



CYBER LIABILITY CAS REINSURANCE SEMINAR

Fairmont Southampton Bermuda

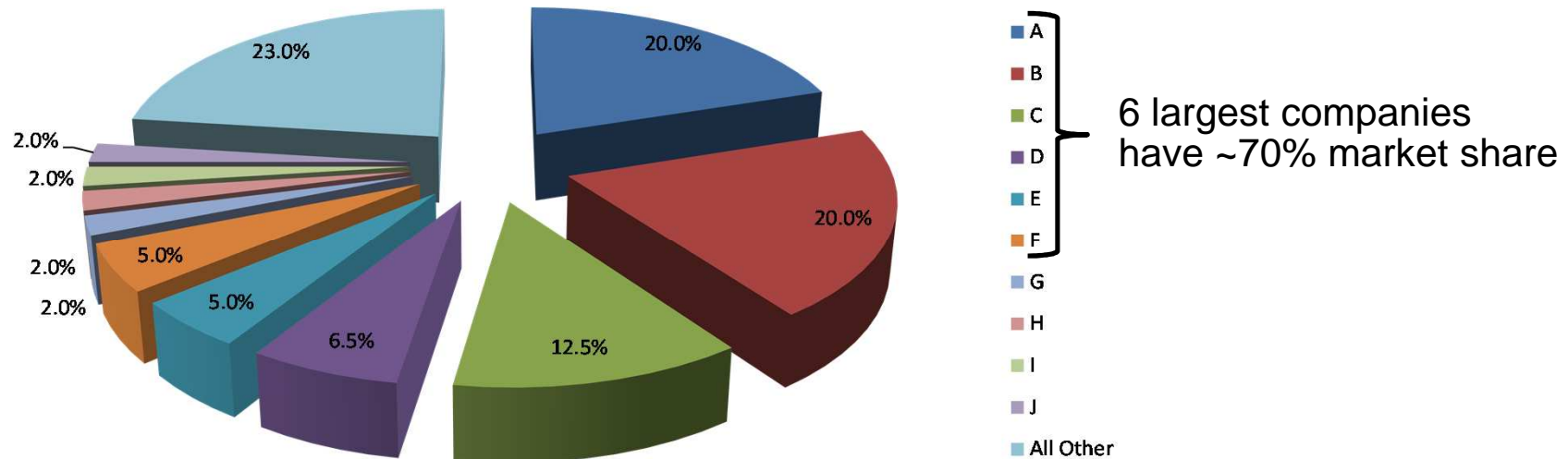
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Cyber Liability Introduction

- Marketplace Summary
- Reinsurance Market and Treaty Structures
- What are some key issues for cedants and reinsurers?

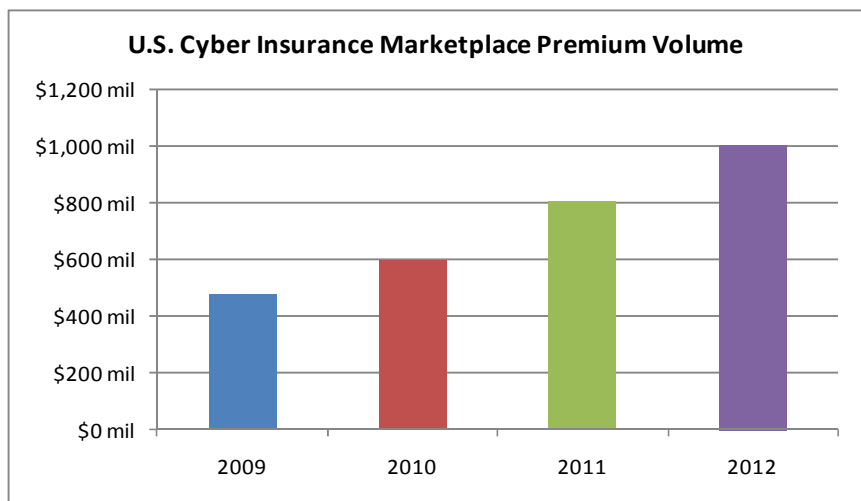
Marketplace Summary



- ~ 40 insurance companies offering mono-line cyber
- Only top 6 have portfolios > \$25 million premium
- Typical maximum limit capacity of \$5 million to \$25 million
- Excess capacity available
 - 3rd party total capacity ~\$350 million
 - 1st party total capacity ~\$150 million
- ~\$800 million to \$1 billion marketplace in 2012 (compared to \$14.3 billion for U.S. OtherLiabCM)

