

The Commercial Cyber Market

A MarketStance Progress Report

May 11, 2017



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Today's Presenters



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Liability Lines in MS Products

Core

Premiums & Covered Entities

- Premises and Operations
- Products
- Umbrella
- Excess

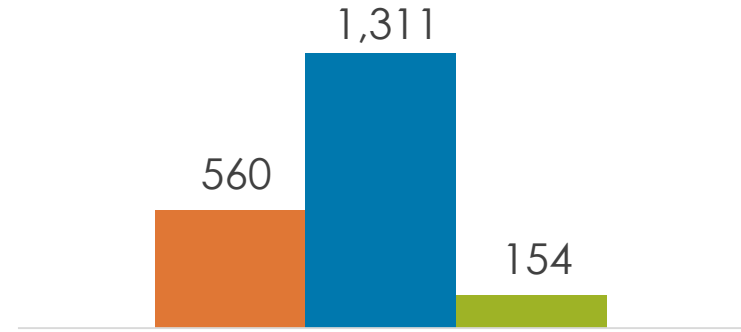
Special

- D&O
- E&O/Prof
- Employment Practices
- Fiduciary
- Cyber (forthcoming)

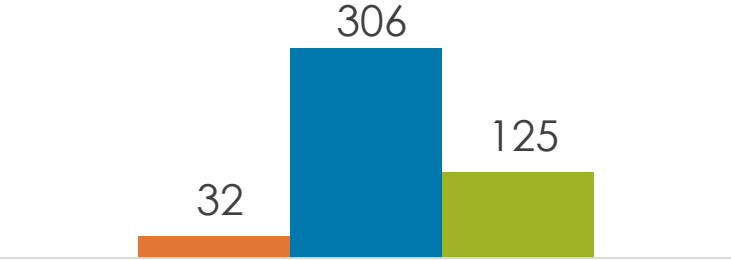


NAIC Cyber Security Supplement 2016

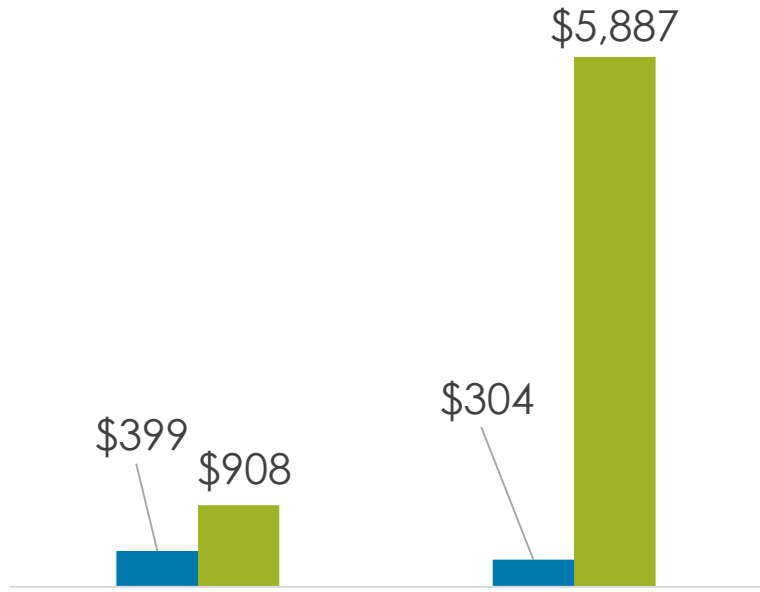
Package and Stand-alone Policies – Commercial Lines



Policies In Force (000)



Carriers Reporting



Direct Written Premium (mil.)

