Managing Silent Cyber

A new solution for insurers

AON
Empower Results®

Identifying, Quantifying and Mitigating Silent Cyber

Cyber risks and regulations continue to expand and evolve, requiring insurance carriers to respond proactively

'Silent cyber' is the unknown exposure in an insurer's portfolio created by a cyber peril which has not been explicitly excluded. Silent cyber has existed for as long as insureds have relied upon information and operating technology in the running of their businesses.

However, in the last 18 months it has shot into the consciousness of both insurers and reinsurers, due to:

- Increasing regulatory scrutiny
- Rating agencies' demand for sound corporate governance on the topic
- Some high profile cyber events and losses, which have highlighted the reality of the issue

Carriers must act fast

It is clear that insurers can no longer put off the need to act. As awareness grows, their clients expect clarity; regulators' questions must be answered; rating agencies must be comforted; but chiefly, and underlying all else, any exposures to a systemic or individual large loss must be managed.

Aon's solution – a service and a product

To address the silent cyber issue, Aon has developed a process-led and forward-looking service, driven by analytics and backed by an evolving reinsurance solution.

Aon's silent cyber solution protects a carrier against losses arising from a cyber peril within any nominated portfolio.

Sample heatmap

	Physical damage	BI from physical damage	BI from non-physical damage	CBI from non-physical damage	Pollution	Bodily injury	Legal costs	Other costs (e.g., IR, PR, Extra Expense, etc.)	Fines and penalties	Fraud	Privacy liability	Product liability	Consequential loss of revenue	Physical damage liability	Bodily injury liability
PDBI	Live	Live	Uncertain	Uncertain	Uncertain	Benign	Benign	Live	Benign	Benign	Benign	Benign	Benign	Benign	Benign
Gen liability	Benign	Benign	Benign	Benign	Benign	Benign	Live	Benign	Benign	Benign	Uncertain	Live	Live	Live	Live
Prof lines	Benign	Benign	Benign	Benign	Benign	Benign	Live	Benign	Benign	Benign	Uncertain	Benign	Live	Uncertain	Uncertain
Home	Live	Benign	Benign	Benign	Benign	Benign	Uncertain	Benign	Benign	Benign	Uncertain	Benign	Live	Uncertain	Uncertain
Cyber	Uncertain	Uncertain	Live	Live	Uncertain	Uncertain	Live	Live	Uncertain	Uncertain	Live	Uncertain	Live	Uncertain	Uncertain

Key:
- Live (red)
- Uncertain (orange)
- Benign (green)

## Looking to the future – eliminating silent cyber and protecting the affirmative exposure

Aon's silent cyber solution will protect insurers as the problem presents today. Ultimately, however, in order to satisfy the regulator and set one's own appetite for cyber exposure, carriers must begin a process of 'affirmation' at the same time. That is, the exclusion of cyber exposures or – as commercial pressures and appetite dictate – the provision of cyber coverages across multiple lines of business.

