Cyber Risk and Insurance Continue to Grow

Cyber risk and insurance continue to gain momentum. More companies realize they need it. And insurers are expanding coverage – and enjoying profitability. That said, cyber insurance continues to be an especially risky insurance line.

This is part of what I discuss in my recently published article, "Expansive Variance." Published in *Actuarial Review*, I titled the article very deliberately. The variance of risk expands in new ways every time I investigate cyber risk and insurance.

And frankly, the more I learn about cyber risk, the more concerned I become.

Cyber risk and insurance are expanding.

My article digs into the reasons behind the growing risk and new tools for actuaries and underwriters. Two particular trends stick out. First, Internet of Things technologies continue to introduce vulnerability to cyber attacks and personal privacy. Perhaps the best example of hacking through via app is last year's Facebook data breach.

Meanwhile, the bad guys, who have the creativity to walk the gauntlet of cyber protections, are quite innovative. Last year's Equifax breach, the largest in United States history, is a case in point. Despite tight cybersecurity, the breach pulled the personal data of more than 145 million Americans in a seven-week period. Another attack, less widely known to consumers, turned off factories and interfered with commerce all over the world.

The bad actors are also discovering ways to deploy artificial intelligence to mask coding to reach directly into personal computers. And for the less innovative, the old-fashioned and tried-and-true attack methods, such as email phishing, remain effective. Many companies still need to get religion on cybersecurity. Hackers are sometimes getting away with their dirty deeds because companies do not keep up with security patches.

These breaches serve as warnings of what could come. Everyone who knows about cyber risk and insurance fear "big one" — that cataclysmic breach that could put the world on its knees. Insurers are also very concerned about it, spreading risk across individual industries to reduce exposure.

Cyber Risk and Insurance

The article also describes the unique challenges insurers are facing beyond cyber risk itself. Currently, cyber insurance is generally profitable. The market is so competitive that it is sometimes underpriced. Executives of non-cyber insurance lines are also concerned that their coverages are picking up cyber loss.

Insurers have very different philosophies on covering cyber risk. For Warren Buffett, chairman of Berkshire Hathaway, Inc., cyber risk and insurance just too risky. He believes that each year carries a 2% chance of a super catastrophe costing $400 billion or more in insured losses. Not surprisingly, his insurance group is mostly staying away from covering cyber risk.

But there's plenty of insurers – about 170 depending on classification – which are happy to offer cyber insurance. AIG and Chubb are two examples. Insurers also have more insurance scores for cyber risk than ever before. Depending on the product, such cyber scores can evaluate risk potential by company and can watch how the risk changes.

Privacy Regulations and Laws

Consumers have little remedy when personal data breaches occur. Cyber insurance covers cybersecurity protections for a limited amount of time, say two years or so. However, there is nothing that can be done to get the information back. The bad guys have it forever. Thankfully, cyber insurance for individuals is just starting to become available.

Last week I attended a seminar on protecting personal privacy sponsored by the Atlantic magazine and Salesforce.

Speakers discussed a social contract, which presumes entities collecting our data will protect it. However, this social contract has little law to support it. One privacy attorney says that the Facebook breach, while unethical, is not illegal.

The bad guys,
who have the creativity to walk
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Americans assume the government is making sure our data is respected and kept private. But in truth, our public policymakers are behind the curve. As someone at the seminar joked, "Europeans regulate what Americans innovate." Legislative remedies are being considered by Congress. During the seminar, Senator Mark Warner (D-VA) mentioned a recent hearing where the nation's largest search engine's representatives were notably absent. The company, however, *is* showing up to help China with their internet although its employees are protesting and some have quit. This is the country that is following every move of their citizens to determine their "trustfulness" and is also blamed for particular cyber breaches.

My article describes new regulations from the European Union that affect American companies. California also passed an aggressive law to protect consumers. It goes into effect January 1, 2020. Not surprisingly, technology companies are fighting the restrictions the new law will impose. After all, they need personal data to sell ads. The European and California laws have potential ramifications for cyber insurers, but those details are yet to come.

Note: My last article about cyber insurance discusses particular challenges for actuaries. To see more of my cyber articles, just enter "cyber" in the search bar below.

Actuarial Consulting: Is It For You?

Successful actuarial consulting depends on effective communication.

At some point, most actuaries consider a career in actuarial consulting.

It's easy to see why. Generally, the variety of projects are interesting and the pay is better. But as my recently published article, "More Flexible" explains, actuarial consulting is not for everyone. Success requires a variety of additional skills beyond impressive mathematical and statistical chops.

