



## SUMMARY

The Council's Claims & Risk Management Working Group met during The Council's Legislative & Working Groups Summit February 5-6, 2018, at The Mandarin Oriental Hotel in Washington, DC. The meeting was led Working Group Chair Todd Macumber of Hub International, and The Council's Rob Boyce. The agenda focused on top of mind issues and areas of interest/opportunity facing claims and risk management leaders. The meeting included three presentations: Putting a Dollar Value on Cyber Risk (Jonathon Pope, Corax), Commercial Auto Industry Trends and Analysis (Scott Fouts, Hub South Region), and Wearable Technologies (Eric Martinez, Modjoul).

Throughout the meeting, breakout sessions provided a forum for participants to discuss common challenges and opportunities with peers. Breakout topics included: 1) integrating claim and risk team, 2) M&A and culture blending, 3) utilizing data for claims analytics, 4) driving organic growth and scalability, 5) creating a unique value proposition and 6) formulating a customer experience strategy. These topics spurred dynamic discussion, provided tangible takeaways for members to integrate into their teams and firms, and will continue to help shape the agenda for future working group meetings.

## PARTICIPANTS

Click [here](#) for the roster.

## PUTTING A DOLLAR VALUE ON CYBER RISK

### **Presenter: Jonathan Pope, CEO, Corax**

Jonathan Pope highlighted the key benefits of putting a dollar value on cyber risk from brokers' perspective. Pope explained that by providing the monetary value of cyber risk, brokers could illustrate the potential impact of a cyber event in language that makes sense to potential clients. In addition, brokers could also recommend the right coverage based on the cost of risk. Pope proceeded to demonstrate the Corax approach to quantifying the dollar cost of cyber risk before he led the group through a deep-dive discussion on how other brokers leveraged the Corax solution to present the cost of a breach and recommend the proper level of cyber coverage to potential clients.

### **Takeaways:**

- The cost of cyber risk is quantified by loss magnitude and breach frequency.
- Loss magnitude is calculated by the amount of insurable losses to first party and third party, such as expenses for business interruption, forensic, notification, fines or legal defense.

- Business interruption is identified as the biggest cost of a typical breach, accounting for 49 percent of cyber event expense.
- According to Corax, factors that correlate the most with breaches are: organization size, technology per staff, dependency on internet service providers, threats, patching, and previous incidents. Other factors, such as a company's handling of breach, may have an impact on loss severity but are not yet quantified.
- Five types of data can be used to calculate the cost of cyber risk: business interruption statistics, information about recent breaches, data from threat intelligence, commercial data, and information about an organization's cyber hygiene. Some of these data points are collected using an organization's domain name while the rest are purchased from data warehouses.
- With the quantified data about loss magnitude and breach frequency provided by Corax, some brokers have plotted the volume of potential loss against the likelihood of such event happening. From there, these brokers were able to recommend the optimal level of cyber coverage and build tower policy.

## COMMERCIAL AUTO INDUSTRY TRENDS AND ANALYSIS DISCUSSION

### **Presenter: Scott Fouts, Vice President, Hub South Region**

Scott Fouts shared key commercial auto trends and industry analysis. According to Fouts, commercial auto continues to be an industry-wide concern, as poor loss ratios continue to drive premium pricing. Fouts attributes poor loss ratios to an increase in both the costs and number of claims, primarily due to distracted driving and increasingly expensive repair parts for vehicles. We are also seeing more drivers on the road and a significant increase in vehicle miles driven.

### **Takeaways:**

- Although premiums for commercial auto have been on the rise, insurance premium credits can be awarded to clients with a solid fleet safety program.
- Brokers play a key role in not only working with their clients but also coaching loss control staff from the carrier side to devise an optimal fleet safety program for clients.
- According to Fouts, a solid fleet safety program usually includes at least a defensive driver training program, ongoing training sessions and frequent vehicle inspections and maintenance.
- Newer technology solutions are also being adopted by some of HUB's clients to enhance safety. These technology solutions include telematics in fleet cars, driver camera, OEM safety devices such as Wingman/adaptive cruise control and lane departure warnings.

## WEARABLE TECHNOLOGIES

### **Presenter: Eric Martinez, CEO, Modjoul**

Eric Martinez started the presentation by giving the group a holistic view of wearable technology. He then explained the benefits wearables bring to the insurance industry, particularly relating to workers' compensation. Wearables, according to Martinez, not only keep employees safe and productive but also help the industry better manage risk and reduce costs.

## Takeaways:

- Wearable devices capture payloads, which are then sent to the cloud for computing. Data from computing is then displayed on an online dashboard. Sensors capture location, motion, environment and biometric data.
- Wearables keep employees safe and productive by helping organizations:
  - Identify an activity that is potentially hazardous or inefficient and modify work procedures accordingly.
  - Receive real-time feedback on employees' motion, location and environment, and real-time clock timestamps of activities, including start, break and end of day.
  - Detect fraud in regards to accidents and hours worked.
  - Identify locations/processes/poor techniques that result in near miss events to implement solutions before an accident can occur.
  - Evaluate employee performance.

## GROUP BREAKOUTS

On Monday, participants broke out into three teams to brainstorm and share best practices around three challenges:

- 1) Integrating claims and risk teams
- 2) M&A and culture blending
- 3) Utilizing data for claims analytics

On Tuesday, participants broke out into three teams to share success tips around three challenges:

- 1) Driving organic growth and scalability
- 2) Creating a unique value proposition
- 3) Formulating a customer experience strategy

## SAVE THE DATE

The Council's Claims & Risk Management Working Group will meet again **October 22-23, 2018**, in Washington, DC.

## CONTACT US

Have a topic you'd like to discuss with peers? Send suggestions to Rob Boyce at [robert.boyce@ciab.com](mailto:robert.boyce@ciab.com).