cowbell®

Cyber Round-Up Q3 2022

Continuous Risk Improvement in Action

The Leading Provider of Cyber Insurance for SMEs | cowbell.insure

Q3 2022

Table of Contents

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Foreword and Summary of Key Findings

A Cowbell cyber policy is much more than a policy. A lot happens behind the scenes prior and throughout the policy period to help policyholders improve their risk profile, avoid cyber incidents and enter the cyber insurance renewal cycle from a place where they not only have full visibility and control over their cyber risk exposures but can also optimize their insurance premium.

In this Q3 report, we are thrilled to report significant risk improvement experienced by our policyholders after 12 months of cyber coverage with Cowbell, as well as detail the impact of inside-out data and risk engineering concierge services on the risk profile of policyholders.

Key Highlights:

- At renewal, the risk rating (aka Cowbell Factors) of Cowbell's policyholders as benchmarked against their respective industries shows a 9% improvement overall validating the ongoing efforts from Cowbell to engage policyholders on a continuous risk improvement process to help them avoid cyber incidents.
- In addition, accounts that activated connectors to bring additional inside-out data into the risk assessment process showed significant improvement across all Cowbell Factors by an average of 5 points, compared to their industry peers.

The above results have a direct impact on policyholders, who can thus better control cyber incidents and qualify for more insurance options. This data also contributes to Cowbell's low reported claims - at under 2%, which is well under the industry average.

The Leader in Cyber Insurance for SMEs

Cowbell Cyber delivers standalone, individualized, and state-admitted cyber insurance to small and mid-sized enterprises. Cowbell's cyber policies include risk insights and assessment, breach coaches, cybersecurity awareness training, and more.

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Continuous Risk Improvement in Action at Renewal

As part of the underwriting process, policyholders are rated in real-time using Cowbell Factors, which benchmarks their risk profile against their industry peers. Policyholders can then proactively reduce their cyber exposures and build cyber resilience during the policy period by leveraging Cowbell's risk management resources bundled with every policy along with Cowbell Risk Engineering team which engages with policyholders to take advantage of these valuable resources.

One year later, when comparing Cowbell Factors from the time of binding to those at the time of policy renewal, we observe that Cowbell Factors increase. Specifically, our actuarial report from June 2022 shows that in spite of some revenue increases, on a Cowbell Factor basis, relativity to the industry average has improved upon renewal. This indicates improved security measures of Cowbell policyholders 12 months after they sign for coverage.

Cowbell Factors on renewed policies improved **by an average of 9%** upon renewal as compared to their respective industries. Sectors of high aggregation and supply chain risk saw the most pronounced improvements (retail, transportation, utilities).

We can attribute this increase to the consistent interactions between Cowbell and its policyholders, online through the Cowbell platform but also through the Risk Engineering team, which provides them with guidance to remediate weaknesses and improve their cybersecurity hygiene throughout the lifecycle of the policy.

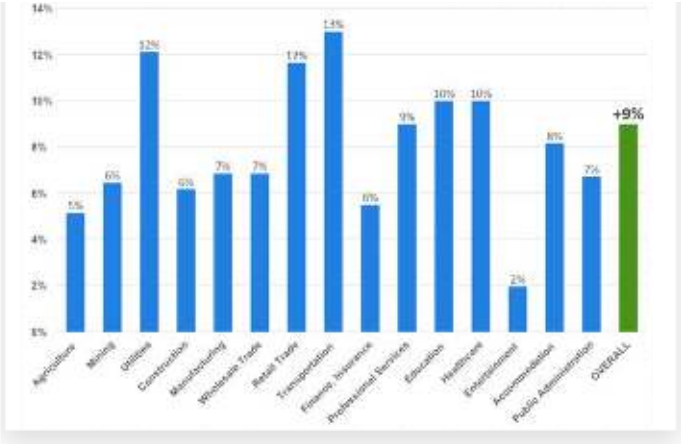

Figure 1: Aggregate Company Cowbell Factors' Improvement by Industry over 12 month time period

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Though Cowbell Factors improved across all revenue bands, it is the smallest businesses, those with the lowest revenues, that saw the most improvement (as shown in Figure 2). These tend to be the accounts that need the most assistance with understanding and adopting MFA, creating incident response plans, and assessing their vendor risk. Cowbell's Risk Engineering team directly assists with educating policyholders on these foundations of cybersecurity hygiene.

