

QBE Reinsurer Roadshow | 2024

Cyber



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Cyber

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Executive Summary

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Executive Summary

QBE's Cyber Underwriting Strategy has evolved since 2023, with work performed to centralize the cyber operating model.

Serene Davis, hired as Global Head of Cyber in 2023, now reports directly to Peter Burton, Group Chief Underwriting Officer.

New hires include a Global Head of Cyber Services and a Global Head of Underwriting Management, strengthening the global Cyber leadership team.

The alignment of the global cyber team within the GCUO leadership team creates a Center of Excellence operating model.

The operating model centralizes cyber leadership expertise, strategy, planning, product, services, and underwriting support tools.

The structure allows for regional localization to comply with regulations and unique market needs.

Portfolio & Market Update

02

Portfolio & Market Update

What has QBE observed?

- Increasing competition from **increased capacity**
- **Decreasing rate** on renewals and new business, mainly due to **new entrants** – albeit less decrease than last year
- **US Insurtechs** continue to push into the rest of the world, **competing on price** and limited underwriting information
- **Excess layers** are taking the brunt of the rate pressure
- Movement towards **lower attachments points**
- More new opportunity business from **first time buyers**

How QBE is managing these

- Aiming to **minimize decreases by participating in early renewal conversations** to align with client renewal strategy
- **Improved competitive proposition** in 2024, bringing our policy form and appetite in line with the broader market.
- Launched **global risk management service** as a value add with more services in the pipeline
- Leveraging AI to **increase production** and **improve service**

Portfolio & Market Update

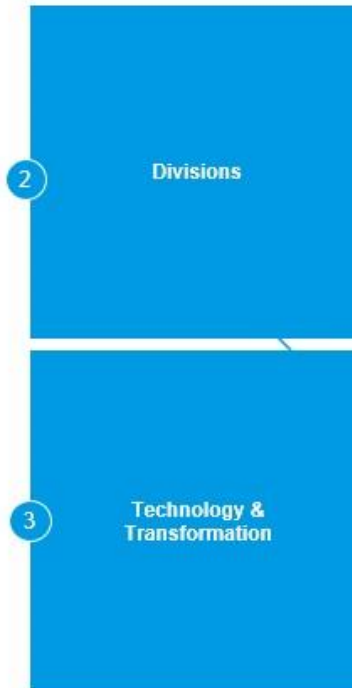
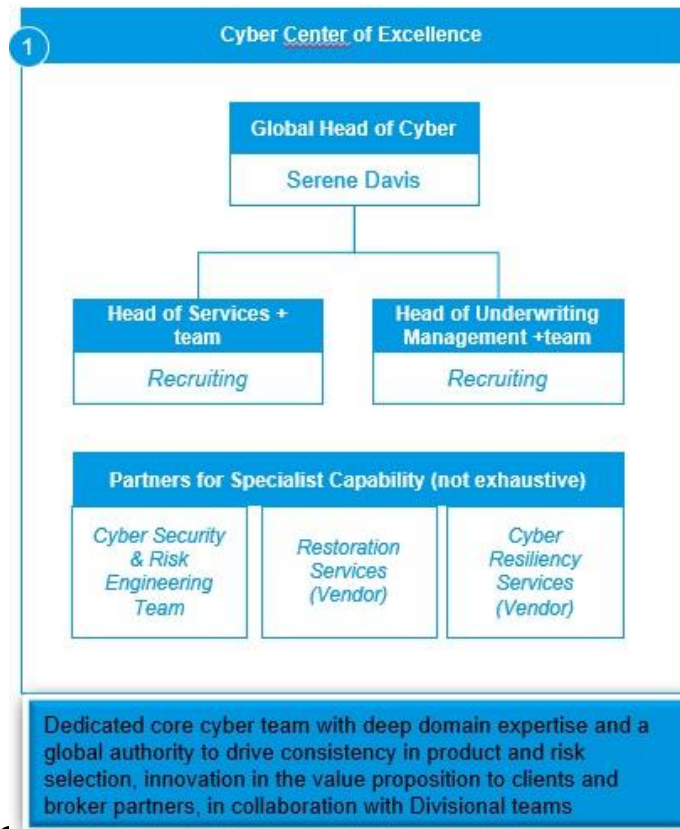
Region	Original 2024 Plan (USD)	Revised 2024 Plan (USD)	YTD GWP (USD)	Rate Change % YTD
North America (NAO)	\$171M	No change	\$50M	-4.3%
Europe (EO)	\$103M	\$120M	\$50M	-9.8%
Asia	\$7.5M	\$9.1M	\$2.5M	-5%
Australia	\$1.8M	No change	\$339k	N/A

Operating Model Update

03

Operating Model Update

Operating Model: To deliver, QBE must invest in capabilities dedicated to leading, enabling and supporting smart growth across divisions



- 1 Cyber Center of Excellence**

 - Centralized cyber authority with global authority for cyber product and referrals creating new referral path directly between underwriting teams and Center of Excellence.
 - Market-facing expert capability to support QBE brand building, Go To Market, key Divisional client and broker engagement.
 - Set global QBE approach and plan for cyber product, appetite and differentiating customer value proposition and communicate with divisions.
 - Create cyber leadership team including divisional cyber leaders to assure one cohesive effort
 - Lead co-ordinated cyber business planning, with Divisions.
 - Lead strategic initiatives e.g. AusPac launch, risk framework.
 - Define risk offerings, maintain global vendors/ partners
 - Staff on the ground cyber services teams with priority in EO and NAO
 - Create shadow global P&L
- 2 Divisions**

