



Adaptive Cyber Insurance

Coverage that adapts to today's and tomorrow's threats



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Adaptive Cyber Insurance

Adaptive Coverage. Closed-Loop Risk Management. Premium Incentives.

Overview

Insurance products work best when, at the core, they are designed to be fully aligned with the type of risk covered and to account for the unique characteristics of the insured.

In the case of cyber risk insurance, one defining aspect of cyber risk is that perils, hazards, and exposures change constantly: cybercriminals develop new ways to operate cyberattacks, businesses onboard partners and deploy systems to support new initiatives, and organizations onboard new resources. These are just a few of the many factors that can impact the cyber risk profile of an organization on a daily basis.

The dynamic nature of cyber risk makes annual updates of cyber policies and related insurance applications obsolete. The challenge has been compounded by a surge in cyberattacks that have negatively impacted insurance company results across the market and left many enterprises with significant losses to cover on their own.

In summary, cyber policies have been too static, leading to coverage getting rapidly misaligned with the underlying risk. It has become harder to project and model whether policy pricing was sufficient to develop an economically viable cyber insurance market for all participants. The problem became exacerbated during the pandemic as the demand for cyber coverage increased in response to an increase in ransomware attacks.

The resulting imbalance between demand and supply created many opportunities for innovation at every step of the insurance process and for every stakeholder involved.

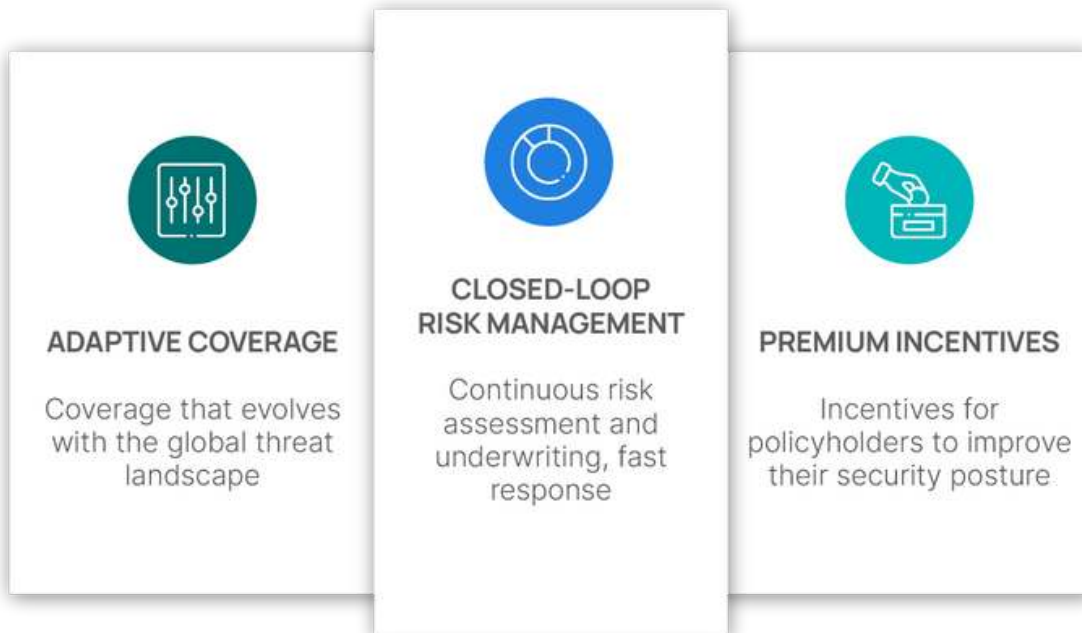
Cowbell was founded with the goal to develop a new generation of cyber insurance offerings that solve these challenges and capitalize on the many opportunities.

Cowbell has made it a mission to reinvent cyber insurance and close insurability gaps so that coverage is accessible to all businesses. Establishing a collaborative partnership between insurers and insureds is core to this goal and brings much-needed transparency in the insurance process on how cyber risk profiles relate to insurance coverage and premiums.

