

# Addressing the Personal Cyber Protection Gap



## Background

[Cyber insurance](#) is one of the fastest-growing property/casualty segments. The ubiquity and potential severity of the threat has pressed insurers to clarify policy coverage and exclusions, improve risk managers' understanding of product value, and better manage costs and rate stability.

### A growing threat for homeowners

In 2023, the average data breach cost for organizations climbed higher than ever to \$4.45 million, according to IBM's [Annual Data Breach Report](#). And, while many corporations train employees to play a role in cybersecurity, many of those employees are less educated about cyber risks in the home.

Historically, personal cyber risk was largely viewed as synonymous with "identity theft" – and consumers could consider themselves reasonably protected by their banks and credit card companies to be made whole for fraud-related losses. It was an easy peril to ignore.

In recent years, however, the risks have evolved with the rise of internet-connected devices – such as doorbells, thermostats, and security cameras – in the home. These devices can open the door for the installation of malware that can seize control of a homeowner's data and expose them to extortion. Research was conducted with agents and brokers to ensure that the needs for person cyber insurance are being accurately communicated to consumers.

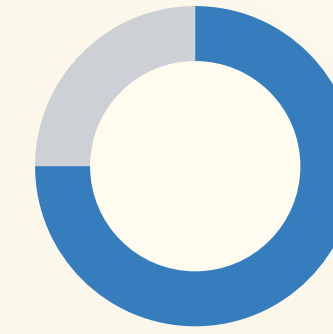
There are two types of cybercrime that generate most of the losses for consumers – phishing and financial scams.

The FBI Internet Crime Complaint Center (IC3) was established to create the ability to report internet crimes and losses and offer consumers a process to report cybercrimes and losses. The 2023 IC3 Report showed more than 880,000 complaints and \$12.5 billion in losses, a 10 percent increase from previous year. The most common crime type was phishing, resulting in nearly 300,000 complaints.

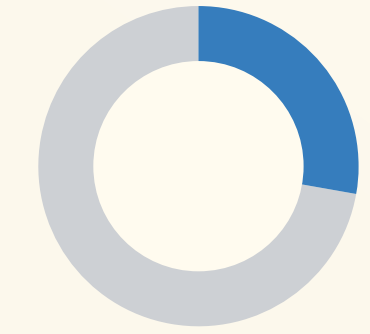
Another common cyber event is financial scams, which are types of fraud where victims are misled to gain access to accounts, PI (personal information) or financial institutions (FI) that results in a loss. Scams impact 3 in 10 consumers or households. Research conducted by PYMNTS Intelligence found that scams have a significant impact on consumer mental health and FI brand health. Many consumers expect the FI to protect them and likely consider switching to FI after being impacted by scams.

Consumers clearly need to be better educated about cyber risks and the products that can help protect them. Likewise (and, perhaps, less obviously), insurance agents also need to learn more about the risks and available products to be able to sell them more effectively.

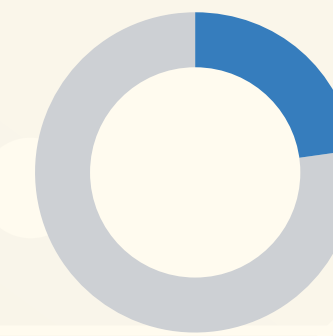
### The threats are real



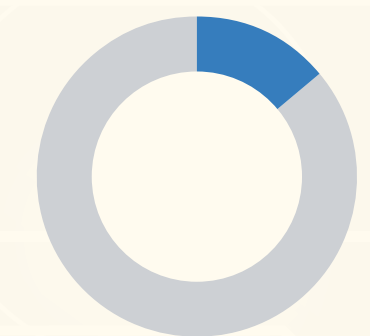
**3 out of 4** consumers have had their personal information lost or stolen<sup>1</sup>



**28%** of consumers had a social media account hacked<sup>1</sup>



**23%** of consumers had personal information compromised in a data breach<sup>1</sup>



**14%** of consumers experienced an online attack<sup>1</sup>

### The impact is significant

**800k** complaints of cybercrime were reported to the FBI in 2023, resulting in a potential **\$12.5 billion** in losses<sup>2</sup>

