



VICTOR D.
SCHINNERER
& COMPANY, INC.

Preventing and Identifying Phishing Scams

January 31, 2017



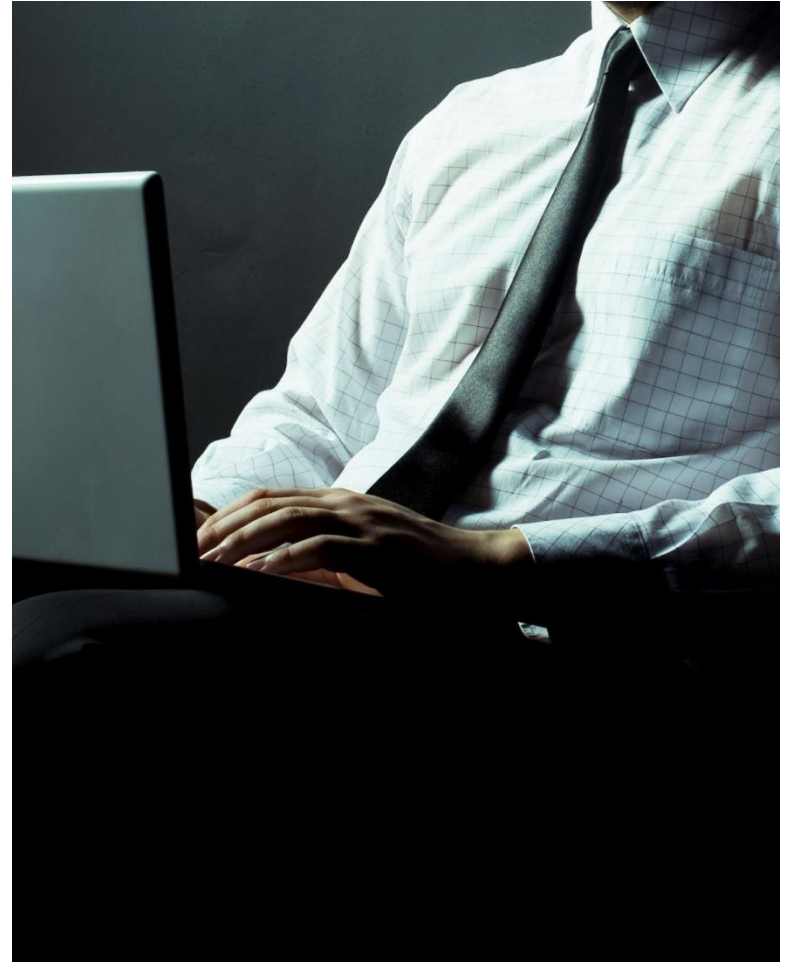
Agenda

- What is phishing?
- Does this really happen?
- Getting Caught in Phishing Scam
- Is it covered by insurance?
- Preventing phishing scams
- Available resources



What is Phishing?

- The modern mass con-game
- Confidential Info
- Human error
- Other names for this exposure:
 - Deceptive Funds Transfer Fraud (Schinnerer Cyber Protection Package)
 - Business Email Compromise
 - Confidence Scam



Does This Really Happen?

Phishing is a rapidly growing risk:

- Phishing scams up 270% since 2015*
- 30% of phishing emails are opened soon after receipt**
- Median time of user to open malicious email is 1 min 40 sec**
- Professional liability MGU reported seeing up to 3 losses a week (not covered by E&O)
- National Association of REALTORS® issued urgent alert regarding email scams
- Former Lehman Brothers executive tricked out of a \$1.938 million down payment on a \$20 million apartment (able to recover all but \$200,000)

* FBI report dated April 8, 2016

**2016 Verizon Data Breach Investigation report

Getting Caught in Phishing Scam

Key word to remember is **Targeted**

- High reliance on electronic communications
- High reliance on mobile devices
- Frequent focus where large amounts of funds are transferred (real estate agents, construction/contracting)

