

MARKETPLACE REALITIES & RISK MANAGEMENT SOLUTIONS

CYBER RISK

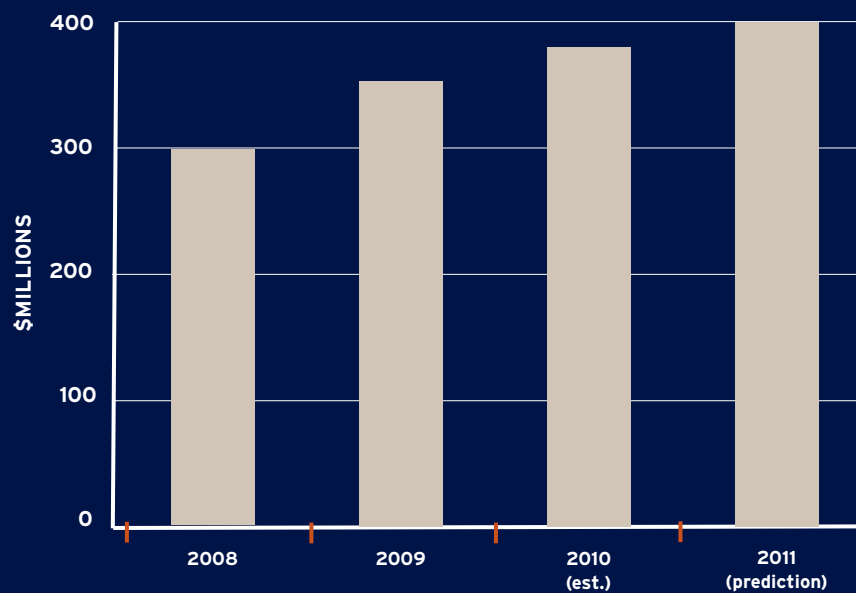
- The market for stand-alone Cyber policies is competitive, with **rates flat to down 5% for renewals at present.**
- **Competition for first-time buyers remains intense,** with a wide range of rates offered by insurers as they seek larger shares of a growing market.
- **With mounting losses, Q1 2011 renewal rates may begin to flatten and even rise 5%.** First-time buyers will likely find a continuing competitive environment, though the range between insurers may narrow.
- Policy wording continues to expand both for privacy coverage (fines/penalties and breach cost sublimits) and more dramatically for first-party coverage (including system failure coverage for networks that extends beyond the more limited computer attack trigger).
- Insureds that buy Errors & Omissions (E&O) policies are often able to add Cyber risk by endorsement.
- Insurers are moving to control loss costs and attract business by **providing privacy breach risk management services,** including panels of breach response firms. **Insureds agreeing to use the panel may be able to buy higher** sublimits for breach notification cover.
- Privacy laws continue to spread both in the U.S. and Europe. Over 45 states now have privacy breach notification laws, and in the health care sector, the HITECH Act adds national privacy regulation for protected health information.
- As privacy laws expand internationally, the impact on claims from multinational buyers of Cyber insurance adds another **significant variable that could impact rate and capacity.**
- Publicly reported privacy breaches in 2010 stand at 266, down from 600 in 2009, and the number of breached records is so far lower (16 million vs. 221 million in 2009), according to the Open Security Foundation. The potential exposure, however, remains undiminished.

PRICE PREDICTIONS

Renewals:
Flat to +5%

First-time buyers:
Competitive

CYBER RISK CAPACITY



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