**Over \$10k** is the average payout for a home cyber claim<sup>3</sup>

**69%** of scam victims recovered funds when reporting to their financial institution<sup>4</sup>

**12%** of scams impact financial institutions in the U.S.<sup>4</sup>

<sup>1</sup> HSB Cyber Risk Consumer Study, October 2023

<sup>2</sup> FBI's Internet Crime Complaint Center (IC3) 2023 Report

<sup>3</sup> HSB Claims Data

<sup>4</sup> PYMNTS Intelligence

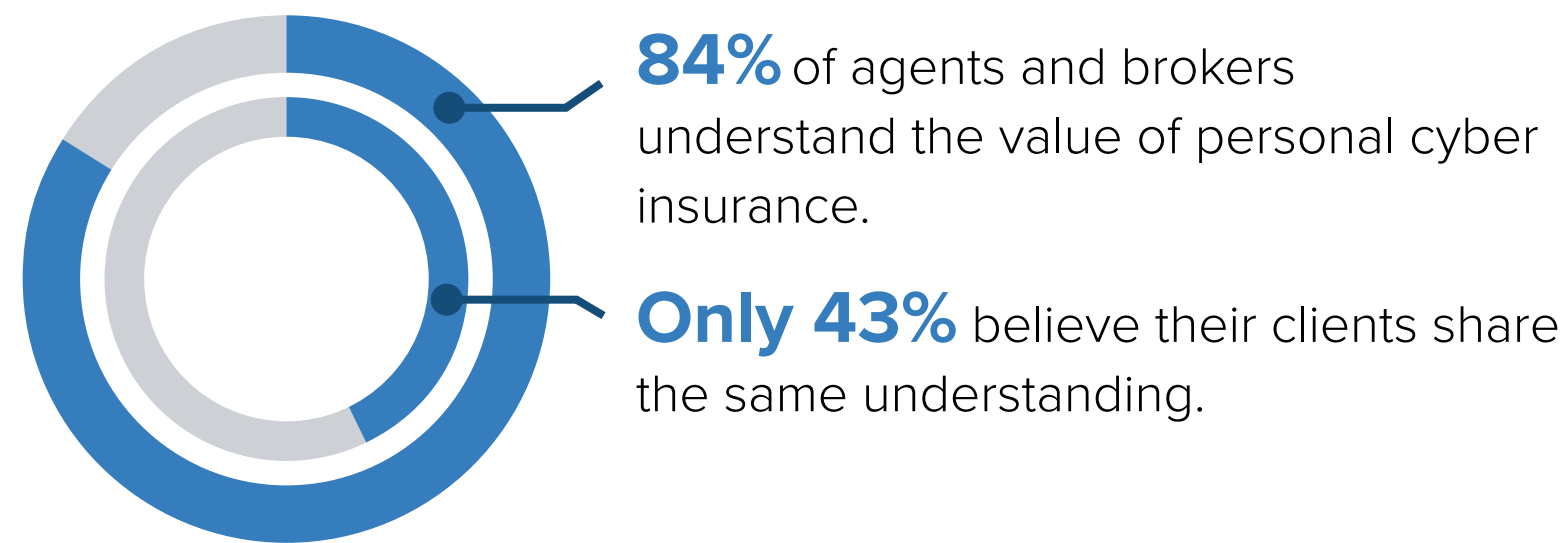
## Triple-I/HSB survey

In 2024, Triple-I and Hartford Steam Boiler (HSB) collaborated on research to gain a deeper understanding of agents and their perceptions of personal cyber insurance products. Triple-I used a survey targeted to retail agents of homeowners insurance, since personal cyber coverage is commonly sold as an endorsement to homeowners policies. These agents are very knowledgeable of homeowners' risks that can result in physical damage to property, as well as theft and liability coverages. Personal cyber risk, however, represents an educational and sales opportunity for personal cyber products.

