MARKETPLACE REALITIES & RISK MANAGEMENT SOLUTIONS

CYBER RISK

- The market for stand-alone Cyber policies is competitive, with rates flat to down 5% for renewals at present. **but with mounting losses, 2011 renewal rates may begin to flatten and even rise 5%.**
- **First-time buyers will likely find a continuing competitive environment,** though the range between insurers may narrow if losses mount.
- New markets include Travelers and, soon, Liberty. Several markets have revised their policies bringing in more robust data breach incidence response services.
- Policy wording continues to expand both for privacy coverage (fines/penalties and breach cost sublimits) and more dramatically for first-party coverage.
- Insureds that buy Errors & Omissions (E&O) policies are often able to add Cyber risk by endorsement. Exceptions include financial institutions.
- Insurers are moving to control loss costs and attract business by **providing privacy breach risk management services**, including panels of breach response firms. **Insureds agreeing to use the panels may be able to buy higher sublimits** for breach notification cover.
- Privacy laws continue to spread both in the U.S. and Europe. More than 45 states now have privacy breach notification laws and in the health care sector the HITECH Act adds a national privacy regulation for protected health information. We have seen health care clients assessed fines following breaches of private medical information.
- The European Union is considering mandating notification to residents following a breach of their personal identifiable data.
- 450 privacy breaches were reported publically in 2010, down from 612 in 2009. Stolen laptops were involved in 19% of the breaches and 61% were the result of external intrusion, according to the Open Security Foundation.

PRICE PREDICTIONS

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<tr>
<th>TYPE OF ACCOUNTS</th>
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<tr>
<td>Renewals</td>
<td>Flat to +5%</td>
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<tr>
<td>First-time buyers</td>
<td>Competitive</td>
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