Beazley Logo

Press Releases

Cyber modelling collaboration between Beazley, Munich Re, and Gallagher

October 09, 2024

Beazley, Munich Re, and Gallagher Re are pleased to share the results of a year-long collaborative study that sought to develop a joint understanding of the nature and magnitude of potential systemic losses that the cyber-insurance industry could face from a range of extreme malware events. The findings detailed in the whitepaper indicate that the cyber-insurance market could withstand a plausible yet remote malware event under the given parameters.

Amongst the backdrop of uncertainty around cyber tail accumulation risk, which currently limits investment, impedes new entrants, and weakens sustainable market growth, the collaboration's core rationale was to generate outputs that would stimulate dialogue within the cyber-insurance industry. The core outputs of the project will be freely available and are intended to be readily understandable by a broad range of stakeholders. The goal is to encourage further development in the cyber accumulation risk modelling space and to provide clarity and transparency in the face of the concern surrounding the insurability of tail risk from malware events.

Paul Bantick, Chief Underwriting Officer, Beazley:

"The world of cyber threats doesn't have to be feared, but you do need to be prepared and understanding accumulation risk is key to unlocking the growth potential of the cyber insurance market. We are pleased to have been able to contribute our deep expertise in both cyber underwriting and cybersecurity to this joint project in the hopes that it leads to incisive discussions and bolstered confidence in the cyber market."

Jürgen Reinhart, Chief Underwriter Cyber at Munich Re:

"Accumulation risk deters potent risk carriers from entering the rewarding cyber business, leaving clients unprotected in their digital

ventures. While challenging, understanding systemic cyber risks is crucial for the industry's growth. Munich Re continues to invest in collaborations, building a foundation for sustainable market expansion."

Ian Newman, Global Head of Cyber at Gallagher Re:
"This joint project aims to enhance understanding, increase confidence from external capital and regulators, support new market entrants, and foster public discourse to help the industry effectively prepare for and address incidents swiftly and effectively. Each party has brought specific expertise to the table, including modelling frameworks, making it a truly comprehensive guide for the industry."

Discussion among the collaborating experts was based on a framework with generic methods of calculating exposure to systemic events. The resulting, highly generic model is not primarily intended for cyber insurers to manage their own risks, but rather as a basis for an informed discussion and to assist with communicating with a diverse range of stakeholders. The accompanying whitepaper is also intended to promote a common understanding of the systemic threat posed by malware by stimulating dialogue about the scope of potential systemic insured losses from such events and how to model them.

The collaboration partners invite interested market participants to join a webinar on 15 October and to share feedback with the authors.

To access the whitepaper and download the model please **click here**.

Home

©Beazley Group | LLOYD's Underwriters