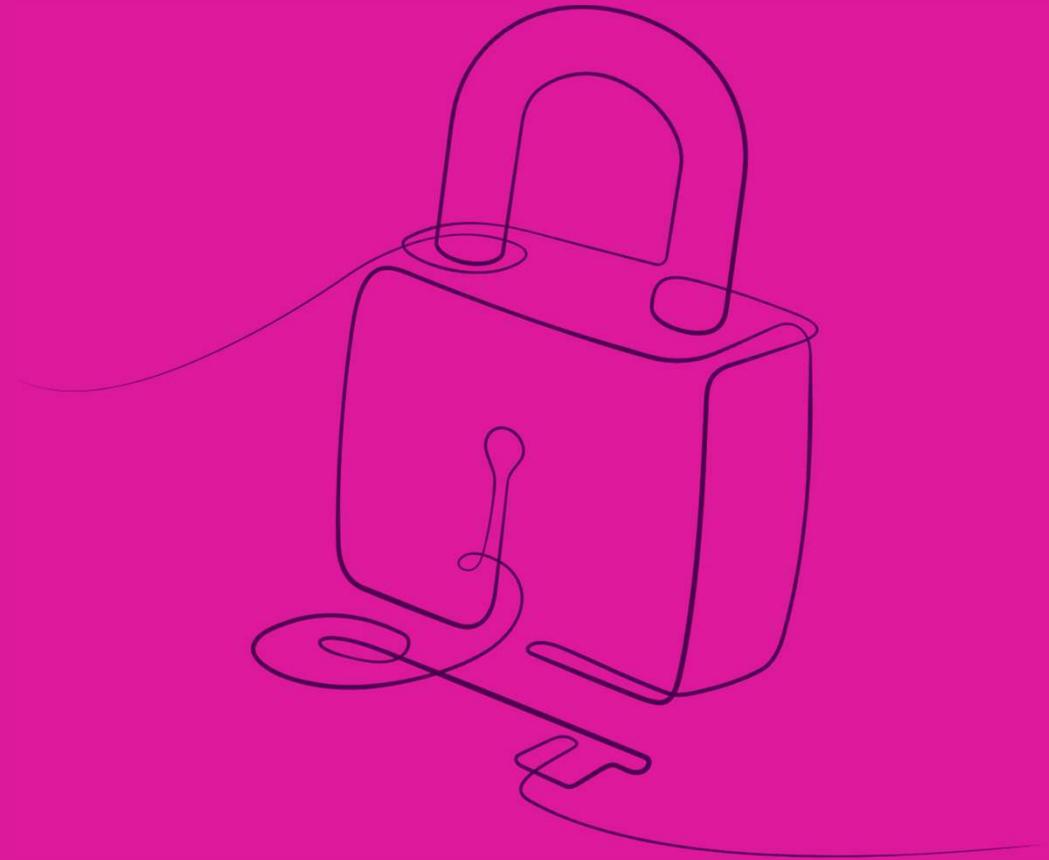


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# Cyber Risk Update

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## **Barbara Plucnar Jensen**

Group Chief Financial Officer

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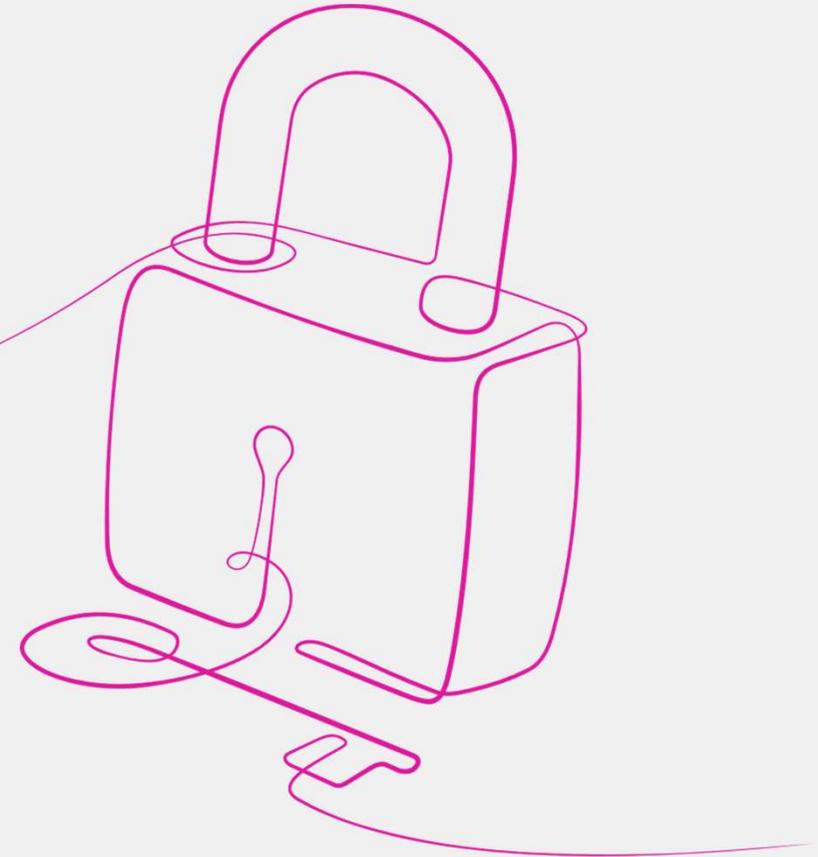
## **Paul Bantick**

Group Chief Underwriting Officer

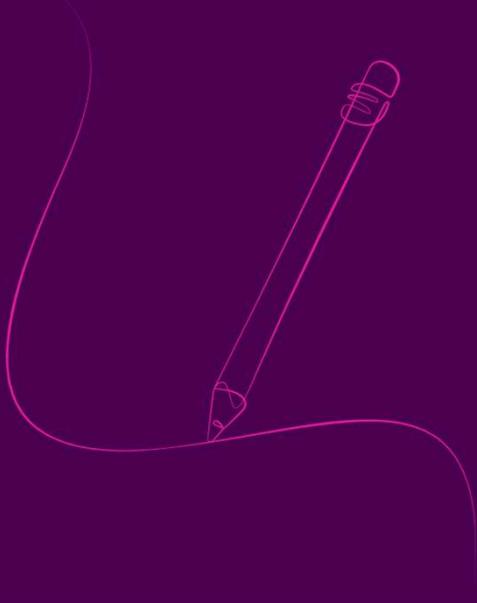
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## **Aidan Flynn**

Head of Cyber Underwriting Strategy



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## Disclaimer notice

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Certain statements made in this presentation, both oral and written, are or may constitute “forward looking statements” with respect to the operation, performance and financial condition of the Company and/or the Group. These forward-looking statements are not based on historical facts but rather reflect current beliefs and expectations regarding future events and results. Such forward looking statements can be identified from words such as “anticipates”, “may”, “will”, “believes”, “expects”, “intends”, “could”, “should”, “estimates”, “predict” and similar expressions in such statements or the negative thereof, or other variations thereof or comparable terminology. These forward-looking statements appear in a number of places throughout this document and involve significant inherent risks, uncertainties and other factors, known or unknown, which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Given these uncertainties, such forward looking statements should not be read as guarantees of future performance or results and no undue reliance should be placed on such forward-looking statements.

