CyberRisk

Trends and Best Practices

Davis Kessler – May 2020

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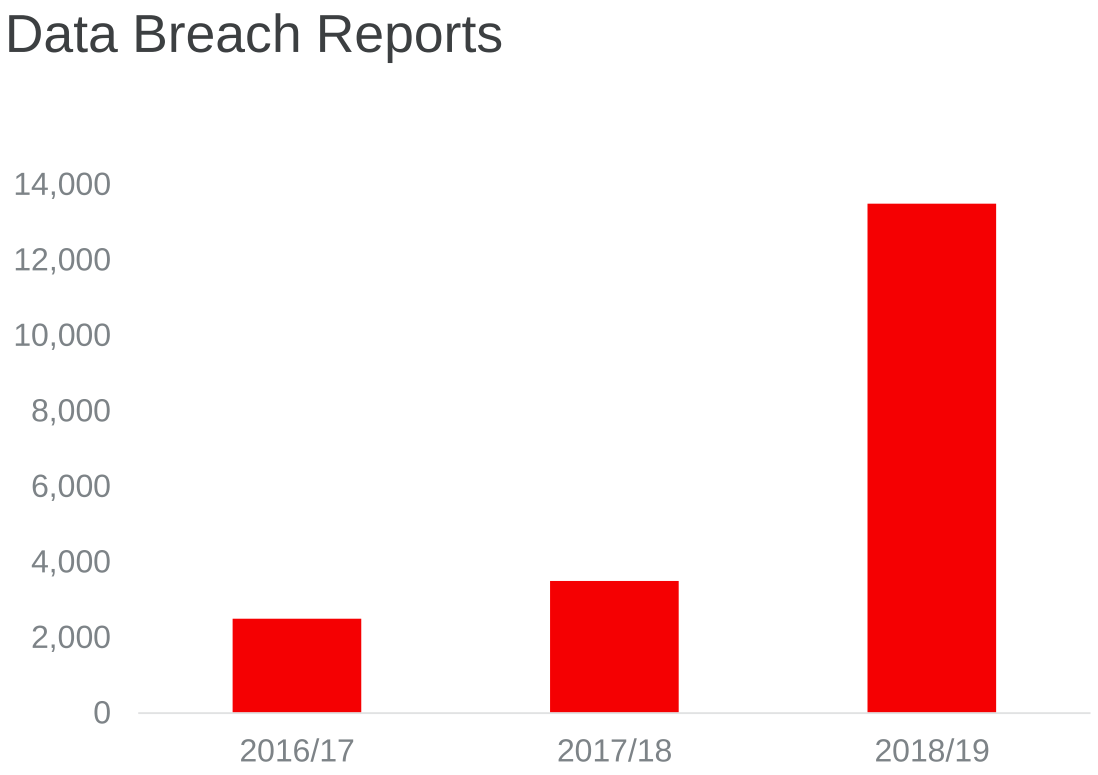
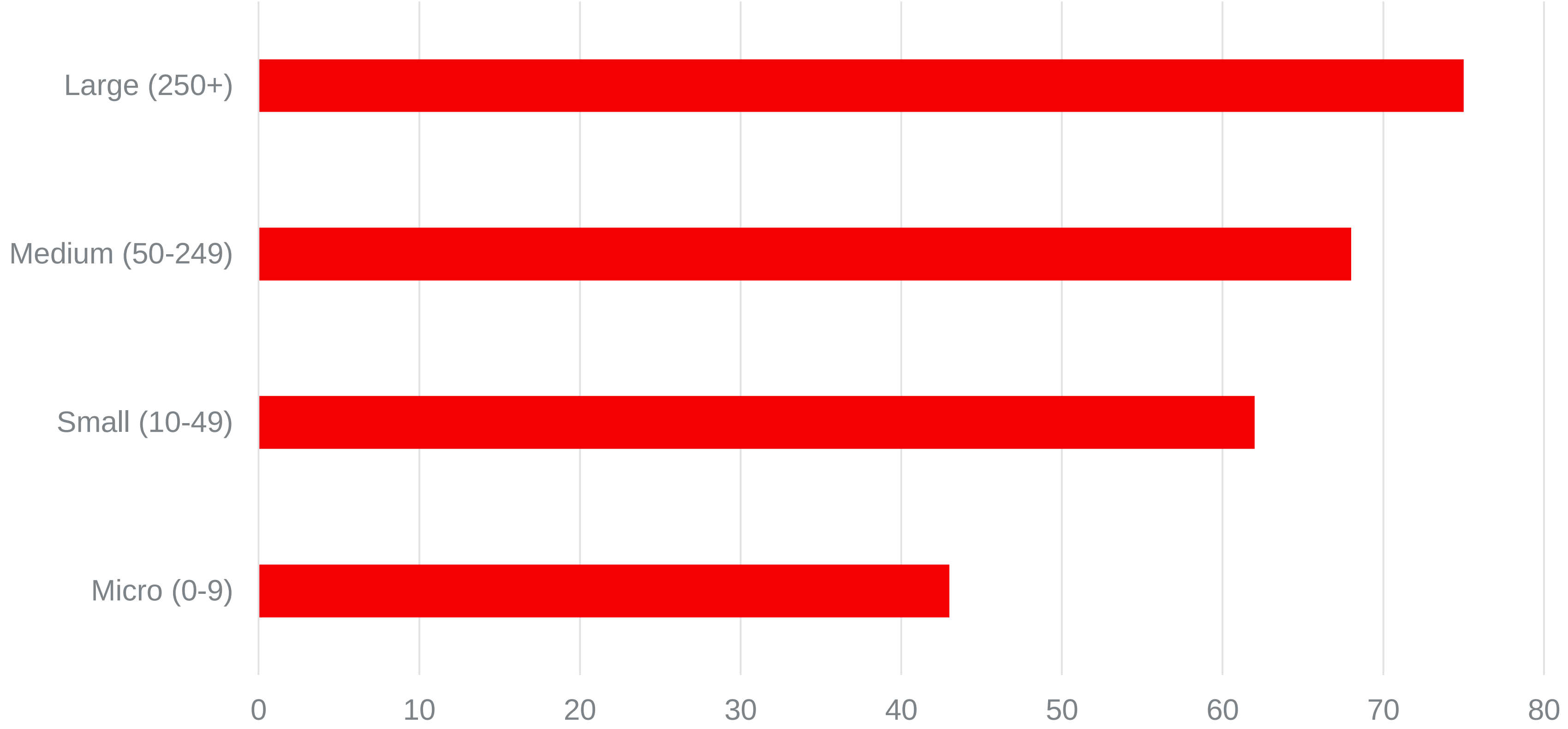
What did we see in 2019?