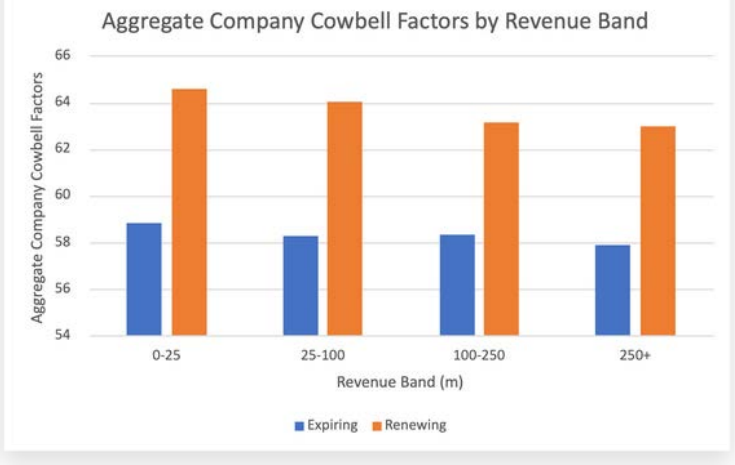

Figure 2: Aggregate Company Cowbell Factors by Revenue Band for Prime 250 over the course of 12 months.

The smallest businesses, measured by revenue, are those with less than $25 million in revenue. These types of businesses tend to be skeptical about what exactly is at risk when it comes to a potential cyberattack. However, these are the businesses that have the most at stake in terms of what a business interruption could cost them. For businesses of this size, Cowbell's Risk Engineers focus on sharing the average cost their business would incur if hit with a cyberattack (i.e., this could be $250,000 a week in costs).

Simply learning about our low-cost - or sometimes free - solutions from cybersecurity partners in our Cowbell Rx ecosystem can make a huge difference in the cybersecurity posture of these businesses. Implementation of MFA across all accounts as well as creation of off-network backups are the two main areas of improvement our Risk Engineers focus on in their calls with the smallest businesses, which explains why this revenue band would see the most improvement in their Cowbell Factors over the course of 12 months.

