

Consumer indifference is still a challenge for personal cyber insurers

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TABLE OF CONTENTS

	<i>Page</i>
Executive summary.....	3
Cyberrisk protection.....	5
Popularity of connected technology.....	9
Privacy concerns	15
Conclusion.....	18
Sources and endnotes	19



EXECUTIVE SUMMARY

Americans have embraced the Internet of Things, with three out of five surveyed reporting connected technology in their homes and one-quarter in their vehicles in 2018.¹ Four out of five adult Americans have smartphones, nearly three-quarters own a desktop or laptop computer, and about 50 percent own tablet computers and another 50 percent own e-readers.²

Despite the risk of cybercrime, Americans severely lack in understanding how to use insurance to help them recover from attacks that can result from using connected devices. Only about one in 10 American consumers who own connected devices say they have insurance to help them recover from a cyberattack. And close to half do not know whether they have this protection, according to the Insurance Information Institute (Triple-I) and J.D. Power's 2020



About nine out of 10 American consumers who own connected devices either lack insurance to help them recover from cyberthreats or don't know if they are covered.

*Consumer Cyber Insurance and Security Spotlight Survey*SM. Furthermore, fewer connected device owners say they have cyberrisk insurance than when the Triple-I and J.D. Power polled them in the 2018 J.D. Power/Triple-I report, *Helping consumers understand the value of cyber insurance*.

Besides the lack of awareness about cyberrisk coverage in their insurance policies, connected consumers indicate that they would not be willing to pay more for coverage, even though cyber insurance is relatively inexpensive. Most homeowners and renters policies can also provide coverage for identity restoration as an endorsement, or add-on, to a policy. At the end of 2018 identity theft coverage from a package policy cost about \$10 and about \$40 for a separate policy.³

As Americans own more internet-connected devices and make more online purchases, and businesses use more electronic data and online storage, cyberattacks continue to occur at high levels. According to the Identity Theft Resource Center, in 2019 there were about 1,470 data breaches, endangering about 165 million records containing personally identifiable information.⁴





Key points:

- Despite reports of ever-larger data breaches, awareness of the protection available to consumers through insurance has shrunk over the past year. In 2019, 11 percent of connected consumers said their property insurance policy included cyberrisk coverage, while 15 percent said they had the coverage in the 2018 cyber survey report.
- More than half of connected device owners thought that their homeowners or automobile policies should offer cybersecurity coverage but about three-quarters appear reluctant to pay more for the coverage. There was no change in this attitude in 2019 from the 2018 report.
- There appears to be contradictions in attitudes toward privacy. Six out of 10 connected consumers said they had no privacy or security concern related to their connected device. But close to half of connected consumers have taken some step to protect their privacy.
- Security and safety were the most cited reasons for choosing a connected home or car device in the 2019 survey.
- About three-quarters of connected consumers do not feel comfortable sharing personal information on social media.

The *2020 Consumer Cyber Insurance and Security Spotlight SurveySM* was conducted in September 2019 by J.D. Power in partnership with the Triple-I. The online survey was comprised of 683 owners of homes and vehicles with connected technology.



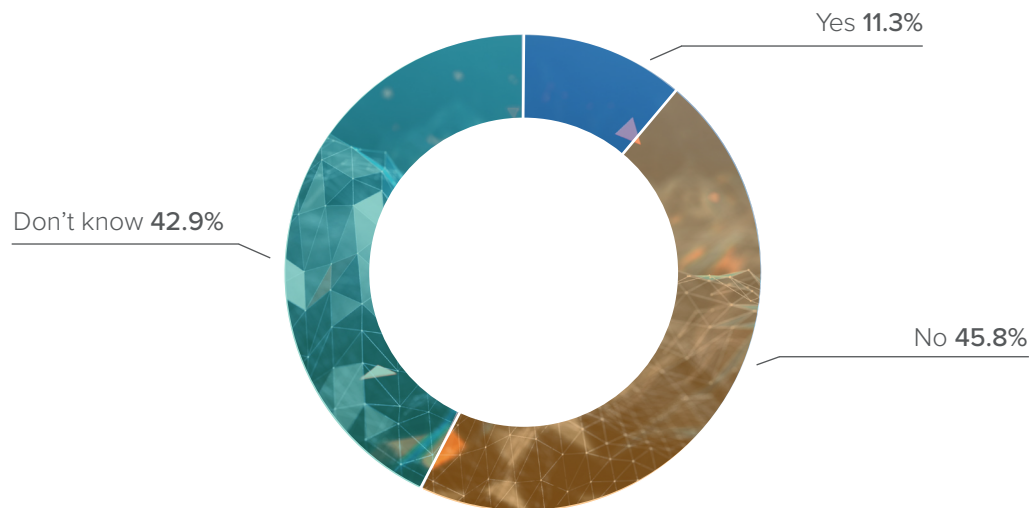


CYBERRISK PROTECTION

Fewer people who own connected technology said their homeowners or renters insurance policy covers them for personal cyberrisk when compared with the 2018 cyber survey report. As stated above, in 2019 only 11 percent of consumers said they had coverage for personal cyberrisk, compared with 15 percent in 2018. The proportion of connected device owners who said their policies do not have any cyberrisk coverage stood at 46 percent in 2019 compared with 43 percent in 2018. The percentage of people in 2019 who did not know if they were covered—43 percent, was virtually unchanged from 42 percent a year ago (**Figure 1**).

