



BARLOW RESEARCH ASSOCIATES, INC.
VOICE OF THE BUSINESS CUSTOMER

January 14, 2020

Small Business Cyber Insurance Report

Prepared for:
CELENT
Slice

Key findings

1. Cyber insurance is unfamiliar to most and many businesses that believe they're at risk don't have coverage



2. Buying cyber insurance is quick and painless, especially when an agent is involved



3. Comprehensive coverage is often more important than low premiums



4. Preferences for agent relationships are a key barrier to purchasing cyber insurance online



Methodology

Phase 1

- 464 Flash Panelists
 - 229 small businesses (\$100K-<\$10MM in annual sales volume)
 - 235 middle market companies (\$10MM-<\$500MM in annual sales volume)
- Fielding period: November 22nd – November 26th, 2019
- Data weighted by sales volume and region

Phase 2

- 87 Flash Panelists **that have cyber insurance policies**
 - 44 small businesses (\$100K-<\$10MM in annual sales volume)
 - 43 middle market companies (\$10MM-<\$500MM in annual sales volume)
- Fielding period: December 17th – December 23rd, 2019
- Data not weighted

** This report is focused on small business results*



1 | Experience with cyber attacks and cyber insurance



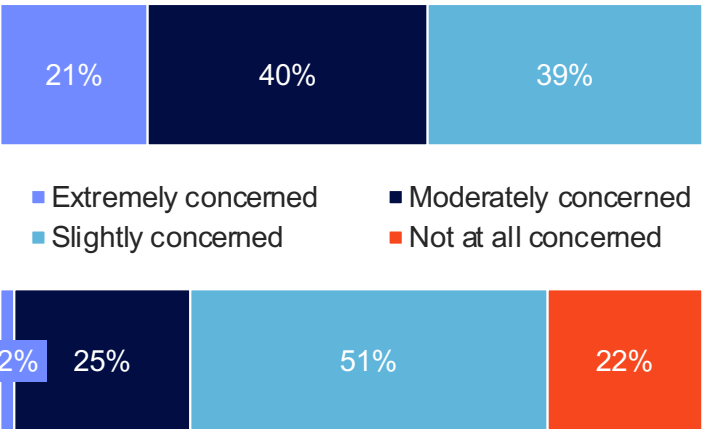
The 50% of small businesses that believe they are a target for cyber attacks had more cyber attack attempts and incidents

