

Industry insight: Protecting intangible assets

Financial services sector



Leveraging technology to expand products, services, infrastructure, and client reach is producing innovations in the financial services sector such as modeling software, mobile banking, loan origination and servicing software, trading algorithms and infrastructure, digital and secure payments software, and blockchain for cryptocurrency. These technologies are built on a foundation of intangible assets essential for the industry to create competitive advantage and drive growth. There are unique insurance challenges and risks associated with the financial impact of intangible assets in this sector, including intellectual property rights and increasing cyber risks making protecting intangible assets essential.

Intangible asset threat trends in the financial sector

The financial services industry will continue to face headwinds in an already highly competitive market, including inflationary pressures and increased regulatory demands. New industry connections are emerging, especially with players in the technology sector, as financial services companies embrace and deploy new intangible assets, like AI and Machine Learning, to transform and innovate. This convergence of industries is advancing innovation, streamlining operations, improving customer experiences, and increasing risk.

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Intangible assets make up 42% of enterprise value in the Financial Services industry.

Everedge intangible benchmark index

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Examples of intangible assets

- Patented technology, computer software, analytical models and algorithms, unpatented AI technology, source code, databases, trade secrets, etc.
- Customer lists, customer contracts, related customer relationships, etc.
- Digital banking and/or trading platforms
- Use of blockchain technology for loan transactions

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

In recent years, the financial services industry has faced challenges in streamlining its workforce to optimize costs while trying to attract and retain skilled talent. In the financial services industry, 50% of employees are looking for a new role or are open to new offers with flexible work being the #2 driver impacting attraction behind pay and bonus.

Flexible and remote work is growing and is an integral part of the employee value proposition and a top attribute in retaining and attracting new talent. Currently, more than half (57%) of employees in the Financial Services industry are working remotely in some capacity. However, flexible and remote work creates 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 employees walking out the door with valuable intangible assets, these types of accidental and malicious insider threats (see sidebar) are on the rise, heightening risk across the organization and increasing the potential for significant financial impact on your business.

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?

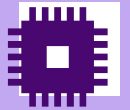
The Intellectual Property specialists at WTW have developed **Intangible Asset Protection (IAP)**, an insurance product that protects intangible assets against financial impacts not currently covered in other lines of insurance. IAP protects non-public, proprietary intangible assets from accidental or 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 financial 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	Technology services company	Multinational hedge fund and financial services company
Annual revenue	\$130M	\$950M
No. of employees	350	350
IA description	Source code/development plan	High-frequency trading computer code
Actor	Developer	Quantitative financial engineer
Event	Source code and code development plans stored in misconfigured GitHub repository; due to misconfiguration, was exposed/seen by third parties	A former quantitative financial engineer of a financial firm worked with other analysts and researchers to develop and enhance proprietary trading strategies. The former employee configured and ran two virtual computers on a Citadel computer and downloaded several unauthorized programs creating a bypass of security protocols and enabling the former employee to transfer high-frequency trading computer code and alpha output files and data to an external storage device.
Financial losses covered	Investigation costs to confirm event; Redevelopment costs to change source code and revise code development plans	Investigation costs to confirm the event; Prosecution costs to pursue legal action against the former employee to prevent them from using or disclosing the IA to any third parties

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.

Contacts:

Brad Messinger

Financial Institutions and
Professional Services Industry Leader,
North America

brad.messinger@wtwco.com



Kimberly K. Cauthorn, JD

Intellectual Property and Intangible Asset
Protection Leader

kim.cauthorn@wtwco.com

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