

Helping consumers understand the value of cyber insurance

October 2018



**INSURANCE
INFORMATION
INSTITUTE**

J.D. POWER

Sean Kevelighan
Chief Executive Officer
Insurance Information Institute
seank@iii.org

James Lynch, FCAS, MAAA
Chief Actuary
Insurance Information Institute
jamesl@iii.org

Jessica McGregor
Strategy and Growth Director, Global Insurance Practice
J.D. Power
jessica.mcgregor@jdpa.com

David Pieffer
Property & Casualty Insurance Practice Lead
J.D. Power
david.pieffer@jdpa.com



TABLE OF CONTENTS

	<i>Page</i>
Executive summary.....	3
Cyberrisk protection.....	4
Popularity of connected technology.....	7
Privacy concerns	8
Conclusion.....	9
Sources and endnotes	10





EXECUTIVE SUMMARY

More than four out of five American consumers who own connected devices either lack insurance to protect them from cyberthreats or do not know if they are covered, according to the *Insurance Information Institute and J.D. Power 2018 Consumer Cyber Insurance and Security Spotlight Survey*SM.

Only 15 percent of these consumers say their homeowners or renters policy currently covers them for personal cyber risks. And despite the increasing reports of cyber breaches compromising millions of Americans' identities, three-quarters of these consumers are not willing to

pay more on their homeowners or renters policy to include cyber risk coverage. Typically, homeowners and renters policies provide coverage for identity restoration as an add-on, or endorsement.



More than four out of five American consumers who own connected devices either lack insurance to protect them from cyberthreats or don't know if they are covered.

As businesses increasingly depend on electronic data and computer networks to conduct their daily operations, growing pools of personal and financial information are being transferred and stored online, making individuals vulnerable to privacy violations. Cyberattacks and breaches have grown, with breaches hitting a record 1,579 in 2017, according to the Identity Theft Resource Center,¹ exposing about 179 million personal records.

Consumers participating in the survey were queried on their knowledge of their personal cyber risk coverage and their experience with identity theft. They were also asked what connected devices they have in their homes and vehicles, and about any privacy concerns they

have associated with those devices. The *2018 Consumer Cyber Insurance and Security Spotlight Survey*SM was conducted in July 2018 by J.D. Power in partnership with the Insurance Information Institute, the first spotlight research survey conducted jointly by the two organizations. The online survey reached 508 owners of homes and vehicles with connected technology.



Key findings from the survey include:

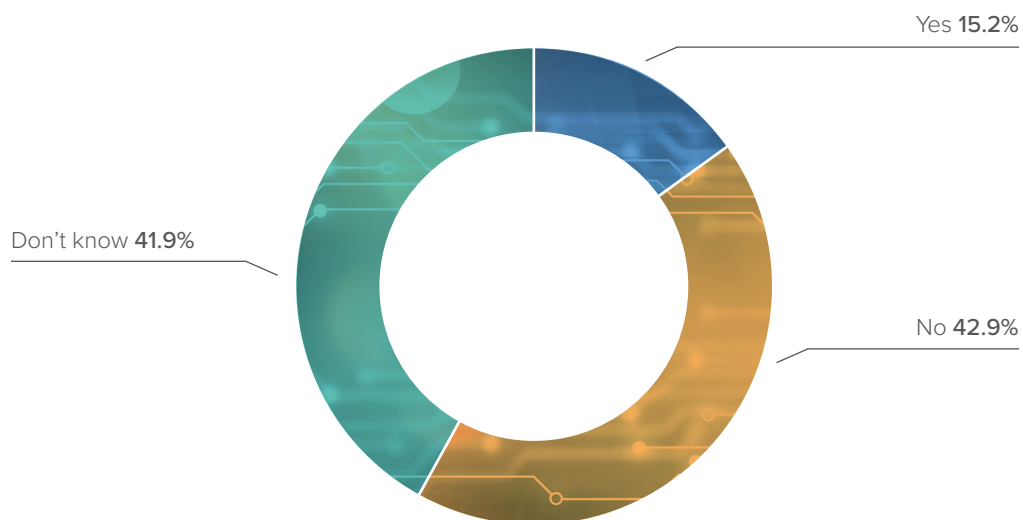
- Only 15 percent of consumers who own connected technology currently have personal cyber coverage. And 42 percent of connected technology owners don't know whether or not they have the coverage. Lack of coverage and knowledge of current coverage highlights the significant role insurance professionals can play in protecting consumers from cyberrisk and demonstrating the value of insurance products.
- About a third of connected technology users have been victims of identity theft in the past.
- Three out of five Americans have connected technology in their homes and one-quarter have these features in their vehicles.
- Owners of connected technology say they are not concerned about their cybersecurity, but about half have already taken steps to protect their privacy or security.

