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Cyber Round-Up: Q2 2023

New research shows that SMEs with cyber insurance prevent cyber incidents and recover faster

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

Introduction

Small and medium-sized enterprises (SMEs) are often perceived as less attractive targets than large corporations when it comes to cyberattacks. However, with fewer cybersecurity resources available, SMEs can be more exposed. The types of damages are quite similar between SMEs and large organizations - financial losses, reputational damage, legal liabilities, and business interruption - but the severity differs.

For SMEs, recovering from a cyber incident can be extremely daunting. The severity of cyber incidents can be decreased with planning and preparedness. Cyber insurance provides SMEs with financial protection in the event of a cyber incident, including coverage for business interruption, data recovery, and legal liabilities.

SMEs may also benefit from the risk management resources provided by cyber insurance providers. Insurers like Cowbell offer risk assessments and other resources to help SMEs identify and mitigate cyber risks. This proactive approach can help SMEs prevent cyberattacks from succeeding in the first place, which is usually more cost-effective than dealing with the aftermath of a cyber incident. Insurance providers may also offer training and support to help SMEs develop and implement cybersecurity best practices, which helps them avoid common vulnerabilities and minimize the risk of cyber incidents.

Perhaps the first reason SME leaders may want to consider cyber insurance is the peace of mind insurance coverage can provide busy owners and managers.

Cowbell, the leading provider of cyber insurance for SMEs, wanted to better understand how owners and leaders are thinking about and preparing for cyber incidents. This landmark study addresses the trends, opportunities and challenges SMEs face as they protect their businesses.

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Survey Methodology

Cowbell commissioned an independent research firm to survey n=500 Small and Medium-Sized Enterprise leaders to better understand their vulnerabilities, activities, and plans to push back against and recover from cyberattacks.

The margin of error for this study is +/-3.9% at the 95% confidence level.

What you will learn in this report

- The frequency and impact of cyberattacks on SMEs
- The most common types of cyberattacks
- How SME leaders perceive and respond to cyberattacks
- The effect cyberattacks and cyber incidents have on SME operations and revenue
- The industries in which businesses are most/least likely to have cyber insurance
- The main benefits SMEs have with cyber insurance
- How SME leaders benefit from insurance beyond coverage
- To what degree having insurance helps SMEs prevent cyberattacks
- The top features SMEs look for in cyber insurance

Who is this report for?

Leaders at small and medium-sized enterprises in the following roles:

- Information technology
- Data security
- Cloud management
- Privacy
- Regulation and compliance
- Operations
- Finance
- Risk mitigation

Respondent Breakdown

52% of respondents work at organizations with $10m to $250m in annual revenue

17% of respondents work at organizations with under $10m in annual revenue

33% of respondents are in executive leadership

100% of respondents are manager level or more senior

The top industries represented in the survey are: **Computer hardware and software, Financial services, Business services and Manufacturing**

81% of respondents have a high understanding of the insurance policies in effect for their business, while 19% have a limited understanding

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KEY SURVEY FINDINGS

Only 1 in 3 SMEs' cybersecurity strategies include having cyber insurance coverage

77% of SMEs with a cybersecurity strategy own a cyber insurance policy,

but only **29%** of organizations without a cybersecurity strategy own a cyber insurance policy

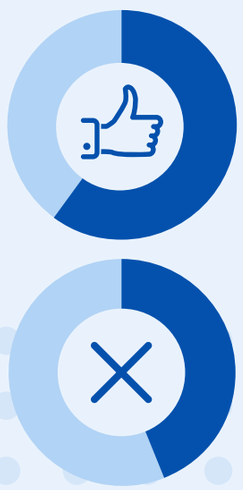
Cyber incidents cost SMEs more than they anticipated

90% of SMEs that experienced a serious incident said the cyberattack cost them more than they thought it would

About half of SME leaders feel prepared for a cyberattack

Only **55%** of SME leaders feel highly confident they're prepared for a cyberattack

SME leaders with cyber insurance are more likely to feel prepared for cyberattacks



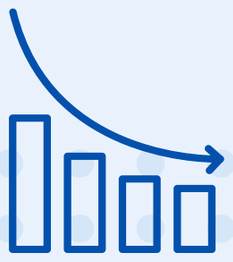
61% of SMEs with a cyber insurance policy feel highly prepared for a cyberattack compared to only **43%** of organizations without cyber insurance

Insurance providers effectively guide customers to safety

91% of SMEs with cyber insurance policies say their insurance provider has helped them to avoid potential incidents

