

2019 CYBER LANDSCAPE: NEW REGULATIONS, RISKS, AND MANAGEMENT EXPECTATIONS

January 2019



2019 Cyber Landscape: New Regulations, Risks, and Management Expectations

Today's Speakers



JOHN DRZIK
PRESIDENT
GLOBAL RISK AND DIGITAL



KEVIN RICHARDS
GLOBAL HEAD
CYBER RISK CONSULTING



THOMAS REAGAN
US CYBER PRACTICE LEADER

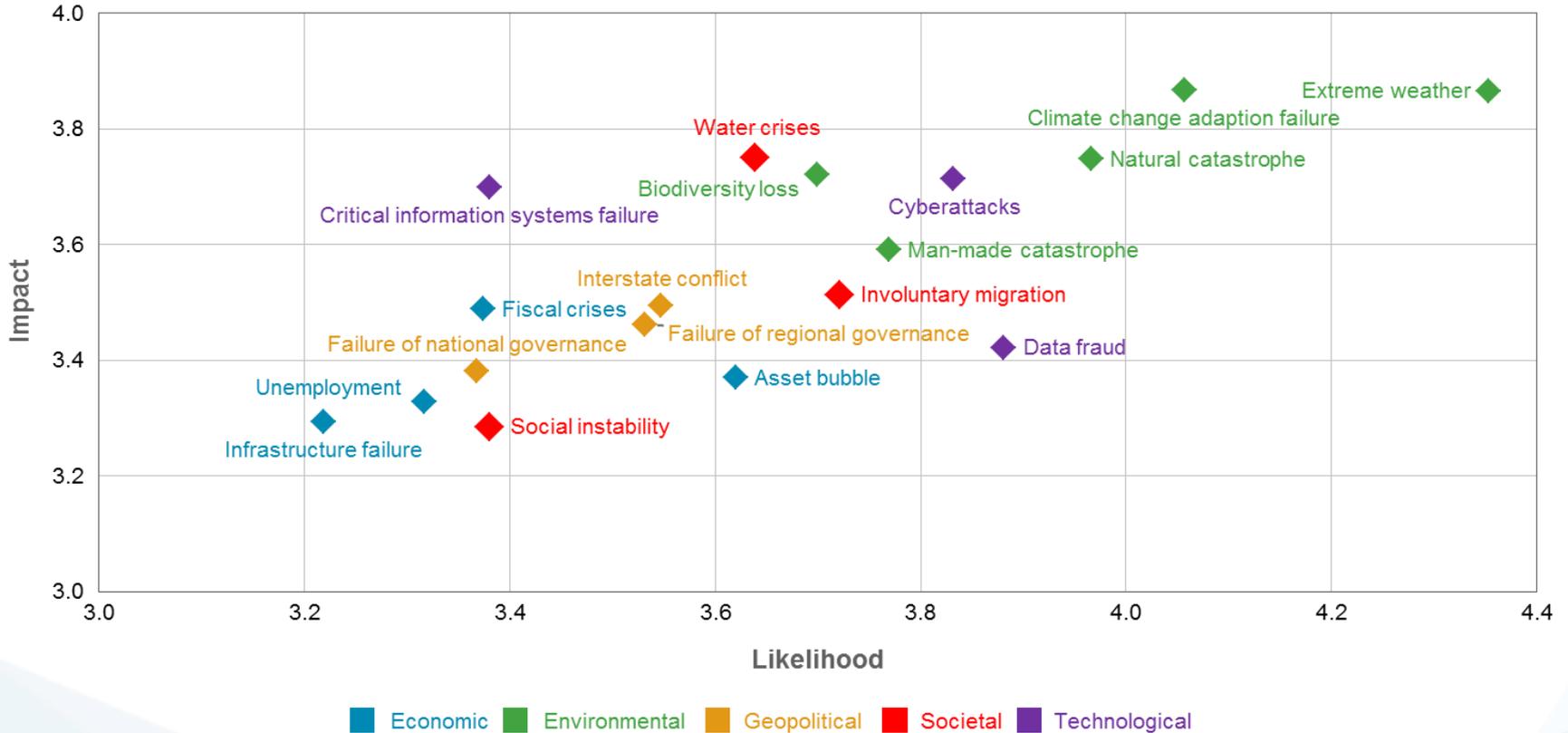


Which aspect of cyber risk management do you find most challenging? (*select one*)

