Next-Gen Cyber Insurance

Fusion MGA

www.fusionmga.com

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InsCyt LLC, dba FusionMGA

fu-sion

The process or result of joining two or more things together to form a single entity

"InsureSec 360"

Storied Cyber, Technology and Insurance Backgrounds

Mario Santana
Chief Technology Officer

Mike Cavanaugh
Chief Insurance Officer

Brian Branner
President

Jeff Stull
CEO

Historical Projects and Technological Competencies

- Developed AI/ML technology to classify prospective insureds, better correlating premium pricing to risk
- Received a patent on threat correlation machine learning software
- Built proprietary cyber interventions used to lower customer risk after a policy is sold
- Solved problems for major insurance institutions including writing SERFF for the NAIC and developing RiskTool for a top 5 Insurance Carrier

FusionMGA is building the next-gen cyber insurance company

Fusion's technology is transforming the very nature of cyber underwriting – fundamentally reshaping the economics of the industry and building a more profitable book of cyber resilient Insureds.
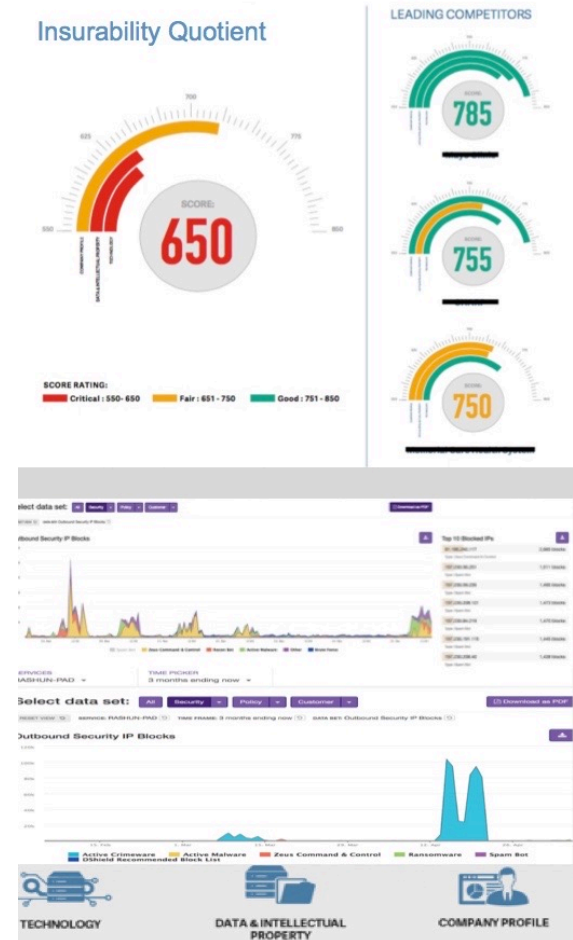
Big Cyber Market - Big Unmet Needs

Problem 1 - Lack of real-time and meaningful UW risk analytics

- Existing underwriting processes lack the necessary data and analytics to separate good from bad cyber insurance prospects

- Prior loss history does not predict future cyber risk

Problem 2 - No ability to reduce cyber risk post binding

- Insurance companies are not cyber security experts and lack even the basic ability to provide effective risk management after a policy is written

- The economics of paying third party cyber security companies to provide prevention tools or expertise does not economically scale

