



**FSM CIC
Captive
Insurance
Seminar**

**20 October 2016
Tokyo, Japan**

Cyber Risk Market Overview

Prepared by Aon Risk Solutions

Proprietary & Confidential



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 - Protecting yourself and the entity pre-breach and post-breach and through insurance

2016 Aon Captive Cyber Benchmarking Survey

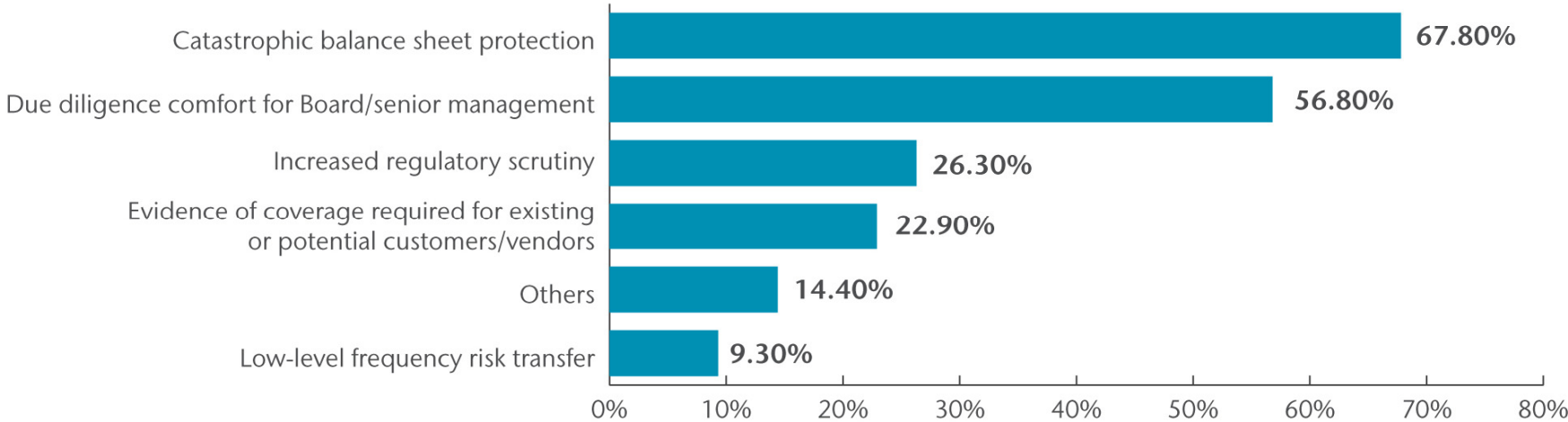
Topics	Data Holders	Product Risk	Critical Infrastructure	Transportation	Heavy Industry
Top Cyber Risk Concern	Post Breach Business Interruption	Business Interruption	Business Interruption	Business Interruption	Business Interruption
Lowest Cyber Risk Concern	Bodily Injury/Property Damage	Bodily Injury/Property Damage	Data & System Restoration	Loss of IP	Bodily Injury/Property Damage
Use of Risk Assessment to inform Coverage/limits	51%	75%	59%	70%	56%
Rationale for buying cover	Board Due Diligence (80%)	Balance Sheet Protection (58%)	Balance Sheet Protection (71%)	Balance Sheet Protection (64%)	Board Due Diligence (56%)
Who is buying	70%	17%	29%	33%	33%
Limits (m)	USD 10-25	USD 10-25	>USD 100	USD 10-25	USD 10-25
Budgeted for Cyber Cover	74%	31%	41%	9%	33%

Source: 2016 Aon Captive Cyber Benchmarking Survey by Industry
 Cyber—The Fast Moving Target: Benchmarking views and attitudes by industry: <http://www.aon.com/risk-services/cyber.jsp>

