

**NAVIGATE.
PREDICT. LEAD.**



**SPRING
MEETING**

May 7–10, 2023

The Westin Boston Seaport District
Boston, MA

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Cyber State of the Market





Lindsay Volpe, CLCS, CIC
Speaker



Pete Hedberg, RPLU
Speaker



Arthur J. Gallagher

- New England Area AVP - Cyber Liability
- 15+ years of experience as a broker
- Started Career at Liberty Mutual



CORVUS

- VP of Cyber Underwriting
- 20+ years of underwriting and broker experience
- Background rooted in technology development





Justyna Pikinska
Speaker



Gallagher Re

- Global Head of Cyber Analytics
- Prior experience: Axis, Capsicum Re



Andrew Li, FCAS
Moderator



CORVUS

- Head of Pricing
- Prior experience : Aon Re, Allstate, Berkshire Hathaway



Agenda

- Broker Perspective
- Insurer Perspective
- Reinsurance Market Perspective
- Panel Q&A and Discussion
- Open Q&A



Broker Perspective:



The Cyber Market Begins to Stabilize

After three years of hardening conditions, the cyber insurance market has finally begun to show signs of stabilization.

Premiums

Coverage

Uptake

Cyber Losses



Soft, but Not That Soft

Clear signs that today's soft market will not revert to the soft market conditions we saw a few years ago

ONE

The offered products cover less with new restrictive policy wording imposed by several carriers in 2023.

TWO

The strict underwriting control requirements mandated last year will persist while the demand for capacity appears to continue to outpace supply.

THREE

There is a growing concern among cyber insurance markets around systemic cyber risk, where the focus remains on quantifying a potentially catastrophic cyber event and estimating the probability of one occurring. This underlying concern will likely persist through 2023 and work to support the current conditions that will maintain the tenants of a challenging cyber insurance marketplace.



The Evolution of Controls in the Market

High Priority (Critical) – Without these controls you may not be able to secure cyber insurance coverage.

- ❑ Require multi-factor authentication for employee email (i.e. Outlook 0365, Web Based Email Apps)
- ❑ Require multi-factor authentication for remote access (i.e., VPN, RDP, VDI)
- ❑ Require multi-factor authentication for privileged accounts (i.e., domain administrator accounts)
- ❑ Require offline/offsite backups of critical data and at minimal annual testing to ensure you can fully restore (i.e. 3-2-1 Back-up Approach).
- ❑ Written and audited patching cadence plan. Addressing target time for deployment of critical/high priority patches.
- ❑ Use of an Endpoint Detection and Response Solution (EDR), monitoring all endpoints.
- ❑ Maintain a 24/7 Security Operations Center (SOC) internally or externally
- ❑ Require at minimum annual cybersecurity awareness training of all employees
- ❑ Perform at minimum annual phishing simulations and track performance
- ❑ Use of a Privileged Access Management (PAM) Tool
- ❑ Use of a written and tested Disaster Recovery Policy (DRP)/Business Continuity Plan (BCR)/Incident Response Plan (IRP), inclusive of a portion addressing a ransomware event.
- ❑ Create a policy that requires portable devices to have full disk encryption
- ❑ Encryption of back-ups and information stored on mobile assets, enterprise assets, and with cloud providers.
- ❑ Use of email filtering tools (i.e., MFA, SPF, DMAR, DKIM, sandboxing, flagging external emails, pre-screening). Note: Mimecast, Barracuda, Proofpoint are all examples of email filtering vendors.

