

FEEDBACK STATEMENT

Consultation Paper on the Supervisory
Statement on management of non-affirmative
cyber exposures

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eiopa

European Insurance and
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INTRODUCTION

EIOPA would like to thank all the participants of the public consultation for their comments on the draft Supervisory Statement on management of non-affirmative cyber exposures.

The input received provided important guidance for EIOPA to finalise the Supervisory Statement. All the comments submitted were given careful consideration by EIOPA. The individual comments marked as public by Stakeholders and EIOPA's response to them are published as a separate document (see Resolution of Comments).

1. DETAILED OVERVIEW OF THE RESPONSES

1.1. SCOPE AND AIM OF THE STATEMENT

Stakeholder's comments welcomed the overall messages conveyed through the Supervisory Statement but requested some clarifications regarding the scope and aim. The scope of the Statement is the management of non-affirmative cyber exposures, however, an inevitable link between the management of overall cyber exposures to identify the silent ones is inevitable. It should also be noted that it is not the aim of the Statement to promote a full move from non-affirmative to affirmative but instead to guarantee that undertakings are able to promptly identify, manage, and monitor their exposure to potential non-affirmative cyber insurance risk and apply sound cyber underwriting decisions consistent with the overall business strategy set by the AMSB.

1.2. LACK OF DATA AND TIGHT AVAILABILITY OF (RE)INSURANCE CAPACITY

EIOPA welcomed the identification of main challenges with regard to lack of data and the link to the tightened (re)insurance capacity, although it believes that these are challenges that could be, as highlighted in the Supervisory Statement, mitigated through further clarity in exposures and policy wording and clearer information provided to the demand side and therefore increased demand from potential policyholders. With an increase in demand, supply would then move into the direction of reaching the natural equilibrium between supply and demand, thus ultimately

potentially generating request for increased capacity. Also, EIOPA overall shares the concerns on the protection gap and the need for some sort of shared resilience solution moving forward, however the considerations regarding the use of risk pools go beyond the scope of the Supervisory Statement.

EIOPA also believes that the lack of data is only one part of the picture, but good management of non-affirmative cyber exposures should lead to clearer exposures definitions and therefore allow application of more sophisticated quantitative models.

1.1. USE OF QUALITATIVE AND QUANTITATIVE RISK ASSESSMENT METHODS

EIOPA welcomes the fact that multiple Stakeholders highlighted a growing use of more quantitative and analytical tools with respect to qualitative methods and it believes that the synergies between the use of both approaches is of paramount importance to let all business areas have a common understanding of the risks and raise awareness across multiple areas and units within (re)insurance undertakings.

Stakeholder comments welcomed the overall messages conveyed through the Supervisory Statement, although highlighting the difficulties in setting up sound quantitative scenario assessments given the lack of data, high evolving speed of cyber risks and the need to keep the pace of an evolving regulatory environment.

1.2. LINK WITH THE CURRENT GEO AND SOCIO-POLITICAL SITUATION

Through the comments' phase, Stakeholders highlighted multiple times the link with the current geopolitical situation and the similarities with the COVID19 pandemic. EIOPA also believes these links are of fundamental importance and welcomes that Stakeholders were ready to participate in a short-track consultation for the Supervisory Statement recognising the urgency and the need to start setting the baseline for sound risk management and underwriting practices to tackle the issue of non-affirmative cyber.

1.3. IDENTIFICATION OF COSTS AND INVESTMENTS

Stakeholders highlighted that it is currently difficult to give precise ideas of costs involved for sophistication of risk management practices, employees training and compliance with existing and upcoming supervisory practices.

EIOPA acknowledges this issue and will continue holding dialogue with Stakeholders to further explore the issue and, while ensuring a level playing field, identify possible next steps.

1.4. MARKET INITIATIVES

EIOPA welcomed the initiatives shared by Stakeholders through the comments. This will be followed by further dialogue with Stakeholders.

One of the aims of the Supervisory Statement was to better understand market developments and risks and benefits related to that so EIOPA could assess next steps towards the development of a sound cyber underwriting market, with specific focus on management of non-affirmative cyber exposures.

Stakeholders highlighted the importance of a level playing field, harmonisation of taxonomies, allocation of costs and supervisory practices. It was also highlighted the importance of regulators and policymakers working closely with the industry.

With regard to the role of EIOPA and national supervisors, Stakeholders stressed the need for EIOPA to play a centralised role, even in terms of establishing commonly-accepted taxonomies. With regard to this, EIOPA believes that it would be premature to establish further standards and definitions. However, following-up to the Cyber Underwriting strategy, EIOPA will continue retaining a facilitator role, fostering the dialogue with and across Stakeholders and encouraging the sharing of good practices.

EIOPA'S FEEDBACK STATEMENT

The approach to management of non-affirmative cyber exposures is a broad policy question that will need incremental steps over time for being handled in the (re)insurance sector. EIOPA's engagement at this stage has been a step-by-step approach started with the publication of the cyber underwriting strategy, followed by the organisation of multiple Stakeholder events to share good practices, challenges and opportunities faced by the industry and ultimately, but not lastly, by the publication of the Supervisory Statement on the management of non-affirmative cyber exposures.

EIOPA public consultation results show strong interest on the topic amongst stakeholders and overall agreement on the need and urgency to rely on high level principles to foster market

soundness and establish a level playing field, also acknowledging that market initiatives are on-going.

It is however also clear that the topic is likely to raise a continuous and open debate over the coming years. For this reason, EIOPA noted that there are a wide range of opportunities and challenges arising from the focus on the management of non-affirmative cyber exposures.

EIOPA re-emphasises the potential for benefits for undertakings from enhanced risk management, adequate product development and underwriting practices with regard to cyber underwriting with a specific focus on management of non-affirmative cyber exposures.

EIOPA will continue monitoring legislative developments that can be seen as related to management of non-affirmative cyber exposures to provide input where necessary.

EIOPA aims to continue facilitating discussions on the topic through open dialogue with all relevant stakeholders, namely addressing the topic of protection gap and the need for some sort of shared resilience solution moving forward, namely by better understanding the demand side.

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