Cyber Insurance Market to Double Every 3 Years

Reinsurance Premium Projections - Cyber vs Property CAT
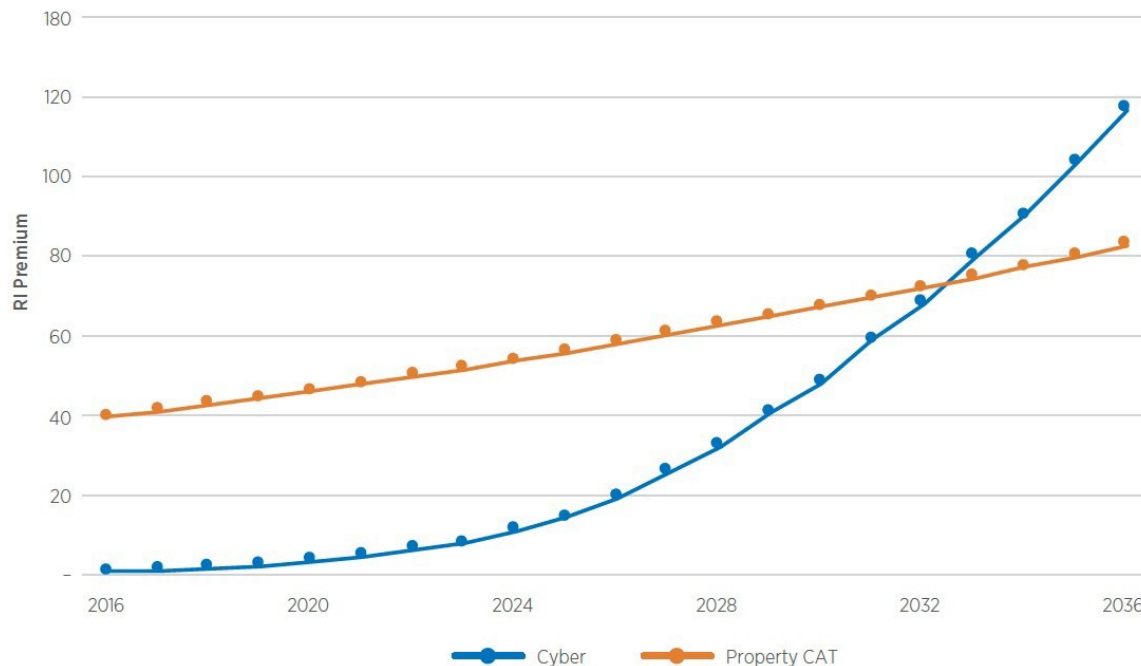
Assuming average growth of 50% growth in Cyber premium in 2021 and an average of 25% for all subsequent years.

Assuming 46% premium being ceded to cyber reinsurance market in 2021, depreciating to 25% by 2040.

Assumed a growth rate of 3.9% for property for 2016-2028, reducing it to 3.5% for 2029-40 (ignoring cycles for simplicity).

Source: Gallagher Re

6

Technically Quantifies Risk Pre-Underwriting

Matches Premium and Terms to Actual Risk

Automated Interventions Post-Binding to Avoid Loss

Active Risk Mitigation is Unique Differentiation and Cultivates a Community of Cyber Resilient Insureds

Reinsurers

OBSIDIAN

TOPSAIL RE

Fergus Re

ISMIE
Mutual Insurance Company

ICWGROUP
Insurance Companies

CHINA RE

Built to win profitable risks

- Built an adaptive AI underwriting process
- Implemented a quote/bind policy management system
- Developed API connections to the Amwins Digital Platform
- Oversaw the creation of an actuarial model to validate our pricing
- Developed a full set of underwriting guidelines acceptable to the reinsurers
- Developed a novel electronic cyber risk analysis software
- Built multiple cyber security interventions specifically for this program
- Created a claims function with Obsidian
- Fully licensed in all 50 states
- Working with Amwins to build a national agency marketing plan with supporting materials

For every dollar of Premium collected…

…less than 45 cents will be returned
as claims over the course of a year.

Digital Innovation

► First of its kind program built around a proprietary AI/ML platform
► Increase efficiency in Underwriting, Distribution, and embedded Cyber Security

Advanced Underwriting

► Three Approaches
  - Programmatic
      - Lower hazard Classes
      - Driven by API's
  - Hybrid
      - Medium hazard classes
      - Driven by IQ
  - Manual
      - Higher Hazard classes
      - Full Underwriter Review

Insurability Quotient

► Evaluate policyholders' security posture
► Score calculated using Fusion's patented technology and the automated security scans
► Impacts the Eligibility & Underwriting process

Technology	Score : 650
Exposed log-ins	🟥
Exposed data	🟥
Mis-configured edge devices	🟩
Email configuration	🟩
SQL injectable	🟩
DNS & IP reputation	🟧
Certificate management	🟩
Hacker chatter	🟩
Typosquatting	🟩

Data & Intellectual Property	Score : 655
Personal data exposure	🟥
Social media	🟥
Customers	🟩
Compliance	🟩
Litigation	🟧
Vertical exposure	🟩

Company Profile	Score : 720
Security staff	🟩
Compliance staff	🟩
Glassdoor	🟧
Indeed	🟩
Credit score	🟩
Socially controversial	🟧
Political exposure	🟩

The FusionMGA platform evaluates each risk for External facing Rating factors that have shown to directly impact the **Underwriting Profitability** of an Insured risk.

