

Disruptors could enter cyber market if insurers do not innovate - PwC

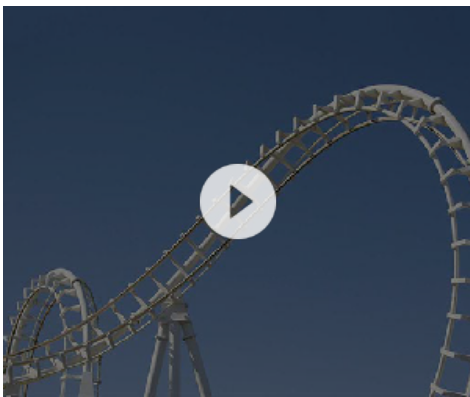
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PwC says overly onerous terms and conditions could also invite regulatory action or litigation against insurers

Disruptors could move in and corner the cyber market if insurers do not innovate, the PwC has warned.

A new report by PwC said the global cyber insurance market could grow to \$5bn in annual premiums by 2018 and at least \$7.5bn by the end of the decade.



The *Insurance 2020 & beyond: Reaping the dividends of cyber resilience* report revealed that 61% of business leaders across all industries see cyber attacks as a threat to the growth of their business.

In 2014 there was around 100,000 global security incidents a day.

PwC insurance partner Paul Delbridge said if insurers continued to simply rely on tight blanket policy restrictions and conservative pricing strategies to cushion the uncertainty, they were at “serious risk of missing a rare market opportunity” to secure high margins in a soft market.

Delbridge added: “As boards become increasingly focused on the need for safeguards against the most damaging cyber attacks, insurers will find their clients questioning how much real value is offered in their current policies.

“If the industry takes too long to innovate, there is a real risk that a disruptor will move in and corner the market with aggressive pricing and more favourable terms.

“Given the high costs of coverage, the limits imposed, the tight terms and conditions and the restrictions on whether policyholders can claim, many policyholders are questioning whether their policies are delivering real value.

“There is also a real possibility that overly onerous terms and conditions could invite regulatory action or litigation against insurers.”

PwC said that insurers, reinsurers and brokers could capitalise on the cyber risk opportunity whilst managing the exposures.

The exposures can be managed by robustly modelling exposures and potential losses, partnering, sharing and coordinating with technology companies and intelligence agencies and making coverage conditional depending on a policyholder's vulnerabilities.

Delbridge said insurers also needed to invest in their own cyber security.

He added: "A business which can't protect itself can't expect policyholders to trust them to protect and advise them.

"Given the huge volume of medical, financial and other sensitive information they hold, it is critical that insurers have closely monitored, highly effective cyber security frameworks in place.

"Sustaining credibility in the cyber risk market is crucial when looking to become a leader in this fast growing market."

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 Tel: +44 (0) 20 7618 3456 Email: firstname.surname@insurancetimes.co.uk

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