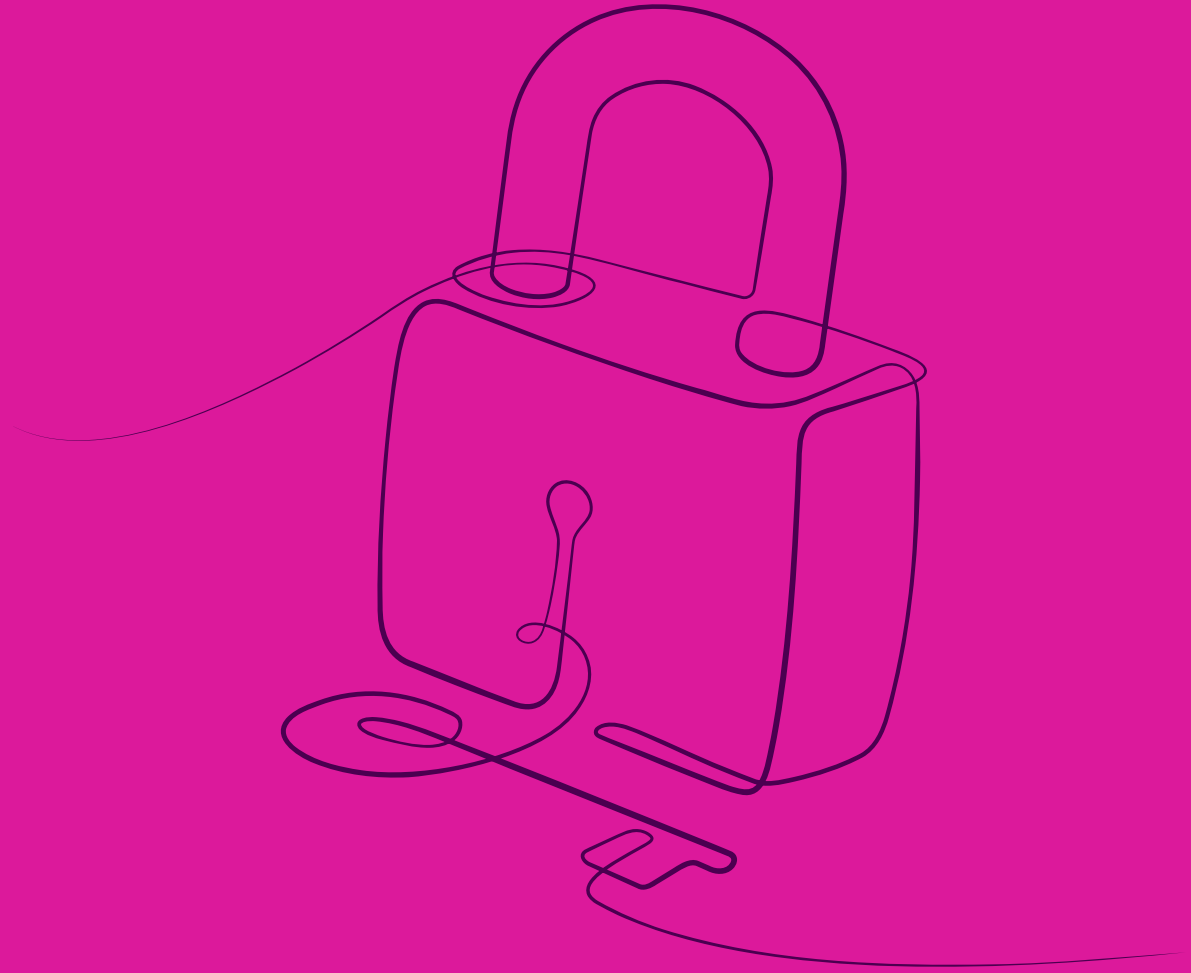


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Cyber Risk Update



Barbara Plucnar Jensen

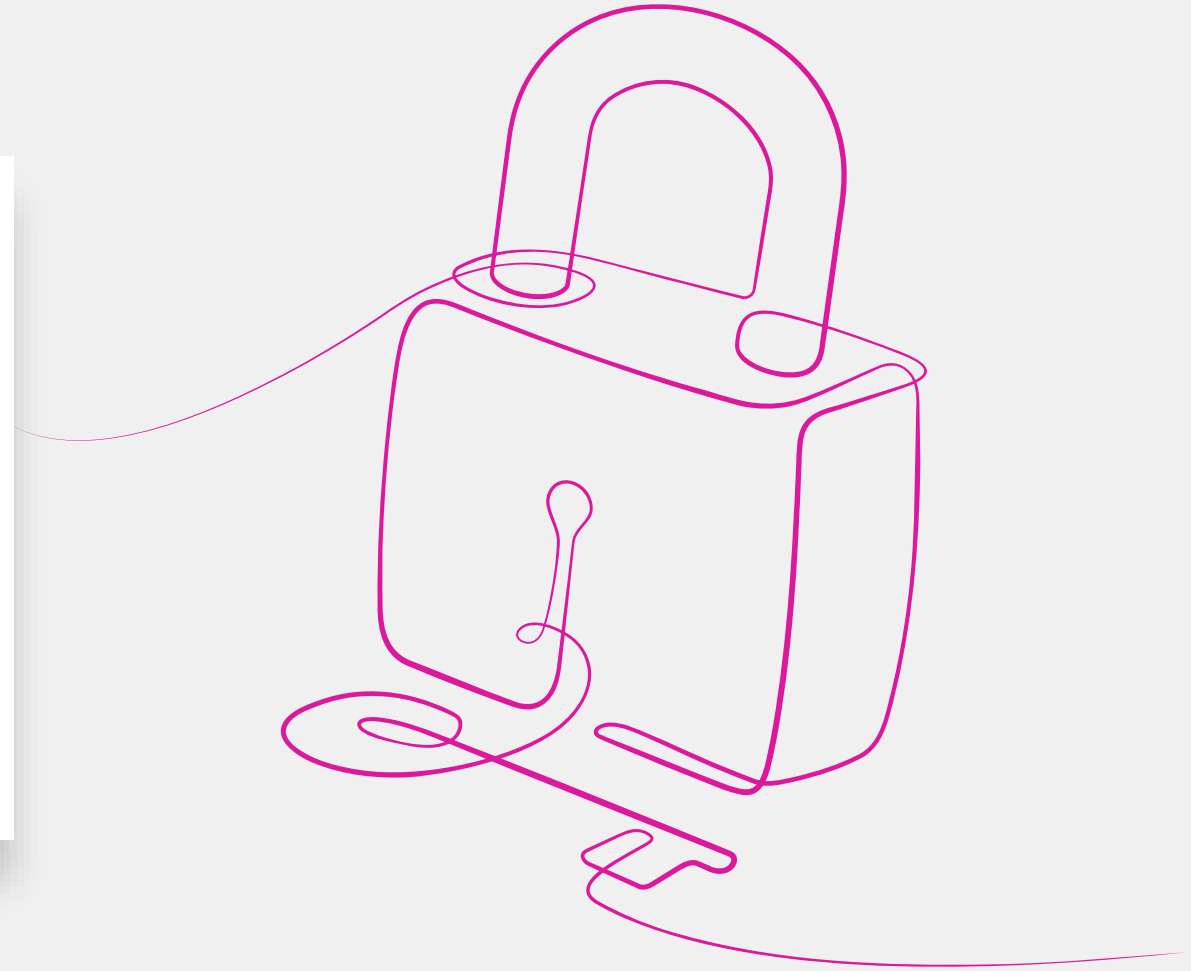
Group Chief Financial Officer

Paul Bantick

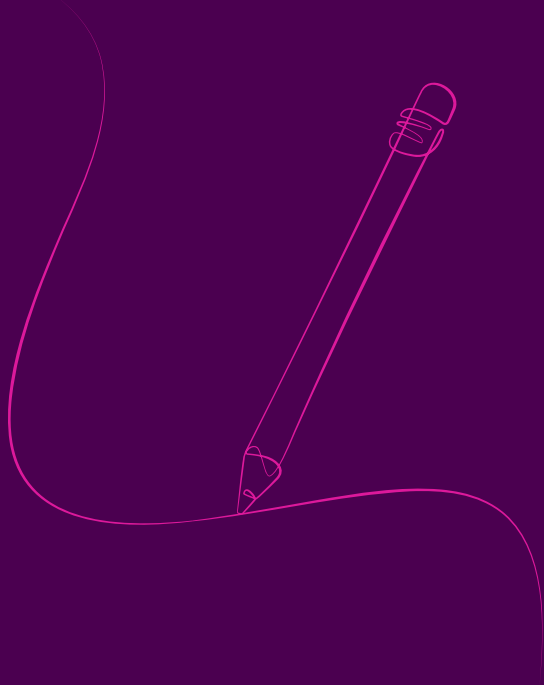
Group Chief Underwriting Officer

Aidan Flynn

Head of Cyber Underwriting Strategy



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01

The Opportunity



An era of accelerating **cyber risk**

\$23.84 Trillion

The expected global cost of cyber-crime by 2027*

BUT...

25%

of business leaders still feel unprepared to deal with the threat*

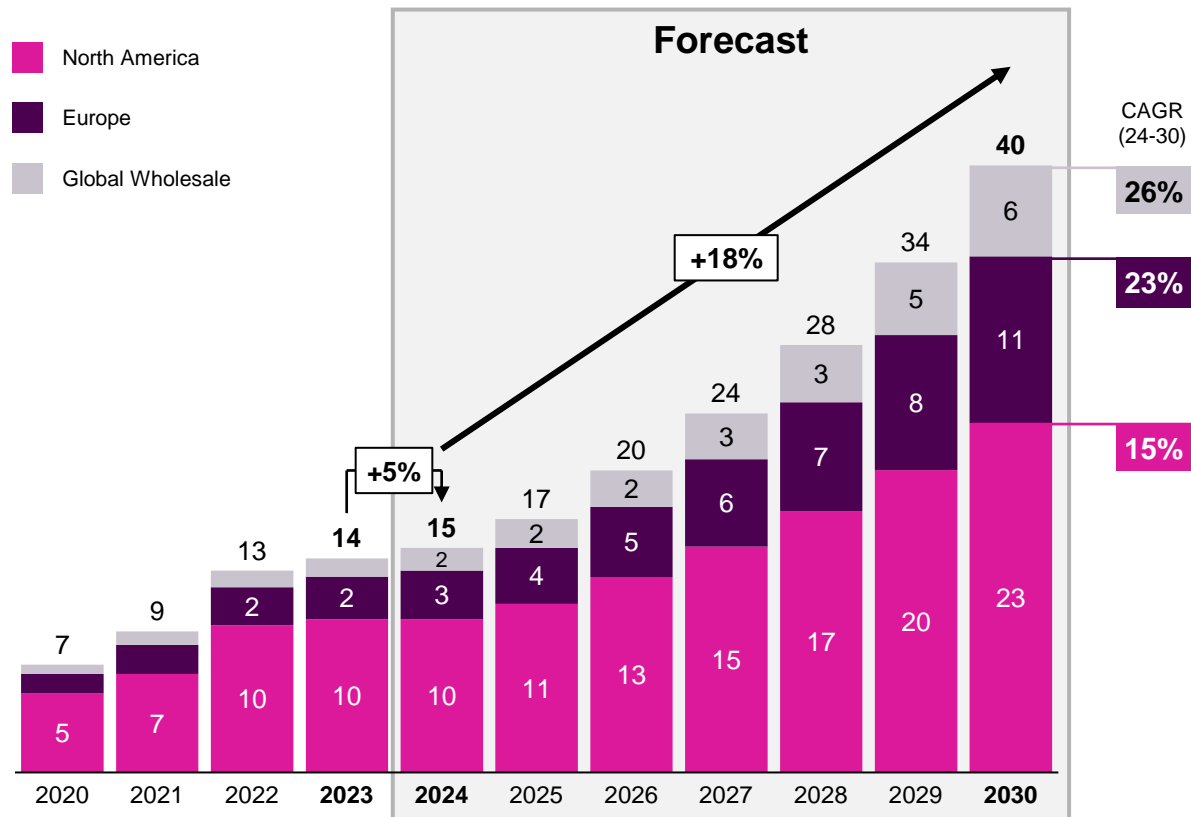
→ **Demand for cyber insurance set to almost treble over 6 years**

*<https://www.weforum.org/agenda/2024/01/cybersecurity-cybercrime-system-safety/>

*[Spotlight On Cyber and Technology Risks 2024 | beazley](#)

Demand led growth – Market to grow to \$40bn by 2030

Global GWP forecast to 2030, \$bn



North America
Most mature region with relatively high penetration levels

Europe
Major growth opportunity across regions and segments - competition increasing

Global Wholesale
Lloyd's continues to grow and present opportunities

02

Where we are today

Today's cyber landscape

Loss trends

- Ransomware frequency continues to be flat in our book
- Volatility in some accounts with regards to severity
- Increased number of newsworthy cyber events but no material impact

