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2023 Cyber Insurance Market Trends + Insights





Navigating Cyber Insurance Dynamics

Adaptive Cyber Insurance

In a world of unstable and ever-changing insurance market conditions, Cyber Insurance is no exception. The demand for cyber insurance is increasing year over year as cyberattacks become more complex, costly, and consistent. Unlike threats to real property, cyber threats are constantly evolving. Insurance carriers have reasonable capability to predict future years' weather events, violent storms, wind/hail trends, etc. and can use that data (as well as historical data) as a basis for figuring their rates. There won't be a "new" type of storm that comes up in any given year, therefore doesn't need to be accounted for when underwriting property insurance. Cyber threats, on the other hand, change daily and it is nearly impossible to predict the newest type of attack that businesses and insurance carriers alike could see come across. This is just a small piece of the overall challenge that the cyber insurance market, and business owners, are up against property, cyber threats are constantly evolving. Insurance carriers have reasonable capability to predict future years' weather events, violent storms, wind/hail trends, etc. and can use that data (as well as historical data) as a basis for figuring their rates. There won't be a "new" type of storm that comes up in any given year, therefore doesn't need to be accounted for when underwriting property insurance. Cyber threats, on the other hand, change daily and it is nearly impossible to predict the newest type of attack that businesses and insurance carriers alike could see come across. This is just a small piece of the overall challenge that the cyber insurance market, and business owners, are up against.

From 2019 to 2022, we saw exponential increase in ransomware, malware, and fraudulent payment attacks due largely to the mass shift to remote work during that time period. Consequentially, cyber insurance rates skyrocketed, capacity tightened, and underwriting requirements increased exponentially. As security protocols and capabilities caught up in 2022, attacks slowed down which allowed for rates to stabilize and capacity to increase up to this point, however, there is worry that these positive conditions won't continue due to the loss trends we have seen thus far in 2023.



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Market Trends

The 2023 cyber insurance market can be characterized by flat renewal rates, stable levels of retention, and larger capacities being offered by insurers. In 2022, large businesses and public entities seldom purchased more than \$20 million in cyber liability limits, both due to the price and the availability of layers above \$20 million. Fast forward to this year, we are seeing coverages layered up to \$50 million in limits. Rates have generally declined on the primary layer for accounts with favorable loss experience, freeing up dollars to be put towards the excess layers which have decreased in rate by roughly 20% year over year. These conditions have not only allowed smaller businesses to save money on their cyber liability insurance, but also for larger firms to spend roughly the same amount of money and carry 50% - 150% higher coverage limits.

As the 2023 market has relaxed and rates have stabilized, carriers have begun sending unsolicited cyber quotes to business owners (similar to home insurance "quotes" you receive in the mail), in an attempt to regain market share. This is something to be cognizant of, because they will try to sell you on a low premium when the product, they are offering provides stripped down coverage with a long list of exclusions and coverage conditions that could leave you with nothing in the event of an attack. This is why it is important to work with a trusted professional who can place your business with reputable and stable carriers that offer effective cyber insurance policies and risk management tools.

Widespread Cyber Risk

The MOVEit Transfer attack in May of 2023 has brought even more attention to the cyber insurance market and the overall importance of cybersecurity. This was a Russia-based ransomware attack on an American software company's file transfer solution (MOVEit) that has affected hundreds of organizations and their clients, thus causing a significant uptick in cyber liability claims activity from May until now. This event is unlike standard ransomware attacks where systems are locked up until the victim pays the attacker a ransom amount. In this case, victims are being extorted by the threat of releasing private and sensitive data unless the ransoms (\$500k - \$1M+) are paid.



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This attack has brought light to the possibility of thousands of businesses or individuals being affected by one cyber-attack, causing certain insurers to start excluding coverage for similar perils. For example, if your business utilizes a national software provider for cloud data storage, and that firm is hacked affecting your business and thousands of others, coverage could be excluded on your policy if you are not diligent in reading your policy's language.

2023 Loss Trends

Based on data collected throughout the year by insurance carriers, brokers, and data privacy firms, we saw a 29% increase in ransomware attacks from January to May of 2023 in comparison to the same timeframe in 2022. June alone reported a 25% increase from last year in cyberattacks of all types. For smaller organizations, fraudulent payment attacks (i.e., email phishing scams), and system compromises are the most glaring threat, with claims of such nature increasing by 30% year over year. The severity of these attacks may not be as magnified as ransomware claims, however, the frequency we are seeing is certainly cause for concern.

What does this mean? Well, it's starting to look like the market relaxation and cyberattack slowdown we saw in 2022 isn't going to sustain. Frequency of cyber-attacks is increasing again, and it won't take long for the cyber insurance market to respond by increasing its rates and tightening its capacity again. Likewise, insurance agreements will start to come with extensive subjectivities and qualifications for coverage, i.e., Multi-Factor Authentication, E-Mail Encryptions, Cloud Data Backup, or use of Endpoint Detection Response products.

Looking Ahead

In short, current favorable trends in rates and capacity may not be permanent. With rising claims due to AI-driven cyberattacks, we anticipate rate hikes and stricter loss controls. It's prudent to consult a Risk Advisor now for a customized cyber insurance plan to safeguard your business.



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About Professional Insurors

Professional Insurors has a distinct and rich history that starts in 1977. Over the course of 45 years, our philosophy continues to remain the same: concentrate on specialized areas and bring excellent service and products to our clients. Our employees are our most important asset, and we have an employee first culture where they have a career path and look to future opportunities and personal growth.



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