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Cybersecurity Insurance Trends and Insights

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Speakers



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Cyber Market Update – H1 2024

Pricing Guidance	Capacity & Coverage	Underwriting Process
<ul style="list-style-type: none">• Pricing trends improved in 2023 and market stability has continued in 2024.<ul style="list-style-type: none">• Q1 2023 +0% to +20%• Q2 2023 -0% to +10%• Q3 2023 -5% to +5%• Q4 2023 -5% to flat• Q1 2024 -5% to flat• Q2 2024 -5% to flat (prediction)<i>(clients maintaining mature cyber security posture and clean loss history have better results)</i>• Multi-layered programs may see further decreases due to lower ILFs.• Excess rates: 70%-85% of underlying.	<ul style="list-style-type: none">• Plenty of capacity in the market with some primary markets willing to deploy \$10m+ (depending on class of business and security posture).• Facility capacity available for large risks• As the threat of cyber warfare continues to be a topic given the Russia-Ukraine and Israel-Palestine conflicts, the requirements for war exclusion language remains a focus for carriers, particularly due to reinsurance requirements and Lloyd's of London mandates.	<ul style="list-style-type: none">• Ransomware supplementals are still being required by primary carriers.• Third party security ratings are commonly part of the underwriting process (BitSight, Security Scorecard, Cyence).• Underwriting calls preferred for large risks• Carrier cybersecurity risk engineers commonly are joining underwriting calls• Additional underwriting questions on biometric data collection, AI usage and meta-pixel tracking technology exposure.

Summary

Market stabilization continued in early 2024, even in the face of an ever-expanding threat landscape, including an uptick in ransomware frequency, class action litigation and data exfiltration activity. Systemic events (ie MOVEit & Change Healthcare) continue to be a concern for carriers given their cat-loss potential. This stabilization is largely due to intense competition between cyber markets looking to retain their renewals and meet aggressive growth goals.

Pre-Incident Considerations

- Purchasing Cyber Insurance
- Tabletop Exercises
- Establish a Incident Response Plan
 - Identify a chain of command; ensure contact information is available for all key employees
 - **Reporting the event to cyber insurance carrier should be included in the plan. Most have 24/7 hotlines you can include.**
- Establish a relationship with privacy counsel and a computer forensics firm prior to a breach
- Other vendors and considerations

Considerations During an Incident

- Implementing the IRP
- Notice requirements / insured obligations
- Work closely with claims advocate and outside service providers
- Areas of Insurance Coverage for Consideration
- Approval for Ransomware Payments

Considerations After an Incident

- Labelling Invoices
- Implementing Safeguards
- Reviewing Incident Response Plan
- Impact on Renewing Cyber Insurance

Common Areas of Dispute / Frustration

Timeline longer and insurer support requests greater than clients often initially expect



Business interruption

- Connecting lost revenue specifically to impacted systems and event
- Period of restoration considerations
- Makeup



Business interruption Internal labor costs

- Hourly vs. salaried labor
- Incremental vs. normal hours
- One-time bonuses
- Idle labor



Upgrades, enhancements, and improvements

- Segregating costs related to repair/restoration vs. improvement/enhancement
- Replacement of damaged computers
- Software purchases



Vendor costs

- Frustration from clients when non-panel vendor recovery costs denied/questioned by carriers
- Burdensome documentation requirements for work performed

- Cyber Insurance Applications
 - *Travelers Property Casualty Company of America v. International Control Services Inc.*
 - *Columbia Casualty Co. v. Cottage Health System*
- War Exclusions
 - *Merck & Co. Inc. et al v. Ace American Insurance Co. et al*
 - *Mondelez international, Inc. v. Zurich American Insurance Company*

Questions?



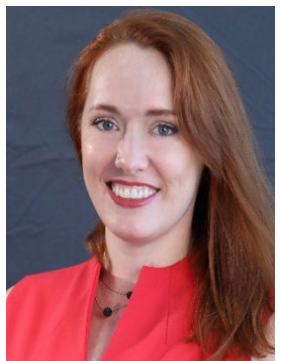
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