

Munich Re And Beazley Launch Vector To Provide Enhanced Solutions To Large Cyber Risks

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Building on their existing collaboration, Beazley and Munich Re's Corporate Insurance Partner today announce the creation of Vector, a partnership to bring innovation and capacity to the large cyber market.

Vector cements a relationship between the two insurers forged a year ago, through which the world's largest companies can obtain up to \$100 million (or €100 million) of cover for a wide range of first party and third party cyber exposures. The partnership garnered an award for innovation at the European Risk Management Awards in December 2016.

Since the launch, many Fortune 1000 businesses have built stronger cyber towers with the support of the partnership, typically at the primary level. Half of the organisations considering Vector are new to the cyber market and span across the globe.

"We're seeing particularly strong demand for first party cover from industrial enterprises such as manufacturers and other organisations that have not historically bought cyber insurance or have only bought low limits," said Chris Storer, head of cyber solutions for Munich Re's Corporate Insurance Partner. "Production line shutdowns triggered by cyber attacks can be complex to resolve, generating large business interruption costs."

This trend is reflected in broader cyber market indices. According to insurance data specialists Advisen, manufacturers' purchases of cyber insurance almost doubled between 2015 and 2016.

Another trend that is spurring demand for cover is intensifying regulatory scrutiny. The US Food and Drug Administration recently joined a long list of US regulators expressing concerns about the adequacy of certain companies' cyber security precautions. And under the European Union's General Data Protection Regulation, due to come into force in May 2018, fines of up to 4% of global annual turnover can be imposed on companies that are negligent in the handling of personal data.

"Regulators have the bit between their teeth," said Paul Bantick, international focus group leader for Beazley's technology, media and business services team. "For years, regulators in the United States have taken a far tougher approach to cyber security issues than their counterparts elsewhere. But that is changing and regulatory pressure is undoubtedly a driver of demand for cyber insurance."

"But intensifying regulation is by no means the whole picture. The operational and reputational risks of cyber attacks also weigh increasingly heavy on large companies."

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