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Should you worry about the cyber risk to cargo?

Rod Johnson
RSA Global Risk Solutions
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Cyber is not a peril

Consider the usual perils for marine cargo, goods in transit and stock throughput policies. Cyber isn't there.

It is unhelpful to think about cyber as a separated peril or issue – in fact it's an integral part, or feature, of the world we live in.

Cyber is a new pathway to conventional loss, and our apprehension of it comes from our collective lack of understanding of the issues.

Cyber as a pathway is harder to detect and pushes discovery and remediation into the future.

Sales people leverage this and use fear based marketing, amplifying the uncertainty

Cyber is a dual use technology

And it makes the global supply chain work.

How?

By removing friction

Friction

Any point in a process where a manual intervention is required or unavoidable.

Interventions take time and accumulate into delays.

Interventions have the potential to either introduce error or detect it.

Software designers and integrators look to make cyber enabled processes as frictionless as possible. That's Good Cyber if there are sufficient checks and balances.

Bad Cyber doesn't have those checkpoints, which is why it takes longer to detect losses or even understand what has happened or what has been lost.

Bad Cyber effect of standard perils

- ☑ Fire and explosion
- ☒ Grounding or stranding of the vessel
- ☒ Jettison of the cargo
- ☒ Sinking
- ☒ Collision
- ☒ Damage to the cargo if it has to be discharged after damage to the ship
- ☒ Washing overboard
- ☒ Entry of sea, lake or river water to the vessel or place of storage
- ☒ Total loss of a package by falling overboard
- ☑ Theft, pilferage and non-delivery
- ☑ Storage risks
- ☑ War and strikes risks
- ☑ Malicious damage

Effective risk management – know the problem

The Cascade Effect

- Charterers sub contractors
- Freight forwarders
- Sub sub contractors
- Your global head office
- Terminal operators
- And who else?

Aggregation and accumulation!

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Effective risk management – underwriter due diligence

Understand the pathways to loss, modes of attack, vulnerabilities, high risk activity, market conditions and imperatives

Quiz the client and the broker – compliance with the “10 Steps”, supply chain integrity, supply chain partners

Understand that the claims record may have some latency and anyway the past does not inform the future – what’s the real risk?

Always consider engaging your in house risk consultants. Haven’t got any? Get some. A basic cargo focused team will cost you less than one mid size claim per year.

Effective risk management – advising the assured

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CONCLUSION

Cyber is a dual use technology and an inescapable fact of life, so embrace it

Bad Cyber presents new and obscure pathways to loss

Bad Cyber drives latency into loss detection

Bad Cyber always affects more than one part of the supply chain

Defence is simple and straightforward but not yet normalised into business

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THANK YOU

Rod Johnson
rod.johnson@uk.rsagroup.com
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