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Unlocking Capital in Cyber Insurance

September 2023

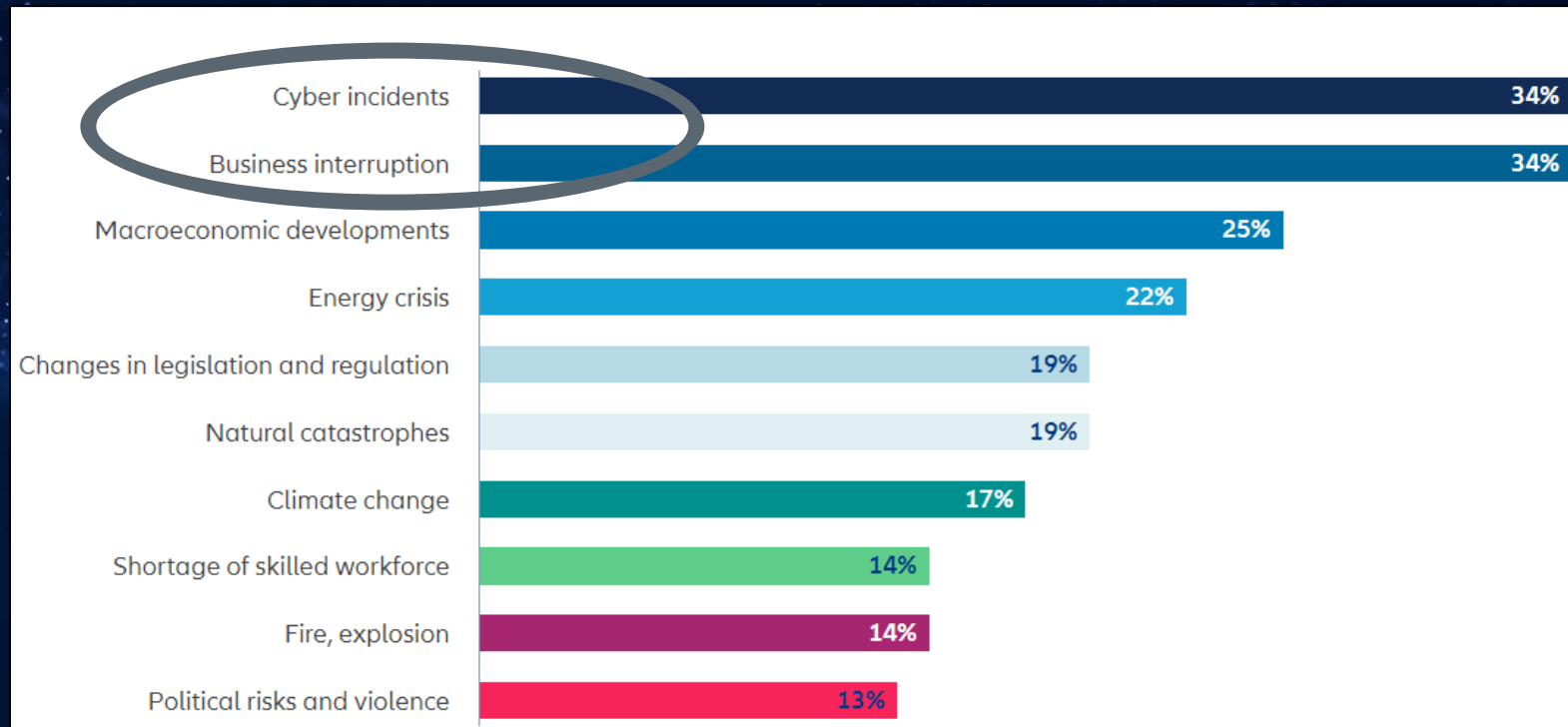


REINSURANCE

Agenda

