Market Bulletin

Ref: Y5277

Title	Update – Providing clarity for Lloyd's customers on coverage for cyber exposures
Purpose	To notify the market on updated arrangements for the phased implementation of classes
Type	Event
From	Caroline Dunn Head of Underwriting Performance Management
Date	29 January 2020
Deadline	As set out within bulletin.
Related links	Market Bulletin Y5258 - Providing clarity for Lloyd's customers on coverage for cyber exposures

In Market Bulletin Y5258 Lloyd's set out a new requirement for all policies to be clear on whether coverage is provided for losses caused by a cyber event. Once a class of business is in scope, managing agents are required to ensure that all policies in the relevant class provide clarity regarding cyber coverage by either excluding or providing affirmative coverage.

Timetable for phased implementation – Phases 2, 3 & 4

To support the market in making the necessary changes to policy wordings, Lloyd's confirmed in Market Bulletin Y5258 that the new requirement would be implemented in phases.

For first-party property damage policies (Phase 1), Lloyd's underwriters were required to ensure that policies used clear language to affirm or exclude cyber cover for all policies incepting on or after 1 January 2020.

Having undertaken a further consultation with market representatives (as indicated in Market Bulletin Y5258) Lloyd's is now confirming the phasing for the remaining classes of business. This is now being achieved over a further three phases rather than in two stages.

Accordingly, for each phase as set out below, underwriters are to ensure that all policies in the classes listed in the relevant part of Appendix 1 either affirm or exclude cyber cover for policies incepting on or after the date shown.

Phase 2 classes (see Appendix A) – policies incepting on or after 1 July 2020
Phase 3 classes (see Appendix A) – policies incepting on or after 1 January 2021
Phase 4 classes (see Appendix A) – policies incepting on or after 1 July 2021

For proportional treaty risks where there is no separate risk code and therefore the placement is recorded within the corresponding direct insurance risk code, managing agents should implement the new requirements from six months after the phase implementation date of the relevant direct insurance class.

As set out in Market Bulletin Y5258 for coverholder arrangements, the requirement applies to binding authority agreements that commence on or after the relevant date given above. Lloyd's does not expect policies bound under binding authority agreements entered into before that date to comply until the binding authority agreement next renews. For line slips and consortia, Lloyd's expects changes to be made as soon as contractually possible after the implementation date.

Ongoing monitoring of implementation

Lloyd's wishes to thank all market participants for their hard work over the last six months in achieving clarity of cyber coverage in the vast majority of eligible phase 1 contracts. Lloyd's recognise that a significant amount of time and effort has been required to draft and negotiate wordings with brokers and clients. Lloyd's will be discussing compliance levels with any outlying syndicates as well looking to understand the key assumptions underlying syndicates returns.

Lloyd's recognises that achieving full clarity of cyber coverage will continue to require a significant commitment of resource by managing agents and brokers. In this regard, the LMA continues to assist the market in producing model wordings for adoption ahead of the implementation of each phase. Work is already well advanced on wordings that provide clarity of cyber coverage for products in phase 2. Lloyd's will work with the LMA to keep under review the implementation timetable and any issues that may arise. Should any changes to the process be required, these will be communicated to the market.

Further Information

For any questions relating to this bulletin, contact UnderwritingOversight@lloyds.com.

Appendix 1 – Classes of business in each phase

Phase 1

Class of Business	Risk Code(s)
Energy Construction	EC
Energy Offshore Property	EM, EN, EY, EZ
Energy Onshore Property	EF
Nuclear	NP
Power Generation	PG
Cargo	V
Fine Art	FA
Marine Hull	B, T. TS
Marine War	Q, W, WB
Specie	CT, GS, JB
Yacht	O
Difference in Conditions	DC
Property D&F (US and non-US binder)	B2, B3, B4, B5, HP
Property D&F (US and non-US open market)	P2, P3, P4, P5, P6, P7
Engineering	CB, CC
Livestock & Bloodstock	N, NB
Terrorism	1E, 3E, 3T, 4T, 6T, 8T, BD, TO, TU, WL

Phase 2

Class of Business	Risk Code(s)
Accident &Health (Direct)	KA, KB, KC, KG, KP, KS, KT
Contingency	PC, PF, PN, PU, PZ
Space	SC, SL, SO
Political Risks, Credit and Financial Guarantee	CF, CR, FG, FM, PR, SA, SB
BBB/Crime	BB
Property Cat XL	X3, XA, XJ, XR, XU
Property Pro Rata	TR
Property Risk XS	XC
Agriculture & Hail	AG, HA
Livestock Excess of Loss	NX

Phase 3

Class of Business	Risk Code(s)
Airline	H2, L2
Aviation Products/Airport Liabilities	AO, AP
Aviation War	AW, RX
Aviation XL	X1, XY
Cargo	VL
General Aviation	H3, L3
Directors & Officers (US and Non-US)	D2, D3, D6, D7, D8, D9
Cyber (addressing clarity for any traditional coverage provided by extension to a cyber policy)	CY, CZ
Employers Liability/WCA (Non-US)	W3, W4
Energy Offshore and Onshore Liability	EG, EH, EA, EB
Extended Warranty	WA
Financial Institutions (US and non-US)	D4, D5, F2, F3
Legal Expenses	LE
Marine Liability	G, GC
Medical Expenses	KM
Medical Malpractice	GH, GM, GN
UK Motor and Overseas Motor	M2, M3, M4, M5, M6, PQ, MF, MG, MH, MI, MP
NM General Liability (US and Non-US)	EP, NA, NC, NR, NS, UA, UC, UR, US
Pecuniary	P, PB, TT
Professional Indemnity (US and Non-US)	E2, E3, E4, E5, E6, E7, E8, E9, F4, F5
Personal Accident XL	KX
Motor XL	XM, XN
Nuclear	NL, NV
Cargo	VL
Terrorism	1T, 2E, 2T, 4E, 5T, 7T

Phase 4

Class of Business	Risk Code(s)
Marine XL	GX, SR, TX, VX, X2, XE, XT
Casualty Treaty (US and Non-US)	XF, XG, XH, XQ
Medical Malpractice	GT
Employers Liability/WCA (US)	W5, W6
Marine War	WX