

Press Release

Beazley Group

22 Bishopsgate
London EC2N 4BQ
T +44 (0)20 7667 0623
info@beazley.com
beazley.com

New research reveals businesses may be overconfident about resilience to cyber threats

Risk & Resilience research finds fewer US and UK business leaders rank cyber as their leading risk in 2022 - as geopolitical turmoil pushes business and environmental concerns higher

Confidence in resilience to the cyber threat remains high - but may be over optimistic

'End of life' software grows as an area of risk for businesses with ageing legacy IT systems

Concern about intellectual property risk has increased 107% since 2021

London, October 11, 2022

The latest edition of the market leading Risk & Resilience research from Beazley, Spotlight on Cyber and Technology risk, published today, indicates that cyber remains the leading concern in the technology risk category, with 28% of UK and US respondents listing it as their number one risk in 2022. This, however, represents an 18% real terms decrease, down from 34% in 2021.

There is also a worrying degree of complacency around active cyber risk management and maintaining resilience to cyber threats, with over 41% of UK and US business leaders feeling 'very prepared' to meet the cyber threat, which although down marginally (5%) on 2021, may yet demonstrate over confidence.

"We are detecting signs that business leaders may have become a little complacent – even over-confident – about the cyber and technology risks faced by their businesses. Perhaps because of the overwhelming challenge that the current geopolitical environment poses today they may be being blinded to the threat that cyber and technology risk may deliver tomorrow," said Patricia Kocsondy, Head of US cyber and technology, Beazley.

Wider technology risks are also starting to worry executives

As the new report shows year-on-year, the proportion of business leaders putting intellectual property (IP) risk first has risen dramatically, up 107% in real terms since 2021. Meanwhile, the proportion of businesses putting technology obsolescence top of their list has also risen, with concern increasing more in the US than the UK.



Press Release

Beazley Group

22 Bishopsgate
London EC2N 4BQ
T +44 (0)20 7667 0623
info@beazley.com
beazley.com

While perceived resilience to cyber and technology risks generally remains relatively high, with 31% of UK firms and 43% of US firms feeling 'very prepared' across all four risks within this risk category, resilience perception has dropped across the board, down 9% on average – with IP risk resilience down 12%, and disruption risk down 10%, compared with 2021.

"Mid-market clients, in particular, are struggling with what is being asked of them in terms of funding, budgeting for and repairing technology to keep pace with a range of cyber and technology risks. At Beazley, we are placing a lot more emphasis on questions around how to handle end-of-life software and hardware issues, with many industries now in catch-up mode to budget for what their insurers require." Commented Bala Larson, Head of Cyber Client Experience, Beazley.

Cyber hygiene is key to insurability

With pricing for cyber insurance rising, insurers are becoming more selective about which cyber risks they write. Cyber insureds therefore need to regard cyber resilience and risk management as much more than a tick-box exercise, as they seek to protect intangible assets and ensure business continuity.

"More companies in the UK have cyber insurance cover since 2021, and perhaps feel more protected, but there is a sense that many view this purchase as a box-ticking exercise, while too many companies still lack basic protections against cyber-attacks." Commented Aidan Flynn, Head of London and International Underwriting Management, Cyber, Beazley.

Summary of the key findings

The report's findings raise a number of concerns:

