



Q3 2023 MARKET TRENDS

Cyber Risk

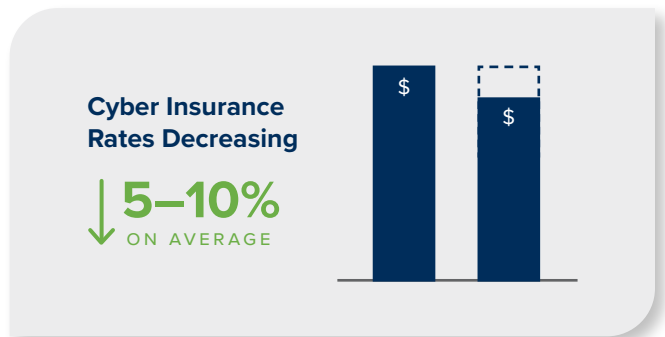
Rate Trends

Rates in the cyber insurance market are decreasing, currently averaging 5% - 10% on primary policies. Carriers are facing considerable pressure to grow their books of business, creating competition for customers with strong controls. To compete, carriers are more willing to offer broader coverage, lower retention and, in some cases, higher limits. With increased competition, the market is stabilizing and more predictable than in previous years.

Layered programs are also gaining competition, with resulting reductions in excess pricing, particularly for larger towers. The increase in competition is driven by additional capacity from new entrants and markets re-entering the market after exiting due to poor underwriting results. Much of this new capacity is focused on excess layers, contributing to the softening

of the excess cyber market. However, price decreases will tail out for large towers as premiums reach a minimum price for capacity in the high layers.

Retentions are trending down, particularly for large risks, who faced the most significant increases in prior years.





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Changing Capacity/Limit Management

The market continues to see an increase in capacity, further accelerating the softening of pricing. This capacity increase gives buyers more options from a wider group of carriers. However, many carriers remain conservative, with some exceptions for significant risks.

Several external factors are impacting carrier appetite and capacity in the cyber market. Specific industries are facing difficulties due to outside political or economic factors. Newer environmental, social and governance (ESG) concerns, such as coal or non-renewable energy, affect utility companies and producers of vice products like tobacco and alcohol. These pressures may extend to other industries in the future.

Claims

The frequency of cyber insurance claims is increasing. While ransomware claims have decreased in the last year, a slight uptick in the previous quarter has caused concern among carriers. Carriers are also concerned about privacy-related incidents, particularly resulting from violations of the Biometric Information Privacy Act (BIPA) and pixel tracking. Carriers are closely monitoring claims activity, underwriting the exposure more diligently and, in some cases, narrowing their offerings.

Coverage Limitations

Carriers continue to raise concerns about catastrophic losses, with many carriers releasing new language limiting coverage for war or other catastrophic events. These changes are driven, in part, by reinsurance restrictions.

Another area of close monitoring is the impact of artificial intelligence. The industry is watching the implications of AI and its potential effects on coverage and risk.





How Brown & Brown Can Help

Connect with our Brown & Brown team to learn about our knowledge in your industry, how we build our risk mitigation strategies and how we can aid your business in building a cost-saving property & casualty program.

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