DWP per Policy

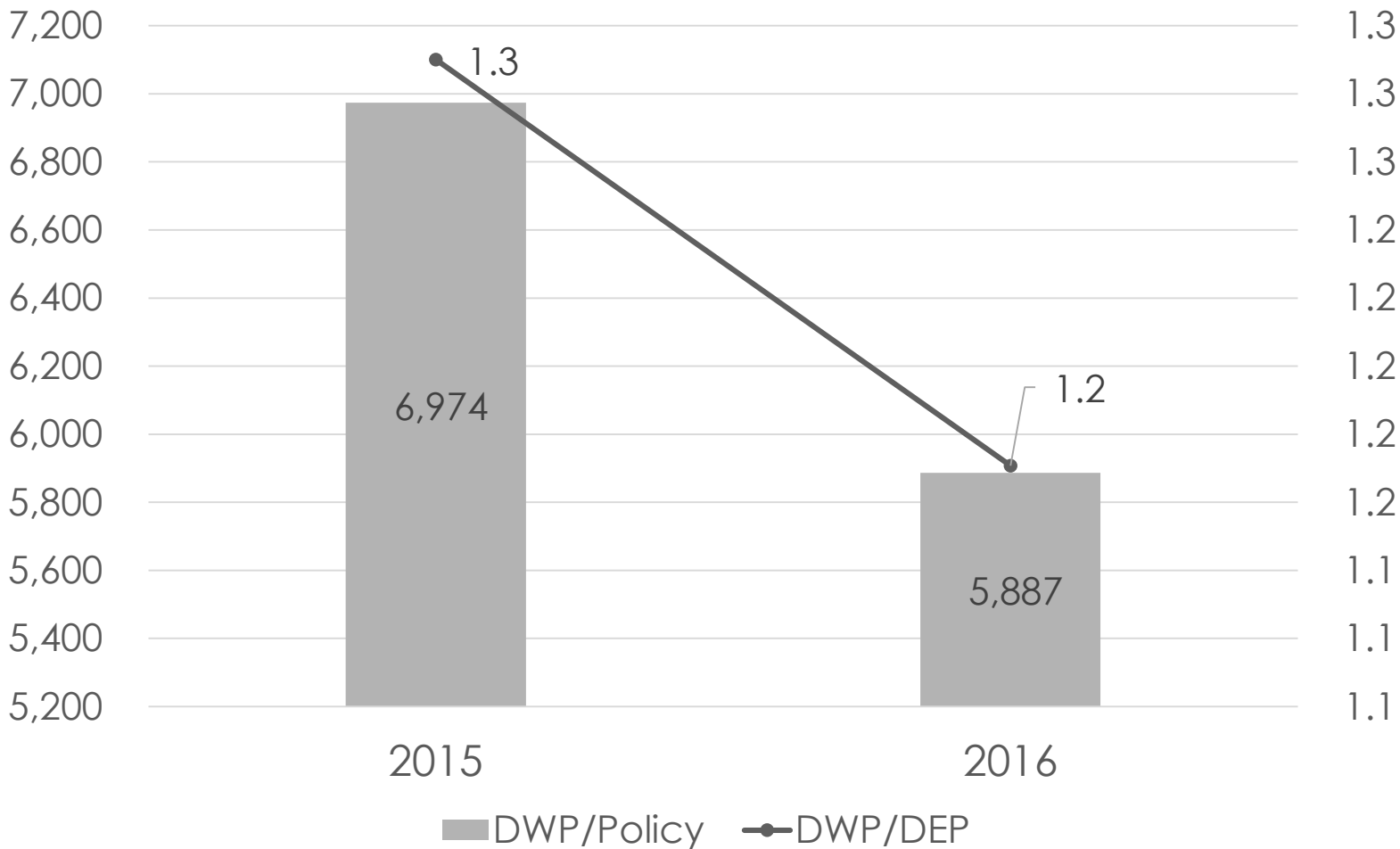
- Package-non-separable
- Package
- Stand-alone