Competition

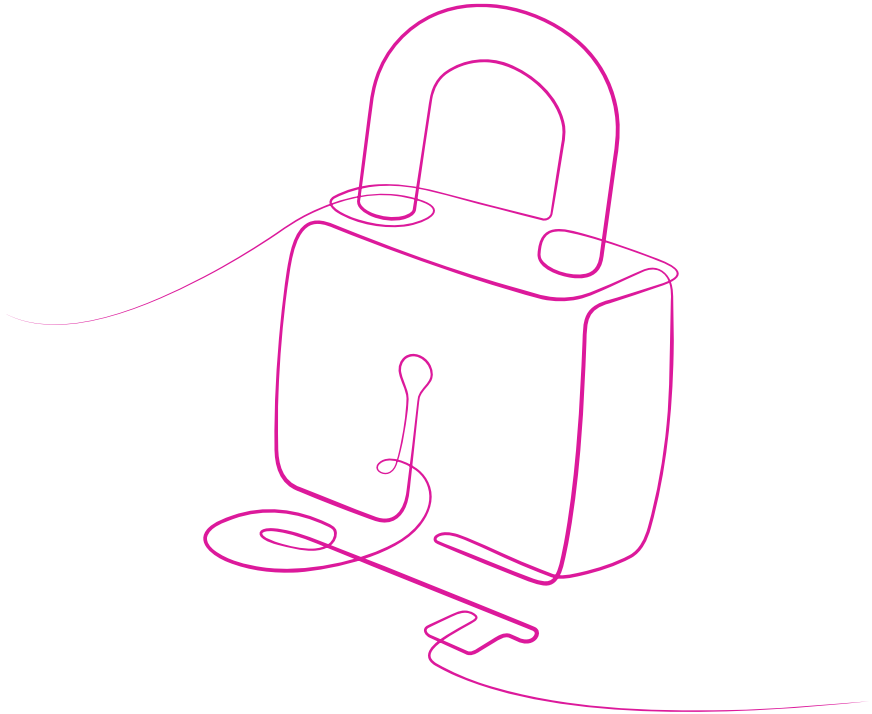
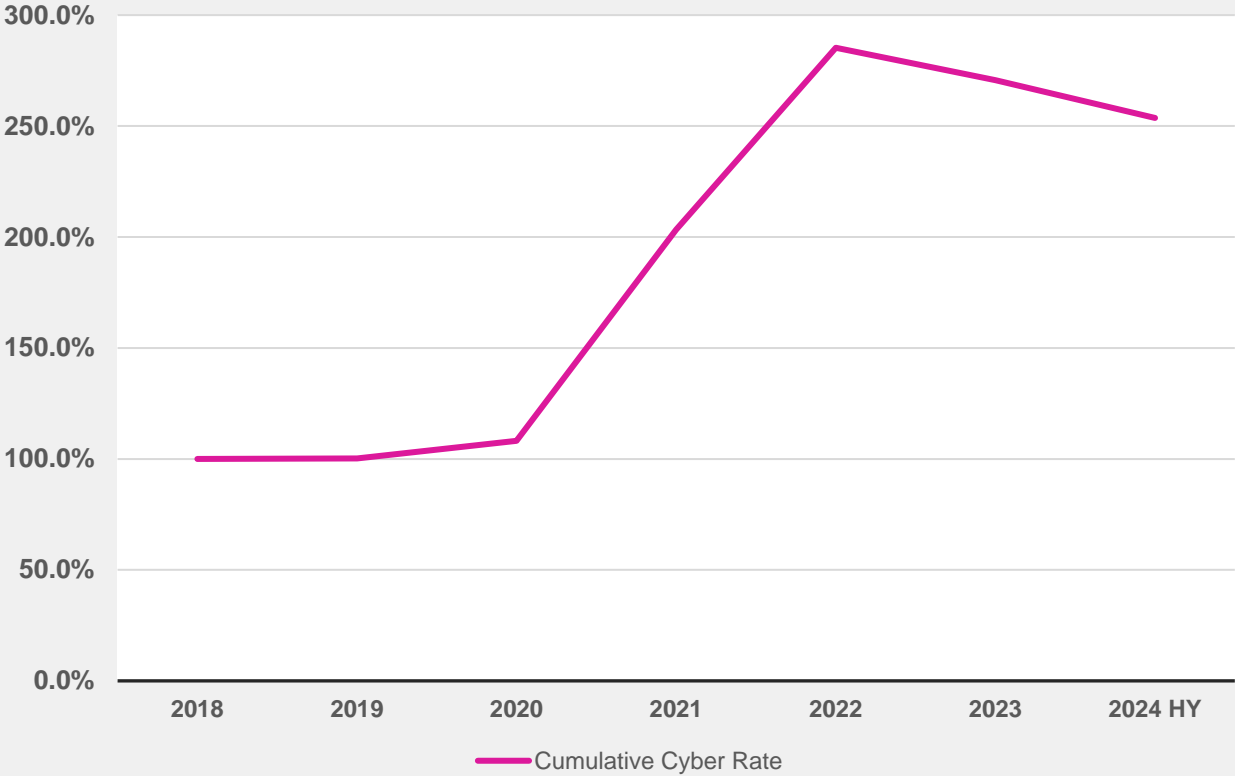
- Market poised for growth and innovation
- Stable policy coverage
- Strong competition in the small to medium enterprise segment, especially in Europe

Pricing

- Pricing environment adequate for Beazley and reflective of risk environment
- (6%) as at end August
- Follows almost trebling of rate increases between 2019 and 2022

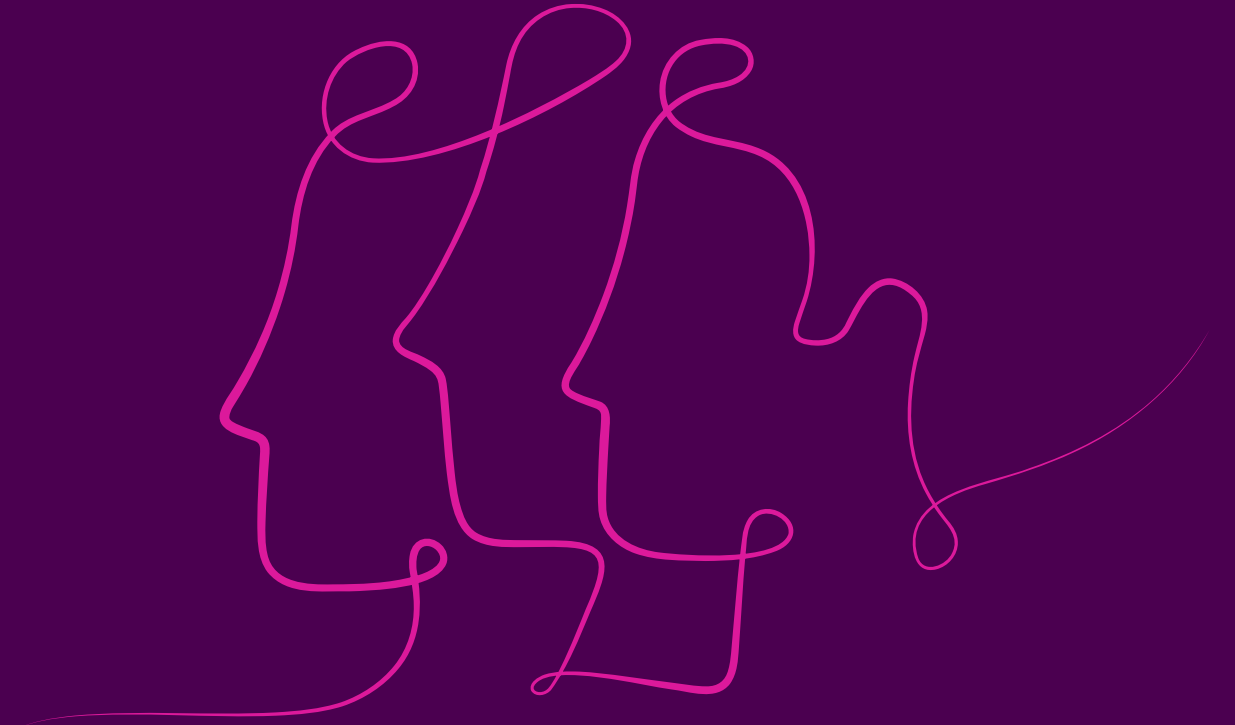
Cyber pricing - rate adequacy

Cyber Risks cumulative rate change



03

Our Expertise



Beazley Cyber Risks Overview

260 team members
globally

136 in underwriting
124 in cyber services



Leading cyber
insurance alongside
in-house **pre & post**
breach response
services



