

BRINGING “BROKER” VALUE TO THE CLIENT THROUGH INNOVATIVE PRODUCTS AND SUPPLY CHAIN MANAGEMENT

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To paraphrase with an African proverb:

*Every morning in Africa, a gazelle wakes up.
It knows it must run faster than the fastest lion or it will be killed.
Every morning a lion wakes up.
It knows it must outrun the slowest gazelle or it will starve to death.
It doesn't matter whether you are a lion or a gazelle.
When the sun comes up, you better start running.*

The 1800s was the Steam Century. The 1900s was the Technology Century. The 2000s are the Data Century.



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The way insurance is conducted these days is clearly changing. Nearly every “broker” market now has a direct writing arm. In addition, new companies are now writing commercial insurance online with the support of the standard markets. The broker is being bypassed at every turn. Renewals are sent directly to the consumer by the

insurance company. Claims are reported directly to the insurance company. Want to deal directly with your insurance company, “there’s an app for that”.

Insurance companies are spending millions to promote brand recognition. Apart from local sponsorship opportunities, the broker just can’t compete.

Life is challenging and competitive, and brokers should start running to survive in an increasingly difficult insurance world. Auto insurance will sag significantly with the arrival of fully autonomous vehicles. Predictions are that with the introduction of AVs car crashes will go down by as much as ninety percent (1). That’s 90% ↓ . So, brokers had better hustle to cement relationships with their clients so that they can introduce and sell new and innovative insurance products.

There are various products that a broker can use to connect with his/her client such as legal expense insurance (LEI), diminished value insurance, terrorism insurance but the one area that shows the most promise in middle and small markets is the Cyber Fitness score.

Historically brokers have had a hard time dealing with Security & Privacy policies. The complex and arcane nature of cyber insurance has made life very difficult for brokers... particularly if they struggle with their understanding of *cybersec* and with meeting goals required by primaries.

A good resource for broker training is a new initiative called the Cyber Insurance Academy that educates and provides insurance professionals with a set of technical skills that are essential in the world today.



Brokers think “There must be a way to help my clients understand cyber hygiene and the way it connects to their commercial insurance coverage”. Businesses have not yet fully grasped the reality that it’s possible that in five years they won’t get a bank loan if cyber coverages are not in their commercial insurance package.

It is up to brokers to educate their clients about business realities. That’s a tough assignment but there is help. The www.cyberiskchek.com analysis was originally designed as a robust, affordable quantification tool for underwriters to use to

bind a policy. It turns out that it is also cyber education tool as well as a benchmarking tool to periodically evaluate cyber health progress in a business.

Brokers can use the online tool to illustrate the areas of attention that their clients need to self-evaluate their business. Psychologists would call this a Behaviour Modification Model. As clients complete the assessment, they become more aware of the importance of paying attention to *cybersec* issues and purchasing insurance coverages to protect their business from the losses that accrue if they are hacked.

These days, businesspeople know that breaches happen all the time. A few short years ago they were skeptics but today they know that it might happen to their own business. They know because in 2019, the number of cybercrime complaints from both individuals and business organizations reached a staggering 467,361 with a total cost of over \$3.5 billion.(2)

A cyberiskchek.com analysis in among is among the best tools available for underwriters and brokers to make an informed decision on insurance acceptability.

As a broker, bringing value to the relationship, you have an opportunity to talk about the need for cyber insurance, the damage a breach can do to the clients business reputation and the real possibility of not being able to recover from a cyber attack that could spell the end of their business. This is something a direct writer can't do. Situations like this allow the broker to not only sell additional insurance products but to truly differentiate themselves from the direct writers and show the client the true value of dealing with a local, independent broker.

Cyber Fitness, or *CyFi* at www.cyfi.insure is an inexpensive snapshot-based industry standards producing our proprietary cyber fitness and Blue Lance score. Both NIST and GDPR standards are embedded in that analysis. Other tools such as Net Diligence and Blue Lance have cyber stress tests and are interesting.

You can help your customer as that scoring provides your customer with the foundation for qualifying cyber risk. Additionally, if the %age of risk exceeds the existing policy level for protection, you can help your customer to upgrade their coverages as needed. The cyber preparedness score is like a photo of the risk to a Property Underwriter. The old adage "a picture is like a thousand words" applies here.

The last critical thing that your customer will appreciate is that the analysis provides a priority-based Action Plan for Improvement that your customer can implement.

So, if we can review. Is www.cyberiskchek.com analysis a "Disruptive Innovation"? Yes.

But Richard J. Bortnick, a senior cyber lawyer in California, described our rating software as a "21st century underwriting tool". And Jackie Vergne, MBA, CPCU, CIC said that "I love the underwriting tool. It was quick, the results were immediate. It is a very powerful tool." Your client will be likely grateful that you used this tool to help him/her understand *cybersec* realities and to get the insurance coverages that they need and want.

Next, let's talk about supply chains. With a broker's insurance expertise, this is something that you should discuss with you customers.

In our article in the October issue of *Canadian Underwriter*, Ken Rayner, CIP, made the point that "a secure supply chain is vital since individuals and organizations are moving their practices online, ordering more stock and sharing information." He continued "an important contract term for insurers (and all businesses) is Supplier Obligation Management"(3). In other words, suppliers must describe, and guarantee, the cyber health of their organization as a condition of becoming a supplier.

These are the things that you can bring to the table for your customers and insurers. A low cost, on-line underwriting/risk management tool that produces a "Cyber Fitness Score".

You will help your customer by speeding up decision-making. You will help both your customers, and insurers, by allowing for a better risk selection process. You will help your insurer to improve operations and your customer to take the proper initiatives to buckle up the cyber health of their business or organization.

By the way, don't ignore how you can deliver more to your value proposition by explaining the connection between Cyber Insurance and other less traditional, but important, insurance products that are gaining traction, like Legal Expense Insurance.

Most importantly, you will optimize customer engagement. Companies spend millions each year trying to find ways to "touch" their customers. A CyFi score or similar analysis gives the client the opportunity to see firsthand the advantages of dealing with a broker and the value the broker brings to their relationship.

Start running.

Works Cited,

1. McKinsey 2015 Report
2. Internet Crime Report 2019
3. "The growing need for cyber security in supply chain management", Canadian Underwriter, Oct/Nov 2020.

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