



CYBER INSURANCE WON'T COVER EVERYTHING

Let me begin by saying you should have cyber insurance. Considering it too expensive or a waste of money is like saying fire insurance is a waste of money.

Both are costly, until they are needed. Then they are a very good value.

A recent change in cyber insurance is worth noting. AXA, a major insurer, will no longer cover ransomware payments for policyholders in France. The underlying reason for this is the view by many that insurance coverage for ransomware payments is driving up the ransom demanded, and the willingness to pay by attacked companies.

Cyber insurance is viewed as a way to shift risk from a company to the insurer. And AXA is refusing to catch that ball.

The hope is that by refusing to cover ransomware payments, companies will take cybersecurity more seriously.

Cyberbreaches are expensive. Taking everything into account, the average cost in the United States has topped \$6.5 million dollars. For small companies with 500-1000 employees the cost is \$1.2 million.

Whether this decision will spread outside of France and to other cyber-insurers remains to be seen. But it bears watching.

Ransom demands have been escalating and just hit a new record with one estimated to be \$40 million. That is a lot of money! And it goes to cybercriminals, encouraging their actions. The victim can afford the \$40 million ransom, but if covered by a cyber insurance policy it doesn't hit earnings.

The fight against ransomware payments continues on many fronts.

The United States government warned that payments made to groups on the sanctioned list can be illegal.

The mayors' of 1400 localities committed to not paying ransoms after schools, police departments, and other local government offices were hit by ransomware.

The increase in the frequency of successful cyberattacks, the broader impact with SolarWinds type attacks and the increase in ransom demanded have impacted insurers risk models.

The expected result is premiums will rise and coverage will tighten.

For now, AXA's decision only affects companies in France. Will it spread to other countries and insurers? We have to wait and see. Time will tell the future of cyber insurance.

Want to learn more about cyber security and education, contact AIM Cyber at info@AIMglb.com or call (888) 773-1920.