PERCEPTIONS OF CYBER-RISK

BELIEVE BUSINESS IS
A TARGET OF CYBER-
ATTACKS



CONCERN ABOUT A CYBER-ATTACK




AVG. ANNUAL
CYBER ATTACK
ATTEMPTS

3.4


AVG. ANNUAL
CYBER ATTACK
INCIDENTS

0.1

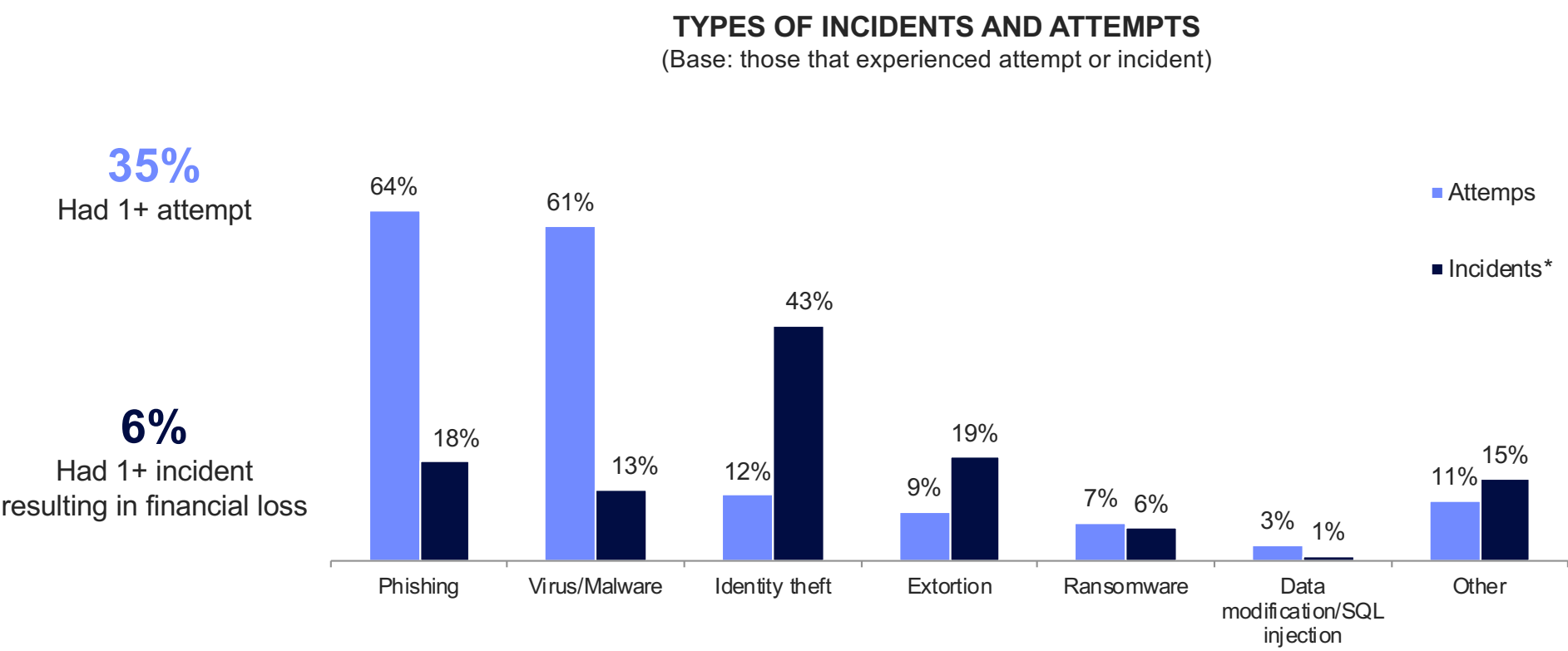
0.5

0.03

\$100K-<\$10MM
Cyber Security Study (Phase 1)

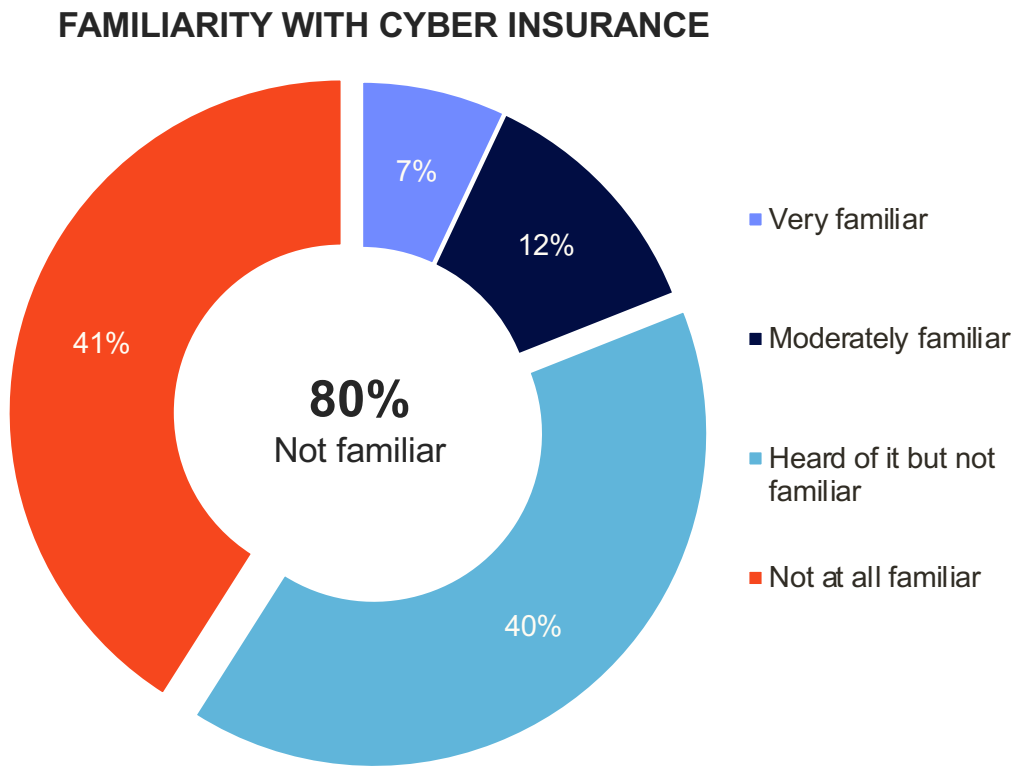


Phishing is the most common form of cyber-attack



Q: What type of cyber-attack was the attempt(s)? What type of attack was the incident(s)?
* Low base (<30 respondents)
\$100K-<\$10MM
Cyber Security Study (Phase 1)

Eight in ten small businesses aren't familiar with cyber insurance



BELIEVE BUSINESS IS A CYBER ATTACK TARGET



49%
Need cyber insurance

19%
Have cyber insurance

DO NOT BELIEVE BUSINESS IS A CYBER ATTACK TARGET



18%
Need cyber insurance

10%
Have cyber insurance

\$100K-<\$10MM
Cyber Security Study (Phase 1)

Most small businesses first discovered cyber insurance from their insurance agent

FINDING CYBER INSURANCE

MOST COMMON

From current insurance agent



“It was brought to my attention by my insurance broker a number of years ago.”

LESS COMMON

Self-research



“We are in the software business, so it was something that we looked at ourselves.”

