Cyber insurance

Finding a floor

DUAL

April 2026

Executive summary

Cyber insurance has reached a critical juncture. As a relatively young market with rising penetration, it has yet to follow the cyclical patterns seen in more mature classes.

Instead, it has moved rapidly through distinct phases: early exposure-led growth, a sharp pricing correction and, more recently, sustained softening.

The extent of softening is now raising concerns that the market may be approaching a profitability floor, yet there is limited analysis of the choices that will determine what comes next.

This report seeks to close that gap. Rather than focusing on prevailing conditions, it draws on proprietary insights across the US, Europe, the UK and Australia and New Zealand (ANZ) to set out a forward-looking path towards a more sustainable market – one that reduces the risk of a severe correction whilst supporting all participants across the value chain.

With premiums under pressure, exposures expanding and the threat landscape remaining elevated, the next phase will determine the market's trajectory. Our analysis uncovers the actions required to sustain a market that underpins resilience against an increasingly complex cyber threat landscape and reinforces the broader relevance of insurance.

Scott Sayce
Group Chief Commercial Officer

A market in transition

Cyber insurance has been one of the P&C market's standout success stories of the past decade.

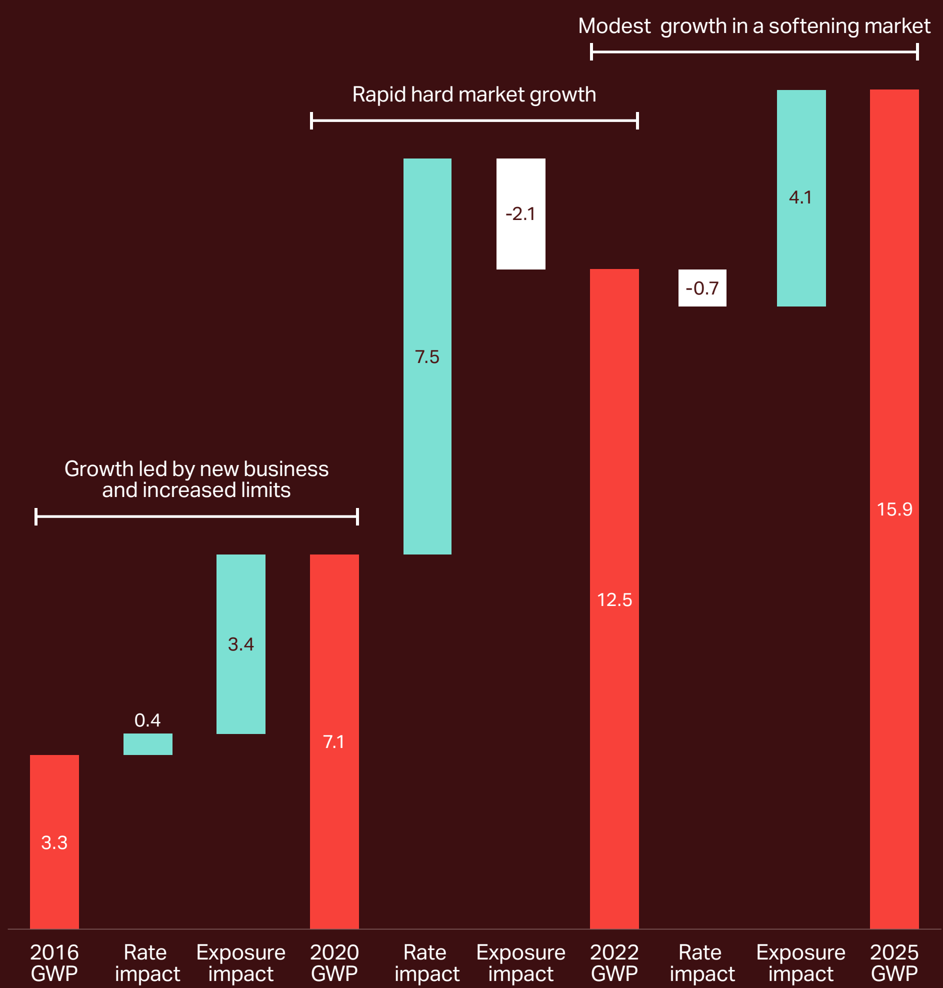
A market in transition

Following the distinctive trajectory of an emerging, now maturing, specialty line – marked by early caution, rising confidence backed by strong results, a market-shifting loss phase, capacity retreat, price correction and restoration of profitability – the market has softened in the last three years to the point where, if current trajectories are maintained, rate adequacy will increasingly come under pressure.

Figure 1 charts the three key phases of cyber market development over the last decade, illustrating how premium growth has shifted between its two primary drivers: rate and exposure. Prior to 2020, pricing remained broadly stable and growth was predominantly exposure-led, reflecting the influx of new buyers. By contrast, during the 2020-22 hard market, annual rate increases of around 70% became the dominant source of growth, more than offsetting a contraction in exposures to nearly double the global market's premium base.

Today, that momentum has slowed markedly, as exposure growth has been insufficient to fully compensate for compounding rate reductions. At the same time, signs of underwriting slippage amongst certain carriers are beginning to threaten the sustainability of market-wide profitability, with the United States already seeing signs of price stabilisation.

Figure 1
Premium growth of global cyber insurance market by rate and exposure in USD billion – 2016 to 2025
Source: DUAL