A number of factors could cause actual results to differ materially from the results discussed in these forward-looking statements.

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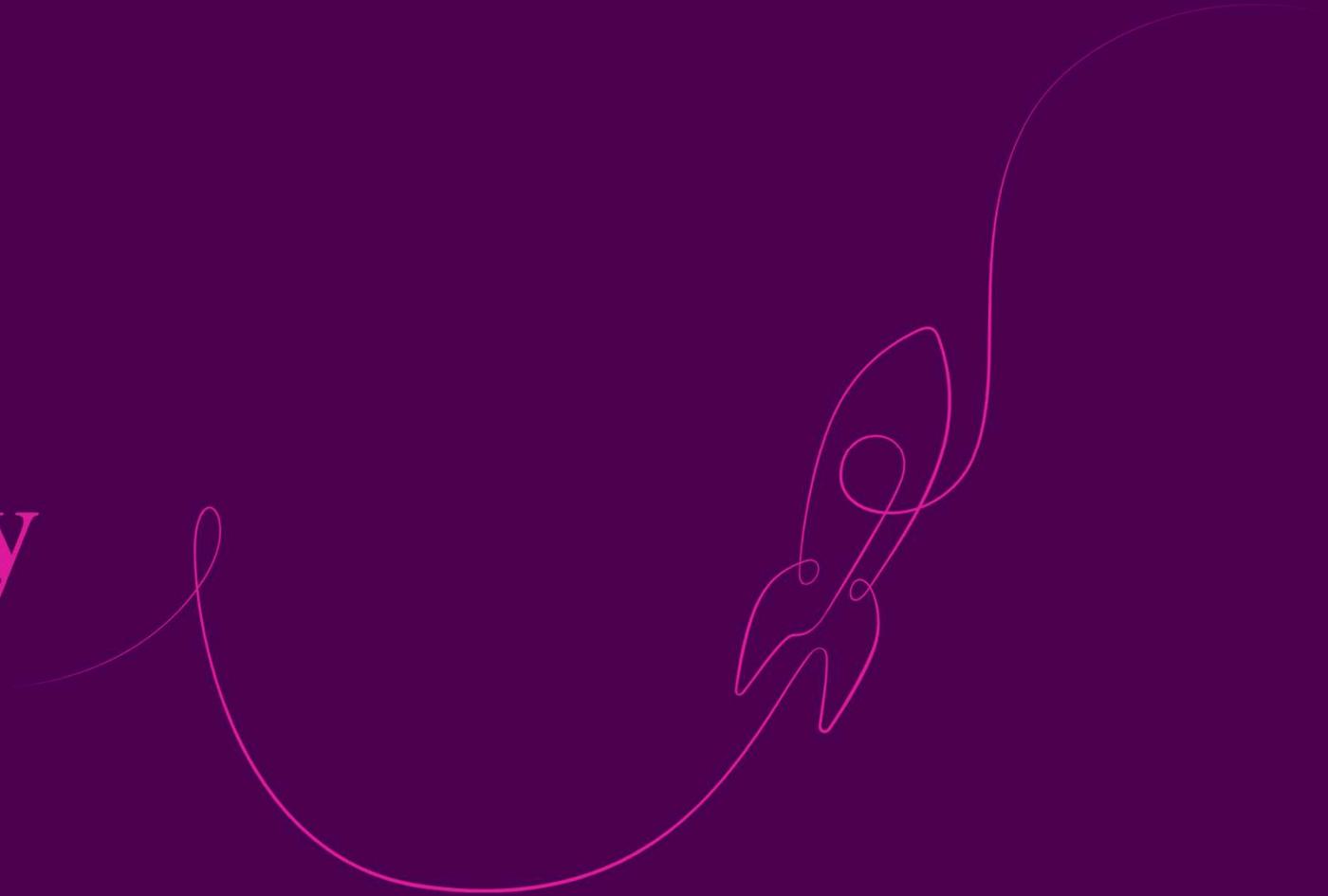
All subsequent written and oral forward-looking statements attributable to the Company and/or the Group or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this document.

01

# The Opportunity

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## An era of accelerating cyber risk

**\$23.84 Trillion**

The expected global cost of cyber-crime by 2027\*

**BUT...**

**25%**

of business leaders still feel unprepared to deal with the threat\*

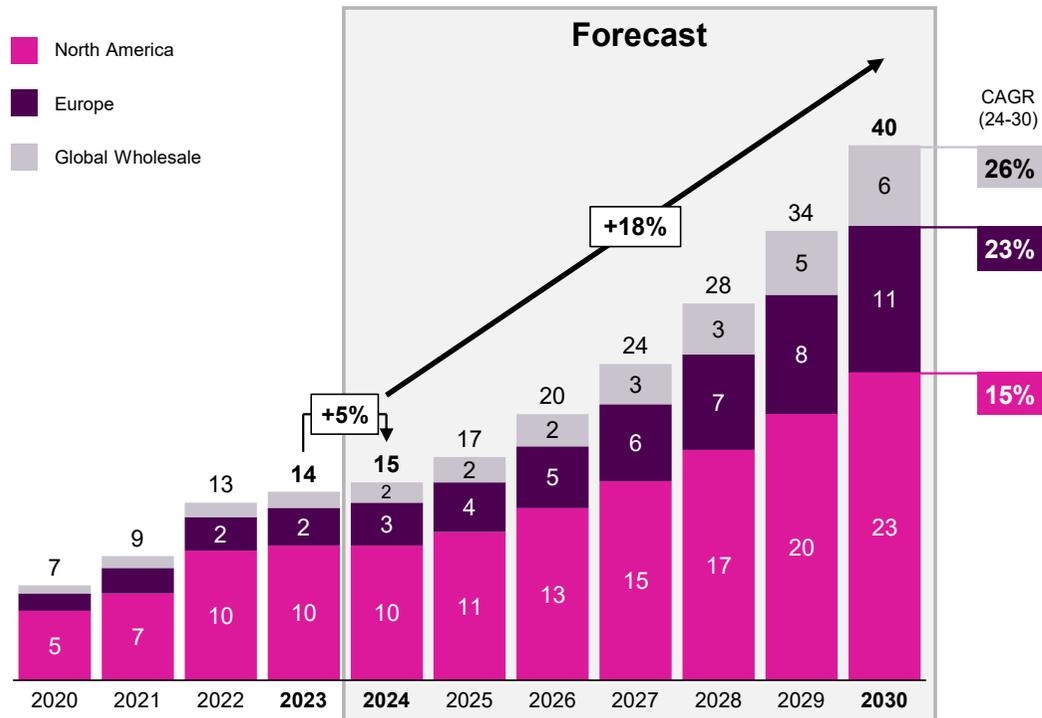
→ **Demand for cyber insurance set to almost treble over 6 years**

\*<https://www.weforum.org/agenda/2024/01/cybersecurity-cybercrime-system-safety/>