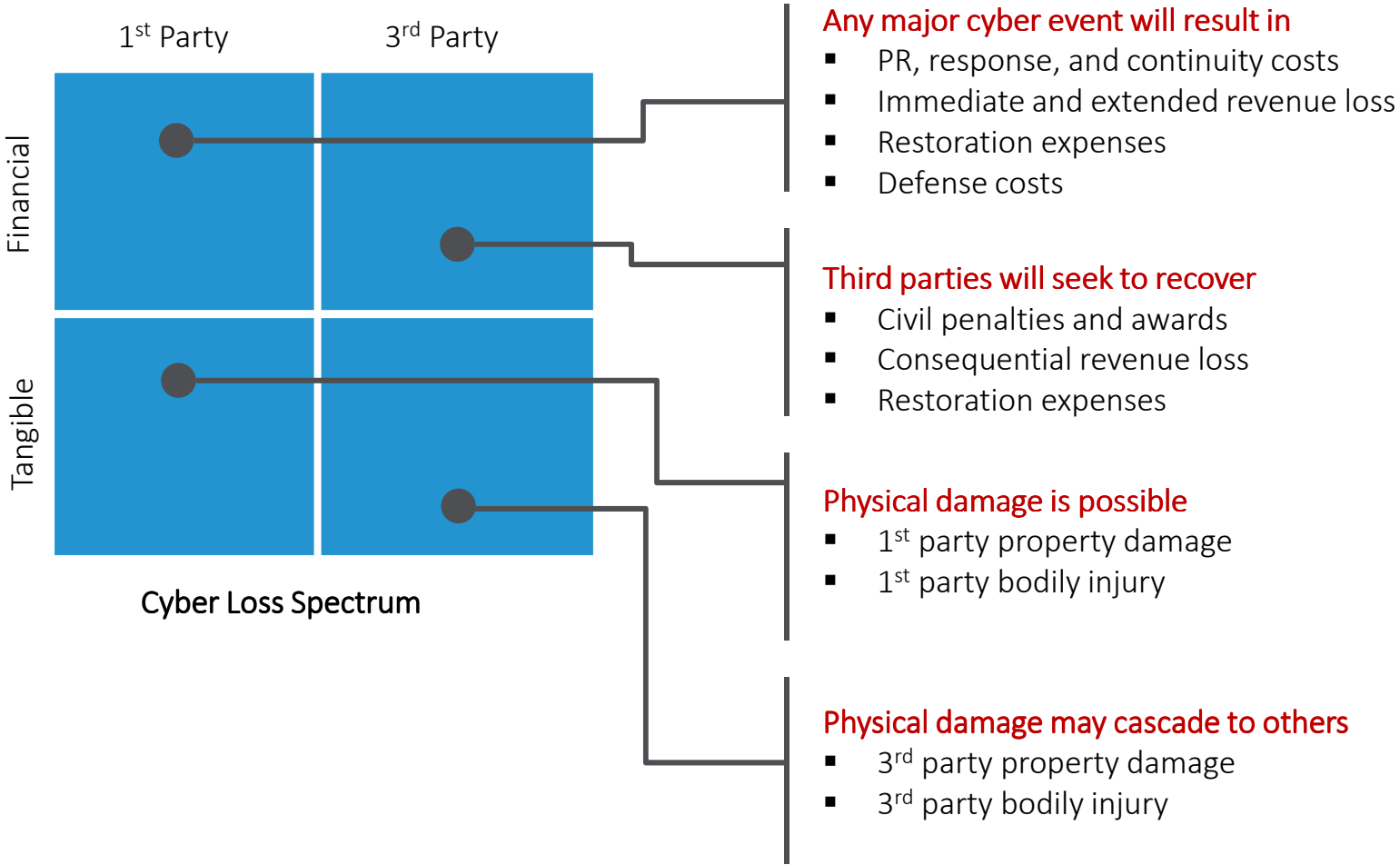
Cyber Insurance For Balance Sheet Protection

“With the average estimated cost of a data breach reaching USD 3.8 million, and catastrophic breaches resulting in cyber insurance limits losses in excess of USD 100 million, it is not surprising that the majority of survey participants have listed balance sheet protection as the main reason for purchasing or considering insurance to cover catastrophic exposures.”

Source: 2016 Aon Captive Cyber Benchmarking Survey by Industry
Cyber—The Fast Moving Target: Benchmarking views and attitudes by industry:
<http://www.aon.com/risk-services/cyber.jsp>