You can find the article in *Contingencies*' Actuarial Job Seeker supplement, which is published by the American Academy of Actuaries. My goal was to write the most comprehensive and useful article on the subject. I believe it is a must-read for actuaries who want to take the plunge into actuarial consulting.

As the article says, excellent communication skills are necessary for actuaries who want to climb up the consulting ladder. In this blog, I share my observations based on nearly 30 years of experience working with actuaries as a marketing and communications consultant as well as a reporter.

Actuarial Consulting and Communication Challenges

Granted, how much actuarial consulting work involves communications and marketing skill depends on the position and the firm's size. That said, sooner or later, most actuaries are called out of their comfort zones to engage in marketing and sales.

I find that actuarial consulting firms miss opportunities to reach their intended audiences due to ineffective communication on multiple fronts. A client once paid me to interview buyers of actuarial services. They told me what kind of content they seek from marketing materials to reach a decision. The client resisted, and the great marketing plan never happened.

The greatest challenge, however, is making actuarial information meaningful to lay people. Like researchers, they can get too wrapped up in the technicalities without showcasing the results that matter most to the lay people they need to reach. That includes everyone from insurance executives who hire actuarial firms to influencers such as reporters.

It's also critical for those in actuarial consulting firms to keep an outsider's perspective. To the non-actuary, actuaries and actuarial firms can appear the same. All actuaries are credentialed and adhere to the same actuarial standards of professionalism. The services appear to be the same.

…sooner or later, most actuaries are called out of their comfort zones
to engage in marketing and sales.

Therefore, actuaries must be able to explain to potential customers – whether interpersonally or through marketing materials – why their loss reserving service or predictive modeling prowess is the most desirable.

Communications and marketing professionals can be a big help if they can translate actuarial analysis, reports and studies into layperson-friendly content. However, the less the communicator understands insurance and actuarial products, the more the likelihood of missed opportunities.

When I put on my reporter hat, I can tell you that poor media relations reduce exposure from credibility-building external media. Here are examples of situations that occur too often:

- news releases lacking context that do not address why the reader should care;
- report executive summaries that fail to mention a key point deep within the content;
- information buried within charts that not covered in the text;
- the immediate handoff to the busy actuary with no time because the media person could not answer the quick question on deadline; and
- impossible websites.

Annmarie loves actuaries! Find more actuarial content by clicking here.

Insurtech Revolution Will Transform the Business of Insurance

The Insurtech Revolution is here.

The Insurtech revolution is here.

My most recent *Actuarial Review* article, "The Insurtech Revolution," cuts through the buzz and highlights areas where insurtech is likely to transform the insurance industry.

Insurtech is like any quickly emerging development. There is a lot of activity, confusion and a dash of hype.

That's why my first question to most sources was this: "What is the difference between technological innovation and insurtech?" They agreed it was a good question. The evolving broad definition of insurtech risks becoming too general to be useful. The article includes an important sidebar that further defines the term. I hope will encourage more informed insurtech conversations.

This is certain: insurtech is not a Reese's Peanut Butter Cup. Insurtech does not merely stuff new technology into insurance. Rather, insurtech is a cottage industry coming into its own. At its best, insurtech challenges insurers to re-think what insurance could look like and how it should be delivered and serviced in a digital economy.

My concern is that the most cautious insurance professionals among us will be too quick to write off insurtech as a fad. Or even worse, they will choose denial or ignore it to their peril. Insurance professionals must pay attention to insurtech because it will affect their jobs.

Make no mistake: insurtech will be transformative. It is not just about technology, but new concepts that make sense in a digital world. For example, the insurtech approach means *out* with reactionary customer service and *in* with initiative-driven customer experience. (To learn the difference, click *here*.)

"…insurtech is not a Reese's Peanut Butter Cup
…(it) does not merely stuff new technology into insurance."

Meanwhile, its emphasis on artificial intelligence and other smart technologies will change and eliminate jobs. Insurtech companies offering insurance can, for example, prefill personal information through an Application Programming Interface (API), simplifying the application process practically down to a few digital taps.

By programming a rules engine, artificial intelligence is already performing critical functions, such as statistical calculations and ensuring accurate and meaningful customer information.

Insurtech Revolution: Annmarie's Take

After watching technology change the insurance industry for 30 years, here are some personal observations about The Insurtech Revolution:

1) **Insurtech companies risk operating under false assumptions.** A technological improvement in one industry is not necessarily easily translatable to the insurance domain. The transactions, responsibilities and public accountability differ from banking, as an example.