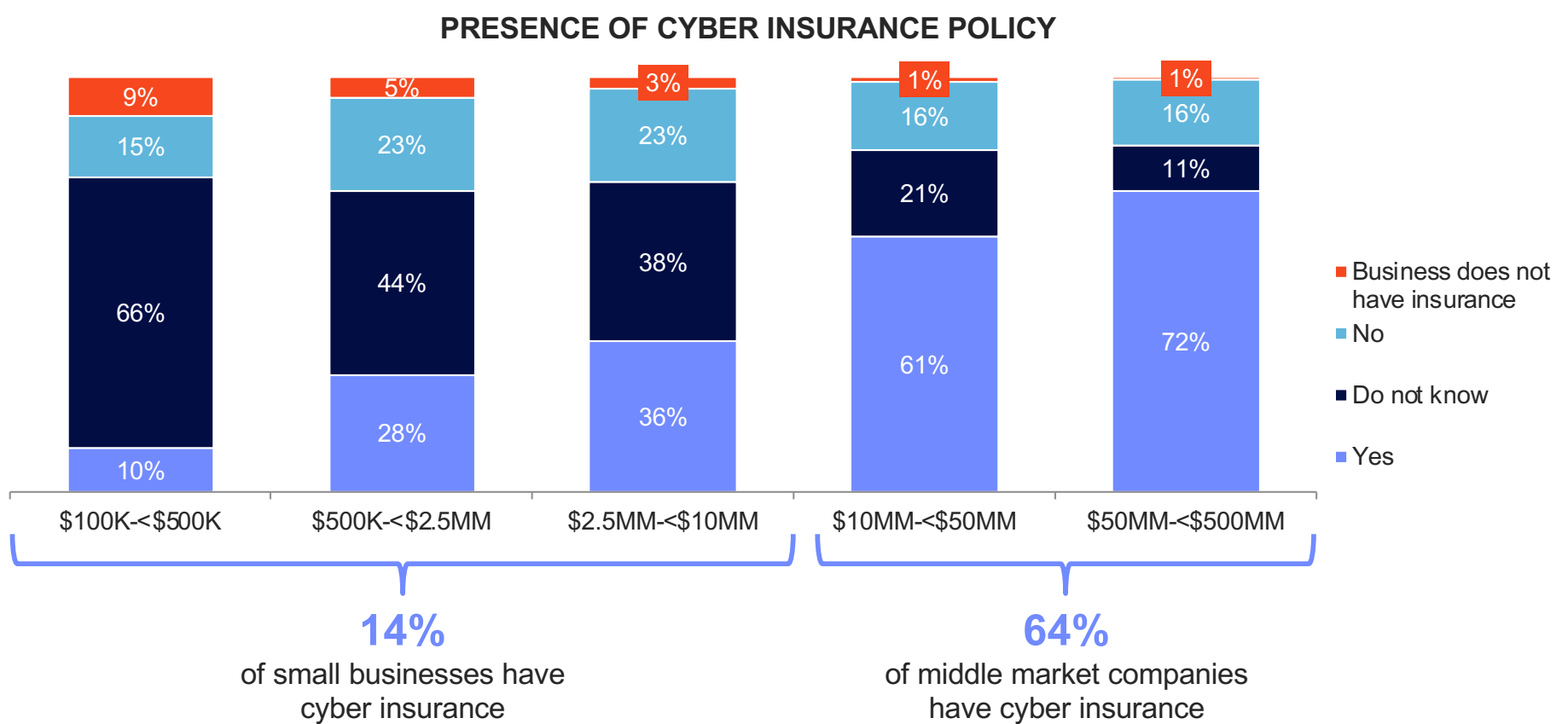
Required



“It was required in a contract with a client.”

Q: How did you first find out about cyber insurance for businesses?
\$100K-<\$10MM
Cyber Security Study (Phase 2)

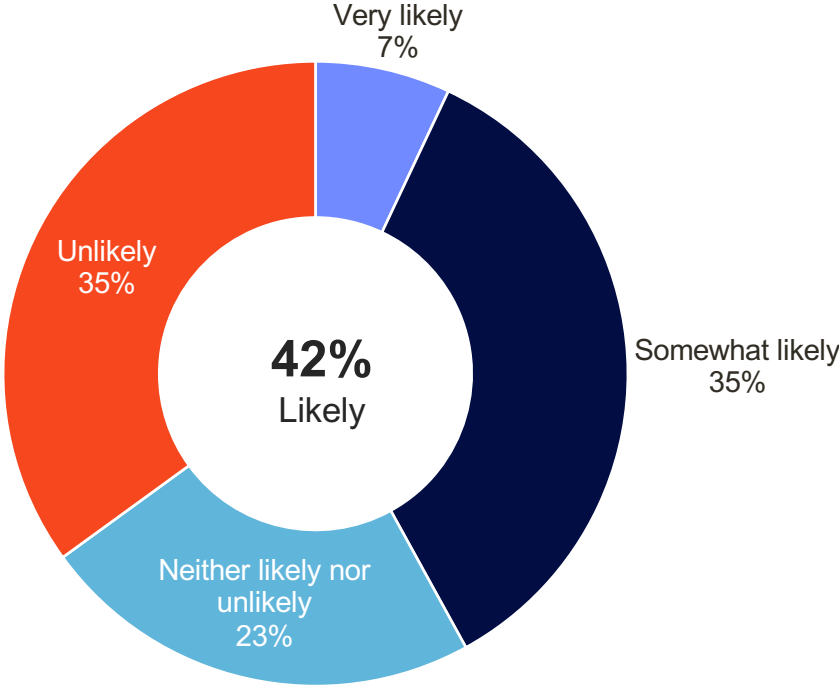
The larger the company, the more likely they are to have cyber insurance