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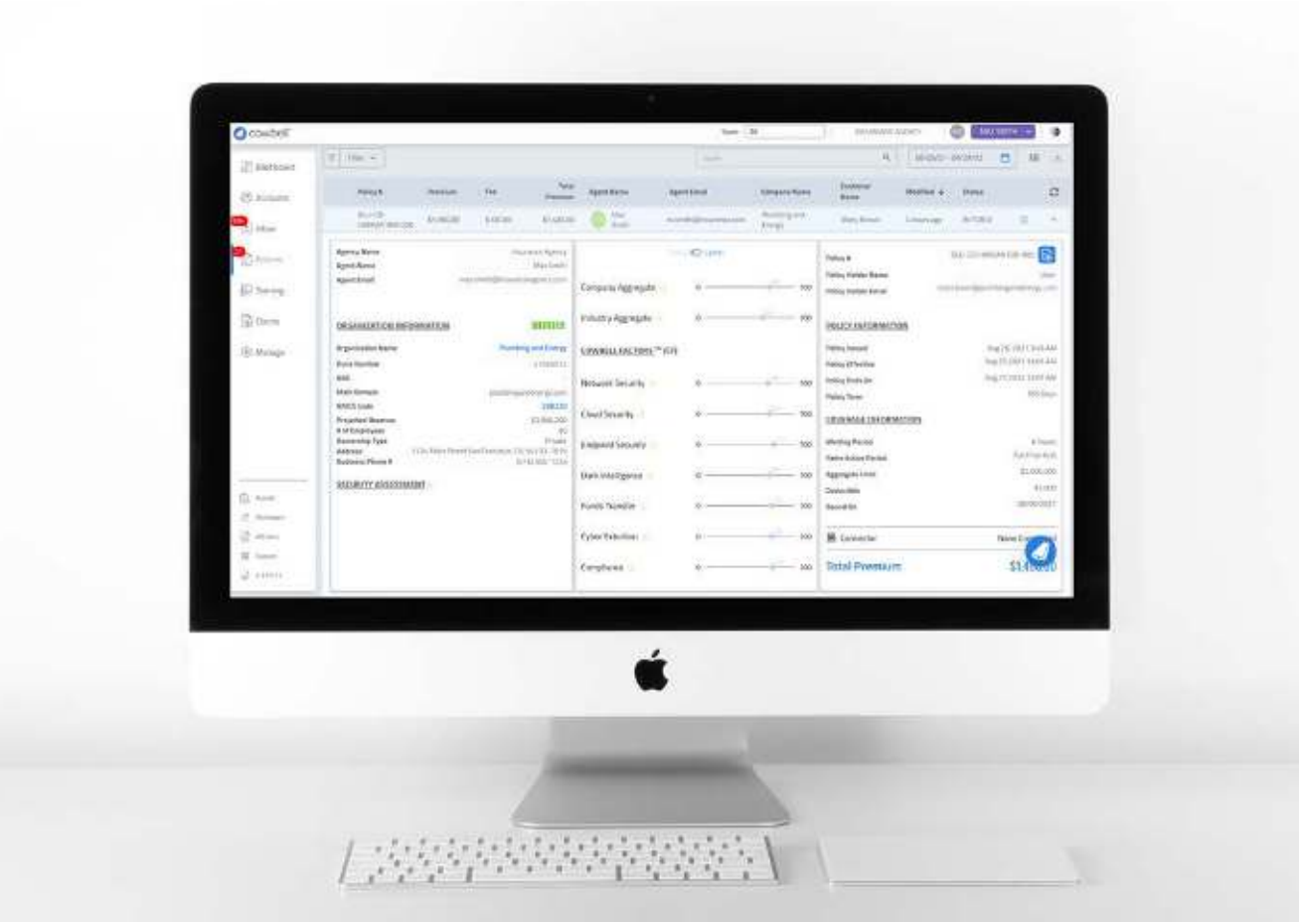

Cowbell Factors

Cowbell Factors provide a relative rating of an organization's risk profile against Cowbell's risk pool of 26 million accounts as of Q3 2022. This represents 78% of the U.S. SME market. Cowbell Factors constitute the basis for risk selection and cyber insurance underwriting with real-time, continuously updated risk exposure insights. The Factors are specifically designed for insurance purposes and anchor risk selection and underwriting for cyber insurance. Stated simply, the higher the Factors, the more insurable the risk.

There are currently nine Cowbell Factors: Cloud Security, Compliance, Cyber Extortion, Dark Web Intelligence, Endpoint Security, Funds Transfer, Insider Threat, Network Security and Software Supply Chain.

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Inside-out Data: Providing Incentives for Premium Optimization

In addition to the one-on-one calls conducted by Cowbell's Risk Engineers, the team also offers services like activation of connectors to augment the efficacy of Cowbell Factors with inside-out data.

Cowbell Factors incorporate additional inside-out data when connectors to service providers or security vendors are activated. For example, when a business using Microsoft 365 (aka Office 365) activates the Cowbell Connector for Microsoft, Cowbell Factors deliver an even more refined assessment of risk with timely insights and recommendations to improve the organization's risk profile.

Configuring email and collaboration tools (calendar, file sharing, or other) for security is paramount as many cyber incidents start with an email compromise, often called a BEC incident or "Business Email Compromise".