\*Spotlight On Cyber and Technology Risks 2024 | beazley

# Demand led growth – Market to grow to \$40bn by 2030

Global GWP forecast to 2030, \$bn



**North America**  
Most mature region with relatively high penetration levels

**Europe**  
Major growth opportunity across regions and segments - competition increasing

**Global Wholesale**  
Lloyd's continues to grow and present opportunities

02

# Where we are today

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## Today's cyber landscape

### Loss trends

- Ransomware frequency continues to be flat in our book
- Volatility in some accounts with regards to severity
- Increased number of newsworthy cyber events but no material impact

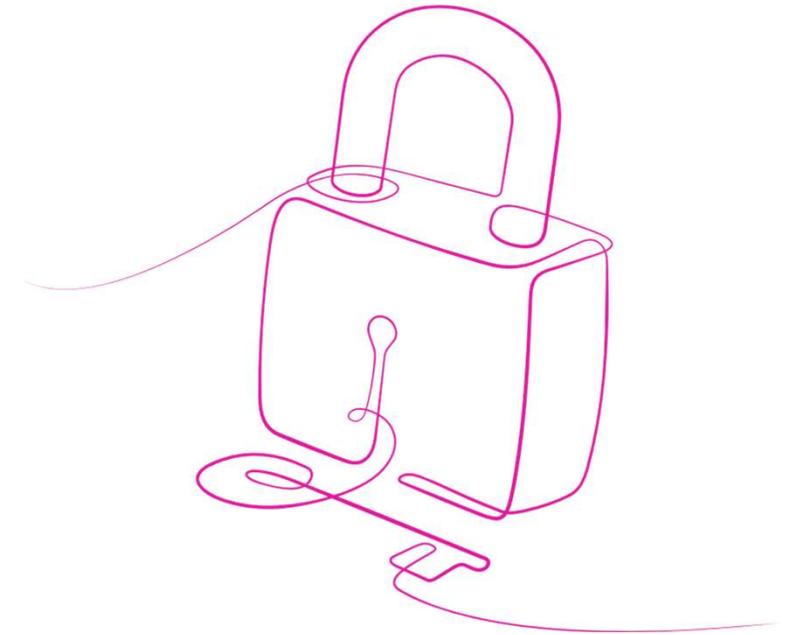
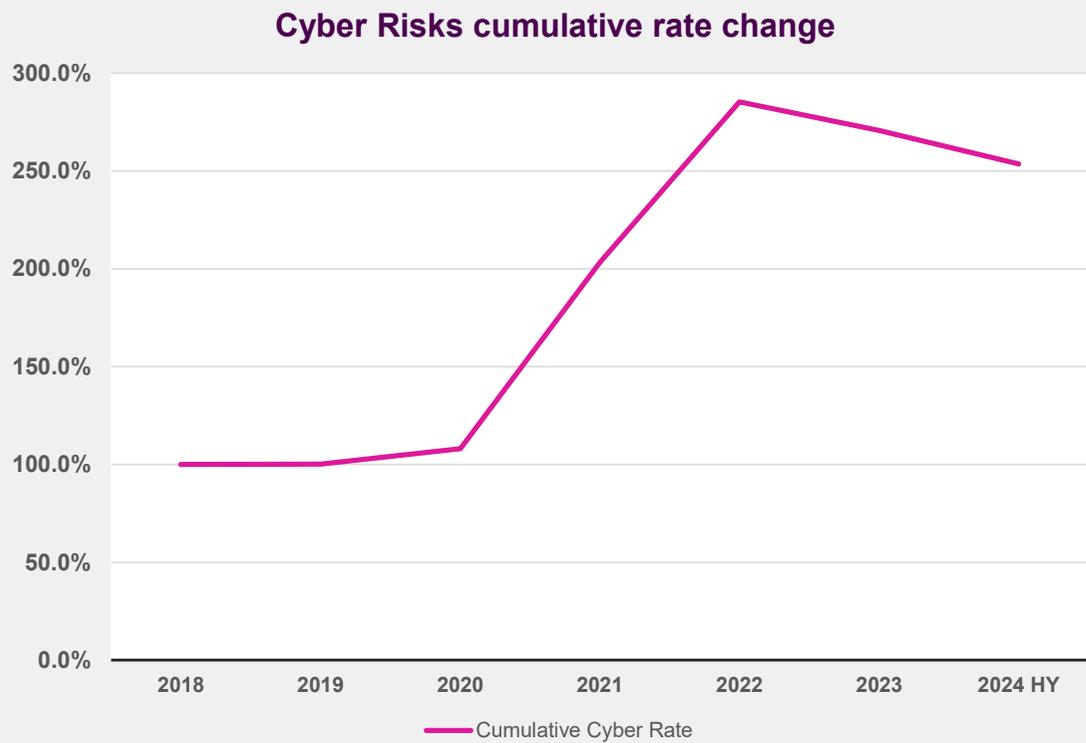
### Competition

- Market poised for growth and innovation
- Stable policy coverage
- Strong competition in the small to medium enterprise segment, especially in Europe

### Pricing

- Pricing environment adequate for Beazley and reflective of risk environment
- (6%) as at end August
- Follows almost trebling of rate increases between 2019 and 2022

## Cyber pricing - rate adequacy

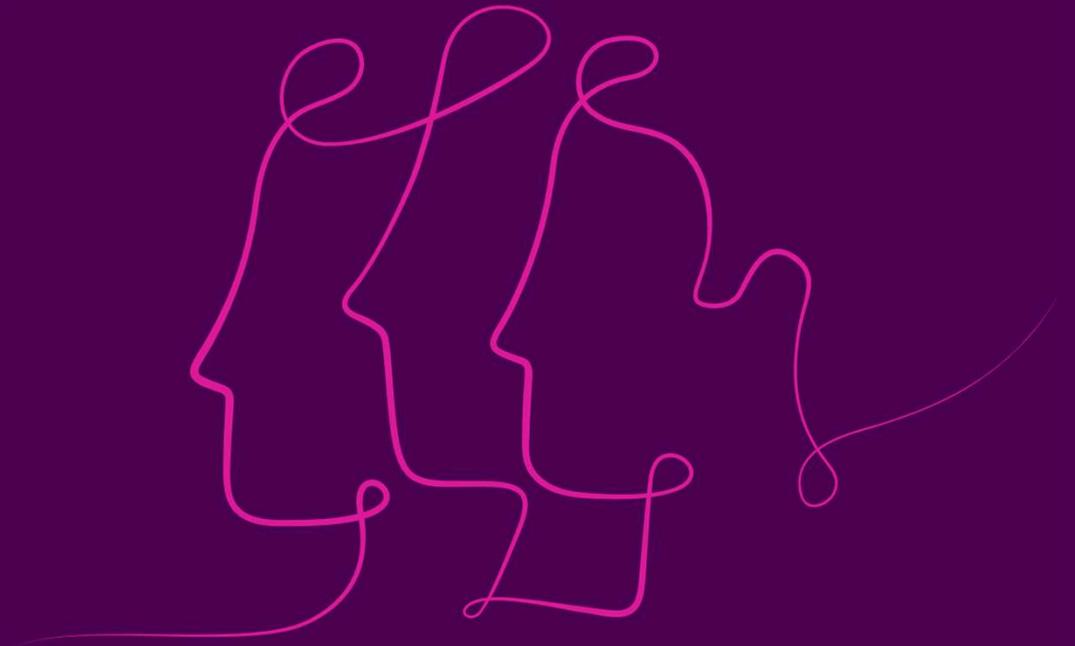


03

# Our Expertise

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## Beazley Cyber Risks Overview

