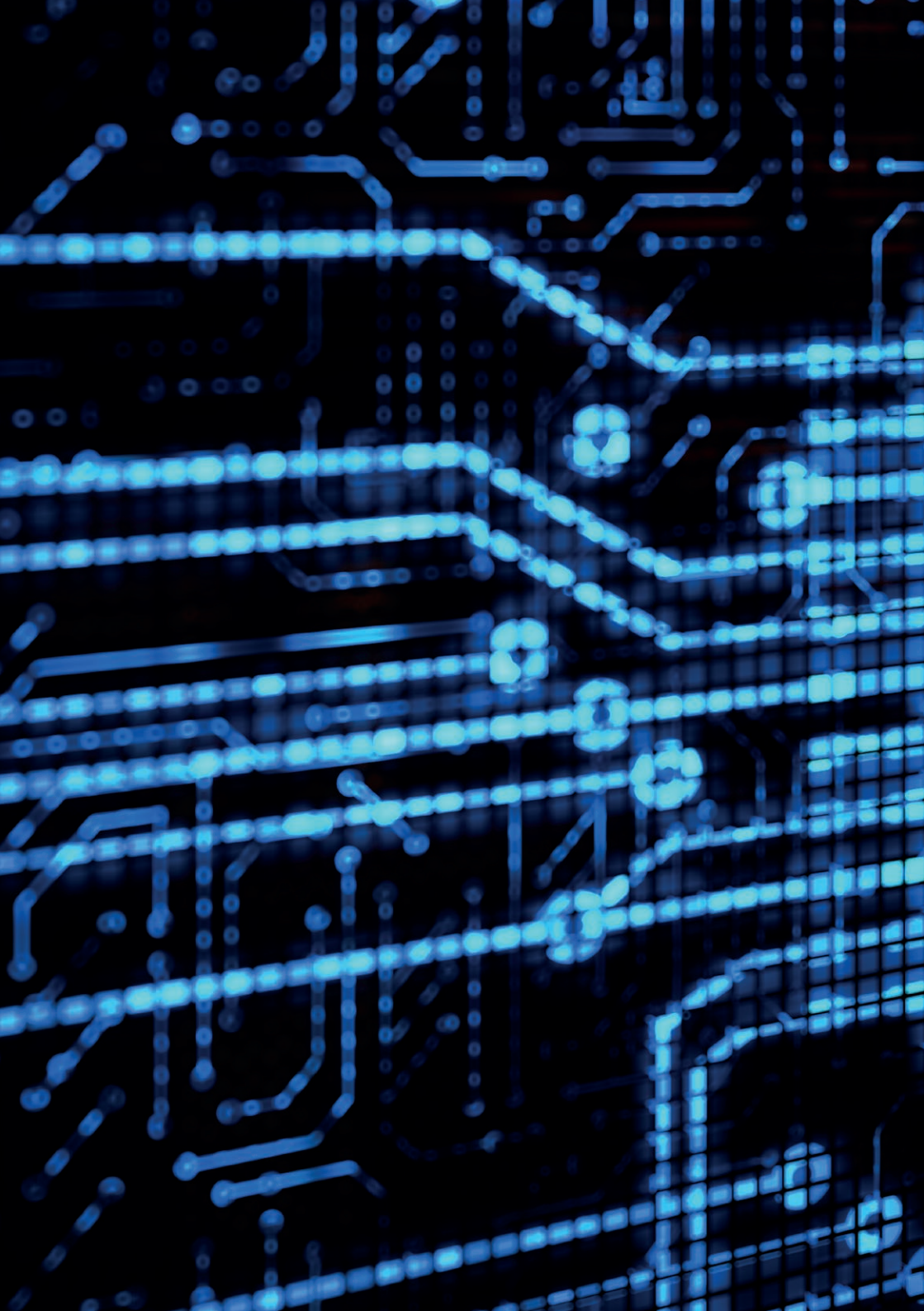
howden

Your defence toolkit

How to combat the cyber threat



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The threat of cyber crime

Businesses in the UK are becoming increasingly reliant on information technology and data. Whilst digital tools can encourage innovation, improved efficiencies and reduced costs, there is also a heightened risk of cyber crime.