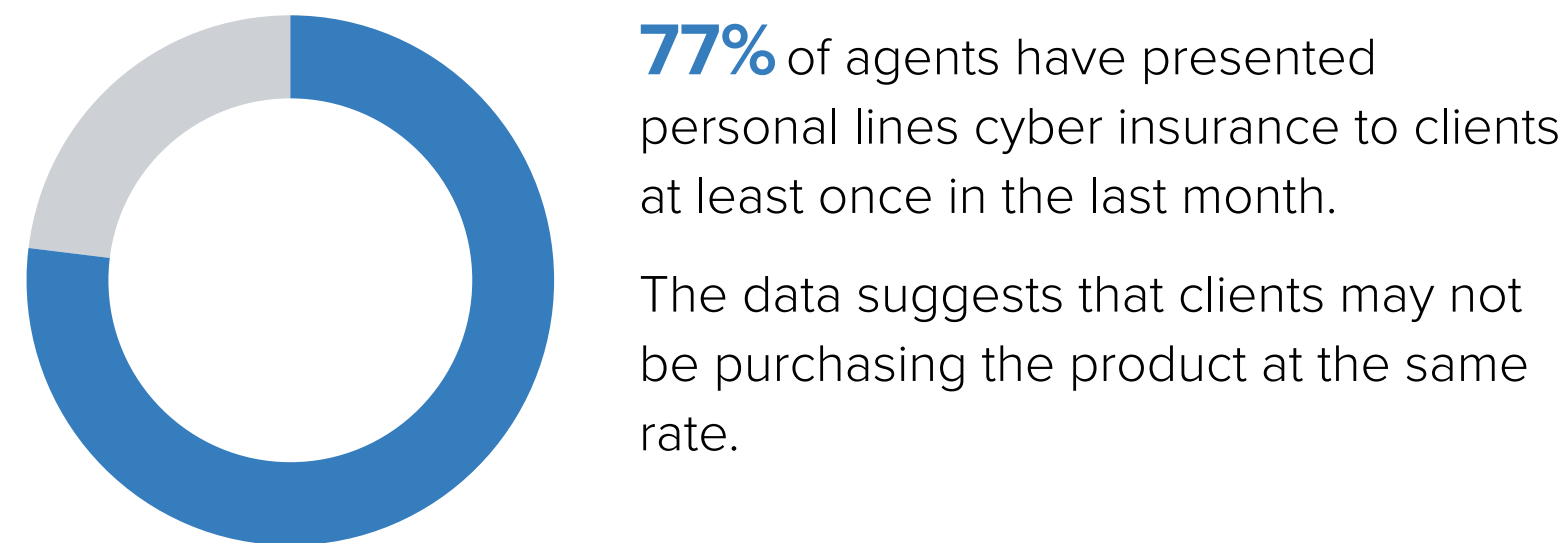
## Key Findings

Agents and brokers perceive a gap between their own understanding of the value of cyber insurance and that of their customers. While they are presenting the coverage at what they believe to be an attractive price, customer adoption remains low.

### Knowledge and comfort gap



### Consumer adoption lags



### Consumers see the risk but not the value of the coverage



### Pricing and breadth of coverage are key decision criteria



“  
What is really interesting is this a challenge of the unseen threats - agents see the storm, but homeowners can't envision the damage...until it's too late.”

- Neil Rekhi  
Product Manager, Personal Cyber Insurance, HSB

“  
Consumer education, agent/broker training, and a compelling, data-driven approach to selling personal cyber insurance will be essential to driving customer adoption of the product.”

- Sean Kevelighan  
CEO, Triple-I

## Threats Recognized – Solutions Overlooked

It's hard not to be aware of cyber risk. The peril is all over the news and is a topic of conversation in popular culture – particularly since the rise of “deepfake” technology and generative artificial intelligence (GenAI).

People know they should do something about it – but what?

Although 84 percent of insurance agents and brokers said they believe in the value of personal cyber insurance, there's a noticeable gap in their comfort level when it comes to explaining (73 percent) and selling (68 percent) these products. This suggests that some may need additional support or training to effectively communicate its benefits to clients.

When asked whether their customers understand the value of personal cyber insurance, 43 percent of the surveyed agents and brokers agreed or strongly agreed, while 33 percent were “not sure” and 24 percent either disagreed or strongly disagreed.

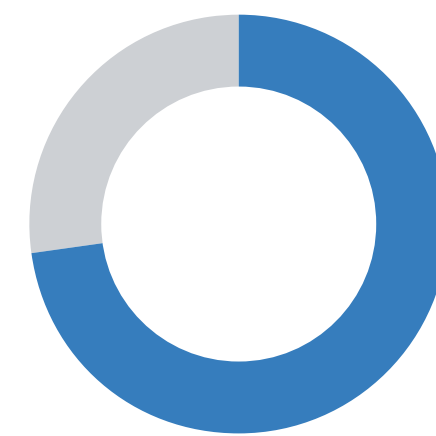
The survey results suggest homeowners understand that cyber risks are real and can have a significant impact on their lives. However, 56 percent of agents reported that their customers don't understand or don't agree with the value of cyber insurance.

