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Cyber 2025—A Year In Review



CYBER 2025—A YEAR IN REVIEW

The year 2025 has underscored the growing complexity and significance of cyber risk within the global (re)insurance sector. Building on strengthened underwriting discipline and enhanced risk differentiation, the market is characterized by ample capacity, ongoing product innovation, heightened focus on portfolio diversification, strategic capital deployment and cautious growth. At the same time, rapid evolution and increasing sophistication of cyber threats continue to challenge the industry. Many organizations remain underinsured or unaware of their full exposure, resulting in significant protection gaps. This tension between a maturing market and an expanding risk environment defines the current cyber insurance landscape.

The cyber threat environment is becoming increasingly advanced, with attackers constantly adapting their methods to exploit new vulnerabilities. While ransomware and business email compromise remain prevalent, emerging technologies—such as artificial intelligence—are being weaponized to launch more targeted and harder-to-detect attacks. This evolving threat landscape is pushing the sector to rethink how it assesses risk and engages with clients.

Insurers and reinsurers have strengthened underwriting discipline and introduced more sophisticated product innovations and modeling capabilities than ever before, even as pricing has softened amid ample market capacity. Yet, despite these advances, the cyber insurance market stands at a critical inflection point. Many organizations still lack adequate coverage or underestimate their exposure, leaving a large portion of potential losses outside the insurance ecosystem.

The result is a persistent protection gap that the industry must address through evolving coverages, improved risk modeling and broader market education to keep pace with the accelerating cyber risk landscape.

High-profile cyber attacks in 2025 exposed this vulnerability, causing significant financial losses that reverberated through businesses and economies without adequate insurance protection. This tension—between a maturing product and a rapidly shifting, expansive digital risk environment—defines the market today. It challenges the reinsurance industry to innovate and adapt, while underscoring the urgent need to close coverage gaps and expand cyber risk transfer solutions to better protect the global economy.

Cyber Insurance 2025: Market Growth Meets Pricing Evolution

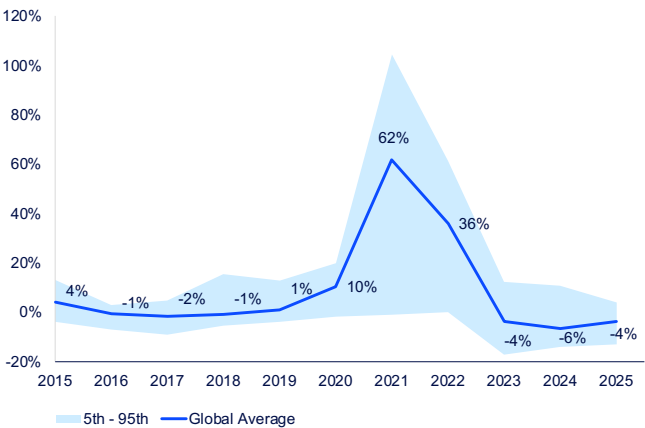
The global cyber insurance market is estimated at approximately USD 16 billion in gross written premium (GWP) in 2025, driven by expansion into emerging markets and untapped segments. This growth reflects increasing digitalization, heightened regulatory focus and rising awareness of cyber risks across industries worldwide.

In Europe (including the UK), market growth has accelerated, as established insurers and insurtechs compete to capture the large-risk segment. Regulatory drivers, such as General Data Protection Regulation (GDPR) fines and concerns over first-party cyber risks, motivate increased insurance purchases, contributing to a competitive and evolving landscape.

The Asia-Pacific region and other emerging markets, including Latin America and the Middle East, show lower penetration but rapid growth, especially among small- and medium-sized enterprises (SMEs). Challenges such as regulatory fragmentation persist, yet personal lines and SME segments offer promising potential.

In 2025, cyber insurance rates softened amid increased capacity from new insurers and MGAs, driving stronger competition. Buyers took advantage of softer markets to raise limits, reduce retentions and broaden coverage. Larger rate decreases were seen in the UK and Europe, reflecting a maturing and more competitive market. Despite softer pricing, demonstrated by the average rate changes in Figure 1, insurers maintained focus on underwriting discipline and cybersecurity controls.

Figure 1: Global Cyber Rate Change



Source: Data from GC CyberExplorer DataLake through January 1, 2026 placements.

