

# Demystifying Cyber Insurance: What Everyone Should Know

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### In brief

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With insurance costs constantly rising, do you really need to add another policy to the folder? You're already following industry standards, so why do you need cyber insurance? This is only one of the myths commonly associated with cyber insurance.

In the following article, we're going to take a look at some of the common myths. After all, debunking common myths about cyber insurance is the best way to decide if it's the right option for your business.

### My Business is Too Small for Hackers to Notice

Hackers are increasingly targeting small businesses for this reason. Even if you're running a small mom-and-pop operation, hackers may be eyeing your company.

Why do hackers care about small businesses? The answer is pretty simple. Hackers are hoping you think you're too insignificant to draw their attention. This typically means your cybersecurity protocols are a little more lax than what's in place at a larger corporation.

For example, you and your handful of employees may be using the same password to access the business system. Even if your security protocols are some of the best in the industry, there are still vulnerabilities that can be potentially exploited. While larger corporations typically have the funds to fight off a cyberattack and even cover the significant fines if a breach occurs, it can be financially devastating for small companies.

With cyber insurance, your small business is covered in the event of a cyber attack. This means everything from the potential fines to the cost of getting your system back up and running is covered. The insurance can even take care of notifying your affected customers and offering them free credit monitoring services.

### Cyber Insurance is Too Expensive

Okay, so this isn't really a myth; cyber insurance does come at a cost and it's not exactly cheap. Yes, you're paying monthly premiums, and it can take a chunk out of your operating budget. You can probably think of several other areas that can use the funds.

However, when you start comparing the cost of cyber insurance to the expenses related to a cyber-attack it's pretty easy to see how the policy can make financial sense. Don't forget that you have policy options. You don't necessarily need to go with the highest amount of coverage.

For example, if you're running a small business with only around 100,000 customers, you may be just fine with a smaller \$1 million policy, which means lower monthly premiums that probably fit with your operating budget. As your company grows you can always expand the coverage.

## **You Should Never Discuss Your Cybersecurity Practices with Insurance Adjusters**

Chances are you've been warned about discussing the ins and outs of your cybersecurity protocols. This advice makes sense. If your cybersecurity practices are common knowledge, then hackers can more easily figure out a way around your protocols.

Thankfully, the chances of an insurance adjuster also doubling as a hacker are pretty slim. This means you shouldn't need to worry about the insurance company hacking into your system. Insurance companies will want information about your cybersecurity practices. They use the information to set your insurance rates. This can mean lower rates if your protocols meet or exceed industry standards.

Your insurance agent may also be able to recommend additional protocols that can boost your cybersecurity and lower rates.

## **Insurance Companies Rarely Pay Claims**

If you've ever filed a claim with your auto or health insurance, getting approval is rarely easy. Once your claim is approved, you may still find yourself negotiating over the settlement amount, and this is unfortunately common. Insurance companies are in the business of making money and aren't fond of paying out claims.

They'll try to settle for the lowest possible amount, but don't take it personally; this is just a part of the industry. This means you should expect some of the same from your cyber insurance company. They're not going to readily hand over a check when you make a claim. However, your cyber insurance company will pay legitimate claims, it's a legal requirement. You may have to wait a few days after experiencing a cyber breach but your insurance company will cover the associated costs.

## **Having Cyber Insurance Is Good Business Sense**

Regardless of your company's size, investing in cyber insurance is a wise financial decision. This critical measure is not solely for large corporations; small and medium-sized enterprises are equally at risk and stand to benefit from the protection it offers.

While the initial costs of cyber insurance might appear substantial, they are invariably more affordable than the potentially devastating expenses associated with the aftermath of a cyberattack.

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