CYBERRISK PROTECTION

Only 15 percent of consumers who own connected technology said their homeowners or renters insurance policy covers them for personal cyberrisk. Another 43 percent of connected device owners said their policies do not have any cyberrisk coverage, and 42 percent do not know whether they are covered (**Figure 1**).

Fig. 1

Does your existing property/home/renters insurance policy include cyberrisk coverage?



Source: 2018 Consumer Cyber Insurance and Security Spotlight SurveySM, July 2018.



Insurance policies can differ by company and sometimes substantially. Yet the typical homeowners or renters policy only covers stolen identity risks via an endorsement that must be added at the policyholder's request. Known as identity restoration coverage, the endorsement helps policyholders after their personally identifiable information is stolen. Expenses such as attorney's fees and lost wages may be covered, and a fraud specialist may be available to manage the restoration process.

As an alternative, a handful of insurers offer stand-alone policies that cover identity restoration, along with professional assistance for responding to personal ransomware attacks and malware removal, as well as reprogramming computers and other devices such as Wi-Fi routers. In 2017 direct premiums written for identity theft coverage totaled \$232 million.² There were almost 20 million policies in force, including stand-alone policies and coverage for identity theft that was part of a package policy, such as homeowners or renters policies.

As noted, consumer awareness of these valuable add-ons and stand-alone policies for cyber coverage is low; 42 percent of those surveyed were unsure whether they had any sort of coverage. This creates an opportunity for the insurance industry to show current and future policyholders how cyberrisk coverage can be a low-cost tool to protect their identities and assets.

The survey also found that despite the growing number of people who have experienced identity theft and have privacy concerns about using social media, three-quarters of connected technology users are not willing to pay more on their current policy for cyberrisk coverage (**Figure 2**). Currently the options available to protect consumers against cyberrisks are

Fig. 2

Would you be willing to pay more for a cyberrisk coverage add-on to your property/home/renters insurance policy?



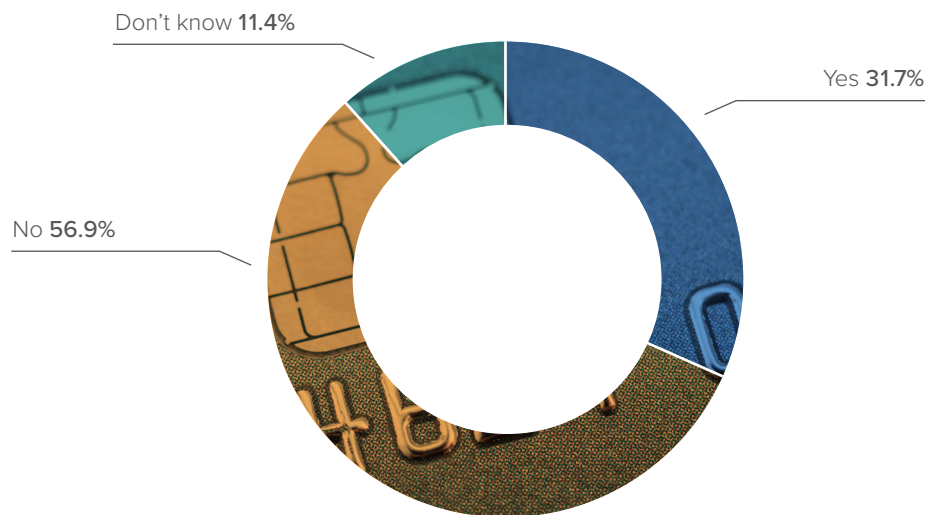
Source: 2018 Consumer Cyber Insurance and Security Spotlight SurveySM, July 2018.