Reinsurance conditions in 2025 remained favorable to buyers despite rising loss picks, reflecting a resilient market environment. Following unprecedented pricing increases in 2021 and 2022, compounded rate deterioration on underlying policy pricing since that

period has exerted significant pressure on overall performance. A notable influx of third-party claims activity, particularly dominant within North American portfolios, has further intensified these challenges. Nevertheless, the market continues to demonstrate strong commitment to the cyber reinsurance space, recognizing its long-term growth potential and profitability.

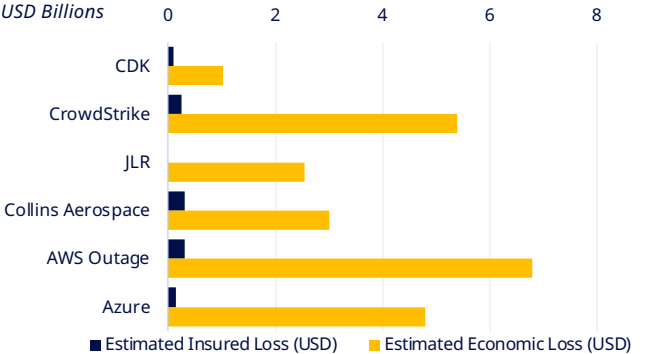
2023, in particular, has had outsized non-catastrophe losses, contributing to performance pressures across some portfolios. Meanwhile, excess portfolio rates softened more rapidly than primary rates as capacity returned, aided by expanding supply. This dynamic helped ease concerns over capacity shortages experienced in 2021 and 2022. Importantly, the market is witnessing a strategic shift away from focusing solely on rate change and instead toward achieving pricing adequacy that better aligns a long-term view of portfolio management with evolving risk profiles. Portfolio diversification remains a central theme, serving as a critical tool to stabilize performance and manage volatility in an increasingly complex cyber risk landscape.

The Cyber Incidents Shaping 2025: Ripple Effects and the Visibility Gap

2025 has witnessed a series of cyber events that illustrate how deeply connected the digital economy has become. Major cloud service interruptions, ransomware attacks on critical suppliers and outages in widely used enterprise software platforms continue to demonstrate that operational risk is increasingly centralized in a handful of shared technologies.

Events such as the Jaguar Land Rover supplier ransomware incident highlight this vividly. The direct victim was a supplier, but the operational disruption extended across manufacturing lines, dealership systems, distribution partners and customers. The event exposed a truth the industry understands well: real-world cyber shocks often cascade through ecosystems long before they show up in insurance losses—and in many cases, they never do.

Figure 2: Recent Supply Chain Cyber Events



Source: Guy Carpenter

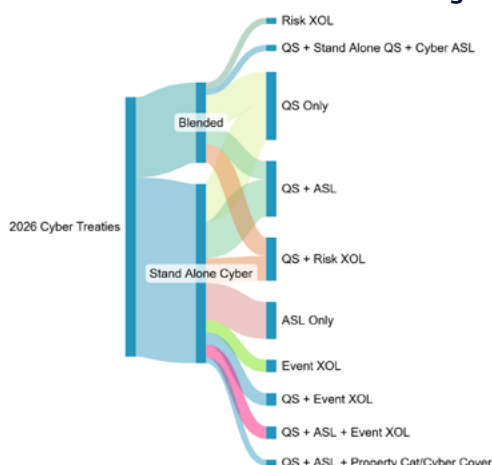
By contrast, a nearly 16-hour AWS outage—affecting one of the world’s most heavily relied-upon cloud providers—is estimated to result in minimal industry loss, despite its scale and visibility. This juxtaposition underscores a key theme: while reliance on technology is increasing across all sectors, actual insured outcomes are shaped as much by operational resiliency and business-critical process design as by the magnitude of the outage itself.

At the same time, liability exposures are beginning to reassert themselves, particularly in the United States. The frequency and severity of third-party claims—arising from data handling, obligations, regulatory scrutiny and downstream business interruption—are trending upward. For (re)insurers, this shift signals the broadening of the cyber risk footprint beyond first-party ransomware or outage-driven losses, and a return to the more complex, systemic liability environment many expected earlier in the market’s evolution.

