THE BULLETPROOF AGENCY NETWORK

Newsletter#1 | January 2021

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Bulletproof Agency Network was launched in February 2017, with a mission to unite industry experts and thought leaders on how to scale a thriving, profitable and robust digital agency.

A joint initiative between **MAP**, **RiskBox, BLM** and **xentum**, Bulletproof Agency Network's Podcasts and Events have reached a wide and diverse audience over the past 3 years.

The Bulletproof newsletter is produced quarterly for your enjoyment, full of engaging tales from interesting agency folk and useful insights into the wonderful creative world.

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RiskBox MAP. BLM xentum

Is Now The Best Time To Buy **Cyber and Data Insurance?**

It's no secret that most businesses aren't protected from cyber threats. And, with the ongoing economic uncertainty, these businesses aren't likely to be considering this vulnerability as a priority.

While understandable, right now is the perfect time to invest in Cyber & Data insurance. We've asked our resident cyber expert, Sam, to explain why.

The Threat Is Real

The online nature of cyber threats makes them a difficult threat to detect. And as it's such an intangible area, there seems to be a distinct polarity between those in fear of an attack and those who feel they're so well prepared that an attack could never happen to them.

As always, reality lies somewhere in the middle. But it's this lack of awareness of the level of risk they're running that brings businesses to their knees when they're actually under attack.

When we raise this, some of the most common objections we hear are:

- **Our business doesn't hold sensitive data**
- **Our IT security is state of the art**
- **We're too small to be targeted**

The first two would get you favourable insurance terms, sure. But none of them remove all the risk.

Firstly, Cyber & Data insurance is a lot more than protection against potential ICO actions. So, it doesn't matter if you don't hold sensitive data – you can still be attacked, and the attack can cost you a whole lot of revenue if it causes significant downtime.

Secondly, while your business may have state-of-the-art security, your employees are still human, and therefore not infallible. In fact, according to IBM, over 95% of successful cyberattacks and incidents result from human error.

Finally, there's no such thing as 'too small to be targeted'. Attacks on big businesses make headline news, attacks on SMEs do not. This gives the false sense of security that small businesses aren't targeted, when the reality is the opposite. In fact, a report from Verizon revealed that 58% of data breach victims were classed as small businesses.

Of course, you might be thinking that the risk has always been this high. So why would investing in Cyber & Data insurance now, as opposed to after the pandemic, help me? Well, until now, the demand for it has been relatively low, making it cost-effective to proactively protect yourself. But that's changing...

Premiums are on the rise

It was inevitable really. Cyber & Data insurance had a honeymoon period where very few companies purchased cover, meaning that claims were few and far between. This led to competitive premiums eventually attracting large numbers of SME businesses to take the cover.

As a result, the industry saw both an increase in the numbers of insured businesses, and an increase in the annual costs of claims. My opinion? This has been driven by the participation of the SME sector, where average premiums are low but claim costs can still be very high. Especially if the attack caused significant disruption.

We're now starting to see the impact of this, with premiums beginning to rise to counter the losses felt by insurers. However, my view is that we're still at the beginning of this curve, making it an ideal time to buy Cyber & Data insurance.

Right now, premiums are incredibly competitively priced for the breadth of cover available – usually starting from a few hundred pounds. But this is sure to rise as businesses begin to kick-start their growth after the new year.

95%

95% of cyberattacks a result from human error.

58% of victims were classed as small businesses.

58%

Claims are becoming more frequent

We're experiencing a rise in the number of cyber and data incidents affecting our clients – a trend that's echoed by the insurers we deal with. Every day, when we scroll through the news, there seems to be a different report showing yet another company suffering some horrendous cyber attack.

The headlines focus on large businesses. And if corporations with huge IT security budgets can be penetrated, why can't your business? After all, with our new flexible and remote-working patterns, our digital footprint is increasing. These changes are almost certainly contributing to the increase in claim numbers.

As I've mentioned, employee error has long been regarded as the Achilles heel within a business' digital armoury. It stands to reason that the less centralised the business, the greater their exposure to a rogue employee clicking on a link to an unsafe site, or downloading an unsafe file, leaving your organisation with harmful malware.