- Understanding my cyber exposures
- Measuring the potential economic impact of cyber events
- Managing cyber vulnerabilities and threats
- Recovering from a cyber event

Environmental Threats Feature Strongly Among Most Likely and Most Damaging Risks, Followed by Cyber Risks and Societal Concerns

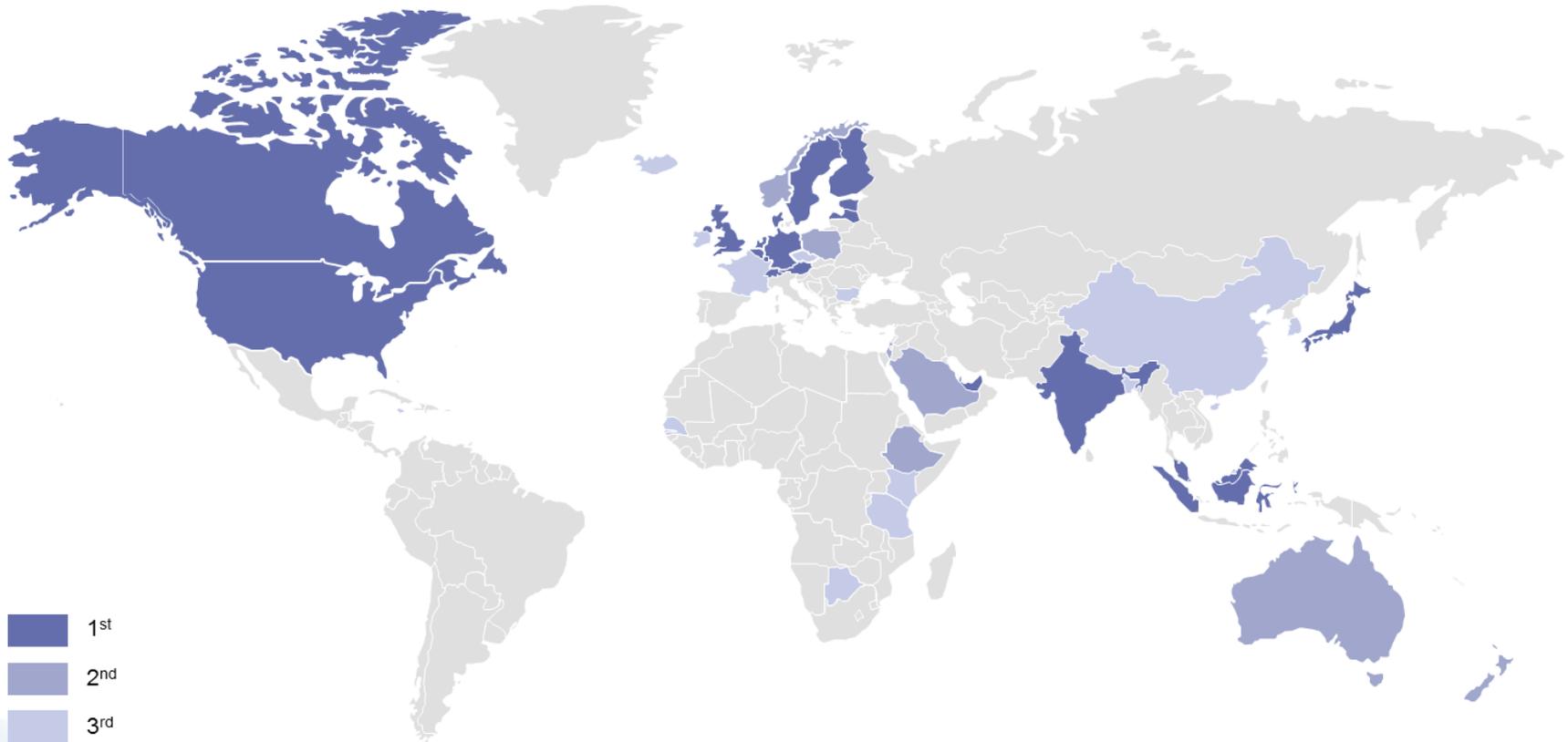
Global Risk Landscape 2019 – Top risks in terms of likelihood and impact



Note: Global Risk Perceptions Survey (885 responses worldwide): Respondents were asked to rate each risk based on its likelihood and impact on a scale from 1 to 5
 Source: World Economic Forum, *Global Risks Report 2019*

Concern Over Cyber Risks Has Significantly Increased in Advanced Economies and Continues to Spread Globally

Cyber risks¹: locations of greatest concern



Source: WEF EOS 2018, MMC Analysis

1: Cyber-related risks include cyber-attacks and data theft/fraud. Countries are shaded if either risk appeared in their top 3 risks of most concern. If both risks appear in the top 3, the higher risk is taken.

