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Growing UK Cyber Coverage Continues Amid Escalating Threats

The UK insurance industry has had several warnings about systemic aggregation, silent cyber, and the possibility of a catastrophic, multi-insured event. Despite these warnings, however, capacity continues to grow, being driven by a blend of market dynamics, evolving underwriting practices, and shifts in risk appetites.

Pricing largely continues to soften, with UK primary cyber insurance premium rates dropping by around 5% in 2026 on top of average decreases of 11% last year. The trend comes despite a run of increasingly serious 'near misses' that have included the recent coordinated attack on the Manchester Airport Group, with the appetite among London Market insurers showing little sign of abating.

Continued Market Expansion

The numbers tell a story of a class of business that has firmly moved to the mainstream of the sector. Despite lower unit pricing, cyber premium income reached just over £13 billion in the UK in 2025, up from £11.8 billion in 2024, and most forecasts expect double-digit growth to continue over the remainder of the decade. Pricing for well-controlled risks has fallen substantially from the highs of the 2021–22 hard market, with some analysts placing current rates at around 40% below their peak during this period. Protection has extended to reflect the change, with system failure and contingent business interruption extensions, once restricted, now offered at full limits for many buyers with strong security controls.

On one level, this makes sense, as insurers are still collecting more in premiums each year than they pay out in claims, even though the size of those claims has jumped sharply. These market conditions are why prices keep falling and cover keeps broadening, regardless of warnings about a bigger, more widespread systematic risk on the horizon.

The Near Misses Keep Coming

Rather than isolated claims, 2025 and 2026 featured a number of incidents that suggest something bigger may happen. The attacks on Marks & Spencer and the Co-op in April 2025 were officially assessed by the Cyber Monitoring Centre as a combined Category 2 systemic event, with an estimated total cost of between £270 million and £440 million. Coming just months later, the Jaguar Land Rover incident was categorised as the first Category 3 systemic event to originate from a single company and the most economically damaging cyber attack in British history. The breach halted production for around five weeks, and the estimated cost was in the region of £1.9 billion and ultimately required a £1.5 billion Government loan guarantee to steady the resulting supply chain crisis. The incident prompted the Financial Conduct Authority's chief executive to speak publicly of the risk that the UK is "*potentially massively underinsuring*" against systemic cyber risk.

Rather than the severity of each in isolation, attacks of this nature reveal a lot about the shape of a genuine mega loss and the vulnerabilities of interconnected ecosystems in modern industries. Jaguar Land Rover was not attacked because it was uniquely vulnerable, but because of where it sat in a network of shared suppliers, shared software, and shared digital infrastructure. Analysis has pointed to common cloud providers, concentrated managed-service relationships, and widely used enterprise software as common threads that expand the attack surface and could turn a single intrusion into a domino effect of disruption, causing losses that span a multitude of otherwise unconnected policyholders simultaneously. Even as primary market capacity continues to build, this is a scenario of grave concern to reinsurers.

The Disconnect in the Market

Industry commentators this year have highlighted the gap between what insurers know and how they are behaving, with heavy competition leading to a prolonged soft market and underwriters seemingly deprioritising aggregation risk as they look for premium growth and market share. Although there remains considerable unease about a single event triggering losses across many customers simultaneously, competitive pressures have led to concessions and less emphasis on caution. That competitive pressure is already showing in practice, with one major underwriter reportedly offering full war-risk coverage to target the deep capacity shortages caused by global tensions in the Middle East and Persian Gulf, a move that would not ordinarily be expected given the current geopolitical environment.

This in no way suggests recklessness, but is more characteristic of a relatively young and fast-growing class of business, where actuarial data is thin, historical loss patterns offer little guide to future accumulation, and the discipline that normally follows a market-changing loss has yet to be delivered. The consensus among practitioners appears to be that there will be a correction in pricing and terms, but no event has yet forced the market into it.

The IUA Brings Claims into the Conversation

Against this setting, the International Underwriting Association's (IUA) announcement they are to establish a new Cyber Claims Committee for the London Market is a timely development. The committee's inaugural meeting is scheduled for mid-October and will be open to senior leaders from cyber claims teams at London-based insurers and reinsurers. It sits alongside the IUA's existing Cyber Underwriting Group and Cyber Reinsurance Committee, extending the association's network of dedicated cyber infrastructure to add claims professionals.

The IUA's Director of Claims, Joe Shaw, highlighted that the dynamic nature of cyber risk was behind the decision to introduce the new committee, with the rationale being that claims experience should be behind underwriting and wording decisions far more directly. "*Cyber risks are changing rapidly, and claims activity is influential in shaping the London Market's response to risk management demands*," he noted, adding that the committee is intended to create "*an effective feedback loop between claims and underwriting*" so that IUA members are better placed to respond to emerging threats.

The significance of this initiative is in its timing, with a dedicated forum for claims handlers giving the market a more structured route through which loss experience from events such as the M&S, Co-op, and JLR incidents can be fed back into pricing, policy wording, and risk appetite. This is precisely the feedback loop that many industry commentators have argued is currently missing. It remains to be seen whether that translates into faster underwriting discipline, but the committee represents an acknowledgement at trade body level that the claims side of the market has a more prominent role to play in managing systemic exposure.

What This Means for Practitioners

Advisers to insurers, reinsurers, brokers, and corporate policyholders should not see the current soft market conditions as a settled position, as buyers securing broad cover at competitive rates today may face different conditions at renewal once claims experience works its way through pricing models.

Disputes arising from the interaction between systemic exclusions and genuinely accumulated losses are likely to grow in number and complexity, making close attention to policy wording critically important. The early outputs from the IUA's new committee may also offer some of the clearest indications yet of where the market believes the next hard market trigger will come from. The continued growth of the cyber insurance market does not mean that the mega loss scenario has been dismissed, but that perhaps it is better understood and the market is still building the tools it will need when it eventually arrives.