Q: Does your company's current business insurance policy include coverage for a cyber-attack?
Cyber Security Study (Phase 1)

Less than half of business that don't currently have cyber insurance policies are likely to include coverage the next time they purchase or renew

LIKELIHOOD TO GET CYBER INSURANCE COVERAGE
(Base: those that do not have or do not know if they have cyber insurance policies)



Q: How likely are you to include cyber insurance coverage or buy a stand-alone cyber policy the next time you purchase/renew your business insurance?
\$100K-<\$10MM
Cyber Security Study (Phase 1)

2 | Policy holder motives



Most believe their cyber risk is similar to other businesses like theirs or lower; people/staff are perceived to be the biggest contributor to risk

SELF-RISK ASSESSMENT

Believe risk is same or lower than other businesses



“I think **any company with employees is at risk** for something happening. Emails and other personal usage on the computer can lead to issues.”

WHAT PUTS BUSINESS AT RISK: PEOPLE/STAFF

“People, no doubt.”

“Employees getting on social media or opening an email that is not contaminated.”

“Staff clicking on the wrong type of links.”

“People. Always.”

“Human factor”

“...from our email with someone opening up a malicious attachment or link.”

“People checking emails, plus all of the phones that are on the WIFI network.”

“Employees using the internet.”

Q: How would you expect your company's cyber risk to compare to that of other companies similar to yours? Think about the people, processes and systems in your company. What, specifically, do you believe puts your business at most risk of a cyber-attack?

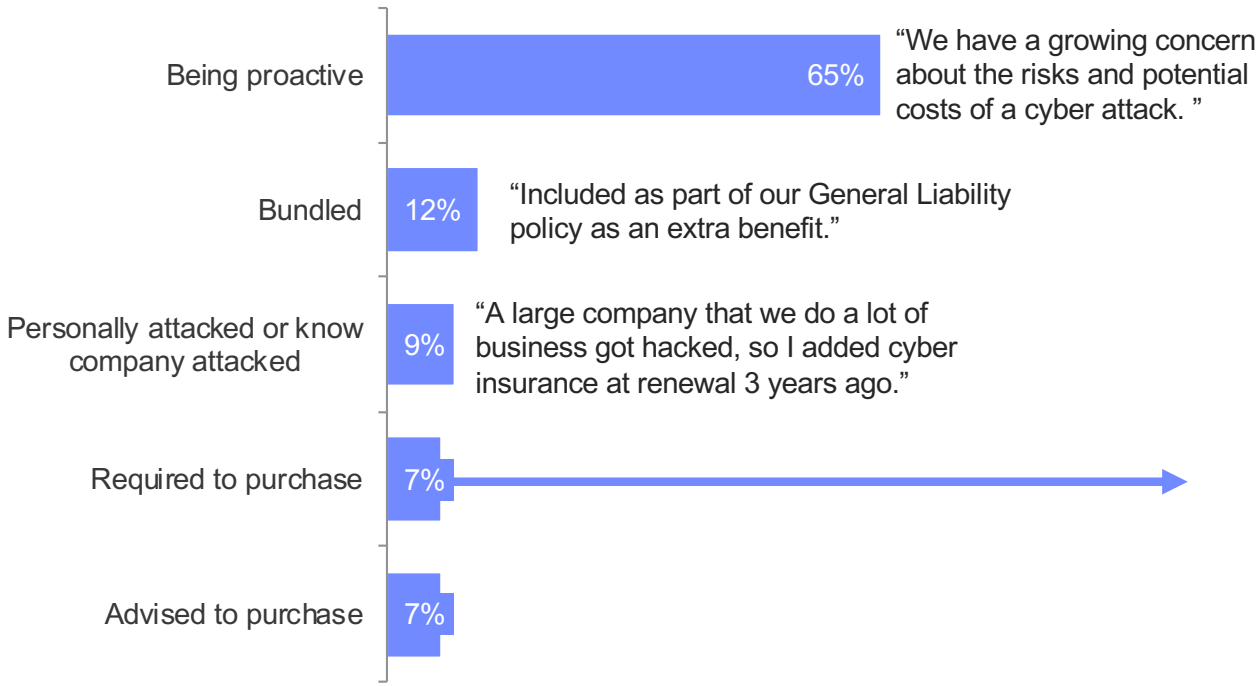
\$100K-<\$10MM
Cyber Security Study (Phase 2)



Nearly two thirds of small businesses were proactive when buying cyber insurance

WHAT PROMPTED CYBER INSURANCE PURCHASE

(Base: those that have cyber insurance policies)



ACTIVITIES REQUIRED AND BY WHOM

- "HIPPA concerns from CMS."
- "Federal government HIPPA regulations."
- "NIST is a requirement for us when dealing with the government in manufacturing."
- "Virus protection and the firewall is recommended by the manufacturer we represent."
- "Suppliers, customers, and government."
- "Internet traffic filter and data backup."
- "One drive."