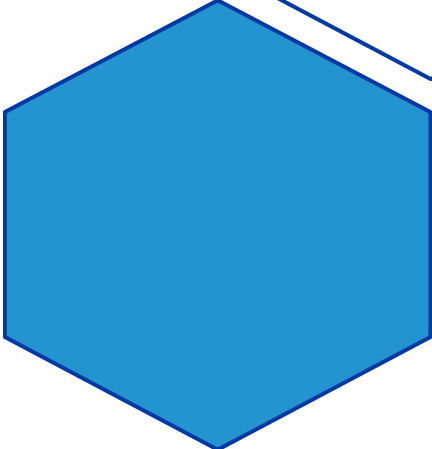


Cyber Risk Impacts All Loss Quadrants



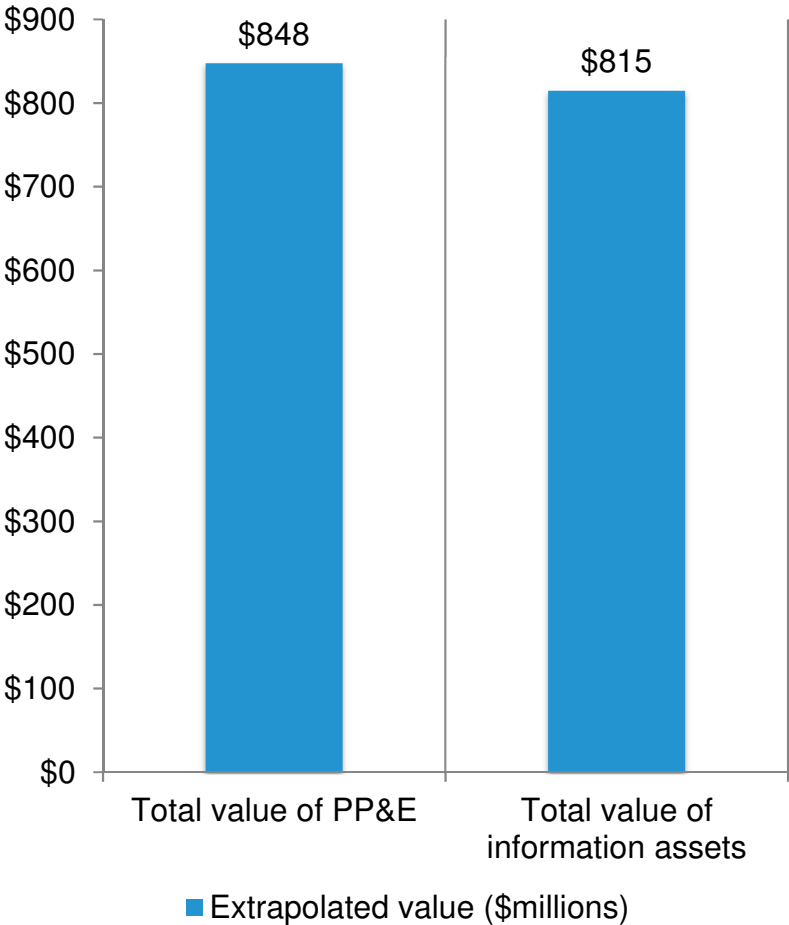


Cyber Risk in Asia

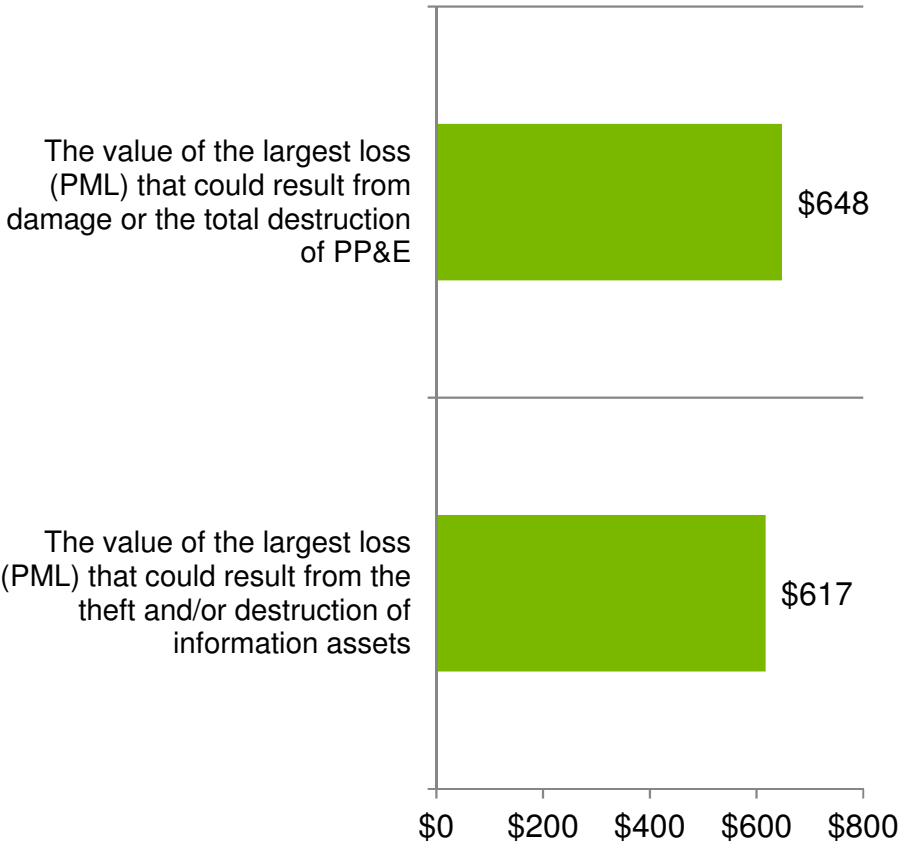


2015 Global Cyber Financial Impact Report