Even once Aon's silent cyber solution is in place; we will continue to advise our clients in setting appetites and establishing the process of allocating premium to exposure. The outcomes of this process will enable the design and implementation of cross-portfolio reinsurance protections for any multi-class affirmative cyber exposures across the insurer's business.
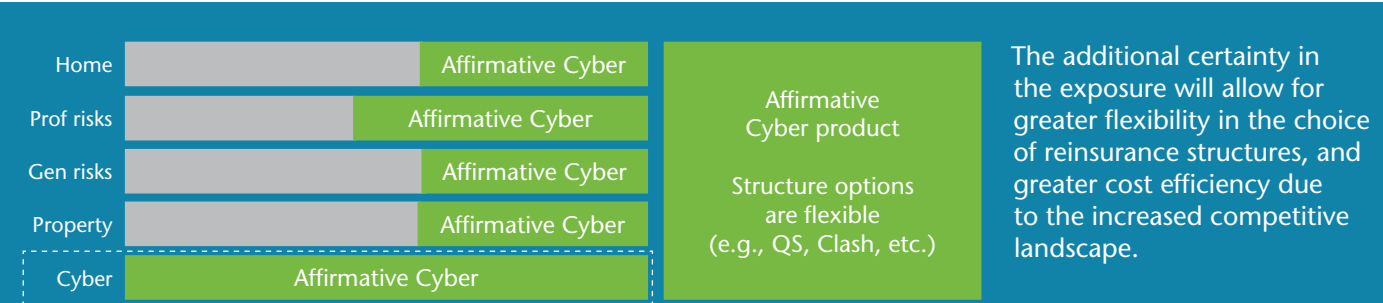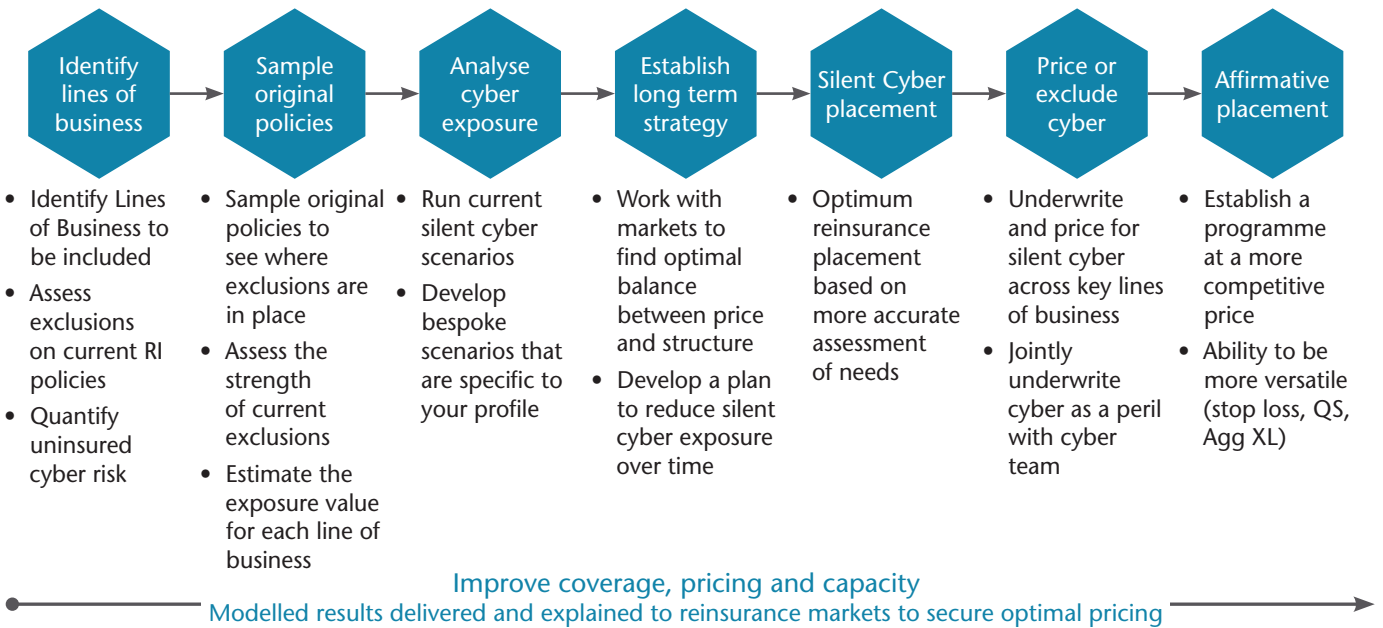
The solution helps insurers quantify their exposures using bespoke scenarios developed by Aon's dedicated Cyber Analytics team, insights from cyber security specialists in Aon's Cyber Solutions and cyber modelling provided by partner Cyence.

In order to achieve the optimum limit at the most efficient price, we will help guide insurers through the process of identifying and quantifying the silent cyber exposure as it may present throughout their portfolio, including:

- Wording analysis
- Review of current treaty protections
- Developing bespoke silent cyber scenarios
- Leveraging security knowledge from Aon's Cyber Solutions
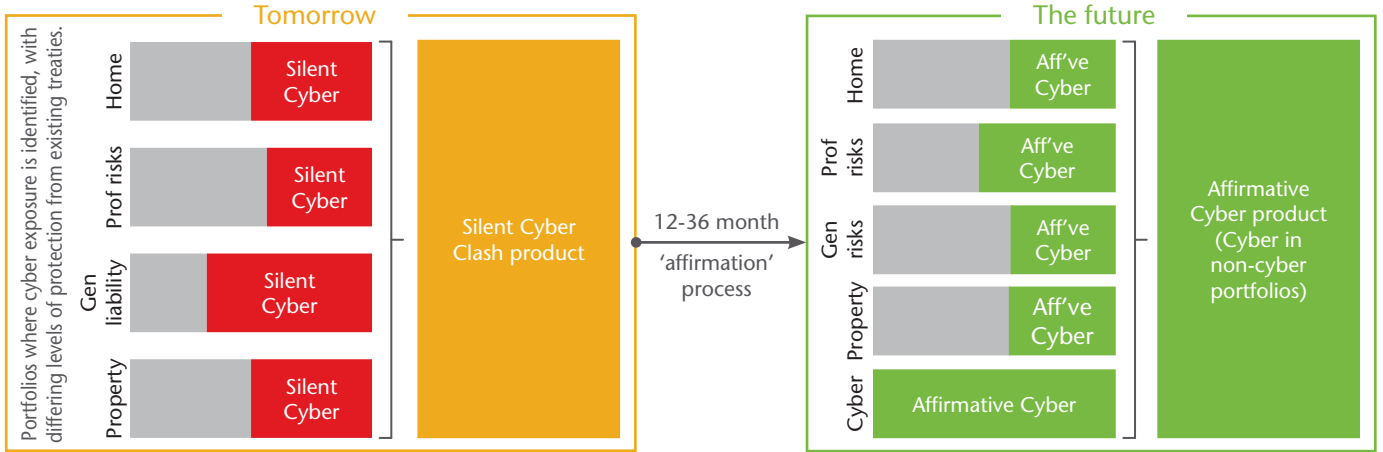
Our methodology will assist you in identifying, quantifying and mitigating your exposure to silent cyber

