

'The Value of Cyber Insurance'

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“As an industry we seem to be missing a trick when it comes to getting clients to see the value of cyber insurance – namely that the majority of UK businesses are just not buying it.”

In fact, just 11% of UK companies purchase cyber insurance, despite government figures revealing that 43% of businesses in the UK experienced a cyber-attack in the past 12 months. In a world where more is spent on pet insurance than cyber, we examine if we should be taking a carrot, not a stick approach - demonstrating the benefits of a cyber policy rather than highlighting the risks.

Cyber fatigue is real

Our Risk and Confidence research appears to suggest that cyber fatigue is occurring. In May '18 a quarter of UK business leaders questioned cited cyber as their biggest risk concern. This dropped to 18% in May '19 and only 10% predicted it will be a significant risk concern by May this year.

Figures from the Department for Digital, Culture, Media and Sport back this up. In 2018 only 27% of businesses said they had a formal cyber security policy or policies in place, compared to 33% in 2017. The sad fact is, it is estimated that only around £80m of cyber business is written in the UK (according to the ABI), yet the pet insurance market is worth £1.1bn. We know we are a nation of dog lovers, but surely we want to give our businesses the same level of care and protection?

In part we believe the problem may be that business leaders still do not believe that cyber-attacks will happen to them. **Despite the ICO handing out multimillion-pound fines to the likes of BA, and Travelex suffering a share price drop of 17% post the ransom attack it suffered over the Christmas holiday, cyber risk is just not resonating with businesses or organisations across the country.**

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Cyber fatigue is real continued...

Our theory is that SMEs in particular do not believe they are a target, partly because the media narrative is focused so squarely on the multinational companies with deep pockets that can afford to handle the fall-out. But the irony is, these smaller businesses are the backbone of the UK economy, accounting for three fifths of UK employment and around half of turnover in the UK private sector. **These are the businesses most in need of the practical, legal and financial assistance offered by a cyber policy if they are to emerge from a cyber-attack relatively unscathed.**

It appears that when businesses of this size do experience an attack (and Department for Digital, Culture, Media & Sport's stats suggest just under half were attacked last year), such attacks are often swept under the carpet in order not to scare off customers, suppliers or investors.

Selling the benefits

Our experience is that schools, sports clubs, health clubs, solicitors' firms and data-rich businesses in numerous sectors have benefited from insurance when they were hit by a data breach, ransomware or social engineering attack. They were able to draw on the assistance available via their policy – **from legal advice, to forensic IT and PR services to name a few, as well as taking advantage of valuable pre breach services on offer.**

Our challenge is how do we use these stories as examples that resonate with their peers?

As an industry, we could, for example, choose to publish our response times, the numbers of firms that have benefitted from cyber policies, the number of claims paid and in what time scale. For example, the ABI, last year revealed that 99% of all its member cyber policies were paid – which was one of the highest claims acceptance rates across all insurance products. We are increasingly making more of our loss data and the intelligence gleaned to inform clients on the latest cyber trends and we publicise key steps that they should be taking to try and prevent being a victim of the latest form of attack. So why aren't these messages cutting through?

Is this information not reaching the end clients? Is there a danger that there is broker cyber fatigue? Or is it that low commissions and a possible fear of not being able to respond to client questions is resulting in some brokers not pushing cyber coverage.

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Demonstrating the true value

Whatever the reason for cyber apathy there is no doubt that there are great swathes of insureds that are not buying cover who should be. To change this situation greater insurer, broker and client co-operation, and an ongoing conversation throughout the year with insureds, not just at renewal time is required. There also needs to be greater emphasis on demonstrating where the real value-add is within a cyber policy for SMEs.

The policies, the wording, the capacity and the pre / post breach response services are there – now together we need to convince insureds of the true value of investing in a cyber policy and demonstrate why they cannot afford to be without one. As a sector, we cannot afford to be the dog that failed to bark.



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Appendices:

1. Department for Digital, Culture, Media & Sport - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/702074/Cyber_Security_Breaches_Survey_2018_-_Main_Report.pdf
2. Department for Digital, Culture, Media & Sport
3. ABI - <https://www.abi.org.uk/news/news-articles/2019/08/cyber-insurance-payout-rates-at-99-but-uptake-still-far-too-low/>
<https://www.fsb.org.uk/uk-small-business-statistics.html>

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