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ECONOMIC SCIENCES

UDC 368

CYBER INSURANCE AS AN ELEMENT OF THE POTENTIAL OF DIGITAL TRANSFORMATION OF THE ECONOMY

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Summary: The place of cyber insurance in the processes of transformation of the economy into a digital format and an effective tool for financing losses due to the consequences of cyber risks has been determined. The peculiarities of the development of cyber insurance in Ukraine and the developed countries of the world have been identified and analyzed. Restraining factors for the development of cyber insurance with the aim of protecting the interests of individuals and legal entities from cyber threats are outlined.

Key words: digitalization, insurance, cyber risk, cyber-attack, cyber defense, cyber insurance.

Digitization in the economic system is not a new concept. The whole world is going the way of electronic formatting, integration of digital systems, artificial intelligence. Digital transformation is an indicator of the development of innovations, which are based on the global requirements of digital thinking, perfect actions, professional skills, quick response and self-learning.

An economic entity that aims to develop and strengthen competitiveness must first of all evaluate the external environment and the possibilities of increasing the level of digitization of activities. Provide appropriate software, consider revenue from

new digital services. But the transition to a digital format increases the risks of cyberattacks. The main risks include: theft of secret and confidential information by the organization's personnel; theft of credit card numbers; embezzlement of financial funds from deposits; loss of media; phishing; cyber extortion; computer network disruption due to hacker attacks. In such conditions, the entire financial system of the world is carefully looking for ways to protect the number, where one of these ways is cyber insurance. The main task of cyber insurance is protection against large-scale hacker attacks.

Experience shows that small businesses that have experienced a cyber-attack are closed within six months. Therefore, such companies are most in need of insurance protection, because their financial potential does not cover the consequences of cyber-attacks. But not all cyber risks are insurable. For example, the risk of a catastrophic event arising from geopolitical conflicts or the failure of critical infrastructure. Undoubtedly, threats are difficult to predict, and the risk of cyberattacks or program failures remains high, and insurance cannot cover all threats. International experts in the field of insurance are engaged in finding resources for coverage of insurance indemnity, helping businesses to get the right to the coverage of their choice more quickly.

Swiss Re predicts that global cyber insurance premiums will reach \$23 billion by 2025, from \$10 billion in 2021. In the US, the largest cyber market, premiums are up 74% in 2021 and individual policy premiums are up 92% [1].

Cyber insurance is no longer considered a nice-to-have accessory for a business. In 2023, its importance will only increase as coverage becomes a sign of approval that indicates an organization's strong cybersecurity posture to customers, partners and colleagues. However, to achieve coverage, businesses must demonstrate good “cyber health” credentials, creating a vicious cycle in which neither goal can be achieved without the other.

According to digital insurance broker Embroker, 86% of startups have cyber risk insurance coverage, indicating a growing understanding of cyber security among

small and medium-sized businesses. Modern startups face significant challenges. In addition to the day-to-day challenges of running a company, building a product, and trying to grow, there are plenty of external risks. Many founders are concerned about the restrictive funding environment, the volatility of public markets and broader socio-economic changes. 31% of startups fear they are more at risk of cyber incidents now than they were a year ago, given the rise of hybrid work models and geopolitical events such as Russia's invasion of Ukraine. Claims for cyber insurance surged by 50% shortly after war broke out in Ukraine, saying it demonstrates how current events are “driving business decisions” about cyber risks [2].

For example, US cyber insurance prices rose 48% in the third quarter of 2022, compared to 79% in the second quarter. Due to increased competition, more insurers have increased options for policyholders with cybersecurity controls. Increasing competition in the US cyber insurance market is due to many factors, including improved cybersecurity oversight, the effect of higher retention and rate adjustments in 2021, lower claims rates over the past six months, and higher interest rates, which have left insurers looking for higher profits. European cyber insurance prices up 40% from 50% in Q2 2022 as new capacity enters market [3].

Strengthening a sustainable digital security infrastructure requires inexhaustible sources of funding, digital maturity of the organization and expansion of intellectual capital: the presence of digital competencies and personnel capable of using digital technologies, the attitude of the team to digital innovations, etc. Strengthening the potential of digital transformation in the direction of cyber risk insurance depends significantly on insurance offers, because many insurers offer to cover cyber risks with another type of insurance. In addition, the amount of insurance premiums needs to be settled, taking into account the maximum possible losses.

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