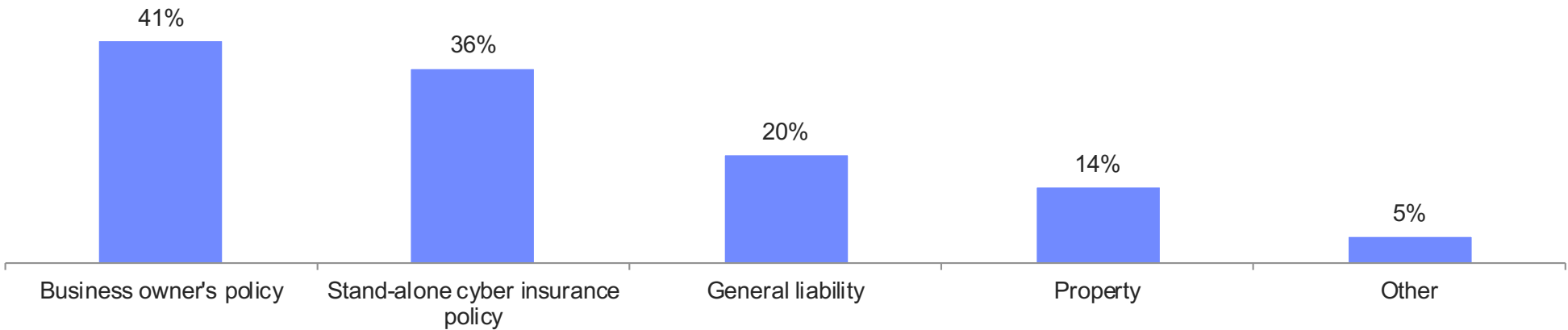
Q: What prompted you to purchase cyber insurance for your business? (Phase 1)
Q: Which solution(s), if any, are you required to use and by whom? (Phase 2)
\$100K-<\$10MM
Cyber Security Study (Phase 1 & 2)

3 | Cyber policy details



Business owner's policies are the most common form of cyber insurance in small business

POLICY COVERING CYBER ATTACKS
(Base: those that have cyber insurance policies)



Q: Which type of policy covers your business against cyber attacks?
\$100K-<\$10MM
Cyber Security Study (Phase 1)

Travelers and Zurich were the most common providers of cyber insurance




Q: Who is your current cyber insurance provider(s)?
\$100K-<\$10MM
Cyber Security Study (Phase 2)

Incumbent providers have a strong advantage

WHY PROVIDER WAS CHOSEN

MOST COMMON

Bundling with current provider



“(Erie Insurance) That is who our business insurance is with and we had him add to our policy.”

Recommendation



“It (ERO CyberSecurity) was recommended to me by someone I respect.”

LESS COMMON

Price/Value



“Best value for required coverages (AIG).”

Coverage



“They (Sentry) had a very comprehensive insurance coverage for what we needed.”

