

# Cyber – Threat, Challenge, Solutions

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# Agenda

- Introduction
- Why is Cyber unique?
- What does Cyber Risk mean for your members?
- What does your members Cyber Risk mean for you?
- Why must Mutuels think differently?
- What are the challenges for Mutuels?
  - Product
  - Accumulation
  - Pricing
  - Market
- Cyber Product Development



# Introduction to Cyber Risk

# Cyber Risk

- *The Institute of Risk Management:*  
“... any risk of financial loss, disruption or damage to the reputation of an organisation from some sort of failure of its information technology systems.”
- Consideration of Cyber Risk needs to be wider than this definition to encapsulate the evolution of the exposure
- Cyber Risk has increased as digitalisation and interconnectivity have re-defined how organisations operate

**Estimated annual losses  
from cyber crime:**

**USD 400bn**

*(Centre for Strategic and International  
Studies)*

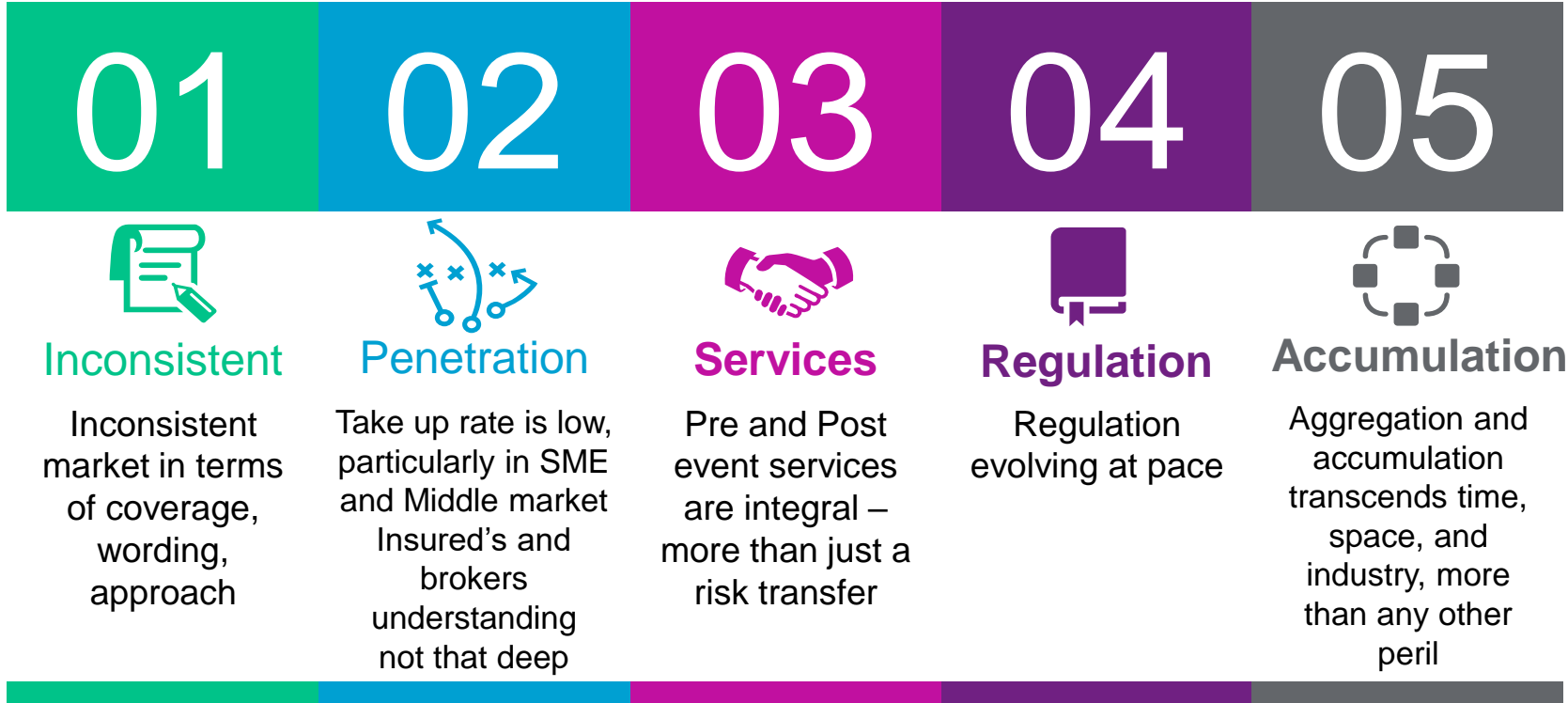


## The world as we know it...

***What percentage of the world's population was “online” in 2017?***

- ***A: 51%***
- ***B: 43%***
- ***C: 67%***
- ***D: 35%***

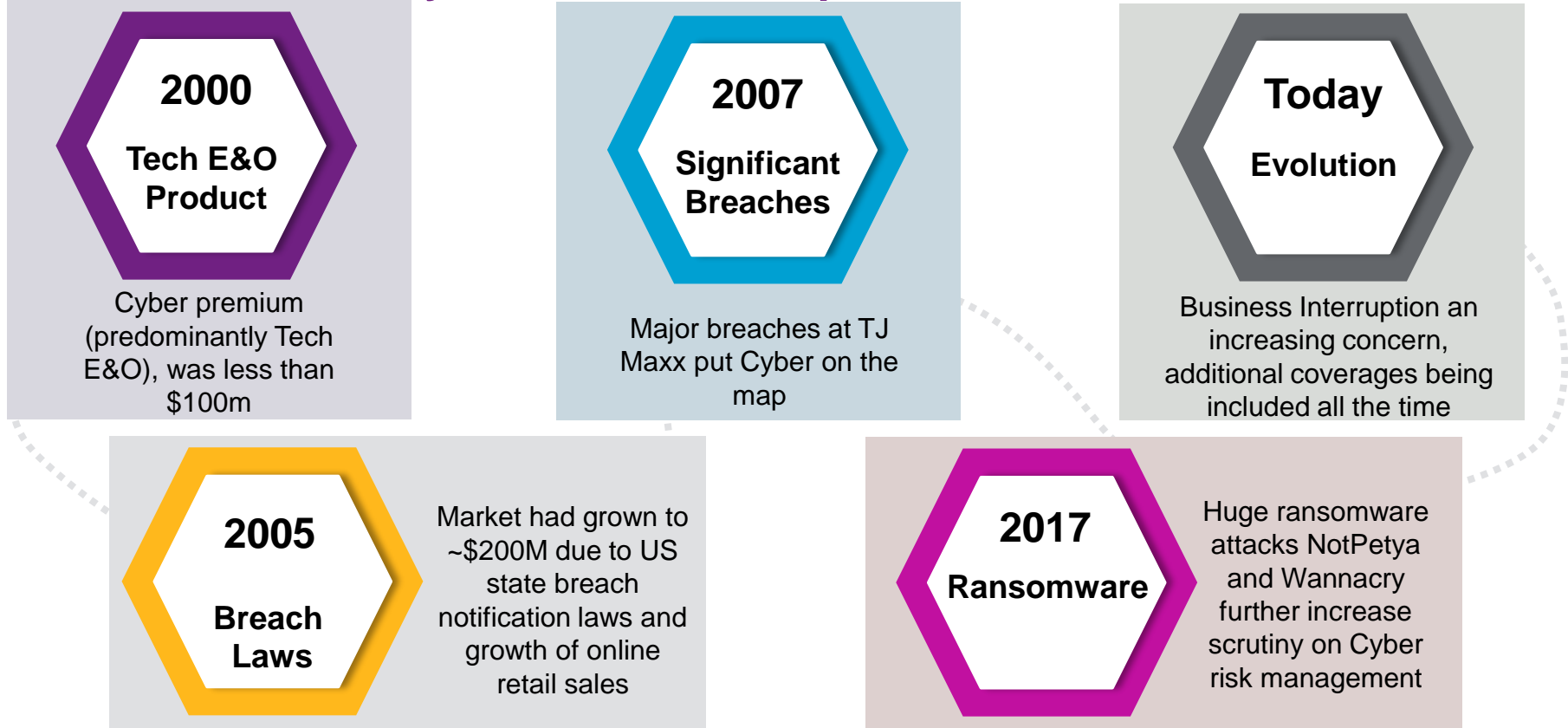
# What Makes Cyber Unique





# Evolution of the Cyber Risk Landscape

# Evolution of the Cyber Risk landscape





## Counting the cost of Ransomware...

***What was the global ransomware damage costs in 2017?***

- ***A: USD 1bn***
- ***B: USD 5bn***
- ***C: USD 7bn***
- ***D: USD 3bn***

## Hacking as a hobby...

***How often does an attempted hack take place?***

- ***A: 5 minutes, 45 seconds***
- ***B: 39 seconds***
- ***C: 1 hour, 17 minutes***
- ***D: 22 minutes***



**What does Cyber Risk  
*actually* mean?**

# Cyber Risk and Policyholders

What does this mean?