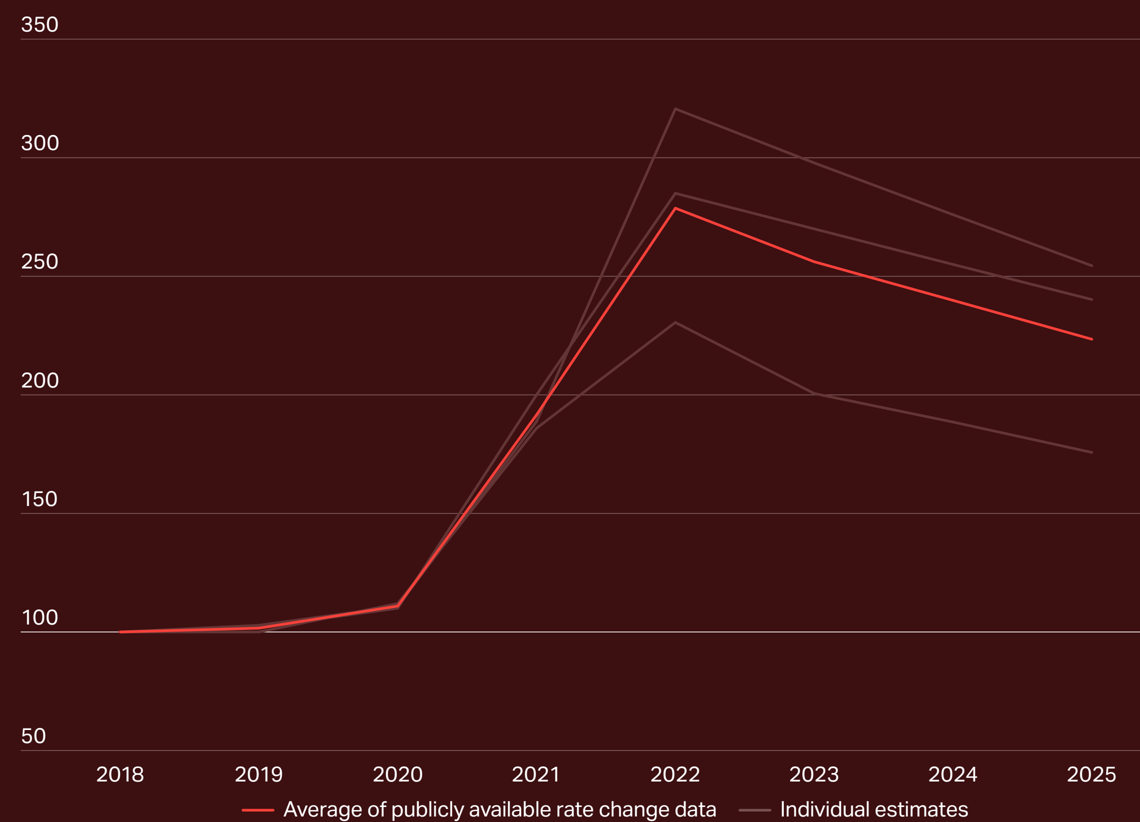


Pricing paradigm

The phases of the cyber market are most clearly reflected in rate movements, with the US market consistently driving market turns. Figure 2 illustrates how a structural shift in threat-actor behaviour, most notably the surge in ransomware attacks, led to a sharp repricing of cyber risk during the 2020-22 hard market.

The subsequent period of softening has been more gradual. After three years of reductions, enabled in part by clients' investments in cyber controls, margins are beginning to compress as claims rise in certain segments and markets. Intensifying competition is manifesting not only in lower rates, but also in larger line sizes and looser terms, all against the backdrop of a persistently elevated cyber threat landscape.

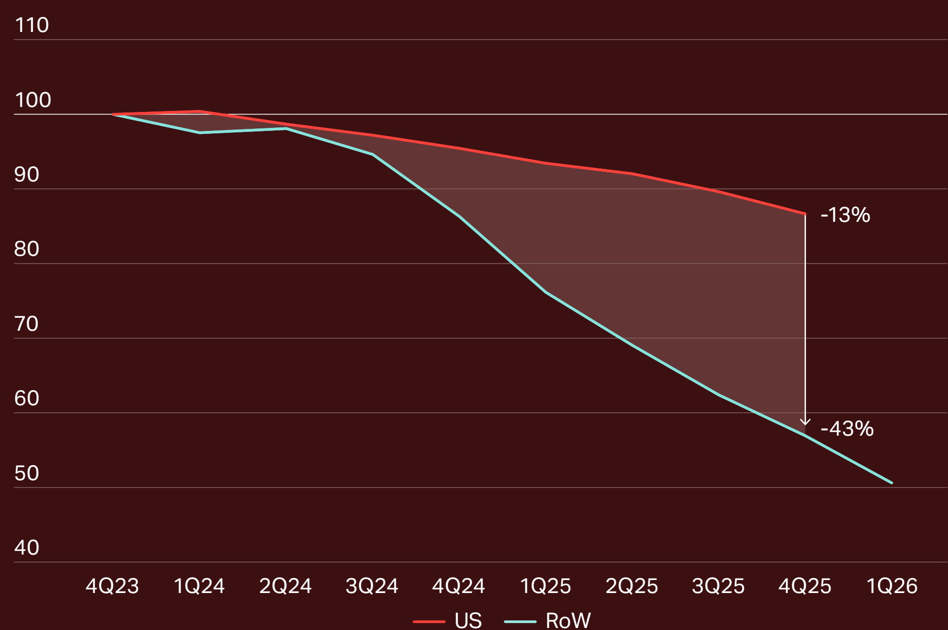
Figure 2
Reported carrier and broker global cyber insurance rate change – 2018 to 2025
Source: DUAL analysis based on publicly available market data



Pricing bifurcation

More granular analysis of pricing trends reveals a pronounced bifurcation across territories, with the US – accounting for around 70% of global cyber gross written premium and historically the first mover in underlying performance and pricing trends – providing the clearest signal on the likely direction of travel.

Figure 3
Cyber insurance pricing indices for US vs rest of the world – 4Q23 to 1Q26
Source: DUAL analysis based on publicly available market data



Note: US data provided by CIAB
RoW data provided by DUAL and includes Europe, UK, Australia and New Zealand

The lion's share of global softening is currently being driven by international markets, where conditions remain favourable for buyers. Average pricing in these markets has fallen by 43% from 4Q23 to 4Q25, reflecting a manageable loss environment and still-strong underwriting performance.

By contrast, pricing in the US has fallen by just 13% over the same period. The market is beginning to show signs of stabilisation as it contends with rising privacy-related claims and resulting pressure on margins.

Finding a floor

Bringing all these factors together – a persistently elevated loss landscape, thinning margins and flattening US pricing – 2026 is shaping up to be a year of transition for the cyber market.

Assuming past behaviour holds and the US continues to act as a bellwether for the global market, these dynamics signal a broad market turn over the next 12-24 months. Such an outcome would ultimately benefit the entire value-chain, buyers included, by reducing the risk of a more severe correction later.

For insurers and brokers, the next phase of the cyber market offers a pathway to rate adequacy and sustainable profitability, strengthening the position of committed market leaders. In short, the market's approaching inflection point marks the beginning of a more disciplined and sustainable phase across all regions.

Nearing the limits of softening

Nearing the limits of softening

10–11

The cyber insurance market is entering a transitional phase. Beneath sustained softening, structural pressures are building.

Conditions are no longer defined simply by surplus capacity; they are increasingly shaped by the interaction between pricing dynamics, rising exposures and an elevated threat environment.