260 team members  
**globally**

136 in underwriting  
124 in cyber services



Leading cyber  
**insurance** alongside  
in-house **pre & post  
breach response  
services**



**Controls** based  
approach to **pricing**  
and **underwriting**



Average **line size** of  
**\$1.9m**



Predominantly  
**primary market** so  
closer to clients, can  
drive **pricing**, agree  
contracts and manage  
**claims**



Cyber business  
written on all three  
Beazley platforms –  
**North America,**  
**Europe** and **Global**  
**Wholesale**



Business written in  
**large risk, middle**  
**market** and **SME**  
areas across a  
**diverse** range of  
industries



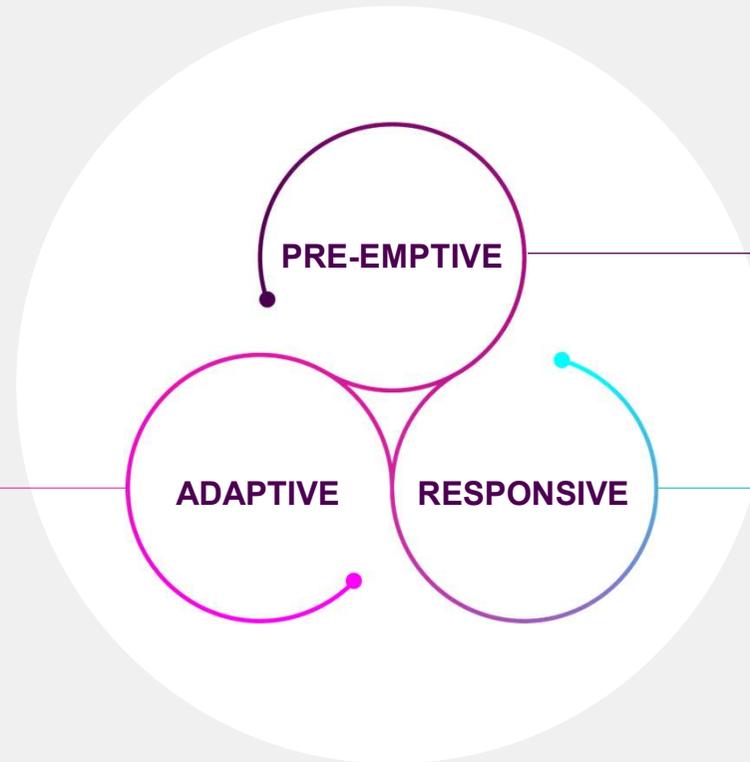
10% share of **global**  
**market**



# Full Spectrum Cyber- expertise that protects

## ADAPTIVE CYBER Manage risks as they evolve

- Coverage evolution
- Risk management training
- Cyber trends and data analysis



## PRE-EMPTIVE CYBER Stay ready for anything

- Beazley Cyber Council
- Vulnerability and action plans
- Anti-phishing campaigns and training
- M365 security assessments
- Phishing-resistant MFA keys
- Incident response, business continuity and cybersecurity training for staff and c-suite

## RESPONSIVE CYBER Get back in the game

- Multiply cyber strengths with cybersecurity experts
- Legal and crisis management
- Forensics and data recovery
- Ransomware negotiators
- Public relations consulting and reputational repair
- Claims expertise
- Towers of coverage

04

# Managing our exposure

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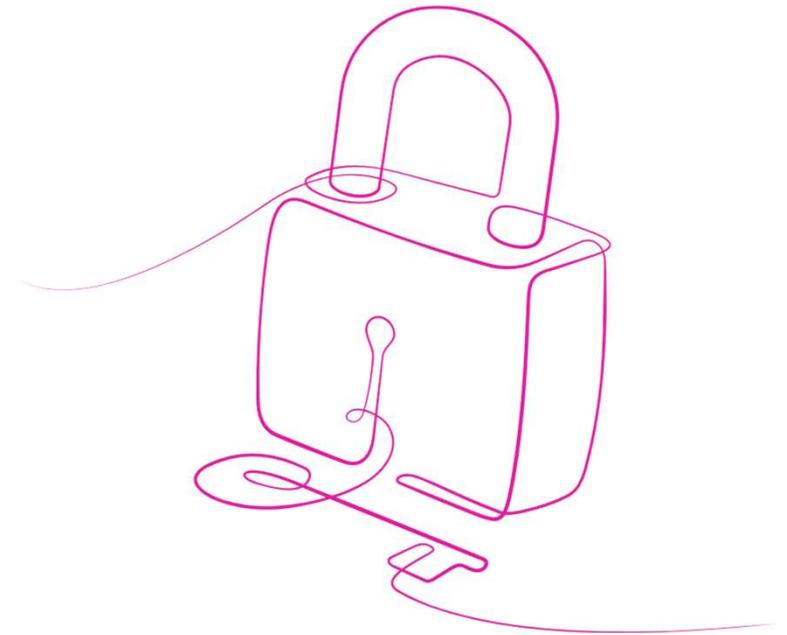
# Attritional Risk

## Definition

- Losses expected to be experienced in an underwriting year
- Single loss event impacting one insured

## Examples of Loss

- Incident response costs
- Cyber extortion (ransomware)
- Data recovery
- Business Interruption due to Security Breach or System Failure
- Third party data liability



# Systemic Risk

## Definition

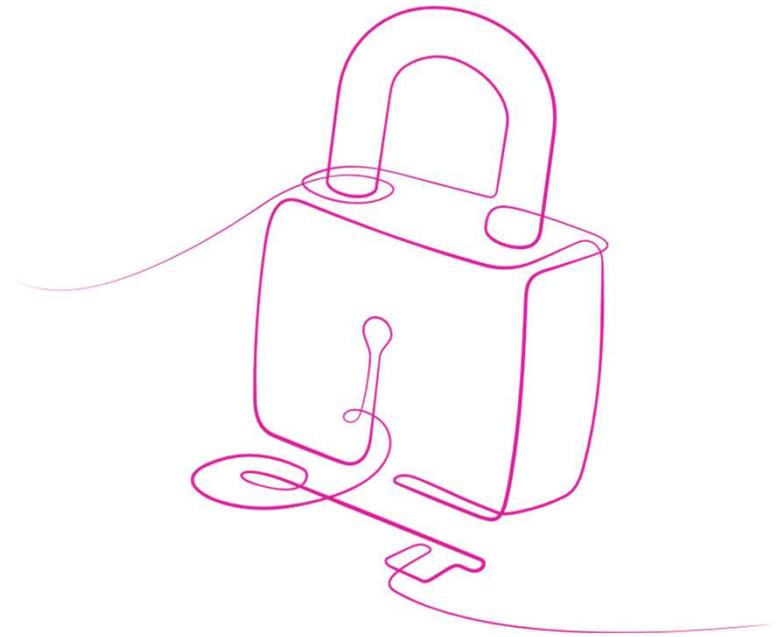
- Cyber losses where there is a common cause.
- Typically result from an aggregable event.
- Can be malicious or non-malicious
- Business interruption is a key driver of systemic risk

## Examples of Loss

- Cloud outage, either prolonged or affecting a significant number of customers beyond policy waiting periods.
- Widespread, self-propagating malware.
- Mass Data Breach.

