

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

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

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, well, “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.

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.

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*.

A good resource for broker training is a program offered through the Cyber Insurance Academy in partnership with Cyber Insurance Solutions. The program educates and

provides insurance professionals with a set of technical skills that are essential in the world today.

The reality is that cyber preparedness is an every-day requirement of running a successful business, it's possible that in five years, business owners won't get a bank loan if cyber coverages are not in their commercial insurance package. Brokers have tremendous opportunities to educate their clients about business realities. That's a tough assignment but there is help. Cyber Insurance Solutions CYFI (Cyber Fitness) assessment is a cyber education tool as well as a benchmarking tool to periodically evaluate cyber health progress in a business.

Brokers can use the online assessment 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 from being 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)

The CYFI analysis 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 and the damage a breach can do to the client's business reputation and the real possibility of not being able to recover from a cyberattack 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.

CYFI is an inexpensive snapshot-based on industry standards producing our proprietary cyber fitness and Blue Lance score. Both NIST and GDPR standards are embedded in that analysis.

The last critical thing that your customer will appreciate is that the analysis provides a priority-based Action Plan for Improvement that can be implemented to enhance cyber security.

Another key area for businesses to focus on is 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 brokers can bring to the table for their 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 secure the cyber health of their business or organization.

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.

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.
9. Bortnick's article in Knowledge Base is wrong. I just got a copy of a PowerPoint presentation that Rick made this week. Is there somehow that we could put it on the site?