

Insurance Journal: Experts Say More Collaboration Needed for Critical Infrastructure Cyber Risk

Insurers continue to grapple with elusive and ever changing cyber risks in the critical infrastructure sector, and Matthew McCabe, managing director for Guy Carpenter's Cyber Center of Excellence, said he sees a three-party system emerging between insurers, policyholders, and the federal government.

"It's going to have to take that kind of three-party system of understanding what the policyholder needs are, what the insurance industry is capable of doing, and where the appropriate place for the government to participate will be," he said on an episode of The Insuring Cyber Podcast.

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Policyholders as Part of the Equation

This means insurance needs to play a role in responding to these threats with precision of underwriting and managing of risk, which means taking the policyholder into consideration, he said. However, some on the policyholder side have called into question how well the industry is balancing that role.

"I would say that in my experience, [insurers] are not necessarily grasping these risks that well because they're not really engaged in taking on much of the investigation and adjustment process when a claim actually comes in," said Jillian Raines, partner at law firm Cohen Ziffer Frenchman & McKenna, on The Insuring Cyber Podcast. "They're trying to shift a lot of that burden back to the insured and the

policyholder, which in some instances makes sense. It's the policyholder's systems. It's the policyholder's business. They're the experts when it comes to what went wrong."

However, Raines expressed concern that cyber policies are being designed in a way that is overly burdensome to policyholders.

"The private market seems to be designing policies that essentially just say, 'Hey. In short, we hope you don't have loss, but if you do, it's your obligation to show us what went wrong, figure out what happened, put better procedures in place next time if you want the coverage to continue, and if you don't do those things on certain time frames, you risk not actually getting your claim paid,'" she said.

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Jillian Raines