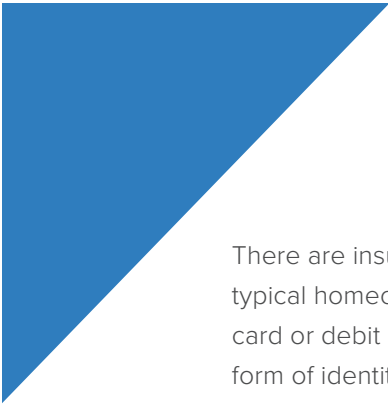
Fig. 1

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



Source: 2020 Triple-I/J.D. Power Consumer Cyber Survey.

Media reports of data breaches have become commonplace. In 2019 about 1,470 data breaches were recorded³. These breaches exposed about 165 million records containing personally identifiable information. This compares favorably with the 447 million records exposed in 2018, but vulnerability can be cumulative, as previously stolen records could still be fraudulently used. Although data breaches were reported in several business areas, the July 2019 Capital One breach stands out with 100 million records exposed. The number of people who have been victims of identity theft resulting from data breaches and other events is hard to quantify since at least two organizations who collect the data rely on victims themselves to report identity theft perpetrated against them. Therefore, under-reporting is a possibility since not all victims report identity theft. Another organization conducted a poll of 5,000 adult Americans and found that about 6 percent of all consumers—or 14.4 million people—were victims of identity theft in 2018.⁵



There are insurance solutions available to consumers to manage the risk of identity theft. The typical homeowners or renters policy includes coverage for the unauthorized use of a credit card or debit card, which the *2020 Consumer Cyber Survey* found to be the most common form of identity theft (**Figure 4**).

To be protected from other more potentially damaging forms of identity theft, consumers may purchase additional coverage which is added on to a homeowners or renters policy. Insurers call the adding of coverage an endorsement.

About 20 insurers offer identity theft protection (also known as identity restoration coverage) in a bundled endorsement that is a package of enhanced coverages that may be added to a basic policy.⁶ It is important to remember that insurance policies differ by company, and sometimes substantially. For example, the endorsement may only be for identity theft protection.

Endorsements will spell out exactly what identity theft means and can offer the assistance of a fraud specialist to manage the restoration process. Legal assistance may be available to support the policyholder in case of a civil suit, a judgment against the policyholder, or other legal defense that the policyholder must provide. Another benefit may be wage reimbursement in case a policyholder must miss work to have time to restore their identity.

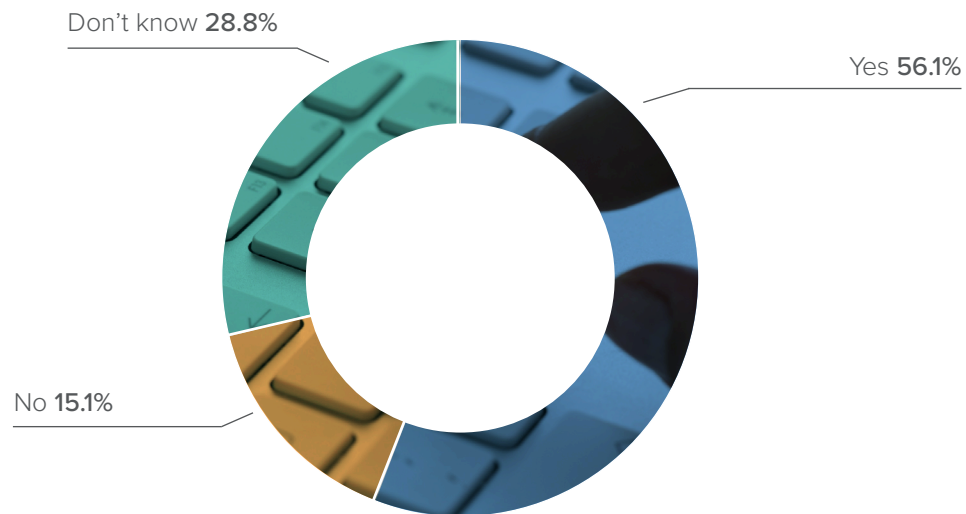
A handful of insurers offer separate policies that cover identity restoration. These policies offer the protections described above along with professional assistance for responding to problems such as personal ransomware attacks and malware removal, and reprogramming computers and other devices such as Wi-Fi routers.

In 2018 direct premiums written for identity theft coverage totaled \$226 million.⁷ There were almost 21 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. But as shown in Figure 1, about 43 percent of connected consumers in 2019 did not know whether their policy contained any coverage to help them recover from identity theft. This exhibits a strong opportunity for the insurance industry to show current and future policyholders how cyber coverage can be a low-cost tool to protect their identities and assets. There is consumer interest in the coverage—**more than half of connected device owners thought that their homeowners or auto policy should offer cybersecurity coverage (56 percent). And a significant percentage—29 percent—do not know whether their policy should offer coverage** (Figure 2).



Fig. 2

Do you think your homeowners or auto insurance policy should offer coverage related to cybersecurity and hacking risks?