Source: NAIC



NAIC Cyber Security Supplement 2015-16

Stand-alone Premiums Earned & Written

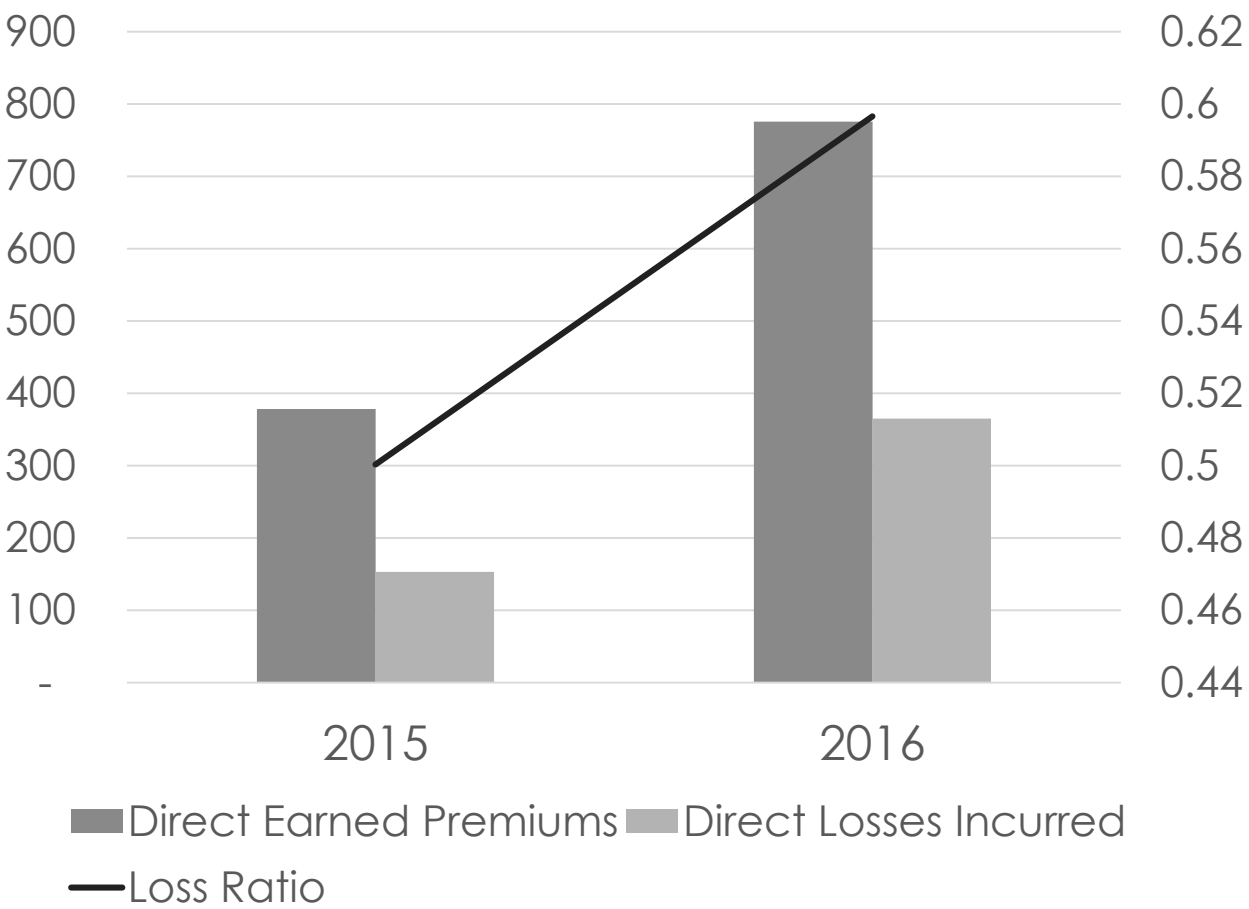


