

# How Can **Cyber Insurers** Manage Their True Risk?

Cyber insurance providers traditionally evaluate cyber risk the same way they evaluate homes, cars, medical costs or any other insurable entity. However, this point-in-time underwriting process leaves cyber insurance providers dangerously exposed if there's a sudden, unexpected event that causes a spike in cyber incidents. Can you think of any sudden, unexpected events lately?

**+151%**

Increase in ransomware attacks<sup>1</sup>

**+311%**

Increase in total ransoms paid<sup>2</sup>

**+171%**

Increase in average ransom paid

**The pandemic significantly increased the volume and impact of ransomware attacks.**

As a result, cyber insurance providers experienced record loss ratios as they paid out insurance claims on policies that were not appropriately priced to the current level of risk. This led to a massive overcorrection with insurance carriers reducing coverages, dramatically increasing rates and imposing new requirements.

**Cyber insurers overcorrect due to losses, damaging the viability of their cyber insurance products.**

**67%**

Record high loss ratios<sup>3</sup>

**50%**

Increase in cyber insurance pricing<sup>4</sup>

**70%**

Brokers reporting capacity reductions<sup>5</sup>

Policyholders have reacted with confusion and frustration. Can the cyber insurance market survive if these overcorrections become the norm?

## Continuous Underwriting: A new approach to managing cyber risk

### Traditional Underwriting



In a rapidly changing risk environment, you must constantly re-evaluate risk to understand your liabilities. A continuous underwriting process allows insurers to keep pace with changes in technology, trends, and risks so that they can manage their portfolios accordingly and mitigate potential losses.

### Continuous Underwriting



1 <https://www.sonicwall.com/news/sonicwall-record-304-7-million-ransomware-attacks-eclipse-2020-global-total-in-just-6-months/>

2 <https://blog.chainalysis.com/reports/ransomware-ecosystem-crypto-crime-2021>

3 <https://www.reinsurancene.ws/cyber-industry-loss-ratio-at-record-high-67-in-2020-aon/>

4 <https://www.insidepandc.com/article/2876n3df4whwzumeni8/chubb-overhauls-cyber-appetite-with-smaller-lines-and-rate-demands>

5 <https://www.itpro.com/security/cyber-security/360131/cyber-insurance-premiums-increased-by-a-third-in-the-last-12-months>

Learn more about continuous underwriting.

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