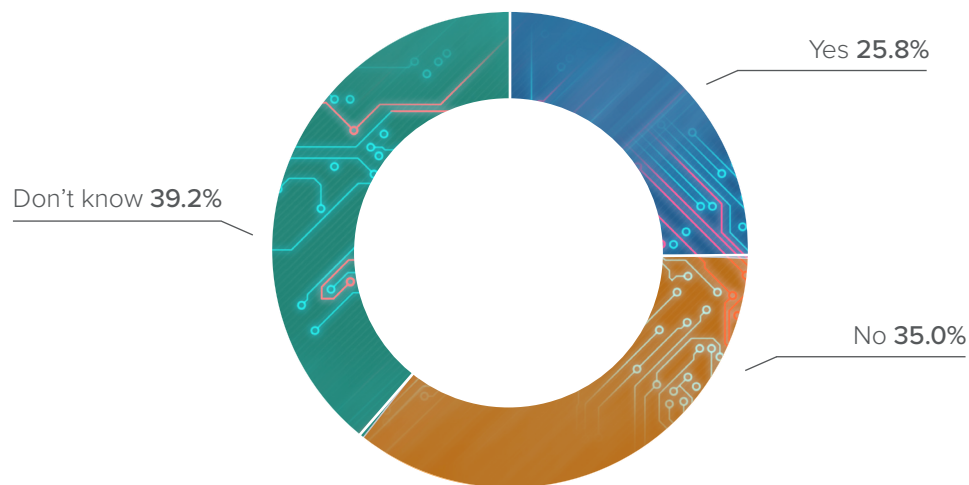
Source: 2020 Triple-I/J.D. Power Consumer Cyber Survey.

However, there are more challenges for insurers. **Three-quarters of connected consumers show some reluctance to pay more for add-on cyberrisk coverage.** As **Figure 3** shows, in the 2019 survey 74 percent of respondents were not willing or did not know whether they were willing to pay more for cyberrisk coverage—about the same proportion as in the 2018 cyber survey report. Of those respondents who said they were **not willing** to pay more for add-on cyberrisk coverage, about half had voice-command devices in their homes. Although 16 percent said they did not have any privacy or security concern stemming from their any of their connected devices, 42 percent took measures to protect their privacy. Fifty-five percent of those who were not willing to pay more were not comfortable sharing personal information on social media.

Options available to protect consumers against cyberrisk remain inexpensive – often less than \$50 a year. Persistent attitudes that consumers are not willing to purchase cyber coverage remains an opportunity for insurance professionals to explain the value of personal cyber coverage and 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.

Fig. 3

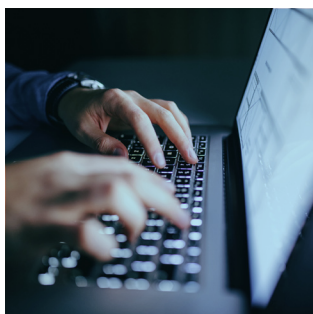
Would you be willing to pay more for a cyberrisk coverage add-on to your property/home/renters insurance policy?



Source: 2020 Triple-I/J.D. Power Consumer Cyber Survey.

About two-thirds of connected device owners were victims of specific kinds of identity theft in 2019.

Of those who were impacted by identity theft in 2019, about 23 percent found that there was unauthorized use of their credit cards, and another 15 percent saw funds withdrawn from their debit cards. These forms of identity theft are commonly covered by homeowners,



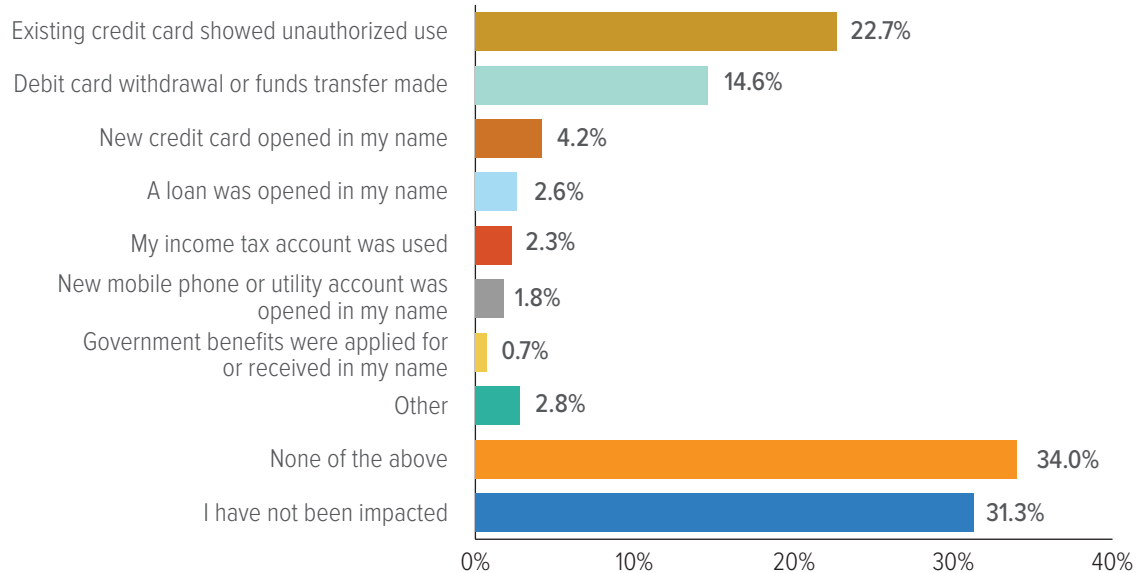
About two-thirds of connected Americans were victims of identity theft in 2019.

condo owners or renters policies. About 7 percent of those impacted had a new credit card or loan opened in their names. Respondents could report as many forms of identity theft as applied to them. **Figure 4** details their responses.