After three years of innovation, during which Cowbell delivered on continuous risk assessment and pioneered continuous underwriting for cyber, adaptive cyber insurance is becoming a reality.

What is Adaptive Cyber Insurance?

Coverage for Today's and Tomorrow's Threats



The primary and most important characteristic of Adaptive Cyber Insurance is that the policy evolves with the risks covered. Cyber threats and exposures change over time as organizations expand their digital footprints to build a competitive advantage, gain efficiencies, launch new initiatives or simply modernize their business. Every new application, system, connected device, equipment deployed, or employee hired can be a driver of change for the cyber risk profile of an organization.

Adaptive Cyber Insurance is, by nature, dynamic. In addition to evolving with risk, Adaptive Cyber Insurance gives control back to insureds by providing them with direct incentives to improve their risk profile:

- Cybersecurity improvements made during the policy period are reflected in the cyber risk profile as Cowbell Factors are recompiled which, in turn, can help optimize coverage, premium, and other policy configurations. This is Cowbell's way to invite policyholders to continuously improve their cyber risk posture.



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.



- Cowbell provides a wealth of resources to engage policyholders in a continuous risk improvement cycle and accelerate the process: Cowbell Factors, Cowbell's proprietary risk ratings for insurance purposes, along with Cowbell Insights, monitor the risk level of an insured and provide direct input on how to strengthen the security posture of an organization.
- Cowbell's dedicated Risk Engineering team offers live cyber expertise to any policyholder in need of guidance for improving their risk profile. Services range from assistance with interpreting Cowbell Factors and Cowbell Insights, to building a customized incident response plan, to specific pointers on remediating security weaknesses. These services are specifically focused on how an organization's cyber risk profile interacts with its enterprise risk management and risk transfer function.
- Most importantly, continuous improvements that take place at the individual account level naturally roll up to the portfolio, contributing to a continuous improvement of Cowbell's risk portfolio.



Examples of incentives that Cowbell implements with Adaptive Cyber Insurance when insureds improve their risk profile:

- ▶ Premium credit
- ▶ More favorable terms at renewal
- ▶ Access to enhanced coverage such as higher sub-limits on specific coverages
- ▶ Access to advanced coverages (e.g., cryptojacking for cloud deployments)
- ▶ Access to lower deductibles



Adaptive Cyber Insurance Benefits

All Stakeholders

Complex processes and workflows support the insurance industry and each stakeholder brings unique expertise in the insurance value chain to connect policyholders to risk-bearing entities. Adaptive Cyber Insurance adds value to every step with tangible benefits to policyholders, brokers, and reinsurers.

For policyholders:

- Businesses have traditionally had a passive role in the management of their cyber coverage, signing a 12-month contract, hoping they will never have to use it. With Adaptive Cyber Insurance, policyholders are invited to collaborate with Cowbell and take control of the management of their coverages and premiums. They also benefit from resources and incentives to improve their cyber risk profile.

For insurance agents and brokers:

- Cowbell is becoming one of the most advanced providers of cyber coverage. Brokers know that when offering a cyber insurance policy from Cowbell, their clients will be in good hands and will receive tangible help in keeping their businesses secure.
- Cowbell does not stop there. By bringing all claims in-house, Cowbell has also built one of the best practices to help policyholders when they face what would surely be one of the worst days in their career: a cyber incident.

For risk-bearing entities:

- With a deliberate approach to improving every risk in the portfolio by embedding continuous improvement into the cyber policy, re-insurers can build the confidence that Cowbell's novel approach to cyber insurance is built not only for growth but also for profitability.



Real-time
Recommendations

Cowbell Insights are continuously generated recommendations provided by Cowbell to help businesses improve their cyber risk profile.