SMEs without insurance fear a major cyberattack could sink them

72% of SMEs without cyber insurance say that a major cyberattack could destroy their business



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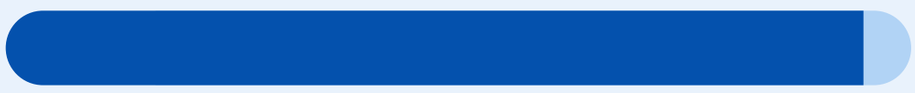
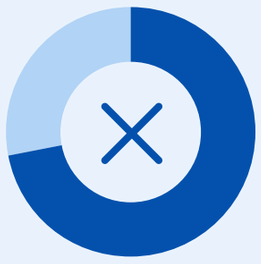
KEY SURVEY FINDINGS

Most SMEs with cyber insurance have cybersecurity strategies to prevent and react to cyberattacks



95% of SMEs with a cyber insurance policy say they have a cybersecurity strategy



...compared to only **72%** of SMEs without cyber insurance

Having a cybersecurity strategy can speed up recovery by 2x

SMEs with a cybersecurity strategy were nearly **2x** more likely to recover quickly from a cyberattack compared to those without a cybersecurity strategy

Most SMEs with cybersecurity strategies have cyber insurance

77% of SMEs with a cybersecurity strategy have a cyber insurance policy

According to SMEs, coverage and ransomware payment are the main benefits of cyber insurance policies

- Cyber incident coverage
- Cyber extortion (ransomware) payment
- Business interruption loss reimbursement
- Legal support
- Guidance and leadership to attenuate risk

One third of SMEs would pay a ransom to a cybercriminal

34% of SMEs say they would definitely pay the ransom for a ransomware cyberattack,

...while **66%** wouldn't pay or are unsure

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KEY SURVEY FINDINGS

Industries most at risk for a cyberattack are least likely to have cyber policy coverage

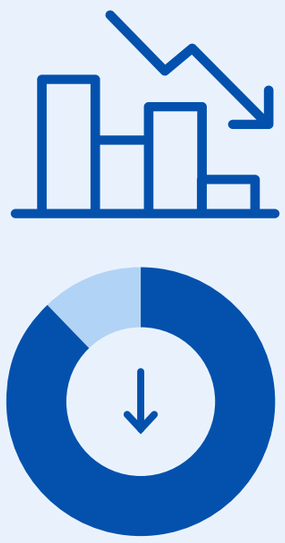
The three industries least likely to have a formal cybersecurity strategy are also the industries least likely to have a cyber insurance policy: Transportation, Government, and Hospitality/Travel

SMEs with a cybersecurity strategy feel highly protected

SMEs with a formal cybersecurity strategy are nearly 9 times more likely to feel highly prepared to respond to a cyberattack

Cyber incidents cause revenue drops

81% of the SMEs that experienced a cyberattack say they saw a drop in revenue due to the cyberattack

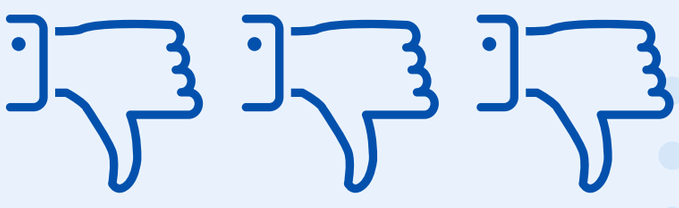


Cyber insurance policies reduce the effect of revenue drops

SMEs without a cyber insurance policy were slightly more likely to see a drop in revenue from a cyberattack compared to those with a cyber insurance policy

Cyber incidents erode customer trust

81% of the SMEs that experienced a cyber incident say they saw a widespread drop in customer trust



SME cyberattacks are common

50% of SMEs have experienced a significant cyber incident in the past 12 months

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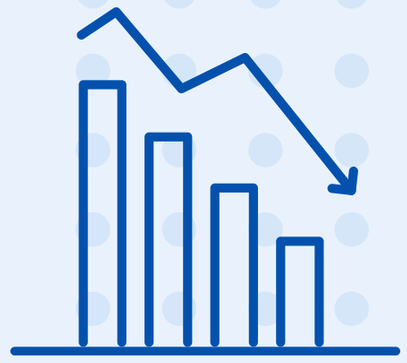
KEY SURVEY FINDINGS

4 in 10 SMEs underestimate how long it takes to recover from a cyber incident

Only 61% of SMEs that experienced a serious incident were able to recover as soon as they thought they could