Controls based
approach to **pricing**
and **underwriting**



Average **line size** of
\$1.9m



Predominantly
primary market so
closer to clients, can
drive **pricing**, agree
contracts and manage
claims



Cyber business
written on all three
Beazley platforms –
North America,
Europe and **Global**
Wholesale



Business written in
large risk, middle
market and **SME**
areas across a
diverse range of
industries



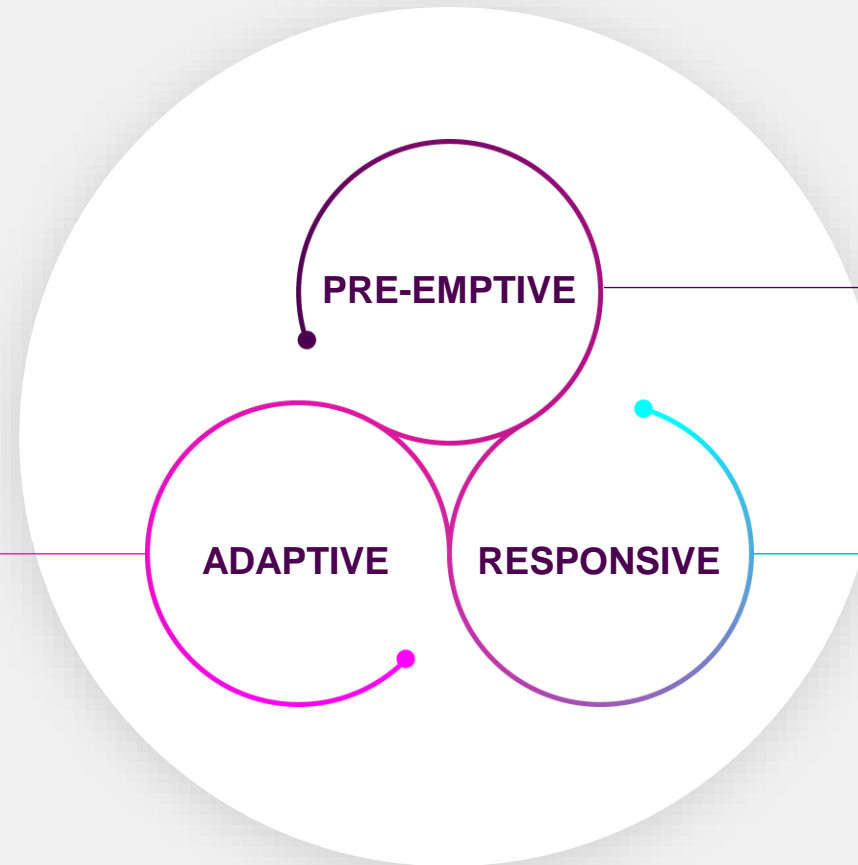
10% share of **global**
market



Full Spectrum Cyber- expertise that protects

ADAPTIVE CYBER Manage risks as they evolve

- Coverage evolution
- Risk management training
- Cyber trends and data analysis



PRE-EMPTIVE CYBER Stay ready for anything

- Beazley Cyber Council
- Vulnerability and action plans
- Anti-phishing campaigns and training
- M365 security assessments
- Phishing-resistant MFA keys
- Incident response, business continuity and cybersecurity training for staff and c-suite

RESPONSIVE CYBER Get back in the game

- Multiply cyber strengths with cybersecurity experts
- Legal and crisis management
- Forensics and data recovery
- Ransomware negotiators
- Public relations consulting and reputational repair
- Claims expertise
- Towers of coverage

04

Managing our exposure

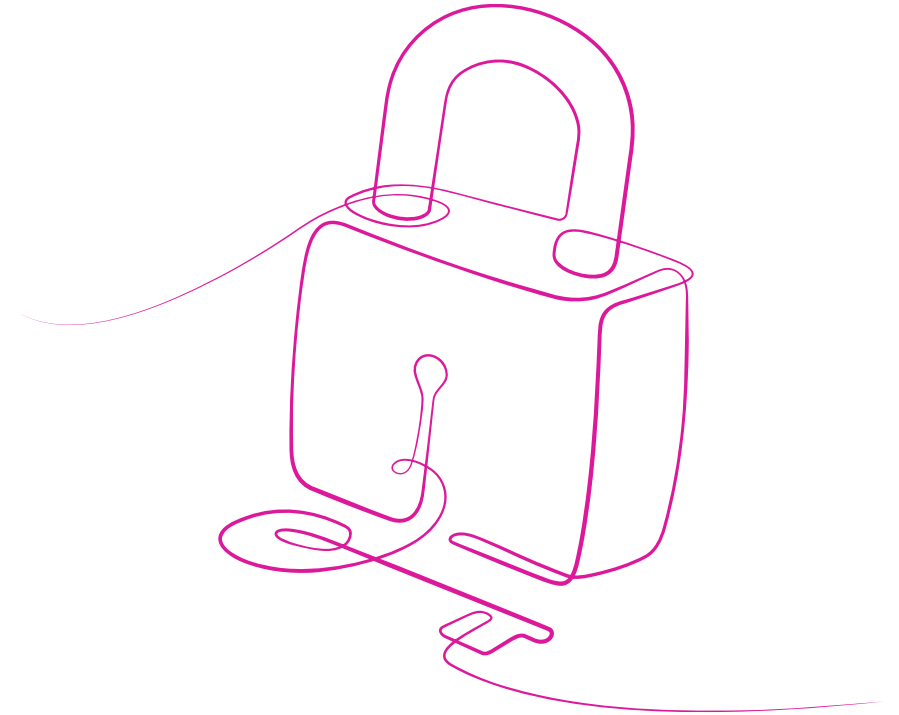
Attritional Risk

Definition

- Losses expected to be experienced in an underwriting year
- Single loss event impacting one insured

Examples of Loss

- Incident response costs
- Cyber extortion (ransomware)
- Data recovery
- Business Interruption due to Security Breach or System Failure
- Third party data liability



