Survey Results: The Economic Impact of Cyber Insurance
(Small and Mid-Size Enterprises in the U.S.)
INTRODUCTION

This report is an extension of the “Driving Cybersecurity Performance” research report published by ESI Thoughtlab in June 2020.

Summary of general findings
(all business sizes included)

- Six out of 10 firms plan to spend more on cybersecurity insurance over the next two years and more than half believe the cost of insurance is well worth the protection.
- On average, firms opt for cybersecurity insurance coverage limits of about 0.14% of revenue.
- The research shows a divergence of attitudes across industries: coverage limits range from 0.10% for retail/hospitality to 0.21% for media companies.
- Research agenda, methodology, and respondent profile can be viewed on the ESI Thoughtlab website.

This analysis extension is specifically focused on research findings related to:

- Cyber Insurance
- Small and Mid-size Enterprises (SMEs), under $1 billion in revenue and based in the U.S.
SMEs are integrating cyber insurance into their cyber resilience plan faster than large companies.

- 65% plan to spend more on cybersecurity insurance over the next two years; another 33% are neutral.
- By comparison, only 58% of large US-based enterprises plan to spend more on cyber insurance over the next two years.

"My company plans to spend more on cybersecurity insurance over the next two years."

SMEs insurance purchasing drivers: contracts, regulations and 3rd party liability

- 35% of SMEs buy cyber insurance because it is a customer requirement
- 30% of SMEs buy insurance because of regulations requiring restitution to individuals / third parties
SMEs are generally satisfied with the ROI of cybersecurity insurance

"The costs of cybersecurity insurance are well worth the protection it affords."

CYBER INSURANCE LIMITS

The research highlights opportunities to close gaps on cyber insurance limits: there is a disparity between purchased coverage limits for cyber compared to estimated losses and expenses due to a cyberattack.

70% of SMEs have a cyber coverage limit lower than $1 million and lower than total past or estimated future losses and expenses related to a cyberattack.

"What is your company's current cyber coverage limit"

Mean costs of cyberattacks (losses and expenses)

$1.22m
Limits for cyber coverage varies by a factor of four across industries with some sectors severely undercovered including life sciences, healthcare retail/hospitality, and telecom.
Multi-Factor Authentication (MFA) is significantly under-deployed in SMEs (18%) compared to very large enterprises (43%).

Cyberattacks using password and credential reuse cause the greatest losses today and the greatest risk over the next two years.

55% of SMEs point to employee-owned end-user devices as the highest risk in two years.

SMEs show less confidence than large ones in their people, processes, or technology investments to reduce the probability of a breach.

SMEs and large enterprises converge on the likelihood of their business experiencing a breach over the next year: 45%.
Cyber insurance protects businesses from risks related to the use of information technology and the internet and typically includes first-party, third-party liability and cybercrime coverage. While cybersecurity helps prevent, detect and mitigate cyber incidents, cyber insurance accelerate the response and recovery process in the aftermath of a cyber incident.

**WHY CYBER INSURANCE**

1. Mitigate financial losses from a cyber incident.
2. Get access to security experts and recover quickly.
3. Fulfill contractual obligations.

**WHY COWBELL CYBER**

4. Quantify and monitor your cyber risks over time.
5. Get coverage tailored to your business' unique needs.
6. Confirm cyber insurance coverage online in minutes.
7. Compare your risk exposure to industry peers.

Cowbell Cyber delivers standalone, individualized and state-admitted cyber insurance to small and mid-size businesses. Cowbell insurance products are powered by data, AI and continuous underwriting and provides policyholders with insights into their unique risk exposures through Cowbell Factors.