Source: NAIC



NAIC Cyber Security Supplement 2015-16

Stand-alone Loss Ratios

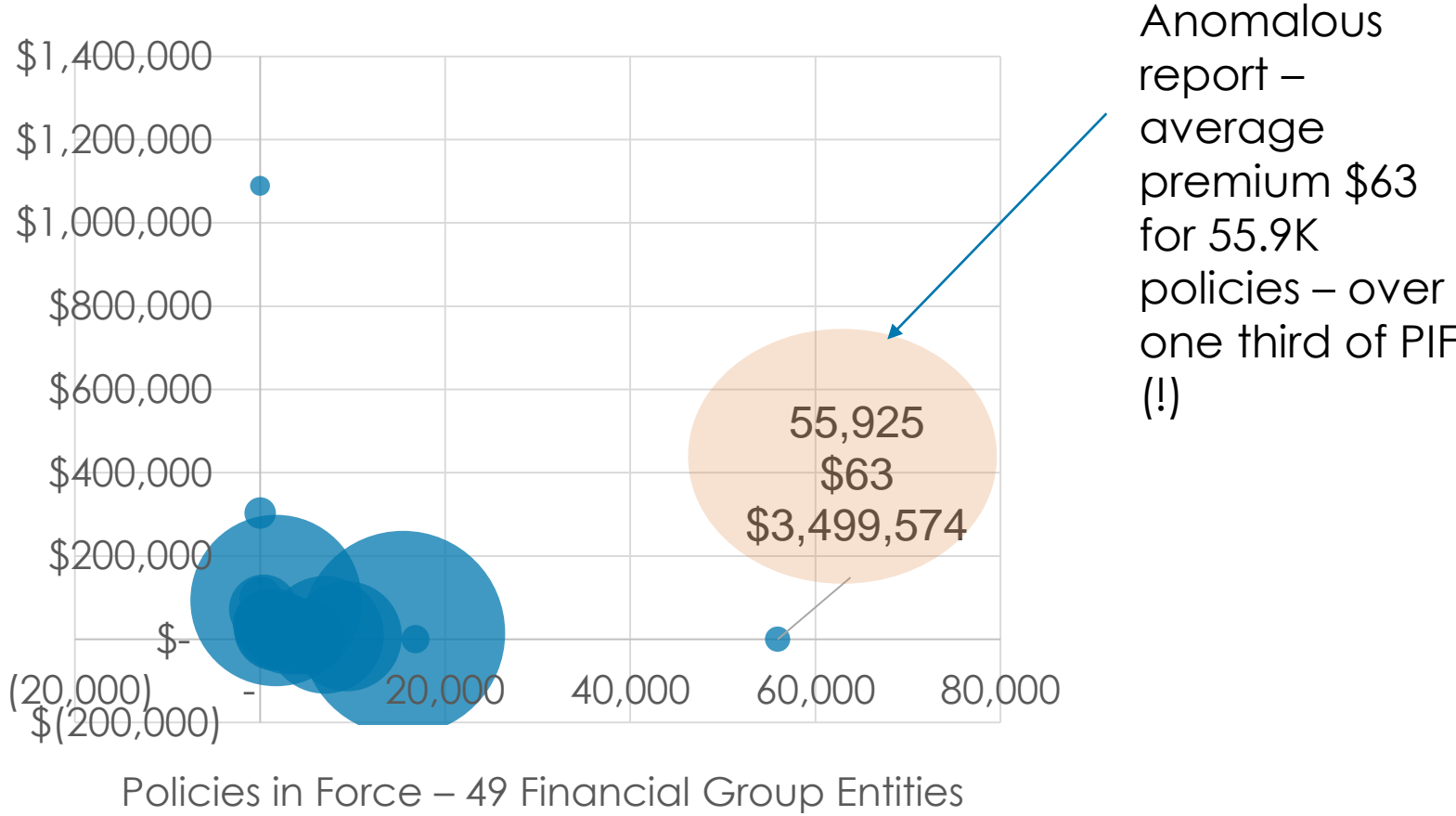


Source: NAIC



