



New Research Finds Stark Perception Gap between SMEs and Brokers When it Comes to Cyber Risks

LONDON, 15 May 2019 – Sedgwick, a leading global provider of technology-enabled risk, benefits and integrated business solutions, today revealed the results of two extensive surveys of UK insurance brokers and SMEs on their awareness and attitudes toward cyber insurance risk, as well as the impact and importance placed on different cyber-attacks.

The findings reveal startling differences in perception between brokers and SMEs when it comes to cyber insurance. Of the brokers questioned, cyber insurance only made up approximately 5% of their current book despite the fact that SME respondents considered cyber crime to be a higher risk concern to their business than Brexit.

The survey of brokers indicated a lower perceived risk for SMEs, with only 47% believing that SMEs have concerns over cyber and data misuse. However, 91% of SMEs surveyed indicated concern over cyber risk, further demonstrating a significant perception gap.

The survey also reveals stark attitudinal differences towards cyber insurance between SMEs that have had a breach and those that have not. 85% of SMEs that have been affected by a breach indicated that cyber insurance was of ‘high importance’ to them, compared to 22% of SMEs that have yet to be a victim of a cyber breach.

Dr Mark Hawksworth, global head of cyber and technology specialist practice group at Sedgwick said:

“This report comes at a critical time as businesses are increasingly transacting online and as a result are more exposed to cyber risks. What this research highlights is that brokers have a real opportunity to lead the way in educating and informing SMEs on the scope of cyber protection.

“SME respondents indicated that cyber risk was a top 3 concern for their business. However, just under half claim to have at least Public Liability (48%), Employer’s Liability (46%) or Property insurance (42%). Only 15% of SMEs have cyber-specific insurance, while 60% of micro SMEs admitted that their employees have had no cyber training.

“We believe Brokers have the opportunity to bridge the perception gap by providing training and support for SMEs. However, it is important that the policies they offer are not only priced appropriately but are fit for purpose in an ever changing cyber risk environment.”

Additional key findings included:

- **Data breach:** brokers believe nearly a third (31%) of SMEs have suffered from a data breach, while only 14% of the SMEs surveyed claimed to have ever had a security breach of any sort. Of those SMEs who had a cyber breach, two thirds had claimed to have had cyber insurance and 63% were expecting reimbursement for any financial loss.
- **Cyber insurance demand:** brokers considered cost to be the major barrier to insurance take up (69% of respondents), followed by awareness of coverage provided (46%) and impact on business due to coverage limitations (43%).
- **Top business risks:** SMEs considered financial loss (55%), events that stop them trading (52%), damage to business reputation (49%) and cybercrime (48%) are the top four risks to their business.
- **Reasons for buying cyber insurance:** Brokers surveyed believe the main reasons for purchasing cyber insurance are based on the impact of phishing and malware, which includes ransomware as a form of extortion malware. 9 in 10 National Brokers claim the impact of phishing in particular is the main reason SMEs request cyber insurance. SMEs claim they are fairly aware of all types of cybercrime primarily phishing, malware and ransomware.
- **SMEs awareness and knowledge over cyber security:** all businesses surveyed have a digital trading or marketing aspect to their business and admitted that digital activity is ongoing and happening daily. Overall, SMEs claim to be fairly knowledgeable over cyber security system and the importance of digital technology in the day-to-day running of their business. However, the survey finds that reliance on multiple digital services such as anti-virus or data encryption systems increases with size of the business. 7 in 10 medium sized SMEs use external IT support and nearly two thirds of SMEs have received digital advice. However, 60% of micro SMEs admitted that their employees had no cyber training.

The Sedgwick brokers and SMEs cyber research surveyed a representative sample of brokers and SMEs in the UK. 250 provincial, super regional and national brokers were surveyed, while 350 SMEs with up to 250 employees also responded to the survey.

In addition to considering cyber risk insurance policies and response measures for SMEs business operations, Sedgwick believes that it is important for them to discuss cyber practices with upstream and downstream partners. Reviewing contracts and building in specific language can help ensure the right protections and plans are in place throughout a connected supply chain.

Sedgwick's cyber loss and incident management team incorporates in-house technical experts who can assist in the initial stages of a cyber attack e.g. ransomware hack, identifying the mitigating factors to help prevent large turnover losses, loss of customers or further damage to the business.

About Sedgwick

Sedgwick is a leading global provider of technology-enabled risk, benefits and integrated business solutions. We provide a broad range of resources tailored to our clients' specific needs in casualty, property, marine, benefits and other lines. At Sedgwick, caring counts®; through the dedication and expertise of more than 21,000 colleagues across 65 countries, the company takes care of people and organisations by mitigating and reducing risks and losses, promoting health and productivity, protecting brand reputations, and containing costs that can impact the bottom line. Sedgwick's majority shareholder is The Carlyle Group; Stone Point Capital LLC, La Caisse de dépôt et placement du Québec (CDPQ) and other management investors are minority shareholders. For more, see www.sedgwick.com.

Notes to editors:

Dr Mark Hawksworth will present the findings of this research programme at [BIBA Fringe Session 2](#) on Wednesday 15th May 2019 at 15:30 -16:15 in Manchester.

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