## Examples of previous systemic events

- CrowdStrike 2024
- Change Health cyber attack 2024



## Diverse and carefully managed underwriting

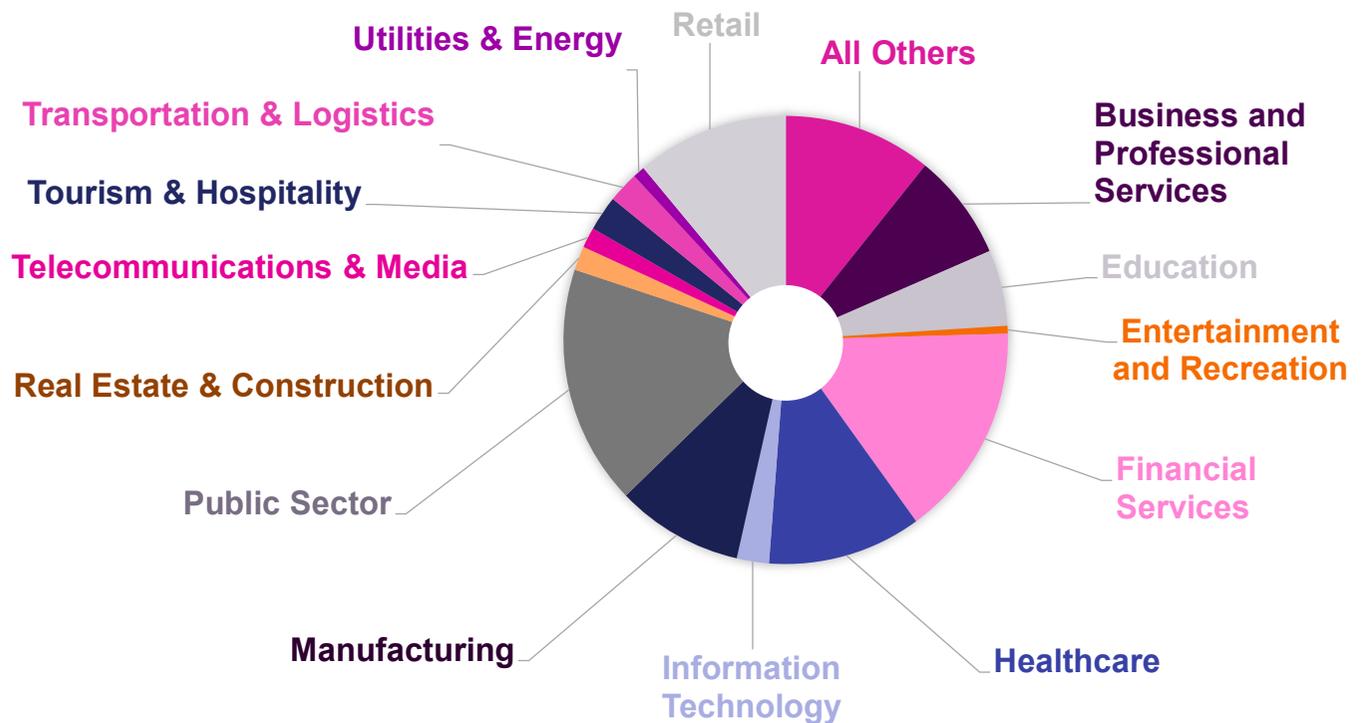
### Active management of line size

- 99% of policies have a line size of \$10m or less
- Average line size of \$1.9m

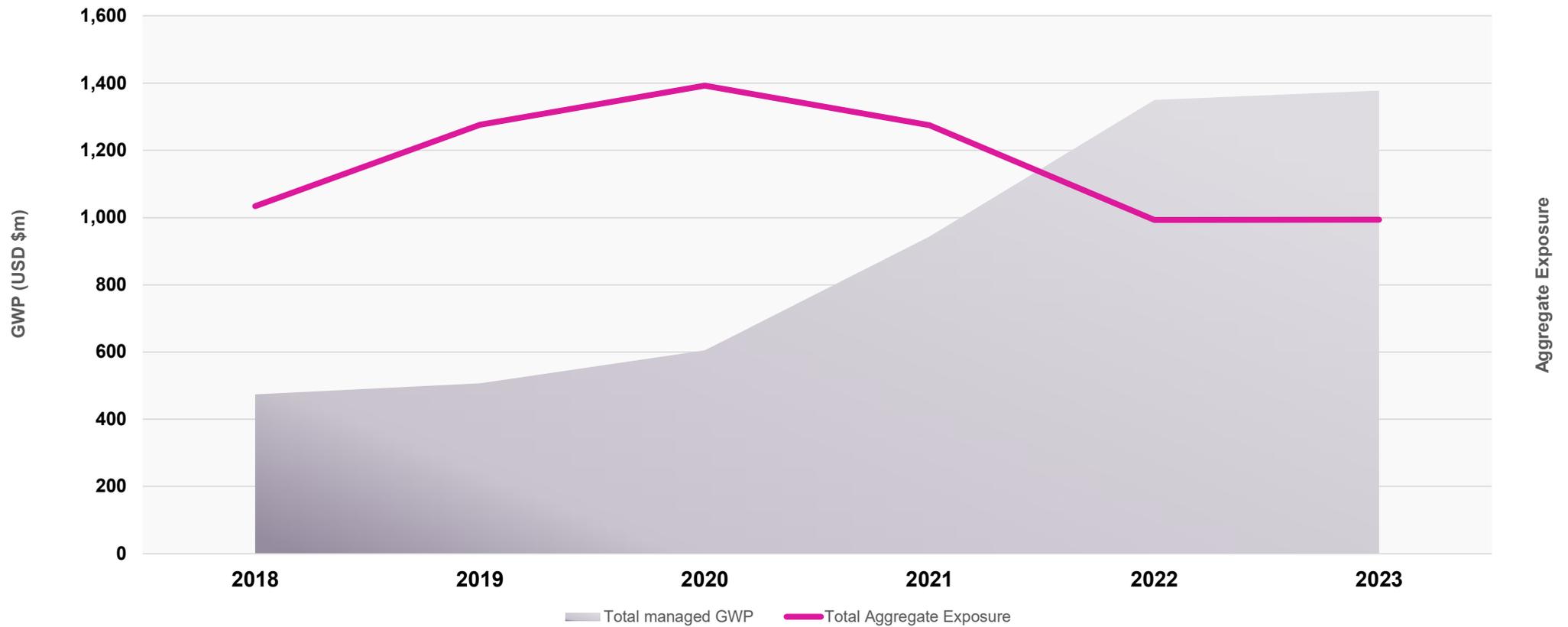
### Wordings and limits

- War and Cyber War exclusion
- Infrastructure exclusion
- Contingent Business Interruption Sub Limits
- Waiting periods

