

Cyber Risk, Response, and Recovery for Auto Dealerships

OCTOBER 17, 2024



Agenda



Introductions



Why Dealerships Must Prioritize Cybersecurity



The Cost of a Crisis



Overview of Cyber Insurance



Key Takeaways and Q&A

Learning Objectives

- ▶ Recognize the types of cyber threats specific to automotive dealerships
- ▶ Examine proactive actions auto dealerships can take to help mitigate against cyber threats
- ▶ Express the characteristics of what makes cyber insurance claims unique
- ▶ Identify the steps to take as soon as a cyber loss occurs and recognize best practices for handling cyber insurance claims.



With You Today



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Why Dealerships Must Prioritize Cybersecurity



BDO Digital - State of Cyber Report 2024

Top Challenges

- ▶ Generative AI is Enhancing Cyberattacks
- ▶ The Ransomware Threat is Growing
- ▶ Maintaining Compliance in an Evolving Regulatory Landscape
- ▶ Cloud Migration Risks

Recommendations

- ▶ Create a culture of vigilance
- ▶ Plan for the worst
- ▶ Reinforce the importance of education
- ▶ Create a timely risk assessment process
- ▶ Implement a robust system for regular compliance audits
- ▶ Implement a zero-trust policy
- ▶ Leverage a comprehensive monitoring solution
- ▶ Create a cloud Incident plan

State of Cyber Report 2024

[CLICK TO DOWNLOAD](#)

2024 State of Cyber Report

The Top 4 Challenges
Cybersecurity Leaders Face Today

BDO DIGITAL

BDO

Protecting Against Risk

CONTINUOUS PREPARATION IS A DEALERSHIP'S BEST DEFENSE

FTC SAFEGUARDS CHECKLIST



Accountability

- ▶ Designate a qualified individual
- ▶ Build change management into your infosec program
- ▶ Regularly monitor and evaluate the security of your vendors
- ▶ Have your qualified individual report to your Board of Directors/Senior Officer



Risk Management

- ▶ Complete a written risk assessment, including criteria for the assessment and a plan of action
- ▶ Set a schedule to regularly assess risk in the future, including yearly penetration testing and biannual vulnerability testing
- ▶ Draft a written incident response plan



Personnel

- ▶ Log users' activity and stay vigilant for unauthorized activity
- ▶ Train your staff on security practices
- ▶ Clearly designate access controls and frequently reevaluate