Advancing Cyber Reinsurance: Strategic Innovation and Market Adaptation in 2025

The 2025 reinsurance market is navigating a fascinating phase, characterized by abundant capacity and openness to creative structures, tempered by vigilance over early loss emergence from 2023 and an evolving threat landscape. Cyber writers are diversifying their reinsurance strategies as portfolios grow and market confidence strengthens, balancing quota share cessions with non-proportional products based on profitability and cost considerations. While aggregate excess of loss (Agg XoL) covers have been stable, and far from attaching, there has been a growing consensus to make them moderately in-the-money, leading to gradual lowering of attachment points. This shift is making Agg XoLs more accessible and effective, complementing the growing focus on event covers to provide more targeted and efficient protection against both aggregate and individual event losses.

Figure 3: Diversified Reinsurance Purchasing Strategies



Event covers offer lower attachment points and more focused catastrophic protection, but the proliferation of event definitions has complicated efforts to aggregate capacity behind a unified solution. Aligning these varied event definitions with cyber model outputs is critical to structuring efficient layers that preserve defense against severe systemic events. That is why precise and nuanced wording in event definitions is essential—it ensures clarity, reduces basis risk and enables effective aggregation of capacity across the market. Guy Carpenter has observed increased exploration, modeling and pricing of event XoLs, though cedents remain cautious about basis risk.

To address these challenges, Guy Carpenter has been innovating with new capital solutions created to reduce basis risk and improve coverage clarity. Guy Carpenter’s CatStop+ product is designed to solve for the basis risk challenge by providing a single limit operating as either low attaching event-based cover, or as an aggregate stop loss backstop for comprehensive protection against all types of catastrophic and attritional loss.

In 2025, Guy Carpenter also successfully placed our proprietary Step-Up Aggregate product, which offers a dynamic and cost-efficient approach to aggregate risk protection. This innovative solution features a low upfront rate on line (ROL) that only increases if losses approach a predetermined threshold, aligning pricing more closely with actual risk exposure and performance. Cedents benefit from reduced upfront costs and the flexibility to commute the coverage before the threshold is reached, providing capital relief and certainty aligned with loss development.

For reinsurers, the Step-Up Aggregate product enhances capital efficiency by adjusting pricing in response to emerging losses, enabling better capital redeployment and portfolio management. Guy Carpenter continuously calibrates pricing, attachment points and limit sizing to reflect evolving market dynamics and client needs. This product exemplifies the firm’s commitment to delivering tailored, market-responsive solutions that improve risk-transfer effectiveness and support sustainable capital management in a complex insurance landscape.

2025 also saw expansion with the cyber market supporting risk XoL cover. While risk XoLs currently only offer limited sideways protection, they are frequently structured alongside quota share agreements to create a more comprehensive risk-transfer solution. This combination enables cedents to balance proportional sharing of premiums and losses with non-proportional protection against large individual claims, optimizing capital efficiency and underwriting results.

Source: Guy Carpenter.

*Based on Guy Carpenter placements as of January 1, 2026.

The renewed interest in risk XoLs reflects the market's evolving appetite for tailored, flexible reinsurance structures that address both portfolio-level and individual risk concerns in an increasingly complex cyber risk environment.

These covers provide focused risk-layer protection above a specified attachment point, allowing insurers to manage volatility and limit losses on individual risk exposures more effectively.

Retrocession buying continues to evolve, marked by the introduction of innovative solutions such as the first GC Cyber XXL product—a “hard retro” arrangement providing excess of loss protection on an underlying portfolio of XoL treaties. The market for retro industry loss warranties (ILWs) has also expanded, supported by favorable conditions that enhance capacity and offer buyers improved opportunities for risk transfer. These developments reflect a broader trend toward more sophisticated retrocession structures aimed at managing aggregate exposures and optimizing capital efficiency.

Additionally, product innovation has advanced through blended cyber and property insurance solutions focused on cost efficiency and program effectiveness. While cyber reinsurance rates have softened relative to prior years, they remain above the highly competitive property reinsurance market. This dynamic creates an opportunity for clients to optimize overall insurance costs by combining cyber and property coverages, particularly in tail risk scenarios. By optimizing a single shared limit for diversified catastrophic risks, these integrated solutions achieve significant pricing efficiencies. Furthermore, the approach offers benefits such as streamlined administration and aligned claims processes, enhancing program efficiency and effectiveness.

Cyber ILS: Capital Poised for Opportunity

Investor appetite for cyber insurance-linked securities (ILS) continues to grow, with more investors gaining familiarity and comfort with cyber risk and modeling. While transaction activity has slowed compared to earlier years—partly because of higher spreads relative to traditional reinsurance pricing and ample traditional reinsurance capacity being available—the overall interest remains robust. New mandates focused specifically on cyber risk have emerged, and investors are increasingly sophisticated in evaluating cyber portfolios, contributing to tighter pricing spreads when deals do occur.

