

## **Virtual Perils**

### The Growing Risks and the Associated Insurance Market for Personal Cyber Coverage

Due to increasing cyber risks, the cyber insurance market is growing rapidly and homeowners, like businesses, are becoming more aware of the cyber risks they face. However, many mistakenly believe their standard homeowners insurance policy covers cyber incidents. This misconception provides agents an opportunity to educate clients on coverage gaps and the importance of cyber insurance, demonstrating a proactive approach to modern risk management.

When discussing insurance coverages with prospective personal lines customers, agents often ask them to assess the value of their home and personal property, including items like jewelry, collections and artwork. We also often consider the value of computers, including the ubiquitous smartphone.

In today's connected world, computers and smartphones that are being used to access smart home devices, online banking and digital communication are everywhere. Households with computers increased from 84% in 2013 to 95% by 2021, according to the U.S. Census Bureau. While the use of home computers has grown significantly—making them an important consideration for personal property value—what is most important is the value of the data stored on these devices and the consequences of that data being accessed by threat actors.

Personal data can be lost or stolen and used to cause serious financial trouble. While cyber threats are continuously evolving, phishing scams and data breaches resulting in the sale of personal information on the so-called dark web remain commonplace.

As these cyberattacks become more frequent and sophisticated, the need for cyber insurance is more pressing. For homeowners, depending on the terms of the cyber policy—and yes, you must read the policy and be familiar with the terms—the coverage benefits may include payment or reimbursement for the restoration of the computing device, ransom, legal fees, forensic IT costs, funds lost due to fraud, and credit monitoring. Many insurers also offer certain cyberbullying coverages, which may cover household members for counseling, private tutoring and social media monitoring.

Offering cyber insurance demonstrates a commitment to protecting clients from emerging risks, fostering confidence and opening broader conversations about risk management. As a result, clients become more loyal and willing to pay for what they perceive as added value from their insurance professional.

Further, agents with insights into cyber threats and insurance coverage can educate clients, which creates a stronger value proposition. For example, hosting informational sessions about cyber risks, preventive measures and the importance of cyber insurance establishes agents as valuable resources in a rapidly evolving field.

Recognizing the need for cybersecurity and offering specialized policies allows agents to protect clients and present themselves as proactive resources. This can set agents apart in a competitive market and provide growth opportunities. As we advance into a digital future, the role of insurance agents in comprehensive risk management is critical. Embrace the opportunity to include cyber insurance in your offerings and turn cyber risks into a proactive strategy for clients' peace of mind.

Here are two examples that you can use to illustrate the danger that exists for your personal lines clients:

**Meet Mary Smith.** Mary is a 76-year-old woman living with her husband, who requires daily assistance from a care attendant due to declining health. Mary manages all household financial matters. In June, she received an email about an unpaid repair bill from work completed two years ago. Mary, confident she had paid it, responded with the payment details and deleted the email. Later, she received notice of a \$30,000 deposit made to her bank account from an unknown company.

Mary called the number on the notice and spoke with a young man who claimed it was a mistake and asked her to wire the money back. Mary complied. But, days later, she discovered that her account was \$30,000 short.

The bank and police revealed that cybercriminals had tricked her into transferring the money. The bank would not reimburse her as she had voluntarily transferred the funds.

Mary then questioned her insurance agency about coverage, only to learn she had declined, in writing, a cyber insurance offer.

**Meet Joe Williams.** Joe is an insurance agent. A hurricane hit his area hard, and after a long day at work, he stayed late at the office helping customers with claims. When Joe arrived home, he found that his smart home system was not working. His smart home system included door locks and the garage door. He couldn't even get into his house.

He tried resetting his phone and using the outside home security keypad, but nothing worked. Frustrated, Joe called his IT friend, Mike, for help. After helping gain entry to the home, Mike suggested that Joe immediately change his Wi-Fi password and notify his home security monitoring company. It turns out that Joe's Wi-Fi had been hacked, and the criminals gained entry into his home network—and all of the devices connected to it. Joe is still waiting to see if any home computer data was stolen. Like many people, he usually leaves his home computer turned on and connected to his home network.

Even the next day back at his desk, he worried about cybercriminals using the information on his computer to access his financial accounts or using the data for identity theft, which could result in financial and reputational consequences, even potential blackmail. Because he is an agent, he knew about the standard exclusions and limitations on his homeowners policy. As a result, Joe now asks more questions about cyber coverage and shares the experience with his customers.

Recognizing the need for cybersecurity and offering specialized solutions can set agents apart in a competitive market and provide growth opportunities.

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