Fig. 4

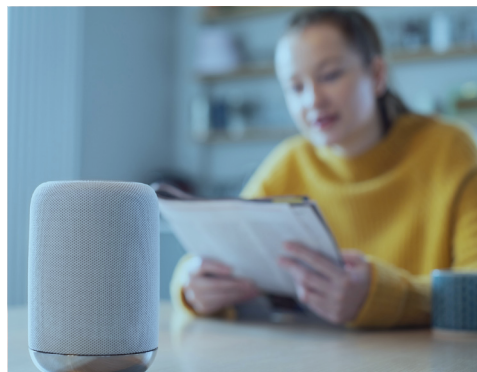
Have you ever been the victim of these forms of identity theft? Mark all that apply, if any.



Source: 2020 Triple-I/J.D. Power Consumer Cyber Survey.

POPULARITY OF CONNECTED TECHNOLOGY

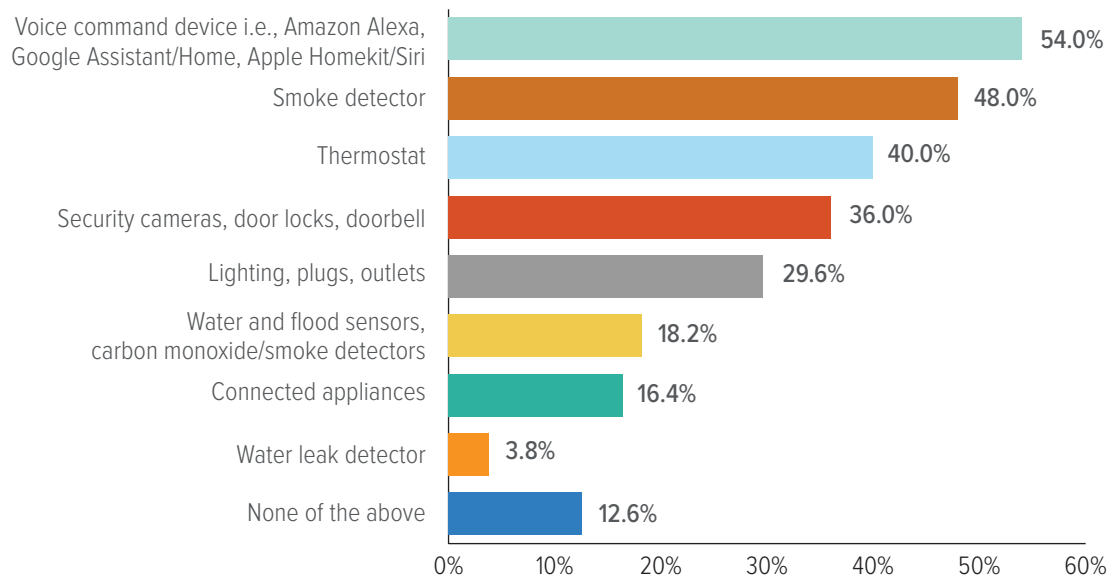
Home devices: Fifty-four percent of all connected consumers said they had a voice command device like Alexa in 2019, up 9 percentage points from 45 percent in the 2018 cyber survey report (**Figure 5**). Of those respondents who were ages 18 to 24, 74 percent had a voice command device in their home, the highest proportion by age. Of those respondents who were ages 55 to 64, 46 percent had a voice command device, the lowest proportion.



More than half of connected Americans have a voice command device in their home and one-quarter have adaptive cruise control in their vehicle.

Fig. 5

**Which connected technology do you currently have in your home?
Mark all that apply, if any.**

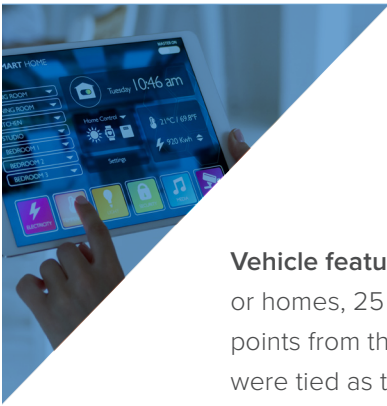


Source: 2020 Triple-I/J.D. Power Consumer Cyber Survey.

Close to half of respondents to the 2019 survey said they had a connected smoke detector (48 percent). The 2019 survey found an 11-point increase in the percentage of people who had connected thermostats, with 40 percent reporting having them compared with 29 percent in 2018. Security devices like cameras and door locks have become more popular as well, with 36 percent of connected people saying they have these items in their homes in 2019, up 11 percentage points from 25 percent in 2018. Respondents could choose all that applied. In 2018, 17 percent of respondents said they had no connected device, but that percentage fell to 13 percent in 2019.