- Surge in ransomware
  - Highly targeted leading to massive increases in amount demanded
  - Variation of targets
- Managed Service Providers (MSPs) targeted as conduit
- Business email compromise leading to funds transfer fraud
- Data breaches are alive and well
- Surge in post-GDPR data breach reporting



Risk Management Trends

Firms identifying a cyber attack in last 12 months:



Source: Dept. for Digital, Media, Culture, “Cyber Breaches Survey 2020”

Ongoing Threats

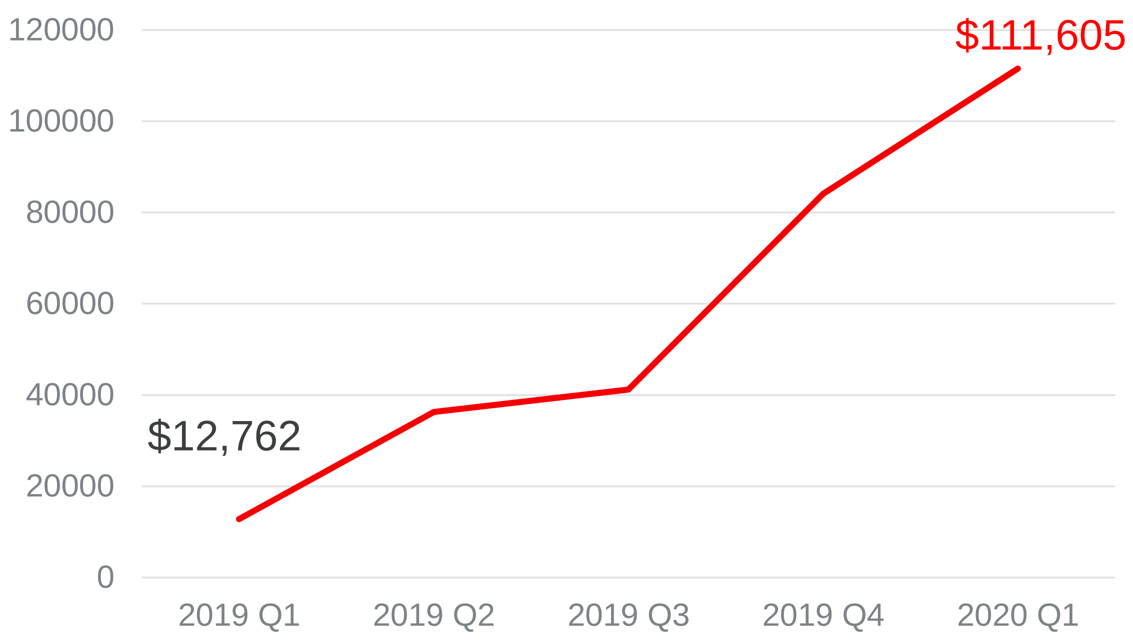
- Ransomware only getting worse
- ‘Doxing’
- Social Engineering Fraud
- Nation-state attacks
- Industrial espionage
- Supply chain concerns

