

MARCH 2020

Cyber Insurance Purchasing Grows Again in 2019

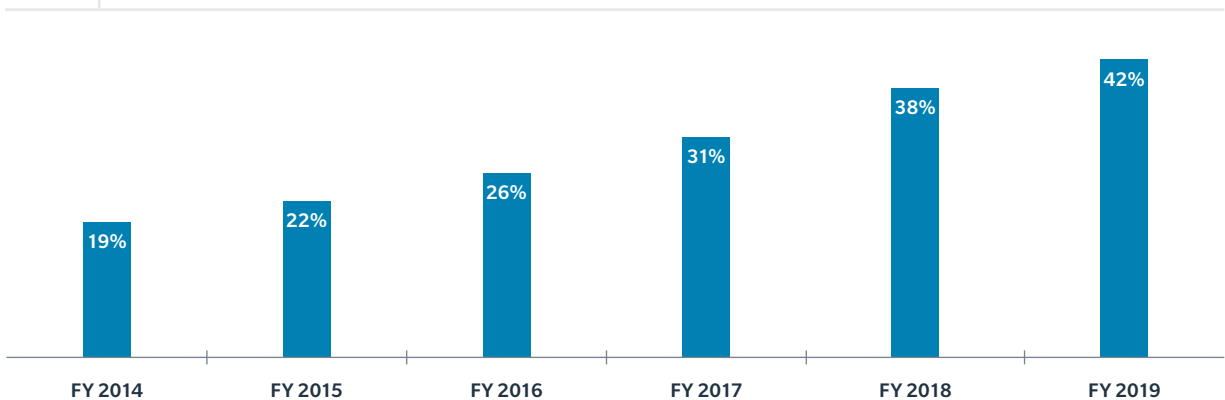
The number of companies purchasing cyber insurance continued to increase in 2019, driven by growing recognition of cyber threats as a critical business risk and appreciation for cyber insurance's role in mitigating its economic impact.

In 2019, 42% of Marsh's US-based clients purchased cyber insurance, up from 38% in 2018 and more than double the number of companies that purchased coverage in 2014 (see Figure 1). This upward progression mirrors the sizeable increase in the number of organizations expressing greater concern about cyber risk. 79% of respondents to Marsh and Microsoft's *2019 Global Cyber Risk Perception Survey* ranked cyber threats as a top-five risk, up from 62% of respondents to a similar 2017 survey.

FIGURE
1

US Cyber Insurance Take-Up Rates by Industry (All Marsh Clients)

SOURCE: MARSH DATA, ANALYTICS AND DIGITAL, PLACEMAP



Just over 60% of those surveyed in 2019 said cyber insurance meets their organizations' needs, up from 49% two years earlier. Cyber insurance uptake seems poised for continued growth, given recent purchasing trends and the greater confidence buyers now have in cyber insurance (see Figure 2).

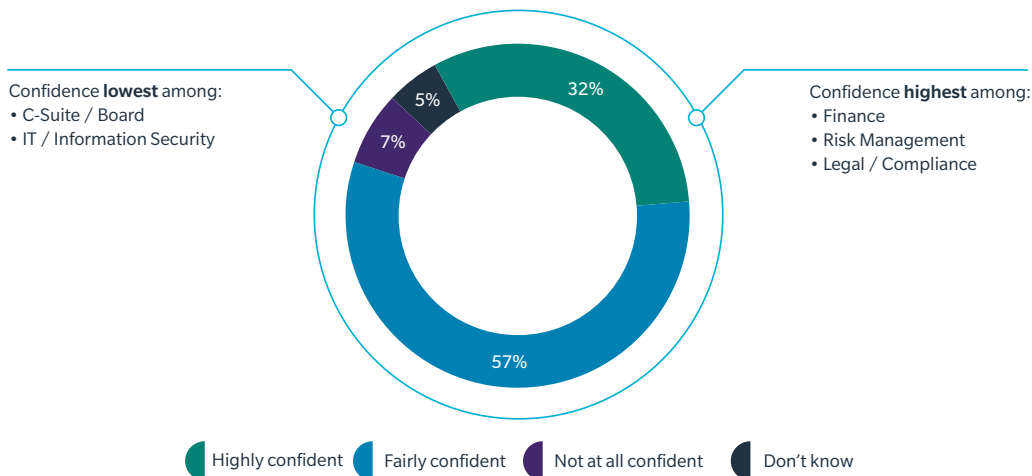
Other factors are likely to spur continued growth in cyber insurance purchasing. Ransomware attacks are expected to

continue to escalate in number and cost in 2020, and cyber insurance continues to respond to those threats. Efforts by insurers to address "silent cyber" — the potential cyber exposures within traditional property and liability insurance policies that may not explicitly include or exclude cyber risk — will likely prompt more companies to secure affirmative coverage via standalone cyber policies.

