



Crimes in cyber space

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Law enforcement and security officials know it, and so do insurance professionals. In fact, they expect cyber liability to be one of the fastest-growing segments of the national property and casualty market.

"It's not something that is going to be picked up under general liability (insurance)," says Tonya Hollederer, vice president of Russell Bond & Co. Inc., Buffalo. "Ask your agent about it. Be aware that cyber liability is there and that the costs are very high if a company were to have a breach. They may not even be aware of what all their exposures are."

So what is cyber insurance? It's a specialized policy that has emerged in recent years in response to cyber crime, also known as computer crime, e-crime and information technology crime.

Who's at risk? You name it - individuals, companies and organizations of all sizes and in every industry.

What does it cover? It's designed to cover potential losses resulting from network security breaches and other IT-related problems. It is considered by industry professionals to be an important risk-management tool.

Computer-related criminal activity is a growing problem in the modern marketplace, according to the National Association of Insurance Women. In fact, the Oklahoma-based group has listed cyber crime prevention as an industry focus in 2008.

While officials laud modern technology and the convenience of the Internet, they lament its abuse by thieves and scammers.

"Like everything, computers and the Internet have their drawbacks ranging from fears resulting from a lack of human contact to the inability to protect our children from the outside world," the association says on its Web site (www.naiw.org). "Cyber Crime is becoming increasingly prevalent. Cyber thieves attempt to assume identities, commit credit card fraud, alter Web sites and maliciously destroy online users by setting loose viruses aimed at destroying hardware and software.

"The insurance industry has had no choice but to address Cyber Crime and protect corporations from becoming innocent victims of acts directed towards them as well as those within their communities. Homeowners must be protected as well. The insurance industry must step up to address the issue, and those of us in the business must be educated on how to protect our clients."

Gross premium revenues for U.S. cyber insurance policies spiked from \$100 million in 2002 to nearly \$350 million by mid-2006, according to Betterley Market Surveys.

"There's a couple different animals with (cyber insurance)," says Hollederer, senior production broker for Russell Bond. "Really what it is is coverage for the liability that may arise if a business has its paper or electronic systems broken into and people's private information is potentially exposed."

Some agencies are now writing combination coverage for property, theft and liability coverage.

"We are starting to see some more activity (locally)," she says. "We're trying to generate awareness and help people understand what the exposures are."

Dan Kohane, senior partner in the law firm of Hurwitz & Fine P.C., Buffalo, says cyber crime is a big

problem that's only going to get bigger.

"Whether it be from a terrorist attack or from infiltration by intruders or loss of computers, there are all kinds of risk that we face now that we didn't face 10 or 20 years ago," Kohane says. "We always had theft, but now it's theft of data. We always had internal sabotage, but now it's a different kind of sabotage, different kinds of copyright infringement."

Though currently considered expensive, cyber insurance is expected to drop in price as the market for it broadens and matures, he says.

"It is certainly growing and companies from different sectors are starting to sell it," Kohane says.