CyberRisk Claim Trends

Ransomware

- A type of malicious software designed to block access to a computer system until a sum of money is paid
- New versions of ransomware are sophisticated, encrypting data and backups, propagating quickly through systems
- Ransom demands are becoming more aggressive

Average Ransom Payment – since Q1 2019



Source: Coveware Q1 2020 Ransomware report

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CyberRisk Claim Trends

Email Compromise → Social Engineering Fraud

- Web based platforms are becoming more widely used.
- Once a fraudster has access to email, this access is used to perpetrate other crimes:

  - Social Engineering Fraud

  - Invoice Manipulation

  - Computer Fraud

  - Theft of PII

Email Compromise – unfortunate consequence

- In addition to any 1st party loss, Data Privacy laws require individuals whose confidential information was accessed within emails be notified
- Notification Costs, Forensic Investigation, Legal Fees
- Organizations that are vulnerable to these attacks tend to get hit repeatedly until the vulnerability is addressed.

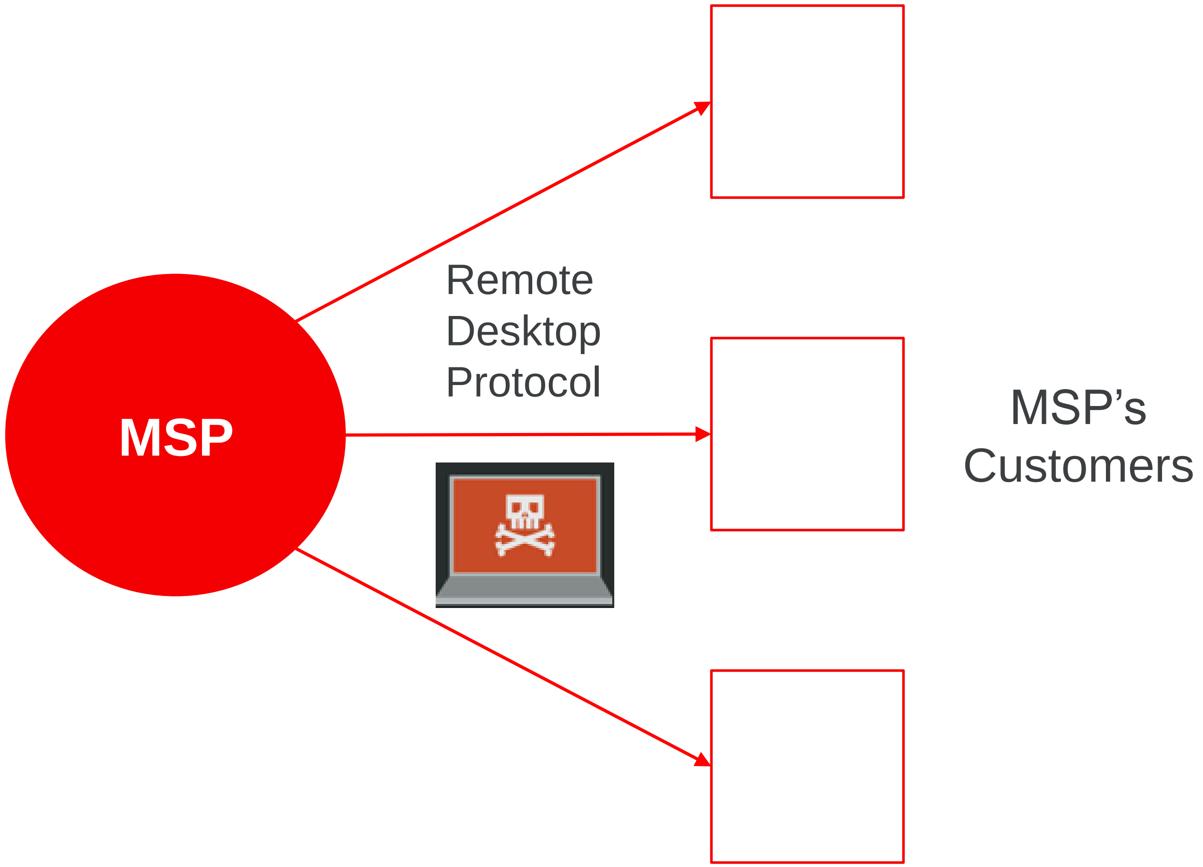
Percentage of reported UK cyber crimes involving fraudulent emails