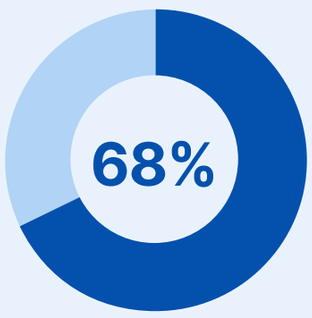
SME cyberattacks hinder business operations

91% of SMEs that experienced a serious cyber incident said it significantly degraded their business operations

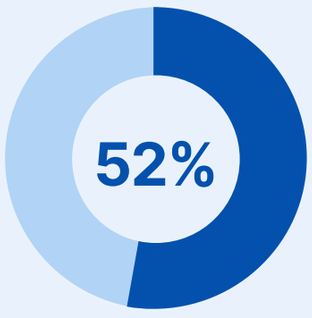


Computer hardware and software and Utilities most at risk for cyberattack

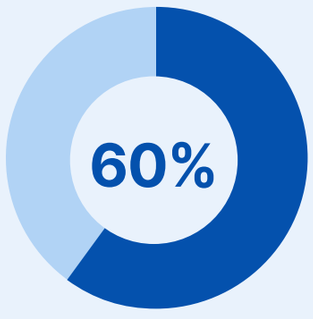
SMEs (by percent) that have experienced a significant cyberattack in the past 12 months by industry:



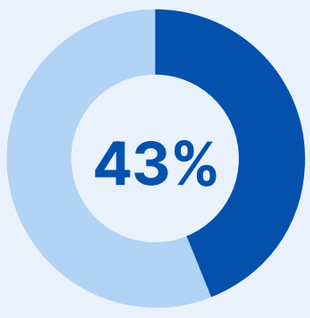
Computer hardware or software



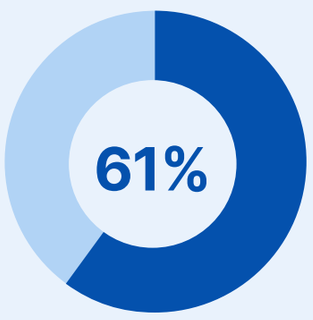
Business services



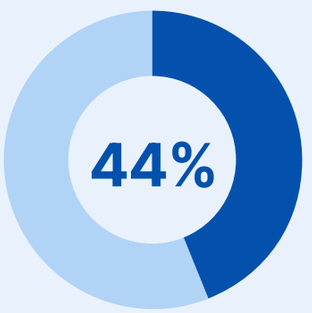
Financial services or Insurance



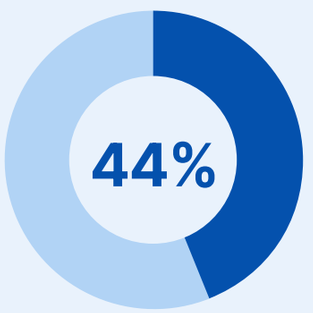
Hospitality / Travel / Restaurant



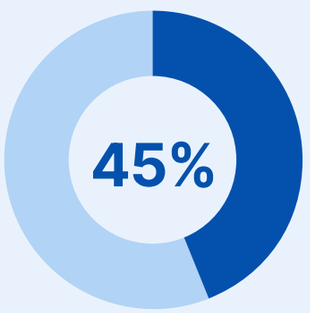
Utilities / Energy / Water / Telecom



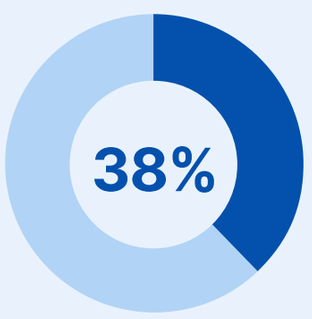
Media/Entertainment



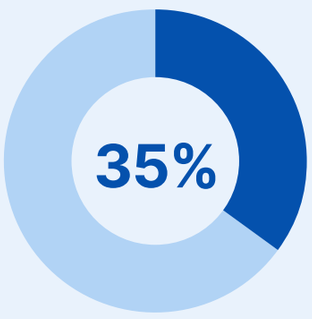
Healthcare



Transportation



Government



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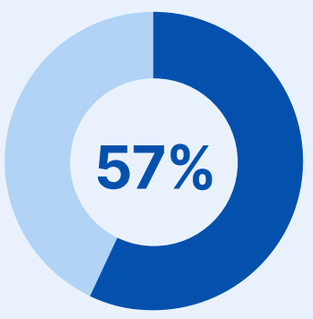
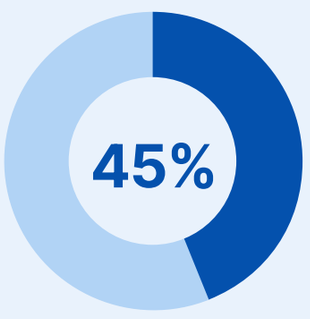