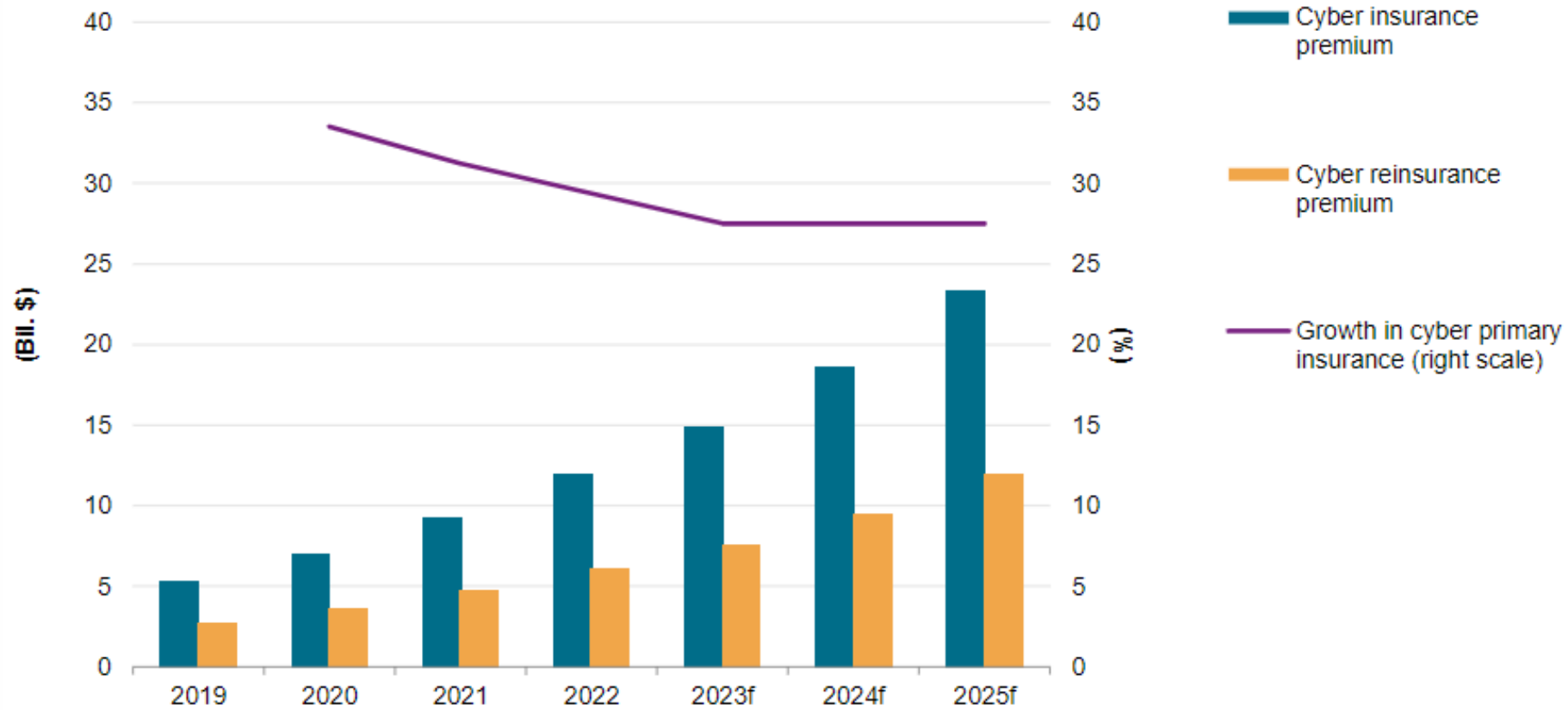
- Why capital matters in cyber
- Systemic risk and RDS development
- Modelling evolution
- Alternative sources of capital
- Cyber data

