



# Cyber Market Environment

## August 2021

Since the beginning of the COVID-19 pandemic, the cyber insurance market has hardened considerably, with major changes to capacity and premiums in the first half of 2021. Ransomware attacks and an increase in remote work have been driving factors in the hardening market and increased cyber claims.

Throughout this report we'll explore the latest in this year's cyber market as well as key cybersecurity actions you can take to ensure your business is prepared.

## Underwriting Trends



Ransomware is the leading cause of cyber loss today with frequency and severity increasing at an alarming pace.

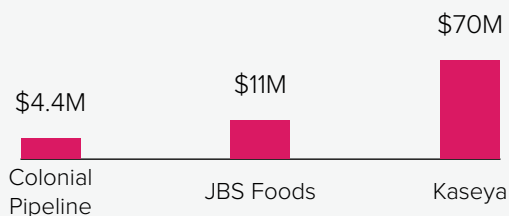


Insurers are underwriting more selectively and require complete and acceptable applications prior to binding.



Underwriters are requiring baseline internal IT security controls for preventing ransomware attacks (see Key Cyber Security Requirements) and risk management controls.

Recent Ransom Demands



Ransom demands of \$1M or more are now more common. For example, the demand on the recent attack on Kaseya is reported at \$70M. JBS meat supplier paid an \$11M demand. Colonial Pipeline paid a \$4.4M demand, yet the Department of Justice recovered approximately \$2.3M of it.

Supply chain risk has also increased dramatically. The SolarWinds breach highlights how a breach at one company can have a much larger impact across the economy and the cyber marketplace. Underwriters are asking questions around use of SolarWinds software and Microsoft Exchange, and risk mitigation efforts. Related exclusions may be added.



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## Renewal Process



Start early allowing the underwriting process as much time as possible.



Provide complete applications **45-60 days** in advance. Carriers require their own forms to be completed, so anticipate there may be various forms and follow up questions.



Participate in underwriting meetings as needed, including discussion with CISO or Head of IT.



Complete all subjectivities prior to binding.



## Premium/Capacity Trends

- The cyber market is hardening fast with rates increasing **50% - 100%** in most cases.
- Larger companies with revenues **\$1B+** are experiencing rate increases **100%+**, and reduced capacity.
- Without MFA and other security controls listed (see Key Cyber Security Requirements), clients risk non-renewal or significant rate increases, retention hikes, coinsurance, or reduced coverage.
- Carriers are cutting primary capacity limits, and sublimiting coverages such as Cyber Extortion, Crime, Contingent Business Income, Hardware Replacement, and others.
- Policy layers of **\$10M** limits, which were typical in the past, are being reduced to **\$5M** making the need to have twice as many carriers on a program to secure the same total limits.
- Given the increasing severity of losses, excess insurers may seek higher increased limit factors than they have in the past, which means rate increases will be higher on a percentage basis than the primary layer.



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## Key Cyber Security Minimum Requirements

- 1 Multi-factor authentication (MFA) on email, remote users, and privileged users.
- 2 Endpoint protection (EPP) and endpoint data and response (EDR) protection.
- 3 Plan for end-of-life or end-of-support products replacement. Products still in use must be kept segregated from the network.
- 4 Backup data must be kept separate from your network (offline) or in cloud designed for this purpose.
- 5 Frequent security awareness training for employees.

## Be Prepared to Act Fast



Be sure your Cyber Incident Response Plan is kept up to date with important contact information.



Keep a copy of the Plan both online and offline in case your system is unavailable.

Report a potential claim as soon as possible to:  
**[ClaimsGroup@theabdteam.com](mailto:ClaimsGroup@theabdteam.com)**