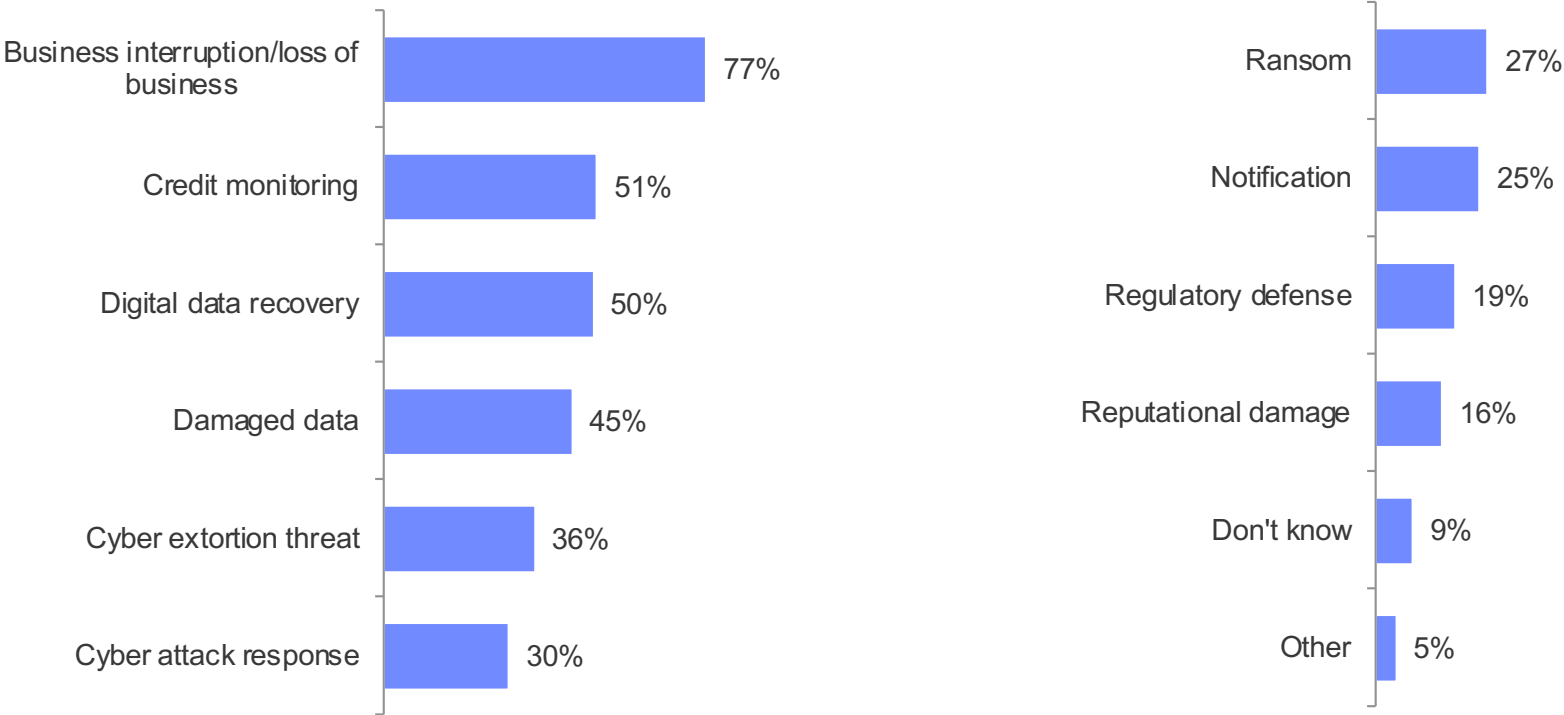
Q: Why did you choose your provider?
\$100K-<\$10MM
Cyber Security Study (Phase 2)



Business interruption was the most commonly included coverage

COVERAGE INCLUDED IN INSURANCE POLICIES

(Base: those that have cyber insurance policies)



Q: What type(s) of cyber events are covered by your cybersecurity insurance coverage?
\$100K-<\$10MM
Cyber Security Study (Phase 1)



Added services or perks are a unique offering

ADDITIONAL SERVICES OR PERKS

MOST COMMON

None



"None that I am aware of (Travelers)."

LESS COMMON

Education



"They (Continental Western) offer training and have a direct contact for any questions."

LESS COMMON

Not sure



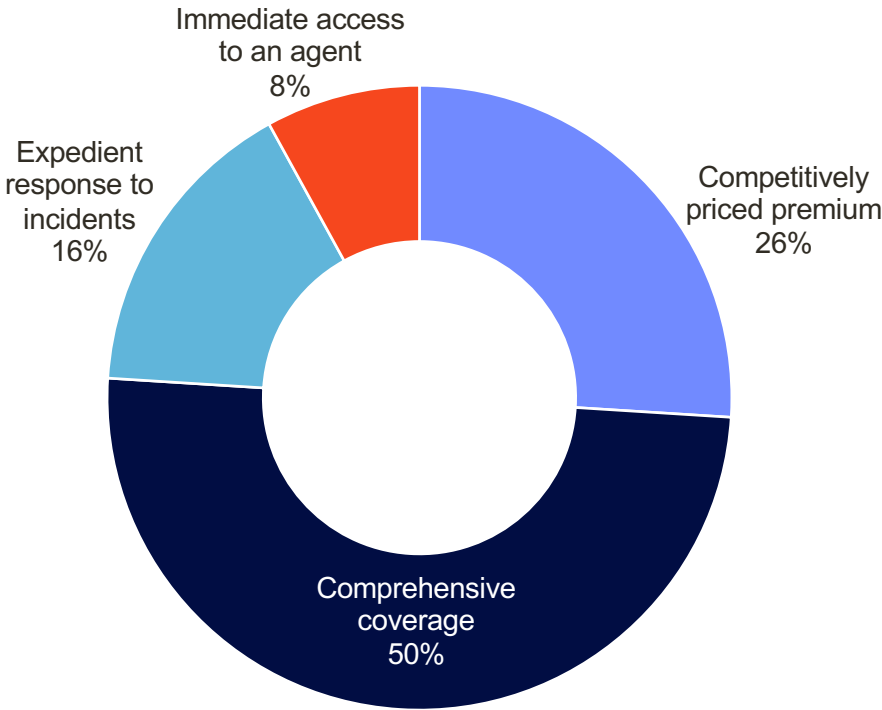
"I am not sure about side benefits they (Acuity Insurance) offer."