“The disconnect between agent/broker and consumer perceptions of personal cyber risk – and the role of insurance in addressing it – is a call to action from insurance professionals.”

- Dale Porfilio  
Chief Insurance Officer, Triple-I

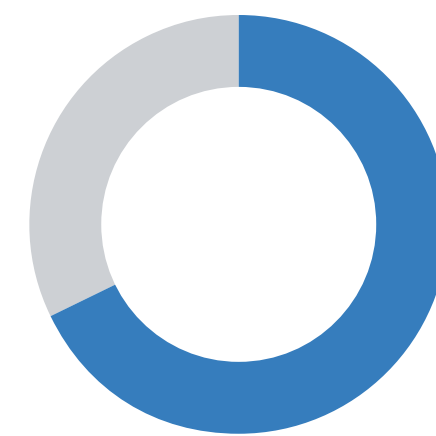
### Defining the personal cyber knowledge gap

■ Agree/Strongly Agree ■ Neutral/Disagree



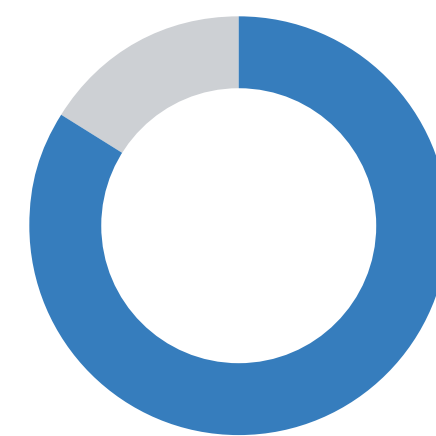
Are you comfortable explaining personal cyber insurance?

**73%** agree or strongly agree



Are you comfortable selling personal cyber insurance?

**68%** agree or strongly agree



Do you believe in the value of personal cyber insurance?

**84%** agree or strongly agree

## The most pressing cyber threats for agency customers

1. Identity theft/fraud
2. Online fraud/scams
3. Computer/device and malware attacks
4. Extortion
5. Online harrasment

## Other personal cyber threats mentioned by customers



## Education and Communication Are Key

These apparent disconnects between agents/brokers and policyholders underscore the need for improved education and training. In response to the question, “How many times in the last month did you present personal cyber insurance to a customer?”, 67 percent of agents said they’d done so one to five times, and 15 percent said they’d presented the product nine or more times.

And yet consumer adoption of the product remains low. Should agents be presenting it more often? Or refining their target population based on the most current data available? Does pricing realistically reflect the demographic and economic characteristics of the target consumers?

Agents need to be prepared to respond to — or, better yet, anticipate — customers’ questions and concerns about exclusions, deductibles, or other policy characteristics that might erode the perceived value of the product. For example, of the most common scams cited in the chart at right, a policyholder might worry about which ones are covered or excluded. Agents should be able to explain in detail the breadth of a policy’s coverage, as well as any deductibles or exclusions that might apply. Policyholders don’t want to be surprised at the time of a claim.