Systemic Risk

Definition

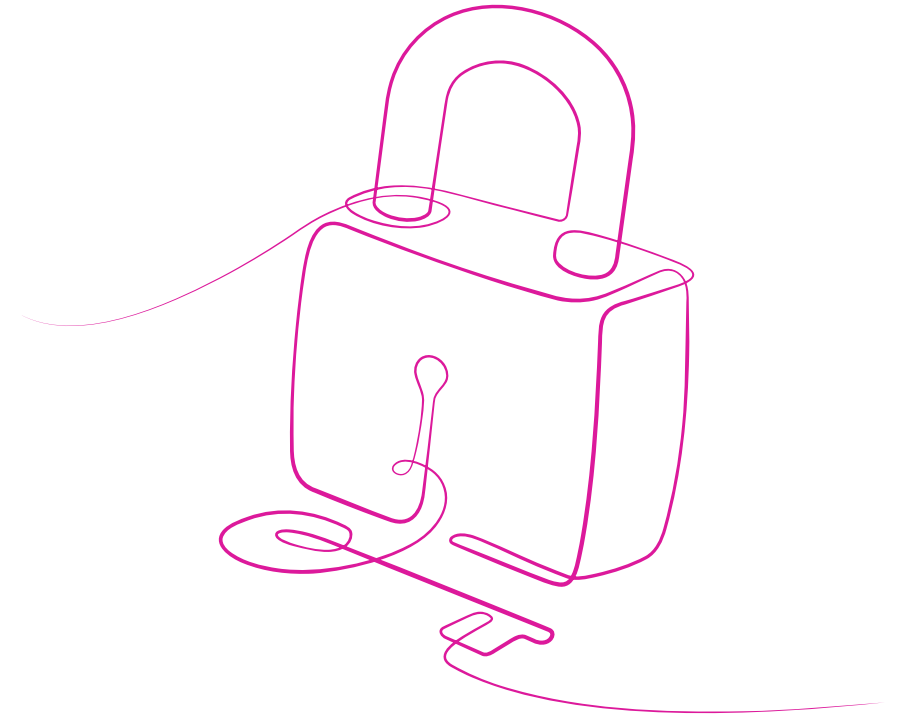
- Cyber losses where there is a common cause.
- Typically result from an aggregable event.
- Can be malicious or non-malicious
- Business interruption is a key driver of systemic risk

Examples of Loss

- Cloud outage, either prolonged or affecting a significant number of customers beyond policy waiting periods.
- Widespread, self-propagating malware.
- Mass Data Breach.

Examples of previous systemic events

- CrowdStrike 2024
- Change Health cyber attack 2024



Diverse and carefully managed underwriting

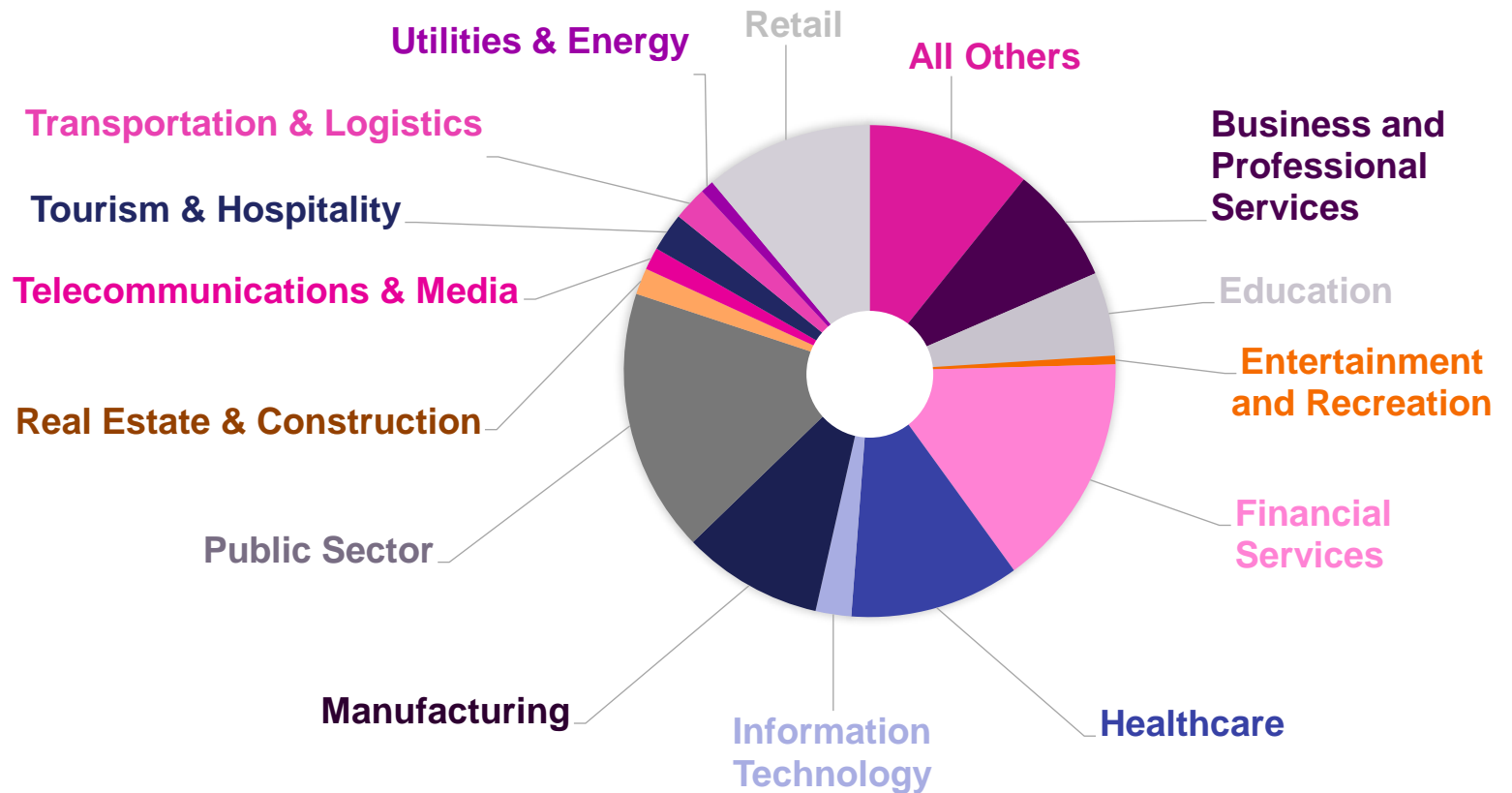
Active management of line size

- 99% of policies have a line size of \$10m or less
- Average line size of \$1.9m

