

Financial Services Claims Scenarios



In the past year, the Financial Services industry has been responsible for almost 1/3 of all data breaches.

The Financial Services category doubled in terms of caseload percentage to represent 30% of all data breaches in 2008*, accounting for 93% of the over 285 million records compromised. This increase has been widely attributed to recent trends in cybercriminal activity. The financial sector also claims what is thought to be the largest data breach ever reported: the 2008 data breach at payment processor Heartland Payment Systems with more than 200 million transactions compromised via malicious software that was installed on its network.

LPL Financial

Hackers obtained unencrypted client names, addresses and social security numbers and compromised the logon passwords of 14 financial advisers and four assistants. LPL was fined \$275,000 by the Securities & Exchange Commission. Hackers placed, or attempted to place, 209 unauthorized trades in 68 customer accounts for more than \$700,000 in trades of securities. LPL customer compensation totaled almost \$100,000.

BANK OF NEW YORK MELLON

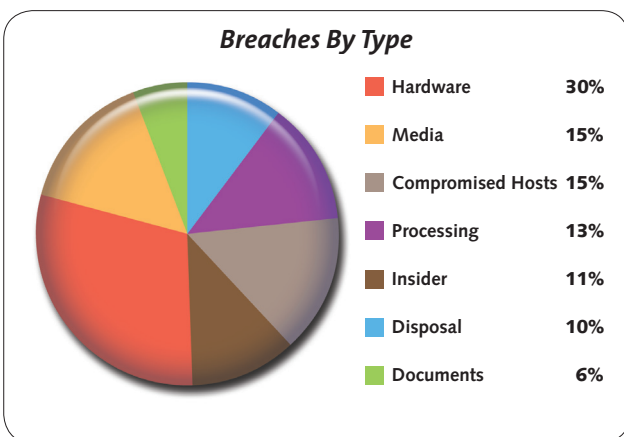
As many as 12.5 million customer records are thought to be compromised after an unencrypted backup tape disappeared during transportation to a storage facility. Names, social security numbers and possibly bank account numbers on customers and investors were included. A settlement including a payment to the state of Connecticut, credit monitoring and fraud alerts, plus reimbursement for any funds stolen as a result of the data breach was reached.

COUNTRYWIDE MORTGAGE

Another example occurred in September of 2008, when Countrywide Mortgage notified the FBI that a former employee had sold customers' personal information to a third party, including names, addresses, social security numbers and application information. The FBI arrested the employee and reported that as many as two million people may have had their data stolen.

Staying Ahead of Change

Perhaps not surprisingly, insider misconduct within financial services institutions occurs at more than double the rate of any other core industry. However, this industry also shows the smallest proportion of processing errors.



Without proper insurance coverage, financial institutions risk their reputations and being pushed to a financial breaking point. Find out how we can help. Contact any of our offices for more information.

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"Using Science to Battle Data Loss: Analyzing Breaches by Type and Industry," 2009, Interhack Corporation.

*Verizon Business 2009 Data Breach Investigations Report.