The US appears closest to an inflection point. Europe and the United Kingdom are in a late-softening phase, with decelerating rate decreases, whilst ANZ continue to experience heightened competition, driven by new entrants and carriers' growth ambitions in an underpenetrated region. Although progression differs by region, the underlying trajectory is clear.

Five themes define the current market position.

Abundant, but differentiated capacity

Aggregate supply continues to exceed demand in most markets. Yet dispersion between carriers is widening as underwriting discipline, portfolio composition and sector concentration become decisive. Capacity remains plentiful, but performance and long-term resilience is uneven.

Falling prices, rising exposures

Compounded rate reductions have materially compressed premium growth relative to recent levels. At the same time, broader policy wordings, higher limits and expanded supply chain coverage are increasing exposures. The result is more risk carried for less premium.

Manageable losses within an elevated loss environment

Whilst recent loss experience has been contained overall, notwithstanding deterioration in the US last year, this should not be mistaken for a reduction in underlying threat levels. Attritional claims persist, severity dynamics are increasing and aggregation potential is rising due to supply chain risk and geopolitical volatility.

Margin compression is emerging

The cumulative impact of prolonged softening and claims deterioration is now visible in underwriting results. DUAL analysis indicates that all regions saw combined ratios rise in 2025 versus 2024 (see Figure 4), driven by lower pricing, rising losses or both. Assuming these region-specific trends persist, performance is projected to erode further, with the US reaching unprofitability in 2027, Germany close behind and ANZ retaining comparatively greater headroom.

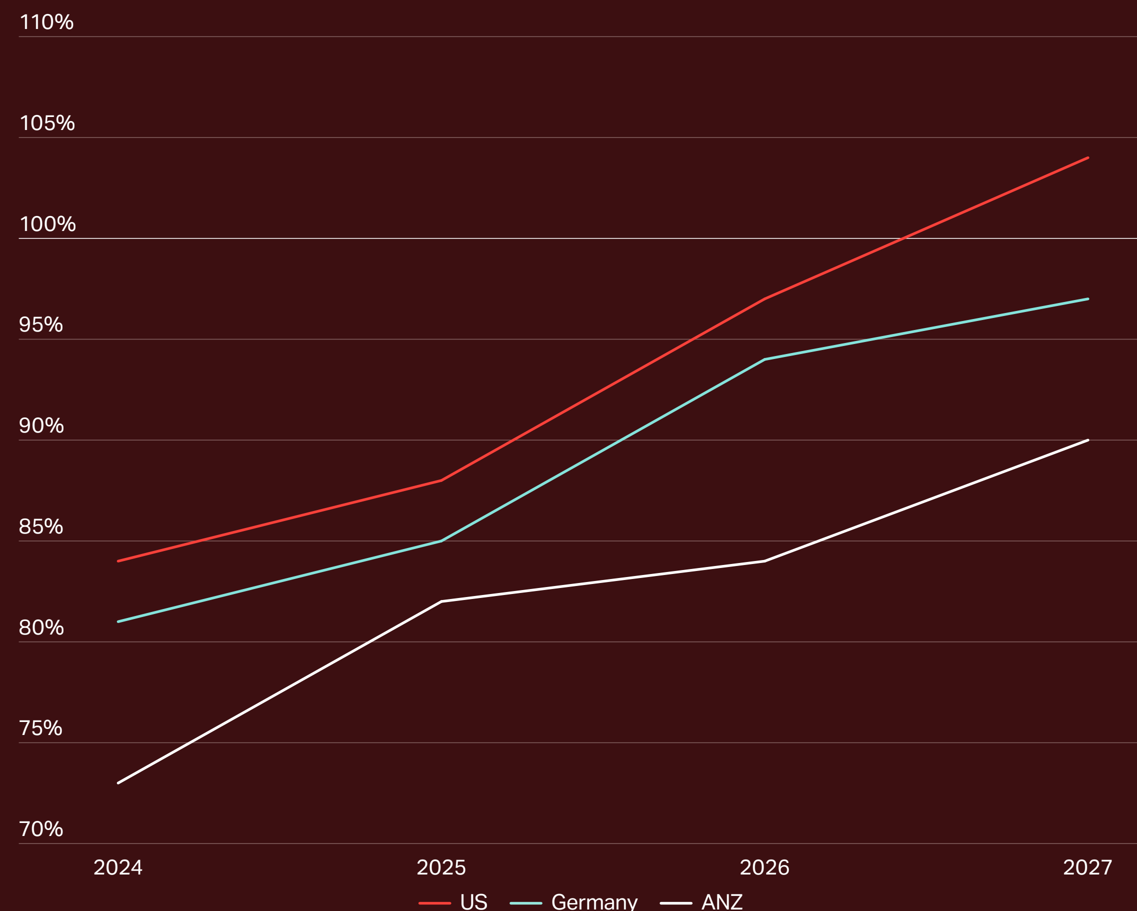
Performance-driven differentiation

As the market transitions, underwriting expertise, portfolio resilience and long-standing relationships are becoming increasingly decisive. With margins coming under pressure, discipline is being tested and performance differentials are widening. Committed market leaders with an established market presence and a proven track record are better placed to sustain long-term profitability.

The takeaway is not one of imminent dislocation, but of thinning margins. Capacity remains abundant and competition continues to favour buyers in many markets. Yet as pricing declines and exposures expand against a backdrop of persistent threat activity, underwriting discipline will increasingly determine relative performance.

The regional sections that follow examine how these dynamics are playing out in the US, Europe, UK and ANZ and what they mean for market sustainability through 2026 and 2027.

