

# Exploring risk and opportunity: cybersecurity and macroeconomic challenges

Insurance Governance Leadership Network

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# Insurance Governance Leadership Network ViewPoints



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## Exploring risk and opportunity: cybersecurity and macroeconomic challenges

In March 2014, Tapestry Networks and EY hosted the 11<sup>th</sup> and 12<sup>th</sup> meetings of the Insurance Governance Leadership Network (IGLN). These meetings took place in London and New York and included the participation of 21 non-executive directors, executives and distinguished guests.

While regulatory risk and uncertainty remain a key focus for all insurance boards, over time IGLN participants have expressed a desire to address other areas of risk and opportunity. Accordingly, in the first half of 2014 the IGLN is exploring additional areas of disruption and opportunity in global insurance markets.

This *ViewPoints* offers perspectives on two major sources of risk facing companies in the insurance industry: cybersecurity threats and macroeconomic disruption. Both types of risk have been high on the recent agendas of our participating companies, and both involve a wide range of issues, from company strategy to technical infrastructure, and are potentially lethal, even to a large player.

We are pleased to share two *ViewPoints*<sup>1</sup> that capture the spirit of recent conversations, as well as insights from prior meetings and ongoing dialogues with IGLN participants.

- **“Exploring the cybersecurity landscape.”** As insurance and its customer base become more digital, cybersecurity and privacy concerns continue to climb board agendas. Opinions differ as to the severity of the risk. Could it destroy a firm or its reputation or is it merely an expensive threat? Despite differing opinions, most participants agree insurers need to catch up with other industries in monitoring and managing cybersecurity risks. Dialogue centered on the evolving threat, the risks posed to individual firms, the possible systemic risk, and how boards can best address cybersecurity issues. Participants also discussed innovative tactics for improving insurer defenses.
- **“Strategic Responses to macroeconomic challenges.”** While persistent low-interest-rates have received a great deal of discussion, other macroeconomic concerns have also drawn the attention of boards and management. These include, continued macroeconomic uncertainty, certain recent central bank actions, sovereign debt challenges, and slow growth, all of which pose major threats to profitability. A number of possible future scenarios are mutually exclusive, which puts insurers in the challenging position of having to prepare for opposing contingencies. Participants shared thoughts on probable economic futures and the impact of various scenarios on long-term strategy and growth opportunities.

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<sup>1</sup> *ViewPoints* reflects the network’s use of a modified version of the Chatham House Rule whereby names of network participants and their corporate or institutional affiliations are a matter of public record, but comments are not attributed to individuals, corporations, or institutions. Network participants’ comments appear in italics. For a complete list of participants, see Appendix 1.

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We encourage you to share these *ViewPoints* with your colleagues for discussion of the ideas they contain and the implications for your institution and the insurance sector at large. We look forward to continuing the dialogue in 2014 and beyond.

Sincerely,

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Global Insurance Sector Leader  
EY

Peter Fisher  
Partner  
Tapestry Networks

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