



CYBER LIABILITY



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What is Cyber?

Cyber insurance is a form of insurance designed to protect businesses from digital threats, which can come in various forms (data breach, ransomware attack, or a system failure for example). You can simplify cyber incidents as usually caused by either malicious or accidental means, leading to either a first party or third-party loss.

When we say 'malicious', we are referring to a purposeful intrusion or attack on a business' digital assets or network, in order to gain access to data, disrupt business operations, or to advance a political/social agenda.

When we say 'accidental', we mean an incident caused via non-malicious means, so an employee updating a system incorrectly, or a third-party vendor providing a faulty software patch. Both could lead to a business suffering disruption in its day-to-day operations, causing financial loss.

If a business handles data or relies upon any form of web-connected network to operate its business, there will most likely be some exposure to cyber risk and therefore a need to address this exposure, either with insurance or via the balance sheet.

What is the difference between First-Party and Third-Party?

The cover under a cyber policy for First-Party losses can include some of the following:

- Response costs (legal, PR, IT) in the event of an incident
- Business Interruption costs, loss of income, extra expenses
- Cyber extortion payments (resulting from a ransomware attack) and response costs
- Notification costs (for businesses which lose customer data)



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Cover for Third-Party losses can also include:

- Damages/settlements as a result of a data breach
- Legal costs in defending the business against said claims
- Media and Technology liability where required

Cyber insurance is an ever-evolving product, adapting to meet the changing threat landscape and needs of global businesses. At Price Forbes, we work closely with a wide range of global insurers to ensure that our clients and partners needs are met with the appropriate cover.

What has been happening in the cyber market?

Insurers are experiencing higher volumes of claims activity than they have ever seen before, but there is still resilience and commitment from the cyber market.

This means we are seeing increasing rate pressure, especially in excess layers. In 2021, we are seeing rate increases of 20-40% across the board.

Insurers are also looking at capacity management, particularly on the syndicate side where stamp capacity is being closely monitored. For 2021 and beyond we expect to see the following from the market:

- Higher rates for larger lines
- Rigorous aggregation management
- Increased scrutiny at the placement stage in signing off capacity
- Higher retentions

Coverage is being addressed as well; ransomware attacks are the driving loss scenario, and some primary insurers are looking to sub-limit or coinsure this portion of the risk. The amount of information required at purchase is also increasing as insurers look for a better quality of risk profile.

Can you cover Property Damage as a result of a cyber incident?

The cyber market is increasingly offering property damage and bodily injury cover resulting from a cyber incident. This is a cover that is suitable for larger, industrial and manufacturing clients (amongst others).

Some examples of where this would provide cover include:

- A fleet of autonomous vehicles being hacked and causing property damage
- SCADA systems for heavy industry businesses being compromised and causing damage to products
- Fire/property damage resulting from a cyber incident at a steel production plant

This is a burgeoning class of business with the cyber market and one that is growing rapidly, as clients look to the cyber market to pick up cover that was historically included in other lines of insurance (such as property). We are seeing an increasing number of insurers moving into this space with increasing limits available to clients, and so if this is a concern for your clients, then please get in touch.

What should businesses be doing to address this risk?

Businesses need to quantify and explore where the cyber exposure sits within the business, and where they may have cyber cover across their insurance portfolio. The cyber team at Price Forbes can help with this and explain any changes to current programs, regarding cyber exclusions or endorsements.

Once there is a better understanding of where any cyber cover is lacking, the team can then facilitate the right conversations with insurers that will be best placed to offer the appropriate cyber insurance.

Price Forbes has access to a wide range of markets, from Lloyd's of London to Bermuda, with strong relationship with insurers from MGAs all the way up to large syndicates and company markets. This means we are best placed to find the right capacity and coverage for our clients and partners.

Call us on:

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and we'll put you through to one of our experts.

Or email one of our experts below.



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