

Cyber Market Update

Australia - March 2021



Premium rates



Cyber rates are
+15% to +60%

IT rates are
+5% to +15%

Cyber

- There has been a rapid escalation in the severity of cyber losses sustained by Australasian business over the last 6 months. This has led to a significant increase in the financial losses sustained by cyber insurers particularly for ransomware attacks. The extent of losses has resulted in underwriters re-examining how they price risks and has caused noticeable premium increases for cyber insurance. Coverage restrictions are also being seen in addition to increases in retentions, and capacity reductions.

- Clients will need to maintain particular focus on ransomware insurance clauses as we are seeing the application of co-insurance clauses and sub-limits to ransomware benefits.
- Insurers are also changing the way they access risks with increased reliance placed on third party risk assessment tools during the underwriting process and the adoption of underwriting question sets focusing on granular security issues and exposure elements.
- Clients seeking to manage this hardening environment will need to demonstrate their cyber maturity and create effective strategies to communicate to underwriters the investments they have made to address cyber exposures and demonstrate the strength of their risk management and resilience capabilities. Particular focus is given to client's Business Continuity and Incident Response Plans.
- Clients should also carefully examine the structure of their existing insurance program at large, given we are also seeing a marked increase in cyber exclusions being added to financial and general lines insurance wordings. This will require the majority of all cyber exposures to be managed using dedicated cyber insurance cover.

IT Liability

- Traditionally, insurers would offer IT Liability insurance programs which included substantial cyber insurance coverage. Many underwriters are re-examining this approach and limiting the scope of cover they will provide under their IT Liability solutions for cyber liability risks.
- Risk selection is also a focus for IT Liability carriers and is driven by a view that the underlying litigation and exposure environment for organisations operating in technology service industries has become more hostile.
- The appetite for IT Liability with carriers still remains broad, however we are seeing reduced interest in coverage for large data aggregators, emerging technology players and software as service providers. Insurers are also more carefully managing the extent of capacity they give out across both IT Liability and Cyber policies given the potential for major cyber events to hit both programs.
- There is a growing need to assess and validate the coverage needs of organisations in specific sectors such as FinTech, Defense, MedTech, PropTech, RegTech, AgriTech and LegalTech.

Contact Us



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\$29 Billion

The Australian 2020 Cyber Security Strategy reported that cyber incidents targeting small, medium and large Australian businesses cost the economy up to \$29 billion per year, or 1.9% of Australia's gross domestic product (GDP).

\$1.06 Million

The estimated average cost of downtime sustained by an Australian business as a result of a Ransomware Attack, as found by Emsisoft.

59,806 reports

During FY 2020 the Australian Cyber Security Centre received 59,806 cybercrime reports. The frequency of events has been ever higher over the past 6 months.

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