Valuing Tangible and Intangible Assets



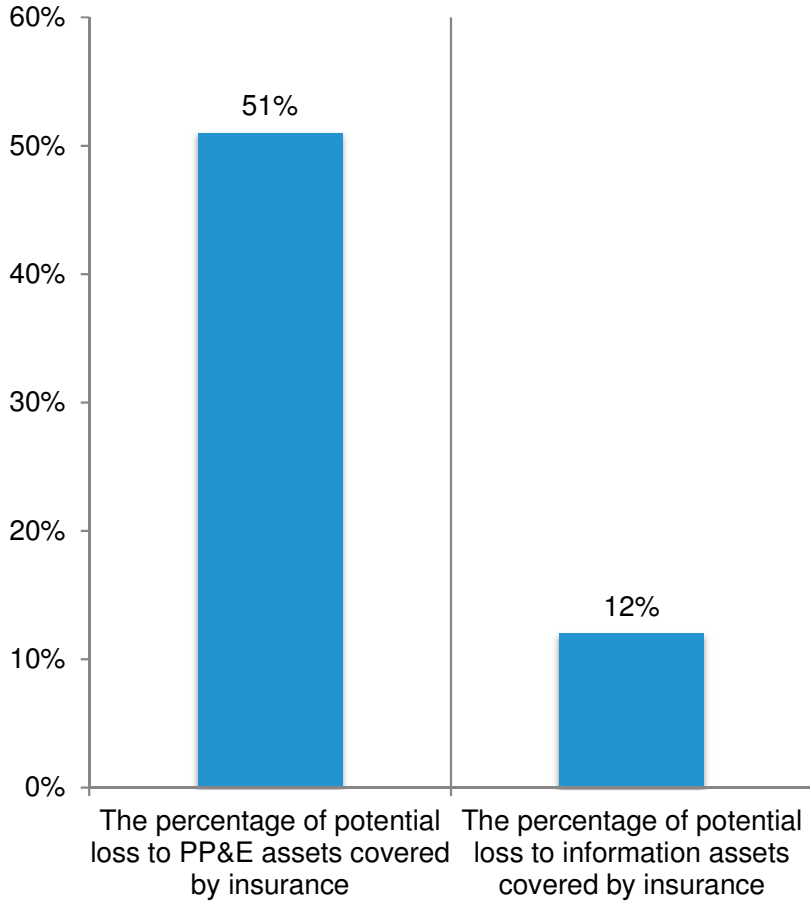
Estimating Loss to Tangible and Intangible Assets



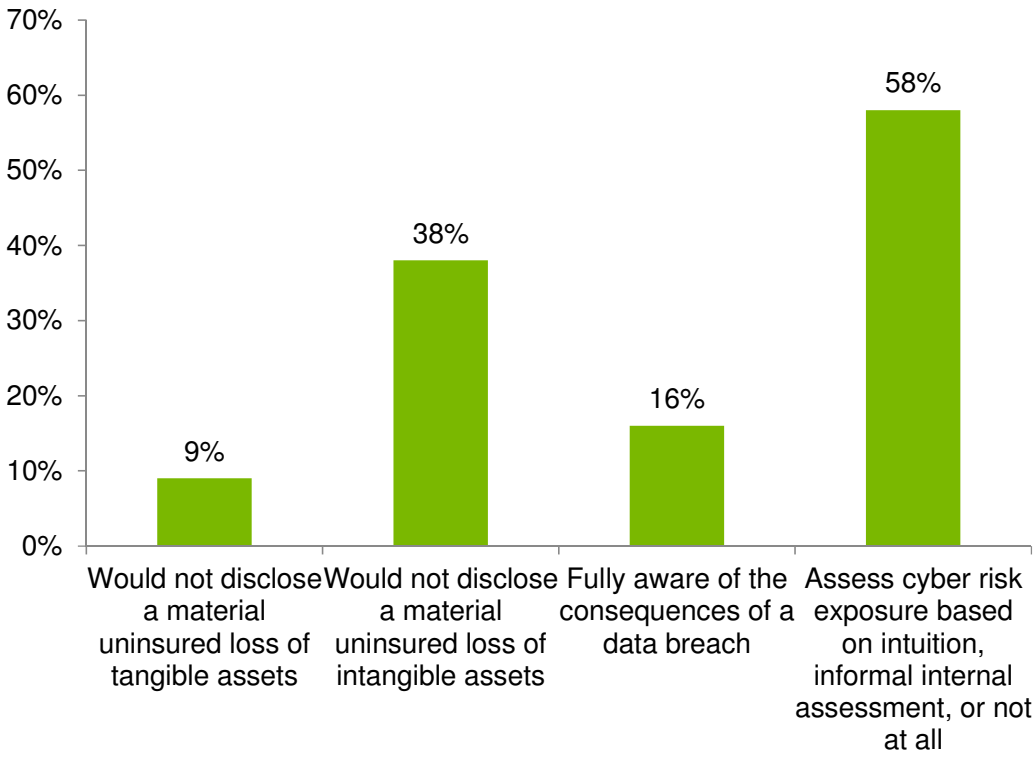
Source: Aon/Ponemon 2015 Global Cyber Impact Study
 Risk. Reinsurance. Human Resources