Inside-Out Risk Analysis

Technology	Score : 700
Firewall packet volume	🟥
SSL Decryption	🟥
Patching cadence and velocity	🟩
Enabled services on workstations	🟩
Out of support SW	🟩
Third party or open source SW	🟧
Network segmentation	🟩
Egress filtering	🟩
Lack of managed anti-virus SW	🟧

Data & Intellectual Property	Score : 680
Encryption	🟥
Data classification	🟥
Compliance	🟧
GDPR, PCI, HIPAA	🟩
Audits	🟧
Vendor management	🟩
Policies and procedures	🟧

Company Profile	Score : 780
Training	🟩
Recruitment	🟩
HR	🟧
Manger to Employee ratio	🟩
Culture	🟩
Access levels	🟧

The areas that typically get ignored when applying for coverage are the Internal factors that impact corporate behavior & culture. The Fusion**MGA** platform prioritizes a **Culture of Security** for all Insured risks to maintain the integrity of the book.
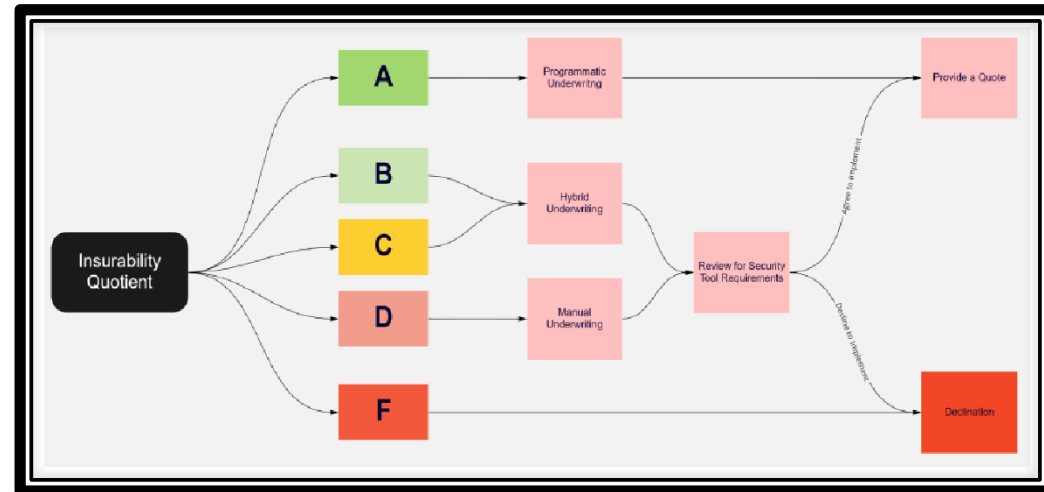
Categories: Insurability Quotient

Interaction of Insurability Quotient with Underwriting Process

- □ Some contributing factors (including, but not limited to) in determining Company's IQ
  - ■ Software & System versions
  - ■ Open & Closed ports
  - ■ Domains & Sub domains
  - ■ Endpoint Detection

- □ The scale is based on a letter grade system (A to F) and will continue to evolve
- □ The Insurability Quotient is used to determine a Company's eligibility for coverage and/or type of Underwriting required
- □ Higher scores result in favorable policy terms creating an incentive for Insureds to improve their scoring

Automated analytics categorize customers as (ABCDF) to better correlate premium pricing to risk

Customers get broader coverage at a fair price

Fusion tech turns (BCD) customers into winners, and delivers better profitability

Post Binding Embedded Risk Interventions

Results for Live Insperity Retirement 2022-11-14

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Campaign Timeline

Nov 16, 2022	Nov 18, 2022	Nov 20, 2022	Nov 22, 2022	Nov 24, 2022	Nov 26, 2022	Nov 28, 2022	Nov 30, 2022	Dec 02, 2022	Dec 04, 2022	Dec 06, 2022	Dec 08, 2022	Dec 10, 2022	Dec 12, 2022

Email Sent	Email Opened	Clicked Link	Submitted Data	Email Reported
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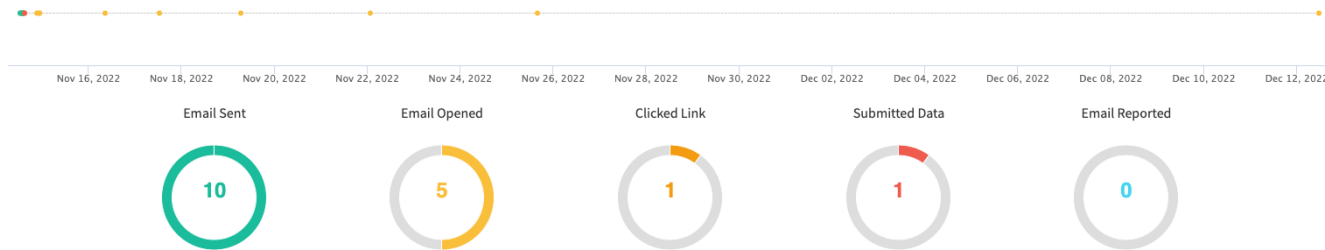
Details