### Diversity of sectors



## Premium grows but exposure remains managed



## Cyber reinsurance – market leadership

Leading development of the cyber reinsurance market

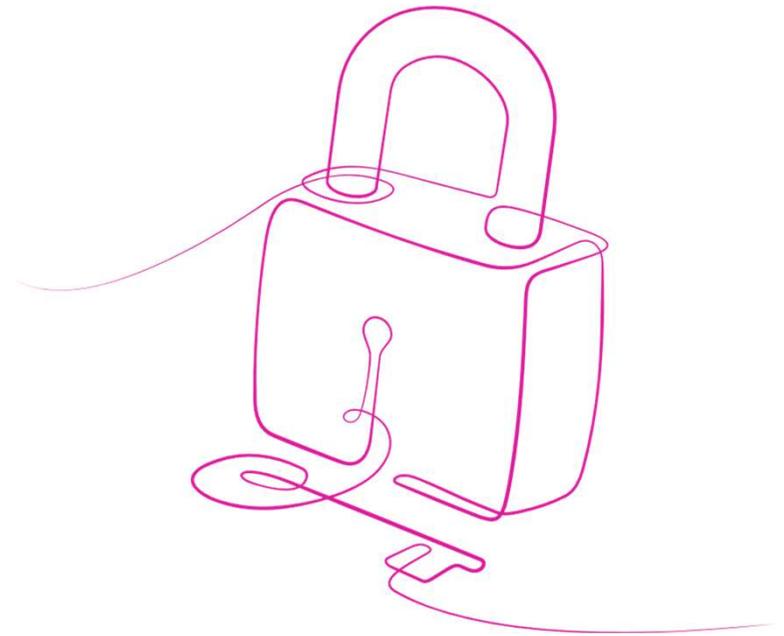
➤ 2023

Market's first cyber catastrophe bond programme

➤ 2024

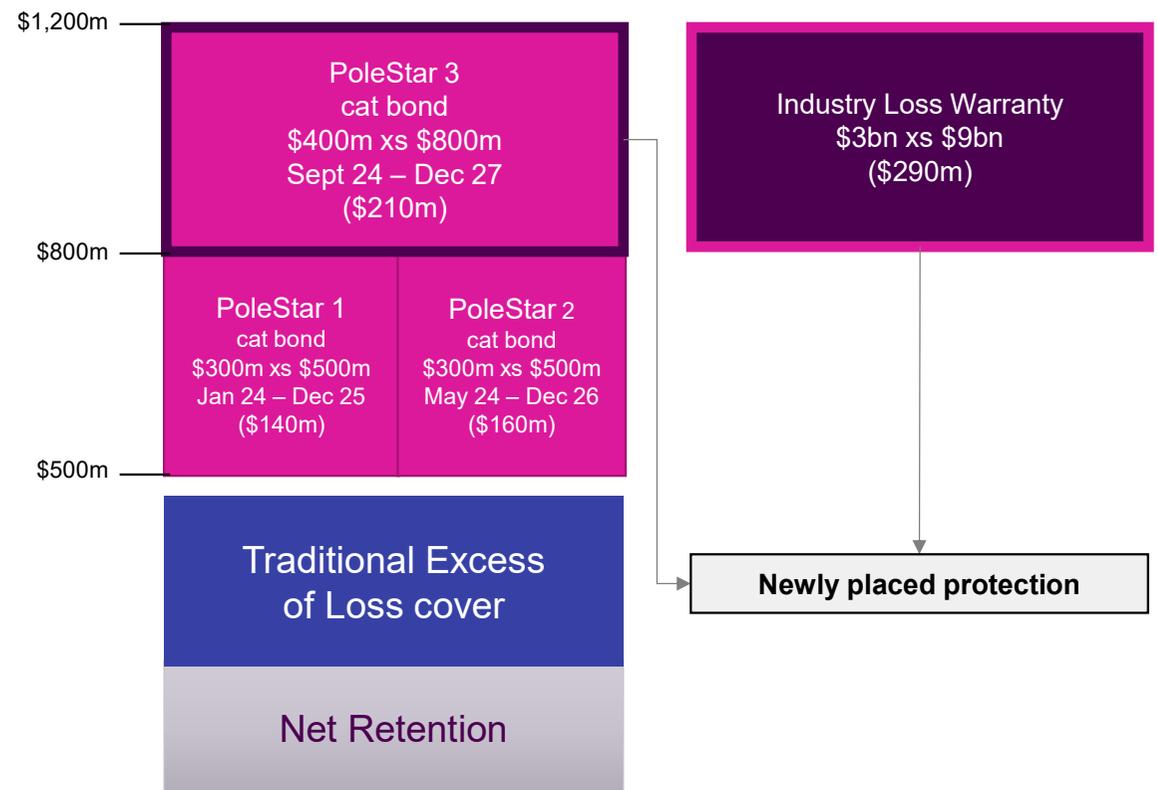
Beazley's first 144a bond

Market's largest Cyber Industry Loss Warranty



## \$1 billion – Comprehensive protection

- In addition to **\$200m** of traditional reinsurance
- Polestar catastrophe bond - **\$510m**
- Industry Loss Warranty (“ILW”) **\$290m** - provides cover when industry loss exceeds \$9bn
- **\$1bn** of catastrophe reinsurance - alongside Quota Share.
- Covers malicious and non-malicious events
- Continue to hold catastrophe margin within the reserves