NAIC Cyber Security Supplement 2016

Stand-alone DWP, PIF, Premium per Policy

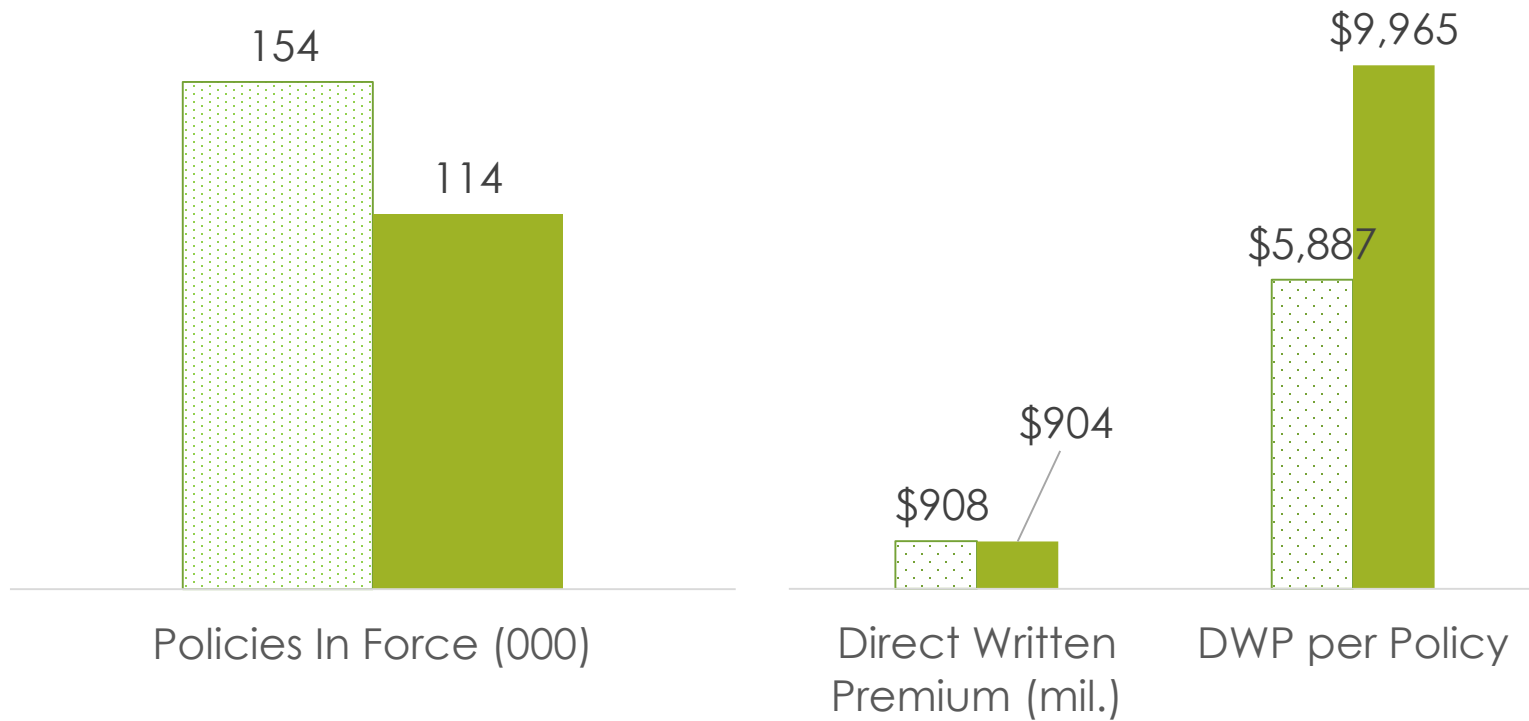


Source: NAIC



