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Risk & Resilience

# Spotlight on Cyber & Technology Risks - US Small Business

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Key U.S. Small Business Insights, November 2023



# Executive Summary

## Is the ever-present threat of evolving cyber risk creating an era of cybersecurity complacency?

With indications that Russian and Ukrainian cybercrime groups are starting to regroup as they seek to recoup lost profits, having splintered when the conflict in Ukraine broke out in 2022, organizations of all sizes are likely to find themselves back on the front line in the fight against cyber-attacks. However, our research reveals that many small businesses could be being lulled into a false sense of security when it comes to cyber risk as it appears to be dropping down their risk radar, despite saying they feel less resilient to this risk.

Our annual Risk & Resilience survey of 2000 global business leaders explores how cyber risks are increasing and cybercrime groups diversifying, how technology risk is impacting businesses, and why the emergence of AI and other innovations are demanding the attention of risk and security experts.

Small and medium sized businesses have often, wrongly, believed that they are too small to be targets for cyber criminals and whilst our findings show there is growing recognition of their palpable exposure, small businesses believe their cyber risk will fall in the future. However, the reality is that smaller businesses are often targeted by cyber criminals, as their IT security is usually weaker, and they can offer an easy access point into interconnected supply chains. In addition, many smaller businesses have valuable customer data that criminals can exfiltrate and sell.

Cybercrime groups are also becoming more specialized and diversified and smaller businesses can provide a training ground for new cyber criminals to learn their trade. Our data shows that although smaller firms are concerned about cyber security and failing to keep pace with technology advancements, their perception that cyber risk is falling is contrary to reality.

## Is the ever-present threat of evolving cyber risk creating an era of cybersecurity complacency?

**01**

Small businesses believing they can fly under the radar due to their size may be set for a wake-up call.

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Concern about tech disruption risk is down, so too is their perceived resilience. Yet the danger is increasing.

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Tech obsolescence fears peak among US small businesses.

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Small businesses feel ill-equipped to keep pace with emerging technology.

## Too small to matter?

"Small businesses often have weaker security systems, and they are viewed by cyber criminals as a good training ground for novice hackers."

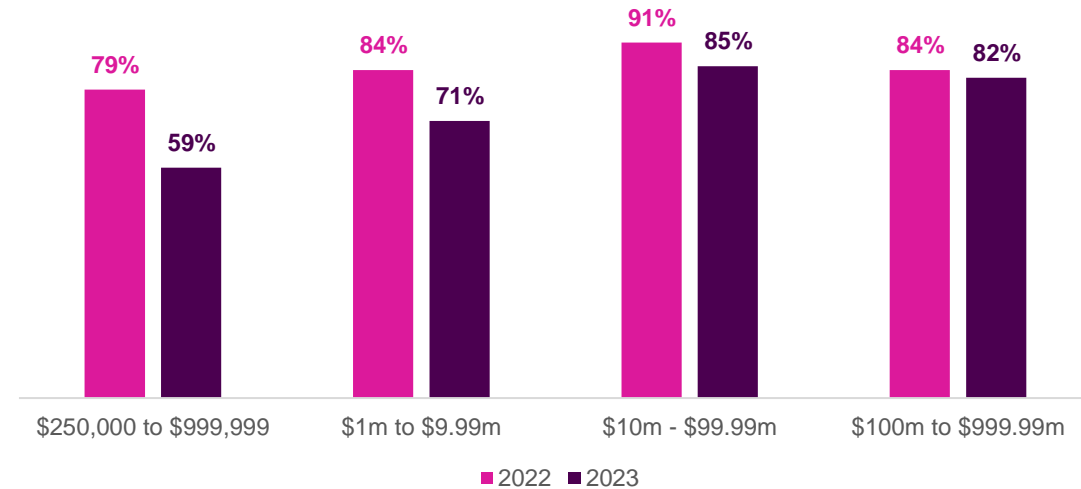


**Sarah Lamberg**

Head of US Underwriting  
Beazley Digital

## Businesses that believe they can fly under the radar due to their size may be set for a wake-up call

Percentage of business executives feeling prepared to anticipate and respond to cyber risk



