

Press Release

Beazley Breach Insights 2016 shows sharp increase in hacking and malware

Healthcare, financial services and higher education sectors are particularly vulnerable

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Beazley, a leading provider of data breach response insurance, today released its *Beazley Breach Insights 2016* findings based on its response to over 2,000 breaches in the past two years. The specialized Beazley Breach Response (BBR) Services unit responded to 60% more data breaches in 2015 compared to 2014, with a concentration of incidents in the healthcare, financial services and higher education sectors.

Key data:

- Breaches caused by either hacking or malware nearly doubled in relative frequency over the past year. In 2015, 32% of all incidents were caused by hacking or malware vs. 18% in 2014.
- Unintended disclosure of records – such as a misdirected email – accounted for 24% of all breaches in 2015, which is down from 32% in 2014.
- The loss of non-electronic physical records accounted for 16% of all breaches in 2015, which is unchanged from 2014.
- The proportion of breaches involving third party vendors more than tripled over the same period, rising from 6% of breaches in 2014 to 18% of breaches in 2015.

Beazley's data breach statistics are based on 777 incidents in 2014 and 1,249 in 2015.

"We saw a significant rise in incidents caused by hacking or malware in the past year," said Katherine Keefe, global head of BBR Services. "This was especially noticeable in healthcare where the percentage of data breaches caused by hacking or malware more than doubled."

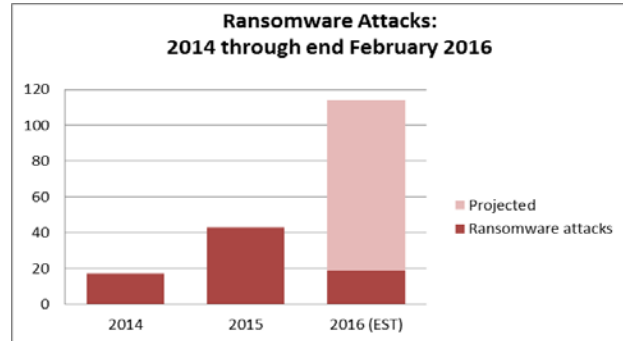
Ransomware on the rise in healthcare

Hackers are increasingly employing ransomware to lock up an organization's data, holding it until a ransom is paid in nearly untraceable Bitcoin. Hollywood Presbyterian Hospital in Los Angeles reported suffering a ransomware attack in February 2016 and

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ultimately paid the hackers \$17,000 in Bitcoin. A year earlier, the FBI had issued an alert warning that ransomware attacks were on the rise.

This trend is borne out by Beazley's data. Breaches involving ransomware among Beazley clients more than doubled to 43 in 2015 and the trend appears to be accelerating in 2016. Based on figures for the first two months of the year, ransomware attacks are projected to increase by 250% in 2016.



Source: BBR Services

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"Clearly, new malware programs, including ransomware, are having a big impact," said Paul Nihinson, privacy breach response services manager for BBR Services. "Hacking or malware was the leading cause of data breaches in the healthcare industry in 2015, representing 27% of all breaches, more than physical loss at 20%."

Nihinson added, "Healthcare is a big target for hackers because of the richness of medical records for identity theft and other crimes. In fact, a medical record is worth over 16 times more than a credit card record."

Higher Education

Higher education also experienced an increase in breaches due to hacking or malware with these accounting for 35% of incidents in 2015, up from 26% in 2014.

Colleges and universities are reporting increased "spear phishing" incidents in which hackers send personalized, legitimate-looking emails with harmful links or attachments. The relatively open nature of campus IT systems, widespread use of social media by students and a lack of the restrictive controls common in many corporate settings make higher education institutions particularly vulnerable to data breaches.

Financial Services

In the financial services sector, hacking or malware was up modestly to 27% of industry data breaches in 2015 versus 23% in 2014. Trojan programs continued to be a popular hacking device according to Beazley's data.

Fivesteps organizations can take to help protect their data

Attacks often succeed by exploiting misconfigured systems or human error, such as luring employees to respond to phishing e-mails. Here are five steps organizations can take to help protect their data:

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- Train employees to be aware of the information they need to protect - personally identifiable information (PII) and protected health information (PHI) - and to avoid falling for phishing attacks and other forms of social engineering.
- Develop a robust incident response plan. Data breaches cannot be well handled on the fly. Advance planning can help avert serious reputational or financial harm. A well thought out and practiced incident response plan should guide management through the life cycle of a breach – from the initial suspicion that something is amiss to full-blown forensic analysis, legal advice, customer communications and PR assistance.
- Categorize potential data risks by threat level. Over-reacting to a breach can be as damaging as under-reacting.
- Review supplier contracts carefully to ensure that your customers' data is well protected when it is in the hands of suppliers or vendors.
- Encrypt data, particularly mobile devices, laptops, and thumb drives, which are most likely to be lost.

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About Beazley Breach Response (BBR)

Beazley has helped clients handle more than 3,300 data breaches since the launch of Beazley Breach Response in 2009 and is the only insurer with a dedicated in-house team focusing exclusively on helping clients handle data breaches. Beazley's BBR Services team coordinates the expert forensic, legal, notification and credit monitoring services that clients need to satisfy all legal requirements and maintain customer confidence. In addition to coordinating data breach response, BBR Services maintains and develops Beazley's suite of risk management services, designed to minimize the risk of a data breach occurring

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Note to editors:

Beazley plc (BEZ.L) is the parent company of specialist insurance businesses with operations in Europe, the US, Latin America, Asia, the Middle East and Australia. Beazley manages six Lloyd's syndicates and, in 2015, underwrote gross premiums worldwide of \$2,080.9 million. All Lloyd's syndicates are rated A by A.M. Best.

Beazley's underwriters in the United States focus on writing a range of specialist insurance products. In the admitted market, coverage is provided by Beazley Insurance Company, Inc., an A.M. Best A rated carrier licensed in all 50 states. In the surplus lines market, coverage is provided by the Beazley syndicates at Lloyd's.

Beazley is a market leader in many of its chosen lines, which include professional indemnity, property, marine, reinsurance, accident and life, and political risks and contingency business.

For more information please go to: www.beazley.com

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