- Data security in focus
- New ways for life and business to be disrupted

- Cyber security needs to be embedded in risk framework
- Silence and ignorance are no longer options



What is required?

- Data to be safe
- No disruption to service
- Means to take action

- A pre and post loss solution
- Advisory services on risk management
- An easy to understand product

# What does your members Cyber Risk mean for an insurer?



- Demand for a solution has increased
- Friction with Members if the right solution is not available
- A partner to assist in the development of an appropriate solution
- Risk transfer at the back-end

# Cyber insurance at your organisation

## ***Which of these statements applies to your organisation?***

- ***A: We offer cyber (re)insurance via endorsement or a standalone policy***
- ***B: Losses emanating from cyber perils are explicitly covered in other lines of business***
- ***C: We exclude losses emanating from cyber perils from our policy wordings and do not offer any standalone coverage***
- ***D: We have taken no action on cyber - it is neither explicitly covered or excluded in our policy wordings***

# What does Cyber Risk represent to a Mutual?

## Passive Cyber



Exposure manifesting in other products – without commensurate premium

## Competition



Identified as a growth area at many stock insurance companies

## Your Relevance



Demand from Member base will increase, and solutions will be required to remain relevant

## Accumulation



Members base homogeneity leads to greater accumulation potential



# What are the Challenges in developing a solution?



# Why is a Mutual different

## Relevance

- Why do your Members need Cyber protection, and not why must I sell Cyber protection

## Loyalty

- Your Members concerns are the primary reason for a Mutual Insurers existence – not driven by quarterly results

## Specificity

- Better understanding of your Members and helps to create the right solution

## Why, why not?

***What do you think is the biggest obstacle to buying cyber insurance?***

- ***A: Not understanding the exposures***
- ***B: Cost of buying cyber insurance***
- ***C: Not understanding the coverage on offer***
- ***D: Lack of value added services***

# Challenges in development of Cyber Solutions



# Challenges in development of Cyber Solutions - Product



Mutual ownership structure emphasizes need for an affordable tailor-made solution, rather than just a product



Expertise to tailor and price such a product is not widely accessible



More than just a product – added value services are paramount

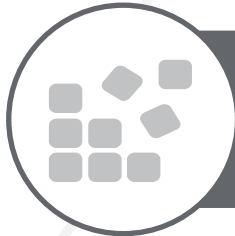


Launch of Cyber product needs to be coordinated with the refinement of existing policy wordings

# Challenges in development of Cyber Solutions – Accumulation



Homogeneity of Members results in accumulation

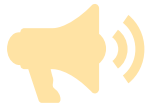


Remaining tuned in to changes in policyholder behaviour and infrastructure

# Challenges in development of Cyber Solutions – Pricing



Lack of pricing data at a granular level, coupled with volatility of exposure



Despite homogeneity your members have varying exposure profiles within a sector

# Challenges in development of Cyber Solutions – Market



Modelling in infancy



Coverage and exposures are not fully understood



Competition from Stock Insurance



Growth of the exposure both in commercial and personal lines

# Product Development

An aerial night view of a city, likely New York City, showing a dense cluster of skyscrapers and streets illuminated with warm yellow lights. A prominent white rectangular box is overlaid in the upper left quadrant, containing the text 'Product Development'. The background image is partially obscured by several semi-transparent grey rectangular shapes of various sizes and orientations, creating a layered, architectural effect.



# Product Development

## White Label

Solution pre designed, one size fits all approach.

Risk usually ceded back 100% via Reinsurance

## Joint Venture/Partnership

Products co-developed with insurer and a partner, specific to portfolio of business and territory/classes

Partner takes ~80% QS  
Reinsurance of this risk as reimbursement for their IP

## Develop own solution

Product development investment internally.

Longer period required, start up costs higher.

Level of risk held at Mutual depends on Reinsurance arrangements

### ■ Other considerations?

- As an add on to an existing product, e.g. Packaged Commercial, Household policy etc
- Standalone product
- One size fits all policy or a core policy designed to cover data breaches with add ons available for business interruption?



# Final Word

## Final word

- Demand growth
- Standalone risk transfer does not suffice
- Providing coverage we want to sell instead of what needs to be purchased
- As a Mutual, policyholder concerns are the priority

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