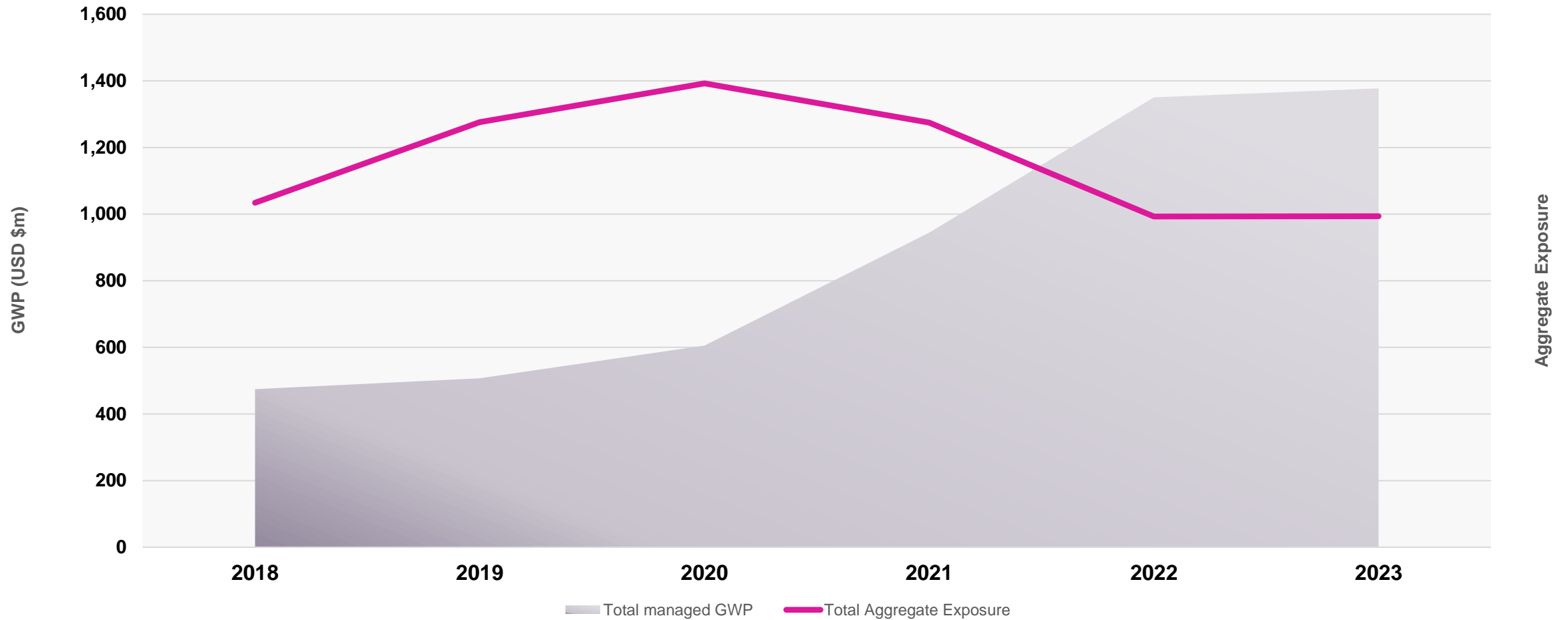
Wordings and limits

- War and Cyber War exclusion
- Infrastructure exclusion
- Contingent Business Interruption Sub Limits
- Waiting periods