Concern About Malicious Action From Cyber Attackers and Data Fraud/Theft Dominates in US and Canada

North America – Overview

Top risks for doing business by country



Top risks for doing business in North America

Rank	North America	Change vs. 2017
1	Large cyber attacks	0
2	Data fraud/theft	7
3	Extreme weather events	3
4	Fiscal crises	0
5	Energy price shock	2

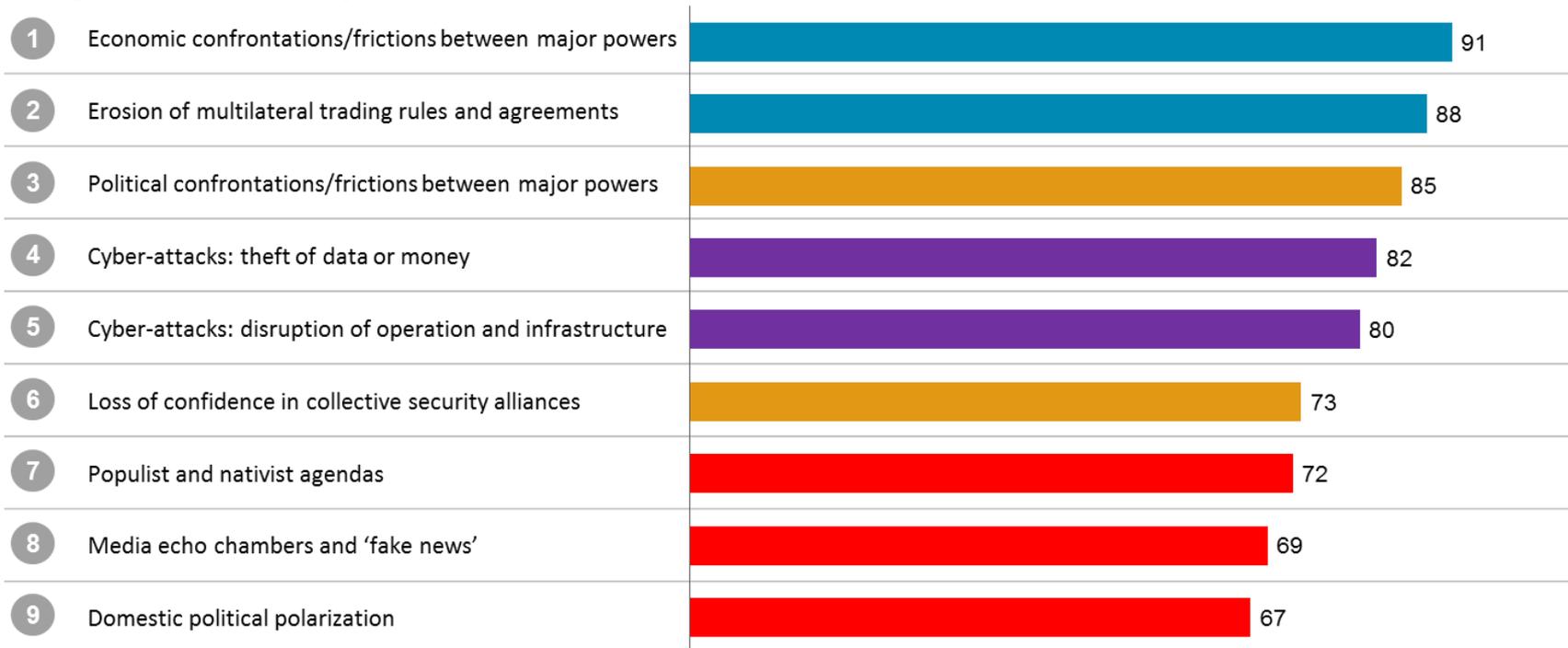
■ Economic
 ■ Environmental
 ■ Geopolitical
 ■ Societal
 ■ Technological

