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Beazley launches market’s first cyber catastrophe bond

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Ground breaking bond sees Beazley’s high quality cyber portfolio generate support from major ILS investors, resulting in a vital step towards creating a dynamic market for cyber catastrophe risk.

Beazley, the leading specialist insurer, has launched the market’s first cyber catastrophe bond. This is the first time that a liquid Insurance-Linked Securities (ILS) instrument has been created for cyber catastrophe risks. The $45 million private Section 4(2) bond is fully tradeable under Rule 144A resale and gives Beazley indemnity against all perils in excess of a $300 million catastrophe event, with the potential for additional tranches to be released through 2023 and beyond. The bond is backed by a panel of ILS investors including Fermat Capital Management, LLC, and was structured and placed by Gallagher Securities, the ILS arm of Gallagher Re.

The bond is designed to cover remote probability catastrophic and systemic events. Developing effective solutions for catastrophe risk is vital to allow the supply of capacity to the cyber (re)insurance market to increase, to meet growing demand for cover from business and society. Beazley has long been a pioneer in the cyber market, where its expertise has allowed it to create new solutions to the challenge of cyber risk, and where its robust approach to risk management and pre-underwriting techniques has won investor confidence.

Adrian Cox, CEO Beazley, said: “I’m proud that the high-quality of Beazley’s cyber underwriting has been recognised by investors in the placement of the market’s first cyber catastrophe bond. As a leader in this market, we are at the forefront of delivering new solutions that are allowing the cyber insurance market to grow to the size that clients need. A key element of this facility is its flexibility to scale over time and support our continued, sustainable growth in cyber. I’d like to thank the investors and our brokers for their support in achieving this important milestone for the cyber market.”

John Seo, Co-Founder and Managing Director at Fermat Capital

Management, LLC added, “As an ILS investor, we have been monitoring the cyber insurance market for several years waiting for the appropriate opportunity to invest. This well-structured bond together with Beazley’s strong cyber underwriting have provided the basis for us to do so. We believe this deal marks an important step in unlocking capital market investment into cyber risk and creates a solid foundation for a future cyber ILS market.”

Tom Wakefield, UK CEO, Gallagher Re, commented: “Helping to bring new and alternative capacity into the global cyber (re)insurance market to keep pace with rapidly rising demand for risk transfer has been a primary focus of the Gallagher Re cyber team. Beazley’s cyber expertise and proactive engagement with capital markets has proven them to be an instrumental partner in placing this first cyber catastrophe bond on their behalf. The calibre of ILS investors involved, and complexity of the class, demanded an underwriting business of high quality to ensure a successful outcome. Where carriers can demonstrate a similar approach, the opportunity exists for a strong and sustainable cyber catastrophe ILS market.”

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