

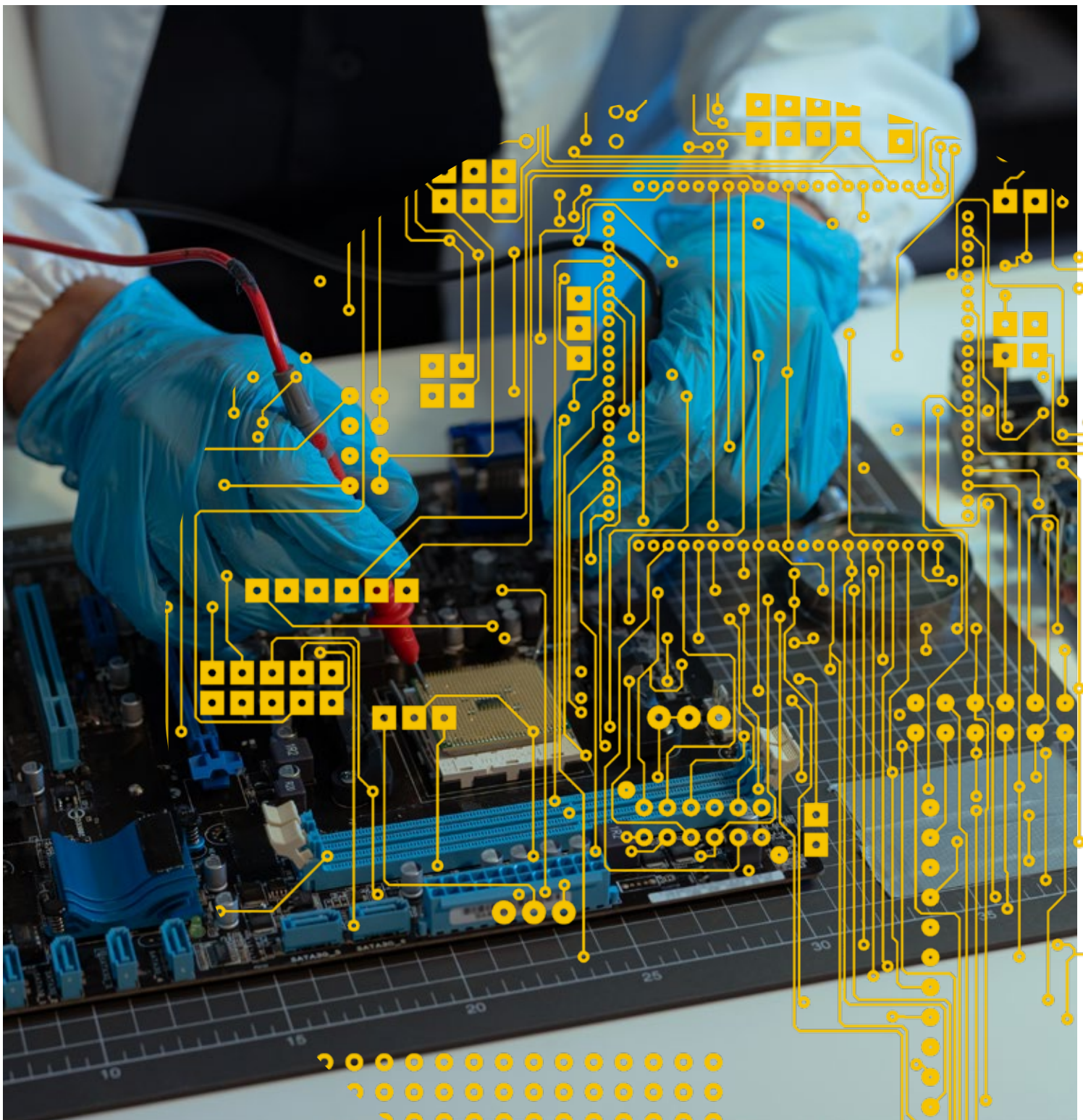
# Split Market Reviews in Cyber BI Towers: Why It's Time for a Rethink

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When a cyber business interruption (BI) claim arises in a tower structure, it's rarely straightforward. With multiple insurers, each often appointing their own experts and following their own processes, the result can be a complex and sometimes protracted journey for all involved. And while these challenges are well known, there is a growing recognition that a more joined-up approach could deliver even better outcomes for everyone involved.

