

Addressing catastrophic cyber risk

Acting today to deliver clarity for clients
– before a cyber catastrophe hits



A market-wide effort is needed to define the limits of systemic cyber risk, before a cyber catastrophe happens. By acting now, and creating a straightforward solution, we'll ensure clients are protected. And with global demand for cyber insurance set to grow to \$36.85 billion by 2028¹ we'll be creating the conditions for sustainable growth of the cyber insurance market.

Greater visibility of catastrophic cyber risks

Our new terms and conditions define impact thresholds against specific cyber events, distinguishing sustainable systemic risks from unsustainable or catastrophic risks. Systemic risk coverage is integral to cyber insurance, and Beazley's approach continues to contemplate coverage for the systemic risks we've seen in the past. However, the insurance market needs protection against certain unsustainable catastrophic risks, which have not yet happened but are theoretically possible, the losses from which would exceed what the private markets are capable of withstanding.

Our solution uses the term **Catastrophic Cyber Event** to describe two such events: a prolonged outage of a major **Cloud Service Provider** exceeding 72hrs; and contagion malware in a **Computer Operating System**, causing a major detrimental impact on the functioning of a sovereign state due to disruption of any Essential Service in that sovereign state. For covered First-Party Loss arising from Catastrophic Cyber Events, a 50% sub-limit of liability will apply to stand alone cyber insureds with revenues of less than 100M (USD/EUR/GBP). Beazley insureds will maintain access to breach response coverage up to full policy limits and the full range of our risk mitigation tools.

New wordings reflect digital age

We have taken the same customer-centric approach in redefining the existing war and infrastructure failure exclusions in our cyber and professional liability policies. These are designed to reflect the reality of modern times and the challenges and risks that interconnected technologies pose to business.

Our new definition of **Digital and Internet Infrastructure** describes the basic components of internet and telecommunications infrastructure in a transparent and straightforward way. Our new definitions of **War** and **Cyber War** bring greater clarity over how computer systems are used in modern state conflict.

Delivering certainty for clients

More clarity around systemic cyber risks that are not only widespread in nature, but which also create severe economic or social impact, is the key to bringing more stability and predictability to customers. We are focused on offering clear solutions to customers that reflect the evolution of technology and the cyber landscape, by creating policy terms and conditions that will endure in the face of a cyber event that has yet to occur. We believe by helping to consolidate market consensus on this challenging and complex subject, we will also deliver certainty for customers which will bring the stability needed to enable the exciting potential of the cyber insurance market.

¹ <https://www.fortunebusinessinsights.com/cyber-insurance-market-106287>

In summary

| Revised Infrastructure Exclusion | Revised War and Cyber War Exclusion | Catastrophic Cyber Events (50% sub-limit) | |
|---|---|---|--|
| | | Prolonged Cloud Outage | Operating System Malware |
| <p>New Digital and Internet infrastructure definition</p> <p>New Financial Market Infrastructure definition</p> | <p>New definitions of</p> <ol style="list-style-type: none"> War Cyber War <p>New impact threshold: a major detrimental impact on the functioning of a sovereign state due to disruption of any Essential Service in that sovereign state</p> | <p>Applicable to all First Party Loss incurred as a result of a prolonged cloud service provider outage exceeding 72hrs</p> | <p>Applicable to all First Party Loss incurred as a result of a contagion malware event within a Computer Operating System that causes a major detrimental impact on the functioning of a sovereign state due to disruption of any Essential Service in that sovereign state</p> |

Acting today, protecting tomorrow

Responsible cyber insurers like Beazley need to be bold in defining the systemic events that fall within the scope of coverage and those catastrophic events that fall outside what the commercial insurance market is capable of sustaining. By doing the right thing now our clients and partner brokers can be certain we will stand by them for the long term.

Contact us

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About Beazley

We are a specialist global insurer with over three decades of experience in providing clients with the highest standards of underwriting and claims service.

Beazley is a proud participant in the Lloyd’s market, the largest and oldest insurance market in the world. Through the Lloyd’s broker network and the market’s trading licenses, we are able to access a wide range of insurance and reinsurance businesses from around the world.

Our client base is broadly diversified by type, by size and by geography. Our clients are leaders in many of the markets in which they operate.

Over three decades Beazley has evolved from a specialist Lloyd’s syndicate transacting business exclusively from the Beazley “box” at Lloyd’s in London to a global insurer with offices in Europe, Asia, and across North America.



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