The Cowbell Connector for Microsoft offers an immediate, free audit of the policyholder's Microsoft 365 security configuration. This allows for immediate visibility into strengths and weaknesses in the configuration of Microsoft 365 and improvement actions. The assessment is based on a standard set of controls jointly defined by Microsoft and the Center of Internet Security(CIS) and represents the best security practices for Microsoft 365. Common controls include the use of MFA or the need to limit the number of users with administrative privileges.

The Cowbell Connector for Microsoft enables policyholders to proactively manage cyber risks as validated by their Cowbell Factors showing better risk ratings. Every organization that uses Microsoft 365 can benefit from this ongoing inspection and validate that security best practices are deployed on their instance of Microsoft 365. As a result, policyholders can preemptively reduce their risk exposures and insurance applicants can improve their insurability and be eligible for a premium credit when activating the connector.

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A Cowbell report from December 2021 shows that when a policyholder activates the Cowbell Connector for Microsoft, that policyholder will have improved Cowbell Factors and better risk profile. Since last December, the number of Cowbell policyholders that have enabled the Cowbell Connector for Microsoft has doubled, so we redid our analysis to compare our findings.

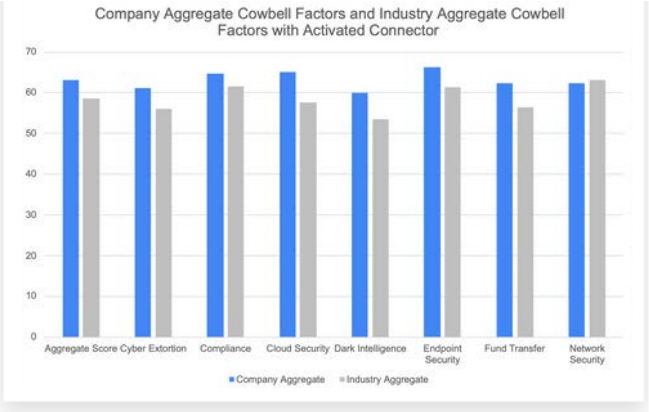

Figure 3: Comparison of Cowbell Factors: policyholders with activated Cowbell Connector for Microsoft compared to non-activated connector

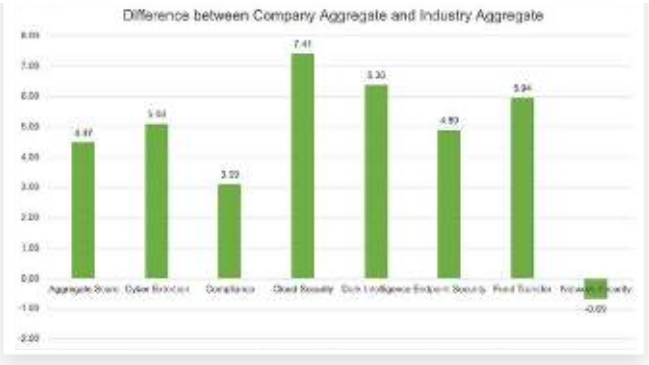

Figure 4: The difference between the Company Aggregate and the Industry Aggregate Cowbell Factors from Figure 3.

Figure 3 above shows that policyholders with activated Cowbell Connectors for Microsoft have higher Company Aggregate Cowbell Factors compared to the Industry Aggregate. Not only do policyholders that have activated the Cowbell Connector for Microsoft outperform their peers, but they do so by a meaningful degree. Specifically, for seven of the Cowbell Factors, the policyholders with activated Cowbell Connectors for Microsoft, on average, outperform their industry peers by more than five points, as illustrated in Figure 4.

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The Numerous Benefits of Risk Engineering at Cowbell

In order to explain why Cowbell Factors are improving over time, we must first understand Cowbell's Risk Engineering department and the valuable services they provide to our policyholders.

