

Our Insight, Your Advantage®

March 4, 2025*

Cyber Insurance Survey Highlights Systemic Risk, Particularly on SMEs

AM Best Cyber Insurance Questionnaire provides insights into premium and claims details

Principal Takeaways

- Insureds with less than USD 10 million of annual revenue have the most exposure in terms of limits.
- Per policy, the largest average limits are for insureds with annual revenue of USD 1 billion.
- The majority of claims paid were for incident response, which could be first party, such as ransomware, or third party such as a data breach. This indicates there is a tail on cyber business since reserves are over USD 1 billion for such claims.

AM Best sent its inaugural cyber questionnaire to the 60 largest cyber insurers globally. This report summarizes the 41 responses received. Total premium from participants is about USD 8 billion - approximately half of estimated global cyber premium. The responses varied in robustness and is a reflection of the evolving cyber market - we anticipate that the nature and the detail in responses will improve as the cyber market evolves.

Catastrophe modeling for cyber events is still in its nascent stages. The systemic risk of cyber puts an emphasis on aggregate exposure for insurers, much of which is measured by catastrophe modeling. AM Best is agnostic to the cyber model used - whether it be internally developed or an external one. We look for management's understanding of the risk and the ownership of risk models in terms of assumptions and parameters. Risk models can be deterministic or stochastic: Of the 41 respondents, 30 used some type of catastrophe model. Ten companies used only probabilistic models; five companies used only deterministic models; 15 companies used both deterministic and probabilistic.

Based on the survey responses, the majority of limits on cyber insurance is to cover entities with less than USD 10 million in annual revenue (**Exhibit 1**). These small businesses also account for over 80% of all cyber policies, therefore, the overall exposure on any one policy is relatively small.

This also highlights the systemic risk of cyber insurance. That any of these small businesses could be using the same cloud service or another common service illustrates how one outage or attack would impact several policies.

Larger companies tend to be the targets of cyber attacks due to their wealth and vast customer data stored. As a result, these entities carry significant exposure as well as the largest premium overall, which is just under 30% of total cyber premium. Ransomware, with its quick payouts to the threat actors has become the most common claim.

Of the reported claims, the majority were categorized as "unknown" coverage type. As insurers organize their claims systems and classification mechanisms, we expect the percentage of "unknown" to decrease prospectively. Among reported claims for a specific coverage, over half

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Exhibit 1

Measures by Size of Insured

	Total Policies	% Share of Policies	Total Limits (USD 000s)	% Share of Limits	DPW (USD 000s)	% Share	Limits/DPW	DPW/ Policies (USD 000s)	Limits/ Policies (USD 000s)
Annual revenues less than USD 10M	1,425,526	73.1	470,493,279	52.7	1,688,009	21.3	278.7	1	330
Annual revenues USD 10M up to USD 250M	313,651	16.1	234,288,200	26.2	1,888,949	23.9	124.0	6	747
Annual revenues of USD 250M up to USD 1B	32,767	1.7	46,118,040	5.2	904,771	11.4	51.0	28	1,407
Annual revenues of USD 1B or greater	33,229	1.7	70,926,478	7.9	2,307,452	29.2	30.7	69	2,134
Unknown	145,585	7.5	71,028,210	8.0	1,124,582	14.2	63.2	8	488
Cyber Total	1,950,758		892,854,207		7,913,763		112.8	4	458

Exhibit 2

Measures by Claim Coverage

	# Claims Paid	% Share of Claims Paid	Net Incurred Losses (USD 000s)	% Share of Net Inc Losses	Net Reserves (USD 000s)
Business Interruption	153	1.2	561,339	25.3	58,885
Contingent Business Interruption	31	0.2	5,502	0.2	11,137
Data & Software Loss	74	0.6	2,742	0.1	5,175
Intellectual Property Theft	2	0.0	20	0.0	17
Financial Theft/Fraud	461	3.6	17,336	0.8	21,371
Physical Asset Damage	0	0.0	0	0.0	0
Reputational Damage	0	0.0	0	0.0	0
Extortion	492	3.9	133,938	6.0	73,026
Breach of Privacy	316	2.5	38,367	1.7	34,243
Regulatory/Fines/Penalties	62	0.5	25,572	1.2	32,104
Incident Response	2,845	22.5	319,844	14.4	1,004,472
Network Security Failure Liability	270	2.1	78,622	3.5	62,928
Communication and Media Liability	169	1.3	21,285	1.0	40,386
Liability - Directors & Officers	0	0.0	34	0.0	34
Liability - Errors & Omissions	217	1.7	43,199	1.9	54,967
Liability - All other	292	2.3	89,345	4.0	196,561
Other	41	0.3	11,330	0.5	9,889
Unknown	7,244	57.2	866,890	39.1	588,490
Total	12,669		2,215,366		2,193,686

Source: AM Best data and research

were “incident response” (**Exhibit 2**). Given the frequency of ransomware attacks and business email compromise, this is expected.

While many insureds have been able to avoid paying ransom, those that cannot may ultimately endure more losses owing to business interruption than the cost of the ransom. On a per-claim basis, business interruption claims are more expensive than incident response claims. A good system of backups and other cyber hygiene measures such as prompt patching and segmentation may limit cyber attacks and help businesses be more resilient. This will allow the insureds to get online faster and limit the impact from these attacks.

***Updates to the Report**

This report was updated on March 4, 2025, to reflect changes to the text and exhibits.

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