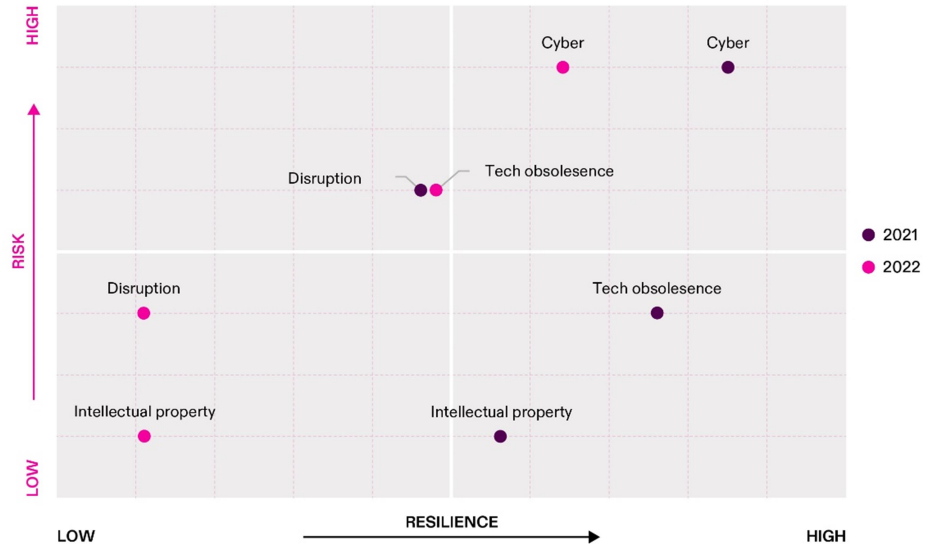
- Few of the risks outlined above feature in the high risk/low resilience quadrant of Beazley's Risk & Resilience matrix suggesting business leaders are becoming complacent about resilience to cyber and technology risks.
- Cyber risk still dominates risk radars, but concern has lessened since last year while perceived resilience has dropped to 41%, with many companies distracted by geopolitical turbulence either unwilling or unable to upgrade cyber protections.
- Intellectual property is still lowest on the list of concerns, but risk perception has dramatically increased, up 107% on last year, suggesting this is a potential area where greater risk management and mitigation is needed.



Press Release

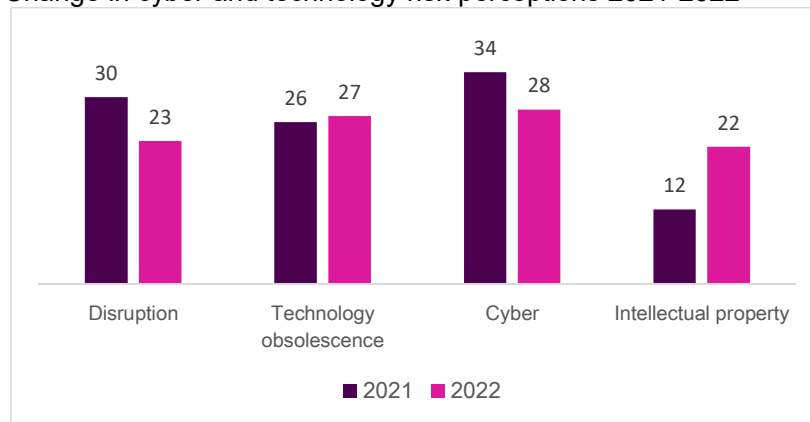
- Technology obsolescence is the number one risk for 27% of UK and US business leaders, displacing disruption in the ranking, at the same time, perceived resilience has also dropped, possibly as companies struggle with the cost and effort of updating or replacing legacy systems.

Change in risk and resilience perceptions from 2021-2022 from business leaders in the UK and US



% of business leaders in the UK and US listing these risks as their primary concern

Change in cyber and technology risk perceptions 2021-2022



Combined % of all UK and US respondents listing these risks as their primary concern