Summary of benefits for key stakeholders:

Policyholders	Brokers	Risk-Bearing Entities
Optimized premium	Predictability in renewals	Alignment between risks covered and actual risks
Correctly-sized coverage (avoid under/over coverage)	Elimination of need to shop in last 45 days	Systematic improvement of risk portfolio over time
Continuously improved risk profile	Increased client satisfaction	Pervasive & preemptive loss control - from individual risk to portfolio
Significantly reduced likelihood of incidents	Distribution of the most modern and robust cyber insurance	Ability to stay ahead of CAT events
Preemptive remediation of newly identified exposures		

Cowbell's Journey to Adaptive Cyber Insurance

Adaptive Cyber Insurance is a major milestone for Cowbell that comes after three years of aggressive innovation in cyber insurance. The journey started with building an online platform that would enable continuous risk assessment of organizations. The ingestion of hundreds of data points on each risk was gradually built alongside the logic and processes to normalize and categorize data for the ongoing compilation of Cowbell Factors. Continuous risk assessment and Cowbell Factors anchor the underwriting process. Automation, data, and artificial intelligence are the components that enabled Cowbell to pioneer continuous underwriting for cyber from day one.

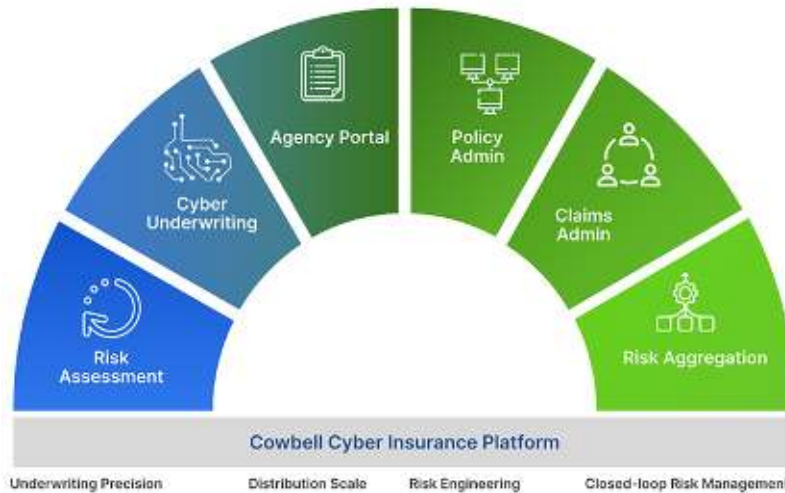


The Leader in Cyber Insurance for SMEs

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



Today, as shown in the picture below, Cowbell’s vertically integrated platform covers all the key functions required to support a thriving cyber insurance business.



Cowbell has demonstrated its commitment to cyber and the betterment of policyholders by taking on some of the risk covered by the policies it distributes with the launch of Cowbell Re, its reinsurance captive. With the addition of Cowbell Specialty Insurance Company (CSIC), Cowbell is now a full-stack tech-enabled insurer, giving the company further control and flexibility over innovations like Adaptive Cyber Insurance while strengthening its current relationships with the 15 risk-bearing entities that support Cowbell’s current cyber insurance portfolio.

A Peek Under the Hood

Building Adaptive Cyber Insurance has been a journey of developing and mastering the elements that make the dynamic aspect of Adaptive Cyber Insurance a reality. Beyond the technology, Cowbell assembled processes and resources that engage insureds throughout the policy and incentivize them to prioritize cybersecurity - what we refer to as “closed-loop risk management”, comprising four pillars: Assess, Insure, Improve and Respond.



Closed-Loop Risk Management

ASSESS

- Cowbell Factors
- Continuous risk assessment
- Industry benchmark

INSURE

- AI-assisted underwriting
- Customized coverage
- API-based instant quoting

RESPOND

- In-house cyber claims specialists

IMPROVE

- Cowbell Insights
- IRP templates
- Risk engineering
- Cyber awareness training



Why Cowbell?