Likewise, cyber criminals change their tactics at an exponential rate. Defensive measures such as firewalls or antivirus software will always struggle to adapt to every single evolving threat. Random untargeted attacks continue to spread like wildfire, and change tactics constantly, making them increasingly harder to protect against.

It's for this reason that getting your business set with the right recovery plan in place should include securing effective insurance protection.

Claims are increasing in severity

I've already outlined how insurers have seen a rise in the number of claim notifications they're receiving. What I've not yet mentioned is how insurers are also seeing the costs of those claims rise.

Already, there seems to have been a marked inflation in the costs incurred in getting a business back up and running following an incident. A simple example is how ransomware attacks are not just rising, but their monetary demands are increasing too. Insurers now regularly see ransomware demands in the multiple thousands.
That's because, with the likes of Tesco suffering a huge loss in public trust, hackers understand the heavy reputational impact of leaving data unguarded (or the cost of deleting important data). And they'll inflate their prices knowing that you can't afford a public scandal.

But this is just the beginning. Attacks will get more severe and claims will rise even further. We might start to see Cyber & Data insurance costing a small fortune as a result, and potentially outpricing SMEs. However, by carefully reviewing policies, you can cost-effectively ensure the protection of your key risks for many years to come.

Why RiskBox?

We live and breathe insurance. And when it comes to Cyber & Data, we can place you with insurers that offer some of the most comprehensive policies on the market. We meticulously vet all the insurers we recommend, too, checking every new policy that's released to ensure that our clients are covered.

What's more, we partner with leading industry voices to help us keep tabs on the latest cyber trends. So, if you like the sound of our approach, **get in touch with a member of the team today.**

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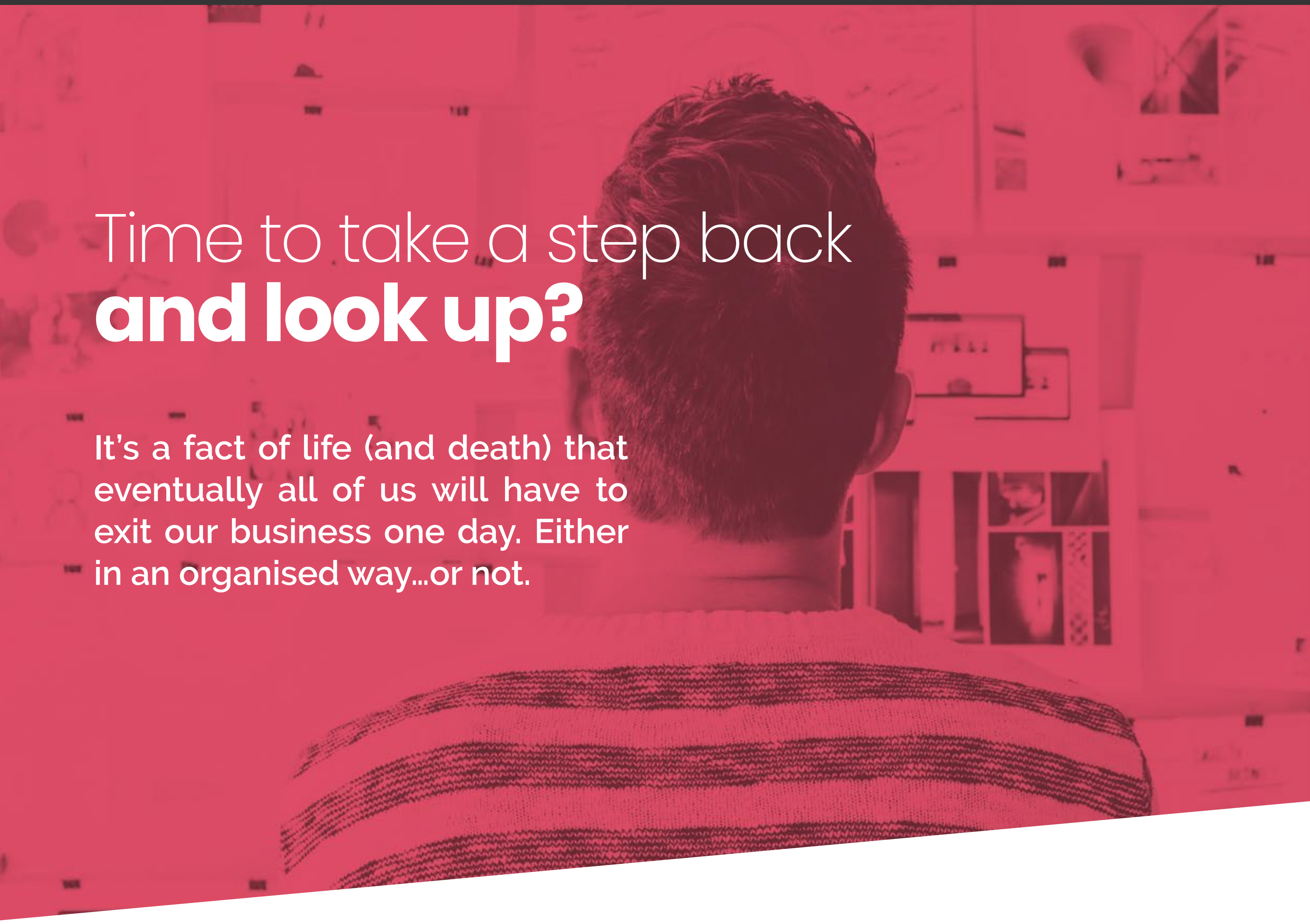