Beazley Group

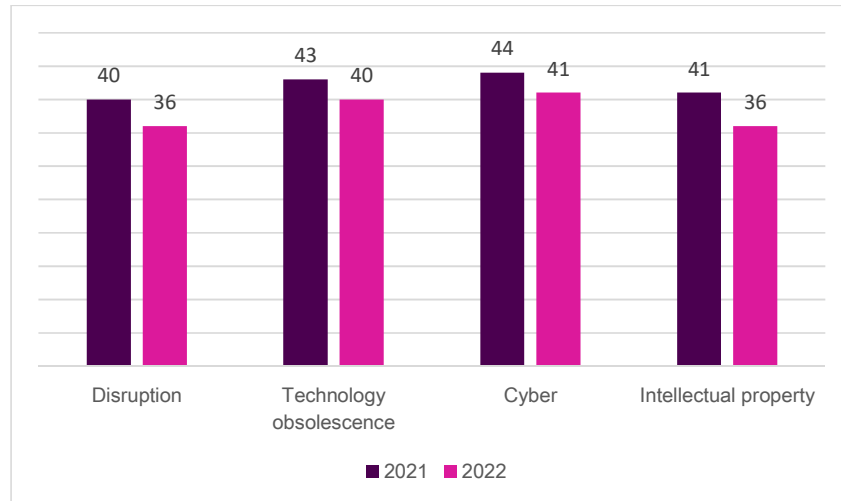
22 Bishopsgate
London EC2N 4BQ
T +44 (0)20 7667 0623
info@beazley.com
beazley.com

Press Release

Beazley Group

22 Bishopsgate
London EC2N 4BQ
T +44 (0)20 7667 0623
info@beazley.com
beazley.com

Change in cyber and technology resilience perceptions 2021-2022 (US and UK)



Combined % of all UK and US respondents who feel 'very prepared' for these risks

ENDS

For further information, please contact:

Beazley Group
Sam Whiteley
T +44 (0)20 7674 7484

To keep up to date with our Risk & Resilience research latest findings please visit: www.beazley.com/risk-resilience

About the Risk & Resilience research

During January and February 2022 we commissioned research company Opinion Matters to survey the opinions of over 2,000 business leaders and insurance buyers of businesses based in the UK, US, Canada and Singapore with international operations. With a minimum of 40 respondents per country per industry sector, respondents represented businesses operating in:

- Healthcare & life sciences
- Manufacturing
- Retail, wholesale, food & beverage
- Real estate and construction
- Hospitality, entertainment and leisure (including gaming)
- Financial institutions & professional services

Press Release

Beazley Group

22 Bishopsgate
London EC2N 4BQ
T +44 (0)20 7667 0623
info@beazley.com
beazley.com

- Energy and utilities (including mining)
- Public sector & education
- Tech, media & telecoms
- Marine & warehousing

Survey participants were asked about their views on insurers and insurance, as well as on four categories of risk:

- Cyber & Technology – including the threat of disruption, failure to keep pace with changing technology, cyber risk and intellectual property risk.
- Business – including supply chain instability, business interruption, boardroom risk, crime, reputational and employer risk and failure to comply with ESG regulations and reporting requirements.
- Geopolitical – including strikes and civil disruption, changes in legislation and regulation, economic uncertainty, inflation and war & terror.
- Environmental – including climate change and associated catastrophic risks, environmental damage, greenhouse gas emission, pandemic, food insecurity and energy transition risk.

Of the firms surveyed there was an equal split of respondents across company sizes of: \$250,000 - \$1 million, \$1,000,001 - \$10 million, \$10,000,001 - \$100 million, \$100,000,001 - \$1 billion, more than \$1 billion.

Note to editors:

Beazley plc (BEZ.L) is the parent company of specialist insurance businesses with operations in Europe, United States, Canada, Latin America and Asia. Beazley manages six Lloyd's syndicates and, in 2021, underwrote gross premiums worldwide of \$4,618.9m. All Lloyd's syndicates are rated A by A.M. Best.

Beazley's underwriters in the United States focus on writing a range of specialist insurance products. In the admitted market, coverage is provided by Beazley Insurance Company, Inc., an A.M. Best A rated carrier licensed in all 50 states. In the surplus lines market, coverage is provided by the Beazley syndicates at Lloyd's.

Beazley's European insurance company, Beazley Insurance dac, is regulated by the Central Bank of Ireland and is A rated by A.M. Best and A+ by Fitch.

Beazley is a market leader in many of its chosen lines, which include professional indemnity, cyber, property, marine, reinsurance, accident and life, and political risks and contingency business.

For more information please go to: beazley.com