FIGURE 2

More than 4/5 of organizations are highly or fairly confident their insurance policies would cover the costs of a cyber event.

Q: How confident are you that the coverages within your organization's insurance program - cyber policies and/or other policies - will respond to costs incurred by your organization in the event of a cyber event?



Base: All with cyber insurance: n=526 (2019)

Manufacturing and Data Intensive Industries Lead Growth

The leading buyers of cyber insurance in 2019 were once again the education, health care, hospitality and gaming, and communications, media, and telecommunications industries (see Figure 3). Over the past four years, the hospitality, manufacturing, and education industries all had growth rates of approximately 30% or more, outpacing the double-digit growth in most other sectors (see Figure 4).

Three-quarters of Marsh's education clients now purchase cyber insurance, a reflection of the significant amounts of personally identifiable information (PII) and protected health information (PHI)

that education institutions collect from students and alumni, and the confidential research programs they often engage in.

As insurers have expanded coverage to include cyber businesses interruption, coverage has also become more attractive to manufacturers, which are increasingly aware of the operational risks cyber threats can present to them. Although purchasing by manufacturers leveled out at just over 40% in 2019, this represents a fivefold increase from 2014.

High-profile data breaches in the hospitality and gaming sector, meanwhile, and the growing costs of associated remediation and litigation, are likely to continue to fuel purchasing among hotels and casinos.

FIGURE
3

US Cyber Insurance Take-Up Rates by Industry (All Marsh Clients)

SOURCE: MARSH DATA, ANALYTICS AND DIGITAL, PLACEMAP

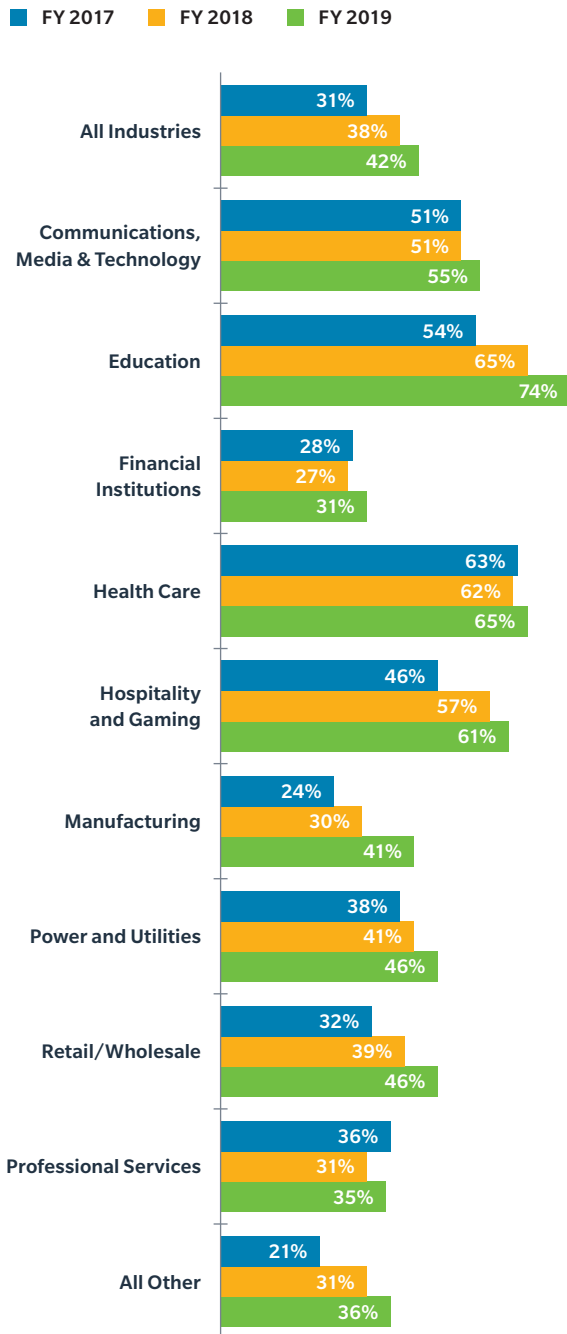
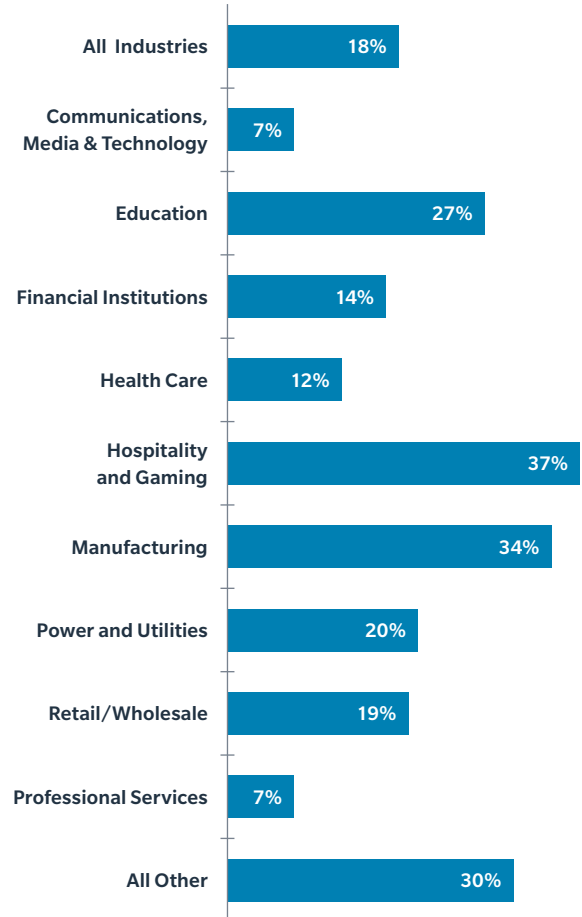