Manufacturing



Retail or Wholesale

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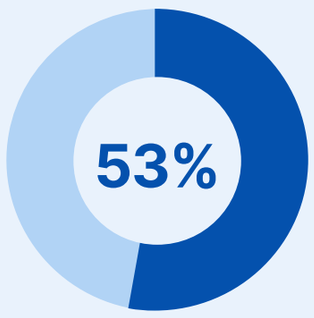
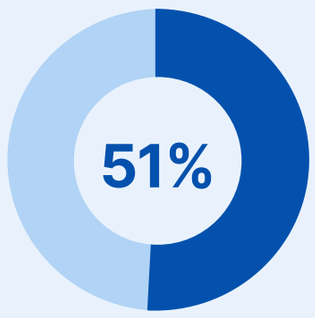
KEY SURVEY FINDINGS

SMEs in the Utilities sector were most impacted by cyberattacks

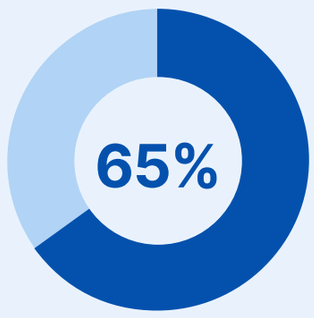
SMEs (by percent) that were severely impacted by a cyberattack within the past 12 months by industry



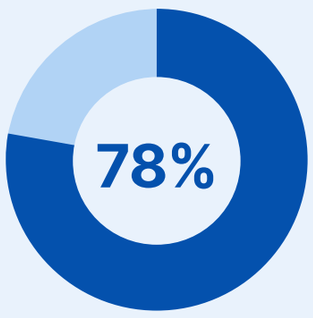
Computer hardware and software



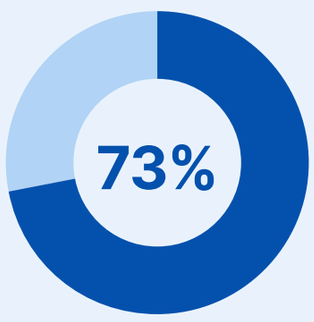
Business services



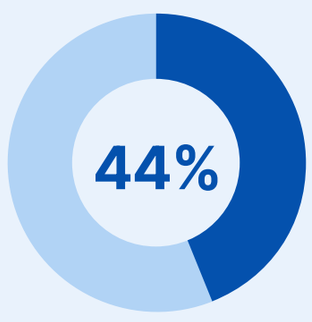
Financial services and Insurance



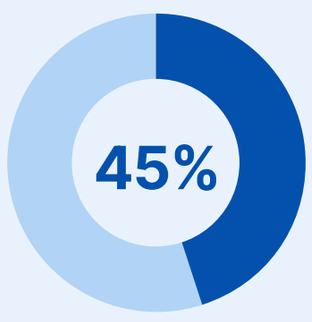
Hospitality/Travel/ Restaurant



Utilities / Energy / Water / Telecom



Media/Entertainment



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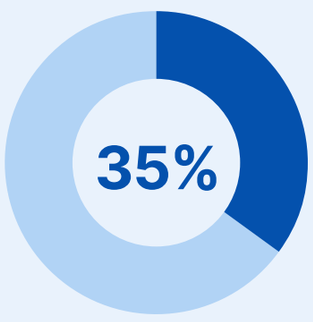
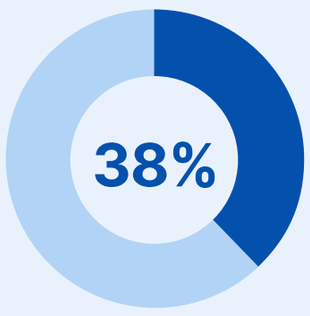
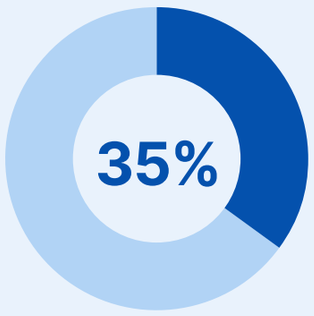


