
The Cyber Insurance Handbook Taster

Key trends and market mapping

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Executive Summary: Market Drivers

The cyber insurance market value chain is spread out between insurers, reinsurers, specialty carriers and brokers, cybersecurity consulting firms, cybersecurity software firms, insurance technology providers, and risk managers. While each of these actors has a legitimate stake, the number and diversity of offerings can be confusing.

A cybersecurity protocol: While the perception of the cyber risk by C-level executives is quite high, there exists great confusion in the design and application of a coherent cybersecurity protocol. Understanding the impact of different measures on a quantified risk can greatly help decision-makers to shape their strategy.

Insurance companies, specifically insurance carriers, have two identifiable challenges with cyber insurance: design and distribution. On the design side, insurance companies have to balance risk vs added value. On the distribution side, differentiating from the competition is very hard as products are often very different, and perception of the risk can vary between clients. Some insurers are having a hard time selling and keeping policyholders satisfied. They identify insufficient understanding of cybersecurity across the value chain (brokers/agents, policyholders). Cyber and insurance technology providers are investing to provide the analytical solutions to quantify and understand this growing risk class.

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Difficulty understanding the probability of loss (i.e. exceedance probability) from different forms of cyber events continues to restrict adequate risk transfer, an integral part of any growing line of business.

Difficulty modeling risk from cyber threats in the commercial insurance business has created opportunities for a growing number of startups to offer security benchmarking — the industry’s term for comparing the relative security of companies’ networks and systems. Insurance companies can then use these security benchmarking tools to make smarter underwriting decisions around cyber liability. Some startups also provide FICO-like scores around company risk profiles.

“Most small businesses are under the risk of a cyberattack”

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Personal lines are an emerging topic of interest for insurance companies.

The emerging value proposition tries to cater to the growing concerns from individuals regarding the safety of their personal data, but also the consequences of identity theft and cyber bullying on personal lives. While the problem statement is very clear, the product itself is much less. Underwriting also has its challenges.

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This report was written by the Plug and Play Insurtech Europe Ventures and Corporate Account Management teams.

Plug and Play's European insurance practice is striving to shed light on market-transforming trends for its corporate partners through bespoke research.

If you wish to benefit from Plug and Play's investment research insights, the authors will gladly receive your request.

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