



PRESIDENT'S PAGE

Working Together to Combat Fraud

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I believe the life and retirement industry is under attack. While technology has opened up so many opportunities for growth and innovation, it has also made us vulnerable to criminals. According to Accenture, reported cyberattacks to the financial services sector have tripled in the past 5 years, costing companies on average \$20 million a year.

Technology and social media have made personal information more accessible to the bad guys and they are using that data to impersonate people. We have all heard stories about thieves targeting people who posted pictures from their vacation on Facebook or Instagram. Today, criminals are mining data on social media to commit identity theft or to gain access to people's accounts.

We have watched the banking industry increase its defenses against these attacks, with a cost of billions of dollars. Now criminals are targeting the life industry in earnest. Insurers hold trillions of dollars in assets through retirement accounts, permanent life policies, and annuities; and fraudsters are looking for vulnerabilities in systems to siphon those funds. As a result, insurers have had to dedicate more resources to fight fraud.

We hear about more sophisticated attempts to take over client accounts, to strip retirement plans of lifelong savings, and to perpetrate schemes to make fraudulent claims. Institutional retirement operations and life operations are particularly vulnerable. The frustrating part is, by the time a company uncovers the scheme, the criminal changes tactics or moves on to do the same thing to other member companies.

It is not just about the money.

Beyond the tangible damages, such as fines, legal fees, lawsuits, and fraud-monitoring costs, companies risk losing something even more valuable: consumer trust. Companies are going to need to employ an array of new tools and focus even more resources on fraud prevention. We know the risk is growing exponentially. According to ThreatMetrix, takeover attacks are up 210 percent over 2016. Today, 10 new account takeover attempts are launched every second. And it's paying off — attacks in

the United States garnered more than \$5 billion in 2017, a 120 percent increase in just one year.¹

We believe part of a comprehensive fraud prevention system for the industry should include a tool for companies to share detailed information about how fraud is being perpetrated in real time. When one company uncovers a scheme, the rest of the network will know about it and be able to defend against it. This would make it far more difficult for the fraudsters simply to move from carrier to carrier. I believe LIMRA can help the industry by building an anonymous reporting system, so that one company's fraud threat would instantly become a warning for every company.

For over a century, LIMRA has acted as a utility for the industry — working with our members to provide industry-wide solutions at a lower cost for each individual member. In this case, *we can do what no individual company can do on its own* — offer collective knowledge that could empower individual companies to stave off attacks.

I am not suggesting this alone will solve the problem, but it should be part of a comprehensive approach that all carriers must create to fight the current and future threats.

Earlier this summer, we hosted a *Fraud Prevention Work Group*. Representatives from nearly 30 leading financial services companies, consisting of senior operations, risk management, and fraud prevention leaders from across the financial services industry attended. At this successful meeting, companies exchanged views on the evolving nature of fraud and evaluated the level of threat this represents in terms of reputational risk and financial liability. We also explored what LIMRA and LOMA can do to assist members in their fraud prevention efforts, and set up work streams to begin to develop the fraud prevention network.

One of the most important roles LIMRA plays in the industry is *connecting people to data and solutions and to each other*. We believe this growing threat offers another opportunity for LIMRA and LOMA to help our members and the industry as a whole.

Editor's Note: To learn how fraud is affecting the institutional retirement market, see Look Again on page 112.

¹ Q4 2017 Cybercrime Report, ThreatMetrix.