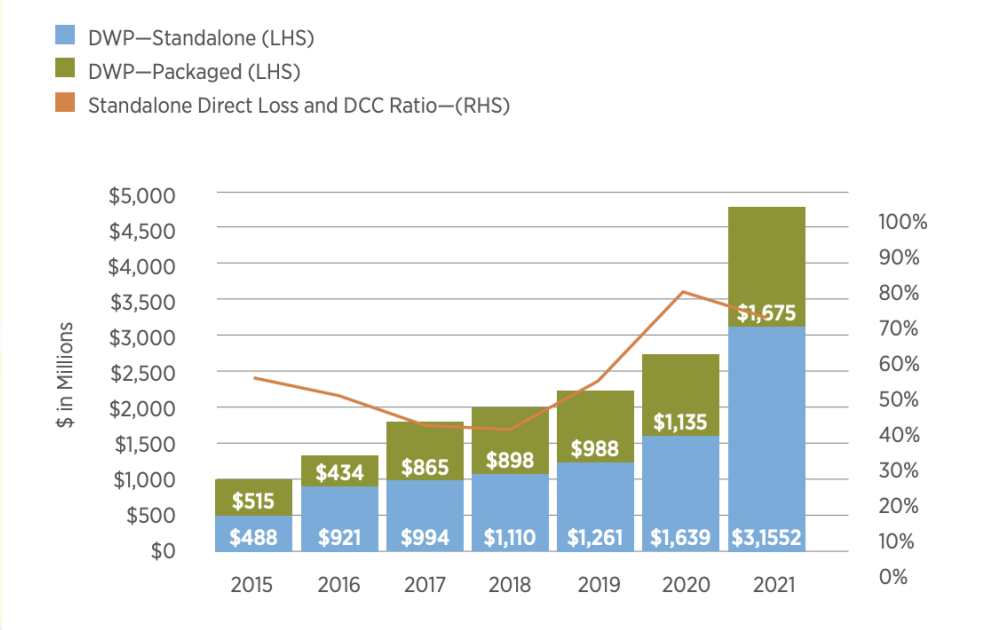
Additional areas being looked at by the carriers in their underwriting process.

- Local admin rights granted on a restricted basis. Meaning not by default.
- Identity Management tools
- Removal of all service accounts in domain administrator group (specific to AIG)
- Invest in a security information and event monitoring (SIEM) tool
- Invest in a tool that monitors data loss (DLP)



Why Clients Need Cyber Now More Than Ever

Threats
Regulations
Requirements

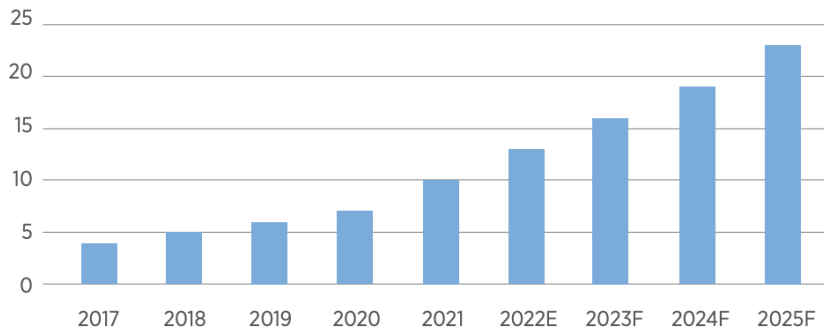


Insurer Perspective:



Cyber *is* Insurable

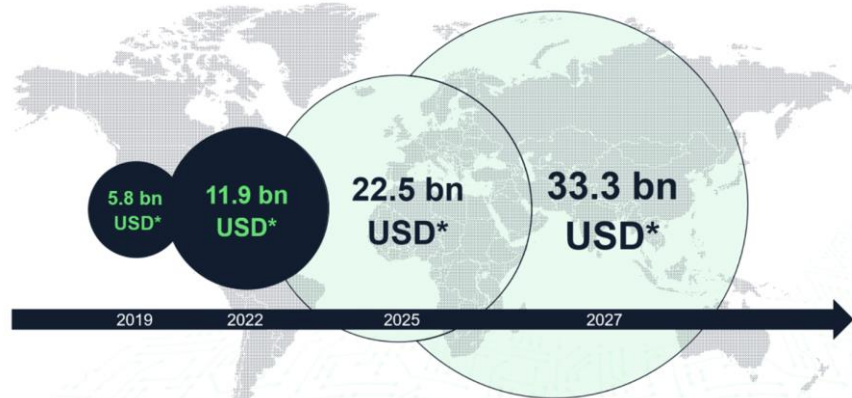
■ Premiums global



*Swiss Re

Global cyber insurance market: Demand continues to grow

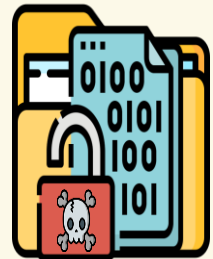
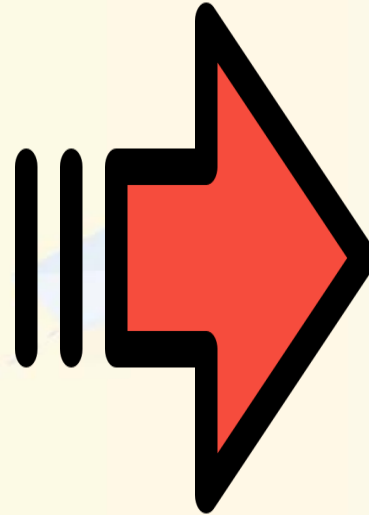
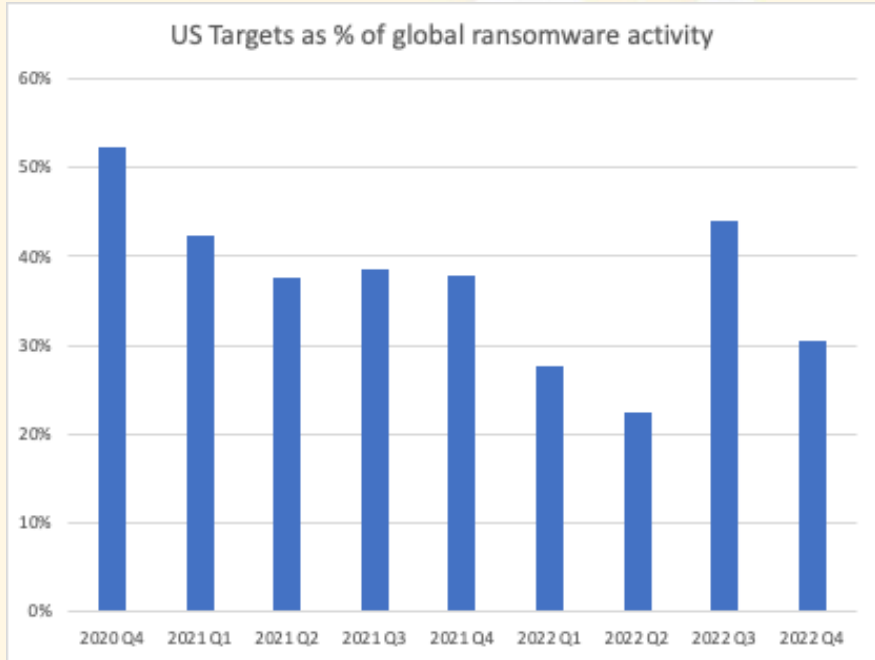
*Estimates by Munich Re



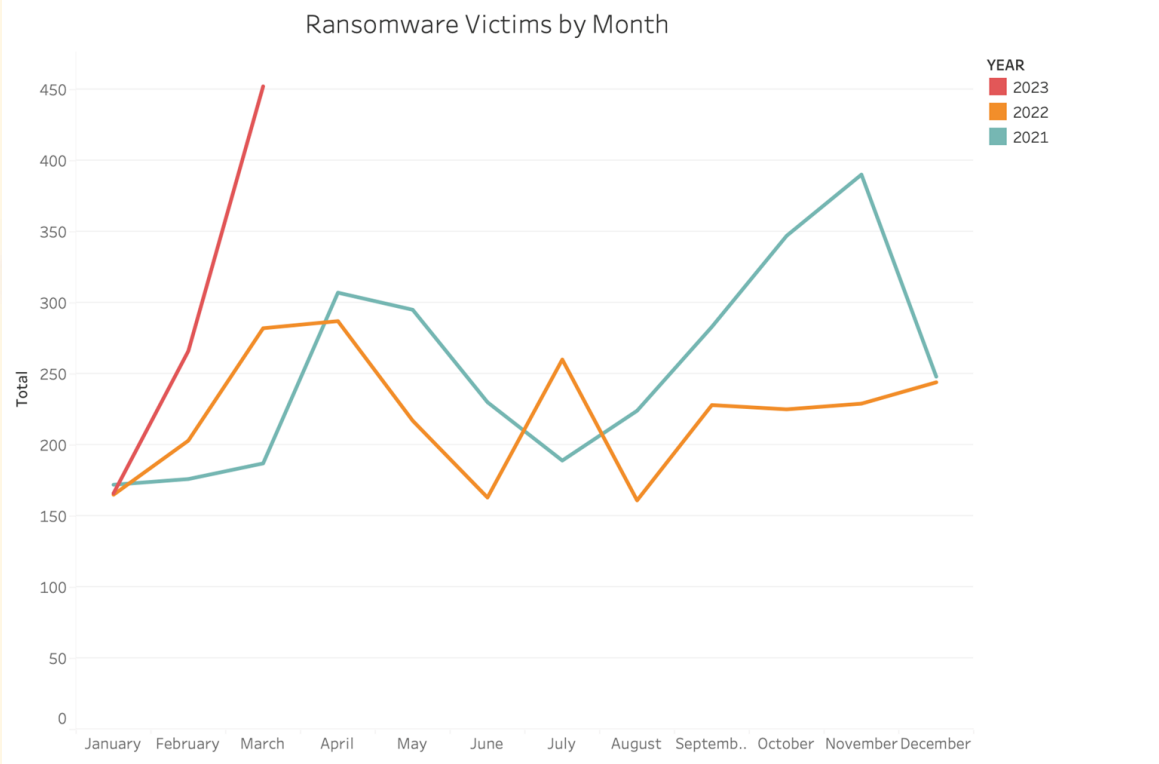
*Munich Re



What's going on with Ransomware?



