

PRESS RELEASE

Financial innovations like cyber Cat bonds will help address the cyber protection gap, says Geneva Association report

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A new Geneva Association report, [*Catalysing Cyber Risk Transfer to Capital Markets: Catastrophe bonds and beyond*](#), examines the role of alternative risk transfer (ART) mechanisms in addressing escalating cybersecurity risks.

As businesses and societies become more digitalised, cyber threats like ransomware, data breaches and IT outages have become a top business concern. Cyber insurance has grown substantially over the past decade, with global premiums increasing tenfold between 2013 and 2023, from USD 1.5 billion to around USD 15 billion. Despite this growth, a massive protection gap for cyber persists.

The size and uncertainty of losses that could result from extreme cyber incidents makes it challenging for re/insurers alone to take on these risks. ART solutions, such as insurance-linked securities (ILS), are one way to attract additional risk-bearing capacity from outside the re/insurance sector. The Geneva Association's report explores the emerging role of cyber ILS for transferring peak cyber risks.

Jad Ariss, Managing Director of the Geneva Association, said: "Cyber insurance plays a crucial role in mitigating cyber risks, but scaling the market requires fresh thinking and new sources of capital. Tools like Cat bonds, which have predominantly been used so far for natural catastrophes, could significantly boost risk-absorbing capacity to cope with catastrophic cyber incidents and help narrow the huge global protection gap."

Darren Pain, Director Cyber at the Geneva Association and author of the report, said: "Appetite for cyber ILS is clearly growing, but the market remains in the early phases of development. The complexity of cyber risks and wide variation in the extent of coverage in policies present challenges to widening the investor base. Progress in modelling capabilities and policy standardisation will be key to fostering confidence among investors and unlocking the potential of ART solutions for cyber risks."

*The Geneva Association is the only global association of insurance companies; its members are insurance and reinsurance CEOs. Based on rigorous research conducted in collaboration with its members, academic institutions and multilateral organisations, the Geneva Association **investigates key risk areas** that are likely to impact the insurance industry, develops recommendations and **provides a platform** for stakeholders to discuss them. In total, the companies of Geneva Association members are headquartered in 26 countries around the world; manage USD 21 trillion in assets; employ more than 2.5 million people; and protect 2.6 billion people.*

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