Major business risks for 2023: Allianz Risk Barometer



2,712 risk management experts from 94 countries

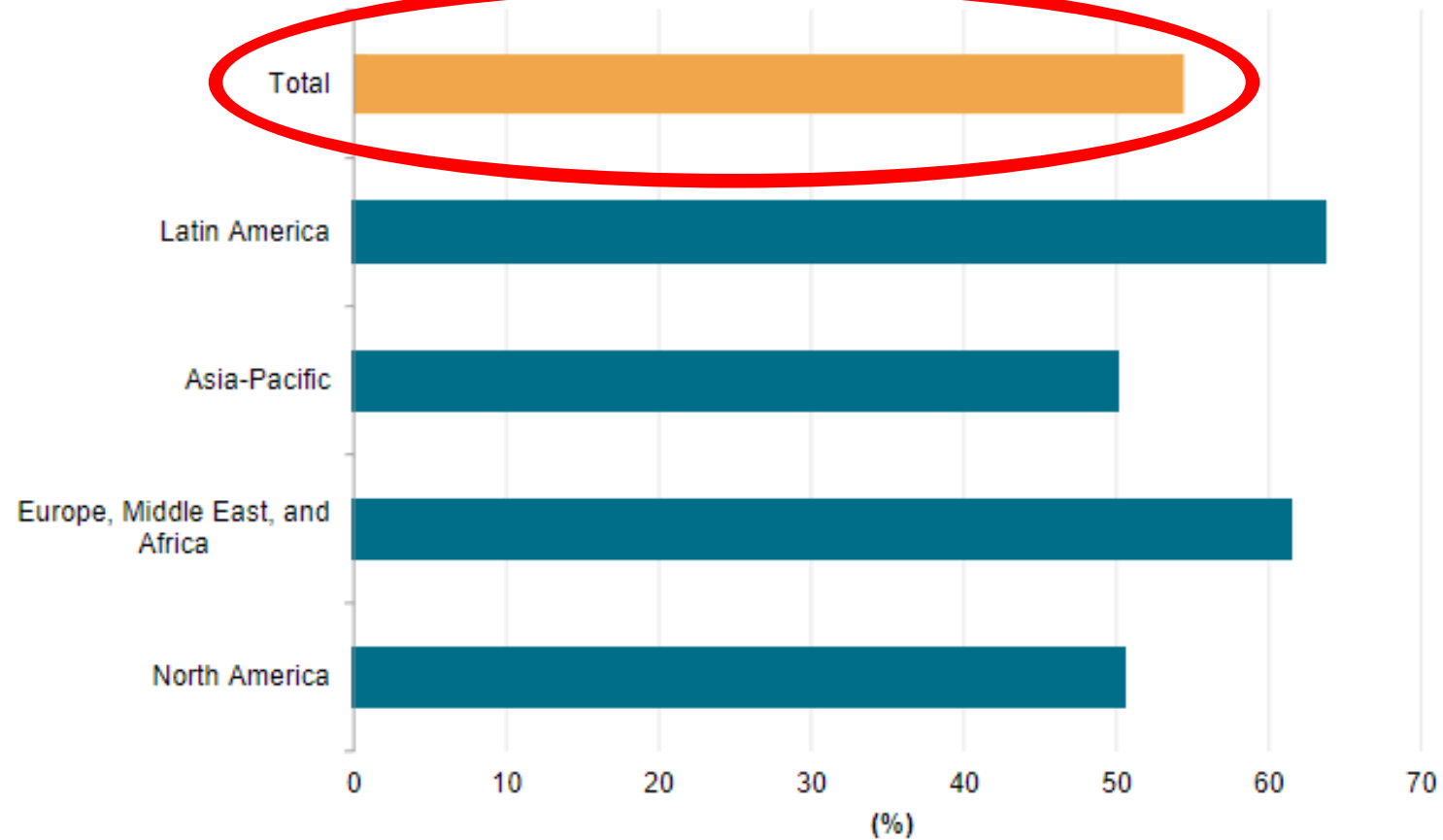
Why Capital matters in Cyber Insurance



f--Forecast. Sources: Munich Re, S&P Global Ratings.

