

Companies May Soon Find It Difficult to Get Data Breach Insurance

February 24, 2015 – The Financial Times is reporting that Lloyd’s of London’s largest insurer said the risks associated with data breaches are now so great that private insurance companies are no longer capable of covering the costs. Stephen Catlin said that it was time for governments to begin backing cyber insurance policies and that “Our balance sheets are not large enough to pay for that.”

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Catlin made the statement the day after the data breach of 80 million people at Anthem; the second largest health insurer in the United States.

Cybercrime poses a growing threat for businesses around the world. It is especially prevalent in developed countries.

If Catlin’s remarks are an indicator of what other insurers are also thinking, they present a real problem for businesses around the globe. If companies are unable to obtain insurance policies covering cyber-attacks, many will have to change the way that they conduct business. Given rapid changes in technology, it is unlikely that even companies with the best cyber security available will be able to prevent data breaches 100% of the time.

Without private insurance available, the only real option is for governments to step in with a combination of laws that limit liability and government backed insurance plans. These would likely resemble the types of government backed terrorism insurance that businesses can purchase in the United States and Western Europe.

by Jim Malmberg

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