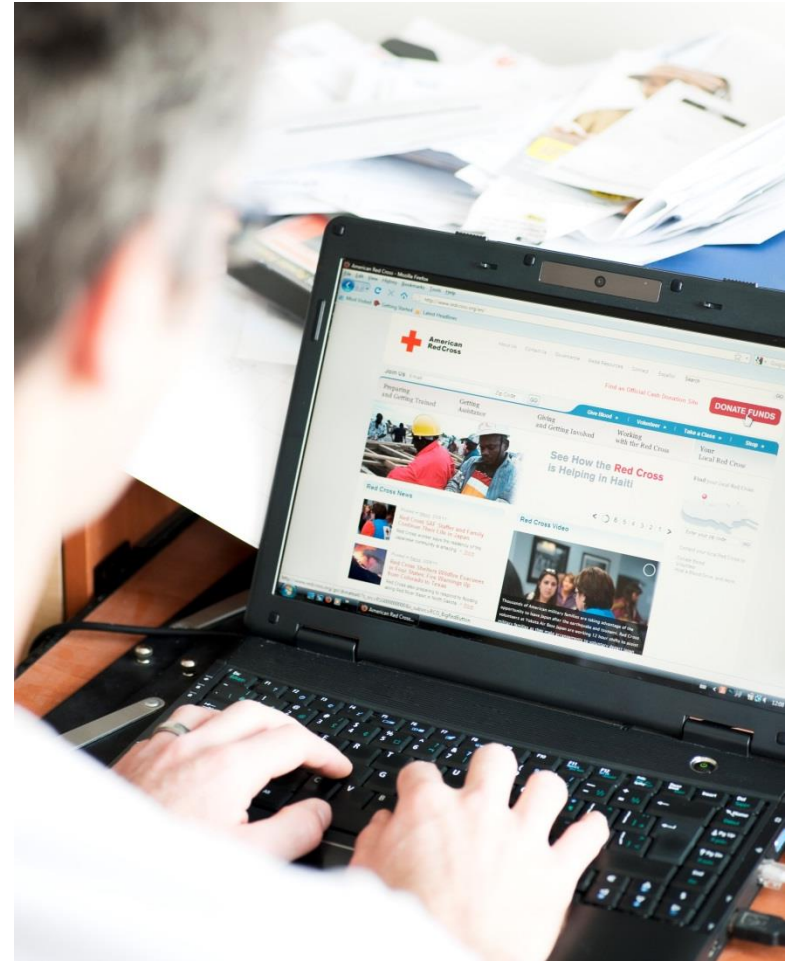
New Allegations

- “Can you hear me?”
- Lifting fingerprints off “peace-sign” selfies



Getting Caught in Phishing Scam

- Viruses are very easy to deliver through emails
 - compromised videos
 - news links
 - compromised document/spreadsheet
- Compromised WiFi
- Common password peril: ~75% of all users have common passwords across different services



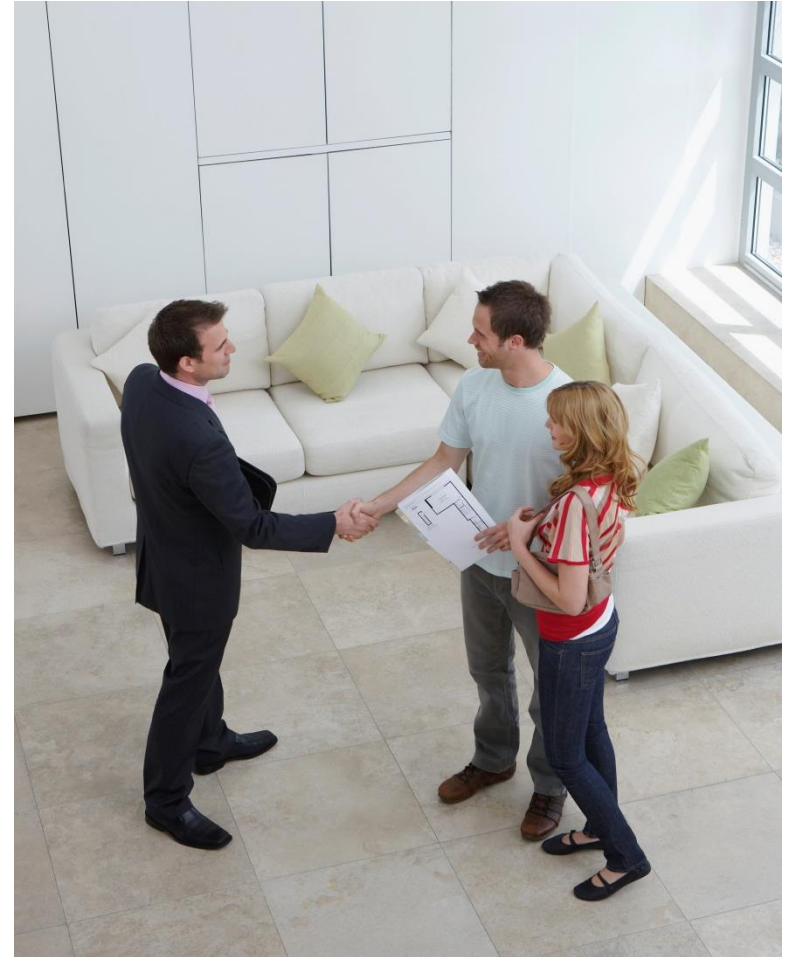
Getting Caught in Phishing Scam

- Other parties identified in transactions and used in part of the scam
 - Example: title agency in real estate closings
- Paper records
- Office Staff
 - Phone call/social engineering
- Family Members
 - Kids/spouse using shared tablet/laptop
- Example: Even John Podesta was tricked into updating password for Gmail



Step-by-by Example: Real Estate Agent

- Scammer obtains access to real estate agent's email contacts and calendar)
- Scammer identifies key opportunities
- Scammer registers similar email address or simply send message from compromised email account
 - Fake email: jason.bcher@gmail.com
 - Real email: jason.bucher@gmail.com
- Scammer sends email to client alerting them of a new title agency bank account
- Lost funds aren't discovered until the closing appointment, which is often too late!