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Reinsurance is foundation



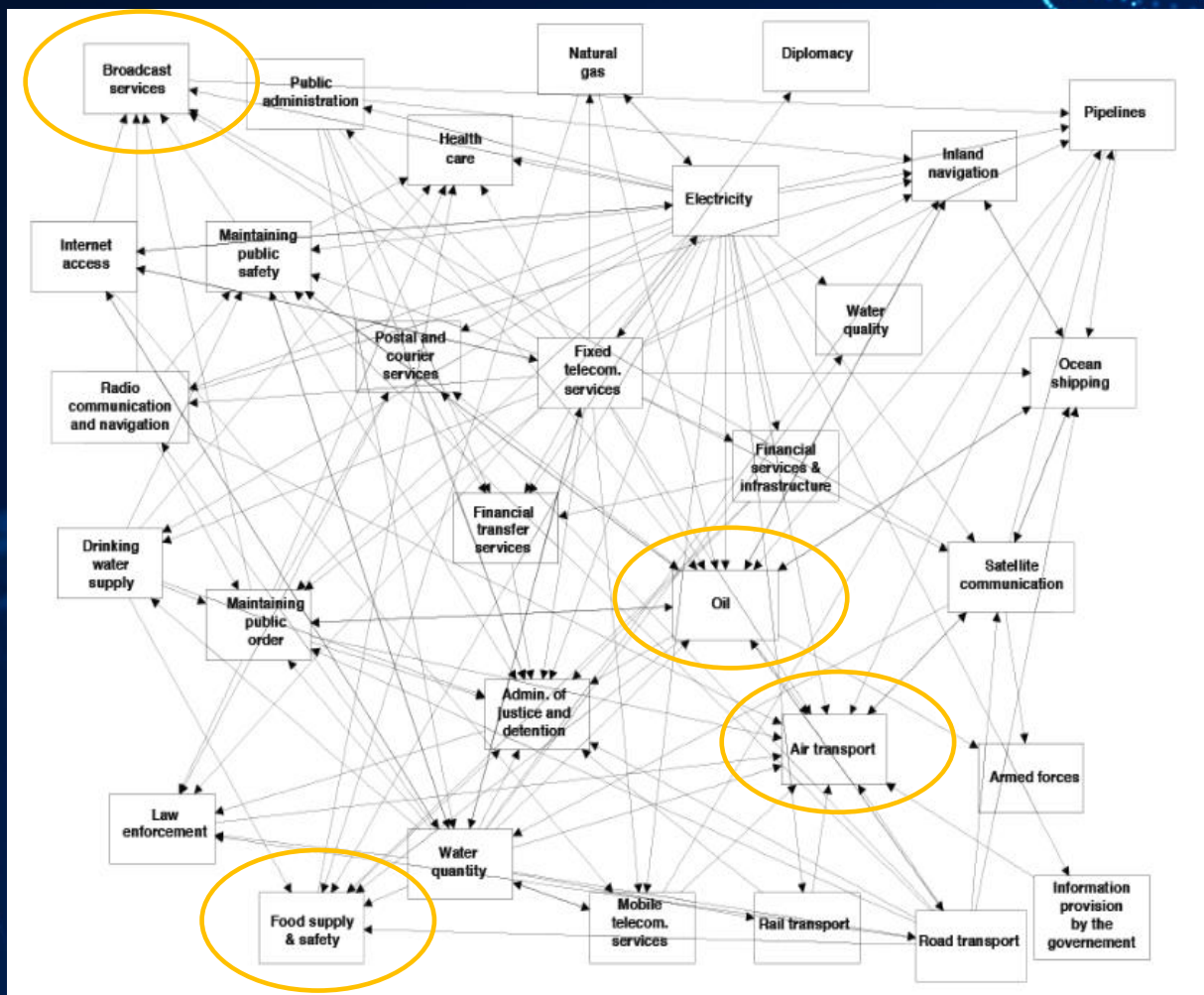
Data is based on our cyber insurance survey for global multiline insurers and global reinsurance groups.

Source: S&P Global Ratings.