On the Rise, No Surprise, Not Our Demise



Data Privacy and Litigation

Lawsuits nearly doubled year over year. No longer are only the 'big breaches' capturing attention. -BakerHostetler

CALIFORNIA INVASION OF PRIVACY ACT (CIPA) LITIGATION

VIDEO PRIVACY PROTECTION ACT (VPPA) LITIGATION

RIGHT OF PUBLICITY STATUTES

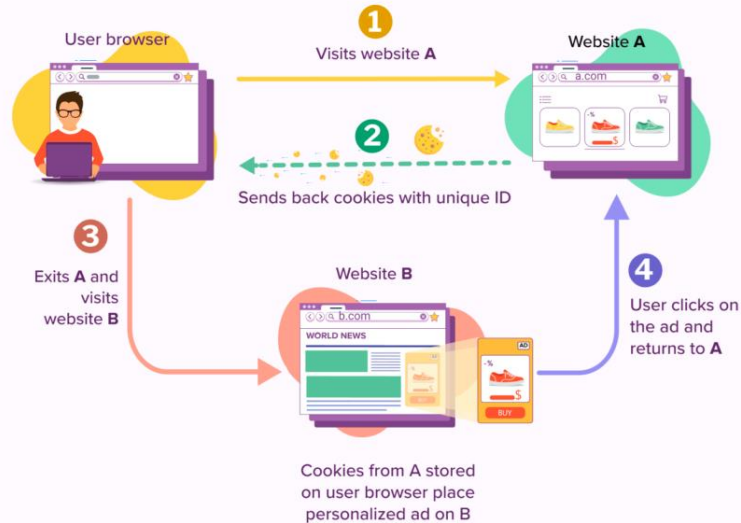
ILLINOIS BIOMETRIC INFORMATION PRIVACY ACT (BIPA)

RIGHT TO BE FORGOTTEN (GDPR)



Even More Privacy Litigation Fun with Pixel

Third-party cookie retargeting



Source:

<https://www.cookieyes.com/third-party-cookies>

CookieYes

f t in /CookieYesHQ



Pixel: New Challenge, New Opportunity



Tools

Technology

Teamwork



Reinsurance Perspective:



Common Misconceptions

1 “Cyber is Uninsurable”

2 “There is no data”

3 “All Cyber events lead to losses”

4 “Cyber cannot be modelled”

5 “Cyber is not profitable”

6 “Hackers are always one step ahead”



Re(insurance) Market Considerations

1

Continued reliance on reinsurance

- QS cessions remain >50% while XOL purchasing continues

2

Flattening of terms

- Pressure on terms and conditions in the face of improving performance and greater C-suite confidence

3

Forward looking strategies

- Utilising reinsurance to support future growth as much as to transfer CAT & systemic risk

4

Limited retro capacity & Event based capacity

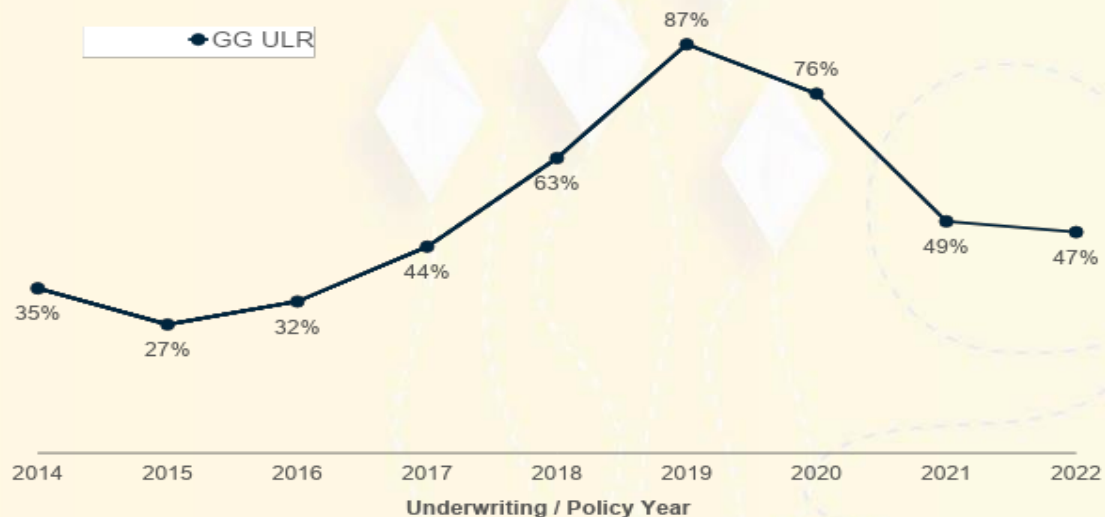
- Growing interest in Occurrence based solutions
- However, market remains restricted



