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Cyber Cover Cost Soars up to 60% with Rise in Attacks

UNDER PRESSURE Cos try to cut premium outgo by reducing coverage, raising deductibles; high reinsurance rates a factor

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Mumbai: Cyber insurance premiums have surged 50-60% in the past year as reinsurance rates have gone up amid a global increase in cyberattacks and ransomware incidents. To cope with these soaring costs, companies are adopting measures such as reducing coverage capacity or increasing deductibles to maintain affordable premiums.

"There is currently a shortage of capacity as reinsurance companies have tightened their offerings and reduced coverage availability," said TA Ramalingam, chief technical officer at Bajaj Allianz General Insurance. "In India, cyber

insurance rates have increased by 50-60%, while in some other countries, rates have even tripled. If there are instances of claims, both insurance rates and deductibles tend to rise."

Deductibles refer to the amount that the insured party is responsible for paying out of pocket before the insurance coverage kicks in.

Insurance claims in India are mainly arising from malware attacks, data breaches and ransomware incidents. However, companies are often reluctant to disclose their specific claim details. Given the rise in claims, more companies are buying cyber policies. Previously, cyber insurance policies were primarily purchased by companies



in the IT and banking, financial services and insurance sectors. However, now companies from sectors such as pharmaceuticals, gaming and manufacturing are also buying cyber insurance coverage.

The IT sector has witnessed a doubling of rates, while others, including financial services and manufacturing sectors, have seen a 60% increase.

The overall size of the corporate cyber insurance market in India is around ₹400 crore. Leading general insurance companies, including New India Assurance, HDFC Ergo, ICICI Lombard, Bajaj Allianz and Tata AIG, provide insurance policies in this domain.

Following incidents such as the cyberattack on Cosmos Bank, there has been a growing emphasis on adequate cyber insurance coverage among banks and financial institutions, said Ramalingam.

Medium-sized companies are also increasingly recognising the

importance of cyber insurance policies in response to rising concerns related to cyber threats.

"The rise in premiums can be attributed to the growing number of cyberattacks and increasing awareness among companies," said Ritesh Kumar, managing director of HDFC Ergo General Insurance. "To manage costs, some companies are opting for higher deductibles."

The decision to purchase cyber insurance policies is often made at the boardroom level and this reflects the seriousness with which companies approach this issue. Financial institutions and banks are particularly motivated to secure sufficient coverage in light of cyberattacks.