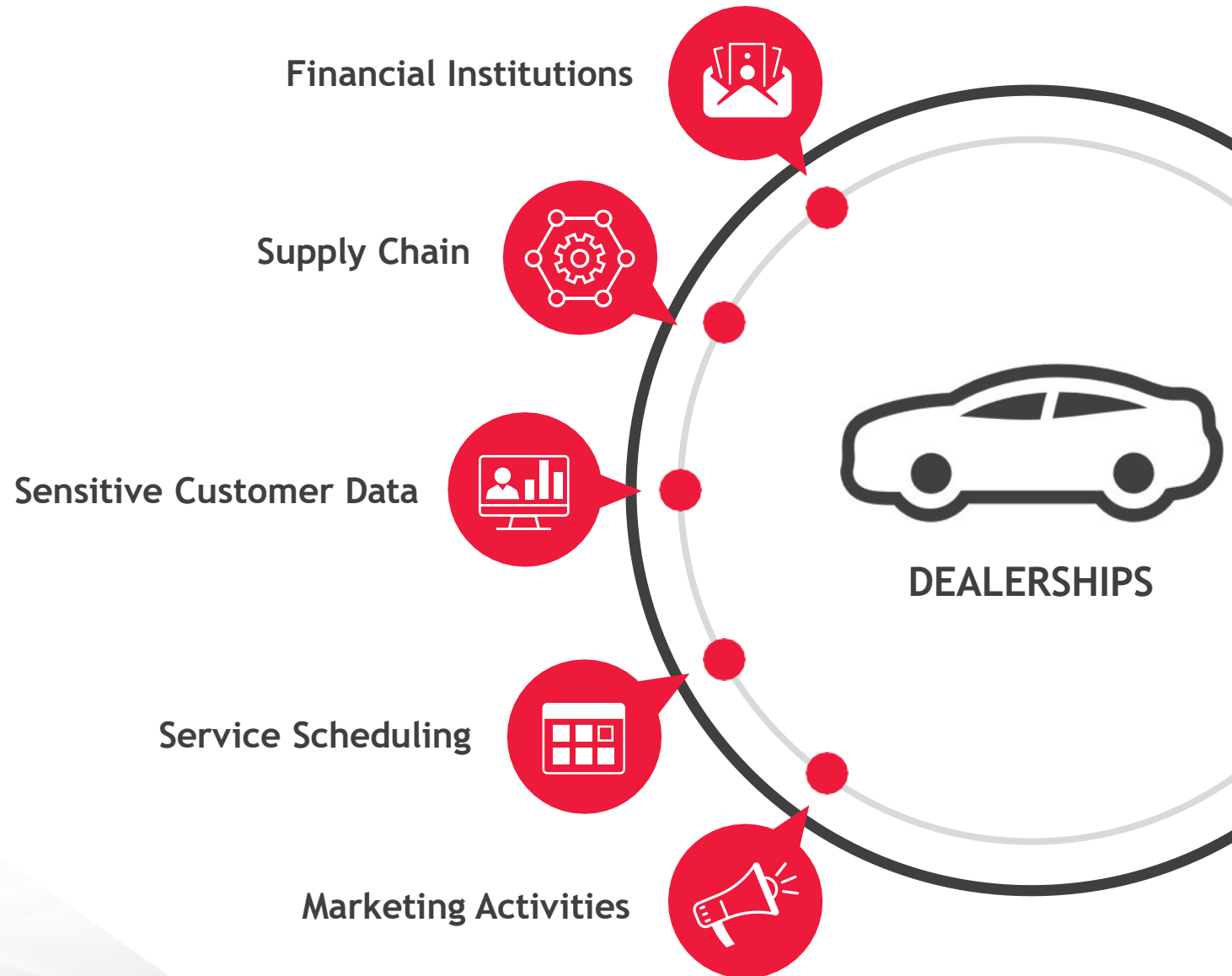
Data Protections

- ▶ Take written inventory of all your data and keep it up-to-date
- ▶ Secure the apps your company uses or develops
- ▶ Roll out multi-factor authentication for those accessing any customer data
- ▶ Dispose of customer information every two years
- ▶ Find an encryption service to protect data at rest and in motion

Cyber Threats to Dealerships

How can your dealership protect against cyber threats?

- ▶ Continuous Preparation
- ▶ Drafting & Practicing an Incident Response Plan
- ▶ Disaster Recovery Communication Process
- ▶ Continuing Education
- ▶ Cyber Incident Exercises
- ▶ Creating a Culture of Awareness and Reporting
- ▶ Robust and Timely Threat Data
- ▶ Adequate Insurance Coverage



PROTECTING AGAINST RISK

What specific security threats are targeting the automotive industry?



Vehicle hacking



Inadequate Device Security



Ransomware



Insider Threats



Disgruntled Employees



Unintentional Errors

PROTECTING AGAINST RISK

Continuous Preparation is a Dealership's Best Defense

- ▶ Biggest thing that is going to affect a dealership is a hit on their brand if security is breached
- ▶ Simple defenses are not enough
- ▶ Need to continuously evolve
- ▶ Review cybersecurity measures that are in place and improve as needed

85% of dealership I.T employees reported that their dealership had **suffered a cyberattack in the last two years**



PROTECTING AGAINST RISK

Drafting and Practicing an Incident Response Plan

While an incident response plan is similar to a disaster recovery plan, there are key differences which is why each one requires a separate document.

- ▶ An incident response plan is for a specific type of incident (data breach, ransomware attack, phishing, etc.).
- ▶ Disaster recovery plans are drafted specifically for disruptions (equipment outage, natural disasters, cyberattacks). They outline how an organization would resume normal operations in these instances.

80% of consumers would **not purchase another car** from a dealership whose data had been compromised (Total Dealer Compliance)

PROTECTING AGAINST RISK

Disaster Recovery Communication Process

A disaster recovery plan must also be developed, implemented, and practiced just like an incident response plan.

