

Cyber Claims Study – Social Engineering in Action

A Social Engineering Incident and Funds Transfer Fraud claim

Background to the company: The client is an independent clothing retailer based in Sydney. They buy stock from overseas suppliers and sell to high end customers.

Incident: The insured was the victim of a social engineering campaign conducted by a cunning cyber criminal. They specifically targeted the CEO, who fell for a phishing email.

The email stated that their email account needed to be verified and, as it seemed to come from an official source, the CEO didn't hesitate to click the link and re-enter their credentials, unknowingly giving away their details to a fraudster.

The criminal gained full access to the CEO's email account. They waited until the CEO was travelling before sending an email to a junior member of the team, insisting they immediately pay an urgent invoice to a 'very important supplier'. The junior staff member, wanting to please the CEO, processed the payment. They realised something was wrong when they spoke to the CEO later.



Initial Response: The Insured rang the Incident Response Hotline provided to them by their Insurer. Within hours, an IT forensic firm had been appointed to investigate the incident further.

They saw that the fraudster had accessed the CEO's email and found some forwarding rules that were not set up by the CEO. They attempted to retrieve the money from the bank, but too much time had passed, and the money was irretrievable.

Impact: The result of the CEO fraud was that the insured lost the \$68,000 that was transferred to the criminal. They also incurred \$5,320 in investigation and forensics costs which included the initial response and further work to make sure the criminal hadn't caused any more havoc such as deploying malware whilst they had access to the system.

The client has taken the advice of their Insurer and have implemented controls to verify all payment requests. They were able to recover all costs under the Funds Transfer Fraud extension of their Cyber policy.



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