Cyber crime is an attack towards a computer network or system from malicious individuals or groups. Cyber attacks have the potential to cause a range of negative impacts, usually resulting in financial loss and reputational damage.

46% **of all businesses have identified at least one cyber security breach or attack in the last 12 months.***

***Source:** Cyber security breaches survey 2017, UK Government Department for Culture, Media and Sport in association with Ipsos MORI and the University of Portsmouth

How UK businesses are targeted

Whilst we all might think that we can spot a scam, hackers use various sophisticated ways of attacking businesses. Even large corporate businesses struggle to protect themselves from cyber crime which have resulted in numerous high profile cases in recent years.

Sophistication of attack	Typical victim	Technique
Low technical ability	Wide range of individuals and businesses	**Financial Trojans** - Malicious software that is sent via email as an attachment or web link. The attacker can then hijack and modify the victim's online banking transactions.
Low technical ability	Wide range of individuals and businesses	**Commodity ransomware** – Malware that blocks the victims from gaining access to their computer or mobile and then demands a ransom payment to restore.
High technical ability	High net worth individuals and businesses, normally targeted through their supply chains and customers	**Repurposed banking Trojans** – Hackers harvest and index victim data, installing remote access tools so they can access their victim's online devices and accounts.
High technical ability	Wide range of businesses	**Business email compromise / CEO fraud** – Hackers email payment clerks impersonating as the company CEO. They normally instruct the clerk to pay a sum of money into an unknown bank account.
High technical ability	High net worth individuals and businesses, normally targeted through their supply chains and customers	**Targeted ransomware** – Bespoke ransomware designed to target specific vulnerabilities of IT systems. E.g. the recent WannaCry incident which affected the NHS in May 2017.
High technical ability	Financial systems and infrastructure	**Breaking into banks and financial systems** – Hackers often target 'weak links' such as smaller banks or those in less developed countries.

Source: Closing the gap: Insuring your business against evolving cyber threats, Lloyds of London in association with KPMG and DAC Beachcroft

Case studies

Case study 1

Scenario: An employee at a large business sent an Excel file to a friend outside of the business for formatting assistance. The file contained 36,000 lines of sensitive employee personal information data. The company notified the authorities of the breach.

Potential consequences: Following GDPR, businesses could receive a fine of up to €20 million or 4% global annual turnover (whichever is greater) plus reputational damage if not complied with adequately.

Response: After identifying the personal files had not been accessed the individuals affected were supplied with complimentary credit monitoring for two years.

Financial impact: $8 million plus investigation, notification costs and crisis management costs.

Cost of credit monitoring would be around $10 per person per month putting the cost for this service alone at $8 million over two years.

Case study 2

Scenario: A link was sent to an employee at a small company in the UK, malware was unintentionally downloaded onto the server and all data was encrypted. The attacker demanded £10,000 in Bitcoin for the decryption key.

Potential consequences: Loss of valuable data as well as a significant pay out, with no guarantee of regaining the data.

Response: The company phoned the incident response helpline provided as part of their insurance policy. IT forensic investigators were brought in to analyse the breach and assess whether the ransom could be avoided and calculate the extent of loss.

Financial impact: The costs associated with response and data recovery totalled £60,000. Although this was more than the ransom, in most cases it is not recommended to pay cyber attackers, cyber insurers will be best placed to assist in dealing with such circumstances. Paying a ransom perpetuates criminal activity, there is no guarantee that you will regain the lost data and it is likely to encourage future attacks.

Why cyber security is so important now

Any business that holds customer data or uses a computer system within its business model needs to have robust cyber security and a tested contingency plan in place should things go wrong.