## Understanding the Split Market Reality

In the context of cyber-BI tower claims, the split market review process presents a unique set of challenges for all stakeholders involved.

**FOR CARRIERS**, each layer in the tower has historically often appointed its own legal and accounting experts, sometimes working in isolation from one another. This can lead to a lack of visibility over what has already been reviewed or agreed by lower layers. Higher layers may not be fully informed about the progress or findings of those below them, which can result in duplicated efforts and, ultimately, increased costs for the market as a whole. There's also the risk that, by the time a claim reaches a particular layer, the opportunity for all layers to participate in early engagement and influence the process has passed; i.e., higher layers in a tower may have to follow decisions made by the lower layers with which they may not necessarily agree. This issue is aggravated if the communication between the different experts is poor, meaning an expert on a higher layer may not have full visibility of how the lower layer(s) limit has been exhausted.

**FOR POLICYHOLDERS AND BROKERS**, the experience can be equally challenging. They may find themselves responding to repetitive requests for information as each layer or their appointed expert seeks to conduct their own review. This need for the policyholder to have to respond to multiple request sets and analyses from different experts not only increases the administrative burden but can also slow down the overall claims process, delaying much-needed payments and resolution. The lack of a unified approach can sometimes create confusion or uncertainty about what has been agreed, what is still outstanding, and who is responsible for driving the process forward. All of this can be exacerbated if different layers of the tower have a different perspective on the extent to which certain heads of claim may be covered, or how they should be quantified.

**FOR EXPERTS**—such as forensic accountants—being brought into the process late or by individual layers rather than multiple layers can limit their ability to provide holistic advice. Separate instructions to different experts may lead to reviewing the same material multiple times, sometimes reaching different conclusions, which can add to the complexity and duration of the claim. The absence of a centralised, coordinated approach can also make it harder to ensure consistency and transparency across the tower.

All of these factors combine to create a claim process that is often longer and more drawn out than it needs to be.