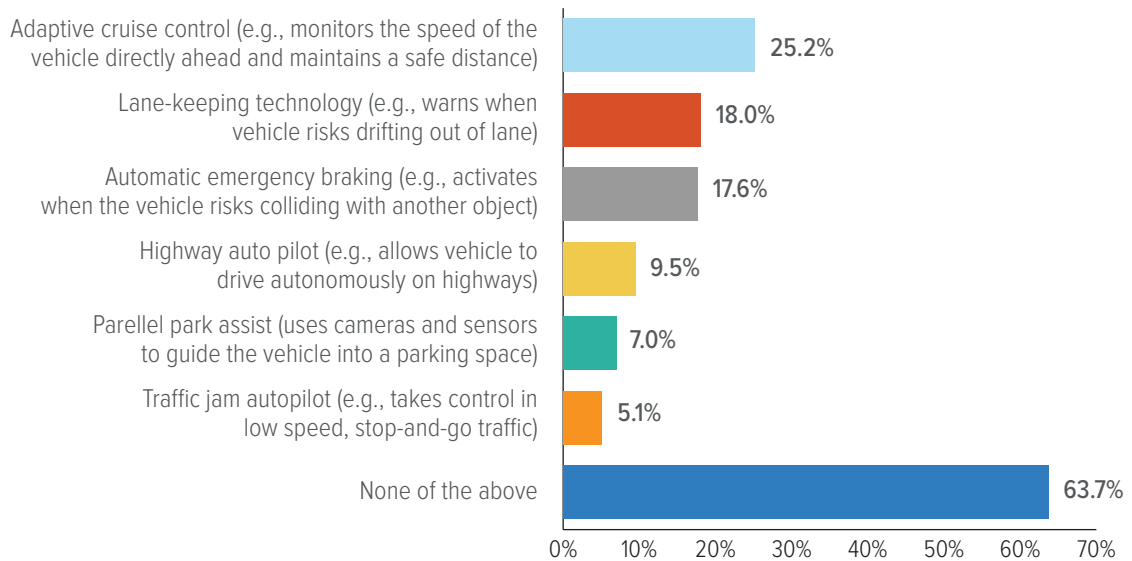
Water damage and freezing is the third highest cause of home damage but only about four percent of connected consumers have a water leak detector.



Vehicle features: In 2019, of those respondents who had connected features in their vehicles or homes, 25 percent said they had adaptive cruise control (**Figure 6**), down 7 percentage points from the 2018 consumer cyber survey. Lane-keeping technology and automatic braking were tied as the second-most reported feature in 2019, with 18 percent of respondents, compared with 16 percent and 14 percent, respectively, in 2018.

Fig. 6

Which connected technology do you currently have in any of your household vehicles? Mark all that apply, if any.



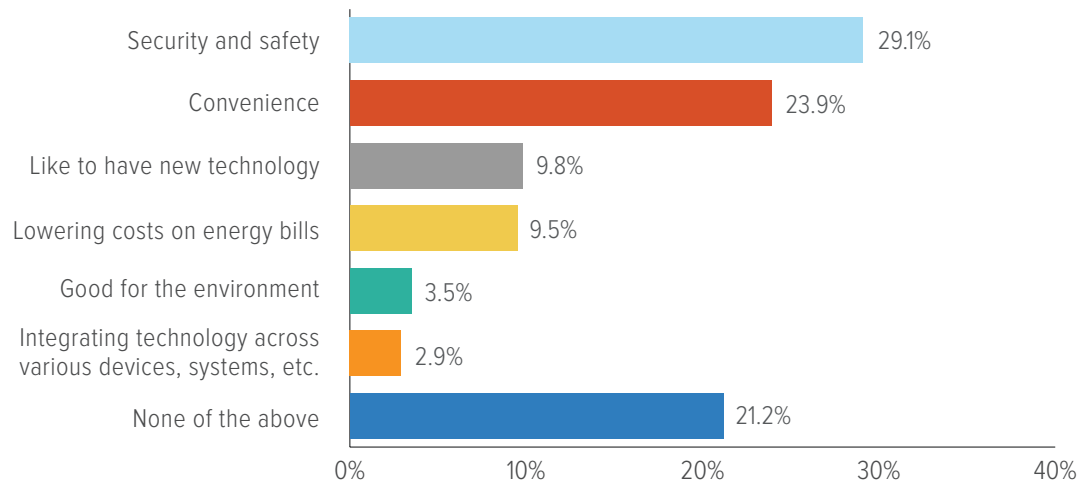
Source: 2020 Triple-I/J.D. Power Consumer Cyber Survey.

Why consumers chose connected devices

Security and safety were the most cited reasons for choosing a connected home or car device in 2019 (Figure 7). In 2019, 29 percent of consumers with connected home or car devices chose them for security and safety. This is up 10 percentage points from the 2018 cyber survey report, indicating that there is a heightened awareness of their vulnerability to data breaches. Convenience was the second most-cited reason in 2019 and 2018, with 24 percent choosing this goal.

Fig. 7

What was the primary reason for selecting connected technology for your home and/or vehicles?



Source: 2020 Triple-I/J.D. Power Consumer Cyber Survey.