- ▶ Clearly outline how your dealership responds and resumes work following a disaster
- ▶ Document who dealership employees should communicate with and how they should communicate with each other
- ▶ Make sure everyone within your dealership is educated about how the plan works

It takes
287 days
for security teams **to identify and
contain a breach** (IBM and Ponemon)

PROTECTING AGAINST RISK

Robust and Timely Threat Data

- ▶ Conduct comprehensive risk assessments
 - Regularly assess the cybersecurity risks associated with each supplier and component (third-party vendors)
 - Implement Strong Vendor Management Policies:
 - Establish clear cybersecurity requirements for all suppliers and ensure they adhere to these standards.
- ▶ Have an IR plan, employee awareness training, adopt zero trust model, using AI, regular patch management and hygiene
- ▶ Offer continuing education to all professionals
- ▶ Conduct cyber incident exercises for all employees
- ▶ Create a culture of awareness and reporting

99% of attack vectors in 2020 were **known to cybersecurity professionals** (Entrepreneurship in a box)

PROTECTING AGAINST RISK

Adequate Insurance Coverage



“What will we do **IF** a cyber incident occurs?”



“What will we do **WHEN** a cyber incident occurs?”

Insurance can offset any financial losses that may happen because of a cyber-attack

\$4.24 MILLION

average cost of a cyber breach in 2021 (Statista)



Active And Cyber Insights Health Check

Powered by BDO Digital's deep analytics, this assessment is designed to help support organizations on their journey to a brighter, more secure future.

Accelerate Business Transformation by understanding preparedness for AI and emerging technologies

Consolidate 3rd party software vendors to optimize cost and support.

Identify opportunities to reduce licensing waste

WHAT TO EXPECT

In the last 12 months we have realized more than **\$3.8M** in immediate cloud savings opportunities.

Optimizing Licensing Spend and Enhancing Risk Posture

Powered by BDO Digital, the Cloud Cost Control, Security and Governance Assessment uses an AI-powered deep analytics to surface insights into your organization's risk, solutions and licenses.

With these insights, the assessment can help identify:

- ▶ Strategic cost optimization
- ▶ Risk maturity
- ▶ AI Readiness
- ▶ 3rd party software vendor consolidation
- ▶ Licensing waste
- ▶ Stimulated Threat Attack

APPROACHES AND OUTCOMES

The assessment can help with insight into immediate value, savings, and consolidation, providing the following deliverables:



Savings & Consolidation Potential
Full analysis of Microsoft workloads illustrating optimization and savings opportunities, including 3rd party vendor consolidation



Risk Insights
Evaluates top 5 categories from NIST, low impact and questionnaire driven



Full Report and Roadmap
Provide full report of assessment; including professional analysis and roadmap outlining recommendations for improvements that can help improve cybersecurity defenses

