

# Financial Institutions

Effective cyber breach protection for financial institutions.

Essentially, a cyber breach is not a question of “if.” The only question is “when?”

Financial institutions’ information exposures have many causes and are difficult to control. And even with the best systems, controls, personnel and procedures, no bank or credit union is immune to the risk. It only takes one small human error, or an office break-in, or a clever hacker to compromise millions of records and create potential havoc within your organization.

## 388.3m

personal records compromised between 2005 and 2016 were entrusted to financial institutions.

Source: [www.privacyrights.org](http://www.privacyrights.org)

## Significant exposure

The patchwork of breach notification laws that now exist in 48 US states, provide a great deal of exposure for financial institutions. These laws prioritize the security of financial information, and in the event of a cyber breach, require costly internal investigations, significant expenses on outside vendors, and ultimately, notification to the public.

In addition to these state laws, banks and other financial institutions have many unique data protection obligations under the Graham Leach Bliley Act, the Fair Credit Reporting Act and the regulatory expectations of the Federal Trade Commission. Credit unions must also follow the data security requirements imposed by the National Credit Union Administration.

The publicity fallout from a cyber breach entails the risk of massive reputational and brand damage. It is safe to assume that poorly handled breaches result in far higher customer defection rates; in fact, 22% of breached organization lost customers and 40% of those organizations lost more than a fifth of their customer base.\*

\*Source: Cisco 2017 Annual Cybersecurity Report



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## Class action lawsuits

The publicity and customer dissatisfaction that surround a data breach have spurred a wave of class action complaints against financial institutions big and small. Enterprising plaintiffs' lawyers relying on a variety of privacy laws have filed complaints seeking billions of dollars in damages. The risk of crippling damages, and the sizeable costs of litigation, often push organizations to settle even in the absence of any clear harm to the plaintiffs.

## Regulatory investigations and penalties

State and federal regulators have made one point clear: a significant breach of customer information will result in monetary penalties, onerous corrective action plans, and on-going audits. Whether from the Federal Trade Commission or state attorneys general, the regulatory landscape for financial institutions carries an immense amount of risk.

## Why Beazley

Beazley, a leading insurer of technology and information security risks, has developed Beazley Breach Response (BBR), a solution to privacy breaches and information security exposures tailored to the needs of financial institutions.

BBR is a complete privacy breach response management and information security insurance solution which includes a range of services designed to help you respond to an actual or suspected cyber breach incident effectively, efficiently, and in compliance with the law.

Beazley understands the maze of data protection regulations faced by financial institutions; we have helped many financial institutions with cyber breaches related to network intrusions, lost and stolen laptops, inadvertent postings of customer social security numbers on web pages and rogue employees stealing customer information.

# 29%

increase in attacks on financial services organizations from 2015 to 2016

Source: IBM X-Force® Research

## Coverage

### Breach response

- Legal services
- Computer forensic services
- Notification services for up to 5 million affected individuals
- Call center services
- Credit monitoring, identity monitoring or other personal fraud or loss prevention solutions
- Public relations and crisis management expenses
- All of the policy's multiple limits will be available for breach response.

### First party

- Business interruption loss from security breach or system failure
- Dependent business interruption loss from security breach or system failure
- Cyber extortion loss
- Data recovery loss
- Data and network liability.

### Third party coverage

- Third party information security and privacy coverage with up to \$15M
- Full media liability
- Regulatory defense and penalties
- Payment card liability and costs.

### Criminal reward coverage

Cyber breaches take many forms. External hackers and malicious insiders cause many breaches, but did you know that simple carelessness is responsible for a surprisingly large number of breaches?

Every breach is different. It is important to work with a partner who has been there before.

## BBR Services

Beazley is unique among insurers in having a dedicated business unit, BBR Services, that focuses exclusively on helping clients manage cyber breaches successfully. In each case BBR Services collaborates with you to establish the best response that is tailored to your individual needs.

They coordinate the carefully vetted forensics experts and specialized lawyers to help you establish what's been compromised; assess your responsibility; and notify those you have to. In addition, BBR Services coordinates credit or identity monitoring for your customers and PR advice to help you safeguard your reputation.

BBR Services also provides a full range of resources to help mitigate risks before an incident occurs. On our Beazley owned and managed risk management portal, [beazleybreacholutions.com](http://beazleybreacholutions.com), you will find resources for incident response planning, employee training, compliance, and security best practices. Newsletters and live expert webinars educate you about the latest threats, preventive steps, and regulatory developments. BBR Services also coordinates a variety of pre-breach services such as onboarding calls, incident response plan reviews and on-site workshops so you can improve the robustness of your cybersecurity.

## Hacking and malware

- A financial services firm reported that the passwords for a web based dealer portal, which was licensed from a 3rd party vendor, were compromised. Four dealer accounts were hacked and the routing and account numbers were transposed. This caused the firm to issue unauthorized deposits to dealers who did not actually request them. BBR Services connected the firm with panel privacy counsel and a forensic firm. After an investigation, counsel determined that the firm was required to notify approximately 600 individuals. BBR services connected the firm with a notification and call center vendor and helped the firm order credit monitoring codes for affected individuals.
- A bank experienced a sophisticated malware attack, where hackers were in their system for at least six months. The hackers set up fake accounts and money was withdrawn from the bank from those fake accounts. The forensic investigation was extremely expensive due to type of malware. Together with BBR Services, the bank notified and provided credit monitoring to nearly 30,000 individuals whose credit card numbers, social security numbers and driver's license numbers may have been exposed.
- An insurance company's claims management software developer's subcontractor stored data insecurely and a white-hat hacker was able to access the information. The hacker reported the incident to authorities. The vendor investigated and determined that based on the log data, it did not appear that the data was otherwise accessed. BBR Services connected the company with privacy counsel, who advised that notification was required to 20 individuals and one state attorney general.
- A financial firm's systems were potentially compromised due to a spear-phishing scheme that resulted in a fraudulent wire transfer and potential exfiltration of emails with customer personally identifiable information (PII). BBR Services recommended forensics and privacy counsel, and they concluded (after an extensive manual review of data) that the insured was legally obligated to notify approximately 3,000 individuals.

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## Portable device

- An employee had an unencrypted laptop stolen from her automobile. BBR Services quickly connected the company with forensics to assist with assessing the information on the laptop. Once that analysis was complete, the organization learned that the laptop had contained protected information on approximately 6,000 individuals. BBR Services continued to assist by coordinating notification and call center services, as well as credit monitoring, for the affected individuals since the laptop contained their social security numbers.
- A financial institution discovered two backup tapes were missing. Forensics evaluation uncovered the tapes contained PII for 84,000 individuals. BBR Services coordinated a response, including notification and call center services for all affected individual

## Payment card fraud

- Credit cards issued by a bank were used to make fraudulent cash withdrawals at various ATMs as the bank's vendor reset the personal identification numbers for the fraudsters without proper credentials. BBR Services connected the bank with privacy counsel to analyze the incident. The bank was pleased with privacy counsel and engaged them separately to go after the vendor for losses.

“During Quincy Credit Union’s recent ATM skimmer incident, Beazley Group provided significant assistance in dealing with the many issues involved. When notified, Beazley promptly responded with recommendations for legal assistance and investigative services. This unfortunate occurrence caused great stress and concern on the part of QCU’s management team and Directors. Beazley’s representatives provided significant support to assist us. I sincerely thank them for their help and highly recommend Beazley’s Breach Response Insurance coverage for all credit unions.”

Stewart A. Steele, Chief Executive Officer  
Quincy Credit Union



Learn more:  
[www.beazley.com/bbr](http://www.beazley.com/bbr)