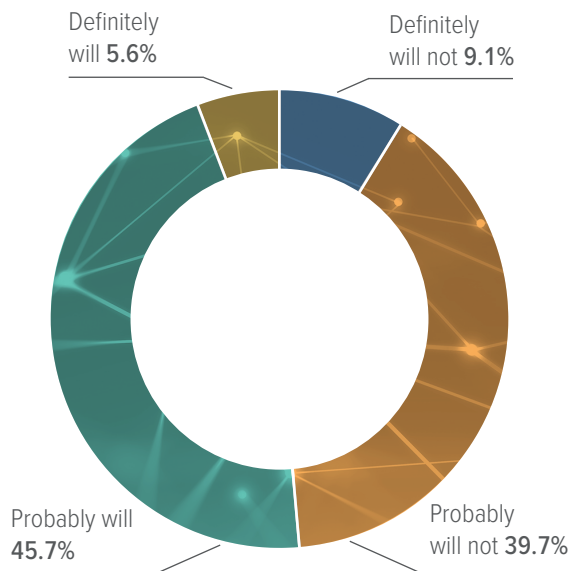


Future interest in connected devices

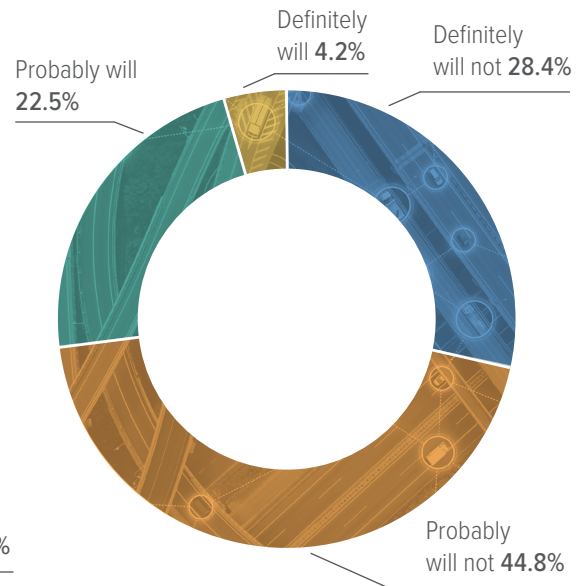
Consumer interest in connected devices remains strong. Half of connected consumers say they will definitely or probably buy another home device in the next year, virtually the same proportion as in 2018. More than a quarter say they will buy a vehicle that has a connected device, compared with about 30 percent in the 2018 consumer cyber survey (**Figure 8**).

Fig. 8

How likely are you to add connected technology to your home in the next 12 months?



Are you planning to purchase a vehicle with connected technology in the next 12 months?



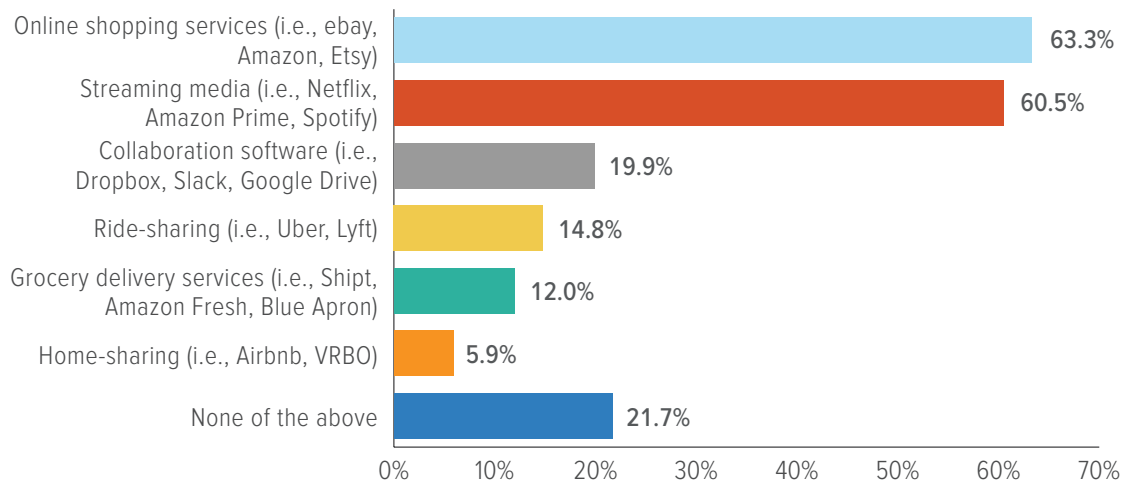
Source: 2020 Triple-I/J.D. Power Consumer Cyber Survey.

Digital and online activities have increased

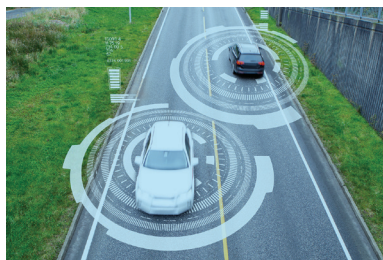
Online retail sales in the United States are growing at a double-digit rate. E-commerce grew an estimated 17 percent from the third quarter of 2018 to the third quarter of 2019⁸, while total retail sales grew four percent. E-commerce accounted for 11 percent of all retail sales by the third quarter of 2019, up from 10 percent a year prior and 4 percent in the first quarter of 2010 and is forecast to reach 15 percent in two years. The *2020 Consumer Cyber Survey* found that about three out of five connected Americans (63 percent) use online shopping services such as Amazon and eBay on a regular basis. These activities put them in danger of cyberattacks such as hacking since they require users to share their credit card numbers. Sixty percent use streaming media such as Netflix. Both online shopping and streaming services use are up sharply from the *2018 Consumer Cyber Survey*, when 56 percent and 55 percent of connected consumers respectively said they used these services (**Figure 9**).

Fig. 9

Which of the following services do you currently utilize on a regular basis? Mark all that apply, if any.