Potential immediate effects of a cyber attack

- Loss of access to files or networks
- Software or systems corrupted or damaged
- Website or online services taken down or slowed
- Lost access to relied on third party services
- Permanent loss of files
- Money stolen or ransom charged
- Personal data altered, destroyed or taken
- Lost or stolen assets or intellectual property
- Machinery failure – unable to control lighting, heating and ventilation

Potential costs to your business

- New security measures needed to prevent future attacks
- Added costs of additional labour to deal with a breach or to notify clients
- Other repair or recovery costs
- Provision of goods and services interrupted
- Discouraged from carrying out intended future business activity
- Customer complaints/reputational damage
- Loss of revenue or share value
- Goodwill compensation to customers
- Fines or legal costs

Source: Cyber security breaches survey 2017, UK Government Department for Culture, Media and Sport in association with Ipsos MORI and the University of Portsmouth


The General Data Protection Regulation (GDPR)

After May 2018, businesses in the UK and Europe need to adhere to the new GDPR. Breach of these regulations could incur fines of up to 20 million euros or 4% of group worldwide turnover (whichever is greater).

Under the GDPR, businesses must have explicit consent to hold personal data and demonstrate how data is securely used, stored and processed. Another key difference is that businesses are responsible for the data they have collected, even if passed on to a third party; for example if a business gives data to a supplier for marketing purposes and the supplier has a breach, the original business is liable.

Businesses have to continually monitor for breaches of personal data and must notify the Information Commissioner's Office (ICO) within 72 hours of discovery.

Protecting your business

There are four key pillars to an effective cyber defence strategy

The first step for many businesses is to have robust cyber defences in place. These should be arranged by experienced IT professionals and be appropriate for the size and nature of the business itself.

Thorough business continuity planning is important. Your business should consider how it would recover in the event of a cyber attack, for example, what would happen if the company servers could not be accessed?

Staff training and awareness exercises will help minimise the risk of a cyber attack. Do employees know how to recognise a cyber threat? Do they know how to manage the situation if an attacker is successful?

In the event of a cyber attack, cyber liability insurance can help reduce business interruption and cover the short term and long term costs involved.

How cyber insurance can help you recover

Cyber liability insurance provides support and financial cover to manage the immediate and long term impacts of a cyber attack.

- Incident Response (24/7 response line) to help you get back up and running as soon as possible
- Legal/Regulatory Costs, IT Security & Forensic Costs, Crisis Communication Costs & Privacy Breach Management Costs
- Third Party Privacy Breach Management Costs
- Remediation Costs/Mitigation Expenses
- Cyber Crime (sub-limited) – Funds Transfer Indemnification/Social Engineering, Extortion, Telephone Hacking, Phishing
- System Damage & Business Interruption (Consequential Reputational Harm)
- Network Security & Privacy Liability
- Media Liability (Defamation/IP Infringement)
- Court Attendance Costs

How to buy the right cover for you

The digital space is rapidly evolving, presenting new cyber threats all the time. Therefore, you should choose a specialist insurance broker who can save you time finding the market for the cyber liability product you need. Insurance brokers have access to many products and are regulated by the Financial Conduct Authority (FCA) so they offer advice you can trust.

A good broker will undertake a risk assessment and review of your current policies so you can determine your requirements and review any gaps in cover. They will also provide an impact analysis which will help with your business continuity planning.

For example, do you have the funds available if your business is charged a ransom? Does your IT team have the expertise to restore the network if corrupted or would you have to hire specialists? Would you need to hire a PR agency to manage the crisis communications?

Howden's cyber expertise

Howden has strong expertise in providing cyber insurance solutions for a wide range of businesses.

- 45+ Insurers/Lloyd's Syndicates that Howden interact with offering variety and peace of mind to clients
- Volume Facilities
- Multi-layer transnational placements
- Strong insurer partnerships which allows us to negotiate the most appropriate deals for our clients
- Global expertise and network at the forefront of obtaining new coverages for clients

If you would like more information or to discuss your cyber insurance requirements please contact us.

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