NAIC Cyber Security Supplement 2016

Stand-alone Policies Above \$100



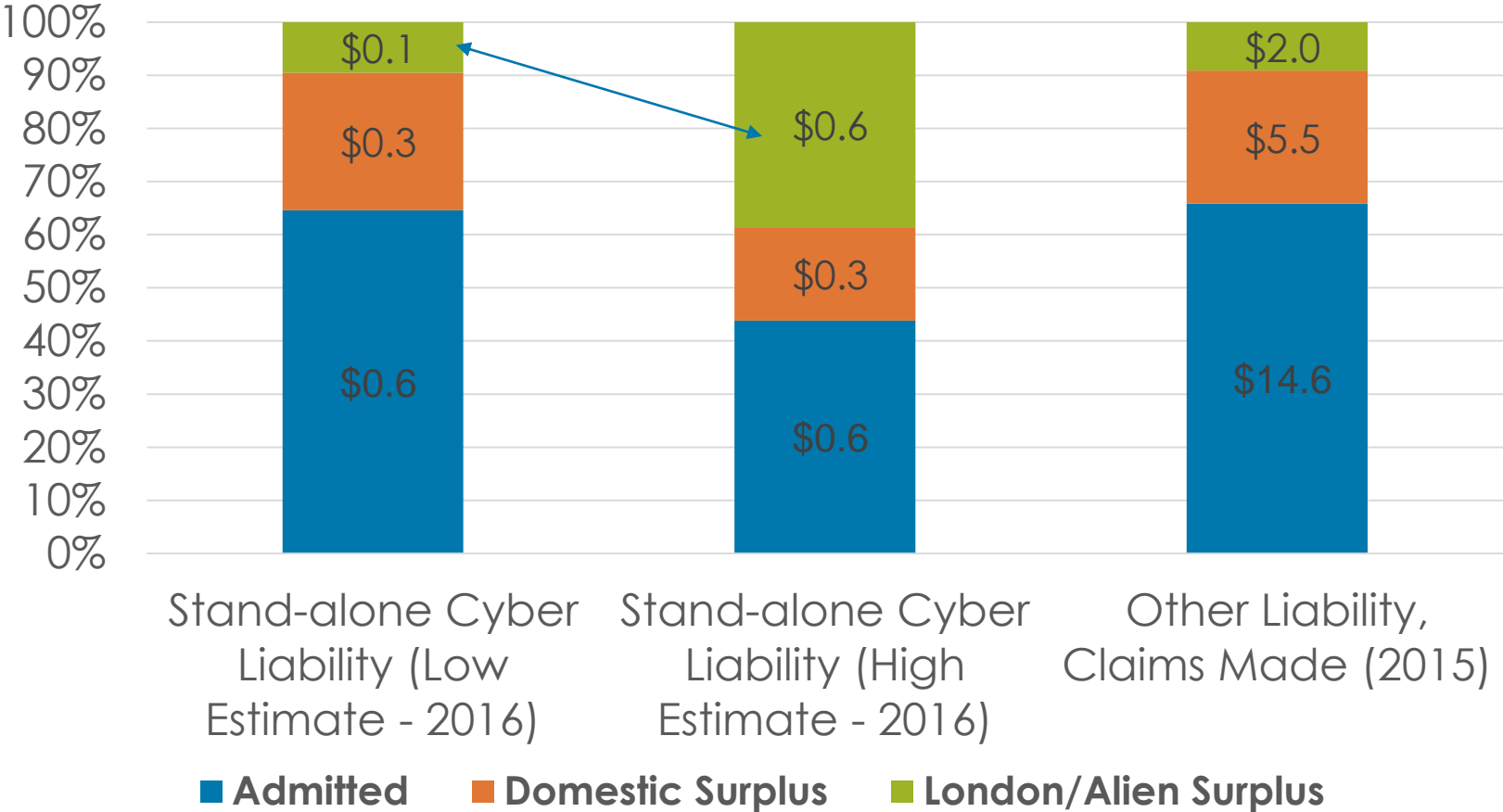
- Stand-alone
- Stand-alone >=\$100/policy