Time to take a step back **and look up?**

It's a fact of life (and death) that eventually all of us will have to exit our business one day. Either in an organised way...or not.

So, whilst day to day we may be continually running on that hamster wheel with our heads down, at some point, we need to look up & really assess why we are doing this.

What are we building for? And are we directing our efforts at the most important and potentially valuable aim – our exit?

Nobody would choose to leave their loved ones with more hassle to sort, when they are dealing with bereavement anyway. Establishing a structured exit plan, well before you ever need one, should be on the New Year's Resolutions list for all business owners.

So what are the actions that you should take to make your business more valuable and more attractive to the greatest number of potential purchasers? Well, there are obviously many different factors. Some sector-specific, and some quite typical across all industries.

Here's one fact from some recent findings of 14,000 businesses, who had received an offer to buy their company in the last 12 months. This may surprise you!

Would you rather receive 2.93 or 4.49 multiple of your profits when you sell?

The average sales offer received among all of the businesses surveyed was **3.7 times pre-tax profit**. However, these businesses were then further analysed between those businesses where the owners were responsible for all the sales effort in their companies and those that were remote from the sales process.

Where the owner does not know his/her customers personally and rarely gets involved in serving an individual customer, the offer multiple **went up to 4.49**.

Companies where the founder knows each of his/her customers by first name received much lower offers. Often just 2.93 times pre-tax profit.

Clearly, this demonstrates that in order to be more attractive to potential purchasers, the business needs to operate day-to-day independent of the owner as much as possible.

2.93x

Companies where the founder knows each of his/her customers by first name received much lower offers.

4.49x

Business that operates day-to-day independent of the owner as much as possible.

An easy thing to say you may think.

You may not be in that position at the moment. But we can still help with ideas and strategies that may allow you to move towards that position. Perhaps in the coming months and years.

And that's just one of a number of areas we'll look at if we conduct our unique 1-2-1 Exit Planning Workshop with you in the New Year.

Please **contact us** for more information.

MAP.

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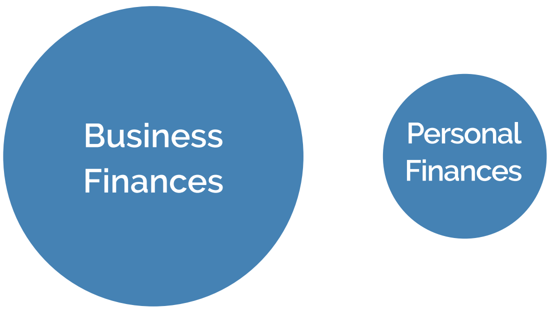
Treat Your Personal Finances **As You Would Your Business**

Aligning personal and business finances is important. So often, business owners get 100% focused on growing their companies, to the detriment of their personal finances. And whilst you may enjoy running your company, surely the whole point of building a company is to create a comfortable, financially-free lifestyle for now and the future?