2015 Global Cyber Financial Impact Report

Insuring Tangible and Intangible Assets



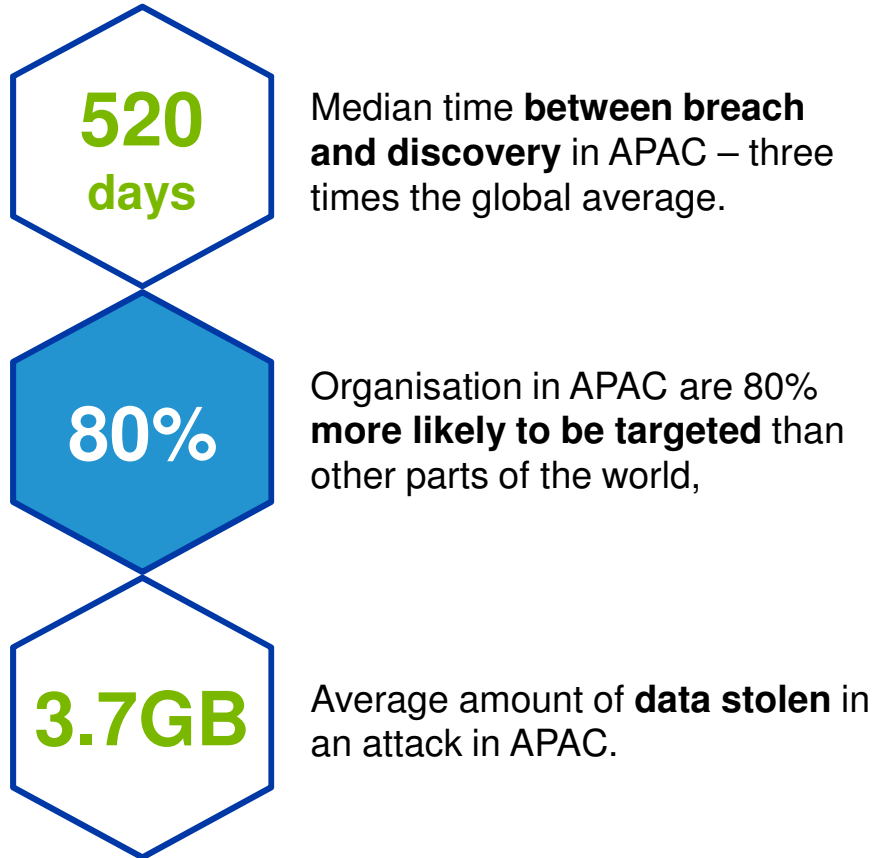
Cyber risk awareness among APAC businesses



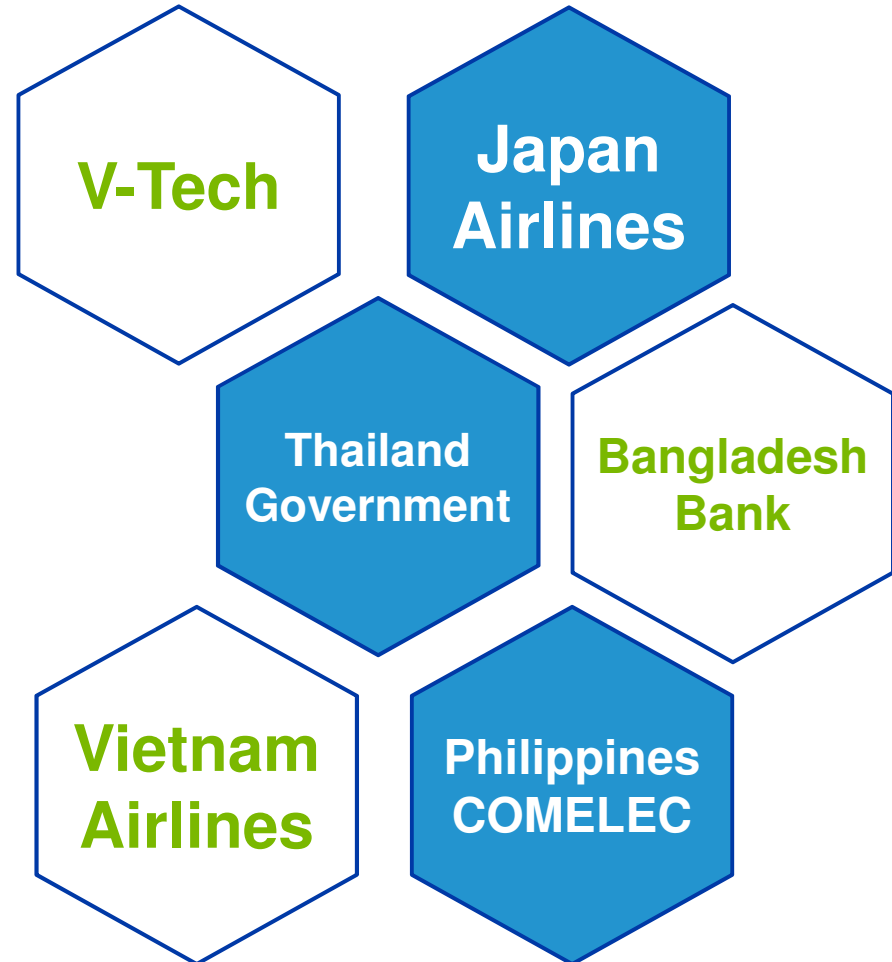
Source: Aon/Ponemon 2015 Global Cyber Impact Study



Cyber Risk in Asia



Source: Mandiant M-Trends Asia Pacific



Market Trends – Attack Trends

2015 (and early 2016) has seen, largely, a **continuation of trends** in relation to cyber-attacks.