 - Run and operate Divisional P&L, Divisional Performance.
 - Own in-market broker and client relationships, localisation of product offering and local claims handling
 - Align business planning, portfolio management with global plans
 - Appoint Cyber Leadership locally with authority to champion global cyber plans as well as actively looking for ways to improve locally
 - Resource claims and underwriting to support growth targets
 - Divisional risk audits managed locally
- 3 Technology & Transformation**

 - Strategic project support for capability development and new capability partner onboarding.
 - Deliver Gen AI initiatives.

Foundational Build & Priorities Update

04



New: AI in Underwriting

- QBE invested in organization-wide AI capabilities and developed a “Cyber Assist” AI tool for submission review.
- The tool improves responsiveness and risk selection by pulling underwriting information into a single dashboard for ease of review
- Deployed in NAO and EO, with plans to expand to Asia and Australia,
- Cyber Assist aligns submissions with underwriting requirements by highlighting and comparing existing controls with QBE’s required critical controls, risk assessment framework and appetite
- Only authorized personnel can make changes to prompts and rules
- Estimated 60% reduction in time to quote

Pricing Tool & Risk Assessment

- Pricing and Risk Assessment tools have been rolled out in Asia and Australia, completing the 2023/24 plan for global use
- Updated to capture the new coverages we are offering in our new global form

Management Information & Accumulation

- Cyber MI and Accumulation Tool are now live for NAO and EO, representing the first global dashboard of its kind at QBE and completing a key milestone for 2024
- Future phases are required to continue to add data. Asia and Australia will be added to the dashboards throughout 2024 and into 2025.

Underwriting Consistency

- Our global policy form launched in June and will roll out across the globe the remainder of 2024
- Each division has built guidelines and appetite standards which are closely aligned
- This work will complete the 2023/24 plan for global product and appetite alignment

Pertinent Coverage Update



05

War Exclusions

UK & Europe	Non-Lloyd's	QBE Stance	QBE Policy Form	NAO
<ul style="list-style-type: none">• Some markets still using Type 7 and Type 4 –• Resulted in some lost business in Europe or caused renewals to be challenging	<ul style="list-style-type: none">• QBE have modelled its own tolerance for Type 4 and other non-compliant clauses• Tracking the use of non-compliant capacity to manage to the tolerance	<ul style="list-style-type: none">• Underwriting guidelines with restrictions on when a non-compliant exclusion can be used, including:<ul style="list-style-type: none">• limiting the classes of business, and• increasing expectations around security practices• Authority to use a non-compliant clause must be obtained by the CUO's office	<ul style="list-style-type: none">• The launch of the global policy form around the world is kicking off in June/July 2024: a Type 3 clause is used in the new policy form, including in North America (NAO)	<ul style="list-style-type: none">• The update in the War wording globally is most pertinent to NAO where they are transitioning to the same approach as the rest of the world, targeting July for the launch of the new form

Dependent Business Interruption (DBI)

Application

- Beginning in 2024, QBE increased its appetite for non-IT dependent business interruption around the globe and the coverage is built into the new policy wording with limit options per the underwriter
- Guidelines were developed and the pricing tool is capturing the additional premium and limits on deals where it is provided so QBE can track

Key mitigation controls

- Underwriters currently assess insureds' incident response and business continuity planning
- The Risk Assessment Framework contains a specific domain for Third Party Security
- Underwriters can ascertain the levels of IT security due diligence for undertake on their suppliers

Other Enhancements

Additional enhancements have been included in the new global form which had previously been added as endorsements, including:

Bricking

Social Engineering

Reputational Harm

Betterment

These enhancements are commonly available in the market and are being managed through sublimits

Global Claims Trends

06

Global Claims Trends

Tracking Pixels – 43 Claims brought under VPPA or CIPA statutes – limited healthcare appetite at QBE has assisted in avoiding tracking pixel claims related to that class of business.

VPPA	CIPA	BIPA	MOVEit	Change Healthcare
<ul style="list-style-type: none">• Impact is modest• Tracking 23 VPPA claims• Only 4 are expected to result in payment	<ul style="list-style-type: none">• High frequency / no severity• More than half of cases dismissed in the courts on initial motion• Concern over potentially large claims where courts are yet to rule• Plaintiffs pivoted from content of communication spying to identifying users without consent	<ul style="list-style-type: none">• Less than a dozen open claims• Impact is modest currently	<ul style="list-style-type: none">• Multiple MOVEit notices• 2 claims present exposure	<ul style="list-style-type: none">• 15 notices• Likely only looking at 3 where there could be coverage• Limited healthcare appetite• Too early to project outcomes



Going Forward

07

Going Forward

Organic Growth

Focusing on:

- Middle market
- Primary coverages
- Improvements in product
- Increased service offering in 2024

Broker Relationships

Success getting on broker panels and private equity portfolio programmes

Mainly due to QBE's reputation in the market, large global footprint and desire to grow

Harmonisation

The centralised global cyber team will continue to expand and build expertise which compliments what is on the ground in each division