Identify lines of business	Sample original policies	Analyse cyber exposure	Establish long term strategy	Silent Cyber placement	Price or exclude cyber	Affirmative placement
• Identify Lines of Business to be included • Assess exclusions on current RI policies • Quantify uninsured cyber risk	• Sample original policies to see where exclusions are in place • Assess the strength of current exclusions • Estimate the exposure value for each line of business	• Run current silent cyber scenarios • Develop bespoke scenarios that are specific to your profile	• Work with markets to find optimal balance between price and structure • Develop a plan to reduce silent cyber exposure over time	• Optimum reinsurance placement based on more accurate assessment of needs	• Underwrite and price for silent cyber across key lines of business • Jointly underwrite cyber as a peril with cyber team	• Establish a programme at a more competitive price • Ability to be more versatile (stop loss, QS, Agg XL)

Improve coverage, pricing and capacity
Modelled results delivered and explained to reinsurance markets to secure optimal pricing

The additional certainty in the exposure will allow for greater flexibility in the choice of reinsurance structures, and greater cost efficiency due to the increased competitive landscape.

Our process-led and forward-looking approach to assessing, quantifying and transferring silent cyber will lead to improved coverage, pricing and capacity through robust, modelled results and strong reinsurer partnerships. But, most importantly, it is about how we end the 'silence', strengthen the cyber (re)insurance market and make it future proof with more transparency, opportunities for growth and enhanced protection across the value chain.

Cyber Expertise

Aon's Reinsurance Solutions Cyber Practice is a global team of experts in the cyber insurance space. As an intermediary, we provide cyber reinsurance placement and advisory services. In addition to bespoke data and analytics, our brokers provide expert advice on strategy, distribution and portfolio management. We match capital with risk through the development of new retail and reinsurance product solutions.

Analytics

In recognition of the growth potential and complexities of cyber risk, Aon dedicated four analytics colleagues to this new line of business. In addition to this in-house expertise, we leverage the experience of Aon's Cyber Solutions, comprised of cyber security industry leaders in digital forensics and incident response, with over 500 professionals worldwide. This makes Aon the only reinsurance broker with access to an integrated cyber security firm assisting us in developing risk scenarios and informing our approach to this rapidly changing risk landscape.

Contacts

Luke Foord-Kelcey
Cyber Practice Group
Reinsurance Solutions
t: +44 (0) 20 7086 2067
luke.foord-kelcey@aonbenfield.com

Vlad Polyakov
Cyber Practice Group
Reinsurance Solutions
t: +44 (0) 20 7086 0407
vlad.polyakov@aonbenfield.com

Kate Nattrass
Cyber Practice Group
Reinsurance Solutions
t: +44 (0) 20 7086 0479
kate.nattrass@aonbenfield.com

Toby Lampier
Cyber Practice Group
Reinsurance Solutions
t: +44 (0) 20 7522 3709
toby.lampier@aonbenfield.com

Catherine Mulligan
Cyber Practice Group
Reinsurance Solutions
t: +1 212 441 1018
catherine.mulligan@aonbenfield.com

Jonathan Laux
Cyber Practice Group – Analytics
Reinsurance Solutions
t: +1 312 381 5370
jonathan.laux@aon.com

Mark Lynch
Cyber Practice Group – Analytics
Reinsurance Solutions
t: +44 (0) 20 7086 8255
mark.lynch@aonbenfield.com