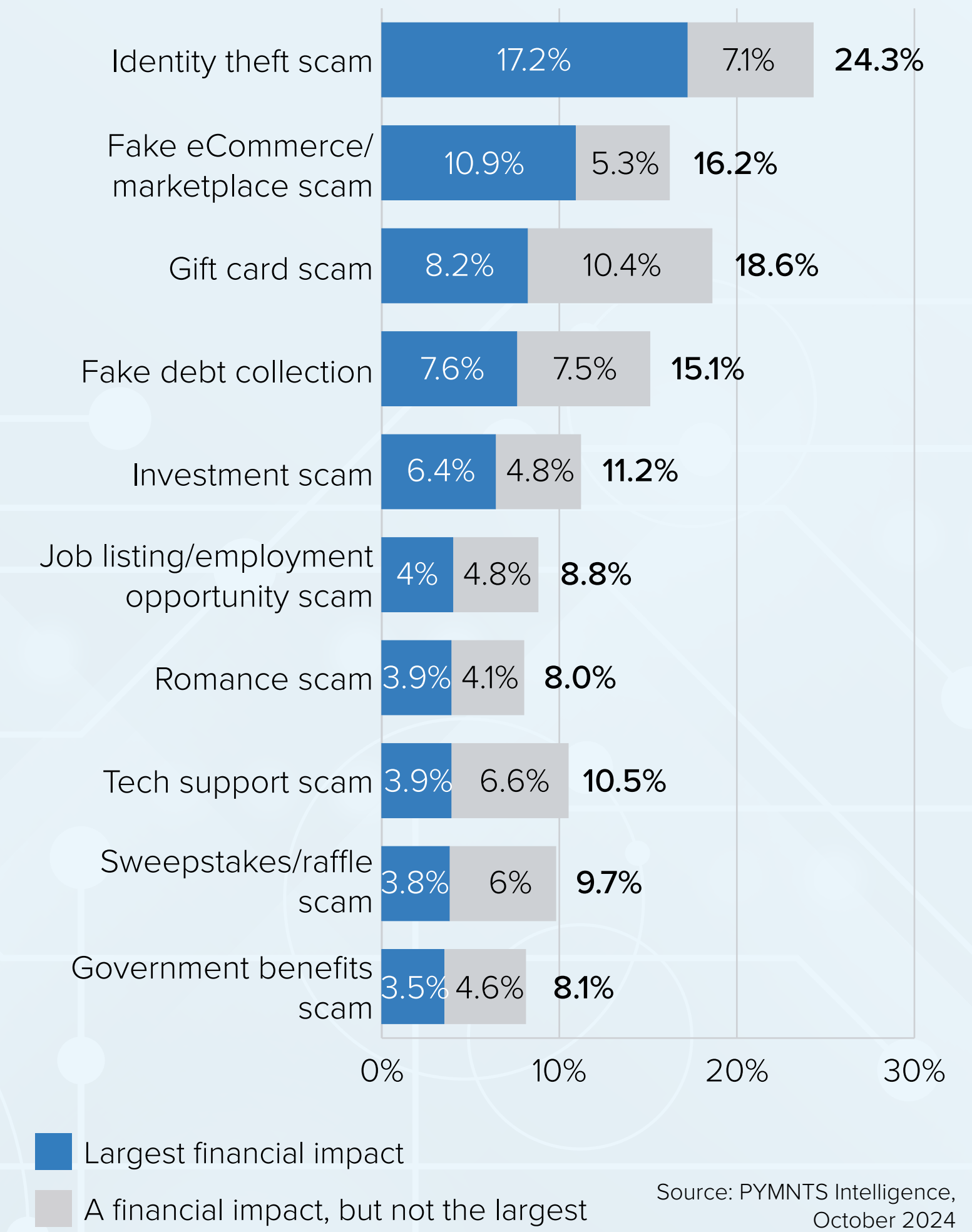
In other words, better educated agents can help consumers be more aware of cyber scams and the importance of personal cyber insurance in protecting their assets. This will help them be less likely to become victims and ensure that they’re protected if they do.

“As digital lifestyles evolve and become more interconnected, so do the risks. The pace of personal cyber threats is increasing at an accelerating rate, and personal cyber insurance is one way to protect against these increasing risks.”

- Neil Rekhi  
Product Manager, Personal Cyber Insurance, HSB

### Most common scams

Share of households and consumers who lost money to select scams in the last five years, by scam type:



## Recommendations and Resources

Based on the survey and other research, insurers might provide training and resources to help agents improve their customer targeting, as well as the effectiveness of their sales approaches. This could include workshops, webinars, or online courses that focus on the features, benefits, and sales strategies for these products. Such actions are an opportunity to meet their customers where they are, help them make informed decisions, and build trust by demonstrating their expertise.

This survey opens doors for additional research and for action on the part of insurers, agents, and brokers. A starting point might be to identify whether agents and brokers view themselves as accurately understanding perils, products, and risks of their customers as it relates to personal cyber insurance. This could include focus groups involving consumers, as well as agents and brokers, to drill further down into the survey's findings and learn more about consumer perceptions and attitudes.

HSB provides personal cyber coverage as an endorsement to homeowners and renters policies and access to services such as ID theft protection, dark web and credit monitoring, and a suite of risk-management services. The company also provides training for agents and brokers to help them more effectively communicate with policyholders about cyber risk and their security and insurance options.



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