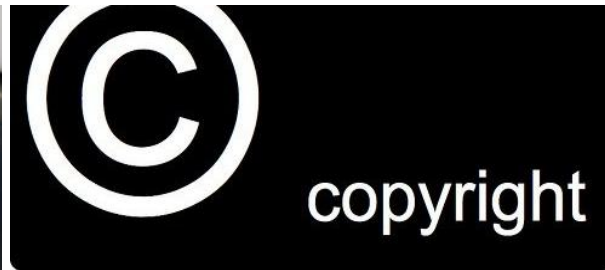
- Mistake in the programmed security software and confidential customer data is stolen
- Breach of confidential corporate information

### Network Security



- In a cloud application, a „Denial-of-Service Attack“ or targeted viruses cause a system break down. The customers have no option to access their data.

### Media Liability



- Breach against brand/privacy or competition law during an online-campaign

### E-payment Fines



# Cyber Insurance Services

## Consultant Services



Compensation of **Public Relation Expenses** to prevent or reduce the effects of negative publicity.

## Crisis Communication

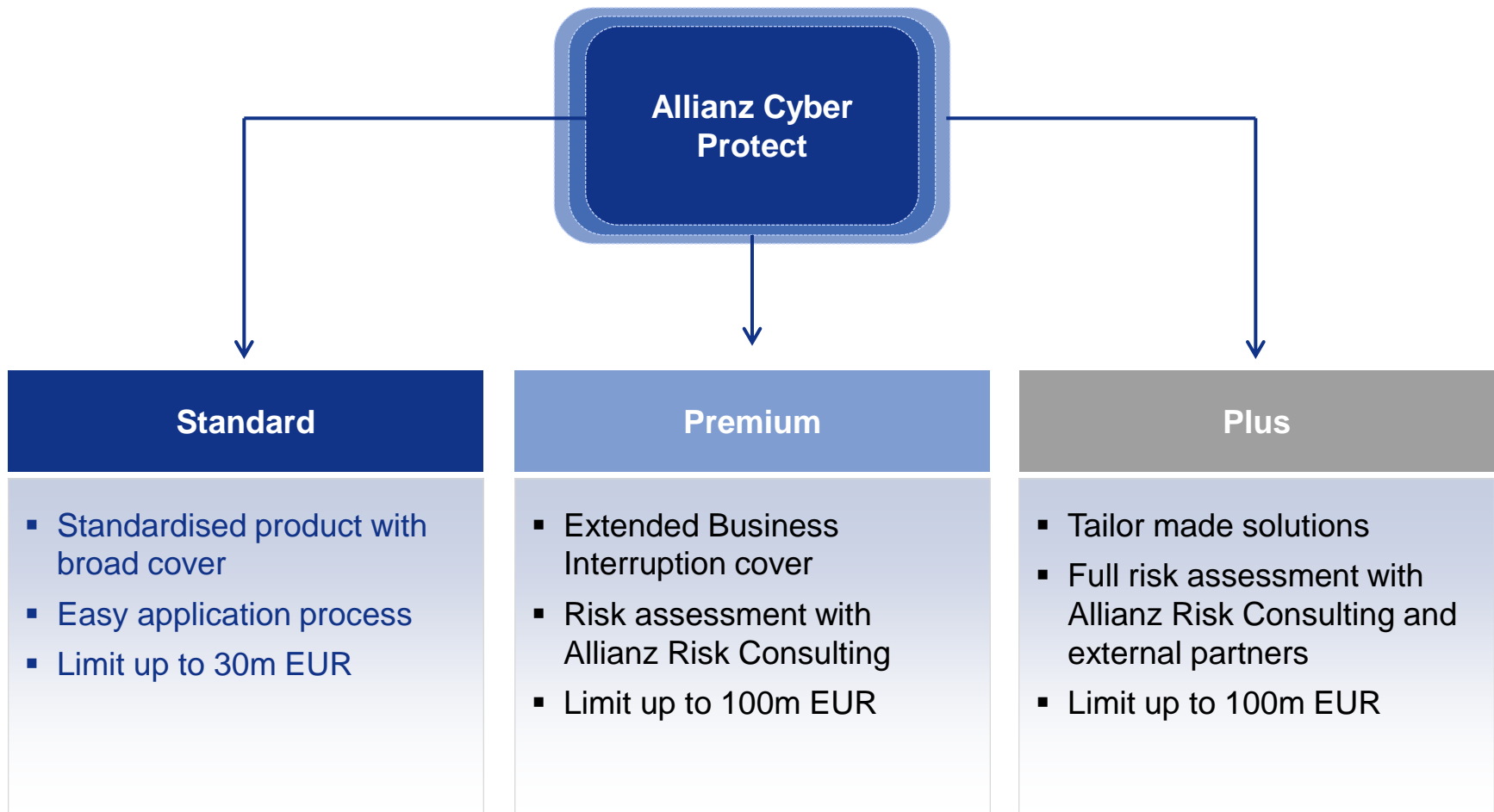


### Compensation of **Consultant Costs**:

- in order to prove the amount and the extent of a covered Loss and to investigate the source of such Loss and adequate steps to mitigate it
- in case that the Insured on the ground of facts reasonably suspects a Privacy Breach, Cyber Attack or Business Interruption Event

# Allianz Cyber Protect (overview)

Different products for different needs



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## TV station's systems are breached by hackers

Damage from Cyber attack can be sustained on multiple levels

- The station had modern and up-to-date systems
- 11 channels stop broadcasting for almost a day
- company website is altered by hackers
- control is lost also over social media streams
- despite the deceiving content, trail leads to Russia

### **Damage to the company:**

- Breached security
- Business Interruption
- Damage to reputation



### **Available covers**

- Forensic Costs
- Business Interruption
- Reputation Consultants

► No one would see you win, but the whole world would see you loose



# Escalation of Cyber extortion leads to a massive bank data leak

Large data aggregators face additional risks and special regulations

- Hacker informs the bank that he obtained its clients database
- The bank chooses not to respond to threats
- The hacker informs specialist newspapers of the breach and eventually publishes a significant extract of client data, including accounts history
- One client reports that money was stolen from his account
- Regulator launches an investigation into bank's security policies

## Damage to the company

- Cyber Extortion
- Personal records leakage
- Regulatory Fine
- Damage to reputation