The majority of perpetrators are still **external actors**, the primary motive remains **financial gain** and phishing and particularly **spear phishing** attacks remain dominant.

Spear phishing **attacks targeting employees** have increased by 55 percent in 2015.

Social engineering has increased in frequency and public recognition.

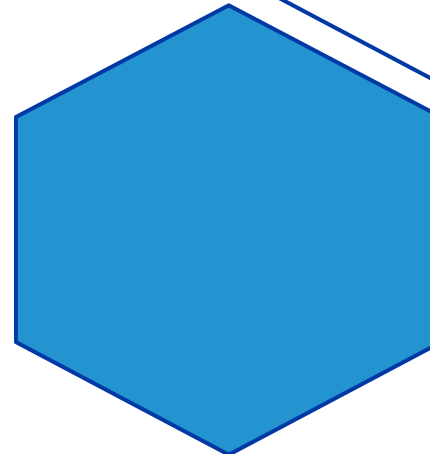
There has also been an **increase in ransomware** attacks – up 35 percent in 2015.

DD4BC (Distributed Denial of Service for Bitcoin) attacks have been common, with **smaller scale attacks** launched initially along with a modest demand for payment, with the threat of increased attacks if the demand is not met.

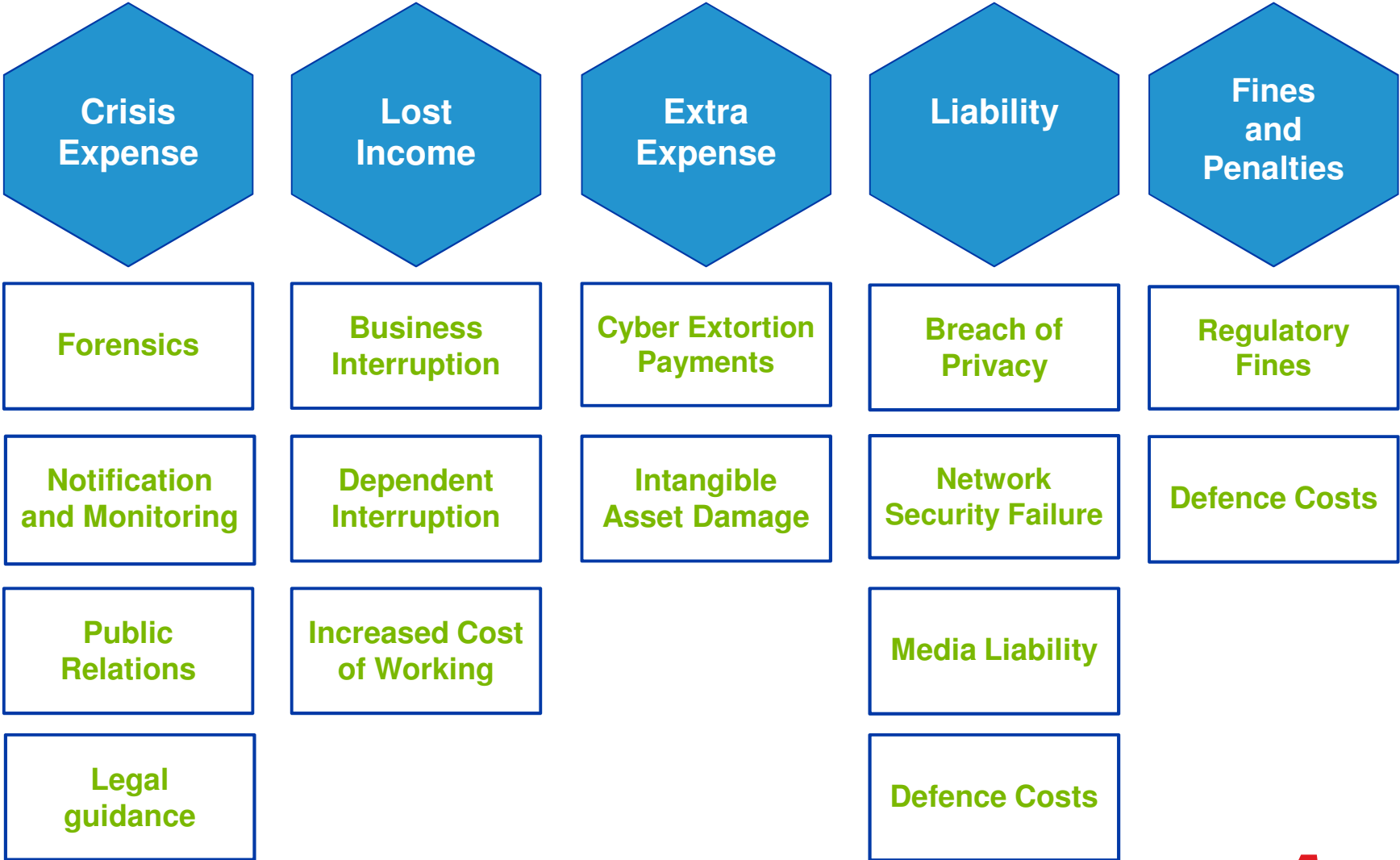
Source: Symantec's Internet Security Threat Report 2016



