

Enhanced Fidelity Endorsement for Asset Managers

Including Customer's Capital, Funds Transfer and Social Engineering Fraud Coverages

CHUBB®



Protecting Advisers' and Client's Capital

Reputational, compliance and fiduciary risks for safeguarding client capital from hackers and fraudsters have come to the forefront of the industry in this digital era. Social engineering of employees, impersonation of clients and vendors, and traditional hacking are increasing at an alarming rate. An integrated financial fidelity insurance solution is a prudent risk management technique to help protect against such risks.

The Chubb Solution

Chubb's Enhanced Fidelity Endorsement for Asset Managers provides a unique, cost-effective insurance solution to give asset managers and their clients peace of mind in the face of today's risks:

- Loss of customers' capital due to dishonest acts of an employee, regardless of the firm's custody or control over a customer's funds.
- Financial loss resulting from unauthorized access into the firm's computer system by hackers.
- The transfer of the firm's capital or clients' capital through fraudulent instructions over the Internet, email or via the telephone.

- The impersonation of an employee or known vendor that causes the firm's funds to be fraudulently transferred to a criminal.

Social Engineering and Funds Transfer Fraud

Chubb's market-leading funds transfer fraud insurance solutions have been enhanced to provide full social engineering coverage to help protect you and your clients' capital.

- **Assured's Funds Transfer and Social Engineering Fraud.** Our customized form provides protection for the firm's capital in the case where an executive or a vendor is impersonated.

According to the Federal Bureau of Investigations (FBI), social engineering transfer fraud cost businesses in the United States about \$1.6 billion from October 2013 to December 2016, with 20% of those losses coming in the last seven months of 2016. This trend is not abating.

- **Customer's Funds Transfer and Social Engineering Fraud.** Our enhanced coverage insures against loss due to the fraudulent transfer of funds from a client's account arising from the impersonation of the client.

Computer Fraud

Along with our Computer Fraud coverage, our Enhanced Fidelity Endorsement also provides:

- **Computer Investigations** coverage to help with expenses you incur investigating covered hacking and social engineering related losses.
- **Computer Extortion** coverage to help protect you from a hacker's threat to cause you to transfer funds against your will.

Customer's Capital

Dishonest employees can cause loss not only to the firm, but also to current and potential clients. The enhanced Fidelity Endorsement also provides:

- **Customer's Capital:** Covers loss of funds held by a customer, including current and potential customers for whom the Assured does not yet maintain an account.

Loss Scenarios

Assured Impersonation

The firm's CFO received emails purporting to be from the CEO requesting he process several wire transfers. The email address in the "From" line appeared to be that of the CEO, so the CFO believed it to be authentic, but the emails were in fact coming from the address, fishyoo@fishyoo.org. The email header indicated that the emails were not coming from the CEO's actual email address, but that his account was spoofed to appear as such. Four transfers were made over a 9 day period, totaling \$495,000 in loss to the firm.

Client Impersonation

Someone posing to be the Assured's client requested that money transfer links be set up via email between the client's brokerage account and several other bank accounts. The purported client submitted the signed paperwork and fake voided checks to the firm who was the client's asset manager. Based upon these requests, the Insured completed 13 transfers from the brokerage account to various bank accounts, totaling \$800,000.

Customer's Capital

An investment adviser contacted the firm's client about an investment opportunity that he was convinced would improve her savings goals. He had her write a check in his name for \$50,000 under the guise of purchasing them on her behalf. The adviser repeated this with several customers, convincing each to turn over their money to him. After several months and complaints, it was discovered that no such securities were ever noted in the customers' accounts with the firm. In the end, over \$1,000,000 in fraudulent investment funds were solicited and stolen by the adviser.

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