Sorry, America, Your Insurance Has Been Canceled
With you today

- Steve Andeson, Marsh Advisory (Dallas)
- Lauren Culp, Financial & Professional lines (Dallas)
- Tom Fuhrman, Cyber Risk Consulting (Washington, DC)
Our conversation

• Risk management environment

• Impact of coronavirus

• Observations by line of coverage
  – Property
  – Casualty
  – Financial & Professional liability

• Evolving cyber risks

• Steps we suggest

• Open discussion
Risk management environment

“Research shows clear rise in ‘nuclear verdicts’ against trucking firms…”

“2020 Atlantic hurricane season projected to be well above average…”

“Multiple brands of hand sanitizer recalled due to methanol risk…”

“Employers find COVID-19 testing employees more trouble than it’s worth…”
Impact of coronavirus

• Liability insurance
  – Concern over potential claims by customer, guests, visitors.

• Workers’ compensation insurance
  – Compensability presumptions (varies by state).

• Property insurance
  – Disruption to site risk assessment visits.
Pandemic response lifecycle
Supporting the workforce

Current state
Peak

Respond
Employers execute business disruption plans; support for essential and remote workers

Return/Recover
Period of volatility when reopening, circuit breaker plans in place to kick back to “respond”

Future state
Cyclical post-peak and resurgence

Re-invent/Prepare
Reimagining the future of work; automation, remote-first and reskilling
# Texas COVID-19
(as of 07-13-20)

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<th>USA State</th>
<th>Total Cases</th>
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<th>Total Deaths</th>
<th>New Deaths</th>
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(as of 07-13-20)

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<th>County</th>
<th>Total Cases</th>
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<th>Total Tests</th>
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Texas COVID-19
(as of 07-13-20)

Texas Daily New Cases

Texas Daily Deaths
Returning to the workplace
Property insurance

- 18 months into hardening market.
- Many carriers reevaluating capacity, geographic concentration, attachment layer.
- Some reducing/exiting certain industry classes.
- Greater underwriting scrutiny.
  - Property schedule
  - COPE information
  - Valuation
  - Nat Cat modeling
  - Business interruption loss projections
Casualty insurance

- Workers’ compensation largely neutral.
- General liability challenges.
- Auto liability hard market continues.
- Excess liability (Umbrella) volatility seen in 2020.

| + | Workers’ Compensation |
| + | General liability |
| + | Automobile liability |
| + | Excess liability (Umbrella) |
Financial & professional liability

- Recent D&O volatility (price & capacity).
- EPL programs face growing challenges.
- E&O market varies by profession.
- Cyber coverage remains competitive.
Financial and professional liability
Market outlook

• Professional lines are in a hard market.
• Clients with good risk profiles are seeing significant increases:
  – April: 10% - 20%
  – May: 20% - 30%
  – June: 30%+
• Carriers are conservative with limits, offering reduced capacity with increased retention.
• Carriers are scrutinizing financials and asking more questions related to COVID–19.
• Clients in high-risk class, financially distressed or entering Bankruptcy are hard to place. Some carriers adding Creditor or Bankruptcy exclusions.
• For companies in distress, carriers are analyzing financials.
Cyber insurance market viewpoint
All industries

Macro Trends

• 42% of Marsh clients purchased cyber insurance in 2019 compared with 38% in 2018.

• Rate increases largely due to increases in frequency and severity of ransomware claims. Middle market segment in particular.

• Excess layer pricing is increasing at a faster rate than Primary layer.

• Not yet seeing COVID-19 exclusions for standalone cyber policies, but insurers are asking additional underwriting questions.
Macro cyber and privacy viewpoint
Shifts in information security landscape

1. Cybersecurity spending is at an all time high, and growing.
   - 2012-2019: up 70% / + $62B to ~$150B
   - 2019-2028: up 65% / + $98B to ~$250B

2. Technological and cyber threats are the #1 concern for executives in North America.

3. The frequency and severity of cyber events are increasing exponentially.

Sources: Gartner data on cybersecurity spending; 2019 Marsh Microsoft Global Cyber Risk Perception Survey for top threats.
Cybersecurity
2020 megatrends

<table>
<thead>
<tr>
<th>+ Ransomware</th>
</tr>
</thead>
<tbody>
<tr>
<td>+ Cloud security</td>
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<tr>
<td>+ Business interruption &amp; extortion</td>
</tr>
<tr>
<td>+ COVID-19 induced stresses</td>
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<tr>
<td>+ Broader cyber threats (2020 election)</td>
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Ransomware attacks
Increasing across many industries

What are the potential losses in a ransomware event?

• Loss of data
• Business Interruption
• Restoration
• Reputation

Often the largest impacts
Vulnerability in the cloud

As companies move to the cloud, so do hackers

• Misconfiguration of cloud-based servers is often the cause.

• Enterprises are responsible for the cybersecurity of their cloud-based data and operations.

• Impacts can range from data breach to business interruption.

• Reputation.
COVID-19 increased cyber risk

• Increased “attack surface” due to widely expanded work-from-home.
• Hackers are using COVID-19 as hooks in phishing attempts.
• Personal and family use of company equipment introduces risk.
• Corporate privacy and VPN policies may have been relaxed.
• Cyber incident recognition & response is more difficult with a distributed workforce.
Suggested steps

Property

• Discuss market conditions and renewal expectations with your broker.

• Start planning early (5 months out).

• Anticipate requests for additional underwriting information.
  – Risk engineering reports, diagrams, fire protection tests
  – Status of carrier loss control recommendations
  – Describe your best practices – what sets you apart from your competitors
  – Explain loss experience, lessons learned, subsequent improvements

• Demonstrate an interest in close collaboration.
Suggested steps
Casualty

• Know your loss experience (claims analysis, experience modifier).

• Status of carrier recommendations.

• Prepare to provide additional information.
  – Written safety program
  – OSHA recordkeeping
  – Fleet safety program
    - Driver selection, background checks, MVRs, training, incident reporting
    - Vehicle inspection, preventive maintenance
    - Telematics, incident investigation
Suggested steps
Financial and professional liability

• Talk with your broker

• Consider financial likes you may not have purchased in the past

• Revisit cyber coverage in your property program… carriers are changing terms

• Cyber risk insurance is increasingly essential
Suggested steps
Cyber risk mitigation

• Ransomware
  – Build backup capability in anticipation of a ransomware threat
  – Enhance phishing awareness across your organization
  – Be ready to quickly respond to a data breach

• Cloud Security
  – Understand your security responsibilities
  – Control access
  – Manage configuration of your servers in the cloud

• COVID-19
  – Adapt your cybersecurity to a post-COVID reality
  – Improve security of remote access
  – Enhance cyber incident detection and response
Open discussion