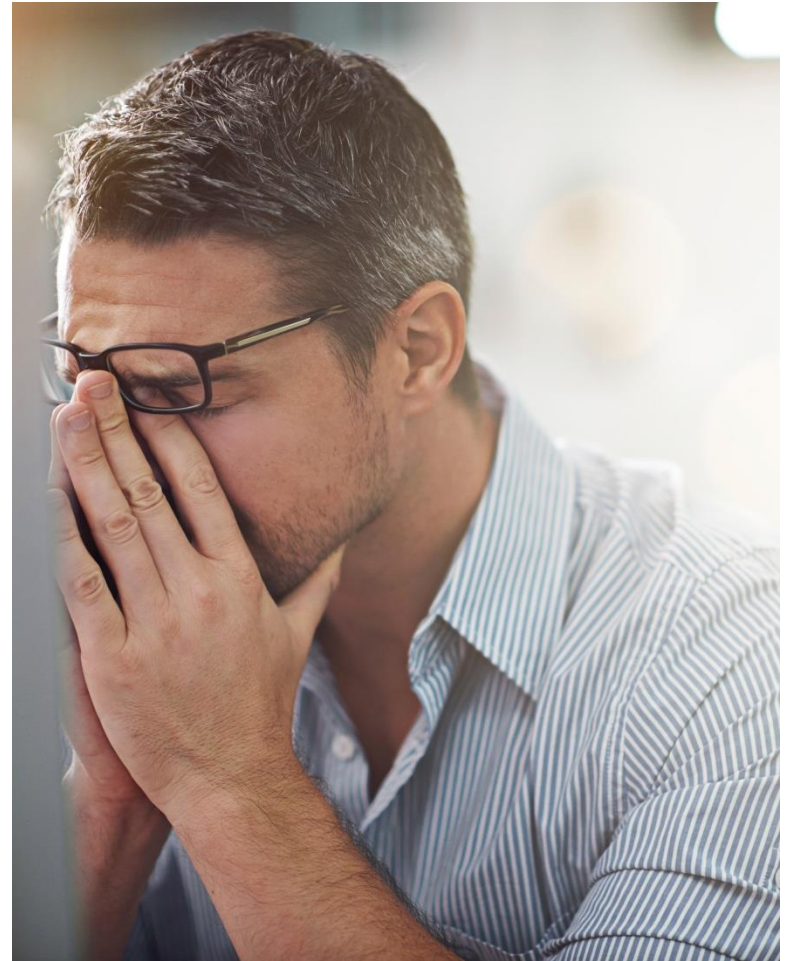
Is This Covered by Insurance?

E&O Policy: No

- Unauthorized Access to Network Exclusion
- Endorsements often have narrow definitions of “Insured Computer Network” or are mere breach response solutions

Crime Policy: No

- Won't cover loss of 3rd party funds
- Willful Parting Exclusion



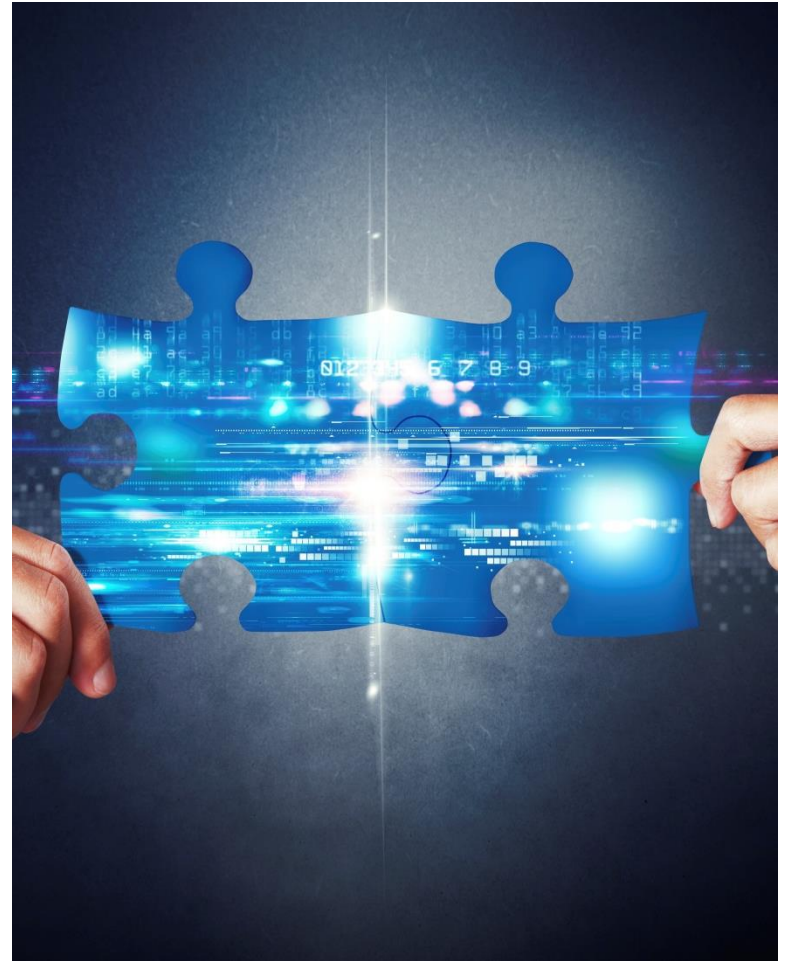
Is This Covered by Insurance?