2) **Insurtech companies are in love with their beloved technology, but insurers love real results.** Understand the real problems the insurance industry is facing. Offer solutions using insurance industry lingo. Save that technological deep dive for those who want to go there.

3) **Insurance companies are not threatened by insurtech competitors**, also known as "disruptors," which have garnered an overabundance of media attention. Peel back the artificial intelligence, APIs and novel approaches to coverage – and you have the excitement and struggles of a new insurance company. In three years or less, Flo, the gecko and/or other insurers will be using the insurtech bells and whistles that make sense. And they will be doing it better. By that time, we'll also know if the "disruptors" are profitable.

The Insurtech Revolution is here. Please check out [my article] and offer comments below.

Actuaries Applying Advanced Analytics in Non-Traditional Roles

Actuaries applying advanced analytics in non-traditional insurance roles are deploying their acumen to solve business problems.

Actuaries applying advanced analytics provide a window into the profession's future.

As demonstrated in Part II of my *Actuarial Review* series about "the others," actuaries applying advanced analytics are working in various industries. ("The others" are members of the Casualty Actuarial Society who *not* working in traditional insurance industry actuarial roles.)

Part II features four actuaries applying advanced analytics in very exciting ways. It provides a window into the future of the actuarial profession. Increasingly, actuaries will be serving in roles beyond pricing and reserving. As technology moves forward, advanced analytics and artificial intelligence will become more commonplace, offering new potential roles to actuaries.

The article features:

Kevin Kuo, Software Engineer, RStudio After serving as a life actuary, Kuo applied predictive analytics for direct mail credit card acquisitions for Citibank. He's now working to enhance "R" software to offer big data and deep learning capabilities.

Aaron Fezatte, Strategy Manager, Expedia. Beginning his career as a P&C actuary for Liberty Mutual, he secured a job with Expedia to develop new ways to price and offer travel insurance.

Cathine Lam, Data Scientist, Economics & Actuarial Team, Metabiota. The former Milliman Inc. consultant works to track infectious diseases around the world and supports her company's software product. Insurance companies and government entities are key clients.

Frank Chang, Director of Insurance and Safety Analytics, Uber. Chang wrote for *The Motley Fool* and handled pricing for Esurance before working for Google and then joining a team at Uber. His multifold role includes applying analytics to encourage risk management and insure Uber drivers.

The first article about "the others," published in the September/October edition of *Actuarial Review*, was highly popular, attracting hundreds of visitors. This second and final article is a ***must read*** because it showcases how actuaries applying advanced analytics and forging new pathways for the profession.

During the past few years, I've written several articles about advanced analytics and the actuarial profession. If you would like to check them out, please visit the actuarial section of this blog. My next *Actuarial Review* article covers insurtech. Slated for early January, it explains how and why insurtech will be changing the insurance value chain – forever.

Insurers Must Beat the Customer Engagement Disconnect

Insurers must overcome the customer engagement disconnect

Insurance marketing professionals are striving to beat the customer engagement disconnect.

They know that customer engagement must go beyond internet and social media participation to meet customers where they are — at their cell phones. We live in a world where the mobile phone has become the center of people's lives. Insurers should be taking full advantage of this.

Sure, customers are using their smartphones to surf the net and participate in social media. However, the best way to reach customers personally is through voice mail, text messages and email.

My most recent blog for SPLICE Software covers the results of a recent Marketo study of marketers from many industries across four countries. The study reveals that marketers, in general, know they must overcome what I call the customer engagement disconnect. Not surprisingly, the study also reveals that customers are willing to be brand advocates for companies that demonstrate they care for them.

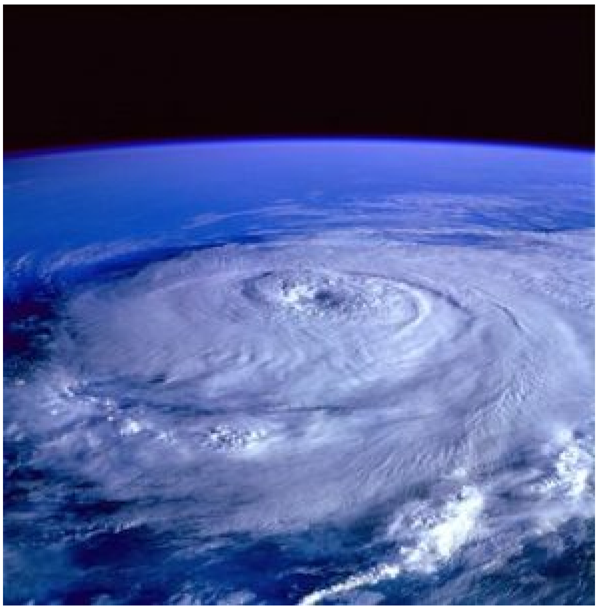
The study also reveals that customers are willing to be brand advocates for companies that demonstrate they care for them.

