



## Protecting Small Businesses from Cyber Attacks: the Cybersecurity Insurance Option

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### AS PREPARED FOR DELIVERY

Good morning. I call this hearing to order. Thank you all for being here today.

Cybersecurity has been one of this Committee's top priorities—we've held numerous hearings and worked on meaningful legislation to ensure small businesses have every possible resource to protect themselves against a cyber attack.

Weeks ago I, along with my friend from across the aisle, Representative Dwight Evans of Pennsylvania, introduced legislation to ensure that America's Small Business Development Centers have the best possible cybersecurity training so that they can better assist small businesses with their cyber strategies.

Unfortunately, we have also heard too many firsthand accounts from small business owners who have been the victims of cyber attacks.

One case, in particular that stands out is the story of a small business owner who testified before this Committee last year. He owned an indoor go-carting facility in Maine and had a number of employees and families that depended on him. He told the Committee how he was struck by a phishing scam—he logged onto his bank account and to his utter disbelief, his balance was zero. This happened on a payday no less.

Fortunately, he caught it just in the nick of time and was able to stop the funds from being transferred but that is usually not the case.

Cybersecurity experts have told this Committee about the growing number of cyber threats facing America's 28 million small businesses.

In 2016 alone, the Justice Department recorded nearly 300,000 cybersecurity complaints—this number increases every year.

Sixty percent of small businesses that fall victim to a cyber attack close up shop within six months and the estimated average cost of a cyber attack on a small business is over \$30,000.

In our Committee's efforts to spotlight these serious and growing threats, it has become clear that we need to think outside of the box as we work to thwart cyber attacks.

Small businesses must also be diligent as they manage their IT systems and educate their staffs about the importance of cybersecurity. They should also be creative as they consider different ways to spread risk and manage their cyber strategies. One increasingly feasible solution is cybersecurity insurance. Many larger corporations are already exploring this approach to dealing with cyber attacks. It's likely that small businesses will follow.

Of course, the widespread adoption of cybersecurity insurance policies is not without its challenges—both for small businesses and for the insurance providers. Small businesses must determine what policies and coverage options make sense for them and also implement basic cybersecurity best practices.

Furthermore, the cybersecurity insurance marketplace is remarkably new and many of the providers still lack the historical data to offer appropriate plans to consumers, which drives up the cost to policyholders. Yet, as they look to improve their models and cyber risk scenarios, cybersecurity insurance will become more viable and more accessible.

Today we will hear from a panel of witnesses that all have some level of experience with cybersecurity insurance and can offer in-depth perspectives on both the benefits of cybersecurity insurance and the challenges that are still ahead.

I look forward to hearing our witnesses' views on how small businesses can more effectively manage their cyber risks, possibly with the help of cybersecurity insurance.

I now yield to the Ranking Member for her opening statement.