87%

Aggregation – Managed Service Providers

Use of external cyber security providers:

- Micro firms: 34%
- Small firms: 57%
- Medium firms: 65%
- Large firms: 49%
- Overall: 39%



Source: Dept. for Digital, Media, Culture, "Cyber Breaches Survey 2020"

Aggregation – Data Breaches

59% of companies reported they have experienced a data breach caused by one of their vendors

Only **34%** of companies keep a detailed inventory of what information is shared with others.

Source: Ponemon Institute “Data Risk in the Third-Party Ecosystem”

Regulatory Updates

- The march towards more data privacy regulation goes on
  - California Consumer Privacy Act (CCPA)
  - Brazil - General Protection Law: Feb
  - India – Personal Data Protection Bill (DPB)
  - Australia looking at changes
- Uptick in GDPR fines
  - 150 fines issued in 2019, totaling €103m[1]
  - Massive increase in staff in UK and multiple countries
- Legislation forbidding ransom payment?

Legal Developments

- *Morrisons* – a ‘win’ for employers, but still shows value of cyber security measures (and cyber insurance!)

- *Lloyd v Google* – class action status; inherent value of private information

Windows 7

- 14 Jan 2020 - Windows 7 OS no longer supported by Microsoft
- Globally **19.4%** of computers still use Win7
  - UK: 10.3%
  - US: 12.9%

Source: https://gs.statcounter.com/windows-version-market-share (as of 7 May 2020)

Moving from good to better

What does Risk Good Practice look like?

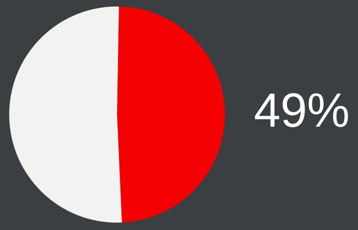
Management Awareness/Involvement

“Good” looks like:

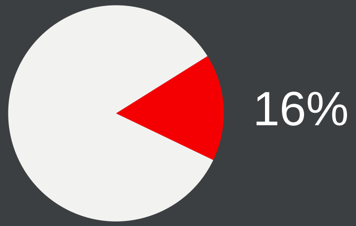
- Awareness/appreciation by the Board
- Senior Management involvement in incident response planning
- Cyber risk assessments (ideally 3rd party)

UK Cyber Survey Results:

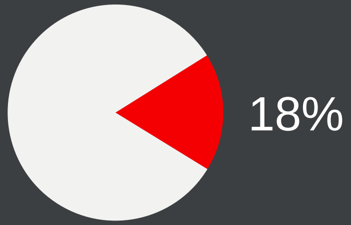
Cyber updates to board at least quarterly:



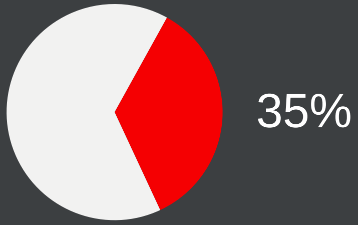
Formal incident management process:



External Audit:



Cyber risk assessments:



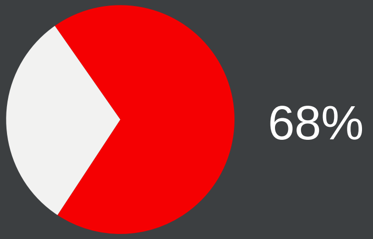
Source: Dept. for Digital, Media, Culture, “Cyber Breaches Survey 2020”

Ransomware – Loss Prevention

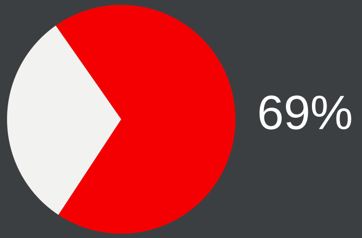
“Good” looks like:

- System Security Controls and Maintenance
  - Multi-Factor (MFA) for Admin Access
- No unnecessary open ports (RDP/SMP)
- Incident Response / Disaster Recovery Planning
- Secure, tested backups
  - Offsite vs. Cloud?
- If Ransom Payment is Necessary:
  - Engage with forensic firms with knowledge of hacker groups
  - Will this particular group be able to deliver functioning encryption keys?
  - Negotiation tactics

Incident Response Plan:



Data backups to cloud:

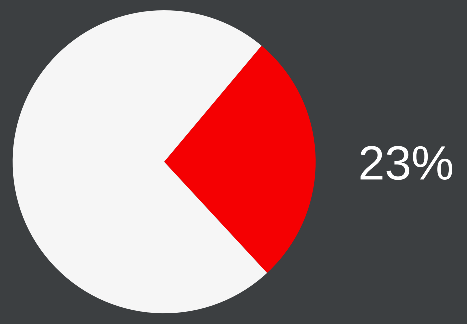


Source: Dept. for Digital, Media, Culture, “Cyber Breaches Survey 2020”

Social Engineering Fraud – Loss Prevention

- Require Multi-Factor authentication for access to email and other web based platforms
- Train staff to look for suspicious emails / conduct Phishing exercises
- Promote culture of security awareness so that employees are willing to question or flag suspicious activity.

Cyber Training:



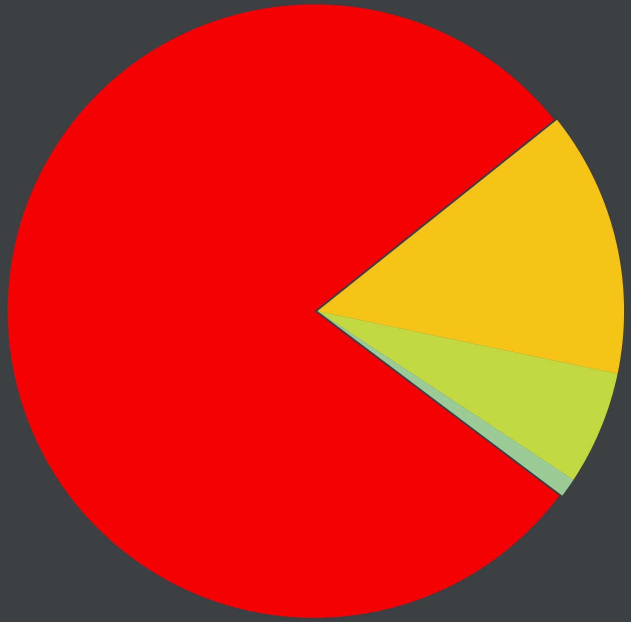
Source: Dept. for Digital, Media, Culture, “Cyber Breaches Survey 2020”

Cyber Insurance – To fully manage your cyber exposure

Reasons for not taking up cyber insurance:

- Think already covered by external service provider: 23%
- Consider themselves not at risk: 22%
- Lack of awareness of cyber insurance: 23%
- ABI Cyber Insurance Claim Payment Rate: **99%**

Purchase Specific Cyber Insurance Policy:



Small – 14%

Medium – 20%

Large – 21%

Source: Dept. for Digital, Media, Culture, “Cyber Breaches Survey 2020”
Source: Association of British Insurers, “Cyber insurance payout rates at 99%, but uptake still far too low,” Aug 2019

Thank you

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