Show [10] entries

Search: [   ]

First Name	Last Name	Email	Position	Status	Reported
▶ Brian	Branner	bbranner@riskanalytics.com	Managing Partner	Email Opened	⊗
▶ Carolyn	Stull	cstull@riskanalytics.com	Customer Success	Email Opened	⊗
▶ Derek	Zobler	dzobler@riskanalytics.com	Security Analyst	Email Sent	⊗
▶ Jake	Stull	jake@riskanalytics.com	Design	Email Sent	⊗
▶ Jeff	Stull	jstull@riskanalytics.com	CEO	Email Opened	⊗
▶ Jon	Pruente	jpruente@riskanalytics.com	SysAdmin	Email Sent	⊗
▶ Mario	Santana	msantana@riskanalytics.com	CTO	Submitted Data	⊗
▶ Mark	Stull	mstull@riskanalytics.com	Sales	Email Opened	⊗
▶ Mike	Cavanaugh	mike@fusionmga.com	Insurance Development	Email Sent	⊗
▶ Nathan	Green	ngreen@riskanalytics.com	Developer	Email Sent	⊗

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Insurance Agents as Leveraged Sales Force

Wholesale focus accesses over 25,000 agencies

Already seeing over 1,200 submissions per month

Seed Investment by large US insurance wholesaler

Distribution Partners

Snapshot Projections

	Q1 24	Q2 24	Q3 24	Q4 24	Q1 25	Q2 25	Q3 25	Q4 25
Quotes	3,780	5,840	6,400	7,120	8,000	8,720	9,520	11,040
Binds	216	412	598	783	960	1,046	1,142	1,325
Aggregate GWP	1,504,320	3,976,320	7,561,920	12,261,120	20,094,720	24,299,520	28,849,920	39,102,720
Fee Revenue	42,062	80,340	116,532	152,724	187,200	204,048	222,768	258,336
Commission Revenue	25,884	49,440	71,712	93,984	115,200	125,568	137,088	158,976
Profit Share Revenue	-	-	414,874	-	-	-	1,718,016	-
Tech Revenue	160,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000
Total Revenues	**227,946**	**289,780**	**763,118**	**406,708**	**462,400**	**489,616**	**2,237,872**	**577,312**
Expenses	**466,036**	**452,036**	**469,436**	**561,836**	**469,436**	**469,436**	**478,436**	**548,436**

Partnered with Amwins for immediate market exposure

Add regional and smaller agencies for future growth

1,200 Submissions/mo   (today)

3,000 Submissions/mo   (mid 24)

5,000+ Submissions/mo   (FY 25)

Fusion has secured a second insurance facility through Lloyds to provide capacity for SMB prospects in 2024

Appoint more small and regional insurance agencies to sell our policies

1. Use AI/ML to more accurately rate risk *(no paper apps)*

2. Our tech reduces a policyholder's risk after the sale

3. Sales through wholesale broker distribution (*Amwins*)

4. Provide policyholder with continuous analytics and automated interventions to stop cyber attacks. *(cyber security tech)*