Figure 4
Projected combined ratios in US, Germany and ANZ up to 2027
Source: DUAL, NAIC, GDV, APRA



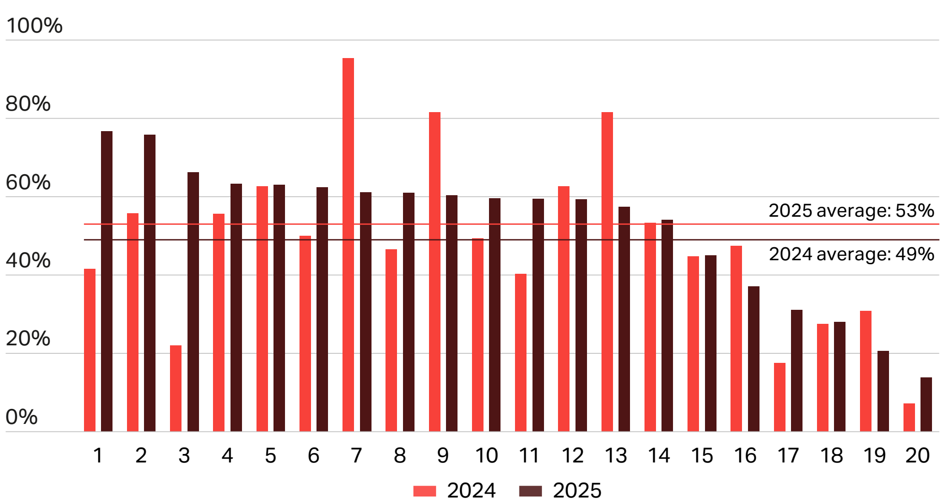
United States: an inflection point

The US cyber insurance market is transitioning from a period of softening to one of stabilisation. 1Q26 renewals showed that rate reductions have largely decelerated to low single-digits and, whilst broad-based rate increases are unlikely this year absent a major loss, the flattening trend indicates that the US is the first major market to reach this phase.

Reported performance in 2025 reinforces the need for this shift, with the market-average loss ratio increasing to ~55% (from 49% in 2024). When combined with expenses (~35%), underwriting margins are now compressed and vulnerable to deteriorating loss trends.

Dispersion across carriers remains pronounced (see Figure 5), reflecting differences in underwriting discipline, exposure mix and sector concentration. Some of the larger players continue to price aggressively, sustaining pressure in some segments. SME supply and demand are broadly balanced, but surplus capacity persists in large enterprise placements. Whilst healthcare and financial services remain under scrutiny given their regulatory exposure and data sensitivity, risk controls in these industries are generally strong and neither sector is currently experiencing market-wide tightening.

Figure 5
Loss and defence and containment cost ratio of top 20 US cyber insurers in 2025
Source: DUAL, NAIC



97%

Projected 2026 US cyber combined ratio nears profitability threshold

The key question over the next 12-24 months is whether the market will reach the limits of pricing adequacy given the direction of underlying loss costs. Loss frequency and severity dynamics and longer settlement periods are exerting upward pressure on claims for certain carriers. Abundant supply remains a major counterweight, especially in the SME space, where perceived penetration headroom continues to attract capacity.

Expanding threat environment
Competitive underwriting conditions are reducing the market's capacity to absorb losses. Impacts vary by portfolio composition: SME-focused books are more exposed to recurring business email compromise claims whilst larger accounts continue to encounter greater ransomware and litigation activity.

Supply chain concentration introduces aggregation exposure at a time when coverage breadth is expanding, reinforcing the structurally elevated risk profile confronting carriers.

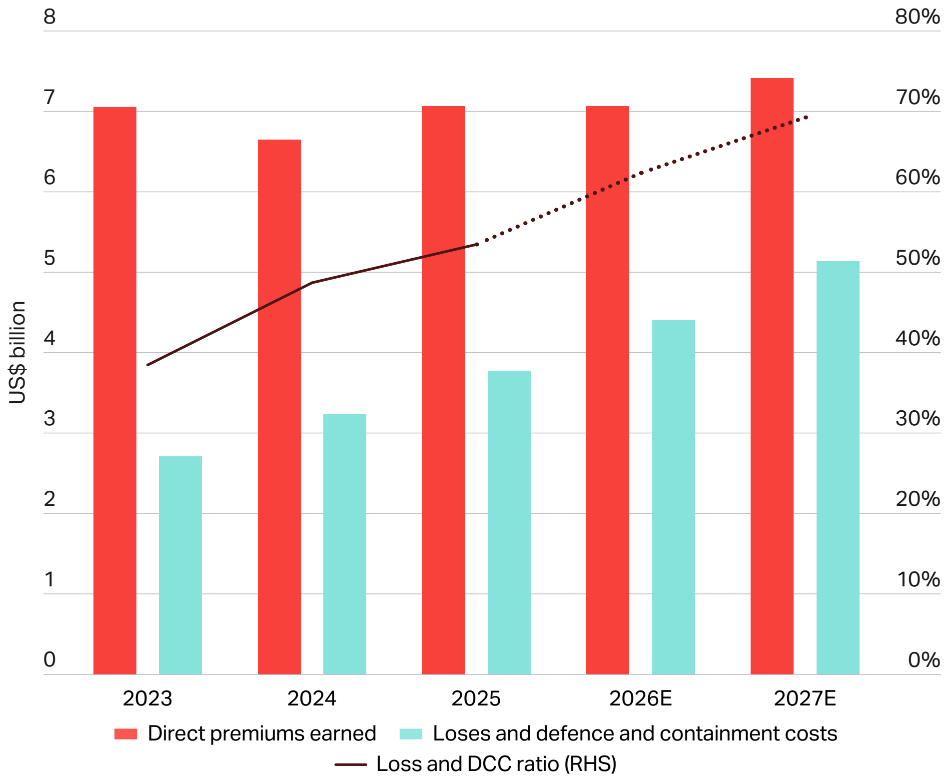
US loss dynamics now reflect a multi-layered risk structure comprising attritional pressure, elevated single-event severity and a lengthening legal tail, with aggregation risk embedded across segments.

End of softening
The cumulative effects of a structurally elevated risk environment and prolonged softening have brought the US cyber market to an inflection point. With margin buffers now largely eroded, the scope for further rate reductions is constrained by underlying underwriting economics.

Absent a major loss, flattening rates overall reflect a recognition of diminishing returns rather than renewed pricing power.

With a projected market-wide combined ratio of 97% in 2026, sustained upward pressure on losses and a corresponding increase in the loss ratio (see Figure 6) is likely to tip the market into unprofitable territory in 2027.

Figure 6
US cyber loss and DCC ratio 2023-27E
Source: DUAL, NAIC



Note: excludes alien surplus lines

This does not imply an imminent correction, but rather the end of market-wide rate reductions and the potential for selective increases or decreases in segments where loss experience warrants adjustments. Broader market firming could follow in 2027, driven either by sustained attritional loss pressure in a flat rating environment or by board-level profitability mandates triggering a coordinated response.

A significant event would prompt a more rapid correction. In its absence, the US cyber market is expected to move through a measured transition, driven by the cumulative effect of compressed margins and ongoing adverse loss development.

> “A structurally elevated risk environment and prolonged softening have brought the US cyber market to an inflection point.