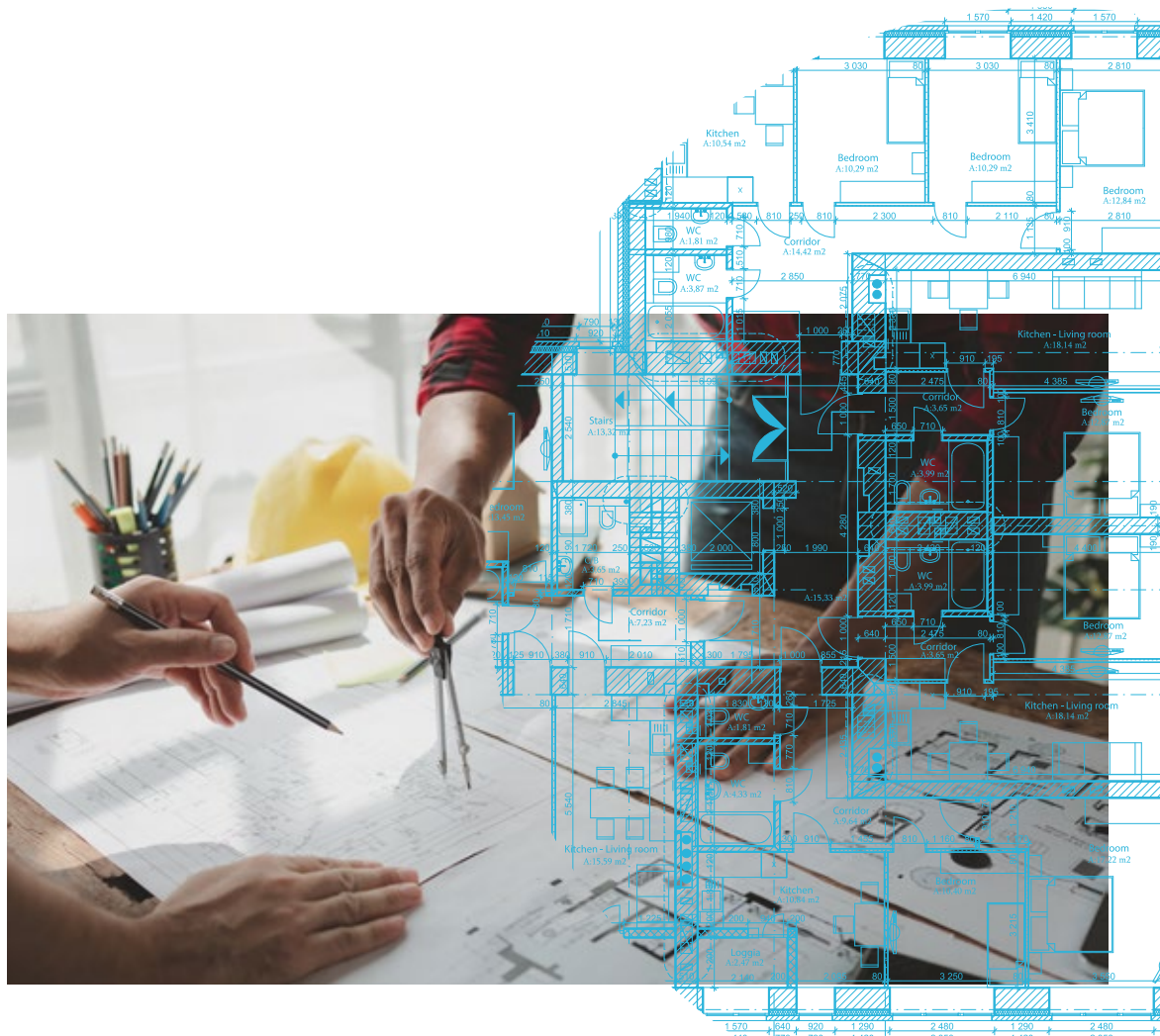
## What Does the Property Market Do?

Business interruption is not a new cover – it has existed in the property market for decades and this community has accumulated significant experience, as well as developed formal and informal protocols for the handling of claims and the appointment of experts.

Generally speaking, most large property programmes are setup as a quota share arrangement. The programme will have a named lead insurer and often also have named experts, as well as fee fund protocols for the settlement of expert costs. The use of a quota share arrangement means that all insurers are tied into the claim process from the date of incident to the date of final settlement. Furthermore, this recognises that BI, irrespective of whether the trigger is a physical or non-physical risk, is an iterative process, in that the work performed in the early stages of a claim will help lay the foundations for the detailed review and analysis, as well as the final settlement.

This approach assists insurers and insureds alike. The parties who will be involved are often known before the claim occurs, the basis of appointment is clear, the sharing of expert fees is pre-agreed, meaning that focus post incident can turn almost immediately to what is required to assist an insured with the recovery from the incident.

The absence of a centralised, coordinated approach can make it harder to ensure consistency and transparency across the tower



## Why Is Cyber Different?

The current landscape of split market reviews in cyber-BI towers is shaped by a mix of practical realities and evolving market dynamics. The cyber insurance sector is still relatively young compared to property or energy, and as a result, established protocols and shared practices are still emerging. Many claim handlers are building their BI experience as the market grows, and the diversity of professional backgrounds—whether from financial lines, property, or cyber—means there isn't always a single, unified approach.

Structural factors also play a role. Cyber towers often operate on a layered basis, with each insurer responsible for a specific tranche of risk, in marked contrast to how a large property programme is often structured. This “layer cake” approach within the cyber market can naturally lead to each layer appointing its own experts and conducting its own review, especially when there's uncertainty in the early stages as to whether a claim will reach a particular layer. Understandably, some carriers are cautious about incurring costs if their layer is unlikely to be impacted, while others may simply prefer to rely on their own legal or technical advisers.

Jurisdictional differences add another layer of complexity. In some markets, particularly the London market, there is a tradition of collaboration and joint appointments, while in others, market practice can be more fragmented. Brokers, too, are navigating competing priorities: while there is growing openness to sharing information and coordinating appointments, legacy processes and confidentiality concerns can sometimes slow progress.