Three-Step Onboarding and Assessment Process

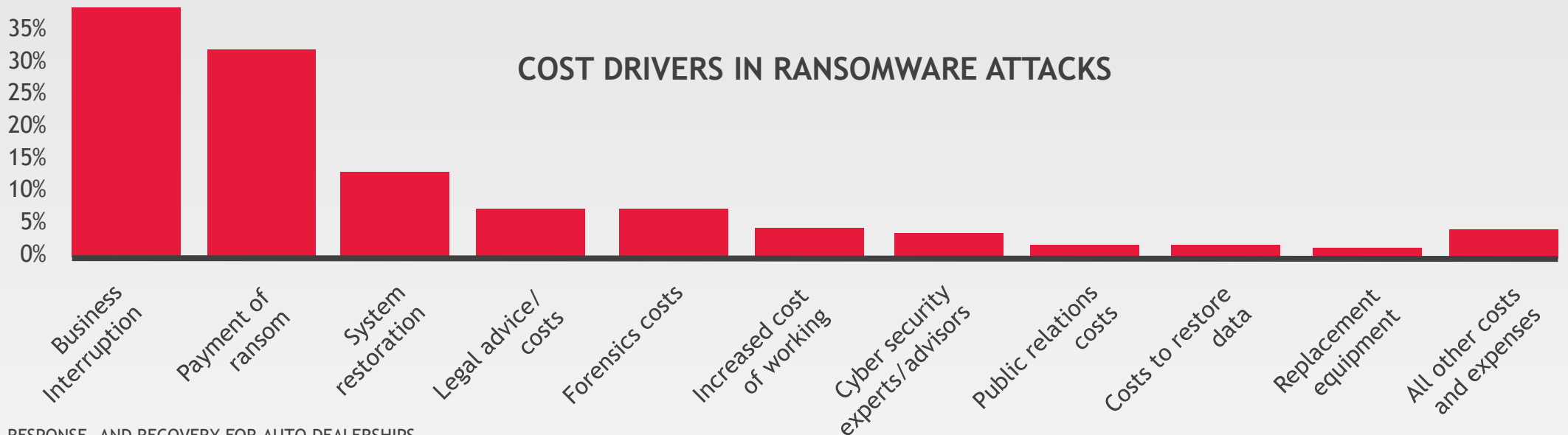
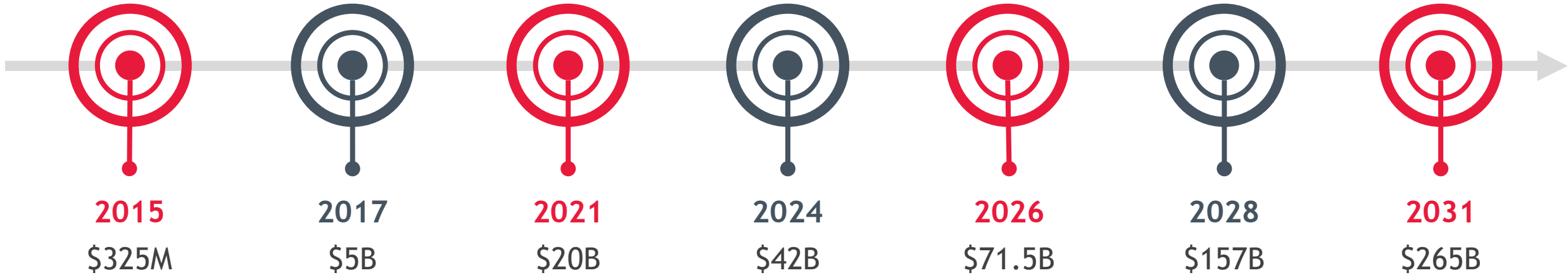
STEP 1 Set-up	Rapid setup for read-only data collection. No agent required.	10-15 min
STEP 2 Report 2+2	After 2 weeks, bring back 2 reports: M365 and Azure.	1-2 hours
STEP 3 Review	Review potential/recommended savings and optimization.	Variable