Europe: the path to stability

The cyber insurance market in Europe is deep into the softening phase, with elevated capacity and intense competition driving sustained rate reductions and higher limits. Although capacity growth has slowed in recent months relative to the surge of the past two years, aggregate supply remains abundant and continues to exceed demand, even as first-time buyers enter the market and existing clients purchase higher limits.

Competition remains high across Europe. Spain, Italy and France, where increased switching of insurers and brokers is driving more aggressive rate reductions, are currently the most competitive markets, followed by the Nordics, Benelux and Ireland. Buyers in the DACH region (Germany, Austria and Switzerland) demonstrate comparatively stronger broker and insurer loyalty, contributing to more stable conditions and more moderate softening.

Competitive conditions extended into 1Q26 renewals, where most portfolios saw rate decreases in the double-digit range. More substantial corrections (of up to 70-75%) were achieved on individual accounts that had not previously been repriced in line with broader market movements.

Continued softening is expected through 2026. In the absence of a significant loss event, further rate reductions remain the most likely outcome, albeit at a gradually moderating pace. As compounded rate decreases compress margins, sustaining portfolio resilience and profitability is likely to take precedence over growth for some underwriters.

Profitability compression

Although the underwriting performance of the European cyber market remains favourable overall, dispersion between carriers is significant. Whilst most portfolios retain meaningful margin buffers, others are materially closer to becoming unprofitable.

DUAL research shows that tolerance for continued rate reductions depends heavily on existing portfolio performance. To assess sustainability, analysis has been applied to three representative cases: the GDV benchmark for the German market (45.5% starting loss ratio in 2024), a theoretical high-margin portfolio (starting loss ratio of 35%) and a lower-margin portfolio (starting loss ratio of 55%).

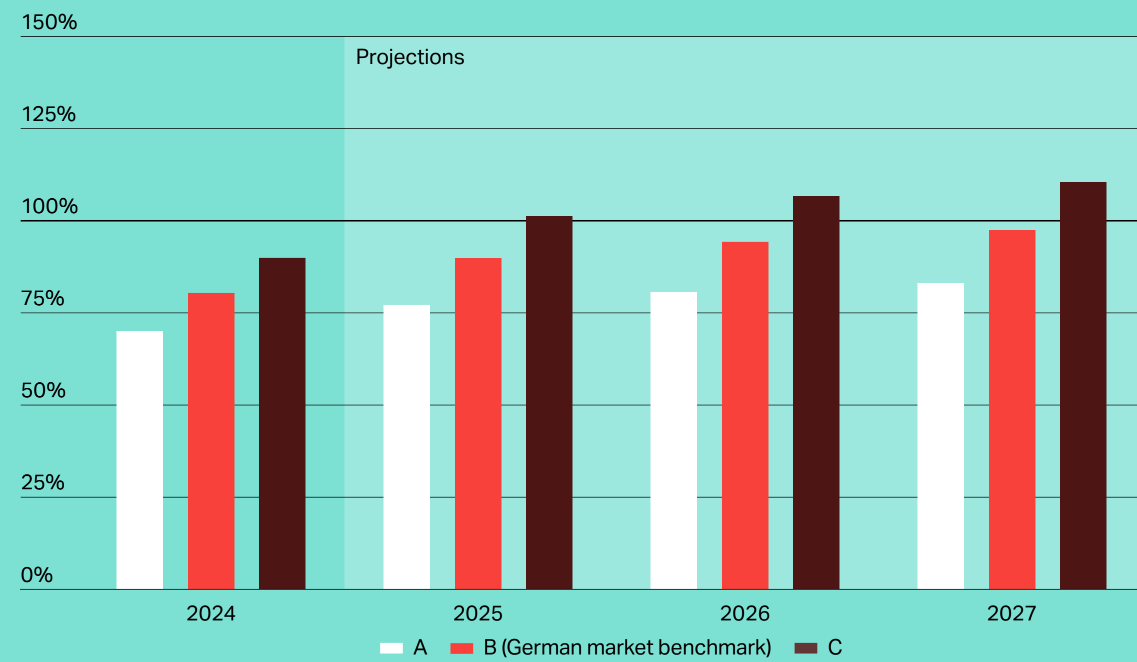
97%

Projected German cyber combined ratio in 2027

In each case, a 35% expense ratio has been added to the starting loss ratio to derive the initial combined ratio. The scenarios incorporate observed rate reductions based on DUAL Europe data underlying Figure 3 (with 4Q25 and 1Q26 assumed to mark the point of peak softening), forward projections of decelerating rate declines through 2026 and 2027 and no major loss events.

The results in Figure 7 show that the GDV benchmark (B) moves close to profitability thresholds by 2027 as margins compress. The high-margin portfolio (A) retains headroom to absorb further pricing pressure whilst the lower-margin portfolio (C) encounters profitability challenges this year.

Figure 7
Projected combined ratio development for portfolios with different starting 2024 loss ratios
Source: DUAL



These scenarios indicate that the market's tolerance for further softening may be more limited than headline figures suggest. Crucially, the analysis shows that the pricing floor is unlikely to emerge uniformly across the market.

Rising systemic exposures

Concurrent with pricing decreases, policy coverage across Europe has broadened. Over the past 12-24 months, some carriers have increased supply chain exposures by enhancing contingent business interruption terms and coverage extensions. Whilst responsive to client demand, these developments increase structural aggregation risk and raise the probability of correlated losses as coverage breadth expands.

Supply chain exposure introduces underwriting challenges. Insurers are extending coverage to losses originating within third-party networks beyond their (and often insureds') visibility and control. The complexity of digital interdependencies increases the probability of correlated loss events across portfolios.

Unlike ransomware, where underwriting standards and risk controls have matured considerably, systemic supply chain and technology-driven aggregation risks remain relatively untested. The lack of recent large-scale, correlated losses obscures the true severity potential. In a soft market, expanded coverage alongside lower pricing materially increases exposure to such systemic risks.

Stabilisation or sudden correction?

Two pathways are likely to emerge over the next 12-24 months. In the absence of a major loss, continued rate reductions through 2026 will compress margins and begin to decelerate as carriers approach profitability thresholds.

Our combined ratio forecasts indicate that margin compression alone is likely to be sufficient to establish a pricing floor in 2027, as lower rates, broader coverage and signs of reduced underwriting discipline strain returns. The pace and impact of stabilisation will vary materially by portfolio.

The alternative scenario, involving a systemic aggregation event or multiple smaller to medium-sized incidents generating widespread losses, would likely trigger rapid repricing, potentially accompanied by capacity withdrawal and renewed volatility.

