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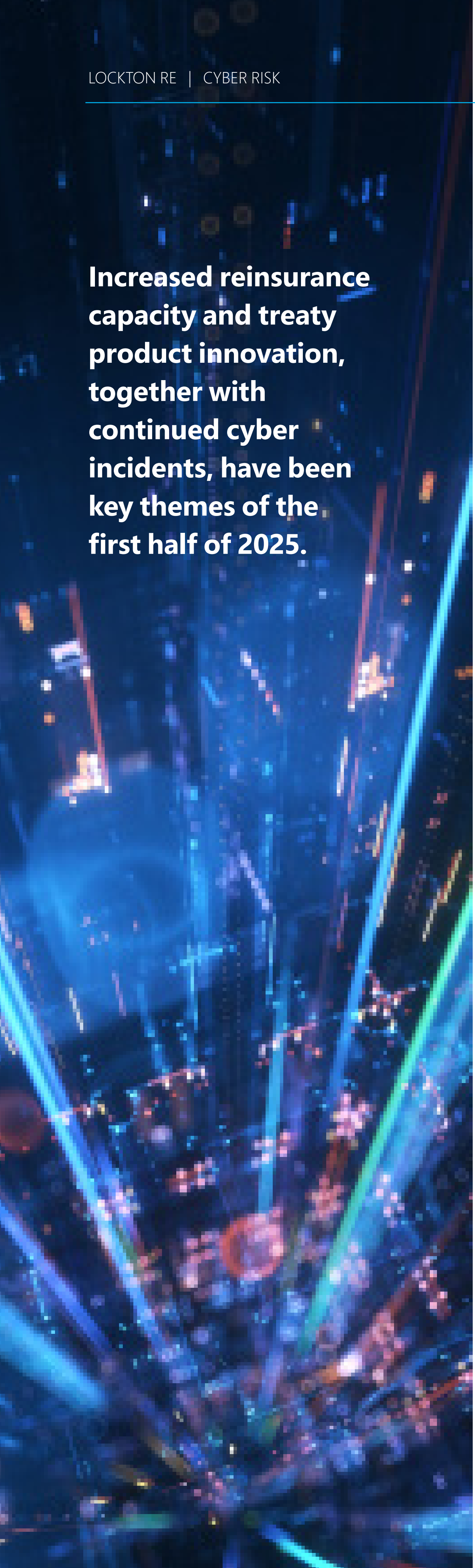
REINSURANCE

H1 2025 Cyber Reinsurance Update

A Buyer's Market



Increased reinsurance capacity and treaty product innovation, together with continued cyber incidents, have been key themes of the first half of 2025.

Notable Cyber Incidents

Over the past six months, there have been a series of significant cyber ransomware attacks. These are wide ranging, impacting companies as diverse as major retailers in the UK, US education service providers and insurance companies, as well as Korean telecoms. There are elements of commonality between these attacks, such as vulnerabilities within third party supplier systems, and common threat actor groups exploiting common techniques to gain access to administration systems. It illustrates the ongoing challenges for companies in the face of well resourced and motivated attackers.

Whilst some affected firms purchased cyber insurance policies (which are expected to payout millions in claims), others did not. The publicity of uninsured losses has generated renewed scrutiny and interest from those companies without cover and underinsured peers. This will continue to drive demand for first time buyers.

For reinsurers, the attacks reinforce the continued attention on supply chain resilience, cyber hygiene and coverage clarity. The market has also observed several events with larger systemic implications. Although no evidence of a cyber-attack has been identified, the power outage on the Iberian Peninsula highlights the potential fragility of electricity infrastructure. The current (re)insurance industry consensus is holding, which is that the critical infrastructure exclusion should remain in place. At the moment, these perils are still considered beyond the scope of insurability.

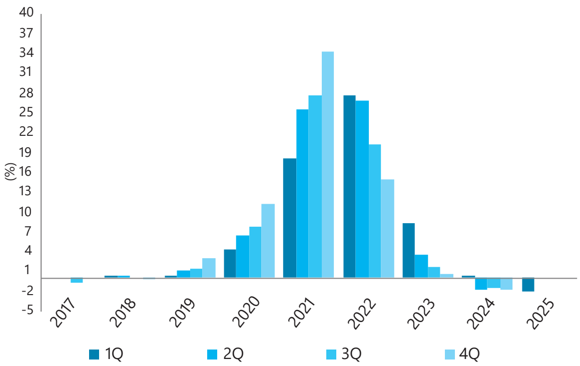
Cyber Reinsurance Market – Trends and Movements

The direct cyber insurance market has continued to soften with average premium rates declining by 5-15% (depending on sector, geography and loss history). Depending on preference, some insured companies have retained those savings, while others have purchased higher limits with savings obtained, particularly in the mid-market and large corporate space. The largest premium reductions were in the mid-market sector where competition is most fierce. In less mature territories where cyber insurance has a lower take up, rate reductions were more modest due to limited competition, cyber security controls and data.