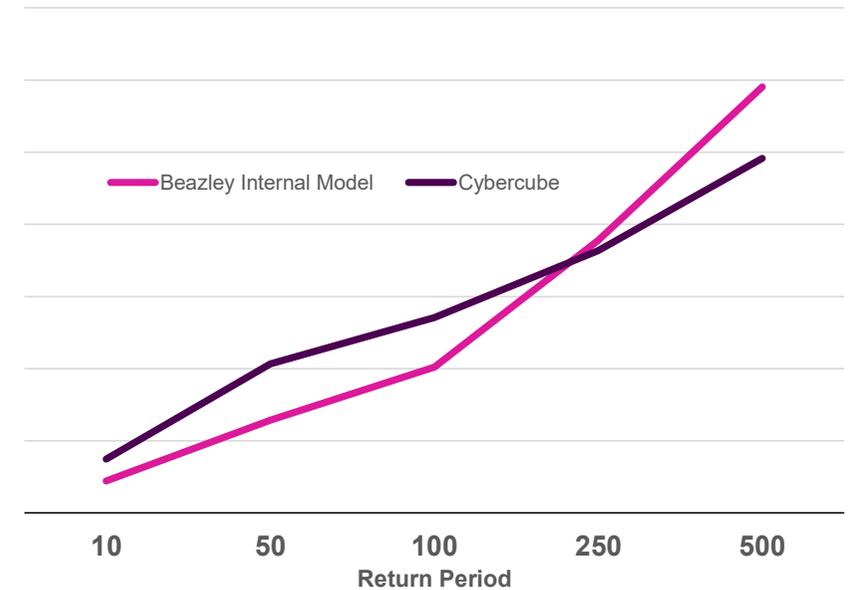
\*Note chart is not to scale

## 1-in-250 impact significantly improves

### Continue to manage internal risk appetite based on

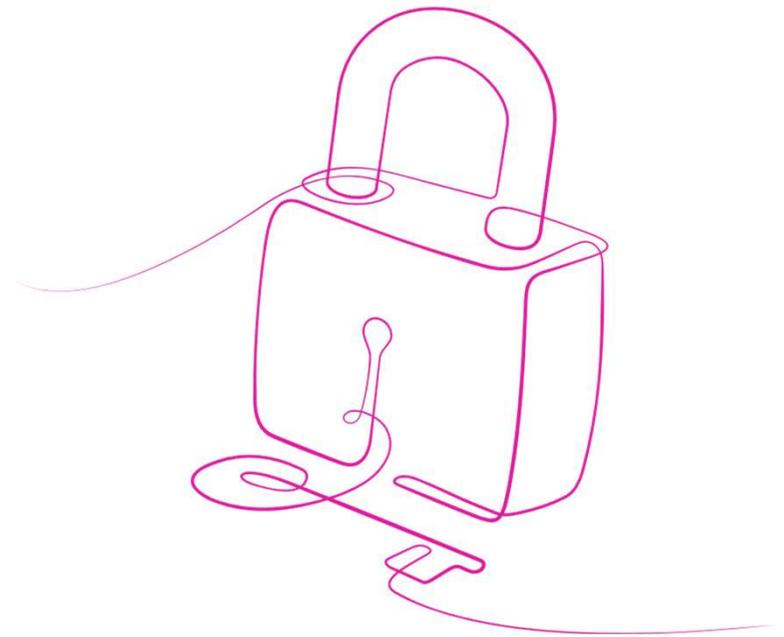
- Internal probabilistic model
- Cyber Threats Council
- 3rd party models

\$m Net	31/12/2023	Current
Probabilistic 1-in-250	651	461



## Realistic Disaster Scenarios – less impactful than 1 in 250

- Severe and infrequent - but more frequent than 1 in 250
- Examples could include failures of:
  - A data aggregator or a shared hardware/software platform or a cloud provider
  - or
  - physical damage scenarios

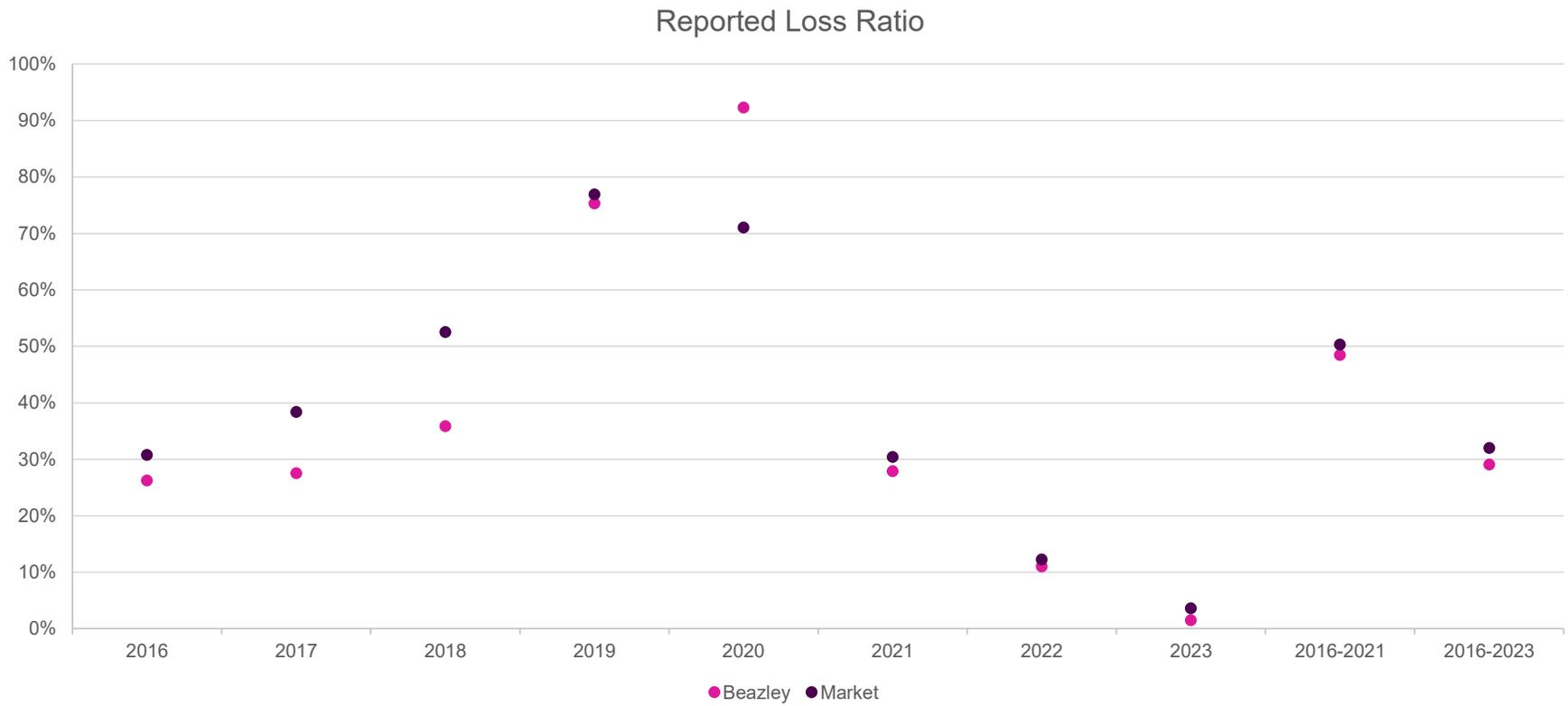


05

# Long term Outperformance

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# Consistently outperform the market



Market data provided by a third-party business partner  
Data as at YE 2023



## Cyber outlook

Continuing era of **accelerating risk** calls for underwriting and claims **expertise**



Cyber will continue to see **demand-led growth**, particularly internationally



Integrated '**always on**' risk management via Full Spectrum and Beazley Security protection



**Diverse** and **balanced** book is frontline of defence



**Market leading** catastrophe reinsurance programme continues to **innovate**



Systemic risk is being **actively managed**



Superior **risk management** reflected in COR and impact of events such as CrowdStrike



Long-term **outperformance** as market leader



# Q&A

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1<sup>st</sup> October 2024

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# Q&A



1<sup>st</sup> October 2024

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## Further resources

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→ [Risk and Resilience: Spotlight on cyber and technology risks 2024](#)