Source: 2020 Triple-I/J.D. Power Consumer Cyber Survey.



About four out of five connected Americans use shopping services, streaming media and ride and home-sharing services.



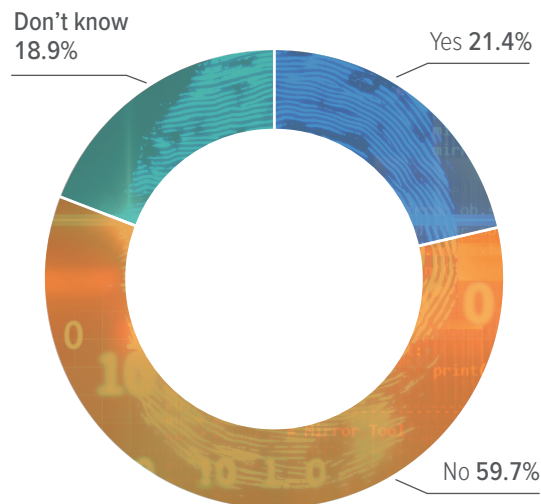
PRIVACY CONCERNS

As noted in the *2018 Consumer Cyber Survey*, connected consumers have some awareness of their vulnerability to cybercrime stemming from their connected devices, and 46 percent took measures to protect their privacy or security. The 2019 survey found that **in 2019 three out of five connected consumers say they have no privacy or security concerns** related to their connected devices, about the same proportion as last year, but 45 percent took measures to protect themselves (**Figures 10 and 11**).

These contradictory attitudes could mean that consumers will continue to use their connected devices at the cost of putting themselves at risk for hacking that can cost them their security. Insurers, recognizing universal consumer acceptance of connected devices, may consider emphasizing the value of identity restoration coverage as frequently as they remind customers to update other liability coverage.

Fig. 10

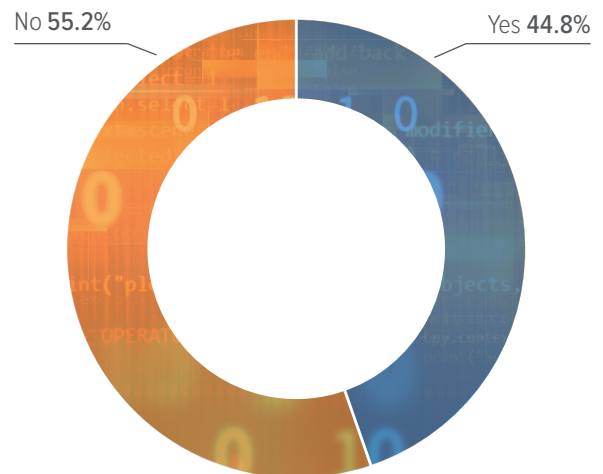
Do you have any privacy or cybersecurity concerns related to your connected technology products?



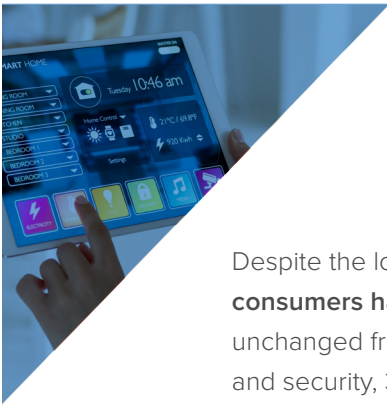
Source: 2020 Triple-I/J.D. Power Consumer Cyber Survey.

Fig. 11

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



Source: 2020 Triple-I/J.D. Power Consumer Cyber Survey.



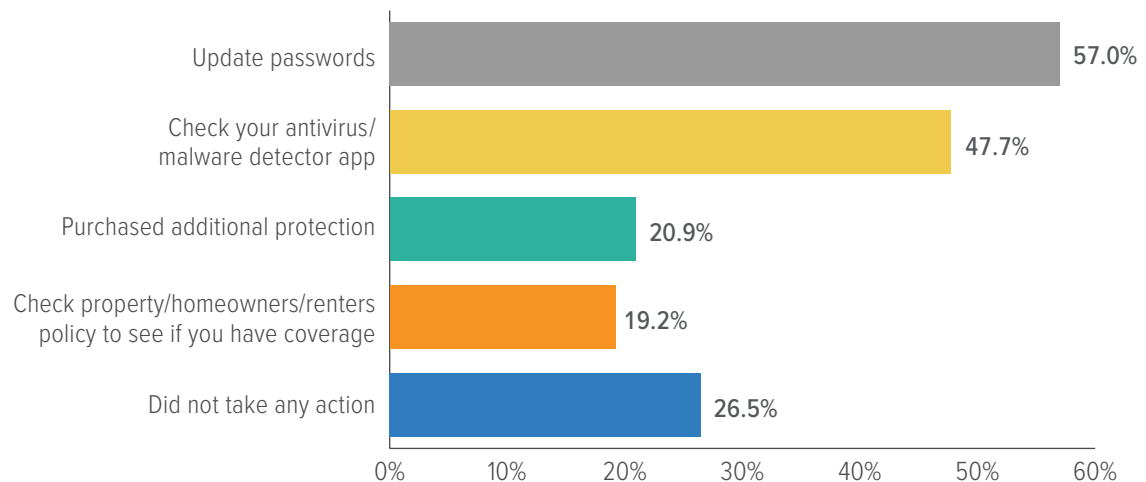
Despite the low level of concern about privacy and cybersecurity, **close to half of connected consumers have taken some step to protect their privacy in 2019**. This proportion is virtually unchanged from 2018 (**Figure 11**). Even among those who did not have concerns about privacy and security, 38 percent took measures to protect their privacy.