Insurance marketers need to find the tools to help engage more directly with potential and current customers. Usually, sales and customer service departments already have such tools. To ensure messaging and branding are consistent, marketers should be partnering with other departments that are contacting policyholders.

While my SPLICE blog centers on personal lines insurers, the study also offers insight for B2B communicators. If you market commercial insurance take note: B2B customers have even higher expectations on brands when it comes to engagement. And note this: they are more willing to be brand advocates compared to B2C customers.

I hope you'll check out the blog. It offers much more specific information to encourage marketers to start thinking about how to topple the customer engagement disconnect.

Claim Prevention Tips Can Upgrade Customer Experience and Mitigate Losses



Claim prevention tips can improve customer experience and prevent losses.

Claim prevention tips give personal lines insurers ample opportunities to upgrade customer experience and mitigate losses. Catastrophic (CAT) events such as hurricanes Harvey and Irma are reminders of why providing critical information to policyholders will quickly become a best practice.

As I explain in my blog for SPLICE Software, directly delivering useful safety and loss prevention information to customers via their communication channel of choice — such as text messages — allow insurers to tangibly demonstrate their commitment to policyholder protection.

Further, arming customers with critical information allows them to take positive steps to decrease the frequency and severity of claims. These tips can also build customer loyalty and provide a new way to reinforce marketing strategy.

My blog explains other reasons why insurers should use claim prevention tips. Happy reading!

Claim Closure Can Enhance Customer Experience, Branding

Claim closure can set a positive tone that bolsters overall customer experience and an insurer's brand. How insurance companies finish off the claim process can leave an overall impression that can affect customer retention and loyalty.

It's really quite simple, isn't it? When someone is happy with their insurance company, they recommend it to friends either in person or online. Conversely, unsatisfactory claim experiences can lead to negative social media posts that harm an insurer's brand.

Claim closure gives both customers and claims professionals that wonderful feeling of finality. There is just something about being able to check something off the to-do list! For insurers, it's also an important way to make that final positive impression on customers.

Claim closure should enhance customer experience and an insurer's brand.

Historically, insurers send a letter via snail mail – thereby delaying that positive feeling of resolution. In addition to those letters, however, insurance companies should seriously consider the role technology can play in leaving a *timely* positive impression at the end of the claims process.

As I wrote in a blog for SPLICE Software, technology offers a means to accomplish just for personal lines insurers. Reaching customers quickly is important for boosting customer experience, which in and of itself, is brand enhancing.

Claim Closure Messaging

The message's language is also critical. The "it was a pleasure to serve you" type wording has become so ubiquitous that insurers need to consider messaging that uniquely reinforces an insurer's brand.

That's why I believe an insurer's marketing, communications, claims and customer service leadership should work together to send brand reinforcing messages available through omnichannel technology.

How insurers handle claims can make or break their relationship with their customers. Going the extra mile to provide timely and brand-enforcing messages throughout the claims process, including claim closure, just makes sense.

Eventually, using the omnichannel approach to communicate with insurance customers will become an insurance industry best practice. In the meantime, insurance companies already leading the charge should reap customer loyalty-building results.

Sending Omnichannel Appointment Reminders Offers Multifold Benefits

Appointment reminders are a customer experience enhancing opportunity.

Sending omnichannel appointment reminders can help personal lines insurers save money, encourage efficiency and improve customer experience.

Using omnichannel tools is a more effective approach than traditional methods. That’s because claimants can decide how they want to receive and respond to notifications.

To find out how technology is improving the transmission of appointment reminders, please check out my blog for SPLICE Software.

[Deploying the First Notice of Loss as a Customer Experience Opportunity]

The First Notice of Loss is a critical customer experience opportunity.

The First Notice of Loss is more than a critical part of the claims process. It's an opportunity to improve customer experience. I explain why in a blog I wrote for one of my clients, the award-winning [SPLICE Software]. The [blog] demonstrates why the First Notice of Loss gives insurance companies the chance to begin effective communication, which is a critical part of building positive customer experiences. I hope you will check it out!

[To Write Successful Marketing Content, Think Like A Journalist]

Courtesy of Mike Lincht NotionsCapital.com via flickr.com

To write successful marketing content, think like a journalist. This approach certainly works for my clients and my company.