Diversity of sectors



Premium grows but exposure remains managed



Cyber reinsurance – market leadership

Leading development of the cyber reinsurance market

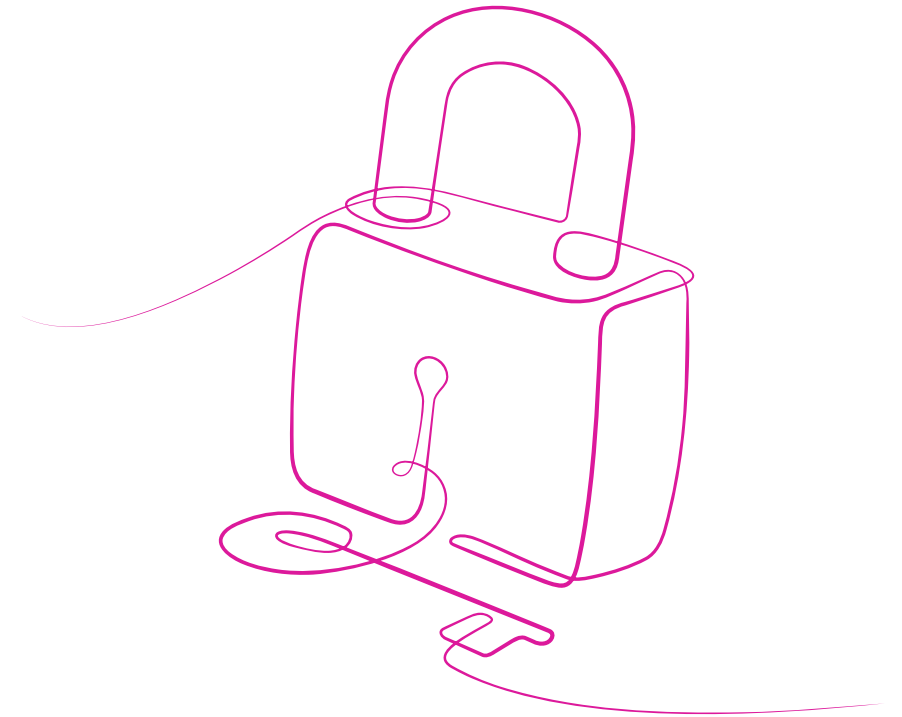
➤ 2023

Market's first cyber catastrophe bond programme

➤ 2024

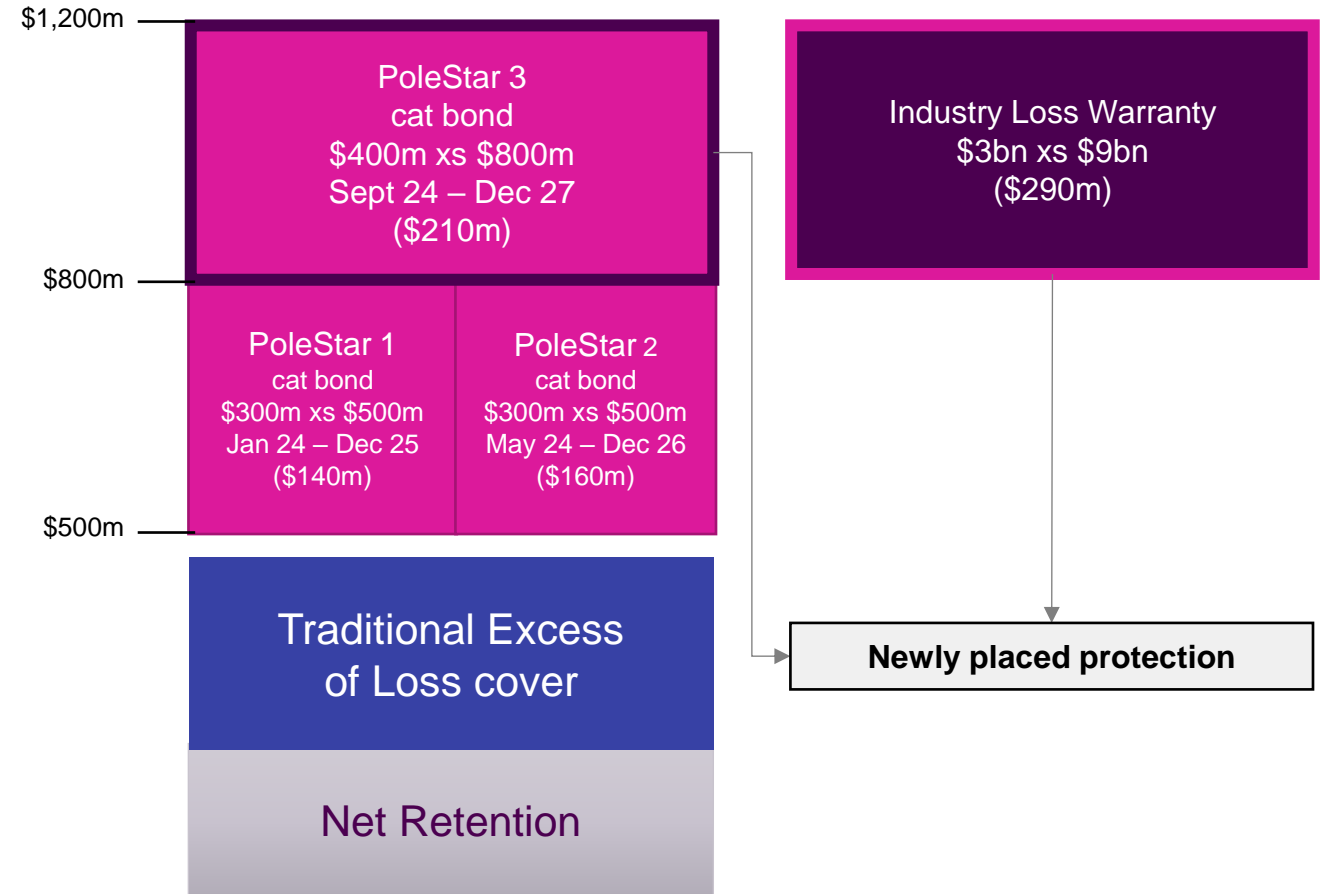
Beazley's first 144a bond

Market's largest Cyber Industry Loss Warranty



\$1billion – Comprehensive protection

- In addition to **\$200m** of traditional reinsurance
- Polestar catastrophe bond - **\$510m**
- Industry Loss Warranty (“ILW”) **\$290m** - provides cover when industry loss exceeds \$9bn
- **\$1bn** of catastrophe reinsurance - alongside Quota Share.
- Covers malicious and non-malicious events
- Continue to hold catastrophe margin within the reserves



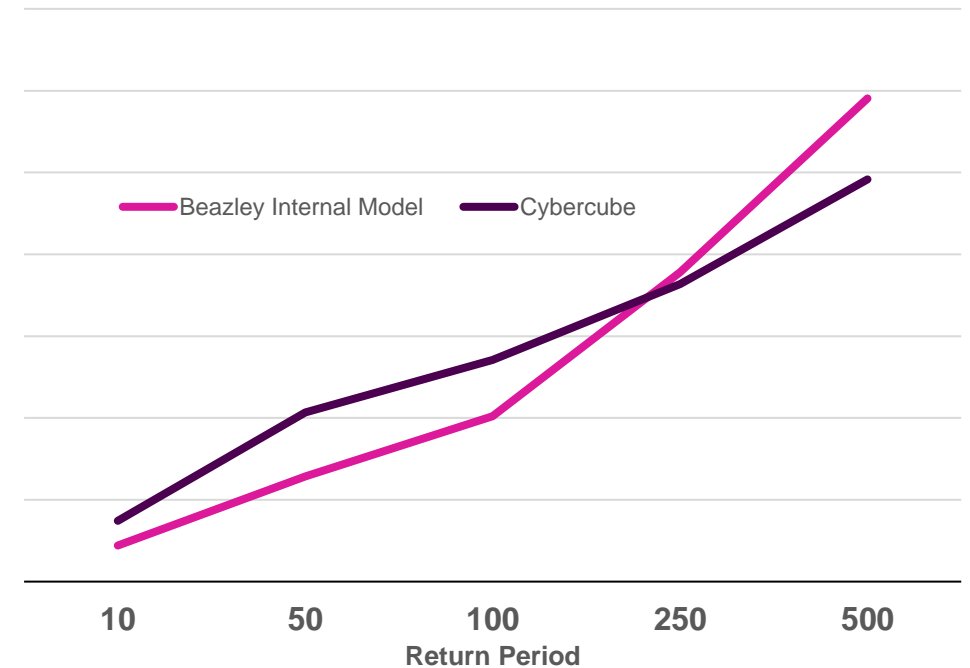
*Note chart is not to scale

1-in-250 impact significantly improves

Continue to manage internal risk appetite based on

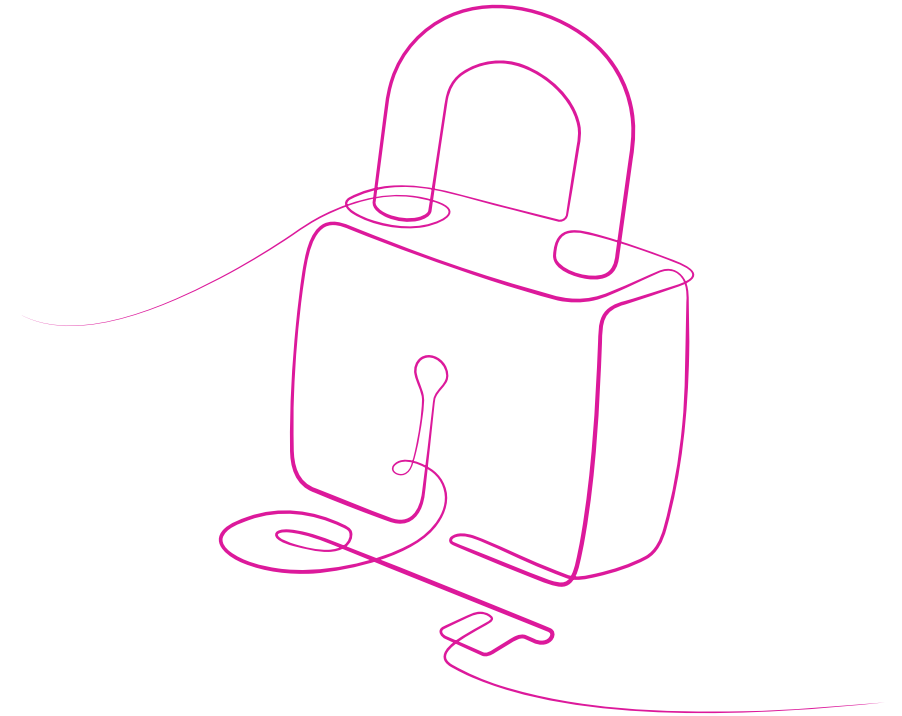
- Internal probabilistic model
- Cyber Threats Council
- 3rd party models

