

Industry insight: Protecting intangible assets

Aerospace sector



Sustainability, digitization, and automation are driving the aerospace industry. Artificial intelligence (AI) technologies, smart materials, satellite communications, 3D printing, and data-driven innovation are transforming the industry and are bringing intangible assets to the forefront. In addition, for the defense industry, AI, robotics, augmented and virtual reality, and the Internet of Things (IoT) are optimizing defense operations, augmenting military efficiency, and creating more opportunities within the highly competitive private sector, putting intangible assets at greater risk.

Intangible asset threat trends in the aerospace sector

Emerging markets such as space, supersonics/hypersonics, and advanced air mobility (AAM) are the new frontier for the Aerospace industry. Disruptive technologies like AI, climate-conscious innovations, and automation change how companies stay agile and grow through uncertainty. Growth in the sector is expected to be driven by government initiatives, technology advancement, increasing internal and external security threats, and increasing military modernization programs. All of this innovation results in more intangible assets and creates more significant risk profiles in a newly charted territory.

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According to Brand Finance, the Aerospace sector is highly intangible at 85% of total value.

Brand Finance Gift 2022

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Examples of intangible assets

- Proprietary avionics schematics
- Data analytics
- Cyber intelligence and security software
- Proprietary processes for manufacturing specialty
- Drone technology
- Energy-efficient, and rugged materials
- VR and simulation software powered by AI
- Automation technology and precision engineering techniques

What is the additional risk that your workforce poses to intangible assets?

In recent years, the Aerospace industry has faced challenges in streamlining its workforce to optimize costs while trying to attract and retain skilled talent. Currently, half (50%) of employees globally are looking for a new role or are open to offers. Hybrid work has become an integral part of the employee value proposition and a top attribute in retaining and attracting new talent. Currently, more than half (58%) of employees globally work remotely in some capacity, and this trend is expected to continue.

Organizations worldwide are becoming more amenable to flexible work arrangements, including those in the Aerospace sector. In fact, most employers in the Aerospace industry are introducing time-based flexibility through hybrid working. These hybrid working arrangements tend to be more prevalent for head office or corporate-type roles than for employees who work in production roles increasing intangible asset risk because of greater access to sensitive information by more senior workforce members.

Remote work contributes to environments with less oversight, increasing the risk of employee mistakes that can impact valuable intangible assets. Combined with elevated rates of employee turnover, which increase the risk of malicious insider events, these types of accidental and malicious insider threats (see sidebar) are on the rise, creating greater risk across the organization. This poses a potentially significant financial impact to your business.

Today, 93% of organizations are concerned about insider risks. At least 23% of insider risk events impact intangible assets. Having the ability to both quantify the financial impact of these risks on your organization’s valuable intangible assets and secure the needed insurance allows you to manage threats to those assets and minimize the related financial loss.

Did you know?

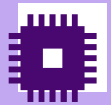
The Intellectual Property specialists at WTW have developed **Intangible Asset Protection (IAP)**, an insurance product that protects intangible assets against financial impacts not currently covered in other lines of insurance. IAP protects non-public, proprietary intangible assets from accidental or malicious insider actions resulting in misappropriated, damaged, destroyed, leaked, or lost IA.

How we can help

Our global specialists can assist you in assessing your intangible asset risk and recommend suitable risk transfer solutions to safeguard your business from financial loss. Speak to your local representative to discuss your intangible asset protection needs and learn more about how IAP insurance protects non-public, proprietary intangible assets by offering:

- Broad coverage for insider event investigation costs
- Flexible coverage to pursue legal action against malicious insiders and related third parties
- Financial loss coverage for employee mistakes, including a prompt interim claim payment

Most lines of insurance exclude coverage for intangible assets. How important are intangible assets to your business?



Given the high percentage of enterprise value represented by intangible assets in the aerospace sector, protecting those assets is critical. Such assets are especially vulnerable to insider threats, both accidental and malicious.

Event	Accidental insider event example	Malicious insider event example
IA owner description	Electric vehicle manufacturer	Aircraft avionics company
Annual revenue	\$1.65B	\$900M
No. of employees	14,000	160
IA description	Proprietary electric vehicle telemetry system information	Schematics of digital display for cockpit product, including supporting documentation
Actor	Employee	Former electrical engineer employee
Event	Confidential and proprietary company vehicle telemetry information was exposed on the Internet due to a misconfigured database	After being fired, a former employee, who obtained the employer’s trade secrets while still employed, packaged trade secret-protected schematics with supporting documentation and reverse engineering instructions and sent them to three competitors of the former employer
Financial losses covered	Investigation costs, which confirmed confidential information not viewed or taken by any third party due to short exposure duration	Investigation costs to confirm event; Prosecution costs to pursue former employee, to retrieve information, and to confirm competitors did not use the information

Contact us today to discuss which of your intangible assets is most valuable and learn more about how you can protect them against financial loss.

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