Note: WEF Executive Opinion Survey (12,548 responses worldwide). Results are based on 410 responses in the United States and Canada. Respondents could choose up to five risks which they viewed as being most important for doing business in their country. Top regional risks are calculated as the average across all countries of the proportion of respondents in each country identifying each risk as one of their five choices. Source: World Economic Forum, Global Risks Report 2019, MMC analysis

More Than 2/3 of Respondents Expect Certain Economic, Geopolitical, and Technological Risks to Get Worse in 2019

Global and regional risks expected to increase (either 'somewhat' or 'significantly'), all regions (2018–2019)

Risk (in order of % increase)



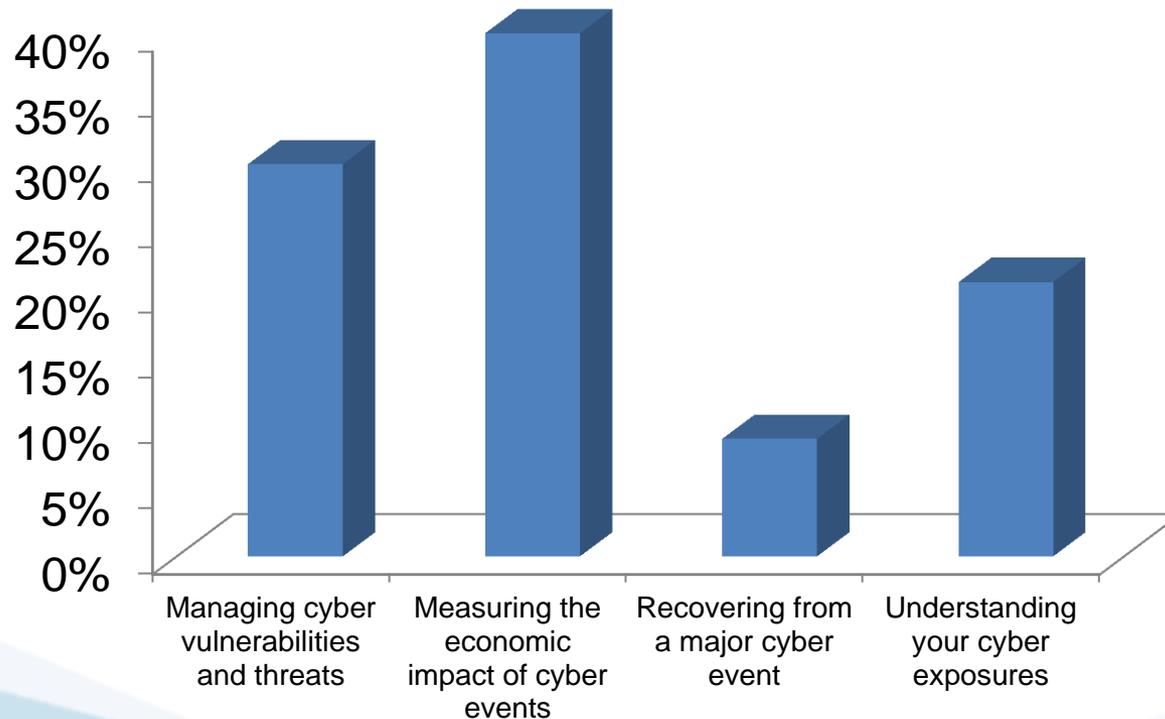
■ Economic
 ■ Environmental
 ■ Geopolitical
 ■ Societal
 ■ Technological

Note: Global Risk Perceptions Survey (916 worldwide responses to this question). Respondents were asked to predict how risks would change in 2018, in relation to seven key global issues
 Source: World Economic Forum, *Global Risks Report 2019*

Poll Question #1



Which aspect of cyber risk management do you find most challenging? (*select one*)



Poll Question #2



Are governments doing enough to regulate cyber risk?

