

REIMAGINING INSURANCE THROUGH TECH

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BRADLEY HOWARD (BH): Hello, I'm Bradley Howard, and welcome back to a new episode of Tech Reimagined. As you might know, we're now in season two and we're going to be focusing on the big questions around technology and industries that are impacting our lives. I'm excited today to sit down with Kirsten Bay, the CEO of Cysurance. This episode's big question will be around the transformations that are happening in insurance that are driven by technology. First off, Kirsten, welcome to the show. Can you tell us a few words about yourself and Cysurance?

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KIRSTEN BAY, CEO CYSURANCE (KB): Yes. Well, thank you very much. It's a delight to be here today. Cysurance was created with the intention of helping small and medium sized businesses acquire cyber insurance on an automated platform. And the reason for that is because it's extremely difficult for them to either understand the questions are being asked of them or understand what forms what, what parts of the policies they actually need. So we wanted to create an automated platform that's distributed and bundled with the service providers that they use today, technology providers, banks and even, even product companies. And so that was really the intent for us to help support this customer as we deal with these ever evolving cyber threats. And for me, I came up with this concept through being both a financial risk person and a security person to really integrate these two points and to create a bridge between security products and risk management.

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BH: So for our listeners that are not aware of cyber insurance policies, what does cyber actually cover them for?

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KB: Well, this is a great question because there are two elements and actually the programs are evolving all the time. The one half of cyber insurance covers the things that people might think about ransomware or or even wire transfer fraud, things that steal money from you, lock your systems down. And people are particularly familiar with ransomware just because it's been so persistent. Right. So those are high value losses and and are very difficult to recover from if you don't have insurance. But the other side of it is also for business continuity. And so there are elements of these policies now that cover for when networks just happen to go down, non malicious type events. And so it's really important to think about these products both as protecting against bad things happening to you from malicious events, but also through things that are are not malicious, but impact your ability to run a business day to day.

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BH: And you mentioned that the offering will be part of a service providers offering as well. So is this an add on to when a company might choose the service provider to host, for example, their email or their website?

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KB: That's correct. And the idea really is that over eighty eight percent of small businesses outsource their I.T. services to a managed service provider or even a managed security service provider. So the idea was to help create this this risk bundle that integrates with the infrastructure that's being managed by a third party, and that can also even come down to some of our other products, which then stitch on to true security products that then go into that managed services

stack. So it's really intended to try different layers of protection, depending upon what kind of deployments you have in your environment.

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BH: And how much do you need to know about the service provider's customer in order to provide them with a cyber policy. Is it a long form, how is it done?

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KB: Well, that's the beauty that we were trying to do really through automation, and that is to make it a very lightweight form. And a lot of the industry is moving in this direction to try and simplify for this particular type of customer. But for us, really, we we point a lot of the questions to the service providers because they're the ones who actually own that infrastructure anyway. So do you have a firewall? Do you have multi factor authentication, the different elements of network environments to help us understand how protected that individual is? And then on the other side, the size of the company revenue in sector are also significant drivers, because obviously, if you're in health care, you have a very different risk profile than if you're someone who has a florist shop or a bakery.

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BH: And are you the actual insurance company that is doing the underwriting, or is that another company?

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KB: Well, it's it's twofold. We have a service guarantee product that we actually underwrite ourselves. And that's a smaller program that bundled with security products to to help support in case something goes wrong with that product specifically. And then we work with large carriers on these cyber insurance programs, which are the more regulated products that people know more about in the environment. And we have several carriers with whom we work and are developing and integrating them into our automated platform.

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BH: Well, thanks very much for that background. So on to today's big question. What do you think are the biggest transformations happening in insurance at the moment? And is technology driving this change?

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KB: Well, technology is absolutely driving this change, and particularly around the small and medium sized business. The challenge has been that prior to I would say maybe even five years ago, the world was really geared towards writing policies for much larger institutions. And so there was a much more lengthy risk management program. There were risk people involved, a chief risk officer, a chief information security officer. And it was a and it still is quite a very manual process for larger institutions. But in order for us to translate the need to to service this need for this particular customer. The need for automation has been significant, both from the perspective that individuals now conduct so much insurance transaction online. If you think about lemonade or Geico or we watch lots of insurance commercials on television, so there is that need from the end user, from an engagement perspective, but also from a profitability perspective for the carriers, because managing and treating this customer through that whole process, the underwriting process in a manual fashion is just not profitable for these smaller type of policy. So there is the need from the end user perspective and the need from the carrier perspective, where we're trying to integrate those two into automation. And that's really where the market entirety is moving.

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BH: So let me get this right, so you're trying to help with the automation from the service provider onboarding their own new customer and then helping to promote your insurance products as well and trying to automate that as much as possible for these small and medium sized businesses?

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KB: That's correct.

