



CFC's upgrade to the war exclusion for cyber

Overview

CFC is upgrading the war exclusion for all policies providing cyber cover. We are introducing a new 'war and cyber war' exclusion, which will replace the existing war exclusion on all quotes issued from 1 May 2023.

The upgraded language brings four key benefits to policyholders:

- It introduces an explicit definition of 'cyber war', providing greater clarity
- It introduces a high threshold for what is considered to be an act of cyber war
- It provides cover for initial incident response support, even in the event of cyber war
- It provides cover for 'collateral damage' stemming from cyber war

Why are we making these changes?

The nature of warfare has changed considerably, with cyber war now forming a subset of modern war. Nation states have the potential to carry out catastrophic cyber attacks against other nation states, causing major disruption without necessarily engaging in physical acts of destruction or war.

The traditional war exclusion attaching to most insurance policies, including cyber policies, was originally intended to address physical acts of war. The language is very broad in its scope, which can create confusion and ambiguity as to whether the exclusion applies to certain types of cyber attack or not. Certain terms could be interpreted liberally and applied to many different scenarios, which might ultimately result in reduced cover for our policyholders. We have therefore taken steps to improve our war exclusion and bring clarity to policyholders.

How does this benefit policyholders?

Providing clarity by defining cyber war

The previous iteration of the war exclusion did not explicitly define cyber war, creating ambiguity for policyholders as to when a cyber attack would be considered an act of war.

Our new 'war and cyber war' exclusion removes this uncertainty by specifically defining 'cyber war' as an attack by one state against another that results in a major detrimental impact on that state's ability to function or its defence and security capabilities. This creates a high threshold for an act of cyber war where there wasn't one before.

By specifically defining what an act of cyber war looks like and creating a high threshold for it, we are narrowing the scope of the war exclusion, removing ambiguity and providing greater clarity to our policyholders.

Providing initial incident response support

One of the main reasons why organisations purchase cyber insurance is to gain access to dedicated cyber incident response teams who can provide technical advice and cyber security support following a cyber attack. This is particularly important for smaller organisations who may not have these technical capabilities in-house.

In recognition of this, we are still providing cover for initial incident response support via our global in-house team: CFC Response. This means that even in the event of an act of cyber war, we will continue to provide technical advice and cyber security support to our policyholders.

Covering 'collateral damage'

Given how interconnected modern computer systems are, it's possible that an act of cyber war targeting one state could ultimately impact organizations outside of that state. While not the intended victims, these organizations would be considered collateral damage from an act of cyber war.

We want to ensure those unintended victims still have access to cover and that we are not unduly penalising policyholders who may end up as collateral damage from an act of cyber war.

Summary of changes

	Old war exclusion	New war and cyber war exclusion
Clear definition of 'cyber war'	✗	✓
High threshold for 'cyber war'	✗	✓
Cover for initial incident response support	✗	✓
Cover for 'collateral damage'	✗	✓

Conclusion

As a leading cyber insurer, with almost 25 years' experience in the field and over 80,000 clients in over 90 countries, CFC is committed to the continued growth and development of the cyber market.

Addressing the issue of cyber war is an important step in making sure that cyber insurance remains fit-for-purpose and adequately addresses customer needs. By updating our war exclusion, we are removing ambiguity and providing greater clarity to our policyholders.

If you have any queries about the new exclusion, please reach out to a member of our cyber underwriting team who will be happy to assist with any questions you may have.