- Yes
- No

Regulatory Changes Will Accelerate Cyber Exposures in 2019

1. Expanded focus on privacy

- Beyond US & EU to Asia, Pacific, LAC
- Beyond breach: Collection, use, data brokers

2. More stringent non-privacy environment

- IoT: UK and California
- More accountability for technology

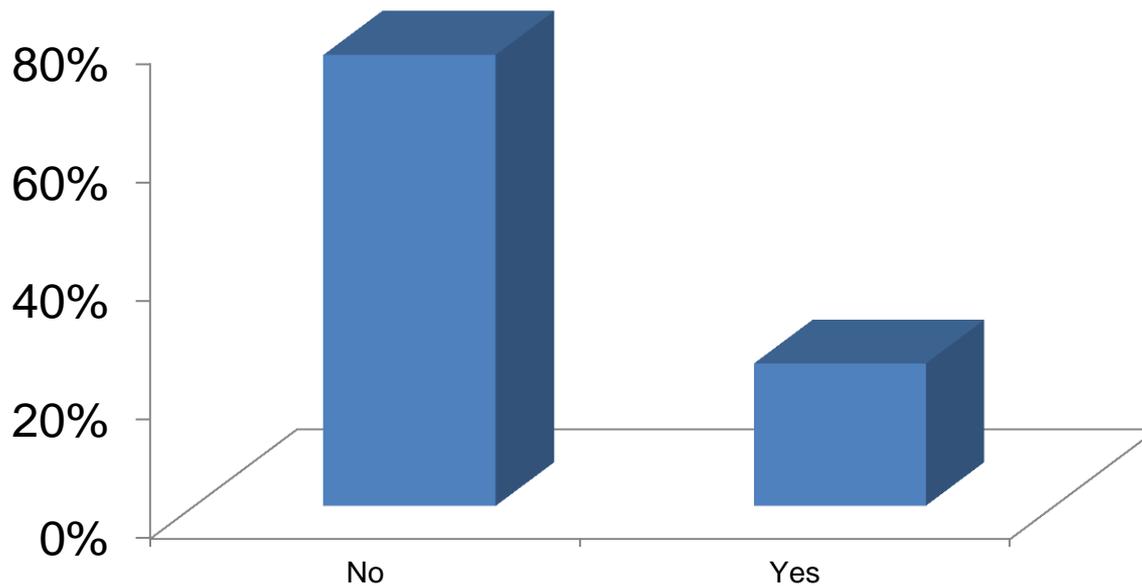
3. Regulatory “innovation”

- Jurisdictions acting in succession
- US: New federal regime?

