

Draft: 9/11/24

Cybersecurity (H) Working Group
Virtual Meeting
September 4, 2024

The Cybersecurity (H) Working Group of the Innovation, Cybersecurity, and Technology (H) Committee met September 4, 2024. The following Working Group members participated: Cynthia Amann, Chair (MO); Michael Peterson, Vice Chair (VA); Chris Erwir (AR); Bud Leiner (AZ); Damon Diederich (CA); Wanchin Chou (CT); Li (DE); Matt Kilgaller (GA); Lance Hirano (HI); Daniel Mathis (IA); J. Metcalf (IL); Shane Mead (KS); Mary Kwei (MD); Jake Martin (MI); T.J. Patton (MN); Tracy Biehn (NC); Colton Schulz (ND); Martin Swanson (NE); Christian Carrella (NH); Scott Kipper (NV); Gille Ann Rabbin (NY); Don Layson (OH); id Davono (PA); Bryon Welch (WA); Andrea Davenport (WI); and Lela Ladd (WY) and Technology (H) Committee Attachment Three and Aug. 1 (Attachment One) minutes. The motion passed unanimously.

2. Heard a Presentation from AM Best on the Cyber Insurance Market

Michael Lagomarsino and Tom Mount (AM Best) gave an informational presentation to the Working Group on the U.S. cyber market and AM Best's cyber initiatives. Lagomarsino said AM Best assigned a stable outlook on the global cyber insurance market. Some of this infrastructure and war as an action to reduce exposure to aggregate risks is supported by reinsurance with roughly 50% of premium ceded to reinsurance. Several cyber policies have been issued over the last 12 months on the public market. This is a positive sign that investors are more comfortable with how cyber is being underwritten.

Lagomarsino introduced several countervailing factors in the global cyber insurance market: increased competitive pressure and additional capacity entering the market. AM Best is responding to recent high-profile cyberattacks, however, to date, insured losses from these reinsurance attacks are manageable. The attacks serve as a reminder of uncertainty over the aggregation of sophisticated attacks using artificial intelligence (AI), and the dynamic nature of the cyber market. Lagomarsino explained that any reduction in reinsurance capacity would reflect a reduction in capacity on the primary side, which could result in significant market dislocation.

Discussing trends observed in the U.S. cyber insurance market, Lagomarsino explained the deterioration in the direct loss and defense and cost containment (DCC) loss ratio, driven by an increase in the frequency of ransomware attacks at the onset of the COVID-19 pandemic. Companies are investing in technology to enable remote work environments. TJ 0.002 Tc -0.002 Tw 0.9 0 Td .4 (i)-3.

with significant rate increases while tightening terms and conditions, specifically increasing deductibles and putting sublimits within the policies. The aggressive actions, in conjunction with improved cybersecurity hygiene c.1 (er)7

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