Cyber Risk Transfer

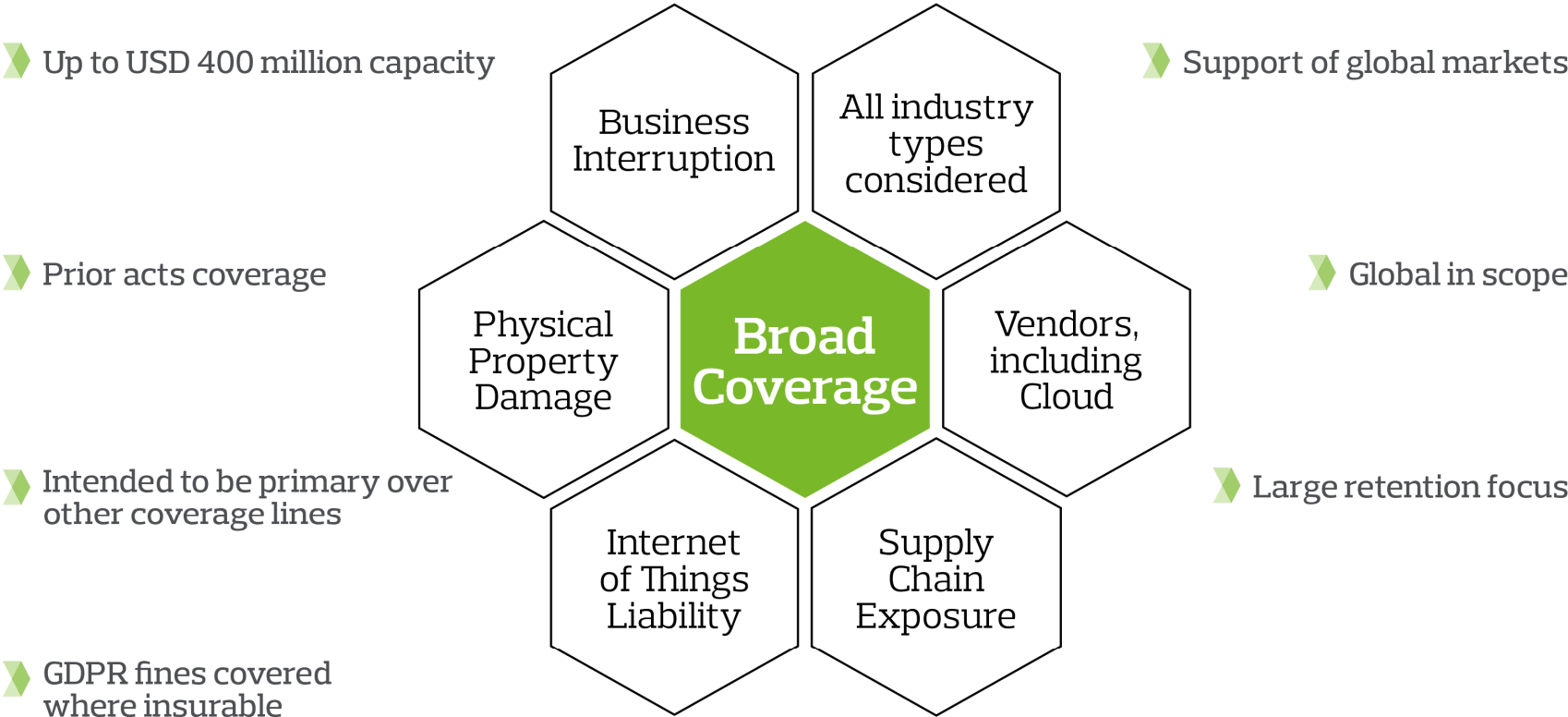


Cyber Risk Transfer – Attack Costs



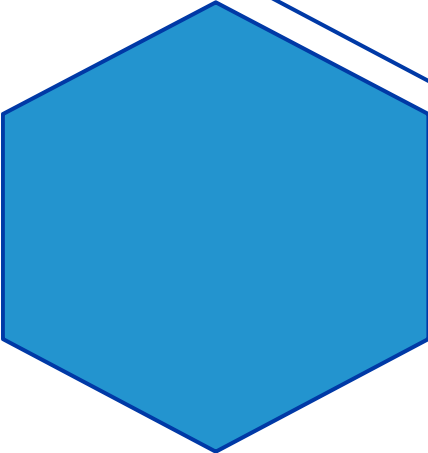
Aon Cyber Enterprise Solution™: an overview