FIGURE
4

US Cyber Insurance Average Annual Growth Rate (2016-2019) by Industry (All Marsh Clients)

SOURCE: MARSH DATA, ANALYTICS AND DIGITAL, PLACEMAP



Large Companies Again Purchasing Higher Limits

Companies — large ones, especially — are increasingly using quantification methods to more accurately and objectively measure the value of their cyber exposures. Although most organizations still do not quantify their cyber risk, the number of companies doing so nearly doubled from 17% in 2017 to 30% in 2019. This shift is helping companies recognize the true size of their cyber risk and prompting many to purchase more coverage.

In 2019, average cyber insurance limits for all companies rose to \$21.3 million, up slightly from \$20.9 in 2018. Among all companies with more than \$1 billion in annual revenue, average limits rose 4.6% to \$65.3 million. The largest increases were seen in financial institutions, health care, hospitality, and professional services — which grew a notable 15.5% (see Figure 5).

In addition to making more informed decisions about insurance purchasing, cyber risk quantification can also help organizations better manage their risk. Generally, organizations that quantify cyber risk implement a greater range of cyber risk management activities beyond the adoption of technology — assessment, planning, training, and testing — that are essential to building cyber resilience (see Figure 6).

FIGURE 5

Cyber Insurance Average Total Limits Purchased Across Industry Sectors (Marsh Clients/Revenues of US\$1 Billion+)