It is in both clients' and underwriters' interest that the market avoids another major correction. The challenge therefore now lies in managing competitive pressures without compromising the long-term sustainability of underwriting performance.

> “The market's tolerance for further softening may be more limited than headline figures suggest.

United Kingdom: late-stage softening

Although the UK cyber insurance market continues to experience modest rate decreases overall, the pace of softening is slowing and signs of stabilisation are emerging. Competition remains elevated, driven by new entrants, modest demand growth, facility expansion and continued MGA formation.

Where rate reductions of 20-30% were widespread in earlier renewals, outcomes in early 2026 have more typically fallen in the mid-to high-single-digit range. Flat renewals are increasingly observed on certain accounts, particularly those with prior losses, compressed margins or limited appetite to remarket.

Supply exceeding demand
Supply and demand dynamics remain the dominant structural force. Cyber penetration across the UK remains modest (at 15-20%), and whilst uptake is rising more rapidly in the micro and SME segments due to facilities and broker-led offerings, the new premium generated from these smaller accounts has not been sufficient to absorb the additional capacity entering the market, much of it provided by MGAs.

The competitive environment is encouraging some carriers to adopt relatively standardised underwriting approaches, relying on firm size and revenue over more bespoke risk assessments. As a result, differentiation for enhanced controls has reduced through the soft market, particularly in the SME segment, and pricing does not always reflect firms' posture against the underlying threat environment.

Larger buyers remain underinsured, and high-profile cyber incidents in the UK over the last year have yet to generate sustained increases in demand for higher limits. As a result, competition for market share is focused largely on reallocating existing premium rather than growing the overall market.

The recent inflow of new capacity reflects the strong underwriting performance delivered by UK cyber portfolios in recent years. SME-heavy books have generally outperformed the broader market, with favourable loss experience supported by risk controls that have improved over time and threat actors' focus on larger organisations. Larger corporate accounts have also remained profitable, although they have performed less strongly due to greater exposure to loss severity and aggregation risk.

15-20%

Cyber insurance penetration across the UK market

50-60%

Current UK cyber loss ratios, up from ~30–40% a few years ago

Relaxation of controls
As SME-focused carriers search for growth, competition is now spreading into segments such as the mid-market and large corporate segments, where results have historically been more volatile. Shifts in underwriting standards are also emerging, with some carriers relaxing requirements around minimum controls or broadening coverage, including extensions for non-IT dependent supply chain exposures. Such loosening reflects competitive pressure rather than demonstrable improvement in the underlying threat environment.

Greater exposure to loss activity is beginning to place upward pressure on claims frequency and severity, compressing margins and slowing further price reductions. With rates materially below hard-market peaks and loss ratios rising (from the 30-40% range a couple of years ago to 50-60% today), further price reductions are becoming increasingly difficult to justify on technical grounds.

An incumbents' market
These dynamics favour established market incumbents. For carriers with diversified portfolios and established underwriting frameworks, this environment remains manageable given their greater ability to absorb attritional losses as they expand SME exposures. Larger books provide flexibility in segment allocation, allowing selective competitiveness without jeopardising overall profitability.

Market conditions are more challenging for newer entrants. Ambitious premium targets in a flat demand environment can only be achieved through market share displacement, typically requiring broader terms and more aggressive pricing. Fast-growing carriers are particularly vulnerable to adverse development as terms loosen and exposure grows relative to premium income.

Taken together, stabilisation is the most likely near-term outcome for the UK cyber market. Even in the absence of a cluster of large losses or a systemic cyber event, pricing is likely to hit a floor within the next year or two. Margins are already thin and continued pressure on profitability is likely to differentiate stronger incumbents from weaker participants, potentially leading to market exits.

Australia & New Zealand: persistent softening

The cyber insurance market in ANZ continues to soften, with pricing falling across most segments as carriers chase growth in what remains an underpenetrated region. Progression toward stabilisation appears to be slower than in other markets, as supply continues to outpace (rising) demand following considerable capacity inflows over the last 12-18 months.

New capacity has largely been driven by new entrant MGAs and Lloyd's-backed platforms. The ANZ market's reliance on digital and agency-led distribution channels has fuelled competition in the SME space by lowering distribution barriers and accelerating access. Pricing, distribution reach and product efficiency dominate growth strategies. The impact is most visible at higher limits, where market-share objectives have, in some instances, been prioritised over discipline.

Conditions are also competitive in the large corporate segment, which remains broker-led and characterised by deeper client engagement rather than broad distribution strategies.

Most SME portfolios are renewing with rate reductions of 10-15%, resulting in cumulative decreases of 20-30% relative to peak pricing levels. Underwriters are being equally aggressive in the open market, with varying rate change outcomes reflecting differing appetites and portfolio strategies.

Coverage breadth and policy terms, particularly around non-IT supply chain cover, are also expanding (for no additional premium in some cases), raising questions around underwriters' visibility of the risk and long-term price adequacy.

Manageable loss environment
Claims activity across ANZ has been relatively contained in the SME segment over the last 12 months. Loss experience continues to be dominated by attritional events such as business email compromise and funds transfer fraud.

Available claims data, based on a limited sample of incidents in Australia, highlights significant variation in loss amounts: whilst the median funds misdirected last year was approximately AUD26,000, the largest successful misdirection reached AUD2.3 million, underscoring persistent frequency alongside occasional severity.