As an illustration of rate change in recent years, figure 1 shows rate change data for the US, according to the Council of Insurance Agents and Brokers (CIAB). This position is somewhat ahead of the picture internationally, where more significant rate reductions are still evident as carriers compete to win existing buyers.

The take up rate from first time cyber insurance buyers rose, especially outside the US, driven by greater awareness of the risks. Additionally, coverage expanded with some reduced deductibles and broader contingent business interruption, extending cover to include non-IT providers. Other coverage expansion areas include reputational harm extensions and regulatory response modules. Overall, the market is gradually shifting toward modular, tailored products that reflect the nuanced risk landscape rather than one-size-fits-all policies.

Figure 1:
Quarterly pricing changes in the US

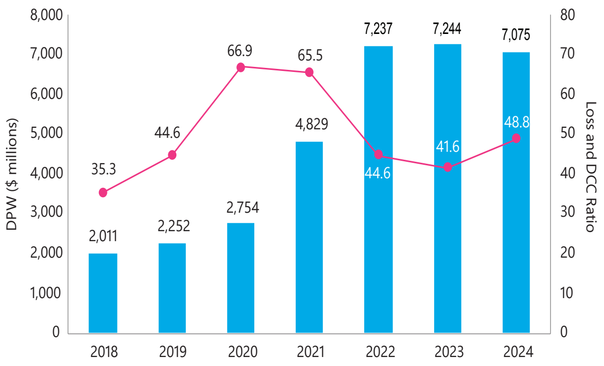


Source: Council of Insurance Agents & Brokers (CIAB)[1]

Some markets are now underwriting higher risk sectors (such as Public Healthcare) which historically has struggled to secure cover. Carriers continue to closely monitor the minimum control requirements such as multi-factor authentication (MFA) for remote access and offline backups (amongst others) to ensure book protection.

In the US, domestic reported cyber direct premiums written (DPW) fell marginally for the first time according to recent AM Best reporting, as shown in figure 2. In parallel, loss ratios increased by over 7 points in 48.8% in 2024. It is important to note, that these figures relate only to the US and do not include non-US carriers writing US business such as syndicates at Lloyd's.

Figure 2:
US Cyber Direct Premiums Written with Loss & DCC incurred loss ratios



Source: AM Best[2]

The first half of 2025 marked a continued increase of new cyber reinsurance capacity following the entry of new participants in the latter half of 2024. Supply is outstripping demand in the short term. Some new entities have fresh balance sheets to deploy capital, while others are established markets, new to the cyber class of business. This has contributed approximately $250m in additional capacity, the majority of which is non-proportional.

Cedants in turn, have more options and can be more demanding either relating to financial security, economic or contractual terms. Incumbent markets can be replaced if there is misalignment on pricing or strategy. Another influence is that more established cedants have shown increased comfort of their attritional loss ratio and consequently are retaining increased net positions or non-renewing layers which have previously not demonstrated value.

Systemic risk remains a concern given the ongoing uncertainty in how tail risk could manifest - concentration around key technology vendors remain firmly on reinsurers radar.

[1] Source: Council of Insurance Agents and Brokers
[2] AM Best Market Segment Report - US Cyber: Pricing Cuts Bring First Ever Reduction in Direct Premiums Written, June 23rd 2025

Data quality concerns continue though there is an acknowledgement that given the buyer's market environment, it is hard to make progress on this issue when there are so many choices for buyers.

Overall, the Cyber reinsurance market has experienced substantial capacity growth and evolution in 2025 thus far. In the absence of a large loss event, this appears to be the position for the foreseeable future. Reinsurer profitability in cyber remains positive but is showing signs of pressure amidst the softening market. Current-year margins are tightening due to falling rates, broader coverage, and increasingly aggressive terms. Non-proportional structures, particularly higher-layer Excess of Loss and remain the most profitable, while proportional treaties have continued to see higher ceding commissions. Overall, the market is seeing a growing divergence in reinsurer strategy between margin protection and volume-driven growth, amidst rising volatility and increased buyer leverage.

Evolving structures

The reinsurance market saw a continued evolution of treaty product structures. Event-based products and hybrid structures, including triggers tied to specific cyber perils, saw increased interest in response to the clustering nature of recent losses. However, given the perceived basis risk and oversupply, the aggregate stop loss structure has remained popular, with some looking to refine ASL terms to try and realise more value. Overall, the non-proportional reinsurance market continued softening. Reinsurer appetite for non-proportional structures has grown despite reductions in rate. Larger, more mature cedants with strong portfolio performance leveraged this environment to reduce attachment points.