Small and medium sized businesses have often, wrongly, believed that they are not targets for cyber criminals. Our Risk & Resilience research suggests that this misconception may be changing, as companies with an annual revenue of \$250,000 to \$999,999 indicated a growing recognition of their palpable exposure, stating that they now feel less prepared to deal with cyber risks in 2023 (59%) than they did last year (79%). If this lack of preparedness leads to investment in cyber security, then this is clearly welcome.

However, small businesses also believe that their cyber risk will fall in the future. According to our research they predict that their operating environment will become more secure in the coming months, with those projecting that they will be operating in a high-risk environment dropping from 33% now to 30% in 12 months' time. This perception would seem to rely on these firms evolving their businesses while cyber criminals' approaches remain static. Unfortunately, this is not the case.

Failing to keep pace with technology and adapt to new innovations is a constant threat to businesses.

“AI’s growing sophistication and ease of use means it is watering already fertile ground for malicious cyber criminals to enhance their attack toolkit.”

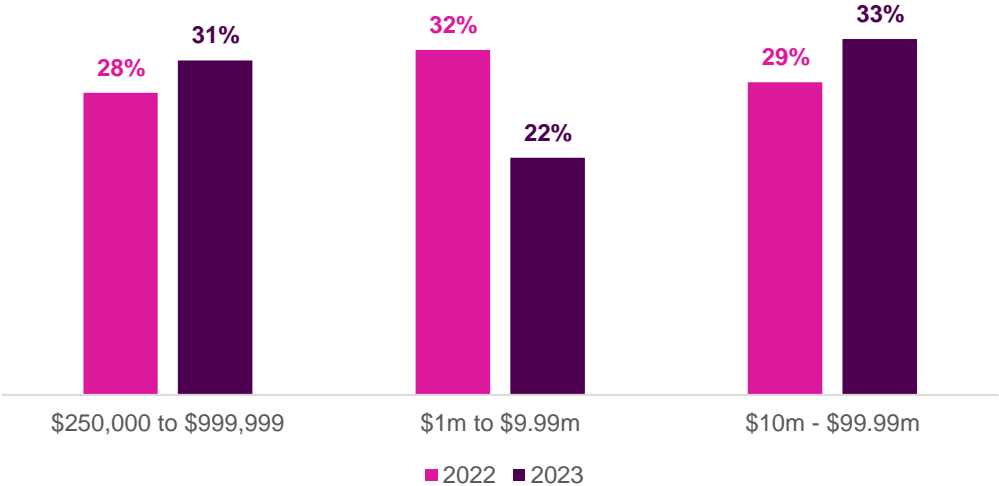


**Christyn Yoast**

Head of North America  
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### Tech obsolescence fears peak among US small businesses

Percentage of US business executives ranking technology obsolescence as their top risk



Our research suggests small businesses in the US (\$1m-\$9.99m) feel that technology obsolescence, the failure to keep pace with changing technology development and opportunities including AI and automation is less of a risk this year relative to last year. Cybercrime groups are becoming more specialized and diversified. Small and medium sized businesses which often have fewer resources and less robust IT security, are a training ground for new cyber criminals learning their trade. Moreover, AI’s growing sophistication and ease of use means it is watering already fertile ground for malicious cyber criminals to enhance their toolkit to convince businesses by fraudulent means to transfer funds.

Cyber concern is down, so too is perceived cyber resilience. Yet the danger is increasing.

“Small businesses need a proactive approach to cyber risk management, ensuring that they can navigate the challenges posed by their reliance on an increasingly tech-driven world.”