Try this simple exercise.

Draw two circles. One to represent how much time you spend each month thinking about and planning your business finances. And draw the other circle to represent the time you spend thinking about or planning your personal finances. Typically, this exercise results in circles that look like this:



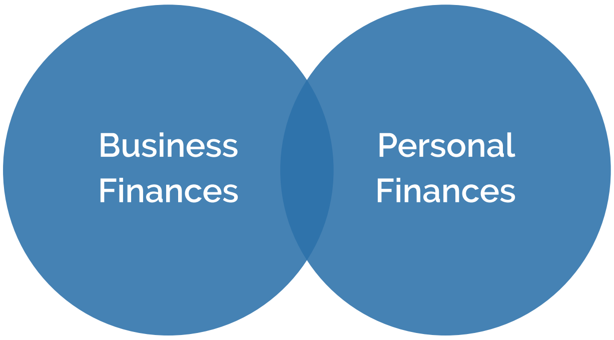
The consequences of this are that you grow your business and you increase your personal wealth but you still experience anxiety or concern about money because you haven't worked out the inter-relationship between your business and personal finances.

If you don't have a personal financial plan then there's a high chance that you don't know the true cost of the lifestyle you really want now and in the future. You simply keep working for that 'big number' whatever that number may be.

Another thing that you'll notice about these circles is that they don't overlap. They need to.

Whilst you may have other sources of income, your business feeds your personal wealth, so your personal finances are highly dependent on your business plan. Indeed, your business plan should be driven by your personal financial plan – it should be aligned with the income and financial security you want to achieve for the lifestyle you want now and the future. Without this alignment, you can expect to be dissatisfied, constantly striving to earn more, but also unsure of when you've achieved what you need.

In an ideal world, your two circles should look like this:



You may not need to dedicate an equal amount of time to your personal finances as you do your business (unless you're reaching a critical point, such as preparing your exit). But a clear personal financial plan should always be front of mind when reviewing and tracking your business plan. Then, and only then, will you be able to safely say that the effort and energy you're putting into growing your business is worth it.

How can we help?

If you're focused on growing your business but haven't got a personal financial plan to inform your thinking, speak to us.

We can help you clarify what you want to do with your money, now and in the future, and this will help you understand what you need from your business.

In this way, your business plan can become aligned to your personal financial plan.

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Contracts:
Red Tape or Gaffer Tape?

You'd expect a lawyer to try and convince you that written agreements with your clients, your supply chain and freelancers are important.

...They are.

In many cases, they're a key asset to your business in that they help to make sure you get paid (often on a recurring and long-term basis if you work on a retainer basis) and equally as important, they help to manage and resolve disputes if and when a project or relationship hits a problem.

If you don't have one written agreement in place with all relevant issues and how you'll deal with them covered off (dependent upon the situation) then it's not necessarily the end of the world in that you'll likely have other material which sets out at least some of the paramaters as to how you'll deal with the other party, however this does make it more difficult to piece together the key commercial terms of an agreement from a wider conversation as well as the correct background relating to any dispute, and equally to know exactly what terms apply to any relationship before one breaks out.

The key terms of any business contract will cover issues including what services and deliverables will be provided to your clients and to you by your supply chain, who owns any related IP rights bound up in them, who your key relationship and account managers with authority to provide signoff or deal with problems will be, how and when you'll get paid (and when you can down tools in the event that you haven't been), how handovers will work and crucially when either side can walk away.

A good proposal, specification or scope of works will deal with a fair few of these issues, but having the right legal terms in place is only ever going to help you – both now, and if and when you're looking to raise finance or attract investment as part of the due diligence process. That's not to say that you need a complex and lengthy agreement for each and every relationship, but you should have something and it should be in the clearest English possible.

Sometimes that leads to a protracted negotiation at the start of a relationship, and sometimes it can cause some delays in getting an agreement signed, but that process can help to set the tone and manage expectations going forward, so you can plan accordingly and allocate resource efficiently.

No-one likes red tape tying them up in knots, but it's more often than not far preferable to having to use gaffer tape to fix an already-broken situation.

Please **contact us** for more information.

BLM

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