The Cost of a Crisis

The Past, Present, and Future of Ransomware

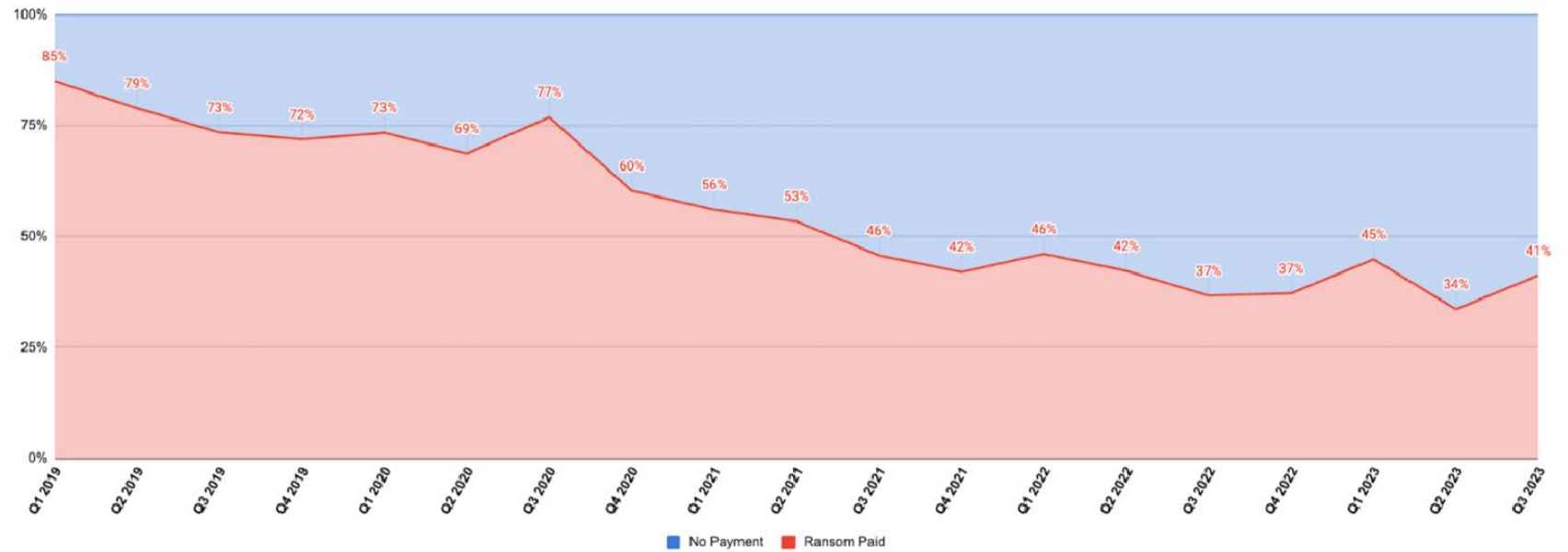


Cost of Ransomware Crisis



Ransomware Payments Percent Paid

All Ransomware Payment Resolution Rates



2019 **85%** 2023 **47%**



Overview of Cyber Insurance



Cyber Insurance policies

KEY PROVISIONS

- ▶ Retention (Deductible) - dollar amount and waiting period
- ▶ Aggregate Limit of Liability
- ▶ Limits per subcategory of coverage (examples):
 - Privacy and Security Liability
 - Regulatory Claims
 - PCI DSS Assessments
 - Cyber Extortion
 - Business Income Loss
 - Reputational Harm
 - Claim Preparation Costs
- ▶ Dependent Business Income Loss including IT and non-IT providers



Every policy is different;
review with your insurance
broker/legal advisors

What to do after a loss?



Put your insurance broker and insurance carrier on notice



Establish a process for maintaining documentation contemporaneously



Hire consultants as needed



Mitigate your losses



Understand your insurance coverage



Set expectations internally

Claims Handling Best Practices



What makes these claims different?



Number of locations all impacted at once - **often the entire organization**



Contemporaneous documentation is critical



Timeline and narrative development is important - when did systems come back online and how long did it take to work through backlog



Use of market data in analyses is particularly useful



Use of employees and IT labor



Waiting period analysis



Reliability of financials



Evolving threat landscape and challenges

Claims Handling Best Practices

- ▶ Maintaining contemporaneous documentation is critical
- ▶ Establish a general ledger code to record extraordinary expenses
- ▶ Insurance companies have “panels” of vendors for services like legal, computer forensics, ransom negotiations, etc. Make sure you know who you can hire and beware!
- ▶ Understanding insurance company(s) requirement for a reserve
- ▶ Developing a timeline and narrative of your losses
- ▶ You prepare your claim, not the insurance company
- ▶ Remediation and concept of upgrade



Key Takeaways and Q&A



Appendix



BDO's Automotive Dealership Industry Practice

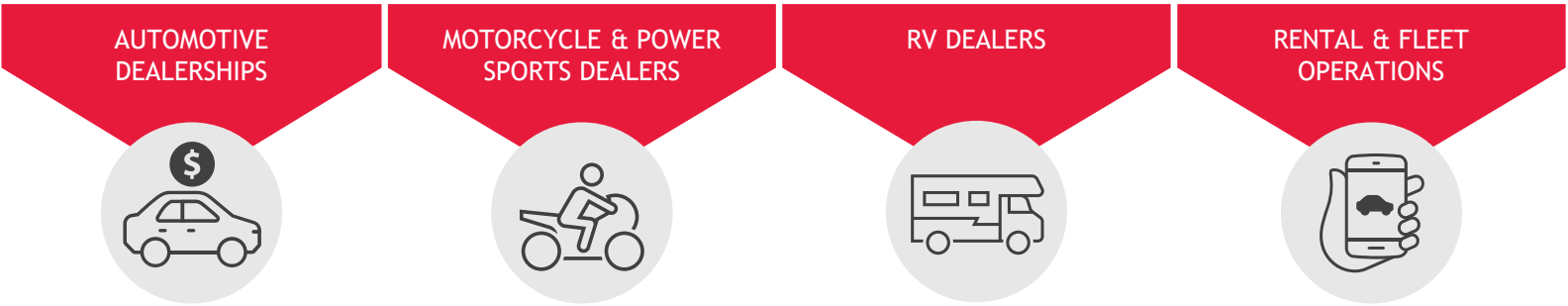
The auto dealership industry is rapidly changing—BDO can help you navigate what's next.