**Bolanle Akinrimisi**

Claims Focus Group Leader –  
Small Business Claims,  
Beazley

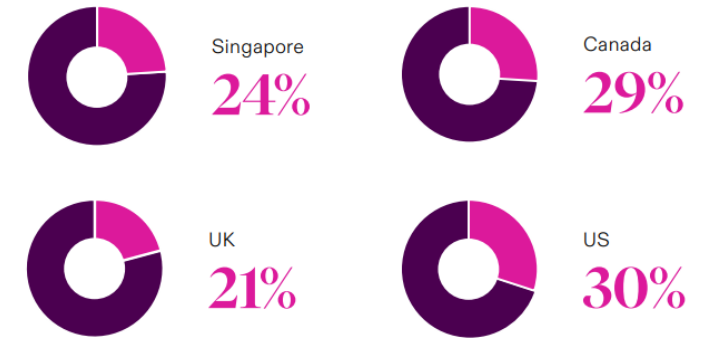
## Tip of the AI-iceberg

Percentage of US business executives ranking tech disruption risk as their top risk



Our data suggests business leaders in the US are least concerned about the risks posed by tech disruption. Small businesses (\$250,000-\$999,999) rank disruption risk as less significant relative to other technology risks in 2023 compared to 2022.

Yet, US businesses also report feeling the least resilient, with one in three (30%) saying they do not feel prepared to face this risk. The seemingly paradoxical nature of these viewpoints, that a threat to which they feel less prepared is also of less concern, suggests either that they are hoping for the best, or feel unable to focus on a risk for which they are increasingly ill-equipped to manage.



Percentage of executives that are 'not well prepared' or 'not at all prepared' to face tech disruption risks

## Limited resources to update obsolete tech is hitting small businesses hard.

“Small firms constrained by limited resources, tend to allocate less of their capital towards updating computer systems and modernizing their IT network. This can put them at a disadvantage from an operational perspective and leave them susceptible to cyber-attack.”

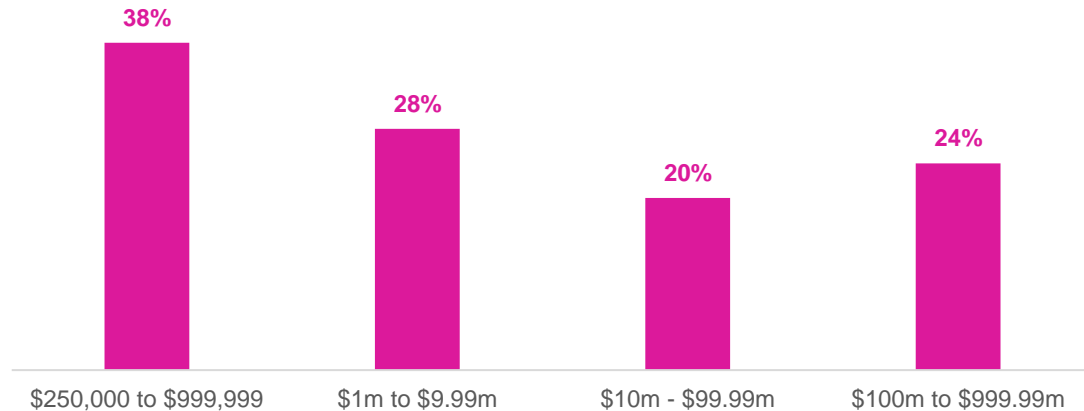


**Joe Gates**

Head of US Distribution,  
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## Small firms in the US & UK feel ill-equipped to maintain their technology and systems in line with new tech developments

Percentage of UK & US executives feeling unprepared to anticipate and respond to technology obsolescence



Our data shows smaller businesses in the US & UK that lack the resources to maintain the relentless momentum of updating evolving technology feel the most exposed to tech obsolescence. Nearly four in ten (38%) US & UK based businesses surveyed with an annual revenue under \$1m reported feeling unprepared for the risk of their technology becoming outdated. The advent of AI represents the latest peak in technological advancement and businesses everywhere are scrambling to understand how they can benefit and where they may be at risk. However, just ensuring that they are keeping up with the more mundane patches and upgrades to existing systems appears to be proving challenging for some businesses.



