

Rising Cyber Attacks Drive Up Cyber Insurance Premiums By 60%

As cyber attacks continue to surge, businesses in India are facing higher costs for cyber insurance coverage. The premiums have increased by around 60 per cent.



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With the increasing reliance on the internet across all sectors, the risk of cyber attacks, data breaches, and hacking has become a pressing concern for businesses in India. Consequently, insurers have revisited their premium pricing, leading to a significant rise in cyber insurance premiums. However, despite the increase, the premiums remain justifiably high, considering cyber insurance's surging demand and uptake.

Says T.A. Ramalingam, Chief Technical Officer at Bajaj Allianz General Insurance: "There is an increasing importance of cyber insurance products as their necessity and value are being realized. We have seen increased investment from insureds on hardening their cybersecurity posture like risk management, risk transfer, and employee training, which also allows them to avail a better insurance price based on their risk mitigation practices."

Factors Contributing To Rising Premiums

Several factors have contributed to the escalation of cyber insurance premiums in India. Firstly, the surge in cyber risks and attacks impacting various business sectors has intensified the need for coverage. The high severity of cyber losses has also led to larger claim amounts, necessitating revised premium structures.

Furthermore, the rise of ransomware and cyber extortion losses has added to the financial burden on businesses. The emergence of ransomware as a service (RAAS) has made it easier for cybercriminals to execute attacks, increasing the frequency and severity of incidents. Additionally, the shrinking reinsurance capacity for cyber has impacted the overall pricing of cyber insurance policies.

Another key driver is the increasing importance of data privacy and the rising costs and penalties associated with data breaches. As regulatory frameworks become stricter, companies face substantial financial losses due to legal fees, system repairs, and data recovery efforts.

Understanding Cyber Insurance Coverage

Cyber insurance is a specialized product that safeguards businesses from internet-based risks and other IT-related threats. These risks are typically excluded or not adequately covered by traditional commercial general liability policies. Cyber insurance policies offer various coverage options, including:

First-Party Coverage: Protects against losses such as data destruction, extortion, theft, hacking, and denial of service attacks.

Liability Coverage: Indemnifies companies for losses incurred by others, such as errors and omissions, failure to safeguard data or defamation.

In addition to financial coverage, cyber insurance policies often provide benefits such as regular security audits, post-incident public relations support, investigative expenses, and even criminal reward funds.

The Future Of Cyber Insurance Market

The cyber insurance market is predicted to witness substantial growth globally. According to the Data Security Council of India (DSCI), it is projected to reach around Rs 1.59 lakh crore by 2024, representing a growth rate of approximately 25 per cent.

As cyber threats evolve and intensify, businesses must recognize the significance of investing in robust cybersecurity measures and comprehensive cyber insurance coverage. Companies can mitigate potential financial losses from cyber incidents by partnering with insurers and adopting effective risk management practices.

Ramalingam says, "Cyber insurance serves as an essential risk management tool in today's digital landscape. Businesses should consider it a critical component of their overall risk management strategy to protect themselves from the rapidly evolving cyber threats."

By staying proactive, businesses can safeguard their financial well-being and ensure business continuity in the face of cyber risks.