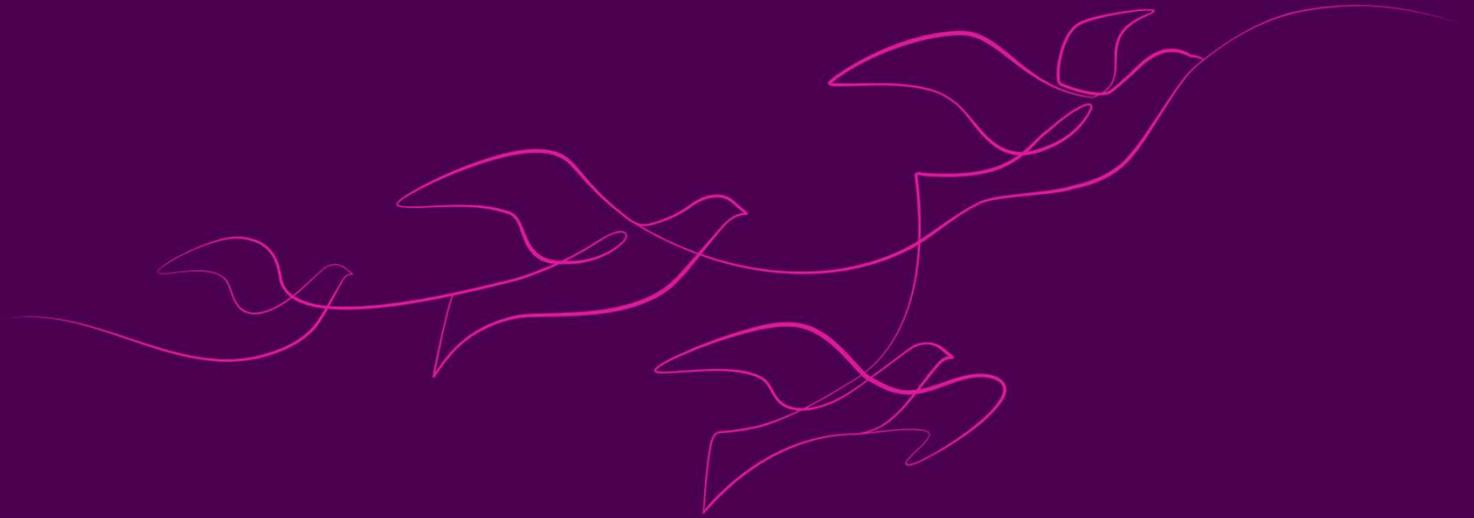
→ [Podcast: The Voice of Insurance - Cyber Risk - Resilience in a game-changing environment](#)



→ [Webinar: AI – Friend and Foe](#)



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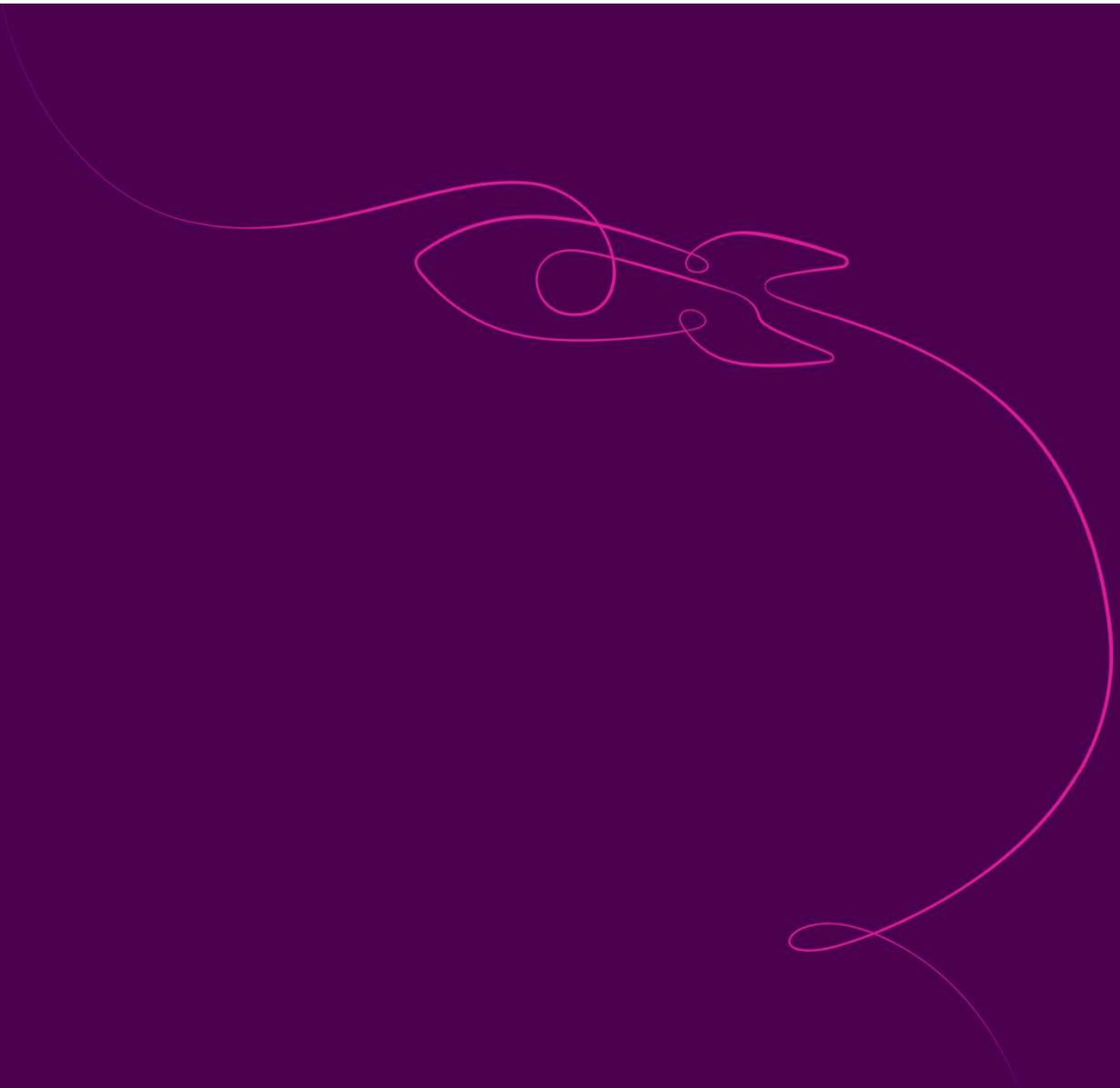
**Thank you**

# Appendix

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1st October 2024

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# Cyber risks – Insurance Linked Securities

## 2023: 'Cairney' series – the market's first ever cyber catastrophe bonds

- Fully collateralised XoL cover via private 4(a)(2) catastrophe bonds
- \$81.5m of total limit secured to provide indemnity against cyber catastrophe losses during the period 1<sup>st</sup> January to 31<sup>st</sup> December 2023; attachment point \$300m; exhaustion point \$400m
- January (Cairney 1) \$45m of limit secured; May (Cairney 2) further \$20m of limit secured; September (Cairney 3) further \$16.5m of limit secured

## 2024: 'PoleStar' series – pioneering 144A cyber catastrophe bonds

- US\$510m of fully collateralised multi-year XoL indemnity cover for a cyber catastrophe event
- January (PoleStar 1) \$140m of limit secured; attachment point \$500m; exhaustion point \$800m; 1<sup>st</sup> January 2024 to 31<sup>st</sup> December 2025
- January (PoleStar 2) \$160m of limit secured; attachment point \$500m; exhaustion point \$800m; 20<sup>th</sup> May 2024 to 31<sup>st</sup> December 2026
- January (PoleStar 3) \$210m of limit secured; attachment point \$800m; exhaustion point \$1,200m; 25<sup>th</sup> September 2024 to 31<sup>st</sup> December 2027