relatively inexpensive. The fact that consumers think cyber coverage is too costly presents an opportunity for insurance professionals to dispel these misperceptions and discuss what options are available to them. For example, as agents and others explain to consumers the various coverages for property insurance, they can take the opportunity to highlight identity restoration and its benefits in today's risky environment.

Nearly a third of people who own connected technology devices said they have been the victim of identity theft, and about one in 10 were unsure whether their identity had ever been stolen (**Figure 3**). There is evidence that the number of identity theft victims has been growing steadily. A 2014 poll of cellphone and landline users³ conducted by the I.I.I. found that 25 percent of respondents were victims of identity theft.

Fig. 3

Have you ever been the victim of identity theft (i.e., opening unauthorized accounts, stolen personal information)?



Source: 2018 Consumer Cyber Insurance and Security Spotlight SurveySM, July 2018.



POPULARITY OF CONNECTED TECHNOLOGY

Many Americans (63 percent) have at least one connected device in their homes.⁴ Among those who have connected devices in their homes, the most popular are voice command assistants such as Amazon's Alexa or Google Assistant. Close to half (45 percent) who



45% of survey respondents said they own voice command assistants.

indicated that they have some form of connected technology in their homes own them. Ownership of these devices is highest among 25-to-34-year-olds and lowest for people over the age of 65. Almost a third of consumers who own connected devices

also own connected thermostats and wearables such as Fitbits (29 percent and 27 percent, respectively). One-quarter of these consumers have connected security cameras, door locks, doorbells and connected appliances.

Moreover, one-quarter of Americans have connected features in their vehicles.⁵ Of those who have these features in their vehicles, just under a third said they have adaptive cruise control (32 percent). Drivers age 25-34 and age 65 and over are most likely to have adaptive cruise control in their cars. Fewer drivers have lane-keeping technology (16 percent), automatic braking (14 percent) and parallel parking assist (13 percent).

Almost a quarter of connected technology users said convenience is the main reason they chose these devices for their homes or cars (24 percent), while about one-fifth cited security and safety (19 percent). Fewer users cited a desire to have new technology as the main reason to choose connected technology (16 percent).

In addition to owning connected devices in homes and vehicles, about three-quarters of these consumers engage in digital and online activities (72 percent). About half of them use streaming media such as Netflix and online shopping services like Amazon and eBay, activities that may increase their vulnerability to cyberattacks.

America's interest in connected technology shows no signs of abating. The survey shows that half of connected technology users are likely to buy another device for their homes in the next year (49 percent said either they probably will or they definitely will), and 13 percent are likely