Cedant risk tolerance has generally increased, which has been largely influenced by reduced uncertainty in attritional underwriting performance. Some cedants have focused on protecting against catastrophic Cyber events and systemic exposures rather than large shock losses.

MGA Opportunities and Emerging Markets

Emerging markets have become a bigger strategic priority compared to 2024. As carriers pursue growth in less mature markets, there are more new buyers, bringing new premium. The other significant factor is that portfolio diversification is increasingly important. There is a better understanding about the role of technological dependencies in systemic risk. Common technologies are not simply uniform and standardised in their adoption. Different platforms and common systems are used in different territories. Potential systemic events which occur in one part of the world do not lead necessarily to international contagion. The time of day an event is first triggered also can be material, as the speed of diagnosis and recovery may reduce the impact of an event to companies outside of daylight hours (as was witnessed during the Crowdstrike event last year). There is also increasing resiliency built into many software and service supply chains, providing more confidence to offer coverage in emerging markets.

"Emerging markets have become a bigger strategic priority"

Interest in regions such as Latin America, Southeast Asia and the Middle East was already growing in 2024, and there has been a notable increase in exploratory partnerships, local MGA development, and demand for capacity to support cyber products. Reinsurers have shown greater willingness to support localised distribution models, viewing them as a way to diversify portfolios and capture growth. Capacity is deployed cautiously though, with modest limits exposed, often on a quota share basis whilst pricing (and local loss experience) is relatively uncertain. Reinsurers are closely monitoring underwriting controls and data quality.

Insurers have been adapting established product offerings in more mature markets to fit new geographies. This has been done by simplifying policy language, localising regulatory compliance, and packaging cyber offerings with broader technology E&O or related policies.

SME and lower-mid-market segments remain the core focus due to size of the addressable markets and current low penetration rates, whilst Insurtech start-ups are also gaining market attention.

One area of challenge and opportunity is presented by the rapid adoption of artificial intelligence (AI). AI is being leveraged by threat actor groups and enabling ever more sophisticated attacks, and creating increasingly lifelike fraud. At the same time, an insurance opportunity is emerging with coverage products being developed to protect against liability from AI models. Such policies aim to cover algorithmic errors, model hallucinations, or autonomous system failures. While still niche, early buyers include AI developers, and large corporates seeking to implement AI models in a wide range of contexts.

ILS and ILWs

Appetite for cyber Insurance-Linked Securities (ILS) and Industry Loss Warranties (ILWs) steadily grew in H1 2025, albeit at a reduced pace compared to the year prior. There is increasing comfort with the Perils-CyberAcuView index, used for approaching half a billion dollars of ILW and cat bond limit. However, in the absence of a major cyber catastrophe to road test the index, there remains a caution about the basis risk for the coverage trigger. Investor interest continues to expand, with growing understanding of modelling outputs and event definitions drawing in a broader pool of capital, from pension investors to hedge funds.

As pricing continues to improve for issuers of catastrophe bonds and ILWs, these structures may increasingly be seen as viable complements to traditional reinsurance, particularly for severe or systemic risk layers. Several cedants are already in the process of building ILS instruments into their buying strategies, to diversify their capital base and facilitate growth of their cyber portfolio over the longer term..

Retro

In the first half of 2025, sellers of cyber retrocession materially increased their appetite, benefitting reinsurers looking to protect their portfolios, either on a proportional or non-proportional basis. This mirrors the broader dynamics in the reinsurance market. Increased capacity, driven both by traditional retrocessionaires and alternative capital, has created a more competitive environment. This prompted some rate reductions, particularly for high-quality portfolios with strong reputation, data hygiene and loss performance. Buyer demand grew as well, in particular among larger reinsurers who sought to manage peak cyber aggregations and protect capital, following the rise in high-profile ransomware and systemic exposure events.

In comparison to 2024, retrocession purchases have become more diversified in structure, with both excess of loss placements and quota share being deployed in select portfolios.

In summary, the softening conditions of the cyber (re) insurance market are still being felt, to the benefit of cedants and ultimate policy holders. Cyber risk continues to evolve rapidly, causing ongoing challenges and opportunities for participants. The increasing focus on new geographic markets provides an exciting next phase of growth. The diversification this provides to carriers is clear and enables them to harness new opportunities.

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SOURCES

[1]Source: Council of Insurance Agents and Brokers

[2]AM Best Market Segment Report - US Cyber: Pricing Cuts Bring First Ever Reduction in Direct Premiums Written, June 23rd 2025

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