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Systemic Risk

- Increasing regulator focus
- Public cloud usage globally:
 - 2022 - \$545Bn
 - 2027 estimate - \$1,241Bn
- Commonly used technology dependencies growing



Bank of England PRA

brackets show where this letter may differ slightly, along with formatting from those versions sent directly to firms.

Sarah Breedon
Executive Director
Financial Stability, Strategy and Risk

Duncan Mackinnon
Executive Director
Supervisory Risk Specialists

29 March 2023

Dear SMF 24 or equivalent,

Thematic findings from the 2022 cyber stress test

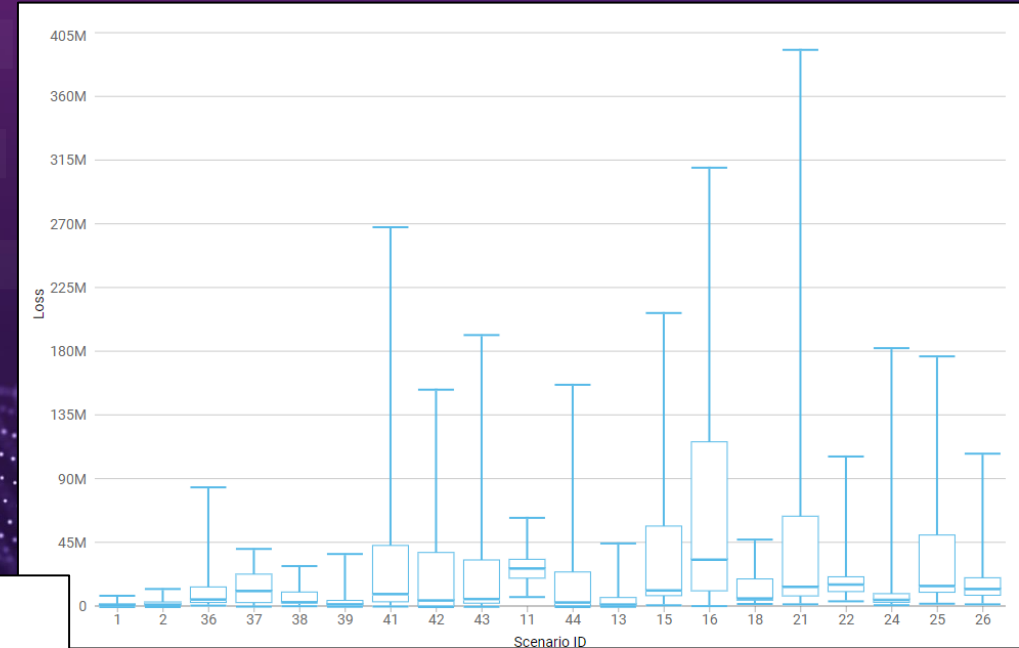
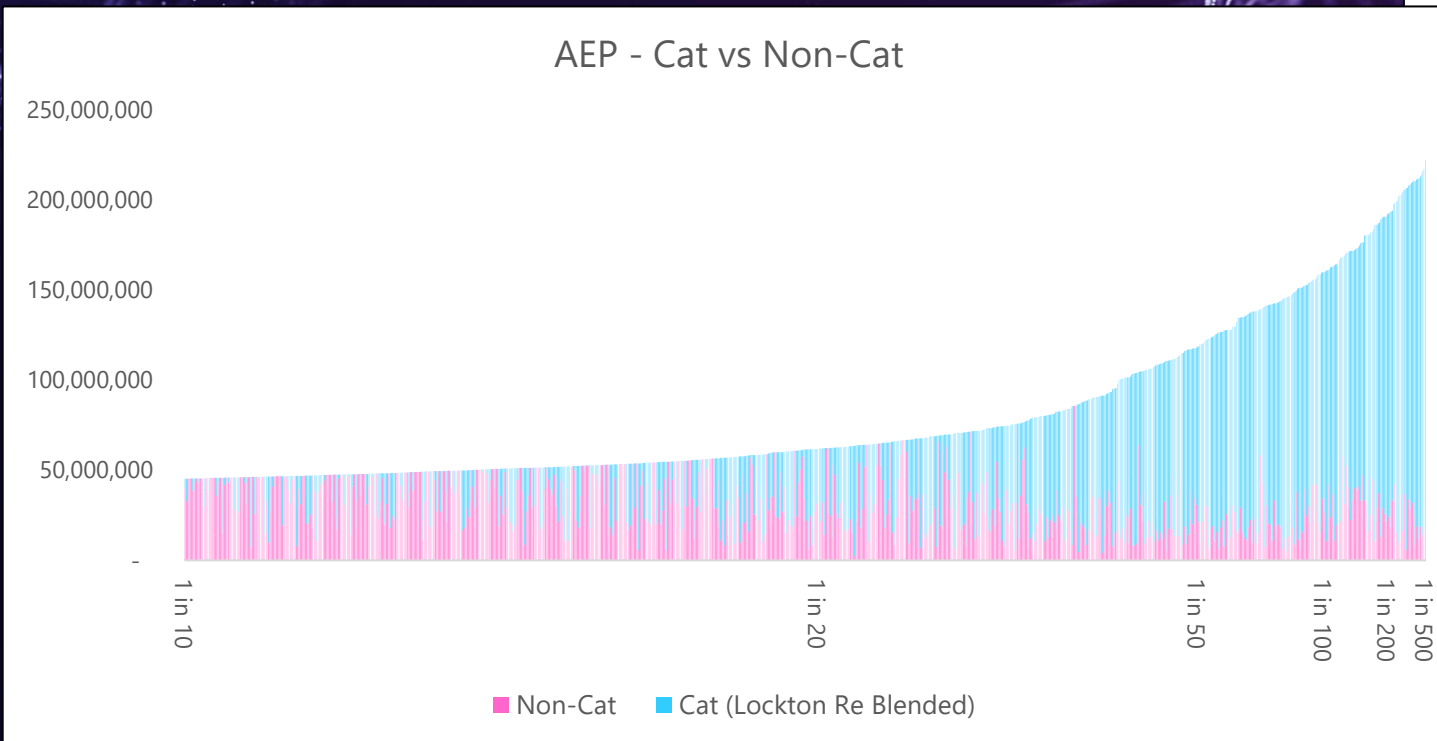
We are writing to share the thematic findings from the Bank of England's cyber stress test (CST22). The findings support individual and collective work to improve the financial sector's response to and recovery from incidents.