SOURCE: MARSH DATA, ANALYTICS AND DIGITAL, PLACEMAP

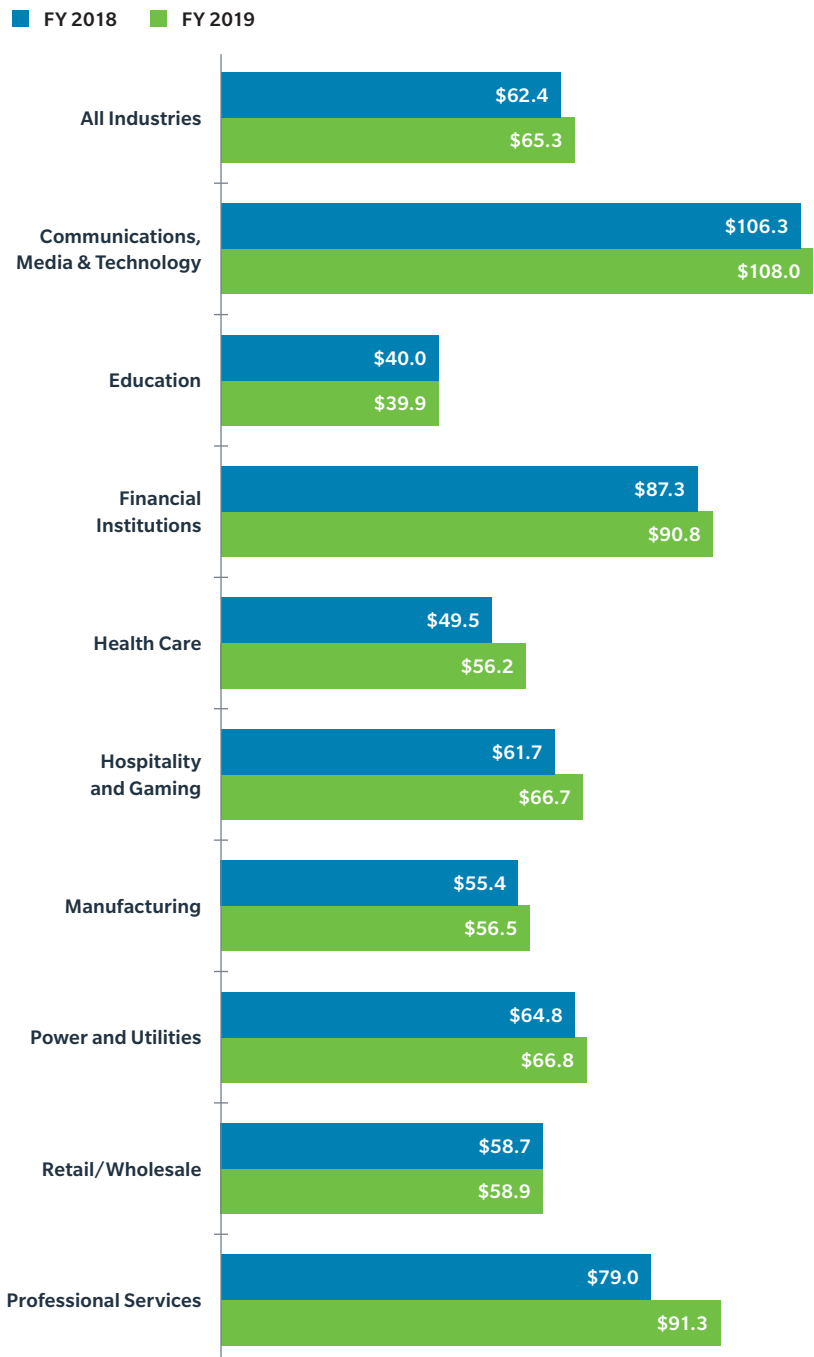
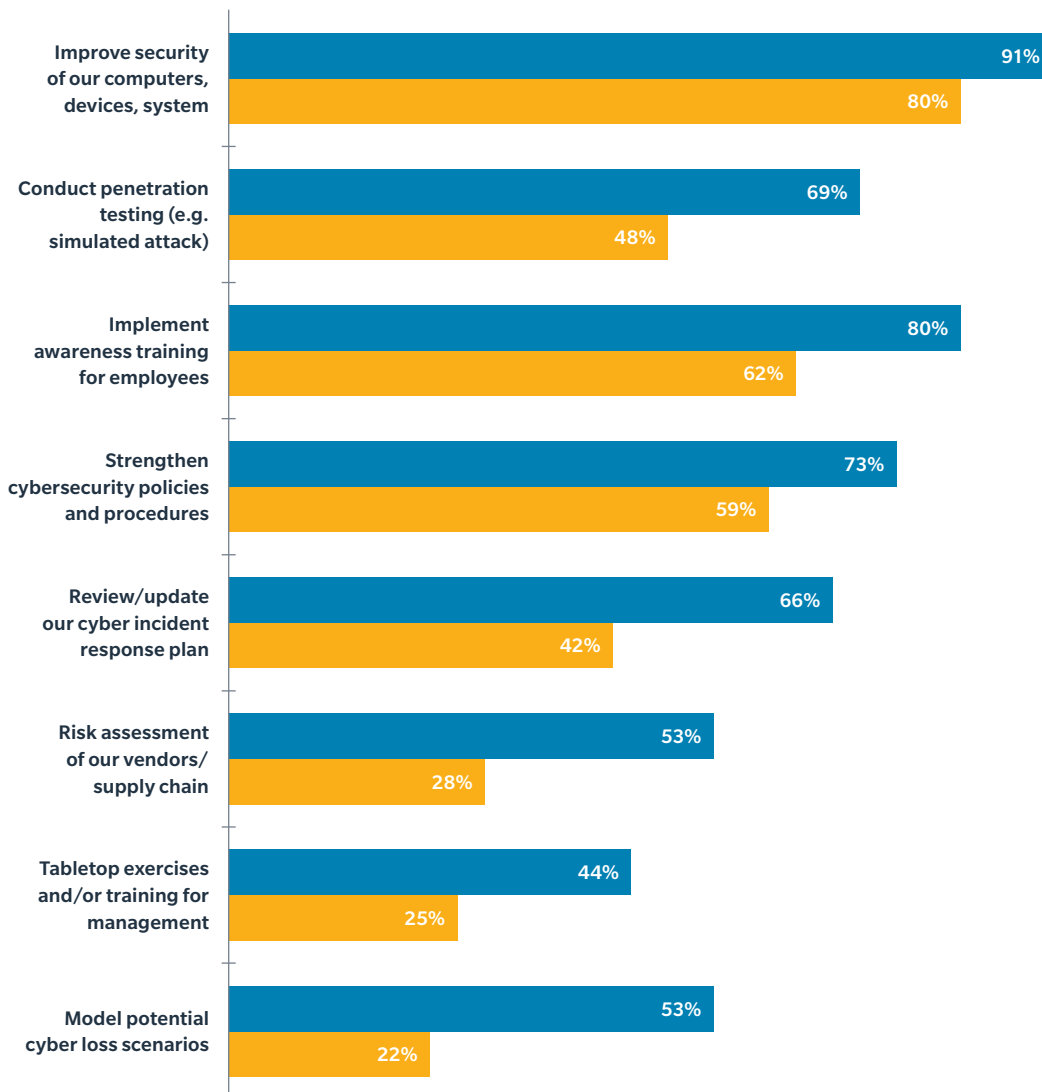


