








## Cyber Liability

Cyber Liability is currently viewed as the most difficult line of business to write. It is a quickly moving, immature market that is expected to become even more challenging in the coming years. Rapid changes in exposures, insufficient usable data, shortage of experienced underwriters, and inconsistent terms, conditions and language in coverage forms foretell difficulty in navigating this line of business.

### TRENDS\*

Rates	
Availability	
Capacity	
Underwriting Scrutiny	

#### KEY:

-  Stable
-  Trending unfavorably for buyers
-  Trending favorably for buyers
-  Unfavorable for buyers but trending favorably

Source: Alera Group 2023 Market Outlook Survey

\* Survey conducted prior to Hurricane Ian's impact on the insurance market.

**Rates will continue to increase for most organizations, but with less volatility.** In 2023, rates will increase as much as 50% before leveling off to 15% for less complicated risks as the market gains experience, introduces more limited coverages, adds exclusions and offers lower limits.

**Capacity will be offered selectively and at lower limits to what insurers view as the best risks.** Obtaining a \$5 million layer will be challenging.

**Terms and conditions are changing to clarify coverages as new cyber risks are being identified, and to add exclusions for state-backed cyberattacks.** Policyholders must demonstrate they will try to verify certain emails that request transactions. Deductibles are being added and sublimits are being required for ransomware and business interruption exposures.

**The underwriting process will take longer.** Due to extensive risk questioning, supplemental applications and a critical shortage of qualified cyber underwriters, expect the quotation process to take several weeks. As pre-qualifiers for a quotation, multi-factor authentication (MFA), a two-step process, is required to be in place before quoting. Also required: established cyber security preparedness; recovery plans in the event of an attack; offsite backups; endpoint protection responses (EPR) for laptops, mobile devices, telephones, etc.; and identified privileged users.

**New market entrants will supplement existing capacity and availability.** New managing general agents (MGAs) working with insurer's paper will not only write business but also perform newly required critical services as "breach coaches," working with adjusters and forensic analysis.

**Some industries will be impacted more than others.** Financial services, college-level education institutions, healthcare organizations, infrastructure, pipelines, utilities and manufacturing accounts utilizing digital equipment will be more difficult to place with desired pricing, terms and limits.