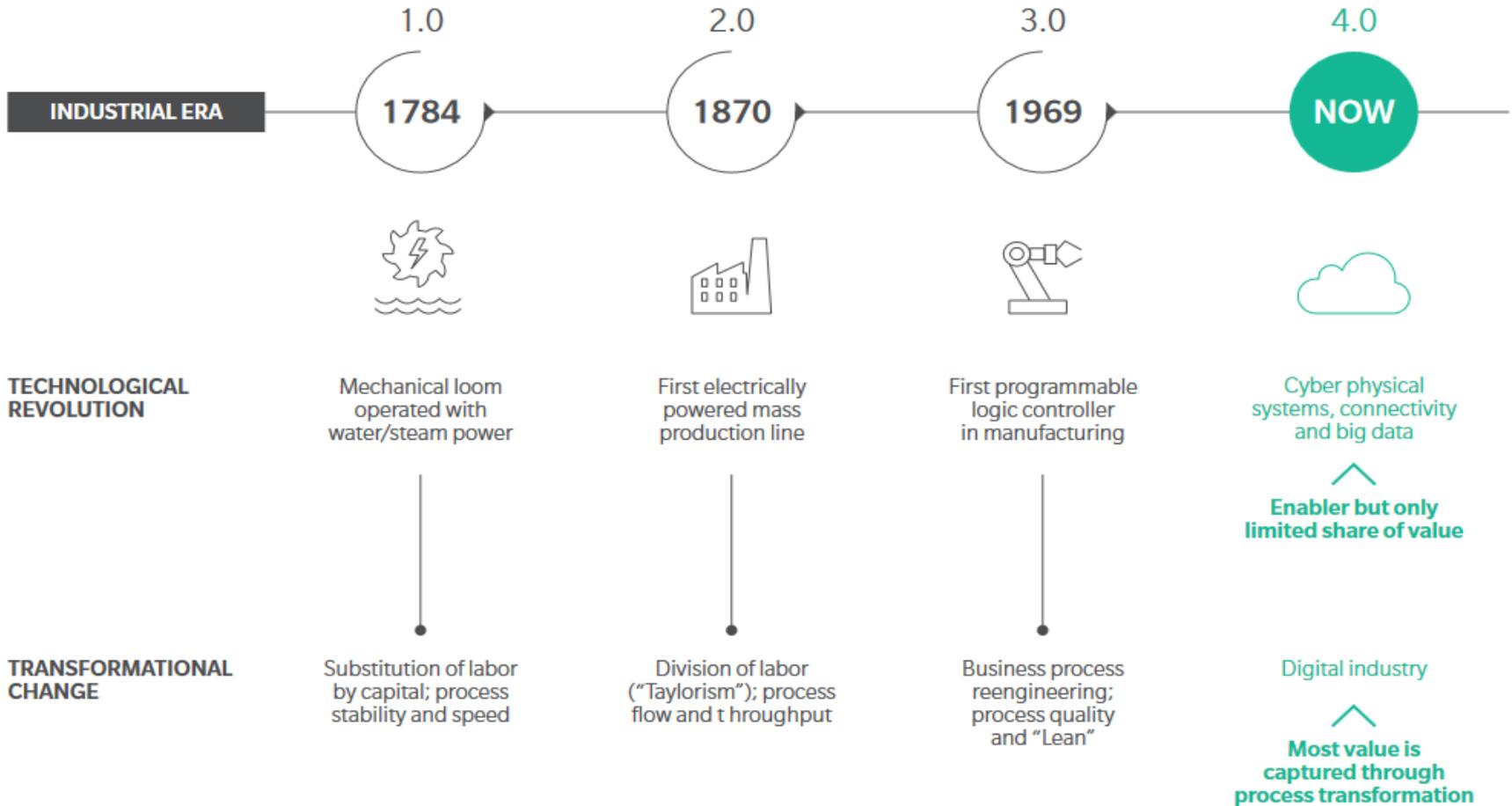
Poll Question #2



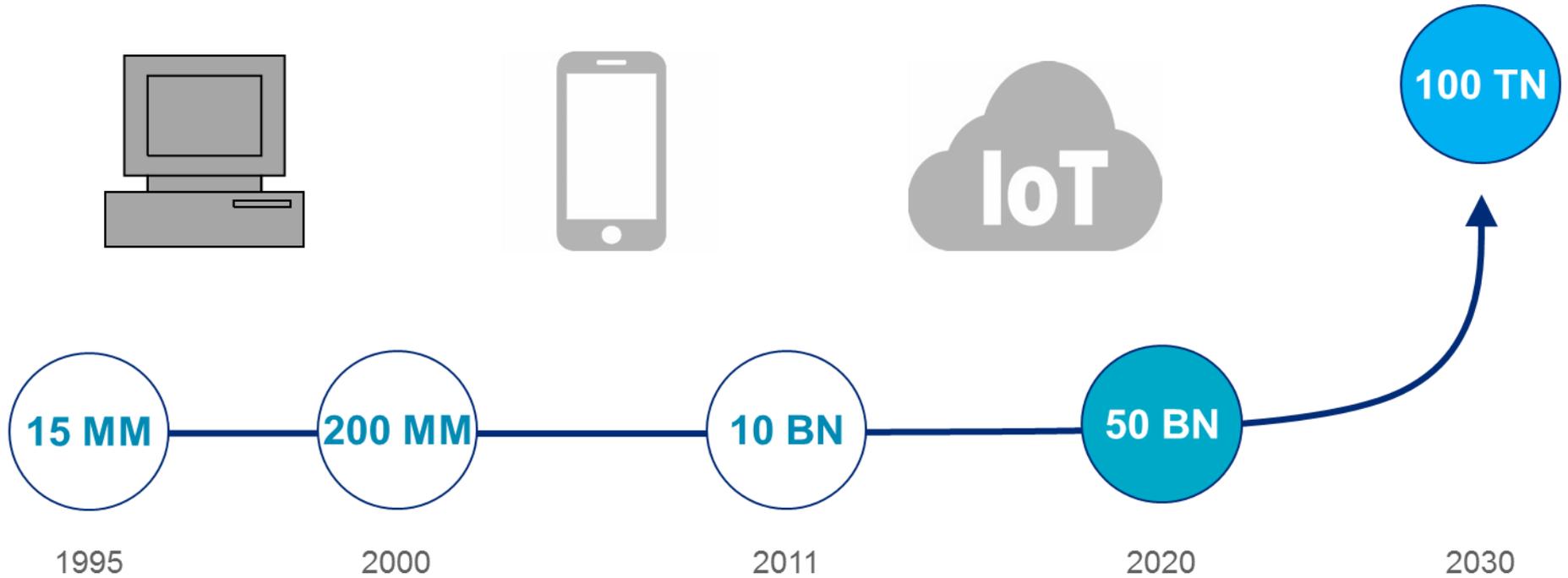
Are governments doing enough to regulate cyber risk?