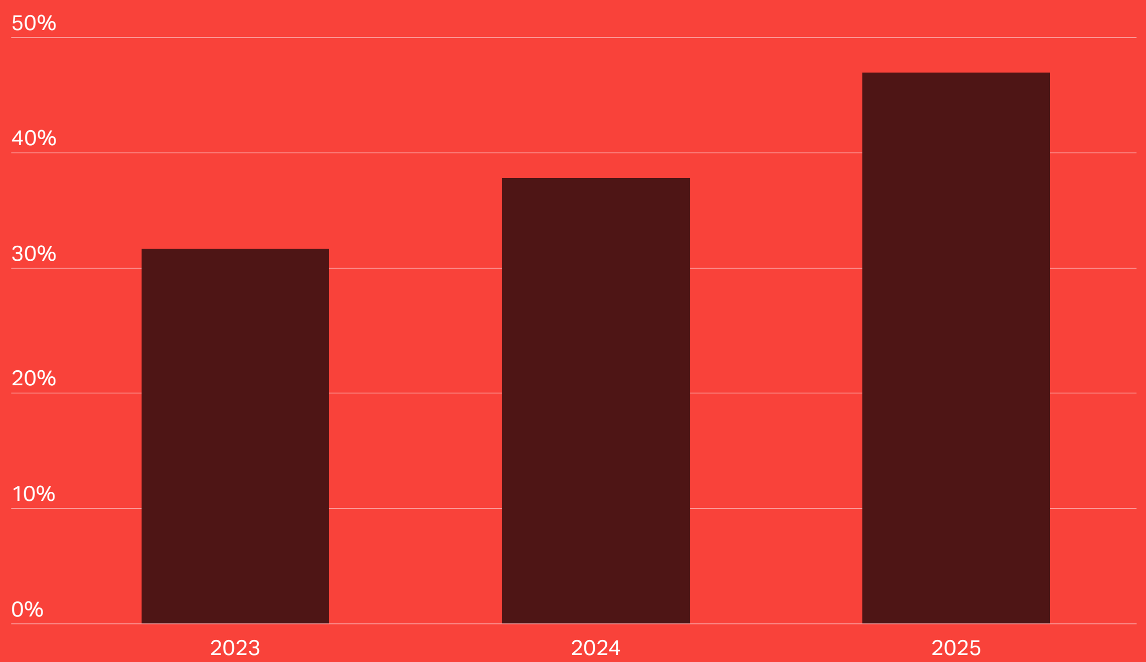
The absence of large ransomware losses in ANZ has contributed to favourable recent performance. The benign claims environment should not be interpreted as a reduction in underlying threat activity. Cyber threat intelligence points to sustained, and in some cases elevated, malicious activity. Small businesses in ANZ remain disproportionately impacted, with 53% of incidents affecting organisations with fewer than 100 employees. The absence of large insured losses therefore reflects timing rather than any material improvement in the underlying risk landscape.

53%

Share of cyber incidents impacting businesses with fewer than 100 employees

More softening
The degree of softening is now beginning to erode underwriting margins in ANZ, even in a largely benign loss environment. Market-wide data indicates deterioration in gross loss ratios in 2025, signalling that pricing pressure is now feeding through to underwriting results, albeit from a position of strength (see Figure 8).

Figure 8
Loss ratios for ANZ market – 2023 to 2025
Source: DUAL, APRA



Looking ahead, the ANZ market is expected to remain competitive through 2026, with further rate reductions likely in the absence of a significant loss event. Carriers remain growth-focused but adding exposure at lower rates ultimately risks diluting premium growth and compressing margins.

All of which points to gradual deceleration in rate reductions rather than near-term stabilisation. In this environment, brokers should take a longer-term view of the resilience and underwriting record of capacity providers in anticipation of adverse loss experience that could test certain carriers when conditions turn.

Sustained competitive pressure has clear implications for technical performance. Assuming further rate decreases in the high-single-digit range, alongside a modest rise in claims frequency and severity, combined ratios would approach profitability thresholds by 2027-28 as earned premium erodes against expenses and gradually rising loss costs. For now, competition dominates; over time, discipline will determine sustainability.*

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For now, competition dominates; over time, discipline will determine sustainability.

Two paths now lie ahead

Our analysis shows that 2026 represents an inflection point for the cyber insurance market.

After a period of sustained softening, margins will come under pressure for some carriers as pricing declines, exposures expand and the threat landscape remains elevated.

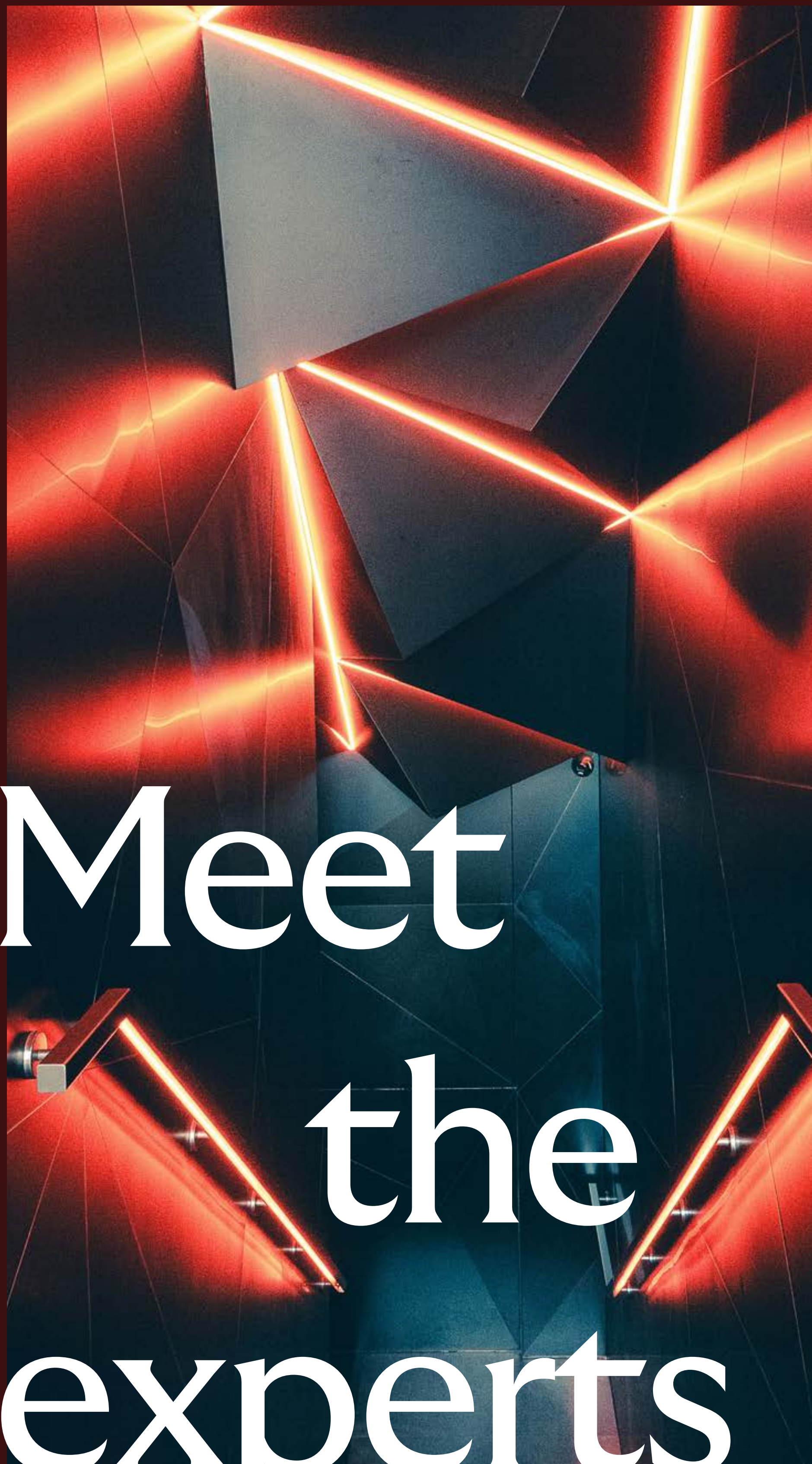
Two paths now lie ahead. The first leads to gradual stabilisation over the next 12 months, supporting a sustainable market. The second sees softening continue this year and next, increasing the risk of a more severe correction. It is in clients' interests that the market delivers the former.