Key Updates

Performance: Lloyd's CY Risk Code at Q4 2022

Results & Updates



Key Updates

 **RW Accelerating Pattern**

 **DB Extending Tail**

 **Rate Change & Inflation**

 **GRe AvE < 1% Incurred**



Data Standards

Sublimits

Half of cedants now providing sub limit information driven by:

- Desire to prove to markets remediation via sub limit implementation
- Material beneficial impact on aggregation model outputs

Website

Cedants are beginning to provide URLs to markets however, this is still a minority (20%). We expect this trend to continue throughout 2023.

Rate Change Interrogation

Markets scrutinized rate change methodology and calculation to understand what factors (e.g. risk adjusted, inflation) and business (NB/renewal) were considered.

Section	Data Field	2022	2023	YoY Absolute Difference (Market Sample)	
Risk Bordereaux	Insured name	90%	92%	2%	
	Risk ID/Policy Ref	90%	94%	4%	
	Stacking ID	31%	31%	0%	
	Clash ID	10%	10%	0%	
	Status (New/ renewal)	46%	52%	6%	
	Inception date	98%	94%	-4%	
	Expiry date	98%	94%	-4%	
	Source (OM/DA/facility etc)	98%	98%	0%	
	Currency/FX Rate	96%	94%	-2%	
	100% Limit	90%	94%	4%	
	Share	81%	98%	17%	
	Gross Gross Premium	85%	81%	-4%	
	Gross Net Premium	50%	52%	2%	
	Premium allocation by coverage	6%	6%	0%	
	Acquisition costs	44%	42%	-2%	
	Attachment of insurer	92%	94%	2%	
	Limit to insurer	94%	96%	2%	
	SIR and/or Deductible	71%	88%	17%	
	BI Sublimit/Deductible	25%	44%	19%	
	CBI Sublimit/Deductible	21%	40%	19%	
	Third-Party Sublimit/Deductible	19%	42%	23%	
	Breach Response Sublimit/Deductible	23%	46%	23%	
	(BI) Wait Period	19%	19%	0%	
	Region/Country	94%	94%	0%	
	Trade industry/SIC code, etc.	85%	83%	-2%	
	Revenue	77%	75%	-2%	
	Number of records	15%	13%	-2%	
	Employee count	6%	6%	0%	
	Coinsurance Share	2%	17%	15%	
	Website	6%	19%	13%	
	Claims Submission	Incurred loss triangles	71%	63%	-8%
		Ransomware Triangles	17%	21%	4%
		Loss count triangles	23%	25%	2%
Paid loss triangles		63%	54%	-8%	
Premium triangles		48%	46%	-2%	
Large Loss List		83%	77%	-6%	
Loss Description/Indicator		52%	52%	0%	
Claim ID		73%	69%	-4%	
Claim Status		71%	67%	-4%	
Date of Loss		65%	67%	2%	
Incurred Loss		71%	75%	4%	
Loss Location		52%	52%	0%	
Loss breakdown by head of coverage		35%	33%	-2%	
Outstanding		67%	71%	4%	
Paid Loss		71%	75%	4%	
ALEA/ULEA		29%	25%	-4%	
Payment Date		25%	21%	-4%	
Reported Date		50%	50%	0%	
Portfolio Summary	Planned loss ratio	54%	40%	-15%	
	Planned premium	100%	100%	0%	
	Historical Rate Change	73%	77%	4%	
	Planned rate change	79%	77%	-2%	



Panel Discussion and Q&A



What was your first exposure to Cyber insurance and how has the market changed from then to now?



**Looking into your crystal ball,
where do you see the market
headed in the next 6 months, 1
year, and 5 years respectively?**



What keeps you up at night in regards to cyber insurance?



In your view, what are the core tools your teams need to continue to be successful in this market?



What's your favorite part about working in cyber insurance?



Open Q&A