5. Customer benefits by premium/terms better matched to risk

6. Superior unit economics and increased UW profit
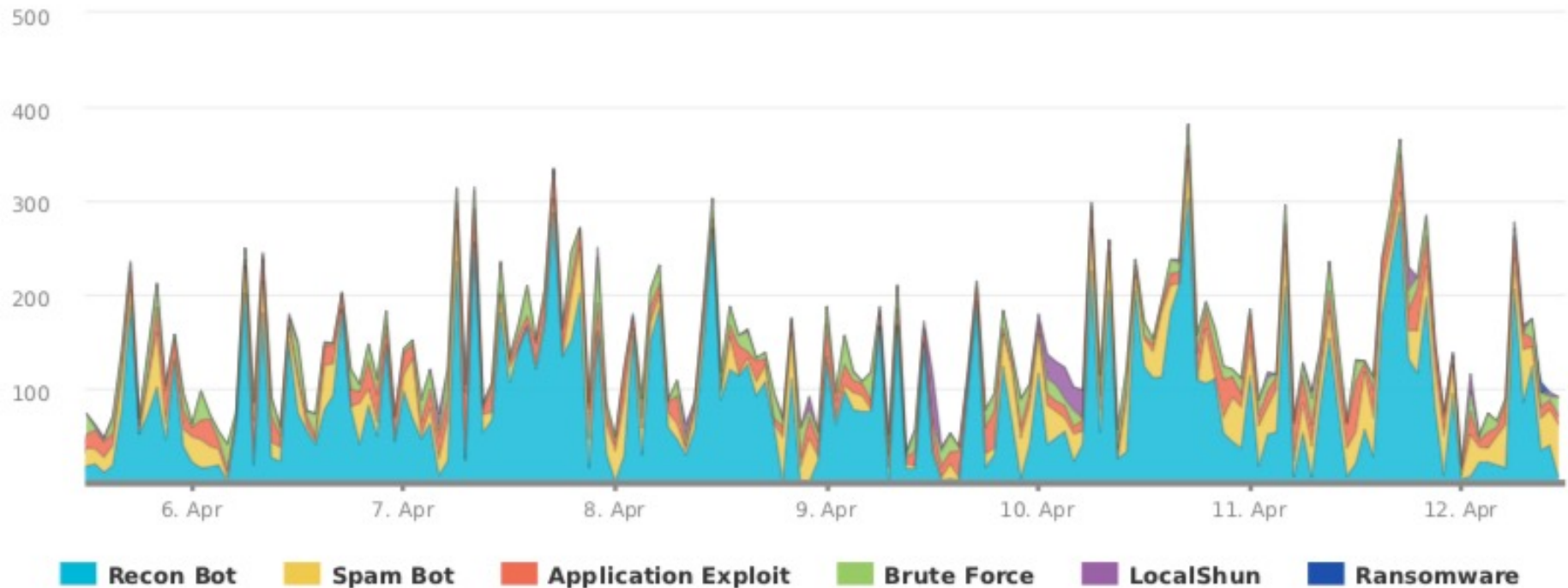
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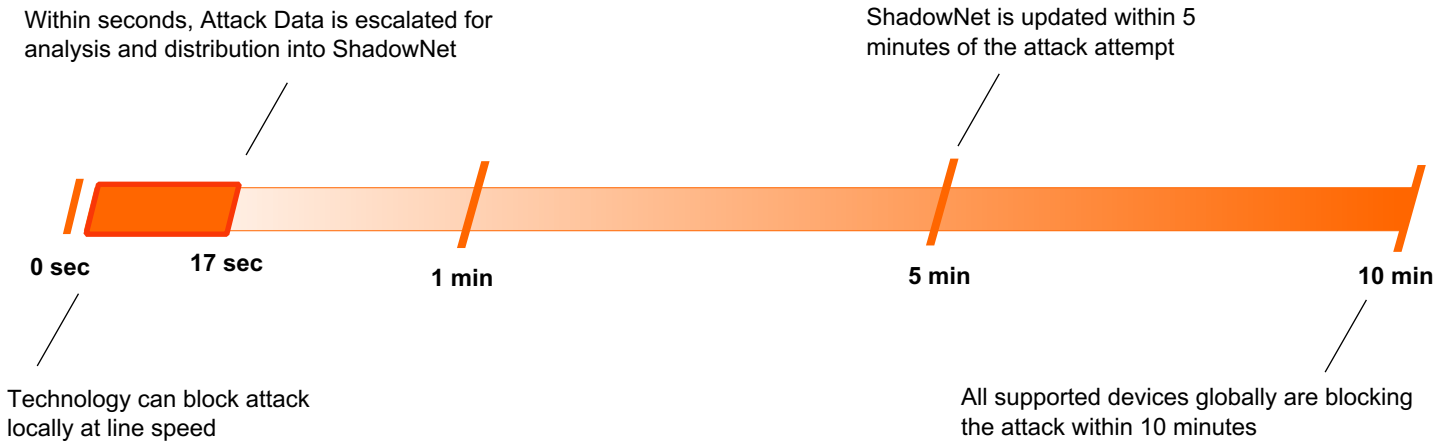Jeff Stull jstull@fusionmga.com   913-579-7335

The ShadowNet platform automatically **Detects & Blocks** malicious IP addresses to reduce the threat

Speed of Risk Blocking

Within seconds, Attack Data is escalated for analysis and distribution into ShadowNet

ShadowNet is updated within 5 minutes of the attack attempt

0 sec **17 sec** **1 min** **5 min** **10 min**

Technology can block attack locally at line speed

All supported devices globally are blocking the attack within 10 minutes

Awarded patent on risk correlation software

Cyber threat analytics data provider to Google (VirusTotal)

Customers are buying tech outside of insurance