Created through close collaboration between Aon's cyber, property and product liability teams in the US, London and Bermuda, Aon Cyber Enterprise Solution™ is a compelling proposition for clients:





**Director &
Officer
Exposure**



Actions against Directors

Target

May 2016 – Minnesota Federal Court dismisses consolidated action by Target shareholders arising from major data breach in 2013.

Shareholders alleged gross mismanagement and breach of fiduciary duty by directors in failing to implement controls to prevent the data breach.

A Special Litigation Committee conducted an extensive 21 month investigation and recommended that the claim be dismissed,

Home Depot

September 2015 – shareholder derivative lawsuit filed against 12 directors, alleging a breach of fiduciary duties of good faith and due care by failing to safeguard information.

The claim cites the Target and Neiman Marcus breaches as evidence of fair warning to the board that an attack was predictable.

Wyndham

October 2014 – Derivative action against Directors dismissed. Action followed a series of data breaches in 2008 and 2009.

Plaintiffs argued that senior executives failed to take sufficient steps to protect sensitive information. Court found no “bad faith” on the part of the board.

Heartland

2009 – Shareholders claimed that Heartland – which suffered a major data breach, compromising the personal data of millions of individuals - had previously concealed an attack and made fraudulent representations regarding cyber security.

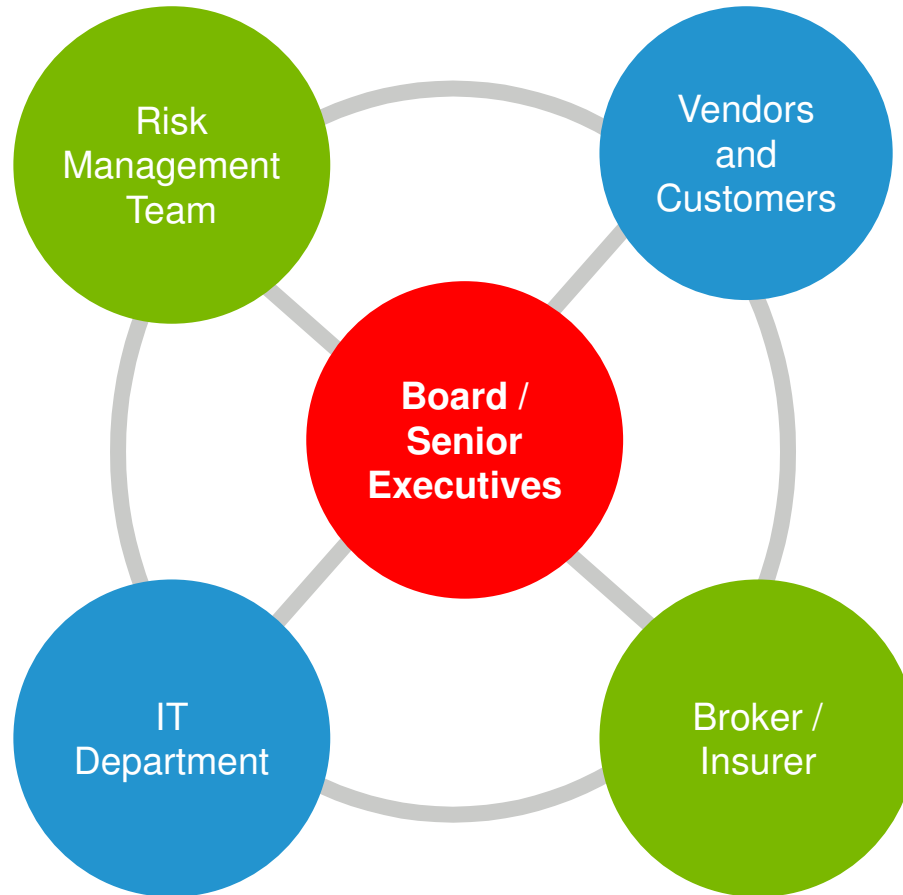
Court dismissed the action, as the allegation that D&Os knew the security systems to be deficient was not particularised.

Board Level Mitigation

Ensure that there are up to date policies and plans in place for data protection, incident response and business continuity

Manage the dialogue between your IT and Risk teams.

Know and meet regularly with your Information Security / IT Team. Understand incidents or “near misses”.



Understand your contracts with your customers and vendors. What risks are you assuming? Who is required to maintain insurance?

Know your external experts and reporting obligations when a cyber event occurs

Review your risks with your insurance broker and insurer continually. Insurance coverage is negotiable.



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