Fourth Industrial Revolution



A Hyper Connected World



Source: Oliver Wyman analysis

Connected Objects: 50 billion predicted in 2020



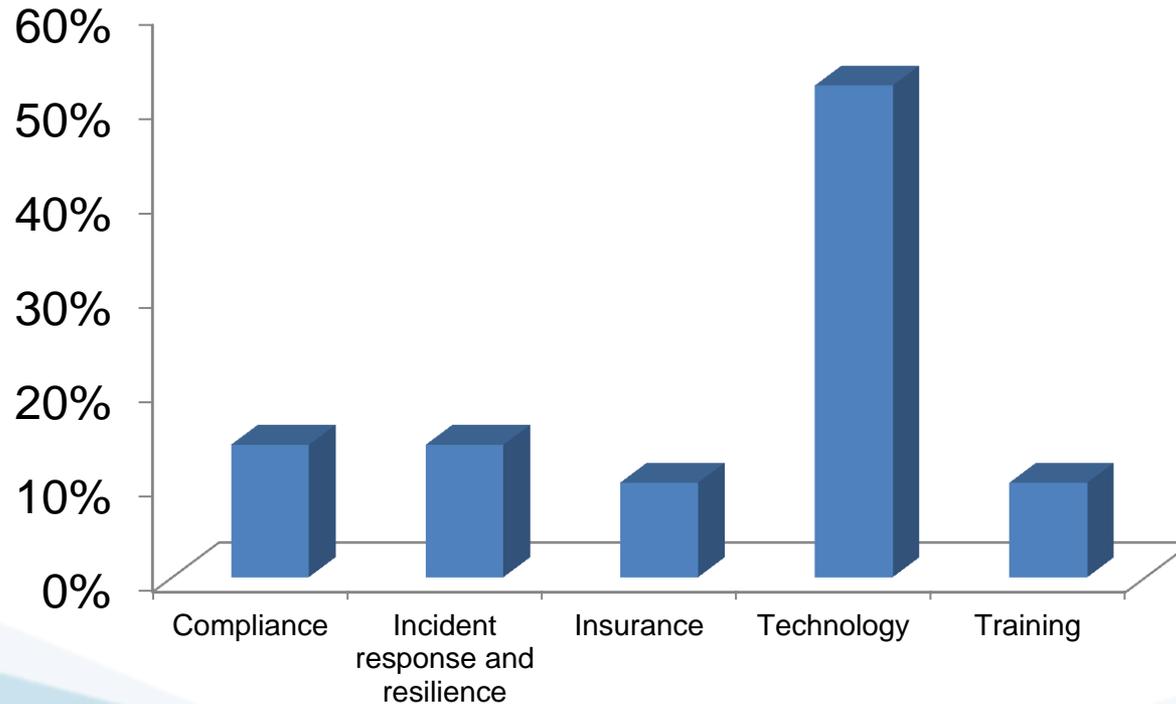
What area of cyber risk management will your organization invest the most in during 2019?

- Compliance
- Incident response and resilience
- Insurance
- Technology
- Training