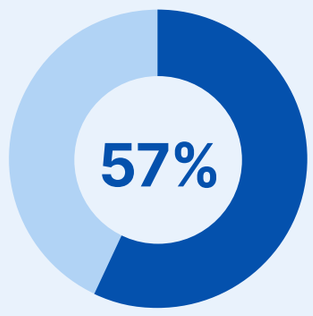
Transportation



Government



Education



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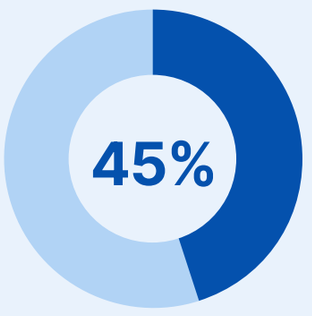


Retail or Wholesale

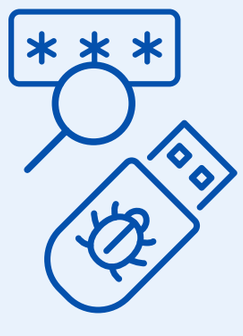
It takes SMEs nearly a month to fully recover

Of SMEs that experienced a serious cyber incident, it took on average **3.4 weeks to fully recover**

Malware and phishing cyberattacks target SMEs

The most common cyberattacks:

- Malware
- Phishing
- Cyber incident
- Ransomware
- Stealth of password



Computer hardware SMEs are at high risk

Industries most likely to have a cyber insurance policy:

- Computer hardware
- Financial services
- Media/ Entertainment

Transportation SMEs least likely to have cybersecurity strategy

Industries least likely to have a formal cybersecurity strategy:

- Transportation
- Government
- Hospitality/ Travel

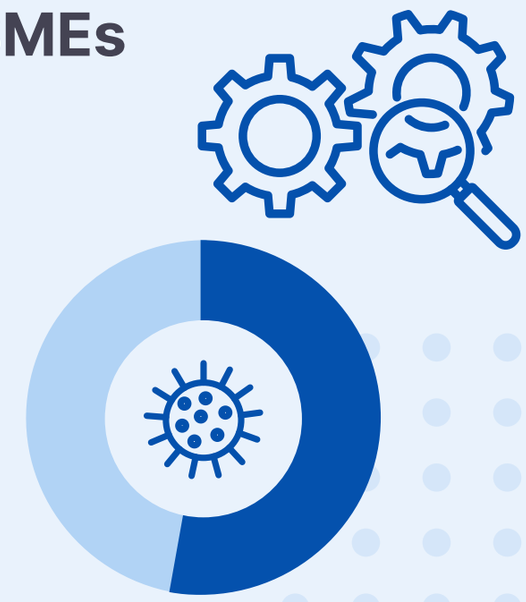
Computer hardware SMEs most likely to have a cybersecurity strategy

Industries most likely to have a formal cybersecurity strategy:

- Computer hardware
- Utilities/Energy/ Water
- Financial services

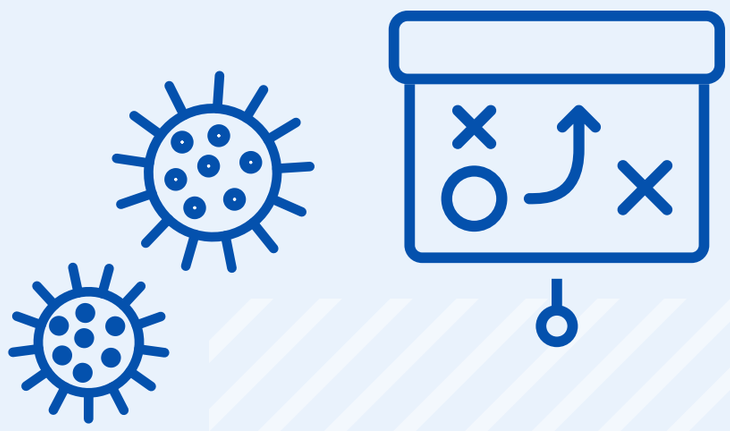
COVID-19 pandemic caused digital transformations for over half of SMEs

55% of SMEs underwent a major digital transformation during the COVID-19 pandemic



Digital transformation is propelled by having a formal cybersecurity strategy

SMEs with a formal cybersecurity strategy are nearly 4 times more likely to have experienced a significant digital transformation since the COVID-19 pandemic



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