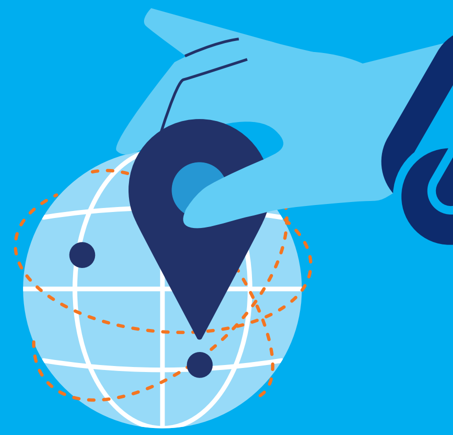
Selecting the right structure for multinational cyber risks matters



While coverage may be written on a worldwide basis, insurance law is inherently territorial. Coverage is ultimately governed by local regulations, not policy intent, and many countries prohibit or restrict non-admitted insurance. As a result, reliance on a worldwide territory provision can be limited, with practical and regulatory constraints potentially affecting coverage, as well as the handling and payment of claims in certain jurisdictions.

QBE's multinational cyber insurance framework compares two key coverage models to address potential shortfalls to worldwide cover: locally admitted policies and Financial Interest Coverage (FINC). The content below highlights how each impacts compliance, claims handling, and operational efficiency.

Local policies vs. FINC

Local policies deliver direct, compliant in-country coverage for subsidiaries, ensuring legal, tax, and claims handling align with local regulations. Claims are paid to the local subsidiary.

FINC safeguards the parent company's investment when a foreign subsidiary suffers an uninsurable loss, serving as a non-admitted, gap-filling solution from the home country. Claims are paid to the parent company.

Key considerations for Cyber

The decision to rely on a worldwide territory provision with FINC, instead of a locally admitted policy may come with practical implications and changes in process.

- FINC claims payments restore the parent company's financial position but can be operationally restrictive, adding coordination and administrative burdens to the parent company.

- Under FINC, the parent company is solely responsible for local response and coordination. QBE is restricted from making local decisions or providing direct support, including coordination with local vendors.

- All reimbursements, including ransom payments, are made to the parent company.

Multinational companies need to understand ahead of time how a "worldwide" cyber policy will, and won't respond. Because in a cyber event, every minute counts.

QBE Insurance

Cyber claims in action: data breach response occurring in a jurisdiction that prohibits non-admitted insurance.

With a local policy (issued via a local partner)

- The policyholder notifies a QBE panel vendor via the incident response hotline for initial breach response.
- The vendor then automatically notifies QBE.

- The local partner, with the producing QBE office or parent company, directly coordinates the claims response, including vendor appointments and engagement.
- Real-time and unrestricted communication between QBE, vendors, and with the local policyholder.

- The local partner manages, adjusts, and settles the claim directly with the local policyholder, in coordination with the producing QBE office.

Relying on FINC via the master policy

- A QBE panel vendor is notified via the incident response hotline by the entity or parent company for the initial breach response.
- The parent company must inform the producing QBE office of any potential master policy claim.

- The parent company and local entity coordinate the operational response, including vendor appointments.

- The parent company and/or local entity assess and restore operations as if uninsured, engaging and coordinating with expert vendors as appropriate.
- The parent company must keep the producing QBE office informed of progress and developments.

- The parent company submits a master policy claim to the producing QBE office for consideration of any financial loss incurred by the parent because of the local data breach.

- The producing QBE office manages the master policy reimbursement claim directly with the parent company, including ransom payments.

The bottom line

Because cyber claims are fast-moving, complex, and often span multiple jurisdictions, each organization should evaluate which multinational cyber program structure best aligns with its business objectives and risk preferences.

For more information about each of the options below and how QBE's multinational cyber program can benefit your customers' business, please contact your QBE Underwriter.

Option 1

Invest in locally admitted policies.

Direct, compliant coverage with local claims handling and real-time collaboration on claims.

Option 2

Hybrid approach: local policies+ FINC back-up.

Local policies in key jurisdictions, with FINC providing gap coverage where needed.

Option 3

Use a global policy structure supported solely by FINC.

Operationally limited and reliant on parent company-level vendor selection, claims payment, and coordination.

▶ View our capabilities map to learn more.