Source: NAIC



Stand-alone Cyber Market

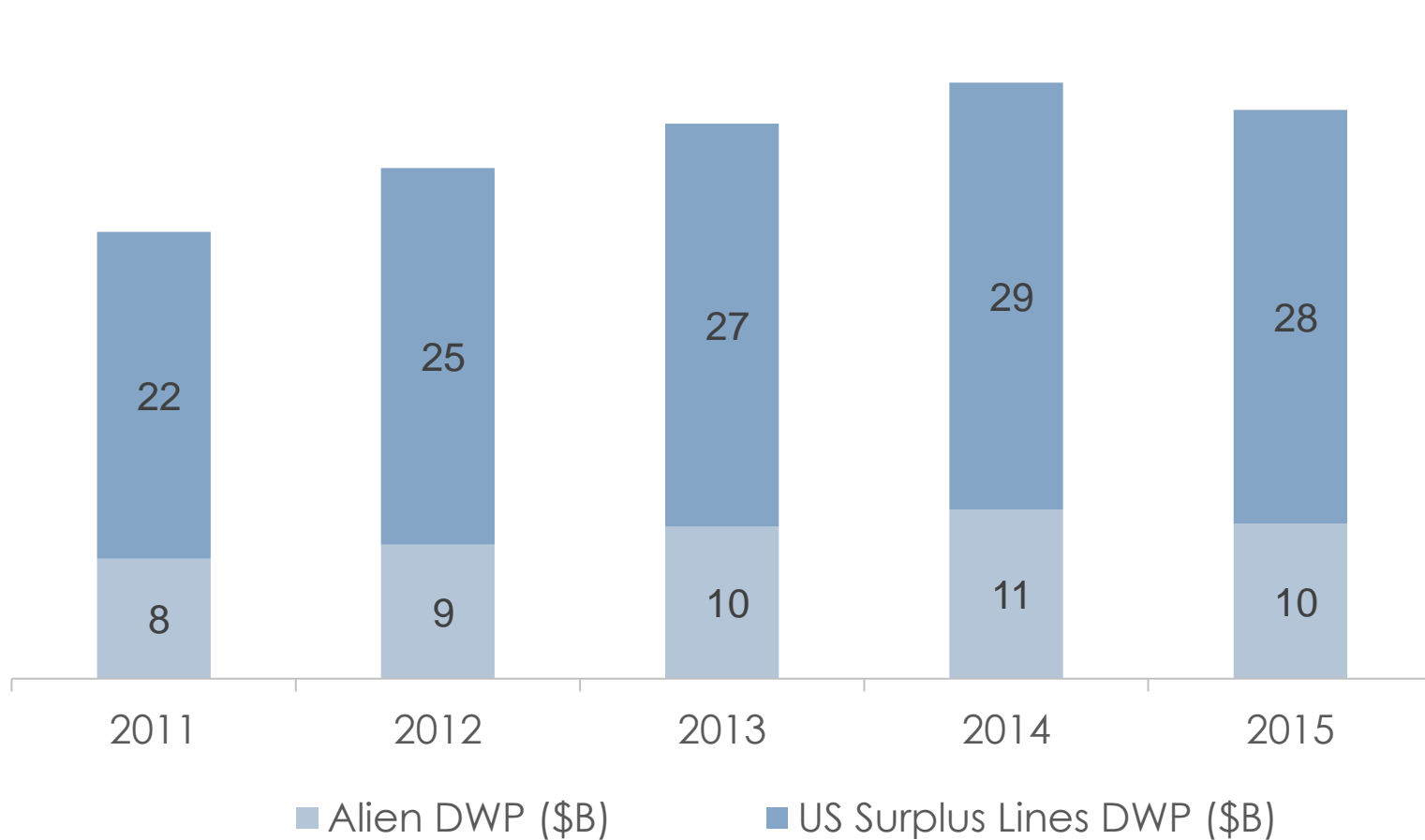
London/Alien E&S Market—How Large?