Underwriting expertise, portfolio resilience and long-standing relationships will determine which carriers are best positioned to navigate the next phase. Those with a proven ability to deliver consistent performance through different pricing environments will be better placed to support clients in a more complex risk environment.

For our broking partners, this transition reinforces the importance of engaging with experienced, committed capacity providers. Securing stable, high-quality coverage will be critical as the market evolves.

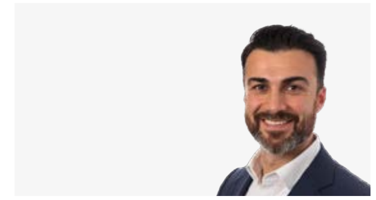
Cyber insurance continues to play a vital role in enabling resilience against an increasingly complex and interconnected threat landscape. Regardless of when and how quickly the market moves to a more disciplined phase, DUAL remains committed to delivering solutions that balance affordability, coverage and sustainable capacity.

Ali Khodabakhsh
Head of Cyber Europe



Meet the experts

Europe



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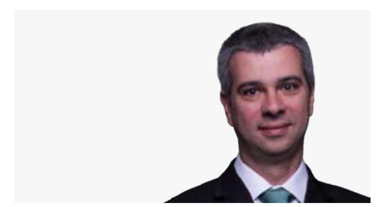

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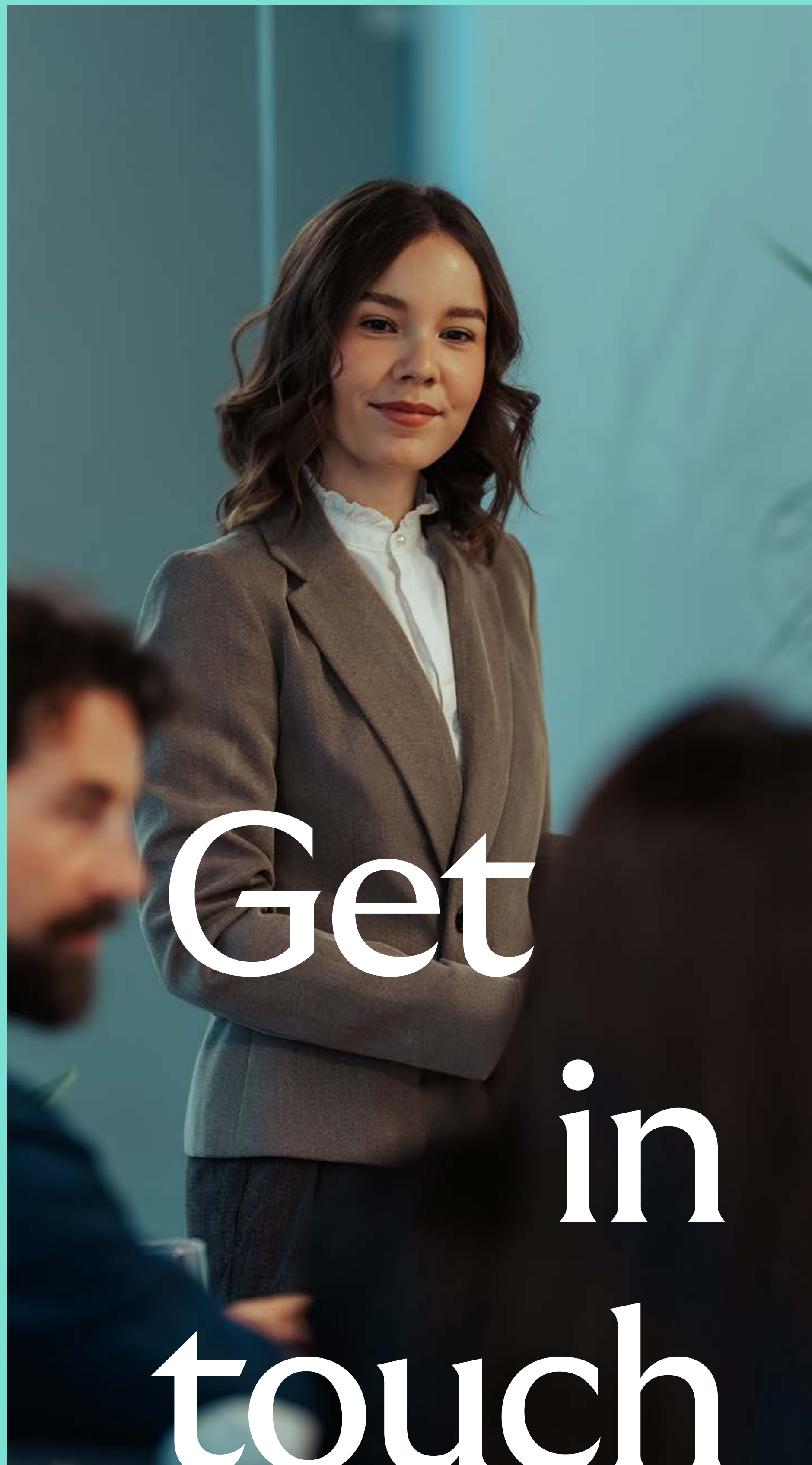

Cyber is one of the fastest growing areas in the insurance industry.

DUAL has built a global, market leading cyber proposition.

Our team of around 50 specialist cyber underwriters brings deep global and regional expertise, operating across our offices in 21 countries.

We combine this framework with enhanced external technology partnerships and our own in-house capabilities to deliver proactive customer monitoring and cyber threat intelligence at the end-insured level.

Our solutions bring together the best of people, technology and capacity to help clients stay ahead of emerging cyber risks.

For details on how we help click here.

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