# Methodology

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During January and February 2023, we commissioned research company Opinion Matters to survey the opinions of over 2,000 business leaders and insurance buyers of businesses based in the US, Canada, the UK and Singapore with international operations. 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 IP risk.
- **Environmental** – including climate change and associated catastrophic risks, environmental damage, greenhouse gas emission, pandemic, food insecurity and energy transition 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.

Of the firms surveyed, there was an equal split of respondents across company sizes of: \$250,000 – \$999,999, \$1m – \$9.99m, \$10m - \$99.99m, \$100m – \$999.99m, more than \$1bn. With a minimum of 50 respondents per country per industry sector, respondents represented businesses operating in:

- Healthcare & Life Sciences
- Manufacturing, Retail, Wholesale and Food & Beverage
- Commercial Property, Real Estate and Construction
- Hospitality, Entertainment and Leisure (including Gaming)
- Financial Institutions and Professional Services
- Energy and Utilities (including Mining), Marine and Warehousing
- Public Sector and Education
- Tech, Media and Telecoms
- Transportation, Logistics, Cargo and Aviation

This snapshot report focuses on the findings of the small to medium sized businesses surveyed.

To access the full Spotlight on Cyber & Technology Report

[Click here](#)



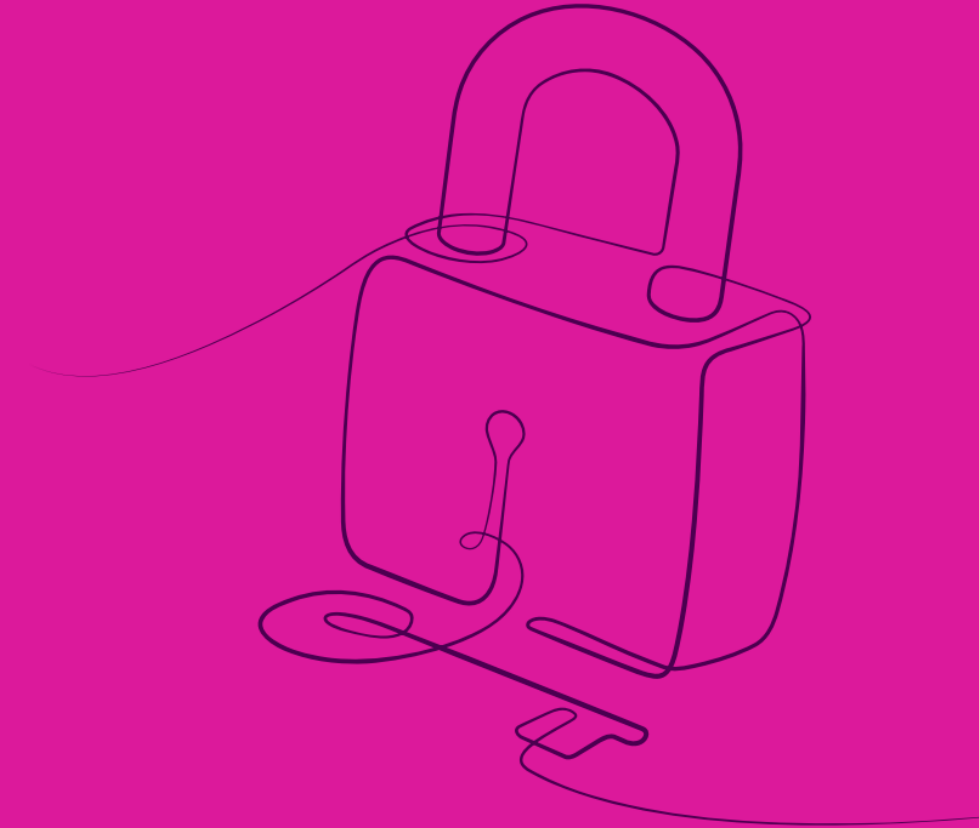
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[Cyber insurance for small businesses](#)

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