\$m Net	31/12/2023	Current
Probabilistic 1-in-250	651	461



Realistic Disaster Scenarios – less impactful than 1 in 250

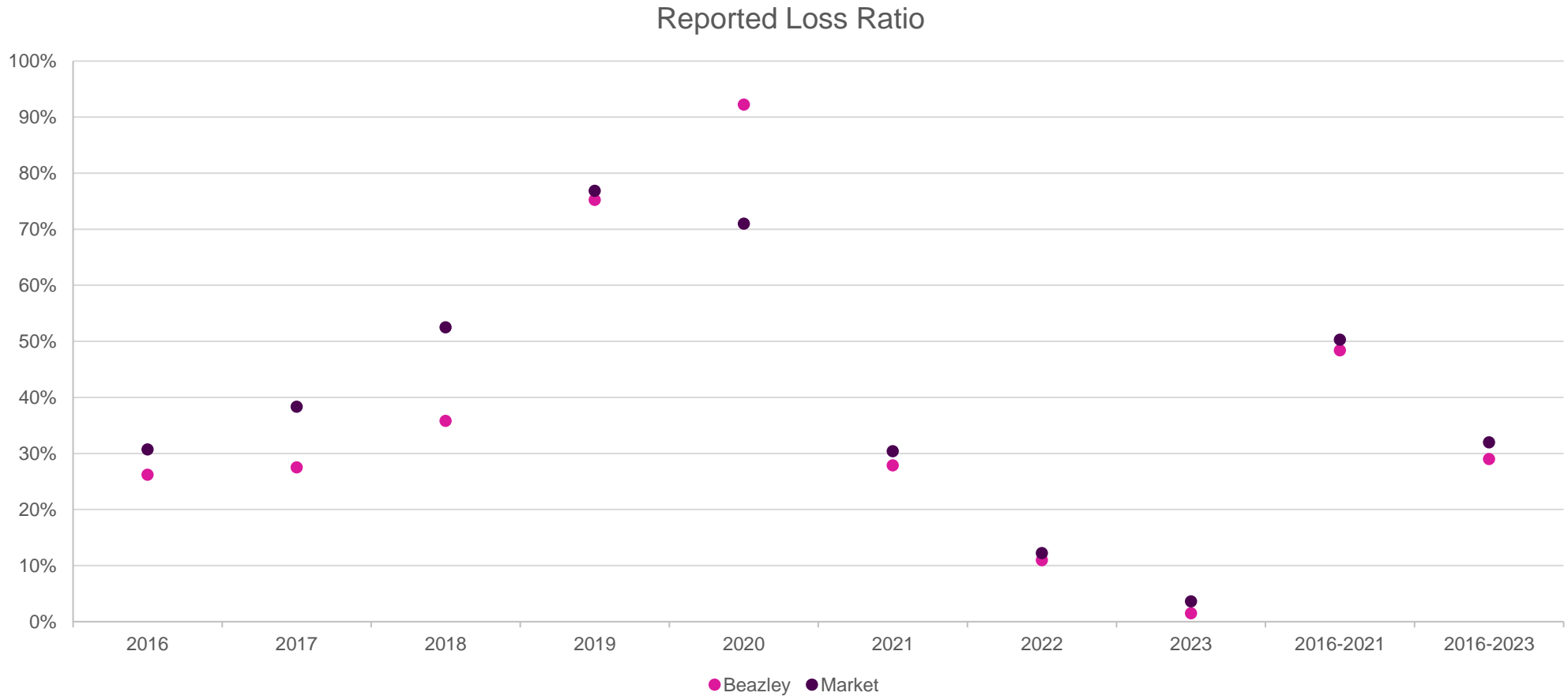
- Severe and infrequent - but more frequent than 1 in 250
- Examples could include failures of:
 - A data aggregator or a shared hardware/software platform or a cloud provideror
 - physical damage scenarios



05

Long term Outperformance

Consistently outperform the market



Market data provided by a third-party business partner
Data as at YE 2023



Cyber outlook

Continuing era of **accelerating risk** calls for underwriting and claims **expertise**



Cyber will continue to see **demand-led growth**, particularly internationally



Integrated '**always on**' risk management via Full Spectrum and Beazley Security protection



Diverse and **balanced** book is frontline of defence



Market leading catastrophe reinsurance programme continues to **innovate**



Systemic risk is being **actively managed**



Superior **risk management** reflected in COR and impact of events such as CrowdStrike



Long-term **outperformance** as market leader



Q&A

1st October 2024





1st October 2024

Further resources

→ **Risk and Resilience: Spotlight on cyber and technology risks 2024**



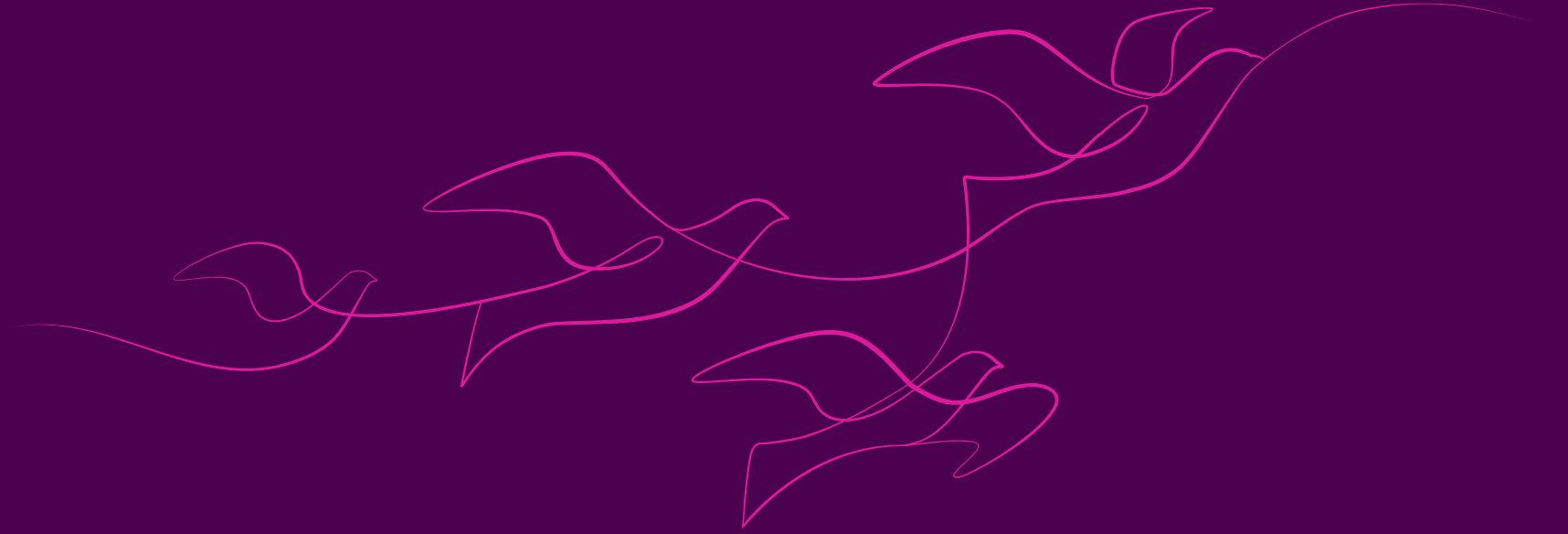
→ **Podcast: The Voice of Insurance - Cyber Risk - Resilience in a game-changing environment**



→ **Webinar: AI – Friend and Foe**



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Thank you

Appendix

1st October 2024

Cyber risks – Insurance Linked Securities

2023: ‘Cairney’ series – the market’s first ever cyber catastrophe bonds

- Fully collateralised XoL cover via private 4(a)(2) catastrophe bonds
- \$81.5m of total limit secured to provide indemnity against cyber catastrophe losses during the period 1st January to 31st December 2023; attachment point \$300m; exhaustion point \$400m
- January (Cairney 1) \$45m of limit secured; May (Cairney 2) further \$20m of limit secured; September (Cairney 3) further \$16.5m of limit secured

2024: ‘PoleStar’ series – pioneering 144A cyber catastrophe bonds

- US\$510m of fully collateralised multi-year XoL indemnity cover for a cyber catastrophe event
- January (PoleStar 1) \$140m of limit secured; attachment point \$500m; exhaustion point \$800m; 1st January 2024 to 31st December 2025
- January (PoleStar 2) \$160m of limit secured; attachment point \$500m; exhaustion point \$800m; 20th May 2024 to 31st December 2026
- January (PoleStar 3) \$210m of limit secured; attachment point \$800m; exhaustion point \$1,200m; 25th September 2024 to 31st December 2027