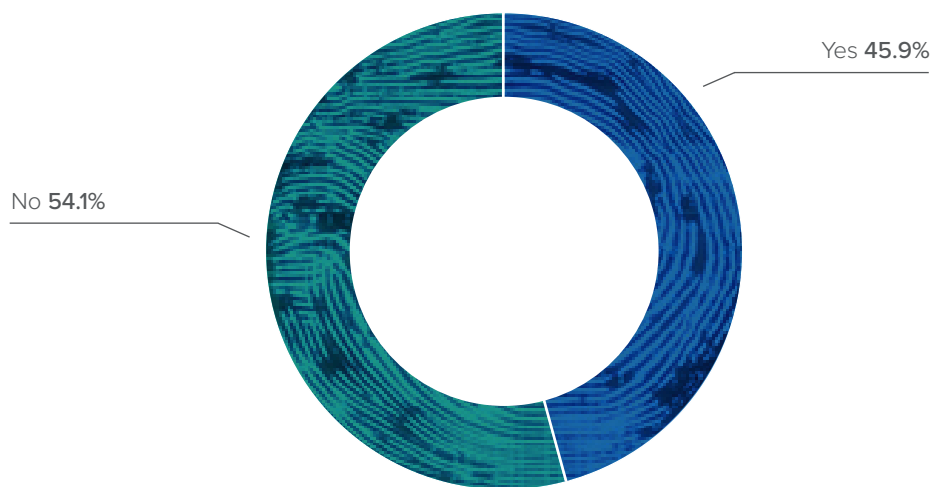
to purchase a vehicle with a connected feature. The nation's interest in digital shopping goes further: a separate J.D. Power survey⁴ found that one in five people would use Amazon or Google to buy home insurance, should they begin to offer it. This further underscores the need for cyberrisk protection as more consumers choose to expose their personal information on digital platforms.

PRIVACY CONCERNS

Six out of 10 people who own connected technology said they do not have privacy or cybersecurity concerns related to their connected devices (62 percent). Despite this, almost half said they have taken steps to protect their privacy or security (46 percent) (**Figure 4**). Almost seven out of 10 connected technology owners (69 percent) are not comfortable sharing personal information on social media such as Facebook and Instagram, but only about a third (32 percent) changed the way they used social media or connected technology after learning about the Facebook/Cambridge Analytica data issue or the Russian malware found on Wi-Fi routers.

Fig. 4

Have you taken any measures to protect your privacy and cyber security related to your connected technology?



Source: 2018 Consumer Cyber Insurance and Security Spotlight SurveySM, July 2018.



CONCLUSION

As more consumers adopt home and vehicle devices that collect and store personal data and use online shopping and sharing networks, personal cyberrisk insurance is becoming an increasingly important component of homeowners and renters policies. The *2018 Consumer Cyber Insurance and Security Spotlight Survey*SM shows that cyberrisk is already on consumer radar. Insurance professionals can play a prominent role in educating consumers about cyberrisk and dispelling the misperceptions about the cost of cyber coverage by demonstrating the relatively inexpensive and valuable coverage that is available to protect them. Insurers must show the value of the coverage for the cost charged through education, marketing and during the shopping process.

About the Insurance Information Institute

For nearly 60 years, the Insurance Information Institute (I.I.I.) has been the leading independent source of objective information, insight, analysis and referral on insurance for a wide range of audiences, including: Consumers, insurance professionals, the media, government and regulatory organizations, educational institutions and students. The I.I.I.'s mission is to improve public understanding of insurance—what it does and how it works. The I.I.I. is an industry supported organization, but does not lobby for insurance businesses; instead, our central function is to provide accurate and timely information on insurance subjects.

About J.D. Power

J.D. Power is a global leader in consumer insights, advisory services and data and analytics. These capabilities enable J.D. Power to help its clients drive customer satisfaction, growth and profitability. Established in 1968, J.D. Power is headquartered in Costa Mesa, Calif., and has offices serving North/South America, Asia Pacific and Europe. J.D. Power is a portfolio company of XIO Group, a global alternative investments and private equity firm headquartered in London, and is led by its four founders: Athene Li, Joseph Pacini, Murphy Qiao and Carsten Geyer.





Sources and endnotes

1. Identity Theft Resource Center, "[2017 Annual Data Breach Year-End Review](#)."
2. NAIC data sourced from S&P Global Market Intelligence.
3. Insurance Information Institute, "Pulse Survey," January 2015.
4. *J.D. Power 2018 Home Technology Spotlight Survey*SM.
5. *J.D. Power 2018 Insuring Automated Vehicles Spotlight Survey*SM.
6. *Insurance Journal*, "[1-in-5 Consumers Say They'd Use Amazon or Google for Home Insurance](#)," August 29, 2018.