Q: Apart from specific types of coverage, what additional services or perks, if any, are provided with your cyber insurance?
\$100K-<\$10MM
Cyber Security Study (Phase 2)

Comprehensive coverage is the most important component of a cyber insurance policy

MOST IMPORTANT COMPONENT OF CYBER INSURANCE

(Base: those that have cyber insurance policies)



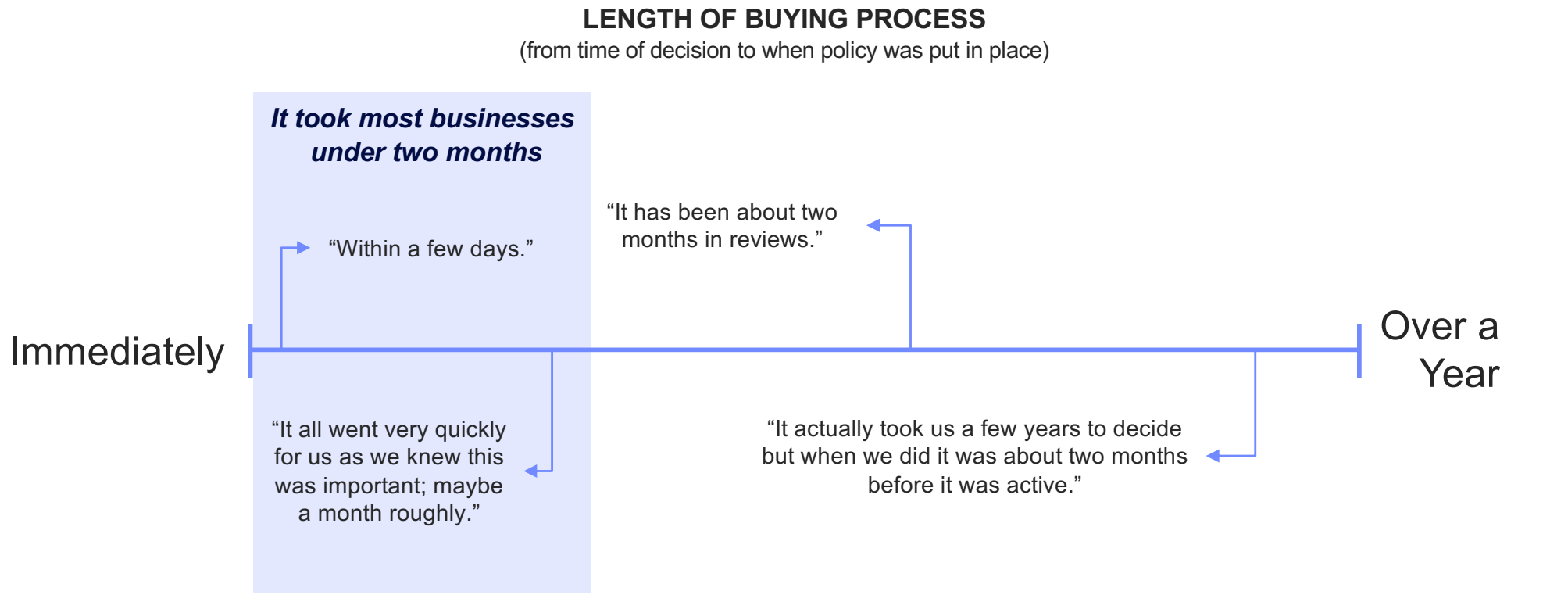
Q: What is the single most important component of a cyber insurance policy?
\$100K-<\$10MM
Cyber Security Study (Phase 1)



4 | Onboarding



Most policies took less than two months to go into effect from time of purchase decision



Q: We would like to understand the details of your buying process. How long did it take from the time you decided that you would buy cyber insurance until the time that the policy went into effect?
\$100K-<\$10MM
Cyber Security Study (Phase 2)

Buying cyber insurance was seamless when agents were involved

BUYING PROCESS DESCRIPTION

Going through agent

“The experience was seamless, since we went through our current agent.”

“Asked my insurance broker and he presented several options; very easy (Zurich).”



“My agent discussed it with me, and the decision was made to utilize the coverage. It went into effect as soon as I signed the documents.”

Other experiences

“Our insurance company sent in a specialist to review our computer operation. We had to make quite a few changes before it was covered.”

“We called five potential vendors with our needs and received three quotes to compare.”

Q: Please describe the experience (e.g. who you went to, any onboarding process) from the time you decided that you would buy cyber insurance to when the policy went into effect.

\$100K-<\$10MM
Cyber Security Study (Phase 2)



Businesses were generally pleased with agent assistance

PRIMARY ACTIONS AGENTS DID TO BE HELPFUL

Explain
Risk/Coverage



“He went over the coverage and meaning of each line item as they applied. It seems to be a general policy that can be tweaked as needed down the road.”

Gave
Comparison/Pricing



“He introduced us to the concept of cyber insurance as well as the providers with pros and cons of each.”

Q: What did the agent do that was helpful to you in your purchase of cyber insurance?
\$100K-<\$10MM
Cyber Security Study (Phase 2)



Added benefits to improve the buying experience included more education and cost considerations

HOW THE BUYING EXPERIENCE CAN BE IMPROVED

MOST COMMON
Nothing



“It seems very basic. If you can afford it and it is from a reputable and strong company, you should be good to go.”