For Guy Carpenter's clients, alternative capital is now becoming a standard part of their risk-transfer toolkit, complementing traditional reinsurance capacity. While traditional reinsurance remains readily available and competitively priced in the current state of the market,

sponsors are exploring a broader suite of options to unlock balance sheet flexibility and capital efficiency. With thoughtful structuring reflecting each client's unique portfolio and the evolved modeling, cyber ILS can evolve into a cost-effective and resilient complement to traditional reinsurance solutions.

While catastrophe bonds remain a popular vehicle, other structures, such as industry loss warranties (ILWs) and other collateralized structures, have gained traction as effective ways to expand their panel of investors and diversify capital sources. This balanced approach enables sponsors to optimize their capital structure and risk-financing strategies.

Refining Cyber Risk: The Evolution of Modeling in 2025

In 2025, cyber modeling has undergone significant advancements as major vendors update methodologies to provide greater granularity, incorporate individual risk differentiation and recalibrate models based on recent cyber events. These enhancements reflect the market's demand for more detailed and flexible tools to better capture systemic risks. Three key themes emerge: 1) capturing multi-cloud and multi-region outage scenarios to better reflect systemic risk and diversification benefits; 2) incorporating individual organization risk differentiation through cybersecurity quality scores; and 3) recalibrating models based on recent cyber events to improve accuracy and relevance.

Model vendors are increasingly factoring in the cascading effects of outages across multiple cloud providers and geographic regions, recognizing that portfolio diversification extends beyond simple geography to include technological dependencies. This enhanced granularity helps insurers and reinsurers better understand correlated losses and tail risk in an interconnected digital ecosystem.

Alongside this, models now integrate risk scores that assess the cybersecurity posture of individual organizations, allowing for more precise stress testing of portfolios and improved alignment of risk-transfer solutions with actual exposures. Finally, recalibration efforts incorporate lessons from recent incidents—including non-malicious events—to refine scenario catalogs and model parameters, resulting in more realistic loss estimates and greater confidence in model outputs.

Guy Carpenter licenses all the leading cyber modeling vendors and actively keeps pace with these changes, helping clients navigate the evolving modeling landscape. Together, these developments enable better-informed underwriting, capital allocation and reinsurance structuring, supporting the evolving

needs of the cyber insurance market as it navigates an increasingly complex and systemic risk landscape.

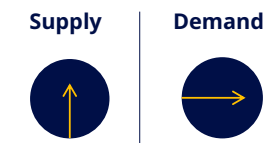
January 1, 2026 Reinsurance Purchasing and Outcomes

The 2026 cyber reinsurance purchasing landscape is shaped by a complex and evolving risk environment. Despite advances in underwriting discipline and product innovation, cyber threats continue to outpace traditional coverage, leaving significant protection gaps. The cyber reinsurance market remains dynamic and ripe with opportunity, offering cedents a favorable environment and diverse risk transfer options. Supply continues to outpace demand, driven by both incumbent reinsurers and new entrants expanding capacity, which contributes to competitive pricing and increased flexibility.

Proportional

At January 1, 2026, proportional reinsurance remains a core component of cyber risk-transfer strategies. Guy Carpenter assists clients in refining quota share arrangements to align with portfolio growth and diversification, leveraging advanced data analytics from the proprietary GC Data Lake. Many clients have chosen to maintain or make slight strategic adjustments to their quota share, carefully balancing risk retention with available market capacity. This approach enables optimized capital efficiency while preserving underwriting discipline and effective retention management.

Figure 4: Cyber Renewal Landscape as of January 1, 2026



Proportional Ceding Commission

Flat to +2 pt

Non-proportional Rates

-2.5% to -25%

Source: Guy Carpenter
*Based on data as of January 1, 2026.

With softened reinsurance market conditions, renewed focus on portfolio diversification and cautious capital deployment exercised across cyber writers, Guy Carpenter successfully advocated for increasing ceding commissions on behalf of our clients, achieving flat to +2 point increases year-over-year. This favorable combination of strong underwriting results and differentiated risk selection provided the leverage needed to secure enhanced commission terms, ultimately supporting clients’ capital efficiency and improving program economics.

