MANAGEMENT PROFESSIONAL SOLUTIONS

FLASH ADVISORY
Cyber Liability Market

January/February 2022

In a year that saw the placement of cyber liability insurance become increasingly difficult with each passing month, the start of 2022 is showing no let-up for buyers. The first half of 2021 was relatively "better" than the back half of the year and so renewals through January and February have been as difficult as those completed from October through December, despite Lloyd's capacity reentering the marketplace. Some takeaways form the cyber market as the year picks up steam:

- **Certain classes of business (software/tech, healthcare) and the broader large-cap segment are receiving premium increases of 80% or higher, depending on cyber security fundamentals.**
  - The insureds renewing programs now were not put through the underwriting crucible in the same way as their peers that received renewals in the second half of 2021 and are experiencing that pain now.
- **Smaller businesses, regardless of industry, will likely see no less than a 50% increase in premium.**
  - This segment is also more likely to see retentions raised as carriers look to further insulate themselves from the current volatile claim environment.
- **For all insureds of all sizes and industries, excess rate-on-line (i.e. pricing of excess relative to the underlying layer's pricing) is now being recalibrated north of 80% if not there already.**
  - This is compounding the overall premium increase for individual programs.
- **Carriers are far more reluctant to issue terms for Managed Service Providers (MSPs) and other cloud-based enterprises.**
- **Capacity is otherwise holding steady if cyber security controls are strong.**
  - If controls are below par, obtaining renewal terms remains incredibly challenging.
- **Insureds with under $40 million in revenues can receive quotes with less-than-stellar controls, but those are infrequent and underwritten on a case-by-case basis.**
- **Wrongful Collection coverage is beginning to disappear from the market.**
- **Infrastructure exclusions, previously only found in London, are now being applied by U.S.-based underwriting facilities.**
- **"Betterment" coverage is not being granted uniformly anymore.**
- **Dependent Business Interruption coverage is back to being sub-limited for many buyers.**
- **Cyber is "easier" to place than standalone Technology/Software E&O and/or if it is blended with cyber liability.**
  - The risk of tech/software providers to contractual counterparties multiplies the risk taken on by carriers.

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- **Claim partnership with carriers has become more contentious as paid losses continue to mount.**
  - Carriers are less willing to allow non-panel vendors to be utilized, especially after a claim has been noticed.
  - Extensions from carriers to provide proof of loss statements are no longer granted as a common courtesy.
- **Specifically, Beazley in London continues to push rate on renewals, even for accounts with network security controls.**
  - Beazley has long been a leader in this specialty line and has paid the lion's share of claims in the space. Their product performs, and rate is expected in return for this performance.
- **Insureds already utilizing captive insurance companies are increasingly putting cyber liability (or retentions for cyber liability) through said captives.**
- **Cyber liability marketplace beginning to act more like the property insurance market—specific incidents (i.e. log4j or other) are being treated similarly to how property underwriters treat named storms or other, catastrophic weather events that cause the market to contract for a period of time in the wake of the incident.**
- **Turnaround times for quotes continue to be elongated as underwriting scrutiny remains high. Carriers are also pushing to non-admitted paper in many cases.**

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