Sources: NAIC, A.M. Best, ISO MarketStance estimates



Alien, Domestic E&S Markets Correlated



Sources: NAIC, A.M. Best, ISO MarketStance estimates



NAIC Cyber Security Supplement 2016

Stand-alone Market by Financial Group Size

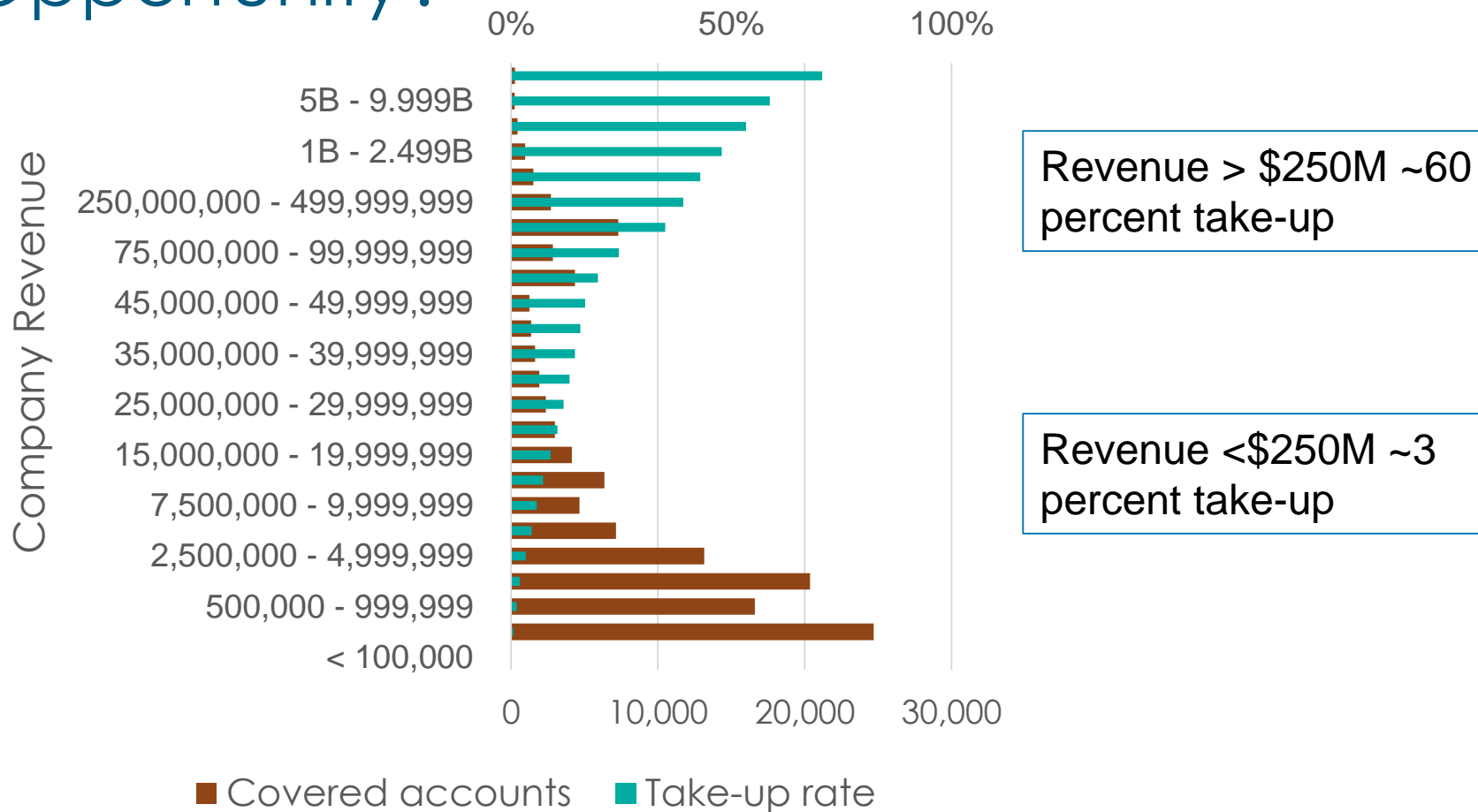
Reporting Carrier Size	No. Financial Groups	DWP (\$M)	PIF	DWP/PIF	Loss Ratio
> \$100M DWP	2	389	17,178	22,649	0.54
>\$25M - <100M DWP	8	335	31,767	10,542	0.83
>\$10M - <25M DWP	7	114	5,720	19,911	0.44
< \$10M DWP	31	67	43,664	1,527	0.21
Total	48	905	98,329	9,199	0.60

A moderately competitive market, judged by market share (Herfindahl Index = 1,189)

Sources: NAIC, A.M. Best, ISO MarketStance estimates – excluding anomalous reported data from one carrier group.



Where is the Stand-alone Cyber Opportunity?



Source: ISO MarketStance – for illustration only.



Cyber Liability Special Liability Advisor Product

Key Challenges for Dialog

- Bottom-end challenges
 - Take-up variability by industry
 - Health, finance, public sector, media, retail
 - Surveys suggest extremely low awareness of coverage availability, terms, etc.
 - Most surveys do not distinguish stand-alone versus package



Cyber Liability Special Liability Advisor Product

Key Challenges for Dialog

- Top-end challenges
 - Retentions
 - Limits purchased



Cyber Liability Special Liability Advisor Product

Key Challenges for Dialog

- Stand-alone versus package
 - \$>300M commercial lines package, >1.3 million policies or about 10x the adjusted stand-alone policy count
 - MS focus in all other lines specialty lines (D&O, E&O, EPLI, Fiduciary, Medical Professional) is not on package opportunity
 - Lack of good (or any) data
 - Clients prefer to isolate the mono-line opportunity



Cyber Liability Special Liability Advisor Product

Key Challenges for Dialog

- Disparate carrier filings difficult to cleanly reconcile:
 - 1st & 3rd party coverages
 - Minimum premiums
 - Loss costs & rating factors



Cyber Liability Special Liability Advisor Product

Key Challenges for Dialog

- Rapid evolution
 - Take-up acceleration factors
 - Nature of risk, from data breach to extortion to business interruption of the cyber supply chain to . . .?

For questions or to learn more about any of the concepts covered in this presentation please contact:

Client Support: 888-777-2587 or e-mail ms@marketstance.com

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