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BH: And you mentioned about margin earlier. Isn't that always the case with insurance products where they can be sometimes a race to the bottom, it becomes so price competitive. And you mentioned Geico before, as our European listeners might be aware of price comparison websites. There's that danger of commoditising insurance and it simply becomes a price war. How do you mitigate against that?

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KB: Well, that is one of the challenges and I think is a general challenge with insurance. And you could think about this with with even property insurance or other things, that it's very difficult to drive the value conversation for customers, especially smaller customers, because they don't understand all of the components of what insurance products actually do. So one of the things to your point is that there is a bit of commoditisation that I don't know that that's a bad thing. Where were the important elements of automation? Also come in is understanding network environment and how we're rating those risks. The biggest challenge we have is that there is no central point by which we can have a risk score like a credit score to to purchase a car or a home.

There's no central point where we can understand across the board what those risks look like for a particular organization. And so part of it is understanding the really key components of what limits risk, especially for the high ticket items, ransomware, wire fraud, the things that really cost people money or breaches. If you think about GDPR fines or HIPAA fines in the United States, those are the things that people worry about the most. And so it's it's standardizing what would be that insurance form to help people understand what they really get. If you have ransomware, it will protect you. If you have wire fraud, it will protect you.

And then what are you doing, end user, customer to mitigate those threats. And it's really creating automation between those two points by bringing in service providers or even understanding the security products that we're underwriting for them so that we have a much more holistic view of what their environment is. And I think that that's where the commoditisation stops, because the more we can help that end user customer feel like they're being protected like a seatbelt or a smoke detector, people use those things and understand them because they understand directly how it helps them. And that's really what we're driving towards.

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BH: You mentioned that you need to have a conversation with the customer to help them feel protected and that they know what they're being protected against. How'd you do that? When you automate so much of the process? Because there isn't a traditional this type of conversation going on. How do you do that with your end customers?

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KB: Well, that's really what we've started developing in our automated platform is to create a sort of a digital conversation with that user so that we understand both their service provider's

environment and their own environment and the things that matter to them and what they're trying to protect.

And it's a trend, I think, generally, as we think about broader technology platforms that they start doing quizlets and other elements to engage that customer to to draw out the information that one needs to be able to not only make a risk decision, but help that end user customer feel and understand that they are being understood as an individual and an individual organization.

And those are the things that we're really working on to figure out how we create that engagement so that most people actually want things to be automated. They'd rather not call me actually to talk to me. They'd rather just do it through text or do it through a digital platform. And so that omnichannel concept is something that we are working on to to help people feel like they're being heard, but also to be really efficient with it.

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BH: So do you see a time when all of your policies, all of your customers will go through a completely automated channel? Or do you always think that there'll be some outliers where you will need to engage with them and have further conversations about their risks?

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KB: I think there will always be some outliers, and I do think that there is always a place for human interaction. And so we have chat bots in other ways to interact and have people call you directly if one were to have that conversation. And I think it's really critical, I think that this notion that we as a society will go completely digital all the time is a little off-putting for people. So so certainly that's an element of it. And really for us it's speed, right? Because the feedback that we get most frequently is this is just so much faster. And I just need to get this done and move on. I need to know that it's there and that I'm safe and move on. And that's really what we're trying to help support our providers with and also with even our providers who are the technology providers to the end users, they don't want to be insurance experts, this is not what they want to do, but they also understand the value of having that integration. So those are the components that we're trying to weigh and integrate so that there's that value chain and that support chain, but also that people feel that they can state with their domain expertise

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BH: And in terms of transformation, how do the insurance companies avoid being left behind with new product development.

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KB: Well, this is one of, I think, the biggest concerns that carriers have, specifically because there are now really two classes of organizations who are providing insurance. There are carriers and then there are MGAs, which are a managed general agencies, the ones one people might be aware of, like Lemonade, those types of organizations, Coalition, they kind of fall between those two points. The carriers backstop the MGAs, but the carriers really still want to maintain that direct business. And so it's a great question because they are being squeezed out of this conversation in one way or another.

And so what I was reading a McKinsey report about this, and it was talking about how in a business relationship, take AIG as an example, they held all points of that relationships that would be cyber and a business owners' policy, workers' comp, auto umbrella. They would have the entirety of that relationship. And what's happening with these MGAs who specialize in cyber as an example is they're peeling off that cyber component. And so then there might be the peeling off of



the general liability or business owner policy perspective. So the carriers need to accelerate their digital capabilities. And so we partner with a lot of carriers for that purpose and also to provide their brokers with that capability. So instead of expecting brokers to build connection points to automate that system, they're relying on companies like ours to do that instead so that they have the same ability to reach that marketplace that they're now their MGA competitors are now encroaching on that space.

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BH: Well, thank you very much, Kirsten, for joining us on Tech Reimagined and the chance to have these really interesting conversations today to all of our listeners. Thank you for joining us today. Don't forget to subscribe and tune in next week for new episode of our podcast.