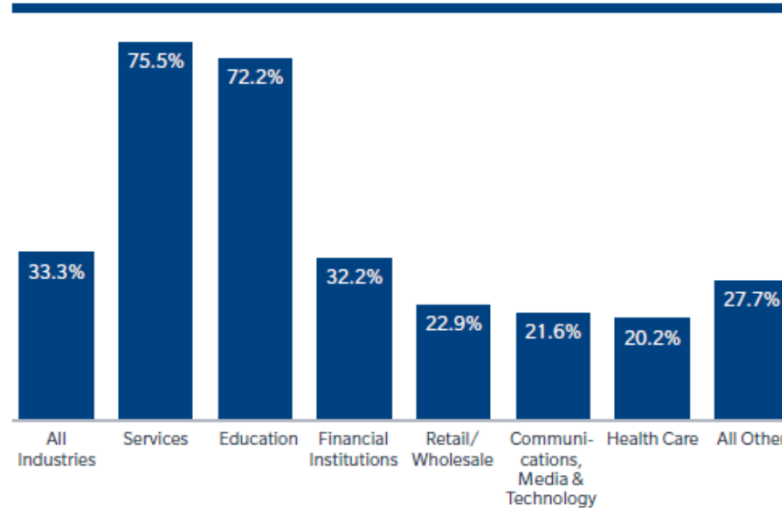
Marketplace Summary

Growing Marketplace



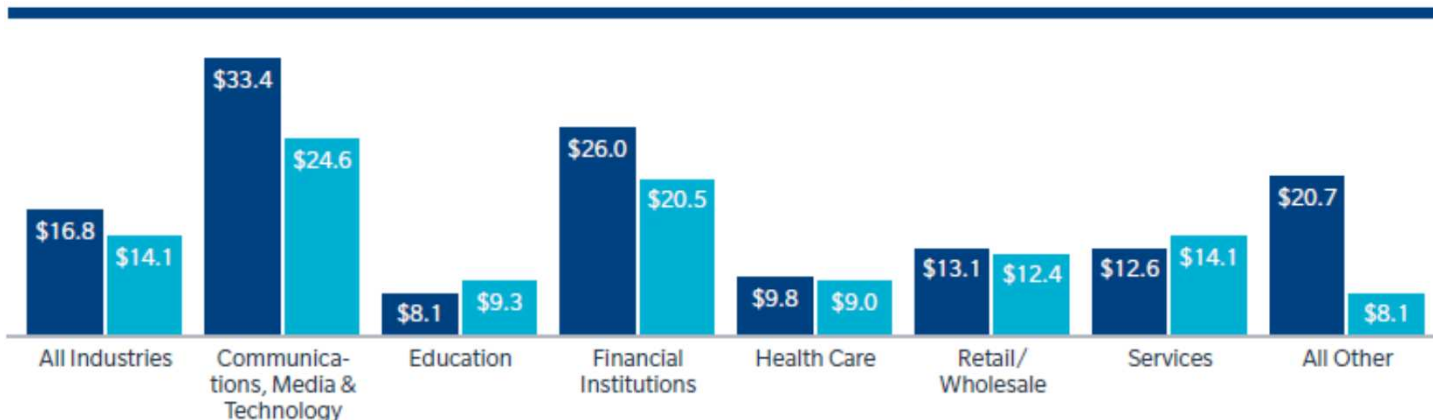
Source: Betterley Reports 2009-2012

FIGURE 1: PERCENT INCREASE OF 2012 US CLIENTS — CYBER LIABILITY



Source: Marsh Global Analytics

FIGURE 2: TOTAL LIMITS PURCHASED, BY INDUSTRY — CYBER LIABILITY, ALL REVENUE SIZE



Source: Marsh Global Analytics

● AVERAGE 2012 LIMITS (ALL REVENUE SIZE) ● AVERAGE 2011 LIMITS (ALL REVENUE SIZE)

Reinsurance Market and Treaty Structures

- Most reinsurance of cyber as part of broader E&O, D&O or casualty treaty
 - 20+ reinsurers currently supporting cyber business
 - 7-8 reinsurers support limited number of stand-alone cyber treaties
- Quota share is most common structure
- Excess of loss available, especially if part of a broader treaty
- Treaty features
 - **Sub-limited coverage when part of broader treaty**
 - Understanding of loss potential still evolving, technology rapidly changing
 - Lack of premium-to-limit balance
 - **Attachment point restrictions**
 - Limited pool of experienced primary underwriters
 - Claims handling knowledge and resources
 - **Event limits – “Cyber Hurricane”**
 - Aggregation of 1st party exposure- especially business interruption
 - Increasing exposure from Cloud Computing

What are some key issues for cedants and reinsurers?

- **Understanding the coverage**
 - *1st party, 3rd party, tech E&O, package products*
- **Growing the marketplace**
 - *Why isn't every business already buying this coverage?*
- **Keeping up with technology change**
 - *Internet, email, e-commerce, mobile computing, social media, cloud computing.....*
- **Quantifying the risk**
 - *What data is needed to develop a technical price?*
- **Aggregation**
 - *Credible way to estimate a PML?*

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