Risk Engineering Services are delivered by a team of cybersecurity experts who proactively help businesses address security gaps. The goal is to reduce the frequency and severity of cyber incidents for all policyholders. Proactively managing cyber exposures can be the difference between a devastating cyber incident and thwarted cyberattack. On a daily basis, Risk Engineers bring to life the four pillars of Cowbell's closed-loop approach to risk management: Assess, Insure, Improve and Respond.

When an organization gets a Cowbell policy, someone within the organization must answer some built-in questions within the application about their cybersecurity posture and security controls they have in place. This might be followed by a call with a Risk Engineer, during which additional questions are asked of the policyholder so that we can learn more and expand on their answers to the written questions.

After this initial assessment and as the Risk Engineer obtains more information from the insured, the Risk Engineer's ability to calculate that insured's risk immediately improves. Assessing the insured's cybersecurity posture allows the Risk Engineer to identify security gaps. These are called subjectivities and the Risk Engineer then conducts a "subjectivity call" to go over subjectivities outlined by Cowbell's underwriters. These subjectivities are addressed prior to insurance completion.

A policyholder's experience with Cowbell is truly a partnership. The ultimate goal is to provide coverage and mitigate losses in the event of a cyber incident. In the same vein is hardening the policyholder's cybersecurity posture and therefore reducing risk. Risk Engineers provide guidance on how to best improve that risk, with specific recommendations about Cowbell Factors, Cowbell Insights and how to optimize the premium using Cowbell's other resources and Cowbell's Platform.

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The partnership does not end there. When a policyholder calls to report an incident, the Claims team sees an opportunity to help guide them and avoid what could have been a business-ending situation, if they didn't have a Cowbell policy. Ideally, the policyholder comes out on the other side of the incident in a more resilient state, with lessons learned that they can immediately implement. After the Claims team responds to an incident, these insights are fed back into the closed loop in realtime to inform the Risk Engineering, Data Science, and Underwriting teams. Taken together, this process helps the Risk Engineering team identify certain repeated threats and take action against them before they can seriously impact a potentially vulnerable policyholder again.

Guided by claims data, the Risk Engineering team has a great impact on our policyholders. In a recent survey of Cowbell's policyholders, 74% agreed that they improved their cybersecurity awareness as a result of acquiring cyber insurance and 71% wanted Cowbell as their cyber insurer to provide recommendations to minimize risk exposure. In 2022 alone, our Risk Engineers conducted 600+ calls with policyholders, after which 300+ policyholders applied MFA, 400+ cyber events were avoided and 2,000+ incident response plan guides were downloaded.

Conclusion: Giving Control to Policyholders to Optimize their Premium

Cowbell is signaling a new era in cyber insurance by championing a new form of coverage and policies that give back control to the policyholders on how their cybersecurity posture directly impacts their policy and premium. Continuous risk assessment and monitoring keep policyholders and insurers up-to-date with risk profile changes, enabling the proactive remediation of newly identified risk exposures. As shown in this report, policyholders can start the process of improving their risk profile and optimizing their premium at renewal by taking advantage of the risk management resources bundled by Cowbell into every policy.

More than Insurance

Every business, policyholder, and non-policyholder, can access our platform and benefit from Cowbell Factors, Cowbell Insights, and free cyber awareness training.

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Cowbell's quarterly data reports are created to provide real-life, relevant data surrounding cyber insurance security for small and medium-sized enterprises.

With these reports, we want to help businesses as well as U.S. insurance agents and brokers understand how to prepare effectively to avoid or respond to a cyber incident.
We hope that you will be able to use these reports and the information they contain to expand your education surrounding cyber insurance, and its value, and as a way to educate employees on the importance of cybersecurity awareness.

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Cowbell is signaling a new era in cyber insurance by harnessing technology and data to provide small and medium-sized enterprises (SMEs) with advanced warning of cyber risk exposures bundled with cyber insurance coverage adaptable to today's and tomorrow's threats. In its unique AI-based approach to risk selection and pricing, Cowbell's continuous underwriting platform, powered by Cowbell Factors, compresses the insurance process from submission to issue to less than 5 minutes.

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