The primary goal of content marketing is to provide “organic” content — as opposed to advertising — to boost Search Engine Optimization (SEO) to attract potential customers.

While executives can get excited about the bells and whistles of technical SEO, the truth is that content remains king. After all, if the written material does not attract search engines to your website, what’s the point?

So it’s curious to me that many companies do not make the necessary investment for unique and useful content that is more likely to garner the all-coveted higher search engine rankings.

You no doubt see the results every time you do an Internet search. Since anyone can publish on the Internet without editorial scrutiny or peer review, the cyber world is filled with a lot of distracting and frustrating written refuse. There’s too much content “noise” on the Internet: material that is too generic, doesn’t answer reader questions or even worse, is duplicative from other websites.

The explanation for Internet noise is simple. Content marketing is a form of self-publishing. And yet, much online copy is not produced by publishing professionals. That is why thinking like a reporter will help you write successful marketing content.

To write successful marketing content and become an awesome content marketer, therefore, you need to think more like a quality-minded publisher or journalist. Consider this: just as a byline is the journalist’s brand, the material your organization publishes reflects its brand. Some experts call this brand journalism.

Publishers and journalists understand they must thoroughly know their audiences to offer content so compelling that busy people will sacrifice their time to read it. Yes, I mean sacrifice. By publishing a piece, you are asking the viewer to read your stuff instead of doing something else.

Frankly, I am always amazed at the marketing hype that gets published by people who don’t want to spend their precious time reading the hype of others.

Is your company's content so awesome that someone would actually pay for the privilege of reading it?

I've also been equally shocked by how many professionals are not well acquainted with their customers' needs and situations. Such information is necessary for producing quality content that will best serve customers. Investing in interviews, surveys or focus groups is a great way to know your customers better. (And by the way, you'll also get great content ideas.)

The key is to *show* – not just *tell* the customer – why your firm is unique and how that equates to better products and services. That means no direct sales material or the *blah, blah, blah* about your company's greatness. Ways to *show*, instead of *tell* are: publishing expert advice and insight, providing testimonials and case studies that solve common problems.

Professionals with publishing backgrounds understand that to make money, they must produce material that is so credible, useful and compelling that a person would buy it (through subscription) or it will attract enough readers to sell advertising.

Ask yourself a question. Is your company's content so awesome that someone would actually pay for the privilege of reading it? If so, they will keep coming to your website for more!

Your organization's content should showcase your expertise and build credibility with your potential and current clients. This is another reason why I recommend a journalistic approach. Strict journalistic standards push out the hype and sloppy content because the writer must justify every sentence. Therefore, to write successful marketing content, think like a reporter.

Such journalistic standards include:

- **Knowing the reader**. This cannot be emphasized enough!
- **Assuring accuracy**. Fact-check and double fact check when referencing other authors or sources. That means that proper nouns must always be correct or they are factual errors.
- **Clarifying** the purpose of the article, blog or other material and ensuring it answers the famous: who, what, when, where, why and how questions.
- **Being specific**. Instead of writing, "according to *a* study," you name the study, the organization that published it and provide a link.
- **Anticipating and answering reader questions** about the subject.
- **Presenting material** in its appropriate "editorial package" by considering the appropriate use of graphical elements such as bullets and art.
- **Staying concise.** That does not necessarily mean keeping material short. Search engines do reward thoughtful and longer pieces. Aim for smaller sentences, tighter and active wording (for example, overusing the phrase "of the") and phrasing that compels further reading.

Applying such standards for producing unique and high-quality content takes a lot of time and adjustment. So what are you to do?

There are several approaches. You can:

- **Buy generic material** about insurance that is pretty affordable. Since it is not original, it is more likely to be pushed down by the search rankings.
- **Produce content in-house**, making sure that you have an editor who will approach the

article journalistlically.

- **Hire a freelance writer** with a journalism background. Writers with solid reputations, years of experience and who know the subject matter (or know what to ask) will likely cost more. Just think of the time it takes subject matter experts, consultants and executives to produce well-written material. Compare that to the cost of hiring a seasoned writer. Besides receiving quality and unique content, you should also benefit from ideas for re-purposing, new stories, different angles and approaches and creative ways to present material.

Conclusion

Publishing unique and quality content is more important for boosting SEO than technical SEO enhancements. By approaching a subject like a journalist, you will enhance your organization's brand to build trust and credibility that should attract potential customers.

To write successful marketing content, try a journalistic approach. For more tips regarding marketing and communication, please click here.

Like what you see? Then follow me!