FIGURE
6

Companies conducting economic quantification of cyber risk are more likely to balance technical and non-technical actions.

Q: Please indicate whether your organization has taken the specific actions listed below within the past 12 to 24 months.

- Expresses cyber risks economically
- Does not express cyber risk economically



Modest Rise in Cyber Insurance Pricing

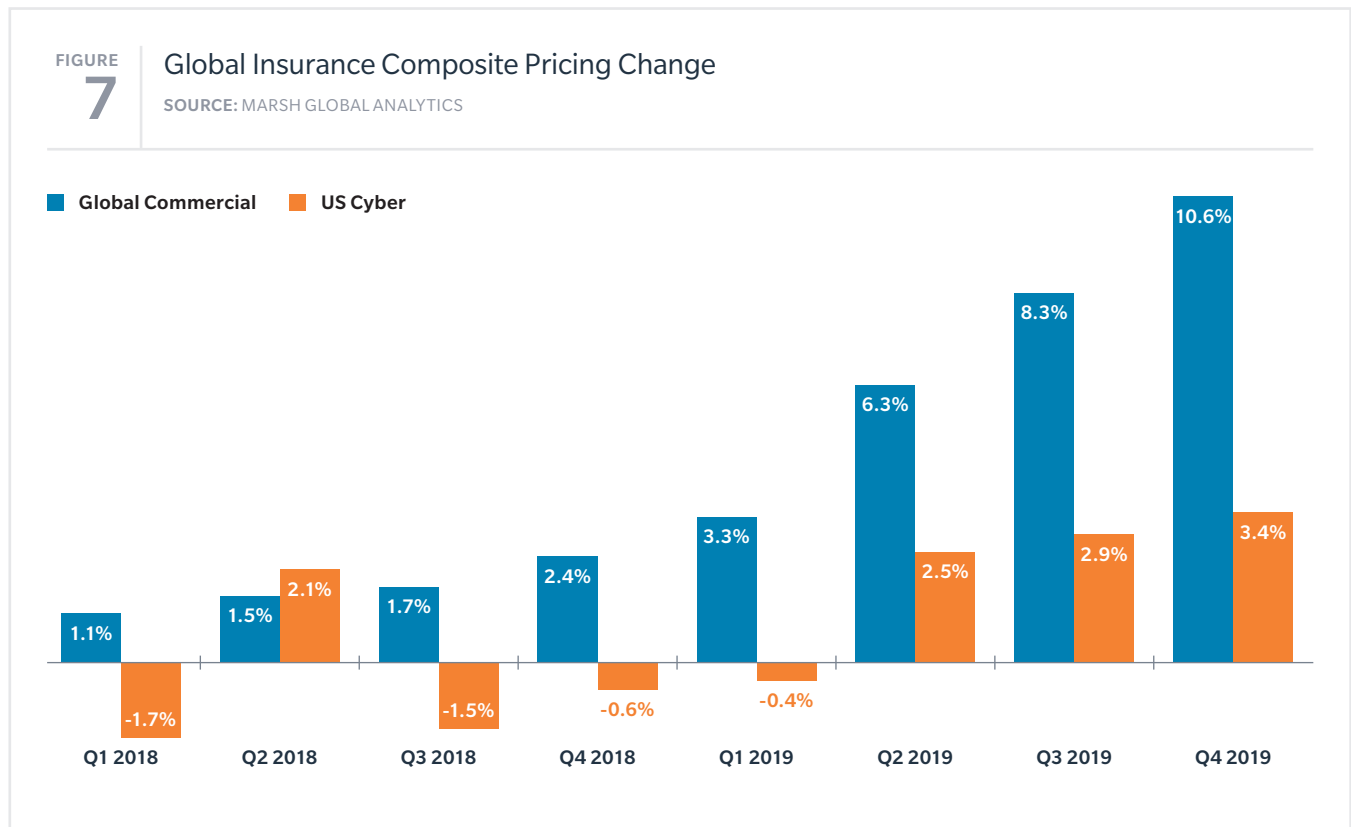
Starting in the second quarter of 2019, cyber insurance pricing slowly increased; for all of 2019, average pricing increased approximately 3%. A limited number of outlying purchasers saw increases of as much as 12% or decreases of as much as 6%. Pricing increases in 2019 followed years of declining or flat pricing for cyber insurance, and were driven in part by insurers' global claims experience, particularly for ransomware losses that exceeded expectations.