Along with rolling out a portfolio of admitted and surplus cyber insurance products supported by a vertically integrated platform, Cowbell has developed unique capabilities and attributes that enable the company to stand out among vendors that are bringing technology to cyber insurance:

- **Largest Risk Pool:** Every risk (i.e., account) is benchmarked against its industry peers with the goal of identifying the best risk to cover for a profitable portfolio. Cowbell has built the largest cyber risk pool with 25.5 million unique businesses, covering 78% of the 32.5 million businesses with less than \$1 Billion of revenue in the U.S. (these are Small and Medium-Sized Enterprises or SMEs). This risk pool gives Cowbell great insights to understand cyber risk in the U.S. SME market as well as the ability to quote these accounts in real-time when a request for coverage is made.
- **Distribution Scale:** Cowbell has digitized the cyber insurance application process: agents or businesses can provide the information required to obtain a cyber insurance quote online. With the ability to rate, quote, and bind on the fly, thus simplifying and expediting the process of selling and buying cyber insurance, Cowbell brings unprecedented efficiencies to the distribution of cyber insurance. Digitization supports a wide network of retail and wholesale agents as well as digital aggregators.
- **Underwriting Precision:** With more than 1,000 data points and risk signals for every evaluated risk, Cowbell is driving the highest level of accuracy in aligning risk selection and pricing with coverages. Adaptive Cyber Insurance only adds more discipline to underwriting by offering a constant incentive for policyholders to improve their risk profile, driving a lower loss ratio for Cowbell and its risk portfolio while reducing the likelihood of cyber incidents for every policyholder.



Reach out to Cowbell today!

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.



Lower Reported Claims than Industry

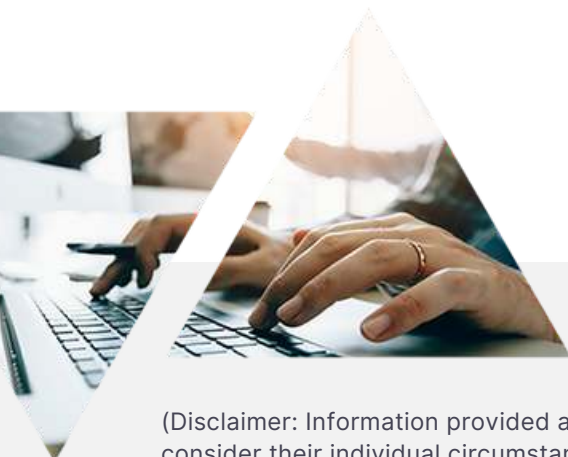
With an advanced and refined approach to underwriting and a drive to partner with each policyholder to give them the tools, resources, and incentives to improve their risk profile, Cowbell's reported claims have remained under 2%, which is significantly below the industry average.

Businesses covered by a Cowbell policy (Prime 100 or Prime 250) can benefit today from many aspects of Adaptive Cyber Insurance: continuous risk assessment and monitoring, access to Cowbell's Risk Engineering team to get guidance on how to deploy security best practices, how to develop an incident response plan and how to remediate identified security weaknesses.

Measured benefits are significant: 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 (more detail is available in [Cowbell's Quarterly Cyber Round-Up report](#)).

Adaptive Cyber Insurance will be fully rolled out to businesses with up to \$1B in revenue with Cowbell Prime 1000, which will be available in Q1 2023.

Over the past 30 months, Cowbell has built the largest and most diverse distribution network in the U.S. for Cyber Insurance. With 18,000 licensed P/C agents appointed, from retail, wholesale, and national brokerage firms to digital aggregators, Cowbell can confidently voice its ambitious goal to make one of the most modern forms of cyber insurance, Adaptive Cyber Insurance, accessible to all businesses, regardless of size, and reach deep into the 32.5 million SMEs in the U.S ([Source: SBA](#)).



(Disclaimer: Information provided above is for general, informational purposes. Businesses should always consider their individual circumstances to understand their level of insurability. Nothing in this document is intended to define any policy commitment offered by Cowbell. However, should you need further information or assistance, please do not hesitate to reach out to us at Cowbell - we would be happy to help with any questions or concerns that you may have.)