General Liability Policy: No

- Unauthorized Access Exclusions
- Professional Service Exclusions

Cyber Policy: Yes

- Network Security Liability coverage part
 - Pay attention to definitions of Computer System, Data Breach, Personal Information
- Cyber Crime coverage
 - Cover loss of funds the insured is responsible for



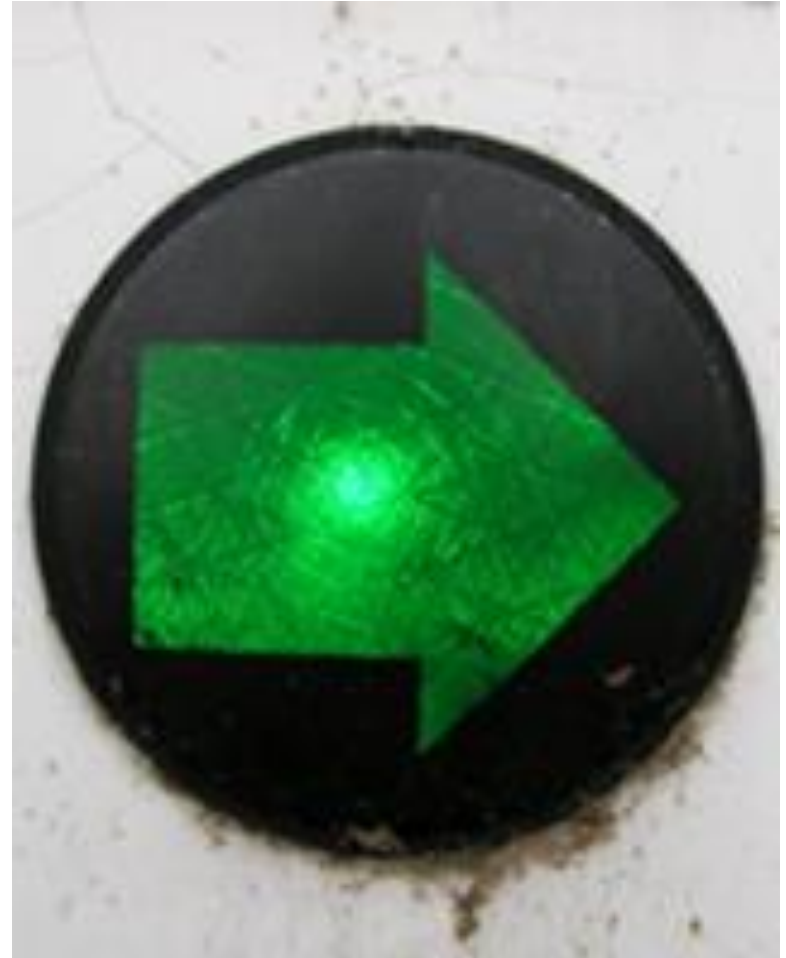
Preventing Phishing Scams

- Awareness is first step!
- Set ground rules/expectations with clients up front regarding funds transfer instructions
- Always verify **ANY** change in vendor information
- Always confirm electronic funds transfers
- Always be suspicious of requests for secrecy or pressure for expediency
- Limit social media posts
- Implement two-step verification or authentication process for all funds transfer requests
- Train **ALL** staff in Phishing awareness
- **Purchase cyber insurance**



Available Resources

- Schinnerer Cyber Protection Package provides affirmative Cyber Crime Insurance cover for this exposure
- Insurance industry is responding quickly to this new exposure (both excluding the coverage and adding the cover)
- Data Breach Coach Hotline can provide assistance and support 24/7
 - Create a point-of-contact for your team in the event of a data breach



Thank you!



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