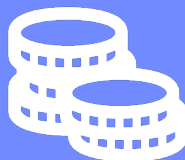
ADDITIONAL THEMES

Education



“**More education** is needed regarding what is available and what is happening in the real world.”

Cost



“**Lower rates**”

Other

“**Additional security.** There are always new ways cyber criminals are looking to break in.”

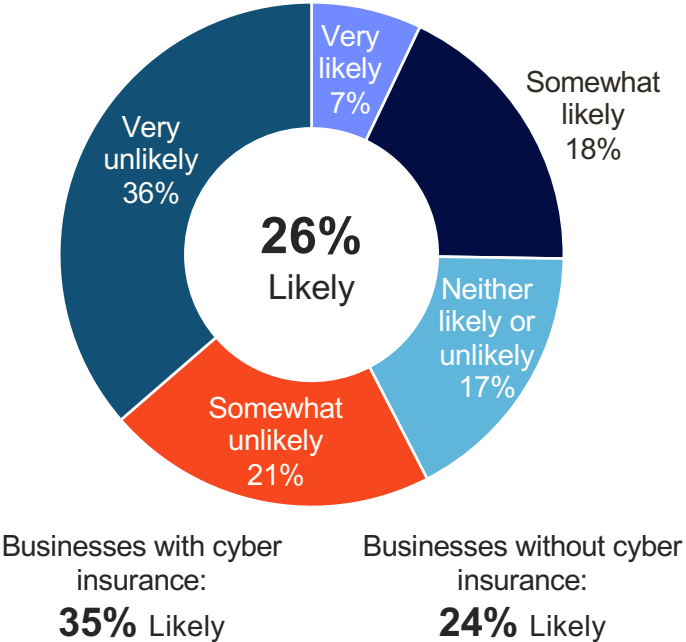
“I would like it to be something **offered by my regular insurance company.**”

Q: What areas for improvement do you see in buying cyber insurance?
\$100K-<\$10MM
Cyber Security Study (Phase 2)



Few businesses are open to purchasing cyber insurance online primarily because of their agent relationship

LIKELIHOOD TO BUY ONLINE



BARRIERS TO BUYING ONLINE

Prefer relationship



“We think it is important to have an individual agent to help coordinate information and potential claims with the insurance company.”

Trust



“I don't like doing that type of business online.”

“Policies would have to be from reputable vendors and be comprehensive without too many gaps in coverage.”

Q: How likely are you to include cyber insurance coverage or buy a stand-alone cyber policy the next time you purchase/renew your business insurance? (Phase 1)

Q: We found that some people would be hesitant to purchase cyber insurance online. Describe any potential barriers you would have to buying cyber insurance online? (Phase 2)

\$100K-<\$10MM
Cyber Security Study (Phase 1 & 2)

Many still have questions about cyber insurance

NEED FOR MORE INFORMATION

Own coverage



“I think we will have to know more of what coverages are included so we can make sure we are protected if a security hack happens.

Threats



“More discussion regarding newly changing risks.”

“I would like to know who is most vulnerable. What steps I can do to protect myself. What types of cyber insurance are available, and can it be bundled with regular insurance.”

Real examples



“Case studies of actual crimes relevant to our business.”

“More information on claims submitted and disputes between insured entities and the insurance companies.”

Q: What, if anything, would you like to know more about regarding cyber insurance?
\$100K-<\$10MM
Cyber Security Study (Phase 2)



Expect small businesses to have an increased need for cyber insurance

5-YEAR EXPECTATIONS FOR CYBER INSURANCE NEEDS

MOST COMMON
Increased need



“Hackers are getting smarter, so insurance & protection needs to advance as well.”

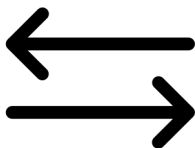
LESS COMMON

Changing threats



“I think we will have to keep adding more insurance as well as protective devices for our computers.”

Other

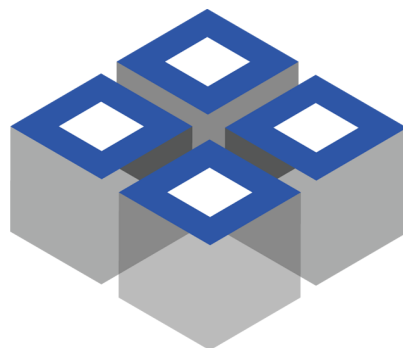


“With so many changes in business and government, it is impossible to know. We make money and expect to continue and there will always be thieves with a scam.”

Q: Think about where your company will be in five years. How do you think your cyber insurance needs may change?
\$100K-<\$10MM
Cyber Security Study (Phase 2)



For further information about this research study and other research services contact:



BARLOW RESEARCH ASSOCIATES, INC.

917 Lilac Drive North
Minneapolis, MN 55422
(763) 253-1800
info@barlowresearch.com
www.barlowresearch.com