Engaging BDO means your benefits will be two-fold: not only will you have access to a wide range of industry-leading accounting and consulting services, but those services and solutions will be tailored to your unique needs. We have a strong understanding of the multiple control and fraud risks that impact auto dealerships. Our Auto Dealership practice can help you strengthen your control environment and implement the right processes so you can mitigate those risks.

BDO is a respected name in the dealership space. Our professionals actively participate in many well-known trade associations while simultaneously completing the latest education on the industry's accounting, tax, and business challenges. We understand and are equipped to address what automotive dealerships are concerned about—today and in the future.

WHO WE SERVE

We work with dealerships of all sizes and sectors.



BDO's Automotive Dealership Client Experience

BDO has been a valued advisor to automotive dealerships for nearly 70 years. Our professionals bring the broad-based experience, in-depth knowledge, and business savvy that can be critical to your success.

Below is a select list of our automotive dealership experience*:



Ken Ganley
AUTO GROUP



ANCIRA



Hudson
Automotive Group

BRAMAN

*includes audit, tax, and advisory clients.

BDO'S AUTOMOTIVE DEALERSHIP PRACTICE



Serves **45+ automotive franchise brands** nationwide



Has **150+ industry-focused** audit, tax, and advisory professionals



Serves dealers in **30+ states**



Serves **600+ rooftops**

Value-Added Services

In an increasingly complex business environment, automotive dealerships require assistance across a wide range of areas.

As client needs evolve, or as unexpected opportunities arise, BDO provides access to the experience, insight, and resources of one of the world's leading accounting and advisory organizations. Our culture is collaborative, our leaders are approachable, and our specialists are accessible.

Everyone at BDO understands that at its core, our job is about helping—in thousands of different ways, for thousands of different clients—and that we measure success one relationship at a time.

We provide solutions across the automotive dealership value chain. Here are the industry-specific services we offer:

- ▶ Auditing and accounting
- ▶ Benchmarking and budgeting
- ▶ Business valuations
- ▶ Buy/sell agreements
- ▶ Centralized accounting
- ▶ Cost segregation studies
- ▶ Dealership executive recruiting
- ▶ Dealership-specific tax elections
- ▶ Estate tax planning
- ▶ Facility improvement implications
- ▶ Financial statement audits
- ▶ Financial statement reviews
- ▶ Financial statement compilations
- ▶ Fraud and forensics
- ▶ Internal audit outsourcing
- ▶ Internal controls
- ▶ LIFO calculations
- ▶ Litigation arbitration and dispute advisory
- ▶ Paycheck Protection Program and employee retention credit assistance
- ▶ Pre- and post-closing financial statements
- ▶ Pre-sale/purchase due diligence
- ▶ Private equity/family office consulting
- ▶ Purchase price adjustment assistance
- ▶ Quality of earnings
- ▶ State and local tax
- ▶ Succession planning
- ▶ Transaction advisory

BDO Digital—One Team, Endless Possibilities

BDO Digital offers the most complete collection of high-quality capabilities in strategic technology and business advisory specifically targeted to the middle-market. We have the business insight and scope of services necessary to propel your business to the next level.