Fee sharing and cost allocation remain practical challenges. Questions about how to split fees fairly across the tower, especially when not all layers are triggered, can create uncertainty. There are also considerations around confidentiality and information sharing, as each party seeks to balance transparency with commercial sensitivities.

Yet, it's important to recognise that this is not due to a lack of effort or goodwill. Each stakeholder is working towards the same goal—an efficient and fair resolution of the claim—but the lack of coordination can inadvertently introduce delays and inefficiencies. While this reflects the comparative youth of the cyber market, it must be stressed that there is a genuine desire to deliver the best possible outcomes for clients, even if the path isn't always perfectly aligned.

## Positive Momentum: Where the Market Is Making Progress

The good news? There's a growing appetite in the cyber market for reform to address this particular challenge. At a recent cyber conference panel, the majority of participants supported the idea of a single forensic accountant and a lead carrier taking charge of the process.

In cyber towers there are increasingly more conversations about joint appointments, fee sharing, and the creation of market protocols. Many insurers and brokers are already experimenting with more collaborative approaches, sharing information earlier and working together to streamline the claims review process. While these efforts aren't yet universal, they demonstrate a willingness to innovate and adapt for the benefit of all stakeholders..

A shared framework could help bring greater consistency and efficiency to the process

## The Way Forward: Protocols and Consistency

Looking ahead, there's a real opportunity for the cyber market to build on its positive momentum by considering the development of clear, market-wide protocols. While every claim and tower structure is unique, a shared framework—covering aspects like the appointment of experts, fee sharing, and information flows—could help bring greater consistency and efficiency to the process.

Drawing inspiration from established practices in the property market, the cyber sector might find value in adapting and evolving these ideas to fit its own needs. While early engagement of shared experts and a more transparent, joined-up approach would no doubt benefit all parties, any steps in this direction should be shaped by open dialogue and the collective experience of the market.

To this end, we encourage the cyber market to come together to define and agree what a common BI claim review protocol should include. Drawing on our experience with tower losses, we believe a well-considered approach might address areas such as:

- Agreeing the expert to be appointed;
- Clarifying the timing of when that expert is to be appointed following an incident;
- Establishing a fair fee-sharing arrangement in the period immediately after an incident when potential quantum and the impact across all layers remains uncertain;
- Encouraging interaction between experts acting for insurers and the insured to enable early sharing of information and support understanding of potential quantum exposures;
- Setting out a reporting framework in the early stages of the claim review process to assist in reserving;
- Defining the process for insurers to confirm or withdraw from an expert retention.

In our view, the above list is a helpful starting point for the drafting of a market protocol that could sit within a tower policy wording, providing clarity for all participants on what to expect if and when an incident occurs. At the same time, we recognise the diversity of views across the cyber market on how best address these issues. By working together to explore the challenges raised in this paper, the market has an opportunity to shape solutions that enhance the claims experience for policyholders.

Let's keep the conversation going—and keep moving forward, together.

## Appendix



### About the IUA

The International Underwriting Association of London (IUA) is the representative body for companies in London providing international and wholesale insurance and reinsurance coverage. Its mission is to secure an optimal trading environment for London insurance companies.

The IUA's Cyber Underwriting Group was established in 2014 to provide a forum for underwriters offering specialist cyber risk coverage in the London company market. The Committee considers cyber from the context of standalone cyber cover and considers issues relating to the underwriting and handling of claims in the London market (irrespective of the territorial extent of the cover) arising from cyber risk and insurance, both first and third-party.

*The images in this document represent the idea of the IUA as 'a community of experts' and the fact that deep knowledge across many sectors is required to assess and protect against complex risks.*

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The Forensics, Valuation, and Litigation Services (FLVS) team at Baker Tilly is a multidisciplinary practice that offers accurate and reliable financial analysis to organizations facing complex situations. The team specializes in forensic accounting, litigation support, and valuation services, providing clients with clarity and expert guidance in legal and financial matters.

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