Strategies to Enhance the Role of Cyber Insurance for the Promotion of the Digital Economy

This report examines the current status and policy issues of cyber insurance in Korea. First, the introduction and expansion of mandates feature in the policies for cyber insurance. They mainly focus on the damage relief. Korea’s cyber risk management system lacks the measures to reduce the cyber risk itself fundamentally. We need to introduce the incentive schemes for the encouragement of investment in the cyber security system. This will lower cyber risk and premiums, which raise the takeup rates of cyber insurance.

Second, according to our household survey, most respondents do not know about the sale of personal cyber insurance. Some of them have the willingness to purchase. Currently, insurance companies sell individual cyber insurance products only in the form of additional coverage. However, we find that there exist demands for the stand-alone type.

Third, the government has promoted “Open Government Data” movement since 2013. It implemented several policies. However, no risk financing strategy exists. In order to open public data more actively for data-driven innovation, we need the risk financing system. If the private insurance companies do not provide the coverage, the government should take the risk by itself. We suggest two alternatives: group captive insurance and government-backed reinsurance pool.