Actions taken to protect privacy and security

In 2019, 57 percent of connected consumers who took some action to protect their privacy and security said that they updated their passwords (**Figure 12**). Some 48 percent checked antivirus or malware detector apps, and 21 percent purchased additional protection. And 19 percent checked their homeowners or renters policy to see whether they had coverage. Respondents could give as many responses as applied.

Fig. 12

What did you do to protect your privacy and security?



Source: 2020 Triple-I/J.D. Power Consumer Cyber Survey.



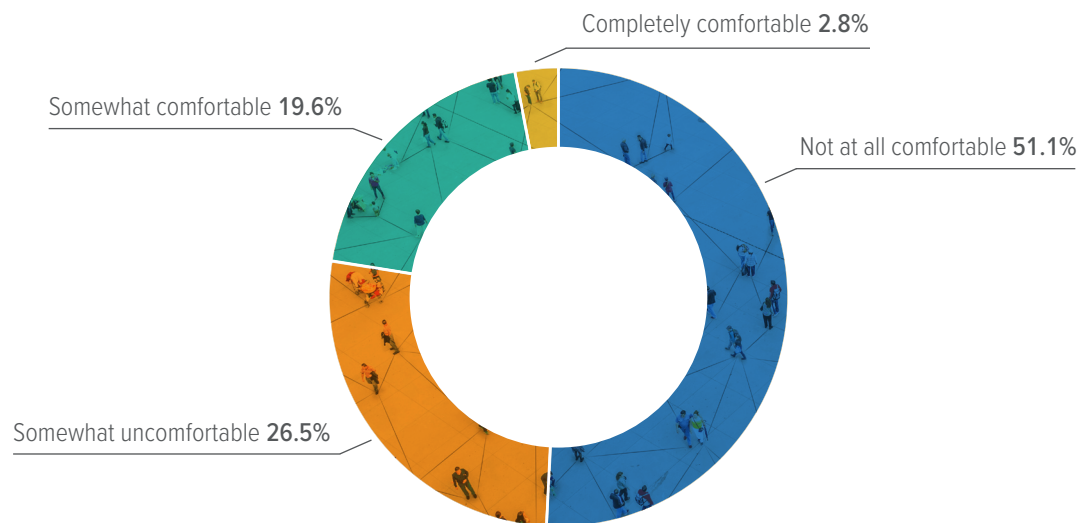
Three out of five connected Americans say they have no privacy concerns related to their devices, but close to half took action to protect their privacy and cybersecurity.

How consumers feel about sharing personal information on social media

About three-quarters (78 percent) of connected consumers in 2019 felt “not at all comfortable” or “somewhat uncomfortable” about sharing personal information on social media (Figure 13), a significant increase from the 2018 survey when 69 percent said they were not comfortable about sharing personal information. This increase shows the positive effect of warnings to consumers not to disclose personal information publicly. Wariness about sharing personal information on social media affects even people who are casual about privacy concerns. Of those who did not have privacy or cybersecurity concerns about their connected devices, 50 percent were not comfortable with sharing their personal information.

Fig. 13

How comfortable do you feel sharing personal information on social media platforms such as Instagram and Facebook?



Source: 2020 Triple-I/J.D. Power Consumer Cyber Survey.



CONCLUSION

As the nation reaches almost universal smartphone ownership, and demand for connected devices and online activities grows as data breaches proliferate, personal cyberrisk insurance should be recognized as an essential part of homeowners and renters coverage. The *2020 Consumer Cyber Insurance and Security Spotlight Survey Report*SM highlights the confusion that consumers have about the cyber coverage they may already have and the persistent idea that cyber coverage is not a product for which consumers are willing to pay more. The challenge remains for insurance professionals to educate and inform consumers about the benefits of identity restoration coverage, and its value for helping them recover from thousands of dollars in personal losses.

About the Triple-I

For 60 years, the Triple-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 Triple-I is the trusted source of unique, data-driven insights on insurance to inform and empower consumers. It is an industry supported organization, but does not lobby for insurance businesses; instead, our central function is to provide objective, fact-based information about insurance that is rooted in economic and actuarial soundness.

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.



ENDNOTES

1. J.D. Power. *2018 Home Technology Spotlight Survey*SM; J.D. Power. *2018 Insuring Automated Vehicles Spotlight Survey*.SM
2. Pew Research Center. [*Mobile Fact Sheet*](#).
3. National Association of Insurance Commissioners. [*Report on the Cybersecurity Insurance and Identity Theft Coverage Supplement*](#), September 2019.
4. Identity Theft Resource Center. [*2019 Data Breach Package*](#).
5. Javelin Strategy and Research. [*2019 Identity Fraud Study, Fraudsters Seek New Targets and Victims Bear the Brunt*](#).
6. Risk Information. [*Property Insurance Report*](#), November 25, 2019.
7. NAIC data sourced from S&P Global Market Intelligence.
8. U.S. Department of Commerce. [*Bureau of the Census, Quarterly Retail e-Commerce Sales, 3rd Quarter 2019*](#).