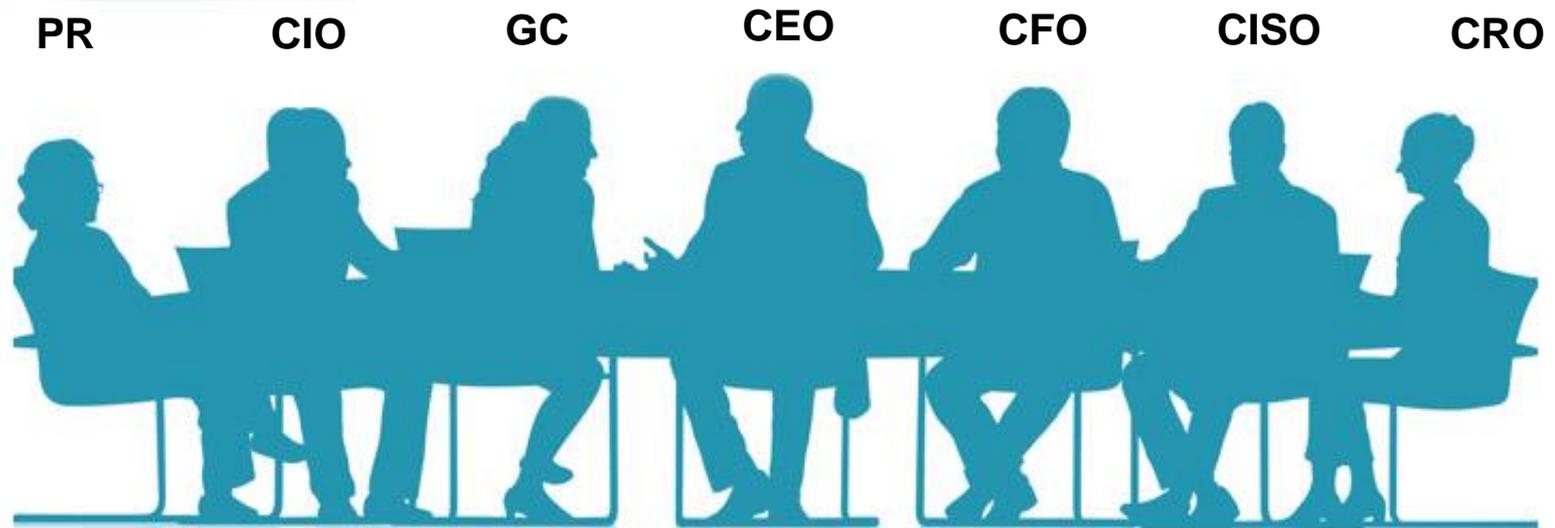
Poll Question #3



What area of cyber risk management will your organization invest the most in during 2019?



Cyber Risk Takes a Seat at the Business Table



- **More strategic**, less tactical (less technical)
- Approach cyber risk as **continual problem solving**
- Look beyond the audit report at **economic impact** - quantification
- Deep dive into **supply chain risk**
- Full tool kit: **Insurance** is complementary to technology

2019 Cyber Landscape: New Regulations, Risks, and Management Expectations

Recommended Actions

1. Look beyond the audit report and technology heat maps; start characterizing cyber risks in terms of **economic impact** in local currency.
2. Dive deeper into **supply chain cyber risk**; capture a complete inventory, get beyond a checklist, and quantify cyber exposure by supplier.
3. Have a **dedicated cyber insurance policy**.
4. Get ready for the new wave of **cyber regulation**.



MARSH

This document and any recommendations, analysis, or advice provided by Marsh (collectively, the “Marsh Analysis”) are intended solely for the entity identified as the recipient herein (“you”). This document contains proprietary, confidential information of Marsh and may not be shared with any third party, including other insurance producers, without Marsh’s prior written consent. Any statements concerning actuarial, tax, accounting, or legal matters are based solely on our experience as insurance brokers and risk consultants and are not to be relied upon as actuarial, accounting, tax, or legal advice, for which you should consult your own professional advisors. Any modeling, analytics, or projections are subject to inherent uncertainty, and the Marsh Analysis could be materially affected if any underlying assumptions, conditions, information, or factors are inaccurate or incomplete or should change. The information contained herein is based on sources we believe reliable, but we make no representation or warranty as to its accuracy. Marsh shall have no obligation to update the Marsh Analysis and shall have no liability to you or any other party with regard to the Marsh Analysis or to any services provided by a third party to you or Marsh. Marsh makes no representation or warranty concerning the application of policy wordings or the financial condition or solvency of insurers or reinsurers. Marsh makes no assurances regarding the availability, cost, or terms of insurance coverage. All decisions regarding the amount, type or terms of coverage shall be your ultimate responsibility. While Marsh may provide advice and recommendations, you must decide on the specific coverage that is appropriate for your particular circumstances and financial position. By accepting this report, you acknowledge and agree to the terms, conditions, and disclaimers set forth above.

Marsh is one of the Marsh & McLennan Companies, together with Guy Carpenter, Mercer, and Oliver Wyman.