Non-Proportional

Non-proportional reinsurance remains a critical tool for managing large individual losses and tail risk, with clients increasingly exploring a broad and expanding spectrum of solutions. There is a growing focus on the efficiency of aggregate covers, as these solutions provide cost-effective proven protection by capping total losses over a period, helping clients manage volatility and capital usage more efficiently. In 2025, rate reductions across non-proportional reinsurance broadly ranged from 2.5% to 25%, reflecting increased market capacity and competitive dynamics that have enhanced affordability and accessibility of these vital risk transfer solutions.

Strategically, there has been a notable shift in aggregate stop loss (ASL) buying patterns. While 2023 and 2024 saw a focus on far-tail protection, recent trends indicate renewed interest in harder-working attachment points, which offer more immediate and tangible risk mitigation benefits. This shift underscores clients’ evolving priorities toward balancing protection against severe tail events with cost-effective coverage for more probable loss scenarios. At the same time, clients are becoming increasingly comfortable with cyber risk, though their views and interpretations of catastrophic risk continue to evolve. In response, they are actively exploring alternatives to traditional quota share and aggregate structures to better manage capital, reduce volatility and protect earnings within a maturing and increasingly complex market environment.

Event XoL covers remain essential for managing systemic cyber exposures by providing protection at lower attachment points against headline events. Clients have thoughtfully balanced breadth of event XoL wordings, which broadened throughout 2025, with the availability of lower attachments, in order to optimize pricing and protection. These adjustments reflect lessons learned from the small-scale catastrophes of 2023 and 2024, which challenged event attachment points and helped to evolve definitions.

By aligning client view of risk and market offerings, Guy Carpenter delivers tailored, innovative event XoL solutions that enhance coverage clarity, reduce basis risk and support the structuring of efficient layers to preserve robust protection against severe systemic losses.

Cyber Risk Excess of Loss

Risk XoL covers have seen resurgence, frequently paired with quota share agreements to provide comprehensive risk transfer solutions. These hybrid structures reflect the market's demand for more flexible and targeted reinsurance, improving capital efficiency while managing both portfolio-wide and individual risks. Drawing on deep market knowledge and modeling expertise, Guy Carpenter guides clients in designing these tailored arrangements to balance proportional and non-proportional risk sharing effectively. This approach has supported the successful placement of 2 Risk XoL covers in Q4 and 3 more for the January 1 renewals, highlighting strong market engagement and client interest.

Cyber Insurance-Linked Securities (ILS)

Guy Carpenter continues to support clients in integrating cyber ILS into their risk transfer programs, recognizing their ongoing importance despite a moderation in market momentum, concentrated among a limited number of sponsors. We actively work with clients to design and place a range of collateralized solutions—including retro industry loss warranties (ILWs)—that effectively complement traditional reinsurance.

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2026 Outlook

The exponential growth in the cyber market over the past several years is expected to continue for the foreseeable future, with several market sources estimating that global premiums will reach USD 30 billion by 2030.

The cyber reinsurance market in 2025 highlighted increasing differentiation among cedents, with reinsurers rewarding strong performance and disciplined underwriting while adopting a more cautious stance toward those out of step with market expectations. This trend is expected to intensify in 2026, as reinsurers further incentivize best practices and risk management excellence, while applying more rigorous measures for portfolios that deviate from established standards.

Reinsurers demonstrate strong appetite and increasing capital deployment year on year, with those embracing innovative deal structures—such as flexible premium payment schedules, including stepped or contingent payments, no-claims bonuses and other tailored compensation arrangements that better align risk and reward, gaining a competitive edge over peers adhering to conventional, less-flexible approaches. This dynamic and evolving cyber reinsurance landscape demands ongoing creativity and adaptability. As the market faces new tests and challenges, reinsurers will need to innovate to maintain resilience and meet client needs effectively.

In 2026, there will be an increased emphasis on deepening risk understanding through advanced analytics and modeling, enabling the development of more comprehensive solutions that address the evolving spectrum of cyber exposures. This enhanced insight will support improved pricing accuracy, better portfolio management and the creation of integrated products tailored to meet the full range of client needs.

Guy Carpenter's global cyber practice leverages our development and implementation of unique proprietary tools, a cross-functional analytics team embedded within the broader Marsh McLennan organization and our dedicated global cyber broking team to balance structural innovation with minimized basis risk.

About Guy Carpenter

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