The modest increases in US cyber pricing, however, are a fraction of the pricing increases seen in other lines. Global commercial insurance prices rose nearly 11% in the fourth quarter of 2019, the largest year-over-year increase since Marsh began publishing its [Global Insurance Market Index](#) in 2012 (see Figure 7). Composite pricing in the fourth quarter rose in all regions, most significantly in the US (10%), UK (14%), and Pacific (21%).

In 2020, buyers can expect to see insurers continue to more closely scrutinize cybersecurity hygiene and data practices, especially as ransomware and new regulation — in particular, the [California Consumer Privacy Act](#), which took effect in January — increase potential cyber exposures. Organizations renewing their cyber insurance programs in 2020 should be prepared to address these emerging risk areas in their underwriting discussions and take appropriate proactive steps to mitigate their exposures. Organizations should also address potential coverage concerns arising from “[silent cyber](#)”-related market changes.

About This Briefing

This report was prepared by the Cyber Practice within Marsh's US FINPRO Practice, in conjunction with Marsh Digital, Data & Analytics. Companies should consult their Marsh risk advisors to assess their most prevalent cyber risks and review how best to align insurance solutions with their risk exposures.



Marsh Cyber Practice by the Numbers



230

GLOBAL CYBER COLLEAGUES
(BROKERS AND CONSULTANTS).



PLACING MORE THAN

\$1 BILLION

PREMIUMS ANNUALLY.

MORE THAN

6,300

CYBER AND E&O CLIENTS.

LEADER OF

25 YEAR-OLD

CYBER INSURANCE MARKET.

**BROKER TEAM OF
THE YEAR (\$500M+)**

BUSINESS INSURANCE US AWARDS 2019.



CYBER BROKER OF THE YEAR

ADVISEN 3 TIME WINNER.



For more information and other solutions from Marsh, send an email to cyber.risk@marsh.com or contact your local Marsh representative.

TOM REAGAN
US Cyber Brokerage
Practice Leader
+1 212 345 9452
thomas.reagan@marsh.com

MEREDITH SCHNUR
US Cyber Brokerage Leader
+1 212 345 0410
meredith.schnur@marsh.com

BOB PARISI
US Cyber Product Leader
+1 212 345 5924
robert.parisi@marsh.com

JUSTIN CORRADO
US Cyber Placement Leader
+1 212 345 9197
justin.corrado@marsh.com

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