These findings are relevant to PRA-regulated firms and financial market infrastructure firms (FMIs), including firms that did not participate in the test. Therefore, we strongly urge all such firms to reflect on these findings and incorporate relevant aspects in their continuing implementation of operational resilience and related policies.

We would like to thank the firms that participated in the cyber stress test for their constructive engagement.

Background and context of the Test

Modelling



- Emerging consensus on RDS
 - Malware
 - Cloud outage
 - Data breach

Alternative Capital

Beazley sponsors third cyber catastrophe bond, \$16.5m Cairney III

📅 15TH SEPTEMBER 2023 - AUTHOR: STEVE EVANS

Cyber reinsurance, retro & ILS all critical to market expansion: S&P

PERILS & CyberAcuView team up to launch US Cyber Industry Loss Index

⚡ 10th September 2023 - Author: Jack Willard



Alternative Structures

- New cyber reinsurance products improve capital efficiency:
 - Event cover
 - Separate 1st & 3rd party RI
 - Retro market evolution

Cyber reinsurance buyers consider event covers

Anthony Cordonnier says last year insurers could 'buy quota-share and stop-loss with different shades, but different shades of grey – really it was the same products. Now there's optionality'

13 Sep 2023 | NEWS

Reinsurers showing increased cyber appetite ahead of 1.1

Cyber reinsurance capacity has increased while buying options continue to expand, with event covers emerging and even some alternative capital deals being done – but reinsurers will be keeping a close eye on cedants' performance and systemic exposures at the upcoming renewals.