BUSINESS TECHNOLOGY SOLUTIONS

- ▶ Application Development
- ▶ Cloud Services
- ▶ Customer Relationship Management (CRM)
- ▶ Enterprise Resource Planning (ERP)
- ▶ IT Infrastructure
- ▶ Digital Workplace Solutions
- ▶ Systems Integration

CHANGE MANAGEMENT

- ▶ Enablement & Adoption
- ▶ Project Management

DATA, ANALYTICS, & AI

- ▶ Analytics Adoption
- ▶ Analytics Insights
- ▶ Artificial Intelligence Solutions
- ▶ Automation
- ▶ Data Management Services

DEMAND GENERATION

- ▶ Marketing Data Services
- ▶ Reporting & Analytics for Marketers
- ▶ Marketing Managed Services
- ▶ MarTech Deployment & Integration
- ▶ Marketing Consulting & Best Practices
- ▶ Lead Management & ABM
- ▶ Search Engine Optimization

DIGITAL STRATEGY CONSULTING

- ▶ Digital Transformation Solutions
- ▶ IT Optimization
- ▶ Software Selection
- ▶ App Modernization

SECURITY COMPLIANCE CONSULTING

- ▶ Cybersecurity Compliance Services
- ▶ IT Outsourcing Services
- ▶ Regulatory Compliance

550+

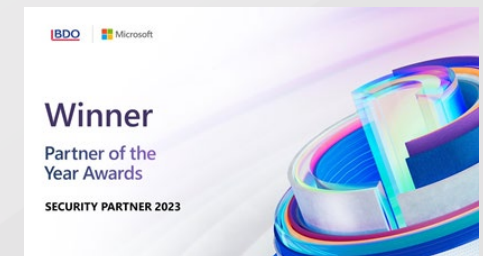
Dedicated Employees

\$146M

In Revenue

950+


Clients Served



End-to-end Cyber Capabilities

BDO has a multinational Cybersecurity practice, offers cyber services ranging from governance programs and risk assessments, through to managed services and response. We understand the importance of being able to provide a comprehensive set of services to our clients, to have knowledgeable professionals available in each of the domains to better serve our clients. The following outlines the breadth of capabilities we have to offer our clients:

Cyber Risk Management & Transformation	Cyber Threat Management & Response	Cloud Security Engineering & Architecture	eDiscovery and Forensics	Application & Offensive Security	Data Protection & Privacy
<p>Cyber Strategy:</p> <ul style="list-style-type: none"> ▶ Maturity Assessments ▶ Roadmap Development ▶ Awareness and Training ▶ Governance Risk and Compliance <p>Cyber Transformation:</p> <ul style="list-style-type: none"> ▶ ISO 27001 readiness ▶ Cyber Program Delivery 	<p>Security Operations:</p> <ul style="list-style-type: none"> ▶ Managed Detect & Response ▶ Vulnerability Management ▶ Threat Intelligence ▶ Threat Hunting ▶ Security Investigations ▶ SOC Advisory - Planning & Readiness ▶ Compromise Assessments 	<ul style="list-style-type: none"> ▶ Engineering ▶ Compliance ▶ Analytics and Response ▶ Cloud Native Security Tools Configuration ▶ Architecture and Design 	<ul style="list-style-type: none"> ▶ Digital Forensic Investigations ▶ Data Recovery & Acquisitions ▶ Forensic Data Analytics ▶ Litigation Support File Reviews ▶ Mobile Forensics ▶ E-Discovery Review and Hosting ▶ Technology Assisted Reviews ▶ Malware Analysis 	<p>Application Security:</p> <ul style="list-style-type: none"> ▶ DevSecOps ▶ Secure SDLC ▶ Code Review ▶ Software Composition Analysis ▶ Static/Dynamic Security Testing ▶ Threat Modeling ▶ Secure code training <p>Offensive Security:</p> <ul style="list-style-type: none"> ▶ Penetration Testing ▶ Open-Source Intelligence ▶ Attack Surface Mapping ▶ Social Engineering Simulations ▶ Exploit Research 	<ul style="list-style-type: none"> ▶ Data & Asset Risk Assessment ▶ Secure Data Governance ▶ Data Protection ▶ Data Security Maintenance, Detection, & Response ▶ Privacy Assessment & Response ▶ Insider Threat

A modern office interior featuring a staircase with a glass railing on the left and a reception desk with a large window on the right. The reception desk has the BDO logo on it. The office is well-lit with natural light from the window.

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