Brown & Brown

PROPERTY & CASUALTY

Cyber Liability

Q4 2024 Market Update

The Cyber market remains stable, with continued predictions for hardened conditions and increased rates later this year. Competition is expected to remain steady, limiting short-term market impacts. Incumbent markets seek to retain business with leading controls and add to their portfolios for opportunities of best-in-class risks.

- Changing cyber market conditions over 2024 will put pressure on pricing. Renewals are projected to change -5% to +5%.
- A soft market for the past 18+ months has resulted in market pressure to make corrections, likely starting in late 2024 into 2025.
- Additional capacity from incumbent markets and new entrants has countered the pressure to increase rates, but these dynamics seem to be fading.
- While pockets of competition remain, markets are managing limit deployment and continue to seek out best-in-class risks with strong cybersecurity posture and thorough diligence practices.
- Persistent rate of claims in both frequency and severity:
  - This year exemplifies how companies can sustain persistent and severe cyberattacks in the form of ransomware, malware, business email compromise and social engineering.
  - Companies paying ransom demands have decreased from a high of 77% in 2020 to an all-time low of 28% in 2024. However, when ransoms are paid, the business interruption losses can be significant and the extortion payments are higher than previous averages.
  - The July 2024 CrowdStrike outage brought Cyber carriers' aggregation risk concerns into focus but ultimately had no significant impacts on carrier books.

Areas of Underwriter Concern

- **Aggregation risk from outsourced software/ managed service providers** (e.g., MOVEit, Change Healthcare, CrowdStrike)
  - Underwriter focus centered on vendor contracts provisions, vendor diligence, policies surrounding contingency and recovery plans including testing and patching procedures.
  - Contingent business interruption limit availability continues to be subject to negotiation.
- **Artificial Intelligence (AI) usage and management**
  - Carriers will inquire about thoughtful deployment and thorough policies/procedures.
  - Some carriers providing "affirmative" AI endorsements.
  - NIST AI Framework: AI Risk Management Framework | NIST.
- **Biometrics:** unique physical characteristics including fingerprints, DNA, faceprints, retina scans, etc.)
  - Coverage may be excluded without appropriate compliance standards surrounding consent, collection and storage practices under relevant laws (BIPA, GDPR, etc.)
  - GDPR Compliance Guidance: How do we demonstrate our compliance with our data protection obligations? | ICO.
- **Pixel tracking:** code embedded in a website that tracks and gathers data on the user's website activity
  - Coverage may be excluded if appropriate governance is not demonstrated.
  - FTC & OCR Guidance: Model Letter: Use of Online Tracking Technologies (ftc.gov).

How Brown & Brown Can Help

Connect with our Brown & Brown team to learn about our knowledge in your industry, how we build our risk mitigation strategies and how we can aid your business in building a cost-saving program.

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Find Your Solution at BBrown.com