## Available covers

- Cyber extortion
- Reputation Consultants
- Regulatory Fines & Penalties
- Forensic Costs
- Notification Costs
- 3<sup>rd</sup> party Claims

► Inadequate action can result in clients outflow and shareholder class action



# Airline flight plan system shutdown grounds multiple planes

Be it hacker attack or employee error, reputation needs to be saved

- The system responsible for issuing flight plans stops working
- The planes are fully operational but they are not permitted to take off
- Initial press release indicated Cyber breach
- Outage is resolved after a couple of hours
- Experts point out that it might have been employee error



## Damage to the company

- Business interruption
- Reputation, Reputation, Reputation!

## Available covers

- Reputation Consultants
- Business interruption with multiple triggers!
- Forensic Costs

# Massive customer database stolen from a telecom company

Phishing and social engineering are a severe threat to large organization

- In 2013 and 2014 two telecommunications companies were hacked
- The hackers stole massive databases of clients
- EU telecoms have the obligation to notify data subjects when their privacy is breached
- Additionally, in 2014 a DDoS attack shut down an Internet service provider in the Netherlands

## Damage to the company

- Privacy breach, loss of client data
- System security restitution
- Business Interruption
- Reputation



## Available covers

- Forensic Costs
- Business Interruption
- Notification Costs
- 3rd party privacy Claims
- Reputation Consultants

► Notification of data subjects can cost up to 5 EUR per user

# Summary

Exposure		Allianz Cyber Protect
▪ Privacy breach claims of clients	➤	▪ Privacy Breach cover: damages + defence costs
▪ Credit card provider claims, contractual penalties	➤	▪ Network security claims cover + E-Payment cover for penalties
▪ Forensic Costs	➤	▪ IT Consultant cost cover
▪ Notification Costs	➤	▪ Response cost cover
▪ Regulatory proceedings	➤	▪ Regulatory cover: legal costs + fines (if permitted)
▪ Drop of sales	➤	▪ Crisis Communication Cover

## Allianz Global Corporate & Specialty

Your contact

For further information please contact:

**Karolina Vogelpohl**

Regional Manager Financial Lines Nordics,  
Russia & CIS, Turkey

Telephone: +49 89 3800 6685

Email: [karolina.vogelpohl@allianz.com](mailto:karolina.vogelpohl@allianz.com)

